



EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics (GFS) and quality
Unit D-1: Excessive deficit procedure and methodology

Luxembourg, April 9, 2015

FINAL FINDINGS

EDP dialogue visit to Austria

7-8 July 2014

Executive summary

Eurostat undertook an EDP dialogue visit to Austria on 7-8 July 2014 as part of its regular visits to EU Member States. The purpose of the visit was to review the existing institutional responsibilities for compiling EDP statistics, discuss the quality and exhaustiveness of primary data sources, review the progress in the implementation of action points from the previous visits, discuss the implementation of ESA 2010 and examine the sector clarification of some units and the statistical treatment of specific operations undertaken by government.

First, the institutional arrangements currently in place were reviewed. In particular, the switch in responsibilities between the Austrian National Bank and Statistics Austria as regards the compilation of financial accounts was discussed. In addition, the new data sources for the central (federal) government were overviewed. The issue of bridge tables between public accounts and national accounts was also touched upon. Plans for updating the EDP Inventory will be agreed bilaterally.

Second, as regards the follow up from the previous EDP visits, it was agreed that results of the risk assessment exercise relating to the transfer of responsibilities for compilation of financial government accounts and integration of relevant processes in the data compilation procedures of Statistics Austria will be provided to Eurostat.

Third, the latest EDP 2014 reporting and related compilation issues were discussed. In this context, Eurostat invited the Austrian statistical authorities to closely cooperate on some missing elements in the EDP notification tables. In addition, the Austrian statistical authorities were requested to contact other national bodies in order to verify some transactions relating to factoring without recourse or trade credits restructuring. On the other hand, Eurostat was asked to provide relevant guidelines on the recording of coins issued by Eurosystem.

Fourth, the sector delimitation of a number of entities was discussed and the important changes, brought forward by ESA 2010, were mentioned. The importance of the *Questionnaire on government controlled entities* classified outside general government was highlighted and its close examination revealed a few units for which a more careful analysis would be needed. In addition, the sector classification of specific entities including public hospitals, public transport and infrastructure companies, public holdings and the oil stock piling entity was thoroughly analysed and their classification or follow up on their classification under ESA 2010 was agreed.

Fifth, in relation to specific government transactions, Eurostat was informed about the latest developments as regards the inaccurate data reporting of the region of Salzburg. The classification of certain units in the financial sector was also discussed. On the basis of documentation analysed and arguments put forward, Eurostat and Statistics Austria agreed that the government controlled defeasance structures KA Finanz AG and Hypo Wind Down Entity will be reclassified in the general government sector under ESA 2010. Finally, a few additional points were agreed: follow up on PPP contracts, the sector classification of the ORF (Austrian broadcasting), recording of mobile phones licences in line with the ESA 2010 provisions and, lastly, the debt rescheduling relating to export liabilities.

Introduction

In accordance with Article 11 (1) of Council Regulation (EC) No 479/2009, as amended, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Austria on 7-8 July 2014. The previous Eurostat EDP dialogue visit to Austria had taken place on 25-26 June 2012.

The delegation of Eurostat was headed by Mr Luca Ascoli, Head of Unit D-1 "*Excessive deficit procedure and methodology*". Eurostat was also represented by Mr Denis Besnard, Ms Monika Wozowczyk and Ms Lenka Valenta. The European Commission's Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers. The Austrian statistical authorities were represented by Statistics Austria and the Austrian National Bank. The Federal Ministry of Finance, the Federal Ministry for Transport, Innovation and Technology and KA Finanz AG took part in discussions on certain points of the agenda.

Eurostat carried out this EDP dialogue visit in order to review the implementation of ESA methodology and to ensure that provisions of the Eurostat's Manual on Government Deficit and Debt, as well as the Eurostat's decisions and guidance notes are duly implemented in the Austrian EDP statistics and the Government Finance Statistics (GFS).

The discussions primarily focused on the implications for the Austrian EDP data compilation arising from: 1) the forthcoming changeover to the new methodological framework ESA 2010, 2) the planned switch to integrated and direct data sources for the compilation of nonfinancial and financial government accounts, 3) the recent reform to the federal government's budgetary and accounting framework, 4) the past and upcoming recapitalisation of selected financial institutions and their sector classification and 5) other relevant issues relating to the EDP and GFS data reporting.

In particular, Eurostat reviewed with the Austrian statistical authorities the existing institutional responsibilities as regards the compilation of EDP statistics and government accounts, the quality and exhaustiveness of primary data sources and the sector classification of specific units under the new ESA 2010 rules, e.g. KA Finanz AG, Hypo Alpe Adria Bank International and its subsidiaries, Österreichische Industrieholding AG, ASFiNAG, public transport companies, Bundesimmobiliengesellschaft and its subsidiaries, public hospitals and others.

In relation to procedural arrangements, Eurostat explained the procedure, in accordance with article 13 of Regulation No 479/2009, as amended, indicating that, within days, the *Main conclusions and action points* will be sent to the Austrian statistical authorities for their comments. The *Provisional findings* would be sent to the Austrian statistical authorities in draft form for their review or amendment if necessary. *Final findings* will be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat reminded that, as announced in the June 2014 Financial Accounts Working Group, there will be no separate Upstream Dialogue Visits in the future to EU Member States, and that the dialogue visits will cover upstream issues. Eurostat also explained the recent reorganisation of the Eurostat's Directorate D (Government Finance Statistics (GFS) and quality.

Eurostat thanked the Austrian statistical authorities for all the documents provided prior to the visit and for the explanations given during the mission and considered that the discussions were transparent and constructive.

1. Review of institutional arrangements, EDP data sources and procedures

1.1. Existing institutional arrangements

Introduction

Based on the discussions during the previous dialogue visits (upstream and standard in 2012), and related follow-up exchanges, Eurostat was interested in already implemented or planned changes in the near future, regarding the existing institutional arrangements, involving the legislation underpinning the data collection, responsibilities of various institutions for data collection and compilation and related formal co-operation agreements and practical arrangements.

Discussion

- Legal framework

On 1 January 2014, an amended Austrian Regulation on Public Accounts Statistics entered into force. Eurostat enquired if the Regulation is reviewed on a regular basis and if some other changes were necessary and/or envisaged in the coming years. The Austrian statistical authorities explained that updates to this Regulation are envisaged, however, they will not be regular. They may be for example, linked to some changes on the EU level which will need to be reflected. The data are collected under a flexible format, thus without a need of changing the Regulation. Sending data is legally binding for all the government units and the list of these units is maintained. The first data under this new framework should be available in 2015 for the local government and the state government. As regards the federal (central) government, some further progress will be needed and it may take more time to translate some relevant changes into the budgetary structure. By that time, an interim questionnaire will be used to collect data.

Eurostat was informed that an advisory body responding to Statistics Austria was established in January 2014 in order to facilitate providing data by institutions concerned. Statistics Austria will chair this advisory body. The participants include the Ministry of Finance, state and local governments, social security funds and the Court of Auditors. This body is non-strategic and primarily deals with the data transmission issues (setting what data and in which format to be delivered, etc.).

- Transfer of responsibilities between the Austrian National Bank and Statistics Austria

Statistics Austria is officially in charge of the EDP/GFS data, however it has agreements¹ with the Austrian National Bank, in particular for the compilation of the financial accounts for the government sector. From September 2014, the financial accounts of the government sector will be compiled by Statistics Austria, which prepared the necessary infrastructure in order to overtake this work. The works on the financial accounts of the general government will be integrated into an existing unit of Statistics Austria without a need for deeper organisational changes.

¹ These agreements are: Framework cooperation agreement (signed 2002, amended 2007 and 2012, in force till end of 2017), Annex Financial Accounts for Sector Government (signed 2009, amended 20 March 2013, in force till end of September 2014) and Memorandum of Understanding - Exchange of EDP data (signed 15 April 2013).

- Involvement of the Court of Auditors

Statistics Austria stated that there is some exchange of information on a technical level with the Federal Court of Auditors, which is going to be strengthened. While the flow of information should improve the work of Statistics Austria, at the same time the data confidentiality must be respected. The Court of Auditors checks the compliance with the public accounting framework and, if necessary, imposes some revisions/changes. In this respect, Eurostat stressed the importance of the reports produced by the Court of Auditors in the regular work of the National Statistical Institutes in general and welcomed the cooperation. Statistics Austria also expressed their hope for some better cooperation between the Federal Court of Auditors and the Regional Courts of Auditors.

