



EUROPEAN COMMISSION  
EUROSTAT

Directorate D: Government Finance Statistics (GFS) and quality  
**Unit D-2: Statistics for Excessive Deficit Procedure I**

Luxembourg, 23 February 2015

## **FINAL FINDINGS**

### **EDP dialogue visit to Denmark**

**24-25 September 2014**

## Executive summary

Eurostat undertook an EDP dialogue visit to Denmark on 24-25 September 2014.

The main objectives of the EDP dialogue visit were to review institutional responsibilities including EDP reporting, to discuss the revision policy for national accounts and GFS, to analyse information on data sources provided in the EDP inventory, to clarify issues relating to provisional EDP data for the October 2014 notification, to clarify sector classification of some units and to ensure that provisions from the ESA 2010 Manual on Government Deficit and Debt and recent Eurostat decisions are correctly implemented in the Danish EDP notification and national accounts.

Eurostat reviewed the **institutional responsibilities** with respect to the reporting of data under government finance statistics and EDP. Eurostat briefly discussed with the Danish statistical authorities the division of responsibilities for the compilation of EDP statistics and government accounts and the developments since the latest EDP dialogue visit, which took place on 29-30 of November 2012. As far as the split of responsibilities is concerned, there have been no changes compared to the previous EDP visits: in Denmark, the national accounts for the general government sector, both financial and non-financial (annual and quarterly) are compiled by Statistics Denmark (SD).

The EDP tables and the EDP questionnaire are all compiled by SD for the actual data and by the Ministry of Finance (MoF) for the planned data. The National Danish Bank is not responsible for any of the EDP tables, but provides the source data for the financial accounts.

The existence of formal agreements between the institutions involved in the compilation of EDP statistics was also discussed. It was indicated that the Protocols for co-operation between Statistics Denmark, the Ministry of Finance, the National Danish Bank, the Agency for Modernisation of Public Administration (Moderniseringsstyrelsen) and the Court of Auditors were recently signed<sup>1</sup>.

Regarding the **EDP Inventory** of the methods, procedures and sources used to compile actual deficit and debt, Eurostat discussed with the Danish statistical authorities about possible improvements to the existing version and further steps in order to update the current version in line with ESA 2010 template.

Eurostat discussed with the Danish statistical authorities the **revision policy** for national accounts and some other aspects related to the implementation of **new data sources and methods** in the context of ESA 2010. SD explained that the new data sources mainly relate to extra-budgetary accounts and social security funds. Better and comprehensive information on the 27 security funds as well as on the Employee Fund is currently available due to access to the data from the the Danish Agency for Labour Market and Recruitment which collects information via surveys. There were also improvements in the compilation of financial accounts.

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<sup>1</sup> The final version of the co-operation agreements between SD and the Court of Auditors, Moderniseringsstyrelsen and the Ministry of Finance was provided to Eurostat. The Memorandum of Understanding between SD and the National Bank will be provided when the memorandum will be updated.

As a **follow-up of the EDP dialogue visit** of 29–30 November 2012, Eurostat welcomed the implementation of all action points from the previous EDP dialogue visit and further discussed the state-of-play of the action points having a continuous deadline implementation.

Regarding the **analysis of EDP provisional data for the October 2014** EDP reporting, the discussions focussed on concrete questions about the figures provided in the provisional EDP tables. It was agreed that all the technical changes discussed during the meeting will be further implemented in the final version of the October 2014 EDP tables and in the Questionnaires related to EDP tables. More detailed discussions took place on the revision of trade credits and on the breakdown of accounts receivable and payable. Regarding statistical discrepancies, Eurostat appreciated the recent progress and the reduction of statistical discrepancies in EDP table 3 due to the implementation of methodological and data revisions and to access to new data sources.

The discussions on methodological issues focussed mainly on the delimitation of the government sector, the implementation of the accrual principle, as well as on the recording of specific government transactions.

Concerning the **delimitation of the general government sector**, Eurostat discussed the changes in sector classification due to ESA 2010 implementation. The discussions mainly concentrated on specific units like the Danish central stockholding entity, market regulatory units as well as schools.

Particular attention was also given to the analysis of the government controlled units classified outside general government, notably to some individual entities having results near or under the 50% threshold of the market-non-market test.

Eurostat extensively discussed with the Danish authorities the current **classification of units involved in financial intermediation** which are controlled by government and are part of the Finansiell Stabilitet Group (FS). Due to the complexity of the aspects involved, Eurostat agreed with the Danish authorities, that a further analysis of Finansiell Stabilitet will be undertaken in the context of the recent MGDD<sup>2</sup> updates in order to establish whether FS has the features of a captive institution and should therefore be reclassified inside general government. It was also agreed that Statistics Denmark will analyse, together with the Danish National Bank, the current situation of the Danish Guarantee Fund in the light of ESA 2010 and provide a note to Eurostat on their analyses and on the appropriate classification of the unit.

Eurostat and the Danish statistical authorities reviewed the **implementation of the accrual principle** concerning changes on taxes and social contributions following the ESA 2010 implementation. SD explained that the tax burden had decreased in Denmark, due to the reclassification of some taxes as other types of payments, such as the church tax, the subscription to the unemployment fund, the early retirement pension, hydrocarbon tax and oil pipeline fee, etc. On the other side, some other payments were reconsidered in the context of ESA 2010 and classified as taxes. Eurostat further discussed with SD the recording of tax credits and of deferred tax assets as well as some technicalities regarding the correct calculation of the stock on taxes.

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<sup>2</sup> MGDD – The ESA2010 Manual on government deficit and debt

Regarding the **recording of interest**, Eurostat invited SD to undertake further steps in order to provide statistical data on the split of interest by financial instruments.

For the **EU flows**, there had been no change in their recording, nevertheless Eurostat recommended to SD to possibly envisage changing the data sources in order to obtain gross figures instead of net figures.

Concerning the recording of **military equipment**, SD confirmed that the classification of military weapon systems has changed following the implementation of ESA 2010.

As regards the local government **guarantees**, SD confirmed that the Moderniseringsstyrelsen and the Ministry of Interior cooperated in order to collect the information requested by Eurostat on this issue. The data will be provided for the first time in the context of the April 2015 notification. Eurostat also clarified some aspects related to the recording of standardised guarantees and the calculation of the average losses due to the guarantees called.

The discussion on **capital injections in public corporation** mainly focused on the concrete figures provided by SD in table 10.2 of the Questionnaire related to EDP tables in the context of the provisional October 2014 EDP notification.

On the **financial derivatives**, SD confirmed that the correction regarding the recording of derivatives was implemented also for the backwards data and that SD will further investigate whether financial derivatives operations exist also at local government level.

Eurostat recommended that the **PPP contracts** related to the construction of the Western High Court and of a police station in Holstebro should be reanalysed by SD taking into account the new provisions of the MGDD on PPPs, mainly for elements like early termination clauses or government guarantees.

As regards the **recording of emission permits** for 2013, SD explained that the emission of trading permits was already recorded as revenue in 2013, nevertheless the appropriate time of recording should still be determined.

SD confirmed that the correction of D.995 in **ESA table 2** was implemented for the September 2014 transmission.

Eurostat also further discussed with the Danish statistical authorities the **compliance with the Directive 2011/85** on national budgetary frameworks, and in particular the methodological reconciliation table, the monthly fiscal data for central government and social security funds as well as the quarterly fiscal data for local government.

The meeting was considered as very constructive and Eurostat welcomed the explanations given by the Danish statistical authorities. Eurostat also thanked the Danish statistical authorities for the documentation provided prior to the dialogue visit.

## FINAL FINDINGS

### Background

In accordance with article 11(1) of Council Regulation (EC) No 479/2009, as amended, as regards the quality of statistical data in the context of the Excessive Deficit Procedure (EDP), Eurostat carried out an EDP dialogue visit to Denmark on 24-25 September 2014.

