



EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics (GFS) and quality
Unit D-2: Excessive deficit procedure (EDP) 1

Luxembourg, 6 October 2014

FINAL FINDINGS

EDP dialogue and ad-hoc visits to Belgium

3-5 February 2014 and 13-14 February 2014

Executive summary

Two Eurostat EDP visits to Belgium took place in February 2014. A first EDP dialogue visit was undertaken on 3-5 February 2014. The visit focused on the delimitation of the general government sector, on the existence of delegated missions undertaken by public entities on behalf of government, on the systems of alternative financing, on the availability of data for the compilation of government deficit and Maastricht Debt, on the recording of different transactions impacting government deficit and debt and on the analysis of PPP contracts. In the context of this visit, Eurostat met representatives of the national statistical authorities.

A second ad-hoc visit was undertaken by Eurostat on 13-14 February 2014, in order to ensure that the national statistical authorities in Belgium could have access to all the identified information needed for the compilation of reliable deficit and debt figures from the Federal and Regional Government levels. Eurostat held separate meetings with representatives from the three Regions in Belgium (Brussels, Flanders and Wallonia) and from the Federal Government. Representatives from the national statistical authorities were present during all the meetings.

During both visits, Eurostat appreciated the willingness demonstrated by the Belgian statistical authorities in providing the requested documentation prior, during and after the meetings. Eurostat also thanked the Belgian authorities for their good cooperation and openness and for the many constructive exchanges that occurred during the visits.

Eurostat acknowledges the significant effort carried out by the Belgian Statistical Authorities for the prompt implementation, in the April 2014 EDP Notification, of a significant number of actions points resulting from the two visits.

As ESA 1995 was still in force at the time of these visits, discussions were partly undertaken on the basis of ESA 1995, which was the basis for the April 2014 EDP Notification. However, Eurostat raised different issues related to the implementation of ESA 2010, which is to be applied for the first time in the October 2014 EDP Notification. It was agreed that action points related to ESA1995 should be implemented by April 2014, while implementation of action points linked to ESA 2010 could be postponed to October 2014.

Given the wide number of issues to discuss, the EDP visits were longer than usual, leading to a significant number of action points. This explains that the findings drafted for Belgium are longer than for other EDP visits.

EDP dialogue visit of 3-5 February 2014

As far as institutional arrangements are concerned, Eurostat recalled that the National Accounts Institute (NAI) is the only competent authority in Belgium for taking decisions concerning national accounts issues. Eurostat underlined the importance of data availability from all government subsectors for the EDP reporting and welcomed the forthcoming finalisation of an inter-institutional protocol which should formalise the transmission of data needed for the compilation of EDP statistics. The protocol would also establish in detail the information to be reported to the NAI by the Federal Government, the Regions and the Communities in Belgium.

Eurostat asked for an update of the Belgian EDP inventory, as the existing version dates back to the year 2007 and does not reflect accurately the current methodology in place due to new data sources and reclassifications of units that have been implemented during the last years.

Eurostat reviewed some action points still outstanding from previous visits to Belgium, notably the coverage of data on trade credits, the reduction of the statistical discrepancy and the use of balance sheet data for government units.

The EDP tables and the Questionnaire of the October 2013 EDP Notification were also examined and some issues raised in the assessment round were further clarified.

As regards methodological issues, Eurostat focused on the delimitation of general government. The questionnaire on government controlled entities classified outside general government provided by the Belgian statistical authorities was analysed in detail. The sector classification of the following units, among others, was discussed: the intercommunales, Spaque, Sogepa, Sowaer, Sowalfin, Vlaamse Participatiemaatschappij, Limburgse Reconvertiemaatschappij, Apetra, Vitrufin, the subsidiaries of SRIW, PMV, SRIB and the investment companies in Wallonia. In addition, the NAI was asked to include more units in the questionnaire, in order to have an exhaustive list of units controlled by government.

The issues of alternative financing and units undertaking activities on delegated missions on behalf of government were investigated in detail by Eurostat. It was agreed that the NAI would request to the Federal Government and to the Regions and Communities all information related to delegated missions and alternative financing (list of delegated missions, units acting on delegated missions, liabilities incurred by units in the context of delegated missions as well as all transactions incurred). It was concluded that public units acting mainly on the basis of delegated missions should be classified in the general government sector. The NAI agreed to analyse the issue in detail in order to ensure that all the debt incurred by units (public or private) in the context of delegated missions on behalf of government would be included in government debt and that transactions undertaken in the context of delegated missions would be rerouted to government.

Eurostat also covered different issues related to the recording of interest at regional and local government levels. In this context it appeared that, due to unavailability of information, premiums and discounts were not treated as interest in the accounts of regions and local authorities and no correction was recorded for swap operations in the Regions and Communities. Moreover, interest was not recorded on an accrual basis in Wallonia and in the French Community.

Eurostat and the NAI analysed and discussed in detail the report published in January 2014 by the Belgian Court of Auditors, according to which the stock of Maastricht debt reported by the Region of Wallonia to the NAI for the year 2012 seemed to be incomplete, leading to an underestimation of the debt figures. It was concluded that amounts related to financial leasing and alternative financing/delegated missions for some units, were not included in the amounts reported to the NAI, leading to an incorrect and underestimated figure of the debt of Wallonia. In addition, the report of the CoA pointed out to a lack of existing data, making it difficult to assess the amount of guaranteed debt and the portfolio of participations held by the Region.

The transfer of claims related to the Berlaymont building between the Belgian State and BNP-Paribas was discussed briefly and Eurostat expressed doubts on the treatment of this transaction as a sale of a financial asset.

Eurostat raised the attention of the NAI on a number of features in some PPP contracts. Eurostat and the NAI agreed to jointly review a number of contracts and to conclude on the accounting treatment to be applied by the October 2014 EDP Notification.

Other issues such as capital injections and guarantees were also briefly covered in the meeting.

The NAI informed Eurostat about the "building blocks" project, currently under development, which will make balance sheet information available, representing an improvement for the financial accounts and for the availability of integrated data sources. Eurostat underlined the importance of this project which will probably, amongst other, reduce the statistical discrepancy and allow the collection of information on trade credits.

EDP ad-hoc visit of 13-14 February 2014

The EDP visit undertaken on 3-5 February confirmed that important information for the compilation of deficit and debt figures was not transmitted to the NAI by the Regions, the Communities and the Federal Government. This concerned information on alternative financing and delegated missions, premiums and discounts, swaps and financial leasing amongst other.

As the transmission of such information from the different government levels to the NAI was not yet standardised, Eurostat decided to hold meetings with representatives of the three Regions and the Federal Government to ensure access of the NAI to all the information needed from the different levels of government for the compilation of EDP statistics.

Eurostat and the NAI held four separate meetings with the Regions of Flanders, Wallonia and Brussels and with the Federal Government. The following issues were discussed in all the meetings: availability of accounts, delimitation of the government perimeter, the existence of transactions carried out on behalf of government, data availability for different methodological issues (financial leasing, capital injections, interest, PPPs, government guarantees, sales of assets, other accounts receivable/payable, trade credits, stock of participations, etc.) and data availability for local government and the intercommunales.

During these meetings, Eurostat asked for the cooperation of the different Regions and the Federal Government as regards the availability of the above data. In this context, Eurostat identified room for improvement in some specific areas.¹

¹ It should nevertheless be underlined that the Regions and the Federal Government have made a considerable effort for the April 2014 EDP Notification and that several measures have been taken in order to improve the reporting to the NAI and the collection of information.



EDP dialogue visit to Belgium

3-5 February 2014

Final findings

Introduction

In accordance with article 11(1) of Council Regulation (EC) No 479/2009, as amended, concerning the quality of statistical data in the context of the Excessive Deficit Procedure (EDP), Eurostat carried out an EDP dialogue visit to Belgium on 3-5 February 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, Mr Denis Besnard and Ms Lourdes Prado Ureña. DG ECFIN and the European Central Bank (ECB) also participated in the meeting as observers.

The Belgian authorities were represented by the three institutions that integrate the National Accounts Institute (NAI): the Statistics Department of the National Bank of Belgium, the Federal Planning Office, and the Federal Public Service Economy.

The previous Eurostat EDP dialogue visit to Belgium had taken place on 27 June 2012. An Upstream Dialogue Visit (UDV) and a follow-up to the UDV took place on the 5-7 March 2012 and on the 4th September 2012 respectively.