- Expert groups on the national level

Eurostat asked for details about experience of Statistics Austria in respect of its participation in the related expert groups at national level: the *Maastricht Working Group* and the *Expert group on the implementation of the Austrian Stability Pact*, and in particular about its practical implications. Statistics Austria informed Eurostat that the *Maastricht Working Group* meets twice a year and deals with methodology. The *Expert group on the implementation of the Austrian Stability Pact* meets monthly and has tasks similar to EU level groups, issues guidelines and is also engaged in practical tasks.

Findings and conclusions

Eurostat took note of the changes in responsibilities, practical arrangements and cooperation among various institutions and working groups involved. In addition, the following action points were agreed:

Action point 1: Statistics Austria will provide Eurostat with a copy of the Memorandum of Understanding which will be signed between Statistics Austria and the Federal Court of Auditors. *Deadline: As soon as it becomes available.*²

Action point 2: Statistics Austria, in cooperation with the Austrian National Bank, will make a comparison and analysis of possible differences between the government financial accounts compiled by Statistics Austria, based on integrated and direct sources, and the government financial accounts compiled by the Austrian National Bank, based on counterpart information, as revised to comply with ESA 2010 provisions. The results will be sent to Eurostat. *Deadline: By the end of November 2014.*³

1.2. Availability and use of data sources (review of major developments since the EDP dialogue visit of June 2012 and of upcoming changes)

² The completion of this follow-up action point is in progress.

³ On 28 November 2014 Statistics Austria provided some comments on the differences between the two compilation procedures to Eurostat after having clarified some questions in detail raised during the request for clarification period in October 2014. Further work necessary is to be specified.

Introduction

The federal government budgetary and accounting framework was recently amended and Statistics Austria provided a note on the subsequent changeover to a new data sources. There were also some changes regarding the availability of quarterly data sources for local government units and social security funds, while some improvements also materialized as regards extra-budgetary units. Statistics Austria also provided a note on the final results of the project on the integration of compilation of non-financial and financial government accounts.

Discussion

Statistics Austria explained that the annual public accounts of the federal (central) government have been since recently on an accrual basis and that the system is fully integrated, implying that the flow accounts and the balance sheets are consistent, which was previously not the case. As regards quarterly data, the information is more limited, e.g. it does not include balance sheets. All parts of the new accounting system will be audited. As regards the first (April) EDP notification, the data may not yet be available (or only be preliminary) and thus some complementary data will have to be used instead. Statistics Austria also noted that there are some data availability problems, as data transmissions include figures on a more aggregated basis. In addition, the counterpart information is missing and needs to be dealt with additionally.

All local government units should transmit quarterly data starting 2015 onwards. According to the law, this should have happened already in 2014, but there were some technical delays. Up to now, the compilation of the first (April) EDP data was based on a sample of units.

There were also some improvements regarding the quarterly (financial) data sources for social security funds. For extra-budgetary units, a more detailed balance sheet is available covering various financial instruments.

The issue of compilation of the government financial accounts was again touched upon resulting from a switch of responsibilities, Statistics Austria will use direct and integrated data sources for compilation of the general government data. Eurostat was also informed that the revision of the whole time series of the government financial accounts will be completed by March 2015.

Statistics Austria also confirmed that plausibility checks to verify discrepancies between stocks and flows are carried out at the level of an institutional unit.

Findings and conclusions

Action point 3: Statistics Austria will review with the Federal Ministry of Finance possible solutions for streamlining the provision of source data for the federal government as regards timeliness, level of detail (individual accounts where relevant), integration of the information coming from different data sources and transmission channels (the usage of electronic data transmission for all data sets). Results of the review will be provided to Eurostat. *Deadline: By the end of December 2014.*⁴

⁴ On 28 November 2014 and 2 January 2015 Statistics Austria informed Eurostat on the ongoing discussions with the Federal Ministry of Finance. The completion of this follow-up action point is in progress.

Action point 4: Statistics Austria will provide Eurostat with an updated report on the availability and quality of the annual and quarterly federal government data used for the compilation of the EDP/GFS data. *Deadline: By end of November 2014.*⁵

1.3. Bridge tables

Introduction

Alongside the update of the *EDP Inventory*, Member States are supposed to provide several annexes, including a bridge table. This set of supplementary information is solely for the internal needs of Eurostat and it is not published. All documents should be updated, if relevant, on an annual basis.

Following the request for documentation prior to the EDP dialogue visit, three bridge tables were supplied by Statistics Austria: 1) for compilation of non-financial accounts under ESA95, 2) for compilation of non-financial accounts under ESA 2010 and 3) for compilation of financial accounts.

Discussion

Eurostat asked how often these bridges are updated and how the splits of some transactions (if needed) are done. Statistics Austria explained that the bridge tables are regularly reviewed and that there are adaptations during the year (at least twice). The splits are then done in cooperation with the government unit involved and sometimes the whole transaction is reclassified.

Findings and conclusions

Action point 5: Statistics Austria will provide Eurostat with the chart of accounts/references to the budget classification or descriptions of relevant public accounts frameworks necessary to understand codes used in their internal system of bridge tables. *Deadline: By the end of December 2014.*⁶

1.4. Revision policy

Introduction

The new *EDP Inventory* contains Chapter 4 on "Revision policy used for annual GFS", however, this chapter has not yet been supplied to Eurostat. Other issues are the upcoming revisions in the context of the ESA 2010 implementation and data release calendar and communication policy in relation to the ESA 2010 revisions at national level.

Discussion

Eurostat requested details on major features of the revision policy. Statistics Austria confirmed that the revision policy calendar for the government sector data is integrated with the general revision

⁵ On 28 November 2014 Statistics Austria informed Eurostat on the ongoing discussions with the Federal Ministry of Finance. The completion of this follow-up action point is in progress.

⁶ Action point is completed.

policy schedule of national accounts, so that coherence across all the datasets is ensured. The regular revisions take place usually every 3 years, while the major (benchmark) revisions are carried out from time to time.

As regards the ESA 2010 implementation, a workshop was organised in December 2013 for the public (including universities, research institutions, etc.) in order to explain the most important features of the new ESA 2010. Besides, it was confirmed that the whole time series 1995 – 2003 will be revised in order to conform to ESA 2010. At the same time, all breaks in time series will be removed. Finally, Statistics Austria noted that they maintain a release calendar which is regularly updated.

Findings and conclusions

Eurostat took note of the explanations provided.

1.5. EDP Inventory

Introduction

Following the June 2012 EDP visit, Statistics Austria updated their *EDP Inventory* and the update was published on Eurostat's website. However, Austria has not yet entirely completed the *new EDP Inventory*, and some of the annexes to the *Inventory* have not yet been supplied.

Discussion

Eurostat made a summary of what has been delivered up to now. Statistics Austria has provided the following parts: section 1 and 2 on institutional arrangements (in September 2013), section 5 on the sector classification (prior to the June 2012 SDV) and several items of section 7 (PPPs, UMTS, financial derivatives, pensions, lump sum pension payments, securitisation, transactions with the Central Bank, payments for the use of roads, sales and lease back operations). Eurostat asked when the remaining parts of the *new EDP Inventory* will be available. Statistics Austria explained that in the last months the priority was given to the implementation of the forthcoming ESA 2010 and that there are currently no precise plans relating to the updating of the *EDP Inventory*. Moreover, the general government sector under ESA 2010 will contain new units and all the parts will thus need to be reviewed. As a result, Statistics Austria is currently not in the position to commit to some exact deadline.

Findings and conclusions

Action point 6: Statistics Austria and Eurostat will agree bilaterally on the schedule for completion of the *EDP Inventory* in the new template. *Deadline: By the end of August 2014.*⁷

2. Follow-up of prior EDP visits

⁷ The schedule for completion of the EDP Inventory in the new template has been agreed already: by the end of 2015, the EDP Inventory, on the basis of ESA2010, must be ready for publication. Statistics Austria shall start providing to Eurostat draft information as soon as possible.

2.1. EDP upstream dialogue visit of January 2012

Introduction

Eurostat has undertaken an upstream dialogue visit (UDV) to Austria on 17-19 January 2012. As a result of this visit, 10 action points were formulated, which primarily concerned institutional arrangements, risk assessment, register of public units, IT issues, hospitals and government accounting issues.