The delegation of Eurostat was headed by Ms Lena Frej Ohlsson, Head of Unit D-2 Excessive Deficit Procedure (EDP) I. Eurostat was also represented by Mr Luca Ascoli, Ms Camelia Jüttner and Ms Cecilia Pop. Representatives of the Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers. The Danish statistical authorities were represented by Statistics Denmark (SD), the Ministry of Finance (MoF), the Danish Central Bank and the Agency for Modernisation of Public Administration (Moderniseringsstyrelsen).

The previous Eurostat mission to Denmark took place on 29-30 of November 2012.

The main objectives of the September 2014 EDP dialogue visit were to review institutional responsibilities including EDP reporting, to discuss the revision policy for national accounts and GFS, to analyse information on data sources provided in the EDP inventory, to clarify issues relating to provisional EDP data for the October 2014 EDP notification, to clarify the sector classification of some units and to ensure that provisions from the ESA 2010 Manual on Government Deficit and Debt and recent Eurostat decisions are correctly implemented in the Danish EDP notification and national accounts.

Eurostat appreciated the information provided by the Danish statistical authorities prior to the mission. Eurostat also thanked the Danish authorities for the explanations given and considered that the discussions were transparent and constructive.

### 1. Statistical institutional issues

#### 1.1. Institutional responsibilities in the framework of the reporting of data under the EDP and government finance statistics compilation

##### *Introduction*

The compilation and quality of the EDP statistics, for the four years reported, is only the responsibility of SD. The MoF is responsible for planned/forecast data. Nevertheless, the MoF and the NCB receive the draft EDP notifications, before they are sent to Eurostat.

##### *Discussions and methodological analysis*

Statistics Denmark confirmed that there were no changes in institutional responsibilities since the last EDP dialogue visit in November 2012.

Eurostat further discussed the existence of Memoranda of Understanding (MoU) on statistics, especially for EDP reporting. SD informed Eurostat about the existence of a cooperation agreement between the Ministry of Finance and Statistics Denmark.

The purpose of this agreement is to determine the area of responsibility of each of the two institutions and to ensure high quality and punctuality in submitting EDP data. As specified in the Memorandum, SD is responsible for production and dissemination of the national accounts statistics for the general government sector and its sub-sectors. In this respect, SD determines the delimitation of the government sector and ensures that statistics are compiled in accordance with the European System for National Accounts ESA 2010. SD also informed Eurostat about the signature of the agreement for cooperation with the Court of Auditors. The agreement states that Rigsrevisionen (The Danish National Audit Office) and Statistics Denmark should work more closely on quality assurance of the national accounts statistics for the government sector and to enhance the transparency of the accounts for public institutions. In June 2013, an agreement for cooperation between Moderniseringsstyrelsen<sup>3</sup> and SD entered also into force.

During the discussions, Eurostat recalled that upstream issues will in the future be integrated in the EDP dialogue visits, as there will be no more separate Upstream Dialogue Visits. In this context, Eurostat requested more detailed information on the risks due to missing data flows which may result in necessary information never reaching the NSI, such as data on extra-budgetary accounts, information on accruals, etc. SD stated that there is a very good flow of data between the upstream providers, and that there are no problematic aspects in this respect. With regards to the extra-budgetary accounts, SD collects the information from other upstream providers as universities, ministries, etc. Regarding possible risks indicated by the use of non-harmonized public accounting systems by entities at the various government levels, SD confirmed that there are no such risks.

### *Findings and conclusions*

Action point 1: Eurostat welcomed the signature of Memoranda of Understanding (MoU) between Statistics Denmark and the Ministry of Finance, the National Danish Bank, Moderniseringsstyrelsen and the Court of Auditors respectively. SD will send a copy of these agreements to Eurostat. *Deadline: end of September 2014*<sup>4</sup>.

## **1.2. Data sources and revision policy in the context of ESA 2010 implementation**

### 1.2.1. EDP Inventory

#### *Introduction*

Statistics Denmark has provided an exhaustive version of the EDP Inventory, including an extensive description of EDP processes, sources and compilation methods. The EDP Inventory was sent in time and was published on Eurostat website in December 2013.

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<sup>3</sup> Agency responsible for the central government book-keeping.

<sup>4</sup> Action point implemented. The Memorandum of Understanding between SD and the National Bank will be provided when the memorandum will be updated.

### *Discussions and methodological analysis*

Eurostat mentioned that the EDP Inventory should be updated in the future in line with the ESA 2010 template. SD confirmed that the description of the methods and the recording in national accounts, in the current EDP Inventory, already follow ESA 2010, nevertheless some further updates will be implemented. SD committed also to elaborate in a more detailed way some parts of the EDP Inventory, mainly on new data sources for extra-budgetary units.

### *Findings and conclusions*

Action point 2: Eurostat took note of the step by step approach for updating the EDP Inventory in line with the ESA 2010 template with the objective to publish the new version by the end of 2015. In this context, SD will integrate more detailed information on the new data sources for extra-budgetary units. *Deadline: December 2015.*

#### 1.2.2. Changes in data sources and revision policy

##### *Introduction*

SD extensively described in EDP Inventory the data sources by sub-sectors.

For the main central government units, the data on current expenditure and revenue and financial transactions is on an accruals basis and is used to compile the working balance (WB), B.9 and B.9f. Balance sheets data on an accruals basis are also used for the compilation of B.9f. The first results are available at t+55 days and the final results at t+5 months.

For the other central government units, data on profit and loss accounts, on an accruals basis, are used to compile B.9 and B.9f. Balance sheets data on an accruals basis are also used for B.9f. The first results are available at t+150 days and the final results at t+10 months.

For the main unit of social security funds (the Unemployment fund) as well as for other social security funds, profit and loss accounts, on an accruals basis, are used to compile the data on the WB, B.9 and B.9f. Balance sheets data on an accruals basis are also used for B.9f. The first results are available at t+55 days and the final results at t+5 months.

For the main units of local government (Municipalities and regions), the data on current expenditure and revenue and financial transactions are on an accruals basis (except taxes and some interest flows) and are used to compile the WB, B.9 and B.9f. The first results are available at t+60 days and the final results at t+5 months. Balance sheets data on an accruals basis (except for taxes and some interest flows) are used also for B.9f and are available at t+6 months.

### *Discussions and methodological analysis*

Regarding the **changes in data sources** since the April 2014 EDP notification, SD explained, prior to the mission, that as part of the implementation of ESA2010, SD has also implemented data and methodological revisions, concerning both non-financial data and financial data. These revisions were mainly due to the use of new data sources and methods and resulted in an improvement of EDP data quality and in a reduction of the discrepancies between financial and non-financial accounts. During the discussions,

Eurostat asked more information on the new data sources and on the concrete changes related to data sources. SD explained that the new data sources mainly relate to extra-budgetary accounts and social security funds. Better and comprehensive information on the 27 security funds as well as on the Employee Fund is currently available due to access to the data from the the Danish Agency for Labour Market and Recruitment which collects information via surveys. There were also improvements in the compilation of financial accounts.

Concerning the **revision policy**, Eurostat focussed on the revisions due to ESA 2010 and welcomed the fact that SD provided on its website<sup>5</sup> comprehensive information on the main revisions due ESA 2010 implementation. The revisions in debt and deficit due to ESA 2010 were rather small, on average a decrease by 0,1% of the deficit for the last four years (2010-2013) and an increase on average by 0,2% in the debt for the same period. SD confirmed that historical data were also revised in the light of ESA 2010.

The revision process for annual non-financial national accounts data is carried out and published three times every year: in March, June and November. This revision and the publication policy creates problems of consistency in the Eurostat data and the EU aggregates, due to the fact that only in November of every year, quarterly and annual data for national accounts, including GDP, are consistent and not in October, as it is the case for the other Member States. In the EDP tables, the November revisions are taken into account just for the April notification of the year n+2. Despite the fact that this problematic aspect of the revision policy was discussed several times with Eurostat, SD explained that to advance the revision for September wouldn't be very useful for its users, mainly the Ministry of Finance. Therefore, for the moment, SD doesn't envisage to change the agenda regarding the revisions.