Eurostat carried out this EDP dialogue visit in order to review the implementation of ESA 1995 methodology and to ensure that provisions of the Eurostat Manual on Government Deficit and Debt and Eurostat decisions had been duly implemented in the Belgian EDP and Government Finance Statistics (GFS) data. The planning for the implementation of ESA 2010 in Belgium and potential issues due the methodological changes introduced by ESA 2010 were also discussed.

The objectives of the dialogue visit were, amongst other, to analyse the delimitation of the general government sector, the recording of delegated missions undertaken on behalf of government and the system of alternative financing, the availability of data for the compilation of government deficit and Maastricht Debt, the recording of specific transactions impacting government deficit and debt (capital injections and Berlaymont building among others), the analysis of PPP contracts, the clarification of some issues relating to EDP tables raised in the context of previous notifications and to review the institutional arrangements for the compilation of EDP statistics.

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 would be sent for comments to the Belgian statistical authorities. Subsequently, the provisional findings would be sent in draft form for review. After amendments, the final findings would be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat appreciated the excellent co-operation and transparency demonstrated by the Belgian statistical authorities during the meeting and the high quality of the documentation provided before, during and after the EDP dialogue visit.

1. Statistical capacity issues

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

Introduction

In Belgium, the compilation of EDP statistics and government accounts is under the responsibility of the NAI (National Accounts Institute). The NAI comprises three partners: the National Bank of Belgium, the Federal Planning Office and the Directorate-General Statistics and Economic Information of the “Federal Public Service Economy, SMEs, Self-employed and Energy” (FPS Economy).

A High Level Task Force involving representatives of the NAI, the Federal government and the Regions was established in 2012, after the last Eurostat EDP visit, and has now completed its work. A first protocol was agreed between the Federal and Regional Governments on 17 July 2013, including the mandate of the NAI to collect data from any entity belonging to the general government sector.

Eurostat inquired about the latest developments concerning the staffing of the NAI (7 staff members after the last EDP mission), the High Level Task Force created in 2012 and the state of play of the inter-institutional protocol which should formalise the transmission of data needed for the compilation of EDP statistics.

Discussion

As concerns staff, the NAI informed Eurostat that the number of persons dealing with the compilation of government statistics had been increased with six more colleagues since the last EDP visit, adding up now to a total of ten people. The NAI also stated that further increases may be considered in case the workload continues to be significant.

The President of the NAI explained that a few points of the Protocol between the NAI, the Federal Government, the Regions and the Communities were still pending although the protocol was close to being signed. There had been a proposal to inter-federalise statistics so that representatives of the Regions would be able to participate in the discussion of national accounts issues dealt with by the NAI.

Eurostat welcomed the increase in the staff working on Government Finance Statistics (GFS) and EDP statistics as well as the developments of the protocol and the High Level Task Force. Eurostat underlined however that the NAI is the only statistical authority recognised for national accounts purposes and expressed some concerns about the fact

that the Regions and Federal government could have a say in the methodological decisions concerning EDP data.

As concerns the two ongoing cases brought to the attention of the Council of State (Conseil d'État) by the Wallonia and Brussels Regions (Sofico and SRIB), Eurostat recalled that it has the prerogative to provide clarification and to interpret the rules associated to ESA and the MGDD so that, even in case the Council of State would rule against the decision of Eurostat, this would not have any effect for EDP purposes, as all transactions, assets and liabilities of the units would be rerouted through government.

Eurostat recalled that Regulation 1173/2011 on the effective enforcement of fiscal surveillance granted new powers to Eurostat as concerns cases of serious negligence in statistical reporting. Eurostat stated the importance that all statistical data necessary for the EDP reporting should be made available to the NAI by the Regions and that in case of lack of important data; Eurostat might express a reservation on the quality of the EDP data.

Main findings and conclusions

Action point 1: Eurostat recalls that the NAI is the only competent authority for taking decisions in national accounts. Moreover, Eurostat recalls that it expects full information for EDP reporting to be provided to the NAI by all government subsectors and welcomes in this respect the forthcoming finalisation of the protocol.²

Deadline: continuous

1.2. Data sources and revision policy

1.2.1. Changes in data sources and revision policy

Introduction

Eurostat welcomed the progress achieved in the last years as concerns the timeliness of source information. For the April notification, the NAI provides now, complete EDP tables 2A for central government, 2B for state government and 2D for social security for year t-1. In the past, these data were based mainly on annualised quarterly information for the four quarters of the previous year.

However, for local government (EDP table 2C) the situation in April still needs to be improved: only estimates of the net lending/net borrowing (B.9) data are provided for the year t-1, without working balances or transitional items.

Eurostat inquired on the planned developments as concerns the reporting of local government data in table 2C for the April notification.

Eurostat acknowledged the improvements achieved in the October 2013 notification as regards local government data. For the first time, supervising authorities transmitted the accounts available at t+8 months for year t-1 (2012 in October 2013) to the NAI, which integrated these data in the October Notification. Nevertheless, although the coverage in

² In April 2014, Eurostat received a copy of the final Protocol signed.

the October notification has significantly improved, the data coverage is not yet exhaustive and the data still have to be extrapolated.³

Discussion

The NAI explained that some initiatives, in order to improve the information available for the April notification by the year 2014 or 2015, were being developed in collaboration with the Regions.

For the first time, the Walloon Region would be in a position to provide a first set of provisional accounts by 15 February 2014. Although this information will not be validated by the supervisory authorities (*autorités de tutelle*), it is still planned to be used for the April 2014 EDP notification⁴. In the meantime, the NAI has asked the supervisory authorities of the local governments at the other two regions to perform a survey in the biggest municipalities (all the 19 municipalities in Brussels and the 22 biggest ones in Flanders, accounting for 30% of total investment in the latter) with the aim to use this information for the April notification. However, the survey would include only some items and not the full set of government revenue and expenditure aggregates.⁵

In Flanders, Brussels and Wallonia, as part of a new project in the context of the Six-pack, all local government levels will have to provide quarterly data on accrual basis. The NAI hopes that the information from this new reporting would allow the construction of the table 2C at the April notifications, however, some gaps are expected during 2014 and even 2015.

1.2.2. EDP inventory

Introduction

A new EDP Inventory format was approved by Eurostat after the consultation of the CMFB, in June 2012. In this respect, Member States were required to transmit the final version of the updated inventory, plus the annexes, by the end of the year 2013. In December 2013, Eurostat started to publish the New Inventories for Member States.

The current EDP Inventory for Belgium dates back to the year 2007. No updates have been transmitted since then and the information included in it is partly outdated and not in line with the level of detail requested by Eurostat. Eurostat asked the NAI to agree on a timetable for the Inventory of Belgium to be updated according to the new requirements.

³ In the October 2013 EDP Notification, the coverage for municipalities reached 96.4% for the year 2011 while for 2012 the coverage was still at 53.4%, leading to extrapolations. Coverage for public social assistance centres (CPAS) and police zones is still very low and the information available is still insufficient.

⁴ This information was finally not used for the April 2014 EDP notification. See next footnote.

⁵ Following an analysis by the NAI in the April 2014 EDP notification, it became clear that despite the effort for the collection of the provisional data at local government level, these are not very reliable, especially for the investments done by the local authorities. Therefore the NAI decided not to invest time in the construction of table 2C at that time. This point is still on hold for future April EDP Notifications. The information of the surveys however were used as indicators for the compilation of the local government accounts in the April 2014 EDP notification.

Discussion

The NAI explained that priority has been given to the production of the figures as well as to the works related to the implementation of ESA 2010. It was also underlined by NAI that, although the inventory has not been updated, the list of public units is now updated twice a year at the time of the EDP Notification.⁶

Main findings and conclusions

Action point 2: The Belgian Statistical Authorities will provide to Eurostat a revised version of the EDP Inventory of sources and methods by end of December 2014, with the objective to be published before the April 2015 EDP Notification.

*Deadline: provide the Inventory to Eurostat in December 2014, publication in March 2015*⁷

Action point 3: The NAI will complete a template, as provided by Eurostat, including information on which data is received from whom and when, as concerns government units as well as public units at all government levels (Federal, Regions, Local Government, and Social Security).