Discussion

As regards the UDV action point 4 relating to a risk assessment exercise relating to the transfer of responsibilities for compilation of financial government accounts and integration of relevant processes in the data compilation procedures, Statistics Austria informed Eurostat about the latest developments, including a switch of responsibilities (see above). The risk management will be incorporated in a small unit and one person will deal with all statistical areas, not just with the EDP issues. In case of some tangible results, they will be provided to Eurostat. The most important projects were identified in order to secure their operational business continuity, but it is an ongoing work.

Concerning the UDV action point 5 relating to a register of public units (a register defining a full population of entities on which the 50% market/non-market test would be applied), Statistics Austria confirmed that they are the leading body in the classification of units and the consistency of the classification of government/public units and the central register of units is secured.

With regard to the UDV action point 8 on public hospitals, Statistics Austria noted that they receive individual financial statements directly from the units.

Regarding the UDV action points 9 on government accounting issues, in particular on the harmonisation of public accounting among entities at central, state and local levels as well as on the harmonisation with international statistical and accounting requirements, Statistics Austria noted that, despite their effort in this respect, no substantial progress had been achieved.

Finally, the UDV action point 10 requested that source data on all taxes and social contributions are provided on both cash and accruals bases and that in addition, liabilities deriving from obligations of pension schemes would be disclosed in a separate annex to balance sheets. Statistics Austria confirmed that they have access to both.

Findings and conclusions

Action point 7: Statistics Austria will provide Eurostat with the results of the risk assessment exercise (recommended in the final report from the upstream dialogue visit which took place in January 2012) with regard to developments in availability and use of data sources, data compilation procedure and changes to the institutional arrangements relating to the production of government financial accounts. *Deadline: By the end of October 2014.*⁸

2.2. EDP dialogue visit of June 2012

⁸ The action point is completed.

Introduction

As a follow-up of the EDP dialogue visit to Austria 25-26 June 2012, 26 action points were agreed., The Austrian statistical authorities were responsible for completion of 22 of the actions, while four action points were to be completed by Eurostat. In one case the completion involved provision of more detailed methodological guidance (sector classification of hospitals). At the end of June 2014, according to Eurostat's common monitoring tool, 17 action points were considered to have been accomplished, whilst 8 action points were still in progress: action points (AP): AP 1 - bridge tables, accrual recording, switch to direct and integrated data sources for production of financial accounts, AP 2 - EDP Inventory, AP 5 - completeness of EDP tables, time of recording of interest, AP 6 - completeness of EDP questionnaire table 8.1, AP 13 and AP 19 - sector classifications, AP 21 and AP 22 - EU flows, and one action required has not yet started (AP 16 - trade credits).

Discussion

Statistics Austria confirmed that action points: 1, 2, 5 and 6 are work in progress. Action points 13, 16 and 19 will be discussed and agreed within this July 2014 visit, while the action points 21 and 22 need to be further internally discussed.

Findings and conclusions

Eurostat took note of the explanations provided.

3. Review of the 2014 EDP reporting and of related data compilation issues

3.1. EDP tables

3.1.1. Completeness of the EDP tables

Introduction

The information on the adjustments related to issuance and redemption of debt above and below the nominal value is missing in the EDP notification tables 3C (state government), 3D (local government) and 3E (social security funds).

Discussion

The Austrian National Bank explained that the information on issuances and redemptions of debt above and below the nominal value is currently not available. The Austrian Treasury was asked to provide the data, but up to now nothing has been provided.

Findings and conclusions

Action point 8: The Austrian Treasury will provide all necessary data to Statistics Austria and the Austrian National Bank for estimation of the value of issuances above and below nominal value

(to be reported in the EDP table 3C and 3D) with respect of issuances carried out on behalf of other government units in state and local government. *Deadline: By 15 August 2014.*⁹

3.1.2. Reporting of data in EDP table 2A following the reform of the federal government's budgetary and accounting system

Introduction

Since 2009, the reform of the federal budgetary and accounting framework has been on-going. As requested by Eurostat, Statistics Austria provided a note on major changes in this respect and on their implications for statistical reporting.

Discussion

Statistics Austria confirmed that the working balance in the EDP notification Table 2A (federal government) was in April 2014 on a cash basis and that in September 2014 the situation will not change. However, from April 2015, the working balance will be on an accrual basis and therefore the transition from the working balance to net lending/borrowing of the central (federal) government may exclude some adjustments or include new ones, if necessary.

Findings and conclusions

Eurostat took note of the information provided.

3.1.3. Consolidation of non-financial flows (EDP table 2) and of financial flows and stocks (EDP table 3)

Introduction

Eurostat has observed and reported to Statistics Austria negative values for relevant ESA categories when making consistency checks in the non-financial accounts. On the other hand, there are rather substantial on-lending transactions by the Austrian Treasury for the state governments (Länder). It is important to ensure that the consolidation procedure does not impact the deficit and debt reporting. This issue was included on the agenda of the 2012 EDP dialogue visit.

Discussion

Eurostat asked about the consolidation of national accounts flows, in particular in case of difference between "payable" and "receivable" and if there is any preference for any of the two sides of the transaction. Statistics Austria said that there is an equalisation procedure, first at the level of subsector without a prioritising one or the other side. Then there is an automatic procedure at the level of the general government, but Statistics Austria looks at details and basic data sources, if necessary. In particular, big transactions in capital transfers or other current transfers can be identified. One of the complications, as regards consolidation concerns the city of Vienna, which has

⁹ During the request for clarification period in October 2014 Statistics Austria informed Eurostat on the status quo of this work. The completion of this follow-up action point is in progress.

in national accounts a dual nature, as it acts both as a state and as a municipality and it is difficult to distinguish between the two roles in national accounts. The information is also not available for all programmes (e.g. education).

Eurostat further inquired about consolidation of the government financial accounts, in particular loans among subsector. Statistics Austria explained that lending exists both from the Treasury to the state governments and from the state governments to the local governments. These operations should be covered in their Budgets and can be then identified on both sides.

The social security funds hold central government bonds, and sometimes local governments may also hold bonds of other governments. The Austrian National Bank confirmed that these may invest directly and they are not obliged to go through the Treasury. Statistics Austria added that the local governments (except for Vienna) are not allowed lending money via the Treasury and that they do not invest their funds with the Treasury, but in commercial banks.

Findings and conclusions

Eurostat took note of the explanation provided.

3.1.4. Statistical discrepancies in EDP tables 3

Introduction

Even though the level of the statistical discrepancies in the EDP tables 3 decreased over recent years, it remains rather substantial, for both types of discrepancies: the difference between non-financial and financial accounts and for other statistical discrepancies. Considerable progress is awaited as a result of the switch of responsibilities for production of the government financial accounts and as a result of the use of direct, integrated data sources for all levels of government.

Discussion

Eurostat noted that there seems to be some link between transactions in currency and deposits and the negative statistical discrepancy and added that such a pattern was noticed in a few other EU Member States due to an inaccurate reporting in the Money and Banking Statistics. The Austrian National Bank said that they cannot exclude this option. Statistics Austria informed Eurostat that they have not checked it yet with direct data sources, but the information should be now available and they could check it, e.g. for Vienna.

Eurostat also suggested that there can be a time lag between issuance of bonds and the not yet corresponding cash flow (end year issuance of debt). The problem of financial derivatives was also discussed.

Eurostat, furthermore, asked about the difference between interest accrued and paid, which was not reported in the EDP tables. Such a situation may be a source of statistical discrepancy (even small). Statistics Austria informed Eurostat that they requested more information and that there will be progress made, in particular starting with the April 2015 EDP notification.

Findings and conclusions

Eurostat took note of the information provided.

3.1.5. Trade credits

Introduction

In April 2014, Austria reported for the second time data on government liabilities arising from trade credits and advances. The data for three years (2010-2012) were provided. The data are flagged as 'estimates' and published in the note on trade credits with the following footnote: "*Currently, the compilation methods for the Financial Accounts and Balance Sheets for Sector General Government in Austria undergo a substantial revision. In principle direct data will be used instead of counterpart information; first results will be published (transmitted according to the ESA 2010 Transmission Programme) in September 2014. The figure for the year 2012 should be seen as a rough estimate originating from "work in progress" in this field.*"

Discussion

Statistics Austria confirmed that the preliminary results of the project will be available in September 2014. In April 2015, also the data on trade credits for year 2014 will be reported.