### *Findings and conclusions*

Eurostat took note on the explanations on the changes in data sources and on the fact that SD currently does not envisage to change its revision policy.

## **2. Follow up of the previous EDP dialogue visit of 29-30 November 2012**

All the action points agreed during the EDP dialogue visit of 29-30 November 2012 have been implemented in time by the Danish statistical authorities. Due to the fact that several action points from the November 2012 visit had “continuous” deadlines, Eurostat discussed with SD the state-of-play of their implementation. Notably, Eurostat asked further details on the cooperation between SD and the Moderniseringstyrelsen regarding unconsolidated data on assets and liabilities for central government, by counterpart entities<sup>6</sup>. SD confirmed that there is a constant co-operation for the improvement of quality regarding unconsolidated data.

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<sup>5</sup> <http://www.dst.dk/en/Statistik/dokumentation/hovedrevideret-nationalregnskab/hovedeffekter-af-revisionen.aspx>

<sup>6</sup> The discussion related to the action point 7 of the November 2012 EDP visit:  
"SD will cooperate with Moderniseringstyrelsen in order to get improved unconsolidated data on assets and liabilities for central government, by counterpart entities. *Deadline: Continuous*"



The quality of the estimated amounts of taxes unlikely to be collected was further discussed with tax experts who explained that the economic reality is taken into account in the compilation of taxes in order to possibly anticipate the effect of the financial crisis on the tax collection<sup>7</sup>.

Regarding the monitoring of government guarantees given at the local government level<sup>8</sup>, SD explained that the implementation was just partially done. In the past, estimated data on guarantees were used. Currently, the Ministry of Interior is collecting and assessing the data on guarantees at local level. SD informed Eurostat that reliable and final data on local guarantees will be available after the October 2014 notification. Consequently, the data will be included in tables 9 of the Questionnaire related to EDP notification tables for the April 2015 notification.

Eurostat also further investigated the recording of the sales of carbon trading rights in 2013<sup>9</sup>. SD explained that an amount of approximately half a million of DKK was recorded. Nevertheless, there were still uncertainties about the correct time of recording of the transaction.

Eurostat furthermore discussed the classification of some entities, for which SD has asked Eurostat's opinion<sup>10</sup>. Notably, SD required some advice on the sector classification of 12 entities which appear on the Danish MFI-list. These 12 entities are all branches of foreign financial intermediaries which have a banking license in their home country. The main activities of these branches are not financial intermediation but in financial lease, credit cards and consumer credit. Eurostat recalled that, according to ESA 2010 (§18.12), a branch is treated as a resident quasi-corporation. Therefore, according to ESA 2010 regulation, these branches of foreign financial intermediaries should be classified on a case by case basis in the sub-sector corresponding to their main activity. If they behave as a "normal" bank, they should be classified in S.122, "Deposit-taking corporations". In case the units are specialised in lending, as indicated by SD (financial lease, consumer credit), they should be classified as S.125, "Other financial intermediaries", according to ESA 2010 (§2.92). Eurostat also pointed out that, sometimes, the national accounts rules could differ from the European Central Bank (ECB) opinion regarding the affiliation of one unit on the MFI list due to the fact that the MFI affiliation is mainly based on whether an entity has been provided with a banking license, whereas Eurostat decisions follow purely national accounting rules. Eurostat also recalled the recent opinion of the

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<sup>7</sup> The discussion related to the action point 12 of the November 2012 EDP dialogue visit: "Eurostat took note that SD has recently done estimations, in order to partially anticipate the effect of the financial crisis, on the amounts of taxes unlikely to be collected. Eurostat asks SD to undertake further work in order to take fully into account the effect of the financial crisis in this respect. *Deadline: Continuous*"

<sup>8</sup> Action point 25 of the November 2012 EDP dialogue visit: "SD will undertake efforts in order to monitor government guarantees given at the local government level and will include them in tables 9 of the Questionnaire related to EDP notification tables. *Deadline: Continuous*".

<sup>9</sup> The discussion related to the action point 31 of the November 2012 EDP dialogue visit: "Eurostat took note that there might be sales of carbon trading rights in 2013 for about 1 billion DKK. SD will inform Eurostat on the recording, as soon as the sale takes place."

<sup>10</sup> The discussion related to the action point 15 of the November 2012 EDP visit: "Eurostat encouraged SD to consult the Danish Central Bank in order to review the sector classification of some entities currently considered as MFIs, because they are included in the so called MFI list, but which do not seem to have the nature of financial intermediaries, according to ESA95 provisions, as indicated by SD. A note asking for advice will be sent to Eurostat by SD. *Deadline: January 2013*"

European Statistical Governance Advisory Board (ESGAB) on this issue, pointing out that only national accounting rules should be used to determinate classification of units in national accounts.

#### *Findings and conclusions*

Action point 3: Eurostat welcomed the progress regarding the information and recording of guarantees of local government and the inclusion of these data in the forthcoming EDP reporting. *Deadline: April 2015 notification.*

Action point 4: SD will investigate the sale of carbon trading rights in 2013 and report the correct amounts. *Deadline: April 2015 notification.*

Action point 5: Eurostat recalled that the classification of units should be based on the economic reality and considered that the MFI list should contain only the units which correspond to national accounts definition of financial institutions included in S.121, S.122 and S.123. Eurostat also referred to the recently published opinion of the European Statistical Governance Advisory Board (ESGAB) on this issue, recalling that it is Eurostat which has a clear mandate to advice as to the correct implementation of ESA2010.

### **3. Analysis of EDP provisional data for the October 2014 notification**

#### **3.1. Examination of the EDP tables and the relation with the Questionnaire relating to EDP tables of the October 2014 notification**

##### *Introduction*

Due to the fact that Eurostat's dialogue visit was organised shortly before the October 2014 EDP notification, SD had sent in advance to Eurostat the provisional EDP tables and the Questionnaire of the EDP notification of October 2014, which were closely assessed during the visit.

##### *Discussions and methodological analysis*

The discussions focussed on the figures provided in the provisional EDP tables. It was agreed that all the technical changes agreed during the meeting will be implemented in the final version of the October 2014 EDP tables and in the Questionnaires related to EDP tables.

##### 3.1.1. EDP Table 1

There was no specific issue to be discussed on EDP Table 1.

##### 3.1.2. EDP Tables 2A-D

Eurostat asked whether the impact of the reclassification of Banedanemark (BD) is detectable in the line “working balance of entities not part of central government”. SD explained that the reclassification into the government sector of this unit didn't have any impact on the deficit and debt figures. Banedanemark (Rail Net Denmark) was, before the revision, classified inside the non-financial corporation sector (S.11) as a public quasi-corporation (deficit-making). Nevertheless, the unit was considered as an entity integrated in the central government accounts.

Eurostat furthermore questioned the significant revision of the figures for 2012 and 2013 for local and central government due to changes in the consolidation method. SD explained that the new method of consolidation takes into account that the central government data are accurate and that the difference between the data in central and local government is assumed to relate to other sectors than general government. SD also pointed out that the use of the new method will have no impact on the net lending/net borrowing. The changes due to the revision will affect just the distribution between the central and local government in the line "Consolidation adjustments for transfers inside subsectors" in both tables 2A and 2C. Further questions of Eurostat related to the revisions of net taxes in central and local government and their allocation to the appropriate sub-sector, as well as to the reclassification of A/S Øresund.

### 3.1.3. EDP Tables 3A-E

Eurostat questioned the revision of the debt and mainly the unexpected significant revision of the central government debt for the whole period, relating to extra-budgetary units. It was explained by SD that this was due to more complete and detailed data in financial accounts for extra-budgetary units which became recently available. In this context, Eurostat requested additional information on the debt split by individual groups of extra-budgetary units.

Eurostat noted that the debt for the sub-sector S.1314 was revised for the whole period, nevertheless the B9 of the same sub-sector was revised only for 2013. However, in EDP table 3E all the financial instruments, including accounts receivable and payable were revised. In this context, Eurostat wondered whether there were some hidden statistical discrepancies included in other accounts receivable/payable.