*Deadline: end of June 2014*⁸

2. Follow-up of the EDP dialogue visit of 27 June 2012

Introduction

The previous EDP dialogue visit to Belgium took place on 27 June 2012. Most action points from this visit had been implemented at the time of the SDV of February 2014. Those action points not yet implemented are all related to the availability of the information needed to compile the accounts. In this context, Eurostat recalled that further progress is needed on the following action points (AP):

- Increase in the exhaustiveness and coverage of local government data (AP 2)
- Increase in the coverage for data on trade credits (AP 4)
- Reduction in the size of the statistical discrepancy (AP 5)
- Progress report on the use of balance sheet data for government units (AP 6)

⁶ At the time of the preparation of these findings, the last version available of the list of public units dated back to April 2014. A new version of the list was sent to Eurostat in September 2014.

⁷ Outstanding action point.

⁸ The information requested in this action point was mostly covered during the ad-hoc visit of 13-14 February 2014.

Discussion

The NAI confirmed that the reporting for financial accounts in Belgium is not standardised and that there are some problems concerning the coverage as concerns balance sheet data. Certain corporations have to provide their balance sheet to the National Bank of Belgium (NBB) and the information is publicly available. However, this applies neither to all corporations nor to government units and the data collection is not organised in a structured way.

The NAI provided information on the work in progress in this field. It is foreseen that the Protocol which will formalise the transmission of data needed for the compilation of EDP statistics, in a second stage, will detail the information to be provided to the NAI and the points to be improved as concerns the compilation and transmission of statistical data. On the other hand, in the framework of the High Level Task Force set in 2012, a working group on financial accounts has been established in order to obtain complete data on balance sheets. The NAI is leading this project, which is long-term oriented, and which includes "building blocks" that will allow building up the balance sheet in those units that do not have accounts. At a later stage, information on trade credits will also be requested. The implementation of the "building blocks" project is expected to entail significant improvement as concerns action points 4, 5 and 6 of the previous SDV.

3. Follow-up of the October 2013 EDP reporting – analysis of EDP tables

Introduction

Eurostat received the data for the October 2013 EDP Notification on the 27 September 2013. Two requests for clarification followed the October 2013 EDP notification. As usual, the cooperation during the clarification round was excellent and the EDP team in Belgium provided detailed answers to most of the questions.

A number of issues concerning small amounts were however identified and corrections are expected for the April 2014 EDP notification.⁹

Most of the revisions carried out between April 2013 and October 2013 were due to data from the Regions which were not available for the first notification. This applies to all the Regions, but especially to Wallonia and in particular to data concerning financing, guarantees and delegated missions (*missions déléguées*).

Eurostat identified a number of issues for which further discussion was needed. The recording of interest, capital injections, super-dividends, sector classification, PPPs and financial derivatives are discussed in detail in the section for methodology in this document (point 4).

The following issues were discussed as a follow-up of the October 2013 EDP Notification:

- Data availability for public universities
- Cash Pool Management
- Basis for the working balance in tables 2B and 2C

⁹ These corrections have been duly implemented in the April 2014 EDP Notification.

- Recording of the amounts related to the ONVA
- Simultaneous treatment of two transactions in the city of Ghent

3.1. Data availability for universities

Discussion

In Belgium, universities and *Hautes Écoles* are not part of the Federal Government. They are mainly either part of the Flemish Community or the French Speaking Community (Fédération Wallonie-Bruxelles) and they are classified in the regional government sub-sector (S.1312).

Profit and loss accounts of universities are available for the EDP reporting from year 2011 onwards and have been used since the October 2013 EDP Notification, impacting government B.9. However, in the French Community, profit and loss accounts for universities are available with a delay of one year. As concerns *Hautes Écoles*, the availability of profits and loss accounts is only partial.

As concerns debt raised by universities and *Hautes Écoles*, the NAI confirmed that at present no information was available and that such amounts were not included in government debt.

Main findings and conclusions

Action point 4: Eurostat took note that profit and loss accounts for universities in the French speaking Community are available for the NAI with more than one year delay. Moreover, the debt incurred directly by universities from financial institutions is not included in government debt in any Region. Eurostat invites the NAI to rectify the situation and to report to Eurostat on the progress achieved. Debt of all universities and *Hautes Écoles* should be included in government debt and data on revenue and expenditure should be taken into account also for all universities and *Hautes Écoles* in Flanders and the French Community. In the absence of data for 2013, estimations would be carried out.

*Deadline: April 2014 EDP Notification*¹⁰

3.2. Recording of the cash pool management

Discussion

Significant revisions in the debt of Wallonia and the Region of Brussels between the notifications of April and October 2013 were due to the cash pool management issue.

In Belgium, each Region runs a cash pool management system. Units participating in the cash pool management system deposit funds in a bank account of the Region and these deposits are included as part of Maastricht debt. Units participating in the system can be government units and public corporations classified outside general government.

¹⁰ The information received from the Flemish and the French speaking Communities was included in the April 2014 EDP Notification. However, this information was partial, especially for the *Hautes Écoles*, where the accounts are not standardised, and for assets and liabilities of year t-1. Further follow-up is needed.

The amounts provided by government units are consolidated and are to be deducted from the debt.

During the meeting, the NAI confirmed that full data are available on a quarterly basis for Wallonia and Flanders and that in Flanders all the units participating in the system are included in the general government sector.

Main findings and conclusions

Action point 5: Eurostat asked the Belgian authorities to investigate further the issue of cash pool management in the Region of Brussels, especially as debt consolidation is concerned.

*Deadline: April 2014 EDP Notification*¹¹

3.3. Basis for the working balance in EDP tables 2B and 2C and data availability for accrual interest

Discussion

State government (EDP table 2B)

Although, traditionally, Regions and Communities record their transactions on a cash basis, during the last years there has been a progressive shift to an accrual basis. However, the accrual recording followed in the Regions differs and does not follow completely the accrual principle as defined for national accounts in ESA. Therefore, some adjustments need to be done to the data reported by the Regions.

The NAI explained that, in the absence of accrual data for interest, the information to correct the cash payments could be obtained by the "building blocks" project.

As concerns the working balance in table 2B, the NAI confirmed the following:

- The Flemish Region is providing all data on accrual basis since 2012. However, the NAI keeps the time-adjusted-cash recording for taxes and social contributions;
- The Region of Brussels is providing data on accrual basis except for taxes and interest. However, the adjustment for interest is provided to the NAI;
- The Region of Wallonia and the Fédération Wallonie-Bruxelles still provide data on a cash basis and no adjustment was carried out for interest at the time of the EDP visit.¹² The switch to accrual is foreseen for year 2020;

¹¹ This action point was implemented. For the April 2014 EDP Notification, the NAI had access to the details of the cash pool management by participants in the Region of Brussels allowing a correct treatment of the consolidating elements in the accounts of the Region.

¹² This action point was implemented. Corrections on the cash interest payments were integrated in the accounts in the April 2014 EDP Notification for the Region of Wallonia and the French Community. The information to correct the cash payments has been provided to the NAI via the project building blocks.

- The German Community provides data on accrual basis. The reporting of interest needs to be checked;¹³
- The working balance for each of the Regions is published on a yearly basis and it contains no estimation.

Local government (EDP table 2C)

The local government sector in Belgium includes provinces, municipalities, public social assistance centres (CPAS) and local police zones. Most local entities have complete accounting systems on an accrual basis. Therefore, no corrections are done for the accrued interest in EDP table 2C.

The budget accounting system for most municipalities makes a distinction between normal and extraordinary service. The normal service contains all receipts and expenditure (including debt reimbursements) which normally occur every year, while the extraordinary service contains all extraordinary receipts (new loans) and extraordinary expenditure (mainly investment) which have an important influence on the patrimony of the local government. The working balance used in table 2C refers to the ordinary balance (normal receipts and expenditure), and therefore, debt reimbursements have to be corrected and investments are not included (extraordinary revenue and expenditure are not included in the working balance for local government).

The working balance used in table 2C is the balance (revenue minus expenditure) of the normal service of all the municipalities in Belgium plus the local police zones and the Walloon public social assistance centres (CPAS).

Several corrections are needed to derive the EDP B.9 starting from the working balance in EDP table 2C. The working balance is based on the individual accounts received; it is not extrapolated and the missing information is included in the statistical discrepancy. The working balance at local government level is not published.

The NAI explained that, from the October 2013 EDP Notification, the Flemish data are transmitted following a new system in which normal and extraordinary services are not split anymore. The Flemish municipalities have implemented a new accounting system called Beleids- en Beheerscyclus (BBC) which includes only one balance, replacing the previous system based on two balances (ordinary and extraordinary). The new working balance of the BBC is much closer to the ESA concept of B.9 and needs no longer corrections for debt reimbursements or investment. It is foreseen that all Flemish Municipalities, CPAS, provinces and several public local corporations will use the BBC system from 2014 onwards.