The Austrian National Bank stated that the trade credits data have not been so far in the government financial accounts and therefore the EDP Tables 3 and 4 have not been consistent, but they will become consistent from the October 2014 EDP notification.

As regards the restructuring of trade credits, Statistics Austria stated that they asked the Ministry of Finance and the Treasury whether such cases existed and it was corroborated that, so far, there have been no government trade credits restructurings in Austria.

Concerning the factoring operations, Eurostat asked which institutions is the data/information source provider, e.g. if it comes from the banking supervision. The Austrian statistical authorities answered that they will review this issue.

Findings and conclusions

Action point 9: The Austrian statistical authorities will take contact with the Federal Court of Auditors, relevant banking supervisory authorities and Federal Procurement Agency, to verify whether there are cases of factoring without recourse and of restructuring of trade credits involving government, in order to implement Eurostat rules. *Deadline: By the end of September 2014.*¹⁰

3.1.6. Others - Treatment of coins issued by Eurosystem

Introduction

This point was included on the agenda due to a request of Statistics Austria. ESA 2010 contains a new Box 5.2 - Currency issued by the Eurosystem, which says that "... *coins are issued by central governments in the euro area, although, by convention, they are treated as liabilities of the national*

¹⁰ Action point is completed.

central banks which as a counterpart hold a notional claim on general government. Euro banknotes and coins may be held by euro area residents or by non-residents of the euro area".

Discussion

Eurostat stated that for euro area coins should not be recorded as a liability of the government sector. It was noted that some EU Member States treat this liability as other accounts payable, which as a consequence decreases government debt. However, Eurostat is clearly in favour of recording it as a long term (imputed) loan, as there is a commitment of the Treasury to redeem them. Furthermore, Eurostat declared that a questionnaire will be circulated to countries in order to seek their views on this issue. Nonetheless, the provisions of the ESA 2010 must be followed.

Statistics Austria stated that the treatment should be agreed with the ECB and that they will check the sector classification of the Münze Österreich AG, which is a subsidiary of the Austrian National Bank responsible for minting Austrian coins.

Findings and conclusions

Action point 10: Eurostat will provide guidance to the Austrian statistical authorities following a possible clarification at the European level on the treatment of coins issued by the Eurosystem. *Deadline: By the end of September 2014.*¹¹

3.2. Questionnaire relating to EDP tables

No particular issues were raised.

3.3. Supplementary tables for the financial crisis

No particular issues were raised.

4. Methodological issues (including the changeover to ESA 2010 and resultant revisions to general government data)

4.1. Sector delimitation

4.1.1. Practical aspects of sector classification

No particular issues were raised.

4.1.2. Questionnaire on government controlled entities

¹¹ Action point is completed.

Introduction

The *Questionnaire on government controlled entities* is part of the regular screening carried out by Eurostat. It contains a list of government controlled (public) units, which are classified outside the general government sector. Such entities may be classified either in the non-financial or financial corporations sector or in the sector of the non-profit institutions serving households. In the case of Austria, this list contains about 8500 entities.

Discussion

First of all, Eurostat explained in detail the notion of captive financial institutions controlled by government and affirmed that an amended methodological guidance regarding these specific public institutions will be available in the next version of the Manual on Government Deficit and Debt (2014 edition), which will be published towards the end of the summer 2014. Statistics Austria noted that in the case of Austria it seems that such institutions are very few (if any) and some of them, which could be perceived as having similarities to captive financial institutions controlled by government (e.g. housing funds), are already (or will be since September 2014) classified in the government sector based on the qualitative criteria (e.g. the BIG company and LIG companies).

In the light of the forthcoming ESA 2010, Eurostat explained the difference between “head offices” and “holding companies”. It was also noted that, according to rules, no financial holding controlled by government can be classified in the financial corporations sector, as it has to be included in the government sector. The notion and the treatment of artificial subsidiaries in national accounts were also reiterated.

Eurostat then, together with Statistics Austria, reviewed the list of government controlled entities and asked some additional questions about specific cases. It was pointed out that the entities from this list with no or very small number of employees should be checked regularly in order to decide on their proper sector classification.

Findings and conclusions

Eurostat highly appreciated the work of the Austrian statistical authorities in the implementation of ESA 2010 in this context. Furthermore, the following action points were agreed:

Action point II: Concerning the classification of units, Statistics Austria will verify the available information on the entities controlled by government with a view to undertake¹²:

- a) The identification of cases of captive financial institutions controlled by government. *Deadline: By the end of September 2014.*
- b) A more detailed analysis of cases related to holding companies and head offices, taking into account whether the entity exercise managerial control over its subsidiaries as well as the number of its employees. *Deadline: By the end of September 2014.*
- c) The review and update of the information in the questionnaire on government controlled entities and the investigation of cases of public companies where information on liabilities and other indicators are labelled as not available (M). *Deadline: By the end of September 2014.*

¹² All actions points are completed.

- d) A detailed examination of the following cases of public companies: Land Niederösterreich. Vermögensverwaltung GmbH & Co KG and Verbund International Finance GmbH (missing values and very low number of employees). *Deadline: By the end of September 2014.*
- e) The examination of all cases of public companies, from the questionnaire on government controlled entities, with zero employees. *Deadline: By the end of September 2014.*
- f) The confirmation of the correctness of entries on RAIBA Oberdrautal-Weissensee reg. GmbH on the above mentioned list of public companies and of its sector classification. *Deadline: By the end of September 2014.*

4.1.3. Sector classification of specific entities

Introduction

Under this point of agenda, the sector classification of specific (groups of) units was reviewed and discussed in the light of forthcoming ESA 2010, which may affect the sector classification of these units and, thus, have an impact on government deficit and debt data. The following public institutions were reviewed in detail by Eurostat together with the Austrian statistical authorities: public hospitals, Bundesimmobiliengesellschaft mbH¹³ (BIG) and its subsidiary Austrian Real Estate GmbH (ARE), Österreichische Bundesbahnen (ÖBB) Holding AG¹⁴ and its subsidiaries, Wiener Linien GmbH, Schieneninfrastruktur-Dienstleistungsgesellschaft mbH (SCHIG), Autobahnen- und Schnellstraßen-Finanzierungs-Aktiengesellschaft (ASFiNAG), Österreichische Industrieholding (ÖIAG) and Erdöl-Lagergesellschaft mbH (ELG).

Discussion

- Public hospitals

As requested, Statistics Austria provided a note on the sector classification of hospitals, including a complete list of hospitals in Austria, indicating their current sector classification (under ESA95) as well as the future classification under ESA 2010. Data on the six largest hospitals were also provided.

Statistics Austria confirmed that all public hospitals will be reclassified in the government sector (either in the state or local government) by the end of September 2014. It was explained that payments to hospital made under the DRG-based system cannot be any longer considered as “sales” according to the ESA 2010, which is much more specific, compared to ESA95, about the concept of economically significant prices.

It was also stated that it is expected that these public hospitals reclassifications will imply a significant increase in output, but insignificant effect on government debt, as the debt of the biggest public hospitals was already included in the government sector through rerouting. As regards government deficit, prior to the reclassification, all relevant deficit impacts on government accounts have been properly captured by compliance with the rules on the recording of capital injections and

¹³ "Gesellschaft mit beschränkter Haftung", shortly GmbH, is a form of a limited liability company.

¹⁴ "Aktiengesellschaft" shortly AG, is a joint-stock company.

debt assumption. The reclassification had not yet been finalised at the time of the visit, and thus the exact impact will be communicated before the October 2014 EDP notification.

- *ÖBB Holding AG and its subsidiaries*

The former ÖBB company was reorganized in 2005. This reorganisation resulted in the creation of ÖBB Holding AG. The Republic of Austria holds 100% of the ÖBB Holding AG shares, while the management of the share rights is done by the Austrian Federal Ministry of Transport, Innovation and Technology. ÖBB Holding AG has several subsidiaries. The two most important subsidiaries are ÖBB Infrastruktur AG and Personenverkehr AG. There are other subsidiaries (e.g. Rail Cargo Austria), but they are not relevant. All subsidiaries are fully owned by ÖBB Holding AG.