### 3.1.4. EDP Table 4

Eurostat noted that the figures for trade credits have been significantly revised for the whole period 2010-2013. From the supplementary information provided by SD prior to the visit, it was clear that the revision was mainly due to the inclusion of trade credits from the extra-budgetary accounts, impacting the central government sector (S.1311), however some changes also incurred for the local government sector (S.1313). There was no revision for trade credits for social security (S.1314).

During the discussion, SD explained that more detailed and complete data for extra-budgetary accounts have been included in the financial accounts for general government as a part of the 2014 revision. SD stated that the amounts of trade credits are mostly derived from the yearly accounts, but investigations are done in order to improve the coverage and the data sources on trade credits mainly at local government level. To this effect, SD has sent out questionnaires to a group of municipalities/regions in order to determine the information available on trade credits. The questionnaires include information on amounts and duration of trade credits as well as on the counterpart sector. Nevertheless, the required information is not always available in the data reported by the local institutional units to the municipalities. Therefore, SD committed to investigate new ways to obtain additional information on trade credits as well as to get better information on consolidation.

Eurostat asked also whether Eurostat's decision on trade credits related to factoring without recourse was implemented in Denmark. SD confirmed that, for the moment, there are no such cases reported but this is probably also due to the fact that counterpart sector information is not available. SD intends to check the monetary and bank statistics in order to possibly detect cases where trade credits are transformed in factoring without recourse.

### *Findings and conclusions*

Action point 6: SD will investigate the impact on deficit and debt due to the reclassification of Banedanmark and provide the figures to Eurostat. *Deadline: end of September 2014*<sup>11</sup>.

Action point 7: SD will provide a split of the debt of extra-budgetary units, by groups of units. *Deadline: end of September 2014*<sup>12</sup>.

Action point 8: SD will investigate the significant revision of trade credits for the years 2012 and 2013 and report back to Eurostat. *Deadline: end of December 2014*<sup>13</sup>.

Action point 9: SD will continue the work on improvement of data sources in order to ensure the inclusion in EDP table 4 of trade credits for local government. *Deadline: Continuous.*

Action point 10: SD will take concrete steps in order to include possible cases of factoring without recourse to ensure a correct reporting of the Maastricht debt figures according to Eurostat's decision of this issue. *Deadline: Continuous.*

Action point 11: SD will implement some technical changes, as agreed during the meeting, in the draft of October 2014 EDP tables and the Questionnaires related to EDP tables. *Deadline: end of September 2014*<sup>14</sup>.

## **3.2. Breakdown of other accounts receivable and payable**

### *Introduction*

The issue of the breakdown of other accounts receivable and payable had been discussed with SD at several occasions. As explained by SD, the financial and non-financial accounts are balanced using F.89 assets. Adjustments are made to B.9f by using B.9, because the sources for the non-financial side accounts are considered to be more reliable. Changes made to the net lending/net borrowing resulting from the revision affects F.89.

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<sup>11</sup> Action point implemented within the deadline.

<sup>12</sup> The requested information was provided during the meeting.

<sup>13</sup> Action point implemented within the deadline.

<sup>14</sup> Action point implemented within the deadline

### *Discussions and methodological analysis*

Eurostat pointed out that significant differences were observed between the data (stocks) provided by SD on AF89 (ESA2010) and the figures published by Eurostat on AF79 (ESA95). In EDP tables 2A-2D and 3A, 3B, “other accounts receivable” and “other accounts payable” have been significantly revised. As confirmed by SD, the revisions were due to the reclassification of units as well as to better data sources concerning financial accounts in general and for extra-budgetary accounts in particular. For the October 2014 EDP notification, SD proposed a new presentation in tables 4 of the Questionnaire related to EDP tables in order to better identify the data reported in EDP tables. Eurostat further discussed with SD the new presentational changes agreeing that the “net lending/net borrowing of other bodies” and “other adjustments” in EDP tables 2 which have the nature of F8 should be recorded under “other accounts receivable/ other accounts payable”, and not under “other adjustments”, or “other financial transactions”. It was also agreed that some other aspects, like the consolidation of other accounts receivable /payable should be improved.

### *Findings and conclusions*

Action point 12: SD will continue to improve the quality of accounts receivable /payable, including the consolidation between sub-sectors. *Deadline: April 2015 notification.*

## **3.3. Statistical discrepancies**

### *Introduction*

Eurostat raised the issue of statistical discrepancies and the progress done by the Danish authorities in order to improve the statistical discrepancy in EDP table 3B. It was recalled that, in the last visit, the Danish authorities had stated that the 2014 data revision due to ESA 2010 implementation should lower the statistical discrepancies in EDP table 3.

### *Discussions and methodological analysis*

Prior to the EDP 2014 dialogue visit, the Danish authorities sent a document describing the recent progress done with regard to the issue of statistical discrepancies in the context of the ESA 2010 implementation. SD confirmed during the discussions that the implementation of methodological and data revisions and the access to new data sources resulted in the improvement of data quality in general and in a reduction of statistical discrepancies in EDP table 3A-3B, which constituted only 0,01 % of GDP on average for the period 2010-2013.

Eurostat welcomed this progress.

## **4. Methodological issues and recording of specific government transactions**

### **4.1. Delimitation of general government sector**

#### 4.1.1. Changes in sector classification due to ESA 2010

### *Introduction*

Prior to the visit, SD sent a short note describing the changes related to ESA 2010 implementation, including a list of reclassified units. Since the previous EDP dialogue visit in 2012, several units had been reclassified. The majority of the units were

reclassified from the non-financial corporation sector (S.11) to general government (S.13). Some entities like Banedanmark (Rail Net Denmark), the National IT and Telecom Agency, the Danish Forest and Nature Agency and some specific municipality entities, like urban renewal, cinemas, theatres and music were reclassified into the general government sector due to a majority of non-market activities. Other entities (A/S Øresund) moved from the non-financial corporation sector (S.11) to general government (S.13) because of the inclusion of interest in the definition of the production cost (new definition of production cost for the market-non-market test, according to ESA 2010). There were also some entities which moved from the general government sector (S.13) to the sector of non-profit institutions serving households (S.15) following the changes introduced by ESA 2010 related to the definition of control. This reclassification concerns about 800 private and independent schools and some humanitarian organisations (Dansk Røde Kors, Red Barnet, Care Danmark, Ibis). In their note, SD also briefly described the changes that the introduction of ESA2010 implied on the practical aspects of sector classification which mainly relate to the fact that the concept of “government control” was redefined and that the market test better reflects the economic reality.

#### *Discussions and methodological analysis*

During the discussions, Eurostat pointed out that A/S Øresund was the only entity reclassified into general government (S.13) due to the inclusion of interest in the definition of the production cost, as a result of ESA 2010 implementation. In this context, Eurostat asked whether some other entities as DSB Øresund A/S, DSB Øresund Holding ApS and Øresundsbro Konsortiet could be in a similar situation. These entities have significant liabilities and similar results in the market/non-market test as A/S Øresund; nevertheless they remained included in the non-financial corporation sector (S.11) also after the ESA 2010 implementation. SD confirmed that the above mentioned units passed the market/non-market test even after the inclusion of interest in the production cost.

On the contrary, after the reclassification of the media license from fees into taxes, Danmarks Radio didn't pass the market/non-market test anymore; therefore the unit was reclassified into the general government sector (S.13) from the year 2007.

Eurostat discussed also extensively with the Danish authorities the classification of the Danish central stockholding entity, Danske Olieberedskabslagre, FDO. FDO was established in 1964 with a view to provide security of oil supply in case of emergency due to oil crises or war. The unit cooperates closely with the oil industry and the energy authorities. Currently, FDO is classified in the non-financial corporations sector, S.11 due to the fact that the entity is considered independent and organized as a private association which can choose to end its arrangement with government at its own will. Nevertheless, the task of FDO to maintain the oil stocks has been established by the government. The government can also decide to appoint another entity to overtake this task. Eurostat pointed out that its recent note issued under ESA 2010 on the central stockholding entities, published in August 2014, offers clearer guidance on the appropriate classification of these units which show different features and a different degree of government control depending on the Member State. In this context, the Danish authorities agreed to investigate more in detail the control criteria with regard the FDO and to inform Eurostat about the result of their analyses.