¹³ This action point was implemented. The information for the stock-tacking exercise (building blocks) for the German Community showed that interest is reported on an accrual basis with no need to undertake adjustments.

Main findings and conclusions

Action point 6: It seems that newly available data in the Region of Flanders could allow the recording of taxes and social contributions using a method based on assessments and declarations. However, Eurostat took note that the NAI has not yet changed the recording based on time-adjusted cash. Eurostat recalls that any change in the method for recording taxed must be discussed and agreed with Eurostat beforehand.

Deadline: continuous

3.4. Recording of the amounts related to the *Office national des vacances annuelles* (ONVA)

Discussion

Eurostat inquired whether the claims held by households against the ONVA should be recorded as deposits (impacting government debt) or whether the current recording as other accounts payable, with no impact on the debt, is appropriate.

The NAI explained that these amounts related to year t are automatically paid in May of the year $t+1$ and that there are no interest payments. Therefore, according to the NAI, the correct treatment should be to record these amounts as the timing difference between the transaction and the corresponding payment.

Main findings and conclusions

Action point 7: Eurostat agrees with the analysis of the NAI that the amounts received by ONVA from employers, which are later paid out to employees, should be recorded as F.7 (other accounts payable in ESA 1995).

3.5. Simultaneous treatment of two transactions in the city of Ghent

Discussion

In 2011, there were two transactions between the city of Ghent and the public corporation *WoninGent cbva-so* (the social housing development company) that were related and occurred very close in time:

- the transfer of buildings from the city of Ghent to the social housing development company for EUR 179 mn;
- a capital injection of EUR 152 mn (with no cash), from the city of Ghent to the above mentioned public corporation.

The transfer of buildings was not recorded as a sale by the NAI and, symmetrically the capital injection was not recorded as a capital transfer. Eurostat inquired about the treatment of these transactions.

The NAI recalled that a similar treatment was applied to other transactions in the past, when the municipality sold sewer systems to a public corporation (*intercommunale*) and at the same time took participations in such corporation without an exchange of cash in both cases.

According to the NAI, the sale of non-financial assets from government to a public corporation should not be treated as a real sale, but as a re-allocation of assets in the public perimeter. The NAI is of the view that both transactions should be analysed together and not separately, as nothing changes in substance. The government unit is still the economic owner of the non-financial asset (as it bears the associated risks and gets the rewards) and, on the other hand, it owns 100% of the corporation before and after the capital increase.

The key issue is to determine the real market value of the buildings transferred and compare this value with the EUR 152 mn of the capital injection. In case the market value of the buildings was below EUR 152 mn, a capital transfer should be recorded from government to the public corporation.

Main findings and conclusions

Action point 8: The Belgian statistical authorities will investigate whether the price of EUR 179 mn agreed for the transfer of dwellings from the City of Ghent to *WoninGent cbva-so* (the social housing development company) could be considered as a market price, as well as whether the EUR 27 mn were effectively paid in cash. Eurostat considers that similar cases of considerable transfers of assets from government to public corporations should be thoroughly investigated.

Deadline: October 2014 EDP Notification¹⁴

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government, application of market/non-market rule in national accounts

4.1.1. *Practical implementation of the market/non-market test. Latest developments and changes in sector classification since the last EDP dialogue visit*

Introduction

In Belgium, the NAI is responsible for updating the list of units in the general government sector. In the framework of the High Level Task Force, a technical Working Group was put in place in October 2012 to work at the elaboration and the regular update of a register of public sector entities.

Main Findings and conclusions

In September 2013, a letter was sent to the Federal Government and the eight Regional Governments¹⁵, addressing a data request concerning public entities and the designation of a single point of contact per Region.

¹⁴ This action point was implemented.

¹⁵ Brussels, Flanders, Walloon Region, French Community, German-speaking Region, VGC, COCOM and COCOF.

The request includes both public enterprises and NPISH under the control of government and asks for the following information:

- a list of public entities under the control of each administration (checking and completion of an existing list);
- a list of the participations of the public entities and their accounting value;
- accounting data for public entities outside S.13 in order to perform the 50% test on a regular basis. Information is requested only for those entities not presenting their financial statements to the NBB.

It is planned that this request be sent each year in February with a deadline for replies of 1st October.

Moreover, in 2013 the NAI has developed an automated process of the 50% test for the public entities that file annual accounts in Belgium.

As concerns changes in sector delimitation, a total of 27 units were reclassified in the general government sector since the last EDP dialogue visit in June 2012. All the units reclassified belonged to the Regions except for two funds that are part of the Federal Government. These two funds were reclassified from S.123 to S.13 due to the fact that they were not placed at risk for their financing. Only one third of the financing came from non-government units and, in addition, this third benefited from a government guarantee.

4.1.2. Questionnaire on government controlled entities classified outside the general government sector (public corporations)

Introduction

Before the mission, Eurostat carried out a detailed analysis of the Questionnaire on government controlled entities classified outside the general government sector for Belgium, for the year 2013.

Only information on public corporations classified in S.11 and S.12 was provided and no information on public NPISH is reported so far.

As regards the content, the NAI had filled in data for liabilities in the sense of Maastricht debt, the profit/loss as reported in business accounting, the number of employees and the 50% test for most of the units.

Most of the corporations reported are "Intercommunales" controlled by the local and state government sectors.

The questionnaire on government controlled units classified outside government has been used as the starting point for discussing the sector classification of a number of units during the mission (see sections 4.1.3-4.1.6 below).

Discussion

Eurostat thanked the NAI for the very useful information provided in the questionnaire. However, further progress is needed as regards the coverage of the units.

Eurostat noted that some public corporations were missing in the questionnaire, for instance Sowalfin and most of the subsidiaries of the regional investment holdings. The NAI confirmed that in the 2013 version of the questionnaire, only those units with accumulated liabilities above 0.01% of GDP were reported. Eurostat recalled that all public corporations should be reported in the template, regardless of their debt level.

Moreover, the NAI admitted having difficulties in obtaining from the Regions, and the Federal Government, the information for filling in the questionnaire, as for instance an exhaustive list of public units had not been provided at the time of Eurostat's visit.

Eurostat inquired about a number of units in the questionnaire with no reported staff and recalled that units controlled by government with no employees should normally be classified in the general government sector if they have the features of mere accounting tools.

In addition, Eurostat inquired about a number of government controlled units that were classified outside government despite not complying with the 50% rule for three years in a row.

Eurostat observed some cases where the market test provided values of 100% for the three years reported in the questionnaire and asked the NAI whether the revenue received by those units was correctly considered as market revenue or whether the units could be reimbursed on the basis of costs incurred.

Eurostat further asked the NAI to investigate cases where the market test provides very high results and where the unit has zero employees.

Eurostat recalled that the changes related to sector classification introduced by ESA 2010 should be analysed and implemented for the October 2014 EDP Notification. These include the sector classification of government controlled holdings and captive financial institutions, among others, and the new market test including net interest charge.

Main Findings and conclusions

Action point 9: The NAI will take the necessary steps to provide an exhaustive list of units in the questionnaire on government controlled entities classified outside government. In the meantime, as an intermediate step, the NAI will send to Eurostat an extended list of government controlled entities classified outside government (extending the questionnaire provided in December 2013), including subsidiaries, independently of the amount of debt incurred by each entity.

Deadline: April 2014 for updated questionnaire.¹⁶ December 2014 for the exhaustive list

¹⁶ This action point was implemented. The NAI provided an extended update of the Questionnaire on government controlled entities in April 2014.

Action point 10: The NAI will investigate all cases where zero employees are reported for government controlled entities classified outside government, with a view to determine whether some units in fact have simply the nature of accounting tools and should not be instead reclassified in S.13.

Deadline: April 2014 EDP Notification¹⁷

Action point 11: The NAI will investigate existing cases where, as reported in the questionnaire for government controlled entities classified outside government, the entity, in spite of not complying with the 50% rule for 3 years in a row, is classified outside government. All units which did not comply with this rule, after confirmation by NAI, should be immediately reclassified.

Deadline: April 2014 EDP Notification¹⁸

Action point 12: The NAI will investigate whether some of the units reported in the questionnaire on government controlled entities classified outside government in S.11, shouldn't instead be reclassified in S.12. The NAI will also investigate whether some of the units classified in S.12 shouldn't be reclassified in S.13 due to the fact that they should really be considered as captive financial institutions controlled by government.