Statistics Austria informed Eurostat that the market/non-market test is calculated at the level of the institutional unit. Under ESA 2010, both ÖBB Infrastruktur AG (rail infrastructure) and ÖBB Personenverkehr AG (personal mobility service provider) will be reclassified into the central government on the basis of the market/non-market criterion. The situation of another subsidiary, ÖBB Rail Cargo Austria, will be rechecked. Up to now, it was classified in the non-financial corporation sector, similarly to the remaining subsidiaries.

Eurostat also enquired about the ÖBB-Holding AG itself (the mother company). The representative from the Ministry of Transport, Innovation and Technology stated that there is in fact a three levels structure in this holding, i.e., the holding, the subsidiaries and the ancillary activities. The ÖBB-Holding employs more than 120 people and provides various services to its subsidiaries. Eurostat noted that the ÖBB-Holding AG seems to satisfy the conditions to be treated in national accounts as a “head office” outside the general government sector. However, the ancillary activities should be carefully overviewed in the light of ESA 2010.

- *Wiener Linien GmbH and SCHIG mbH*

The Wiener Linien is Vienna’s public transport operator and is responsible for some underground, tram and bus lines. Statistics Austria noted that, under ESA 2010, the Wiener Linien will be reclassified to the local government sector on the basis of the market/non-market criterion, starting from 1995.

Statistics Austria confirmed that they analysed other public transport companies and there was no need to reclassify them in the general government sector.

The SCHIG provides assistance to the Federal Ministry of Transport, Innovation and Technology (controlling, consulting and managing services in creating and developing infrastructure). It is rather a small-sized unit and Statistics Austria stated that, on the basis of the ESA qualitative criterion, it will also be reclassified in the government sector.

- *ASFiNAG*

ASFiNAG is a corporation which is fully owned by the Austrian Republic. ASFiNAG has a wide range of tasks, which include the construction and planning of new road projects, the operation and maintenance of the existing network, collecting tolls and developing telematics services across the entire Austrian territory. Up to now, it has been classified in the non-financial corporations sector.

Eurostat made an overview of similar entities in the EU Member States including their sector classification (mostly in the government sector). Statistics Austria stated that this issue was already

discussed in the past and since then there have not been any changes, which might induce a change in the sector classification of this unit according to national accounts rules.

The Ministry of Transport, Innovation and Technology (Ministry of Transport) explained that ASFiNAG does not receive any direct financing from the government (including subsidies). The revenues are raised through vignettes and tolls. Their price is determined as follows - ASFiNAG makes a proposal to the Ministry, which considers and must agree with the proposal. In this way, the price could be seen as regulated by the Ministry of Transport.

Statistics Austria added that, from 1982 to 1996, ASFiNAG was a kind of an ancillary entity serving government and the tolls were considered as revenue of government. Within the substantial reorganisation in 1997, the accumulated debt was attributed to the ASFiNAG.

Eurostat asked more information about the so-called usufruct contract concluded between ASFiNAG and the Austrian government, and in particular if it could be assimilated to some kind of concession contracts. The Ministry of Transport replied that it means that the government gives to ASFiNAG the right to run the network, while the usufruct is not transferable to other company. According to the IFRS, it is treated as intangible assets (and not as a tangible one).

In this respect, it was also said that no concession contracts exist in Austria. Eurostat clarified the meaning of a “concession” as it is understood in national accounts and described in more detail the provisions in the Manual on Government Deficit and Debt.

In addition, Eurostat asked about the financing of ASFiNAG and about the government guarantees granted to the entity. The Ministry of Transport explained that ASFiNAG finances itself from the market and sends the information on its debt to the Ministry. The Parliament then discusses the borrowing of the ASFiNAG in order to grant government guarantees. The Ministry confirmed that ASFiNAG’s debt is entirely and unconditionally guaranteed by the government so that the corporation can borrow on the market under better conditions. Nevertheless, the Austrian Treasury cannot lend directly to ASFiNAG.

The Austrian authorities also specified that ASFiNAG does not have just a single concession contract with government, but has entered into contracts also with other private entities.

Eurostat further asked if the ASFiNAG’s budget had to be approved either by the Ministry of Transport or the Parliament. The Ministry of Transport replied that this is the case but the approval is rather formal and just in order to coordinate associated activities.

- *BIG mbH and its restructuring*

Statistics Austria informed Eurostat that the Bundesimmobiliengesellschaft mbH (BIG), which manages Austrian publicly owned real estate and is solely owned by Austrian government, will be reclassified into the general government sector from 2002 onwards, i.e., at the time when a considerable amount of government non-financial assets were transferred to BIG. This reclassification will be done due to the qualitative criteria of ESA 2010. In 2012, a restructuring of BIG was carried out, which resulted in the creation of a new BIG subsidiary - Austrian Real Estate GmbH (ARE). Under ESA 2010 rules, also ARE will be classified, since its creation, in the government sector.

- *ÖIAG*

Österreichische Industrieholding AG (ÖIAG) is the Austrian Industrial Holding stock corporation for privatization and investments, established by special law, which holds the investment shares of the Republic of Austria in (currently) 8 partially or entirely public owned companies. The tasks ÖIAG has been entrusted with, have partially changed over time and in the past they included also some privatisation activities.

The sector classification of ÖIAG had already been discussed in the past (action point 19 of the 2012 EDP visit). In the end, it was agreed that the Austrian statistical authorities would revisit the sector classification of ÖIAG under ESA 2010.

Eurostat noted that there were some issues to be discussed, in particular regarding the autonomy of decision and market orientation (activities) of the entity. It could be considered that the company sector classification represented a borderline case. It had features at the same time (in national accounts under ESA 2010) of a head office, a holding company and of an entity providing ancillary services to its owner (government).

As regards the autonomy of decision, Eurostat enumerated the following elements. First of all, government could order ÖIAG to establish a new subsidiary. ÖIAG could sell shares only if it was allowed by government and at the same time public control of the company (through a blocking minority or similar features) had to be assured. Government can also instruct ÖIAG to inject money in financial institutions in distress. ÖIAG has a special legal status and it is exempted from paying taxes and charges. ÖIAG is also exempted from the compilation of a consolidated balance sheet for the group. In addition, there are strict rules (made by government) on how to use the profit, i.e. how profit has to be distributed or used to repay liabilities, etc. Also the last privatisation carried out by the ÖIAG was overseen by government. All the above casts doubts on the autonomy of decisions of ÖIAG, as understood in national accounts.

Eurostat also added that ÖIAG neither interferes in the management of the companies in which has shares nor provides them services. ÖIAG has (at least) a blocking minority, but does not have a real control over these companies. Finally, the only revenue of the ÖIAG comes from dividends. As a result, Eurostat considered that such features rather indicate the sector classification in national accounts inside the government sector, either as a holding company or possibly as an entity providing ancillary services (to be integrated with the entity it serves). In addition, the privatisation tasks should be (re)allocated to the general government sector.

Statistics Austria stressed that the ÖIAG will be reorganised very soon including its strategic orientation and it may get also some new tasks. As a result, the sector classification issue will need to be once again reviewed. Eurostat stated that the review should be done as soon as possible and in the context of the forthcoming ESA 2010.

- *ELG mbH (oil stock piling entity)*

Eurostat reiterated the background of the issue. According to Council Directive 2009/119/EC, a Central Stockholding Entity (CSE) may be established in the EU Member States in order to ensure the maintenance of emergency crude oil and/or petroleum stocks to be used in the event of a crisis. It was mentioned that a guidance note on the classification of Central Stockholding Entities under ESA 2010 is currently under preparation by Eurostat and should be finalised and published soon. In most cases, such entities are government controlled and in this case should be classified in the government sector.

Statistics Austria noted that the so called oil stockpiling entity is Erdöl-Lagergesellschaft mbH (ELG), which is a private entity classified outside the government sector. Although the business of the ELG is heavily regulated (including the pricing policy), ELG has some other activities (of a non-profitable nature). It was pointed out that, although the government has power to decide what to do with these stocks (in case of emergency), the oil companies (which pay fees to the ELG for their stockholding obligations) would be compensated. It was also stressed that this entity could also be seen as a borderline case and would need some further statistical analyses, in particular after the Eurostat guidance note on this issue will be published.