Additionally, Eurostat further discussed with SD the answers provided to the "questionnaire on the implementation and impacts of ESA 2010 general government delimitation" which was sent to all Member States during the summer 2014. Eurostat mainly focussed on the implementation of the "qualitative criteria" and the possible existence of ancillary units. SD confirmed that there are no units (with the exception of some schools, described in section 4.1.2 below) which were reclassified due to this criteria. Nevertheless, all the units with government ownership above 50% are considered as being controlled by the general government. It was also confirmed that there are no units in Denmark having the characteristics of ancillary units.

Regarding the classification of market regulatory bodies, SD confirmed that no reclassification was done on the basis of the new provision of the MGDD under ESA 2010. Nevertheless, it was agreed that SD will analyse the classification of the market regulatory bodies before the April 2015 notification and inform Eurostat on their results.

### *Findings and conclusions*

Action point 13: SD will analyse the classification of market regulatory units in order to ensure that the provisions of ESA 2010 are correctly implemented. *Deadline: February 2015.*

Action point 14: SD will analyse the situation of the Oil Stock Agency (FDO) in the light of ESA 2010 and send a note to Eurostat. Eurostat took note that the FDO does not have any Maastricht definition liabilities. *Deadline: April 2015 notification.*

#### 4.1.2. Sector classification of schools and hospitals and other cases of sector classification

### *Introduction*

In the framework of ESA 2010, all the private schools were reclassified by SD from S13 to S.15. This reclassification was done taking into account the degree of government control using the five indicators mentioned under ESA2010 §20.15. Eurostat also enquired about the classification of hospitals in the light of ESA2010.

### *Discussions and methodological analysis*

Statistic Denmark explained that, in the case of schools, the degree of financing was used as a first indicator, since this is an obvious way to identify entities controlled by government. Other indicators such as contractual agreements and risk exposure were also taken into account in order to assess the control that government could exercise on these entities. SD confirmed that the private schools can decide freely on their organisation, including decision on amounts of fees to be paid by parents or on large transactions/commitments (e.g. investment in new buildings). Government does not provide any financial help in case a private school faces a financial crisis or any kind of other guarantees. SD confirmed also that, in the case of the private schools, the government is not able to decide on the appointment of the management or of the senior staff.

Regarding the classification of hospitals, SD confirmed that no changes have been made compared to their previous classification.

#### 4.1.3. Government controlled entities classified outside general government (public corporations)

##### *Introduction*

During the 2012 EDP visit, Eurostat enquired about a number of public corporations, which were near to the 50% threshold for the market-non-market test. The case of DONG Energy was extensively discussed at that time due to the fact that the market-non-market results of the parent company were under the 50%. Nevertheless, when taking into account the subsidiaries of the company, the results of the test were above 50%. In line with the action point 17 from 2012 EDP mission<sup>15</sup>, SD further analysed the case and concluded that all DONG subsidiaries were fulfilling the 50% test. SD explained that, in the future, the DONG subsidiaries will be closely monitored.

##### *Discussions and methodological analysis*

During the discussions, Eurostat pointed out that, in the last version of the questionnaire of government controlled entities classified outside general government provided by the Danish authorities in 2014, DONG Energy was under the threshold of 50% in 2011 (38%) and around 50% in 2012, for the market/non-market test. Eurostat mentioned also that the market/non-market results of some DONG subsidiaries were questionable, very different from one year to another, as it was the case for DONG Energy, but also for some other units such as Anholt Offshore A/S or Udviklingsselskabet By & Havn. SD confirmed that, generally, the results of the market-non-market test are verified and further validated when they are unusual. Eurostat noted also the significant results of the market-non-market test of DONG Energy Pipelines A/S and the fact that this unit, despite the fact that is a subsidiary of DONG Energy, is classified in the financial corporations sector S.12.

Eurostat referred also to the fact that, taking into account the financial report of Dong Energy for 2013, it seemed that the amount of liabilities from the financial report is different from that reported in the questionnaire. SD confirmed that the amount of liabilities of the public corporations reported in the questionnaire are from the annual financial accounts, not from the financial report, and are provided to SD by the company itself.

Eurostat also investigated whether some other units included in the questionnaire on government controlled units and having the market-non-market results under 50%, were reclassified. Notably, Eurostat referred to Regionstog A/S and Trafikselskabet Movia, both entities with results significantly under 50% for the last three years. Eurostat mentioned also that, during the last EDP visit in 2012, SD provided a document on “Public corporations meeting the 50% criterion”, including a table with all public units classified as public corporations (in S.11/S.12) and meeting the 50% criterion between 50% and 75%. Eurostat pointed out that the results for the market-non-market test were not available for any of these units. SD confirmed that these units had small liabilities and therefore the 50% was not provided in the questionnaire. Eurostat mentioned also

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<sup>15</sup> Action point 17: SD will analyse the accounts of DONG Energy A/S and check if its subsidiaries should not be reclassified inside general government and will inform Eurostat on their conclusions. Deadline: February 2013



that the results of the market-non-market for Metroselskabet was very different for 2010 compared with the results provided in the latest version of the questionnaire. SD informed that the different results were due to some mistakes in the calculation, but that in the new version of the questionnaire the correct results were provided.

Eurostat stressed also the fact that, for the moment, the amount of liabilities for the units classified in S.12 as FS Bank, FS Finans II A/S, FS Finans III A/S and FS Finans IV A/S and Kommune Kredit is not provided. Therefore this should be included in the next version of the questionnaire<sup>16</sup>.

#### *Findings and conclusions*

Action point 15: SD will provide the consolidated accounts and the market/non-market test of DONG Energy. *Deadline: 6 October 2014*<sup>17</sup>

Action point 16: SD will provide the market/non-market test and detailed information on the composition of the income of Regionstog A/S and Trafikselskabet Movia. *Deadline: end of December 2014*<sup>18</sup>.

#### 4.1.4. Government and entities involved in financial intermediation

##### *Introduction*

FS Bank, FS Finans II A/S, FS Finans III A/S, FS Finans IV A/S and Kommune Kredit are the only units controlled by government involved in financial intermediation and included on the MFI list.

FS Bank, FS Finans II A/S, FS Finans III A/S and FS Finans IV A/S are part of the Finansielt Stabilitet Group. Finansielt Stabilitet was established in October 2008 as part of an agreement between the Danish Government and the Danish financial sector (the Private Contingency Association) on a scheme to secure financial stability in Denmark. In 2011, the structure of the FS Group was simplified. Since then, there were four entities created (FS Bank, FS Finans II, III and IV). As a consequence, all assets/liabilities (valued at marked prices) related to other activities than the third banking package are handled by the FS Group at its own risk. Its owner, central government, covers losses, if necessary, as for any other publicly owned corporation. Since its foundation in October 2008, Finansielt Stabilitet took over 12 banks in distress in accordance with the government's banking packages.

##### *Discussions and methodological analysis*

Eurostat emphasized that Finansielt Stabilitet (FS) is a company wholly owned by the Danish Ministry of Business and Growth, having some features of a captive financial institution. Eurostat pointed out that the recent updated version of the MGDD, published in August 2014, brings further considerations on the specific features of these units. Generally, these units are created in order to perform financial tasks in the context of

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<sup>16</sup> In the questionnaire on public corporations sent end of December 2014 the amounts of liabilities for units classified in S.12 were all included.

<sup>17</sup> Action point implemented.

<sup>18</sup> Action point implemented.

public policy objectives under close monitoring of government. In fact, these entities represent an alternative to government performing these tasks directly.