Deadline: October 2014 EDP Notification¹⁹

Action point 13: The NAI will investigate whether those cases where the market/non-market test gives a value of 100% for the three years reported in the questionnaire, are due to the fact that the corporation is simply compensated on the basis of costs. This could indicate that the sales of the unit could not be market sales, but simply subsidies on production received from government.

Deadline: April 2014 EDP Notification²⁰

Action point 14: The NAI will investigate cases reported in the questionnaire on public corporations where the market/non-market test gives extraordinary high results, especially in those cases where the corporation has very few employees.

Deadline: April 2014 EDP Notification²¹

¹⁷ This action point was implemented. The NAI carried out an analysis for the April 2014 EDP Notification and a number of government controlled units with zero employees considered as mere accounting tools were reclassified in the general government sector.

¹⁸ This action point was implemented. The NAI carried out an analysis for the April 2014 EDP Notification and a number of government controlled units not complying with the 50% rule for three years in a row were reclassified in the general government sector.

¹⁹ This action point was implemented. The NAI has analysed both issues and the results have been provided to Eurostat in September 2014 in the Questionnaire on Implementation of ESA 2010 general government delimitation.

²⁰ This action point was implemented.

²¹ This action point was implemented.

4.1.3. Sector classification of the inter-municipal companies ("Intercommunales")

Introduction

Intercommunales are companies created by the municipalities in Belgium to perform public service tasks. Their status of intercommunales implies that they are controlled by the municipalities which must be the main shareholders (in terms of voting rights). They are active in the areas of water supply, gas and electricity, waste collection, treatment of wastewater, economic development and cable television. However, some of these companies are involved in social tasks such as health care, social protection, cremation, etc.

These companies can develop their activities in one single Region or they can be set up by municipalities belonging to different Regions. The latter are called intercommunales interrégionales and can be subject to "borderline legislation"²², which makes it difficult to have a full picture of their activities and accounts.

Also intercommunales can be "pure" (if the only shareholders are local authorities or other intercommunales) or "mixed" (if there are also other shareholders).

The NAI has provided before the mission a list of the intercommunales in the three Regions. According to the NAI, there are currently 182 intercommunales: 93 in Flanders, 13 in the Region of Brussels and 76 in Wallonia.

Out of the 182 intercommunales reported in the documents, only 10 are currently classified in the general government sector (S.13). The rest are classified in S.11 and S.12.

Discussion

Eurostat expressed doubts on the classification of some intercommunales outside S.13 and on the availability of data for these entities.

The NAI explained that the sector classification of the intercommunales classified in S.11 and S.12 is being verified in the context of the project on the public perimeter and that the adoption of ESA2010 will probably cause some changes, as certain intercommunales mainly have public entities as clients.

The NAI explained that, in their analysis, they distinguish between units offering services to households (like water and energy companies) and units offering services to government (like social services, sport facilities or financing). It was agreed that units offering services predominantly to government would have the features of ancillary units and should be classified in the general government sector.

Eurostat noted that these units have accumulated a big stock of debt, the highest amount being concentrated in energy and water companies in Flanders. Eurostat inquired how they accumulated the debt and whether the debt of intercommunales is guaranteed by

²² They may not be subject to legislation of any of the Regions, or it may be difficult to know what the applicable legislation is.

government in some cases. The NAI explained that debt had been accumulated during the years when the water and energy net was constructed.

Eurostat asked whether any of these companies could be acting on "mission déléguée" on behalf of government and the NAI answered that this could be indeed the case for the big ones.

Eurostat pointed out that the intercommunales have a big number of subsidiaries, whose sector classification should be analysed too and that some of the activities carried out by these units have social aim and do not seem to be market-oriented.

The NAI explained that the intercommunales are not subject to the corporate income tax.

Eurostat inquired whether the intercommunales could be carrying out investment on behalf of the municipalities. As an example of this possible situation, Eurostat mentioned the case of TMVW²³, operating in Flanders and Wallonia. Apparently, between 2008 and 2013, TMVW took EUR 736 million of municipal investments on its accounts. This investment involves not only water, the core activity of the company, but also swimming pools, gymnasiums, road works and sewers. To finance these investments, TMVW incurred debt. Eurostat inquired whether the ownership of these assets belonged to TMVW or to government and whether this situation could be found also in other cases.

The NAI agreed to check this case and the existence of other potential similar cases and to investigate about the ownership of the assets and the implementation of the correct recording in the accounts. It was explained that some amounts could be already recorded as government gross fixed capital formation, but that this would need to be checked.

As local government is receiving considerable dividends from these companies, Eurostat inquired on the implementation of the super-dividend test for amounts received from these units.

The NAI explained that each dividend from these units is not checked with the profit and loss account of the previous year and neither are specific events that may have impacted the profit and loss account (like sale of assets) investigated. The NAI confirmed that sizeable transactions could be spotted, but smaller ones could be missing and that, in order to properly identify super-dividends, the existence of an exhaustive perimeter of general government and the accounts of all units would be needed in the first place. However, the NAI confirmed that most of the dividends received from intercommunales come from only two corporations (Elia and Fluxys) which are no intercommunales themselves but where local government, via intercommunales, indirectly holds some participation.

²³ Tussengemeentelijke Maatschappij Der Vlaanderen Voor Watervoorziening.

Main Findings and conclusions

Action point 15: As far as the "intercommunales" are concerned, a number of points were raised:

- It appears that the project on the perimeter of general government, currently in progress, may not be completed by April 2014. This applies also to the intercommunales.²⁴
- The NAI will investigate whether the sales of "intercommunales" are mainly directed either to households or to government. If the units are controlled by government and the sales are mainly directed to government, the "intercommunales" should be considered as ancillary units.
- Eurostat takes note that information concerning the so called delegated missions of government to the "intercommunales" is not always available. Eurostat recalls that the NAI should ensure full access to this information.
- Eurostat takes note that capital injections into "intercommunales" are not analysed on an individual basis. Furthermore, the identification of super-dividends is done only for exceptional cases. The NAI should explore possible solutions and report to Eurostat.²⁵
- The NAI shall investigate how recent operations concerning investments (GFCF) undertaken by TMVW have been recorded in the accounts of municipalities and whether the assets built are economically owned by government. If this is the case, the assets are to be classified in the books of government.²⁶

*Deadline for all the action points above concerning "intercommunales" reported in the questionnaire on government controlled entities and those falling under action points 10, 11, 13, 14: April 2014 EDP Notification.*²⁷

*Deadline for all the action points above concerning the rest of "intercommunales": June 2014.*²⁸

²⁴ This action point was partially implemented. In April 2014 the NAI had already undertaken a detailed analysis of the sector classification of some units, such as distribution system operators and their financing companies for the energy and gas sectors. By September 2014, the complete list of intercommunales has been built and the NAI believes it to be exhaustive. However, the list of the subsidiaries of the intercommunales is still under construction as this information is not readily available to the public controlling authorities.

²⁵ This action point was implemented. As concerns super-dividends, a test combined with case by case analysis was developed by the NAI and applied in the April 2014 EDP Notification.

²⁶ This action point was implemented. In the April 2014 EDP Notification, the investments of TMVW carried out on behalf of government have been rerouted and included in government accounts.

²⁷ This action point was implemented and a number of units were reclassified in the general government sector.

²⁸ This action point has been partially implemented. The NAI has analysed the sector classification of all the intercommunales and will undertake some reclassifications for the October 2014 EDP Notification. The NAI has provided to Eurostat the result of the analysis together with the Questionnaire on Implementation of ESA 2010 general government delimitation. The elaboration of a list of subsidiaries and their classification is still outstanding.

4.1.4. Delegated missions ("missions déléguées") and sector classification of units acting on delegated missions

Introduction

Eurostat noted the existence of a number of regional units in Belgium whose main aim is to undertake activities on behalf of government. This is known in Belgium as delegated missions ("missions déléguées").

Examples of specific companies acting under delegated mission in the Region of Wallonia could be Sogepa (Société wallonne de gestion et de participations), SRIW and some of its subsidiaries, Sowalfin (Société wallonne de financement et de garantie des petites et moyennes entreprises), Spaque (Société publique d'aide à la qualité de l'environnement) and Sowaer (Société wallonne des aéroports) among others.

Discussion

Eurostat inquired about the delegated missions and opened the discussion on the sector classification of units undertaking activities under delegated mission.