Findings and conclusions

Action point 12: Eurostat takes note of Statistics Austria decision that, based on the ESA 2010 (qualitative or quantitative) rules, numerous government controlled entities, including public hospitals, ÖBB Infrastruktur AG, Wiener Linien, BIG and its subsidiary Austrian Real Estate, will be reclassified into government sector for October 2014 EDP notification.¹⁵

Action point 13: If necessary Eurostat will request further information from Statistics Austria about ASFINAG with a view of taking a final decision on its sector classification. *Deadline: By the end of August 2014.*¹⁶

Action point 14: Eurostat considers that several elements (very limited autonomy of decision, strict control by government, special legal status, no active management of its subsidiaries, and strict limitation of its activity due to government regulation) would point to the reclassification of the ÖIAG to the general government according to ESA 2010 rules. Statistics Austria is asked to review the ÖIAG case and report the results to Eurostat. *Deadline: By the end of August 2014.*¹⁷

Action point 15: Statistics Austria will reflect on the sector classification of the Erdöl-Lagergesellschaft mbH (the Austrian oil-stock piling entity) following clarification of Eurostat and provide Eurostat with the results of the analysis. *Deadline: By the end of September 2014.*¹⁸

4.2. Time of recording

4.2.1. Taxes and social contributions

Introduction

The latest version of the *Questionnaire on taxes and social contributions* (extended version prepared in July 2013) was received by Eurostat at the end of 2013. The *Questionnaire* details the sources and methods used in the implementation of Council Regulation 2516/2000 on the recording of taxes and social contributions.

¹⁵ Action point is completed.

¹⁶ The completion of this follow-up action point is in progress.

¹⁷ During the request for clarification period in October 2014 Statistics Austria provided the results of its review of the ÖIAG case to Eurostat. The completion of this follow-up action point is in progress.

¹⁸ Action point is completed.

Discussion

Eurostat asked about the treatment of tax refunds. Statistic Austria noted that these are recorded on a cash basis. It was also confirmed that there are some payable tax credits. The information comes from the Federal Ministry of Finance, but unfortunately it is at present not detailed enough for further investigating the issue.

Findings and conclusions

Eurostat took note of the explanations provided and stressed that there has been a revision of the treatment of tax credits in ESA 2010 and that various ESA 2010 expenditure categories may be involved. The time of recording of these transactions has to conform to the ESA 2010 provisions.

4.2.2. Interest

Introduction

The Austrian Treasury carries out some transaction on behalf of the Austrian state governments. See also section 3.1.4 above.

Discussion

The Austrian Treasury explained that they do not use swaps for taking risk exposures, i.e. with no link to any debt instrument, but use them only for pure hedging. There is no gain for the Treasury, it is neutral.

In addition, the Austrian statistical authorities (Treasury) confirmed that for financial assets, based on the source data, it is possible to distinguish between holdings gains/ losses and property income. Thus, there are no holding gains included in interest.

As regards the swaps cancellation, the Treasury informed Eurostat that compensations were one-off paid.

Finally, the revisions to the interest payable observed in April 2014 were caused by one-off problems arising from the amendment of the federal government accounting framework and a structural solution has been implemented in this context.

Findings and conclusions

Eurostat took note of the explanations provided.

4.2.3. Other expenditure and revenue items and financial transactions

No particular issues were raised.

5. Specific government transactions

5.1. Specific government transactions at the level of Länder, including follow-up on the Salzburg case

Introduction

On 9 October 2013, the Federal Court of Auditors released its findings on the financial situation of the Land Salzburg¹⁹. The report revealed that a non-negligible amount of the Salzburg Land's liabilities were not recorded in its public accounts and, consequently, raised concerns about the quality of the EDP data compiled. Given the amounts involved and the uncertainties over the statistical implications of the auditors' findings, Eurostat decided to express a reservation on quality of the Austrian EDP data in its EDP press release of October 2013. Over the autumn 2013 and early 2014, Statistics Austria investigated the issue and provided Eurostat with information on its findings. The case was further discussed over March 2014 and in the context of the clarification on the April 2014 EDP reporting. Consequently, it was decided that, following the revisions of figures undertaken by Statistics Austria, the reservation could be lifted.

Discussion

Eurostat explained that, since November 2011, the European Commission can launch an investigation if there are suspicions of manipulation of statistics due to deliberate misreporting and/or serious negligence according to the Regulation.²⁰ This regulation gives to Eurostat the power to investigate such cases. Eurostat asked for an overview of the latest developments on the case of Land Salzburg.

Statistics Austria informed Eurostat that there were investigations on the case from the Federal Court of Auditors and the State Court of Auditors.

Statistics Austria also stated that the data request sent to the authorities in Salzburg in September 2013 had not been answered and that 2 weeks later it appeared that the Audit report suggested that there had been a deliberate inaccurate reporting of data for 3 years. Statistics Austria said that a management crisis unit had been put in place and responsibilities had moved (including the reporting unit of Salzburg Land) and that, due to this fact, there had been an absence of continuity of work and reporting to Statistics Austria, which consequently lacked the necessary figures and documentation. As a result, only estimations could be used. The years 2010-2013, in this respect, had been (re)compiled, including the quarterly figures.

Statistics Austria added that, at that time, there was no regular exchange of information with the Court of Auditors, and as a consequence their report had not been sent to Statistics Austria, which was consequently not informed. This has recently changed and cooperation with the Court of Auditors was established.

¹⁹ "Land Salzburg" is a state in Austria with a capital city Salzburg. In statistical terms, the Land Salzburg is one of the states in Austria, which are classified in the state government subsector (S.1312).

²⁰ Regulation (EU) 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area.

Finally, Statistics Austria informed Eurostat that the 2013 annual data as well as the first quarter of 2014 had not been received in their entirety. In case there would be no new information forthcoming, no revision for the October 2014 EDP notification would be done (compared to April 2014).

Findings and conclusions

Action point 16: Eurostat will further reflect on the case of inaccurate reporting of data from public accounts of the region of Salzburg (state government). The Austrian statistical authorities will provide to Eurostat final data on the debt of Salzburg region for the year 2013. *Deadline: By the end of September 2014.*²¹

5.2. Government aid to the financial sector

5.2.1. Sector classification of defeasance structures

5.2.1.1. KA Finanz AG

Introduction

KA Finanz AG was established in November 2009 as a result of the split of Kommunalkredit Austria AG. KA Finanz AG is owned by the Austrian federal government and its shares are held under trusteeship by FIMBAG, a subsidiary of ÖIAG. The purpose of KA Finanz AG is to wind down impaired non-strategic assets of the former Kommunalkredit Austria AG and the entity is not supposed to engage in any new business. In 2011, the sector classification of KA Finanz AG was examined and discussed with the Austrian statistical authorities and the unit had remained classified to the sector of financial corporations. Considering the forthcoming implementation of ESA 2010, on 3 July 2014, Eurostat sent an official letter²² requesting the reclassification of KA Finanz AG in the general government sector under ESA 2010.

Discussion

Eurostat reiterated the latest developments concerning the classification of the government controlled defeasance structures in other Member States. The conclusions of the June 2014 Financial Accounts Working Group supporting the reclassification of KA Finanz AG were also mentioned.

The representative of KA Finanz argued that "non-strategic" assets had been moved to KA Finanz AG, and that the level of government support or involvement has declined substantially over time.

Eurostat pointed out that KA Finanz AG has incurred substantial losses (in particular in 2011), originating from the Greek PSI and also holds a considerable amount of problematic assets, as stated in many official documents. The main activity of KA Finanz AG is the resolution of these problematic assets. As this generates losses, subsequent recapitalisations in the form of capital injections (treated in national accounts as capital transfers) are needed. Moreover, KA Finanz AG is closed to new deposits as well as to any new lending activity. In addition, the following elements

²¹ The EDP data notified by Statistics Austria on 30 September 2014 covered the final debt for the region of Salzburg. The completion of this follow-up action point is in progress.

²² Note: available at: [Austria - Sector classification KA Finanz AG \(ESA 2010\)](#).

also had to be taken into account - the nationalisation of KA Finanz, government 100% shareholding, the guarantees granted by government for 3 commercial paper programmes of KA Finanz AG and continuous capital injections undertaken by government.