Eurostat stressed also the fact that, despite an apparent autonomy of decision, these units do not act as a “private” investor, but are aiming at public interest objectives. From a risk perspective, it is highly likely that government should bear the negative consequences of any insufficient performance of the assets held by these entities, either explicitly or implicitly. Eurostat mentioned that, as described on the website of the Finansielt Stabilitet Group “the financial loss risk associated with the activities of Finansielt Stabilitet is part of the calculation when working out the government's overall financial risk in connection with the different bank packages and commercial initiatives for the financial sector”. In this context, Eurostat further discussed with the Danish authorities the government implication regarding the financial risk of FS. Eurostat pointed out that FS allocated around DKK 1.2 billion to losses related to legal disputes. In this context, Eurostat asked further details on the possible risks related to legal disputes and their possible impact on the FS future's profitability.

It was stressed by Eurostat that FS should perform its activities according to market standards and base a decision of whether or not to wind up individual exposures on a commercial assessment. Nevertheless, Finansielt Stabilitet may deviate from this criterion, but will only do so if it is deemed to be in the financial interest of the Danish State – and will not cause other creditors to incur losses. From this perspective, Eurostat further discussed with the Danish statistical authorities on the market rate of return of the assets taken by FS and how this market rate will be complied with the assets held by FS and which are not solvable and profitable. Due to the complexity of the aspects involved, Eurostat agreed with the Danish authorities, that a further analysis of FS will be undertaken by SD in order to establish whether FS is a captive financial institution and therefore should be reclassified inside general government.

Additionally, Eurostat discussed also with SD the statute of the Guarantee Fund. In Denmark, FS acts as the secretariat of the Guarantee Fund for Depositors and Investors. The Danish Guarantee Fund for Depositors and Investors is a private independent institution established by an Act approved by the Danish Parliament. Its Board of Directors is appointed by the Minister for Economic and Business Affairs and includes representatives of the Danish financial sector and the Danish Consumer Council. Nevertheless, the constitutional act of the Fund, specifies that the Danish Minister for Economic and Business Affairs shall lay down the rules concerning the cooperation between the Danish Financial Supervisory Authority and the Fund. Due to the involvement of government in its functions, Eurostat recalled the new MGDD edition as concerns the classification of government controlled units (i.e. where government makes the main decisions) for entities undertaking financial supervisory activities, deposit guarantee schemes or resolution activities. It was agreed during the discussions that SD will reanalyse together with the Danish National Bank the current situation of the Danish Guarantee Fund in the light of ESA 2010 and provide a note to Eurostat on their analyses and on the appropriate classification of the unit.

Regarding the classification of the Danish Financial Supervisory Authority, SD confirmed that the unit is currently classified in the financial sector (S.12).

## *Findings and conclusions*

*Action point 17*: SD will analyse the classification of Finansiell Stabilitet A/S in the light of ESA 2010 provisions and send a note to Eurostat. *Deadline: end of December 2014*<sup>19</sup>.

*Action point 18*: SD, in cooperation with the National Bank, will analyse the features of the Deposit Guarantee Fund in the light of ESA 2010 and send a note to Eurostat. The note should also include the possible impact on government deficit and debt figures. *Deadline: 6 October 2014*<sup>20</sup>.

### **4.2. Implementation of the accrual principle**

#### 4.2.1. Accrual taxes and social contributions. Analysis of the Questionnaire on taxes and social contributions

##### *Introduction*

The EDP Inventory presents extensive information on data sources on taxes and on the methods used for calculating taxes and social contributions. In Denmark, final data for taxes are only available in November, t+3, implying that the data can be revised until 3 years backwards.

##### *Discussions and methodological analysis*

Prior to the mission, SD provided to Eurostat a note describing the changes on taxes and social contributions following the ESA 2010 implementation. SD explained that the tax burden has been revised downwards in Denmark, due to the reclassification of some taxes. The new introduced changes refer to some taxes which are not considered as taxes anymore, mainly the church tax, subscription to the unemployment fund and early retirement pension, hydrocarbon tax and oil pipeline fee, and "the green check". The other changes refer to the fact that tax revenue from companies classified in S.13 is considered as central government income. Earlier, part of this revenue was regarded as local government revenue.

In this context, Eurostat enquired on the reasons for these changes. SD explained that they reflect in a better way the nature of these payments. Due to social changes and the secularisation of the Danish society, the church tax is not considered anymore as an obligation but rather as a transfer from households. The subscription to the unemployment fund and early retirement pension is to be considered as a voluntary contribution and not as a tax anymore. The green check was previously considered as a negative tax and now it is as a transfer to households.

On the other hand, some other payments were reconsidered in the context of the ESA 2010 implementation and classified as taxes. This is the case for the PSO-fee (Public Service Obligation) which is currently considered as a tax partially used for contributions for renewable energy. The payment from Danske Spil (a gambling company) and the media license fee are also considered as taxes. SD provided also a table presenting the concrete impact of these changes on the total amount of taxes and social contributions.

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<sup>19</sup> Action point implemented. The issue is still under discussion.

<sup>20</sup> A first note was sent to Eurostat by the agreed deadline. A more detailed analysis was sent to Eurostat, as agreed, by the end of December. The issue is still under discussion.

SD explained that for the compilation of the new national accounts, better data sources are used for some fees, e.g. the quality of data for the property registration tax and the accrual data for the wage bill tax has been improved.

The methods for the calculation of VAT and ordinary income tax have been also improved. SD explained that, due to the implementation of ESA 2010, a revision of taxes by sub-sectors was also performed, in order to attribute the tax to the government unit that exercises the authority to impose the tax.

Eurostat further discussed with SD the recording of tax credits. According to ESA 2010, payable tax credits should be recorded as expenditure for their full amount.

SD confirmed that there is only one payable tax credit in Denmark, the Green Check, which is a check paid to every adult earning less than a specified amount to compensate for rising energy costs. The payment only takes place if the tax credit exceeds the tax liability. Before the implementation of ESA 2010, SD netted the amounts and only the amount that was paid out was recorded as expenditure. After the current revision, the total amount of the tax credit is recorded as expenditure.

Regarding the recording of deferred tax assets, SD reconfirmed that DTAs will be used, at least by financial corporations. However, for the moment, there are no estimates neither for non-financial, nor for financial corporations. By definition, DTAs have a non-payable nature and there are no changes foreseen for the future in the Danish legislation concerning their use. Currently, there is no expiring period for the use of DTAs; a company can use them whenever they make profits after a period of previous past losses. During the discussions, SD agreed to further investigate the situation of DTAs for financial corporation and to inform Eurostat on their results.

On the recording of taxes, Eurostat pointed out that the figures for 2013 were not consistent between the questionnaire's tables<sup>21</sup>. In Table 5 of the questionnaire related to EDP, SD reported negative stocks for the whole period before 2010. SD explained that this is due to the fact that the calculation method of the stocks was recently changed. Eurostat pointed out that, already prior to the mission, Eurostat had doubts that the new method of calculating the stocks was correct and that further investigation was needed in order to ensure that the figures provided were correct and reliable.

### *Findings and conclusions*

*Action point 19:* SD will investigate if there have been significant payables in relation to taxes for the period starting with 1994 leading to negative stocks. *Deadline: end of December 2014*<sup>22</sup>

*Action point 20:* SD will investigate with the Tax Authorities the correctness of the figures for the stock of taxes for the period 1995 to 2000. *Deadline: end of December 2014*<sup>23</sup>

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<sup>21</sup> The figures recorded in table 5 of the Questionnaire related to EDP tables do not correspond to the figures reported in the same questionnaire, table 4.1.1 in the provisional October 2014 notification. In the final October 2014 notification these figures correspond fully.

<sup>22</sup> Action point implemented.

<sup>23</sup> Action point implemented.

*Action point 21*: SD will investigate whether there are any Deferred Tax Assets in relation to financial corporations and inform Eurostat about the results. *Deadline: end of December 2014*<sup>24</sup>

#### 4.2.2. Interest

##### *Introduction*

The EDP Inventory provides extensive information on the recording of interest expenditure, interest revenue as well as on the consolidation of interest at central governmental level and between sub-sectors.