Eurostat referred to the regional law of 6 May 1999, amending the law of 2 April 1962, which set, in its article 22, the creation by the Region of Wallonia of specialised societies (sociétés spécialisées). Such companies would aim at the economic development of the Region and would be owned mainly by the Regional Government. Such specialised companies would have the mandate of implementing specific tasks on behalf of government, given by decree or by a government decision and would contribute to the development of the economic policy in the Region. In addition, they would also operate in the steel sector on their own behalf, but under conditions set by government.

In all cases, the funds needed to carry out the "missions déléguées" are provided by government.

Article 22 also set the creation, with the agreement of government, of subsidiaries of SRIW which would be in charge of implementing tasks on behalf of the Region (as above).

In these companies, it is established by law that only the activities carried out under "mission déléguée" are subject to the control of the CoA. The rest of the activities and the accounts are not subject to public control.

From a national accounts point of view, it is important to underline the following points:

- (1) Government created SRIW in order to favour the economic development of the Region;
- (2) For this purpose, government can create specialised companies with a majority of shares held by government;
- (3) Government can give delegated mission to these specialised companies. In this context, government has 100% ownership of Sogepa;
- (4) The statutory objective of specialised companies is to accomplish the specific tasks delegated to them by government in order to contribute to the economic policy of the Region;

- (5) Sogepa and Spaque are by decree transformed in specialised companies;
- (6) SRIW can create also specialised subsidiaries of which it holds the majority of capital, while the rest of capital can be held by the Region;
- (7) The objective of the specialised subsidiaries is to realise their statutory objectives;
- (8) The statutory objectives may include delegated missions from government in order to contribute to the economic policy of the Region;
- (9) The board of directors of these specialised companies or specialised subsidiaries must execute strictly the tasks given by government through decree or law, strictly in accordance to the modalities defined by government. Moreover, the missions of specialised subsidiaries and specialised companies must be executed through the financial resources of the Region and must be presented separately in their accounts;
- (10) It is also to be underlined that specialised companies and specialised subsidiaries can benefit from the guarantee of government when borrowing money and can issue bonds only if authorised by government. The conditions of this issuing of bonds must also be approved by government;
- (11) If a guarantee is called, the amount paid by government will be reimbursed by SRIW, specialised companies or specialised subsidiaries only on the basis of their future profits. This means that the reimbursements by these companies will have a contingent nature.

Although the three regional holdings (SRIW, SRIB and PMV) are classified in the general government sector, most of their subsidiaries are currently classified in S.11 or S.12. In addition, other regional units apparently acting on delegated missions are classified outside the government sector.

The NAI explained that units acting on delegated missions could act only on behalf of government or they could combine activities on behalf of government with activities undertaken on their own behalf.

It was agreed that units undertaking more than 50% of their activities on delegated missions would be considered as acting mainly on behalf of government and should therefore be classified in the general government sector. For other units, a classification outside government could be justified in some cases. However, in this case, the activities undertaken on delegated missions should be re-routed to government.

The NAI explained that no information was available to them as concerns flows from government to regional public corporations (loans, participations, etc.). In the absence of information, a conservative approach has been taken and all transactions which are known to the NAI have been preliminary recorded as non-financial transactions (D.99, capital transfer) impacting government deficit, until there is enough information in order to undertake a proper recording.

Main Findings and conclusions

Action point 16: The NAI is requested to take the necessary steps to ensure that public units acting mainly on the basis of delegated mission should be reclassified inside government.

*Deadline: April 2014 EDP Notification.*²⁹

Action point 17: Based on the information available in the meeting, it is Eurostat's view that the entities Spaque, Sogepa and their subsidiaries are to be reclassified in the general government sector. The NAI will analyse Spaque, Sogepa and their subsidiaries in order to assess the correct classification of these units.

*Deadline to provide an analysis to Eurostat: 15 March 2014*³⁰

*Deadline for possible reclassifications: April 2014 EDP Notification*³¹

Action point 18: The NAI is requested to undertake the same analysis for similar entities as those mentioned in action point 17 for the other two Regions, and to reclassify the entities inside government where appropriate.

*Deadline to provide an analysis to Eurostat: 15 March 2014*³²

*Deadline for possible reclassifications: April 2014 EDP Notification*³³

Action point 19: Concerning the recent reclassification of the three holding companies SRIB, SRIW and PMV, Eurostat recalled that similar units should also be reclassified inside government and that the NAI should, as soon as possible, raise the attention of the Regions on this issue, with a view to ensure a correct classification in the Belgian national accounts.

*Deadline: April 2014 EDP Notification*³⁴

²⁹ This action point was implemented and a number of units were reclassified in the general government sector.

³⁰ This action point was implemented.

³¹ This action point was implemented and a number of units were reclassified in the general government sector.

³² This action point was implemented.

³³ This action point was implemented and a number of units were reclassified in the general government sector.

³⁴ This action point was implemented and a number of units were reclassified in the general government sector.

4.1.5. Debt incurred by units acting on delegated missions and analysis of specific units in relation to delegated missions

Introduction

There are two ways in which activities on delegated mission can be undertaken:

- (1) Either government provides directly the funds;
- (2) Or, in some cases, units acting on delegated mission can borrow on behalf of government.

In all cases, amounts incurred on behalf of government (either expenditure or liabilities incurred) should impact government accounts. The availability of data to capture not only the expenditure, but also the debt incurred on behalf of government is, therefore, crucial. Otherwise, government deficit and debt would run the risk of being underestimated. Eurostat raised this issue in order to check the data availability for units incurring debt on delegated mission on behalf of government.

In addition, Eurostat inquired about the sector classification of different units, namely Sowaer, Sowalfin, Vlaamse Participatiemaatschappij (VPM), Limburgse Reconvertiemaatschappij and the subsidiaries of SRIW, PMV and SRIB.

Discussion

Eurostat inquired about data availability concerning the debt incurred by units acting under delegated mission. The NAI explained the great difficulty in obtaining these data, as balance sheet data are not available in all the Regions. The situation was deemed to be especially difficult in the Region of Wallonia, where no accounts are provided to the NAI for a big number of units and delegated missions seem to be widely used. On the contrary, the NAI explained that the amounts incurred under delegated mission in the Region of Brussels and for the Federal Government could be identified and that those for the Flemish Region were deemed to be small.

In addition, the NAI explained that, for some units producing accounts, the debt incurred on delegated missions was not reported as part of the balance sheet. Such amounts could be found in separate tables annexed to the accounts (the so called amounts "hors bilan") complicating the control of the amounts.

In order to take stock of the units acting on delegated missions, the NAI explained that a first request had recently been sent to the Regions and to the Federal Government.

Eurostat expressed concern on the availability of information for all delegated missions including the related assets and liabilities and underlined that the non-availability of such data could lead to incorrect deficit and debt figures.

Eurostat inquired on the sector classification of Sowaer (Société wallonne des aéroports), as it seemed to carry out some activities under delegated mission and was classified outside general government. In addition, it was revealed during the discussion that Sowaer had incurred debt under delegated mission on behalf of government (EUR 255 mn) but that those amounts had not been included in government debt due to the fact that they were not reported in the balance sheet, but "hors bilan".

Eurostat expressed also doubts on the sector classification of Sowalfin, classified in S.11 at the time of the SDV, and of its subsidiaries. Sowalfin is a public corporation 100% held by the Region of Wallonia. According to its financial statements, it seems to be a financial institution. Sowalfin aims to facilitate access to financial resources to SMEs and to help them remedy their structural underfunding. Sowalfin develops three major financial activities:

- providing guarantees to cover bank financing;
- co-financing by granting subordinated loans;
- venture capital and high funding balance through the Invests.

Part of these specific tasks, the so-called "missions déléguées" are carried out on behalf of the Region of Wallonia and are thus re-routed through government accounts.

Sowalfin does not use the financial markets for the financing of its activities. Equity, held by the Region, is the main, if not exclusive, resource for undertaking its supporting activities.

The NAI agreed to analyse the sector classification of Sowalfin.

Eurostat inquired on the sector classification of Vlaamse Participatiemaatschappij (VPM), Limburgse Reconversiematschappij and the subsidiaries of the three regional holdings and the 9 Invests in Wallonia and the NAI agreed to examine the issue.

Main Findings and conclusions

Action point 20: The classification of Sowaer will be analysed by the NAI due to the fact that this unit seems to act largely under delegated missions from government. The NAI will, as a first step, reclassify inside government the EUR 255 mn debt of Sowaer incurred in the context of its delegated mission. The NAI will also reclassify in government accounts the amounts spent by Sowaer on behalf of government and any other liability incurred by Sowaer or its subsidiaries on behalf of government.