The representative of KA Finanz stated that KA Finanz AG is not legally restricted to receive new deposits, but has chosen not to accept them. In addition, KA Finanz AG has never had a retail banking licence, but only a wholesale banking licence. It was also confirmed that KA Finanz AG does not undertake any new lending.

Eurostat then noted that KA Finanz AG cannot compete on the markets. It was also confirmed that there will be a progressive run down of KA Finanz AG which was established just for a limited lifetime (until 2025).

The ECB stated that they do not share Eurostat's view expressed in the letter sent to Statistics Austria on the fact that KA Finanz AG was a public defeasance structure controlled by government under ESA 2010. The ECB also noted that they believed that two other government controlled defeasance structures in other EU MS were different cases from KA Finance AG. The ECB also pointed out that if there is a financial intermediation activity carried out by an entity, such an entity remains in the MFI list which is maintained by the ECB.

Eurostat emphasized that the financial intermediation activity implies business operations on both sides of the balance sheet, i.e. on the asset as well as on the liability side. The KA Finanz AG case, however, does not fit with the ESA 2010 definition on financial intermediation as described in the ESA 2010 paragraph 2.75. The assets of the entity will have to be progressively extinguished and KA Finanz AG does not behave like a standard commercial bank in this respect.

The Ministry of Finance repeated that, from the legal point of view, the KA Finanz AG still holds a valid banking licence. Eurostat answered that the banking licence is neither the only nor the decisive criterion to assess whether an entity is to be considered as a public financial defeasance structure and that, currently, there were even cases of banks in liquidation keeping a banking licence (even until the very end of its existence).

Findings and conclusions

Action point 17: Following the revised text of ESA 2010, Eurostat and Statistics Austria agreed that the sector classification of KA Finanz AG has to be considered independent from the fact whether it is included in the ECB's MFI list or not. Taking into account the various government support measures since its inception, the government's ownership risk of possible future losses, as well as the absence or highly restricted form of financial intermediation activities on both sides of the balance sheet, KA Finanz AG is to be considered as a financial defeasance structure controlled by government and thus is to be classified inside the government sector under ESA 2010, as already stated in Eurostat's letter sent to Statistics Austria, dated 3rd July 2014. *Deadline: By the end of September 2014.*²³

Action point 18: Eurostat and Statistics Austria recalled that methodological decisions concerning implementation of the ESA 2010 are taken by Eurostat in cooperation with the National Statistical Institutes.

5.2.1.2. Hypo Alpe Adria

Introduction

Hypo Alpe Adria Bank International (HAA) is an Austrian banking group, one of the largest in Austria, with a wide network of subsidiaries in South-Eastern Europe. Since May 2007 to December 2009, Bayerische Landesbank (Bavarian State Bank) owned a controlling stake in the bank. The HAA bank was nationalised at the end of 2009, and since then it was on a regular basis recapitalised by the Austrian government to enable it complying with the statutory minimum capital requirements. In March 2014, the Austrian Ministry of Finance publicly supported the model of a public asset management body without banking licence, and in June 2014 proposed a draft law, which is to be discussed the Austrian Parliament on the 8 July 2014. The purpose of the new entity will be to wind down the remaining portfolio of assets.

Discussion

Statistics Austria confirmed that the new Hypo Wind-Down Entity will be classified in the general government sector as a publicly controlled defeasance structure. The transfer values and the market values of the assets will be compared and the difference will be recorded as a capital transfer from government. The Ministry of Finance stated that the entity will cease the deposit taking business and will return the banking licence. The draft law enables to establish a separate holding company to take over all the shares of the Italian subsidiary (Hypo Alpe Adria Bank S.P.A), which holds a banking licence.

Findings and conclusions

Action point 19: Eurostat agreed with the Austrian statistical authorities that under the scenario envisaged in the draft legislation for the winding down of impaired assets of Hypo Alpe Adria Bank International, two of the subsidiaries, i.e., Hypo Wind-Down Entity and Italian Hypo Alpe Adria Bank, S.P.A. will be considered as financial defeasance structures controlled by government, and thus both will be classified in the government sector. Eurostat also takes note that Italian banking subsidiary has a banking license and it is included on the MFI list administered by the ECB.

5.2.2. Specific recapitalisation measures for financial institutions

Introduction

In past years, Austrian government recapitalised some financial intuitions, e.g. Volksbank AG. The statistical treatment of these government measures in the national accounts needed to be confirmed.

Discussion

The Austrian statistical authorities informed Eurostat that Volksbank AG was recapitalised in 2012 (950 mill EUR in the form of cancellation of participation capital). The company was partly nationalised (43.3 % government, 46.7 % group of cooperative banks). The transaction was supervised by the ECB. The recapitalisation was treated as expenditure in national accounts.

²³ Action point is completed.

Under this point, it was also confirmed that the time frame for privatisation plan of Kommunalkredit AG was extended. Kommunalkredit provided a plan to the relevant EU authorities, in particular concerning the state support programmes to enable the state aid analysis.

Findings and conclusions

Eurostat took note of the information provided.

5.2.3. Others (redemption of government participations, guarantee fees, dividends)

No particular issues were raised.

5.3. Capital injections, distributions (from non-financial corporations and quasi-corporations) and privatisation

Introduction

The basic rules on how to record capital injections, dividend distributions (from non-financial corporations and quasi-corporations) and privatisation operations in national accounts are now a part of the ESA 2010 and are further elaborated in the Manual on Government Deficit and Debt.

Discussion

Eurostat enquired whether the rules for capital injections had been fully applied. Statistics Austria replied that data sources for all levels of government exist and the capital injection test as well as the super-dividend test is applied. However, as regards capital injections, the counterpart information (the receiving entity) is not always available. Finally, Statistics Austria informed Eurostat that there have been recently no significant privatisation cases.

Findings and conclusions

Eurostat took note of the information provided.

5.4. Financial derivatives

Introduction

A specific swap transaction took place between the city of Linz and BAWAG (one of banks benefitting from government aid during the financial crisis). The transaction is subject to a court proceeding and costs are estimated at EUR 500 million.

In addition, as requested, Statistics Austria provided Eurostat prior to the visit with 2 documents on financial derivatives.

Discussion

Statistics Austria informed Eurostat that the Linz court case is still pending and that the amount determined by the Court will be recorded at the time of the Court decision. No further questions were asked by Eurostat.

Findings and conclusions

Eurostat took note of the information provided.

5.5. Leases, licences and concessions

5.5.1. Public private partnerships (recent and past PPP contracts)

Introduction

According to the *Questionnaire relating to the EDP notification tables* (table 11), Statistics Austria reported five PPP projects: one PPP at the federal government level, two PPPs at the state level and two at the local government level. For three of the PPP projects, the construction phase had been completed. Only for four of them the contractual capital value was indicated. Following the analysis of the distribution of risks arising from the PPP projects by Statistics Austria, for all projects, it was considered that the construction and availability risks were borne by the private partner and they were thus classified off government balance sheet.

Discussion

Eurostat inquired whether Statistics Austria considered that it had the complete information about all major PPPs projects. Statistics Austria answered that they have a regular exchange of information with the parties involved and that they are confident about being informed about sizeable PPPs. Eurostat pointed out that the chapter on PPPs included in the Manual on Government Deficit and Debt has been progressively revised and that these updates need to be taken in to account when assessing any PPP project.

Findings and conclusions

Action point 20: Statistics Austria will regularly send to Eurostat the PPPs contracts before taking the final decision on their recording in national accounts with a view to sharing the same understanding on their treatment. Eurostat will analyse the PPP B40/B46 Umfahrung Mistelbach contract and provide its opinion to Statistics Austria. *Deadline: By the end of August 2014.*²⁴

²⁴ The completion of this follow-up action point is in progress.

5.5.2. Others (including emission trading permits, TV and radio licence fees)

Introduction

Neither ESA95 nor ESA 2010 provides guidance on the classification of the TV and radio fees received by public broadcasters from households. The classification of these fees (i.e. whether they are to be considered as a tax or as sales of services) is considered as a borderline case in national accounts and requires a detail analysis.

The treatment of UMTS licences in national accounts is covered by the Manual on Government Deficit and Debt. The ESA 2010 revised rules regarding the UMTS licences and this change was reflected in the 2013 edition of the MGDD.

Discussion

Statistics Austria confirmed that the Österreichischer Rundfunk ("Austrian Broadcasting", ORF), which is the Austrian national public service broadcaster, is currently classified in the non-financial corporations sector. The TV fees are in national accounts treated as sales of services.