##### *Discussions and methodological analysis*

In relation to the Danish EDP inventory, Eurostat nevertheless pointed out that there is no information available on the amount of interest split by financial instruments. As explained in the EDP Inventory, the Danish National Bank has this information for the central government level. Eurostat pointed out that it would be useful to have data on interest split by financial instrument for the whole general government sector, including data for local government accounts, social security funds and extra budgetary units.

##### *Findings and conclusions*

*Action point 22* : SD, in cooperation with the Ministry of Finance, will investigate the possibility to provide data for interest split by financial instruments. *Deadline: progress report April 2015 EDP notification, inclusion of data October 2015 EDP notification.*

#### 4.2.3. Recording of EU flows

##### *Introduction*

SD reports figures on EU flows on a net basis.

##### *Discussions and methodological analysis*

There has been no change in the recording of EU flows since the last EDP dialogue visit in 2012. The Danish statistical authorities are still only reporting net figures for EU flows to Eurostat<sup>25</sup>. In this context, Eurostat questioned whether SD could envisage changing the data sources in order to obtain gross figures for the future, which would allow to have a clearer picture of the EU flows.

Regarding Eurostat's decision to ensure harmonisation in the recording of contributions corresponding to the GNI-based own resources among Member States, it was confirmed by SD that the contribution paid by Denmark was recorded as expenditure in the 2013 accounts.

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<sup>24</sup> Action point implemented.

<sup>25</sup> The EU flows are reported in table 6 of the Questionnaire related to EDP.

### *Findings and conclusions*

Action point 23: SD will take steps in order to explore the possibility of reporting of EU flows on a gross basis. Deadline: *progress report April 2015 notification*

#### 4.2.4. Military expenditure

##### *Discussions and methodological analysis*

SD confirmed during the discussions that according to their analysis on the possible impact on the recording of expenditure on military equipment following the new ESA2010 provisions, the classification of military weapon systems has changed. Following the implementation of ESA2010, expenditure of military equipment is currently considered as gross fixed capital formation (GFCF) and not as consumption expenditure as was the case under ESA95.

##### *Findings and conclusions*

Eurostat took note of the explanations provided by SD.

#### 4.2.5. UMTS

##### *Discussions and methodological analysis*

The sale of UMTS licenses is normally recorded as sale of a non-financial asset at the time the license is allocated and therefore the proceeds should have only a positive effect on B.9 in the year when the licenses are allocated. The actual payment of cash should not influence the time of recording of this transaction. Nevertheless, in the ESA95 version used for GFS-statistics (but not for EDP-statistics), the sale of UMTS was considered by SD as a rent for the use of a non-financial asset and recorded over the life time of the license. Therefore, the impact on government B.9 (but not on EDP B.9) was spread over the duration of the license. Due to the recording of UMTS in different ways for EDP and for ESA purposes, in the past there has been always a correction of EDP B.9 in EDP tables 2A. SD confirmed that, since 2014, the recording of UMTS licenses are the same in EDP and ESA tables, therefore the figures reported are consistent. From October 2014 onwards, there is no correction reported in EDP table 2A regarding UMTS licenses.

##### *Findings and conclusions*

Eurostat took note of the explanations provided by SD.

### **4.3. Recording of specific government transactions**

#### 4.3.1. Government operations relating to the financial crisis

##### *Introduction*

Eurostat analysed with SD the financial crisis tables for 2012 and 2013.

##### *Discussions and methodological analysis*

For the October 2014 EDP notification, there were no changes in the draft table compared to the April 2014 notification. Eurostat pointed out, that the data in the supplementary tables for the financial crisis has been extensively discussed in previous

dialogue visits as well as during the previous assessment periods. Since 2010 government relending to Finansielt Stabilitet decreased by 4.5 bill DKK in 2010, by 10.6 bill DKK for the year 2011, 0.4 bill DKK for the year 2012 and by 0.6 bill DKK for the year 2013.

The central government actual financing costs of 0.5 bill. DKK in 2013 was fully covered by the interest revenue from FS, so there were no borrowing costs incurred.

SD confirmed also that the Danish government did not receive any dividends from Finansielt Stabilitet A/S neither in 2012 nor in 2013.

### *Findings and conclusions*

Eurostat took note of the explanations provided by SD.

#### 4.3.2. Guarantees

##### *Introduction*

The EDP Inventory provides extensive information on the recording of new guarantees as well as of guarantees called, in public and in national accounts. Based on this information, and taking into account the data on guarantees provided by SD in table 9.1 of the Questionnaire related to EDP tables, Eurostat further discussed with the Danish statistical authorities the coverage of units reported in table 9.1.

##### *Discussions and methodological analysis*

SD stated that temporary estimates have been made for local government debt guarantees based on local government accounts. These local government guarantees relate to housing, individual housing loans to deposits and other guarantees, for example recreational facilities. In addition, local government also provides debt guarantees to municipal corporations, but these data are not available in the local government accounts. SD pointed out that Moderniseringsstyrelsen and the Ministry of Interior already undertook further steps in order to collect supplementary information on the local government guarantees. SD indicated that data for local government guarantees cannot be provided in the framework of the October 2014 EDP notification, but will be integrated in the April 2015 EDP notification. Regarding guarantee calls, Eurostat inquired if there was just one call of guarantee for Finansielt Stabilitet A/S in 2011. SD confirmed that there had been indeed a single guarantee call recorded, having a neutral effect on the B9. Eurostat noted a decrease in repayments of the guarantees calls for student loans in 2012 and 2013.

Eurostat also further discussed the recording of standardised guarantees. Standardised government guarantees exist in Denmark, mainly related to student loans and farm loans. During the discussions, SD mentioned the need of further guidance in order to reliably estimate the defaulting loans resulting in a called guarantee. Regarding the student loans, only an insignificant amount (between 10 and 20 million DKK) has never been repaid. For the above mentioned two kinds of standardised guarantees, no provision is done in the public accounts. Nevertheless, it was mentioned that provisions are done for the standardised guarantees provided to public corporations. Eurostat pointed out that ESA 2010 recommends to record provisions for calls, when the expected calls exceed the expected receipts and recoveries. Further guidance is also provided in the new edition of the MGDD (VII.4.1). Accordingly, guarantors should be in a position, when they grant a guarantee, to estimate the average loss based on available statistics by using a

probability-weighted risk of call. If there are available statistics, the amount of provisions recorded in central government accounts could be used as an estimate of standardised guarantees until more information on the average losses will be accessible.

#### *Findings and conclusions*

Eurostat welcomes the progress regarding the information and recording of guarantees of local government.

#### 4.3.3. Debt assumptions, debt cancellations and debt write-off

No issue.

#### 4.3.4. Capital injections in public corporations

The discussion on capital injections in public corporation mainly focused on the figures provided by SD in table 10.2 of the questionnaire related to EDP tables of the provisional October 2014 EDP notification. Eurostat asked detailed questions on the revisions between the April and October 2014 EDP notifications for the capital injections by large operations. Eurostat requested also additional information on the transactions of equity for 2013. Eurostat pointed out that the distribution by large operations was significantly modified for DONG for 2012 and further questioned the significant amount of dividends paid by Nordsøfonden for 2013.

#### *Findings and conclusions*

Eurostat took note of the explanations provided by SD.

#### 4.3.5. Dividends, Super dividends

SD confirmed that there were no super-dividends recorded in 2013 and that there is only a small revision in the figures regarding the dividends paid to government in 2013 between the April and the October 2014 notification.

#### *Findings and conclusions*

Eurostat took note of the explanations provided by SD.

#### 4.3.6. Financial derivatives

#### *Discussions and methodological analysis*

SD confirmed that there was no restructuring of financial derivatives in Denmark.

Eurostat pointed out that, in the past, there were some discrepancies between the recording of financial derivatives (F.34) between the financial accounts and EDP tables 3. For the period 2004-2006, the financial accounts report F.34 only on the liability side, for the year 2007, on both assets and liability sides, and for 2008-2009 only on the assets side. SD confirmed that the recording was corrected on the asset side in the financial accounts and in EDP tables 3 and that this correction was implemented also for the backwards data. Eurostat asked whether financial derivatives operations were undertaken only at central or also local government level. SD agreed to further investigate if such operations exist also at local government level.