Deadline to provide an analysis to Eurostat: 15 March 2014³⁵

Deadline for possible reclassifications: April 2014 EDP Notification³⁶

Action point 21: As concerns transactions incurred by units (classified both inside and outside government), carried out on behalf of government through delegated missions, the NAI will immediately demand to the Regions and the Federal Government a complete list of all delegated missions, of units acting in the framework of delegated missions, of liabilities incurred in the context of delegated mission (as well as the counterparts) and of transactions to be recorded in government accounts.

Deadline: February 2014³⁷

³⁵ This action point was implemented.

³⁶ This action point was implemented. Sowaer was reclassified in the general government sector in the April 2014 EDP Notification.

³⁷ This action point was implemented.

It is understood, in this framework, that part of the debt incurred by units in the context of their delegated missions, to be recorded as government debt, might have been incurred by raising debt on the financial markets with or without government guarantee.

Action point 22: Eurostat was informed in the meeting that units both inside and outside government might directly provide funds to other units through delegated missions. Eurostat takes note that some of these operations might not be recorded in the accounts of the unit acting on behalf of government. Full information on all transactions and liabilities incurred on behalf of government will be asked by the NAI to the Regions and the accounting consequences duly recorded in order to ensure a correct reporting of government deficit and debt in the forthcoming notifications. The same analysis for delegated mission will also be carried out for public corporations classified inside and outside the Federal Government level.

*Deadline: April 2014 EDP Notification*³⁸

Action point 23: The NAI will investigate all cases of debt incurred on behalf of government by units in the context of delegated missions. Such amounts either recorded in the accounts of the unit or not, should be included in government debt.

*Deadline: April 2014 EDP Notification*³⁹

Action point 24: Eurostat and the NAI agreed that the present recording of Sowalfin in S.11 is not appropriate. The NAI will analyse the classification of Sowalfin and inform Eurostat whether it should be classified in S.12 or S.13, and whether it would have the features of a captive financial institution controlled by government, according to ESA2010. Moreover, all delegated missions carried out by Sowalfin should be included in government accounts (if not already the case). The classification of the subsidiaries of Sowalfin will also be closely analysed by the NAI.

*Deadline to provide an analysis to Eurostat: 15 March 2014*⁴⁰

*Deadline for possible reclassifications linked to ESA95: April 2014 EDP Notification*⁴¹

Reclassifications as captive financial institutions (or linked to ESA2010): October 2014 EDP Notification

Action point 25: The NAI will analyse the classification of Vlaamse Participatiemaatschappij (VPM) and will reclassify it inside government if it should be confirmed that the entity is basically an accounting tool with zero employees. Should this not be the case, the NAI will examine the classification of VPM in the context of ESA2010.

*Deadline to provide an analysis to Eurostat: 15 March 2014*⁴²

³⁸ This action point was partially implemented. Further follow-up is needed.

³⁹ This action point was implemented.

⁴⁰ This action point was implemented.

⁴¹ This action point was implemented. Sowalfin was reclassified in the general government sector in the April 2014 EDP Notification.

Deadline for possible reclassifications: April 2014 EDP Notification⁴³

Action point 26: The NAI will closely examine the case of Limburgse Reconvertiemaatschappij and determine whether it should be reclassified inside government, also due to its apparent similarity with the PMV unit, already classified inside government.

Deadline to provide an analysis to Eurostat: 15 March 2014⁴⁴

Deadline for possible reclassifications: April 2014 EDP Notification⁴⁵

Action point 27: The classification of all subsidiaries of SRIW, PMV and SRIB will be examined by the NAI. The NAI will also record in government accounts all transactions carried out and assets and liabilities held by these units through delegated missions.

Deadline to provide an analysis to Eurostat: 15 March 2014⁴⁶

Deadline for possible reclassifications: April 2014 EDP Notification⁴⁷

Action point 28: The NAI will investigate whether the operation of leasing between Wandelaar Invest and Nautinvest Vlaanderen was carried out between units inside the public perimeter or not and assess whether it can be considered that the Region of Flanders is the economic owner of the four ships object of the leasing operation.

Deadline: April 2014 EDP Notification⁴⁸

Action point 29: The NAI will analyse the reclassification inside government of all the subsidiaries of the nine Invests in Wallonia due to the nature of their activities (the nine parent companies are classified inside government),

Deadline to provide an analysis to Eurostat: 15 March 2014⁴⁹

Deadline for possible reclassifications: April 2014 EDP Notification⁵⁰

⁴² This action point was implemented.

⁴³ This action point was implemented. VPM was reclassified in the general government sector in the April 2014 EDP Notification.

⁴⁴ This action point was implemented.

⁴⁵ This action point was implemented. Limburgse Reconvertiemaatschappij was reclassified in the general government sector in the April 2014 EDP Notification.

⁴⁶ This action point was implemented.

⁴⁷ This action point was implemented. Most (but not all) of the subsidiaries of the three regional holdings were reclassified in the April 2014 EDP Notification. Further follow-up is needed as concerns the recording of assets, liabilities and transactions.

⁴⁸ This action point was implemented. Both subsidiaries of PMV were reclassified in general government in the April 2014 EDP Notification.

⁴⁹ This action point was implemented.

4.1.6. Sector classification of other specific units

Introduction

Eurostat inquired about the state of play of Dexia S.A and the sector classification, the public holding in Belgium which received government support and is under orderly resolution, as well as of its subsidiaries Dexia Crédit Local (DCL) and Crediop. An expert from the Prudential Supervision of Banks and Stockbroking Firms Department of the Central Bank of Belgium attended this part of the meeting.

In addition, Eurostat inquired about the sector classification of the units dealing with social housing in the Regions, the deposit and financial instrument protection fund, Apetra (the public corporation dealing with oil stocks), Vitrufin and Aquafin.

Discussion

Dexia holding is based in Belgium; it does not have a banking licence and is not in the MFI list. Dexia Crédit Local (DCL) is the main unit held by the group. It is based in France and has a banking licence. Apart from DCL, there are other subsidiaries, such as Crediop (Italy), DKD in Germany, Sabadell (joint venture with Banco Sabadell) and DLG Luxembourg. It was confirmed that, apart from DCL, the rest of the entities are in a run-off situation. Eurostat inquired about the sector classification of the holding in Belgium and the NAI agreed to closely examine whether it would have the features of a holding company controlled by government to be reclassified in S.13.

Eurostat inquired as well on the sector classification in S.12 of the social housing companies that exist in the three Regions. These units execute the investment programme in the Regions, financing and developing social housing projects and lending money to households which purchase a dwelling. Most of them are 100% owned by the Regions, they can act under delegated mission, they undertake social policy activities, they grant loans at zero or low interest rates and most of their debt is guaranteed by the Regional Governments. The NAI agreed to analyse the sector classification of these units both on the basis of ESA 1995 and ESA 2010. Eurostat remarked that, under ESA 2010, they could have the features of captive financial institutions controlled by government.

There are two deposit guarantee schemes in Belgium: the *Fonds spécial de protection des dépôts, des assurances sur la vie et du capital de sociétés coopératives agréées*, classified inside government and the *Fonds de protection des dépôts et des instruments financiers*, classified outside government. Eurostat inquired on the reason for the classification of the two entities in two different sectors. The NAI explained that the *Fonds de protection des dépôts et des instruments financiers* was created earlier and that it has, at present, a residual activity. It was explained that, although it was created by government, it is managed by the Central Bank and controlled by financial institutions. Originally, financial institutions paid contributions to the fund on a compulsory basis and these contributions were not in proportion to the risk incurred. Depositors were protected up to an amount of EUR 20,000. At present, financial institutions no longer pay contributions to this fund and the amounts owned by the fund are small.

⁵⁰ This action point was implemented. All the subsidiaries of the nine Investis in Wallonia were reclassified in the general government sector in the April 2014 EDP Notification.

Apetra, on the contrary, is a public corporation which manages the Belgian strategic oil stocks and it has significant debt, although it is at present profitable. It was classified outside government in S.11. Eurostat inquired on the reason for the high debt and the origin of the oil purchased by the corporation. The NAI explained that before the creation of Apetra, private companies held their own oil reserves. Apetra was created in order to hold the oil stocks and the corporation incurred debt in order to finance the purchase of oil. The NAI explained that Apetra buys and sells oil and that it does not pay any dividend to government. As concerns the financing, it is financed by a tax. Every time that there is a transaction concerning oil and involving oil companies, an amount is paid to Apetra.