Eurostat reiterated the new provisions regarding the recording of the UMTS licences and invited Statistics Austria to review their treatment in national accounts under ESA 2010.

Findings and conclusions

Action point 21: Statistics Austria will provide Eurostat with its view on the classification of the Austrian Broadcasting (ORF) in national accounts under ESA 2010. *Deadline: By the end of August 2014.*²⁵

Action point 22: Statistics Austria will check the transferability of the mobile phone licences with a view to the implementation of relevant ESA 2010 rules. *Deadline: By the end of September 2014.*²⁶

5.6. Government claims and related transactions (debt cancellation, write-offs and write-downs)

Introduction

An increase in the item called "liabilities for export" reported under loans granted after 2010 with a parallel decrease in the related refunds reported under loans repayments (both reported in the *Questionnaire relating to the EDP notification*, Table 2), was discussed within the April 2014 EDP notification. The Austrian statistical authorities at that time explained that the increase in liabilities after 2010 related primarily to an increase of claims resulting from the "Arab Spring" and from a significant case of indemnisation in the Ukraine. The decrease in related funds was due to minor refunds from previous claims and to the lack of refinanced rescheduling agreements.

²⁵ Action point is completed.

²⁶ Action point is completed.

Discussion

Eurostat asked for more information about the debt rescheduling relating to financial liabilities for export.

Findings and conclusions

Action point 23: Statistics Austria will clarify the issue of recording in national accounts of debt rescheduling relating to financial liabilities for export. *Deadline: By the end of September 2014.*²⁷

5.7. Guarantees, guarantee calls and debt assumption

Introduction

The treatment of government guarantees, guarantees calls and debt assumption was included in ESA 2010 and these issues are further elaborated in the Manual on Government Deficit and Debt.

Discussion

Statistics Austria confirmed that there are currently no schemes of guarantees that could be classified as standardised guarantees granted by government in Austria. No additional issues were raised under this point.

Findings and conclusions

Eurostat took note of the information provided.

5.8. EU flows

No particular issues were raised.

5.9. Sale and lease back operations and other transactions

See the section 4.1.3 above as regards the sector classification of BIG mbH. Other sales and leaseback limited liability companies (Landesimmobiliengesellschaften - LIGs) were already reclassified in the government sector.

No other particular issues were raised.

²⁷ Action point is completed.

6. Other issues

6.1. Implementation of the Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States

Introduction

The Council Directive 2011/85/EU, among other statistical implications, includes some legal requirements which have implications on the collection/dissemination of fiscal data and statistics.

Discussion

Eurostat asked about the division of responsibilities as regards the statistical information to be compiled in the context of this Directive. Statistics Austria confirmed that they were the only entity responsible for the implementation of the relevant provisions of the Directive 2011/85/EU on budgetary frameworks and all the information (i.e., quarterly as well as monthly data) is or will be published on their website. The Federal Ministry of Finance will only provide a link to Statistics Austria website.

Statistics Austria was interested to know on which legal basis some indicators should be collected. Eurostat explained that a dedicated *Task Force on the implications of the Directive on the collection and dissemination of fiscal data* was established in 2012. This *Task Force* prepared a set of templates and related notes indicating the methodology, the scope of compulsory details, the periodicity and the timeliness for national publication of individual indicators.

Finally, Statistic Austria confirmed that all information will be published as requested.

Findings and conclusions

Eurostat took note of the explanations provided.

6.2. GFS data

Introduction

The level of quarterly statistical discrepancies between government net lending/borrowing from the government non-financial accounts (B.9nf) and net lending/borrowing from the government financial account (B.9f) frequently exceeds +/-5% of quarterly GDP and has a strong seasonal pattern. The annual discrepancy however is not as high as it was in the past.

Discussion

Statistics Austria is fully aware of this problem. As from September 2014, only one institution (Statistics Austria) will be responsible for the data compilation (non-financial as well as financial accounts of the general government). It is therefore planned to progress on this issue and reduce the statistical discrepancies.

Findings and conclusions

Eurostat took note of the explanations provided.

6.3. Others

No particular issues were raised.

Annex

List of participants

Statistics Austria:

Konrad Pesendorfer
Ursula Havel
Walter Stübler
Karl Schwarz
Hermine Chromy
Tommaso Gerstgrasser
Claudia Hofer
Agnes Pesau
Akós Kászoni

Austrian National Bank:

Gerald Wimmer
Lukas Reiss
Gunther Swoboda

Ministry of Finance:

Alfred Lejsek
Stefan Rossmann
Eduard Fleischmann

KA Finanz:

Alexander Lavicka
Helmut Urban

Ministry for Transport, Innovation and technology:

Roland Schuster

Austrian Treasury:

Markus Stix
Pia Zivanovic-Amann

Eurostat:

Luca Ascoli
Denis Besnard
Monika Wozowczyk
Lenka Valenta

European Central Bank (ECB):

Jorge Diz Dias

DG ECFIN:

Raffaele Fagnoli

Eurostat EDP standard dialogue visit to Austria

7-8 July 2014

1. Review of institutional arrangements, EDP data sources and procedures

1.1. Existing institutional arrangements

1.2. Availability and use of data sources (review of major developments since the EDP dialogue visit of June 2012 and of upcoming changes)

1.3. Bridge tables

1.4. Revision policy

1.5. EDP Inventory

2. Follow-up of prior EDP visits

1.1. EDP upstream dialogue visit of January 2012

1.2. EDP dialogue visit of June 2012

3. Review of the 2014 EDP reporting and of related data compilation issues

3.1. EDP tables

3.1.1. Completeness of the EDP tables

3.1.2. Reporting of data in EDP table 2A following the reform of the federal government's budgetary and accounting system

3.1.3. Consolidation of non-financial flows (EDP table 2) and of financial flows and stocks (EDP table 3)

3.1.4. Statistical discrepancies in EDP tables 3

3.1.5. Trade credits

3.1.6. Others - Treatment of coins issued by Eurosystem

3.2. Questionnaire relating to EDP tables

3.3. Supplementary tables for the financial crisis

4. Methodological issues (including the changeover to ESA 2010 and resultant revisions to general government data)

4.1. Sector delimitation

- 4.1.1. Practical aspects of sector classification
- 4.1.2. Questionnaire on government controlled entities
- 4.1.3. Sector classification of specific entities (including hospitals, public infrastructure and utility corporations²⁸, quasi-corporations, chambers, public holdings and captive financial institutions, oil stockpiling entity)
- 4.2. Time of recording
 - 4.2.1. Taxes and social contributions
 - 4.2.2. Interest²⁹
 - 4.2.3. Other expenditure and revenue items and financial transactions

5. Specific government transactions

- 5.1. Specific government transactions at the level of Länder, including follow-up on the Salzburg case
- 5.2. Government aid to the financial sector³⁰
 - 5.2.1. Sector classification of defeasance structures
 - 5.2.1.1. KA Finanz
 - 5.2.1.2. Hypo Alpe Adria
 - 5.2.2. Specific recapitalisation measures for financial institutions
 - 5.2.3. Others (redemption of government participations, guarantee fees, dividends)
- 5.3. Capital injections, distributions (from non-financial corporations and quasi-corporations) and privatisation
- 5.4. Financial derivatives
- 5.5. Leases, licences and concessions
 - 5.5.1. Public private partnerships (recent and past PPP contracts),
 - 5.5.2. Others (including emission trading permits, TV and radio licence fees)

²⁸ The part of this point 4.1.3 relating to *Public infrastructure and utility corporations* issues (e.g. ASFINAG) were discussed just after point 3 of the agenda.

²⁹ This point 4.2.2 of the agenda was, due to availability of some participants, discussed earlier, i.e. just after the point 2.2 of the agenda.

³⁰ This point 5.2 of the agenda including all its sub-points was, due to availability of some participants discusses earlier, i.e. followed the point 4.2.2, which was discussed after point 2.2 of the agenda (see the preceding footnote).

5.6. Government claims and related transactions (debt cancellation, write-offs and write-downs)

5.7. Guarantees, guarantee calls and debt assumption

5.8. EU flows

5.9. Sale and lease back operations and other transactions

6. Other issues

6.1. Implementation of the Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States

6.2. GFS data

6.3. Others