### *Findings and conclusions*

Action point 24: SD will investigate whether there are any financial derivatives operations undertaken by local government. *Deadline: April 2015 notification*

#### 4.3.7. Private-Public Partnerships (PPP)

##### *Introduction*

The discussion focussed on the two new PPPs as reported in the EDP related questionnaire.

##### *Discussions and methodological analysis*

Eurostat pointed out that, as presented in the EDP questionnaire table 11, two new public-private partnerships were added to the list of PPPs in the EDP questionnaire for the October 2014 EDP notification. SD classified both PPPs outside general government. The contractual capital value was not very significant (367 million for the construction of the Western High Court and 446 DK for the construction of a police station in Holstebro). Eurostat asked about the rationale for these PPPs to be classified off balance sheet. SD confirmed that they had analysed the risk distribution between the public and the private partners and concluded that the majority of the risks were taken by the private partners and concluded therefore that the PPP projects should be recorded off balance sheet. Eurostat asked whether the projects were analysed taking into account the new provisions of the MGDD regarding the PPPs, mainly elements like early termination clauses or government guarantees. Eurostat agreed with SD that the new PPPs projects will be reanalysed taking into accounts the recent MGDD updates and Eurostat will be informed whether there have been any changes or amendments relating to the on-going PPPs, modifying the original contractual conditions, which may have material impact on the qualitative assessment of the PPPs (transfer of risks, changes in government co-financing, government guarantees, lending, other involvement of government, etc.).

### *Findings and conclusions*

Action point 25: SD will analyse the PPP projects Western High Court and the main police station in Holstebro in the light of recent MGDD updates and report back to Eurostat. Additionally, SD will send to Eurostat the relevant contracts including annexes of the two projects. *Deadline: October 2014 for sending the documentation, December 2014 for the analyses*<sup>26</sup>.

Action point 26: SD committed itself to inform, and send to Eurostat relevant documentation on future PPPs. *Deadline: Continuous*

#### 4.3.8. Others: emission trading permits, privatization, sale and leaseback, securitisation

##### *Discussions and methodological analysis*

Regarding the recording of emission permits for 2013, SD explained that the emission of trading permits was already recorded as revenue in 2013, nevertheless the appropriate time of recording should still be determined for the April 2015 EDP notification.

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<sup>26</sup> Action point implemented. The issue is still under discussion.

### *Findings and conclusions*

Eurostat took note of the explanations provided by SD.

### *Findings and conclusions*

SD will further investigate the sale of carbon trading rights in 2013 and report the correct amounts.

## **5. Other issues**

### **5.1. ESA2010 Transmission Programme relating to the GFS tables**

#### *Discussions and methodological analysis*

Eurostat welcomed the good cooperation in the delivery of ESA tables. Eurostat also mentioned that it would be very appreciated if the data could be published from the 2014 transmission onwards at full second level COFOG.

During the discussions, Eurostat questioned whether the correction of the recording of D995 as a positive amount in D9PAY instead of negative revenue in D9REC was implemented. SD confirmed that this correction was implemented in September 2014.

#### *Findings and conclusions*

Eurostat took note of the explanations provided by SD.

### **5.2. Compliance with Directive 2011/85**

#### *Discussions and methodological analysis*

Concerning the compliance with Directive 2011/85 on national budgetary frameworks, in particular in the field of statistics, it has been mentioned during the discussions that an assessment of the compliance with the directive was already performed by Eurostat. Eurostat checked the information provided in the methodological reconciliation table as well as the monthly fiscal data for central government and social security funds and the quarterly fiscal data for local government. In Denmark, the Agency for Modernization of Public Administration (part of the Ministry of Finance) collects and publishes the relevant fiscal data on a dedicated website<sup>27</sup>. The Danish authorities are publishing the balance, total outflow and total inflow in a detailed way. The data for January 2013 was published on 28<sup>th</sup> February 2013. Data for February was published on 20<sup>th</sup> March 2013 and the Danish authorities expect to publish the fiscal data around the 20<sup>th</sup> of each month.

The reconciliation table<sup>28</sup>, available also in English, describes sources and methods, revision policy, estimation procedures etc. regarding the primary accounting data. SD is responsible for the transition/computation of the ESA data, therefore the table is published on the website of SD and provides further information on the transition from primary sources. Eurostat pointed out that the information provided on the website is not very comprehensive for non-statisticians and doesn't provide clear information about

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<sup>27</sup> <http://www.modst.dk/Regnskab/Regnskabstal/Statslige-regnskabstal>

<sup>28</sup> <http://www.modst.dk/Regnskab/Regnskabstal>

sources, methodology, the estimates done, revision policy, alternative sources, (if the primary sources are not used for ESA quarterly data), as well as the transition between fiscal data and ESA data.

Nevertheless, Eurostat appreciated that extensive information on the publication of fiscal data was published also on the Moderniseringsstyrelsen website. Regarding the monthly fiscal data, the central government data are published together with the data for the social security funds. SD confirmed, during the discussions, that a split of fiscal data between central government and social security would not make much sense in Denmark, because the unemployment benefits are entirely financed by central government, and not by the funds. These benefits are included in the central government expenses. This specificity of the Danish system is explained, although not fully clearly, in the explanatory note on the Moderniseringsstyrelsen website<sup>29</sup>. It was confirmed that, in the future, the Ministry will try to improve the explanatory note in order to make it clearer. Data for social security funds are not available at a monthly or even at a quarterly basis. The accounts of some funds are not finalised and audited until late in autumn, therefore the data would be available only with a long time lag.

The presentation of the data for central government is slightly different from data for local government<sup>30</sup>. It was explained that this was mainly due to the fact that accounting standards differ for the two subsectors, because the central and local governmental sectors differ quite substantially in the tasks that they perform and services provided.

#### *Findings and conclusions*

Eurostat took note of the explanations provided by SD.

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<sup>29</sup> <http://modst.dk/Regnskab/~media/Files/Regnskab/Regnskabstal/english.pdf>

<sup>30</sup> <http://www.modst.dk/Regnskab/Regnskabstal/Regnskabstal-for-den-offentlige-sektor>

# Agenda

## **1. Statistical institutional issues**

### **1.1. Institutional responsibilities in the framework of the reporting of data under the EDP and government finance statistics compilation**

1.1.1. Institutional cooperation and EDP processes

1.1.2. Quality management framework

1.1.3. Audit and internal control arrangements

### **1.2. Data sources and revision policy in the context of ESA 2010 implementation**

1.2.1. EDP Inventory

1.2.2. Changes in data sources and revision policy

## **2. Follow-up of the previous EDP dialogue visit of 29-30 November 2012**

## **3. Analysis of EDP provisional data for the October 2014 Notification**

3.1. EDP tables

3.2. Breakdown of other accounts receivable and payable

3.3. Statistical discrepancies

## **4. Methodological issues and recording of specific government transactions**

### **4.1. Delimitation of general government sector**

4.1.1. Changes in sector classification due to ESA 2010

4.1.2. Sector classification of hospitals and schools and other cases of sector classification

4.1.3. Government controlled entities classified outside general government (public corporations)

4.1.4. Government and the entities involved in financial intermediation

### **4.2. Implementation of accrual principle**

4.2.1. Taxes and social contributions. Analysis of the Questionnaire on taxes and social contributions

4.2.2. Interest

4.2.3. EU flows

4.2.4. Military expenditure

4.2.5. UMTS

### **4.3. Recording of specific government transactions**

- 4.3.1. Government operations relating to the financial crisis
- 4.3.2. Guarantees
- 4.3.3. Debt assumptions, debt cancellations and debt write-offs
- 4.3.4. Capital injections in public corporations
- 4.3.5. Dividends, super dividends
- 4.3.6. Financial derivatives
- 4.3.7. PPPs
- 4.3.8. Others: emission trading permits, privatization, sale and leaseback, securitisation

### **5. Other issues**

- 5.1. ESA2010 Transmission Programme relating to the GFS tables
- 5.2. Compliance with Directive 2011/85

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