Eurostat inquired further about the classification of Vitrufin in S.11. Vitrufin is a holding company in which government (although different government subsectors) has a majority share. It was specifically created in the context of the financial meltdown of Ethias and it seems to have no activity apart from holding shares of Ethias and a minor stake (5%) of Dexia SA. It has zero employees, considerable debt and provided loans to Ethias. Vitrufin has issued securities purchased by government and has received capital injections from government. Vitrufin seems to act fully on behalf of government and has never paid dividends to government. In this sense, Eurostat asked whether Vitrufin met the features to be considered an institutional unit or, whether, it would be closer to an accounting tool.

Aquafin is a 100% owned government company dealing in the sector of water management in Flanders. It used to be 51% private until government purchased all the private shares in 2006. Aquafin was originally classified inside the government sector. However, from 2006 onwards it was reclassified outside government in S.11. Following the report released by Aquafin for the first half of 2013, in which it was stated that the remuneration to Aquafin is based on costs plus a compensation to the shareholders, Eurostat asked whether the revenue raised by Aquafin could be considered as market revenue. The NAI explained that in the past Aquafin was financed by the Flemish Community, while from 2005 onwards, it is mainly financed by the water companies. The NAI agreed to further investigate the nature of the revenue of Aquafin.

Following request from the NAI, there was a discussion on captive financial institutions. The NAI requested further clarification on captive financial institutions to be included in the MGDD and addressed a number of questions to Eurostat. The interpretation of Eurostat is that units with the features of captive financial institutions which are controlled by government must be classified in the general government sector. The rationale for this, is that captive financial institutions do not place themselves at risk, as the risk is borne by a sponsor which provides or guarantees the funds (in this case government). Eurostat informed to the NAI that it foresees to include detailed explanations for these kinds of units in the MGDD and that the issue would be discussed in the methodological task force led by Eurostat.

In order to gather information on the potential impact on deficit and debt of the implementation of ESA2010, Eurostat has launched a questionnaire, addressed to all Member States. Given that Belgium has not provided an estimation yet as regards the potential impact on deficit and debt figures of changes in sector classification in relation to ESA 2010, Eurostat asked for an update of the questionnaire including the impact of changes in the delimitation of government.

Main Findings and conclusions

Action point 30: The NAI will closely examine whether Dexia holding should be reclassified inside government due to its nature. The issue of the classification of Dexia Crédit Local, the main subsidiary of Dexia holding, will be further analysed.

*Deadline: end of June 2014*⁵¹

Action point 34: The classification of the units dealing with social housing in the three Regions will be examined by the NAI, taking into account that most of such units are 100% owned by government, give loans at zero or low interest rate, have debt guaranteed by government and partly act in the context of delegated missions.

*Deadline for transactions related to delegated mission and alternative financing and reclassifications linked to ESA95: April 2014 EDP Notification*⁵²

*Reclassifications linked to ESA2010: October 2014 EDP Notification*⁵³

Action point 35: The NAI will examine the issue of the classification of the *Fonds de protection des dépôts et des instruments financiers*.

*Deadline: October 2014 EDP Notification*⁵⁴

Action point 36: The corporation Apetra will be reclassified inside government due to the non-market nature of its revenues.

*Deadline: April 2014 EDP Notification*⁵⁵

Action point 37: The NAI will consider whether Vitrufin should not be consolidated inside government due to the fact that it is government controlled and seems to have the nature of an accounting tool.

*Deadline to provide an analysis to Eurostat: 15 March 2014*⁵⁶

*Deadline for possible reclassifications: April 2014 EDP Notification*⁵⁷

⁵¹ The NAI confirmed that Dexia SA will be reclassified in the general government sector from 2014 onwards following the sale of Dexia Asset Management. The sector classification of DCL needs further analysis.

⁵² This action point was implemented. The NAI analysed in detail all public units dealing with social housing in Belgium and no reclassifications were undertaken in the light of ESA 1995.

⁵³ This action point was implemented. The NAI analysed in detail all public units dealing with social housing in Belgium and a number of them will be reclassified in the government sector in the October 2014 EDP Notification in the light of ESA 2010.

⁵⁴ This action point was implemented.

⁵⁵ This action point was implemented in the April 2014 EDP Notification.

⁵⁶ This action point was implemented.

⁵⁷ This action point was implemented. Vitrufin was reclassified in S.13 in the April 2014 EDP Notification.

Action point 38: The NAI will analyse whether Aquafin revenues can be considered as market revenues.

*Deadline: April 2014 EDP Notification*⁵⁸

Action point 39: The NAI will provide to Eurostat an updated version of the questionnaire on the foreseen impact of the introduction of ESA2010 on deficit and debt figures, in particular as regards delimitation of government.

*Deadline: end of June 2014*⁵⁹

4.2. Implementation of the accrual principle

4.2.1. Taxes and social contributions

Introduction

Eurostat analysed the updated version of the questionnaire on taxes and social contributions for 2013, the questionnaire on deferred tax assets (DTAs) and a note on tax amnesties provided by the NAI prior to the mission.

Information on taxes is collected by the Ministry of Finance (MoF). Information on social contributions is collected by the Office national de la Sécurité sociale (ONSS) and the SPF Sécurité Sociale. EDP data for both are compiled by the NAI. Final data for taxes become available in March t+1 and for social contributions, one year later, in March t+2.

For taxes, a time adjusted (TAC) method is used with a time lag of one or two months⁶⁰ and the same method is applied for the tax refunds. For social contributions, a method based on assessments and declarations (AD) is used, the recording done when the liability is established. A coefficient is applied to estimate the amounts that will not be collected. This estimation is done on data transmitted by the ONSS and the SPF Sécurité Sociale.

Payable tax credit systems are in place and, in most cases, the OECD split is used for the recording in the ESA 1995 framework⁶¹. As for the time of recording, they are recorded when the tax credit is assessed.

⁵⁸ This action point was implemented. It was confirmed that Aquafin complies with the 50% test on the basis of ESA 1995.

⁵⁹ Outstanding action point.

⁶⁰ Three months for some excise duties until 31 December 1996.

⁶¹ This consists of recording as negative tax the amount up to the tax liability and as expenditure the part exceeding the tax liability.

Discussion

Eurostat inquired about the coefficient used to estimate the amount of social contributions unlikely to be collected. Eurostat observed that, according to the information reported in the questionnaire, the coefficient follows a decreasing trend since the year 2005, from 0.69 to 0.54 in 2011 (latest data available), which does not seem realistic in the context of the economic and financial crisis. The NAI confirmed that the coefficient was provided by the ONSS and that it reflected the difference between amounts accrued and the cash amounts paid. It was agreed that the NAI would further investigate the methodology for the calculation of the coefficient.

The NAI confirmed that the treatment for payable tax credits will be changed in order to follow the specific provisions in ESA 2010 in this respect.

The NAI had explained, in its note, the details and the recording of three tax amnesty operations undertaken in Belgium. The first one took place in 2004, the second was a permanent regularisation system between 2006 and the 15 July 2013 and the third one started on the 15 July 2013 with a deadline for application until 31 December 2013. The NAI confirmed that these amounts are normally recorded as D.91 (capital taxes) and that a time adjusted (TAC) method is used for the recording.

The NAI confirmed that no legislation changing the nature of DTAs has been enacted in Belgium and that they are not aware of any similar law in preparation. Currently DTAs give rise to claims with features of tax credits only when taxes are naturally offset (in case of the corporations being profitable). Such tax credits are non-payable and they are recorded when they are used to reduce the amount of taxes to be paid.

Main conclusions and action points

Action point 40: The NAI will investigate the coefficients used by the *Office national de la Sécurité sociale* (ONSS) in order to determine the amounts of social contributions which will never be paid.

Deadline: end of December 2014

4.2.2. Recording of interest

Introduction

Eurostat analysed the note prepared by the NAI on the reporting of premiums and discounts and the difference between interest accrued and paid in EDP tables 3C and 3D and opened a discussion on the issue.

Discussion

The NAI confirmed that, for the Regions and local government (tables 3C and 3D), premiums and discounts are not recorded as interest. Premiums and discounts and interest accrued but not paid for the Regions and local units are included in the statistical discrepancy and thus, do not affect government B.9. On the contrary, at the Federal Government level (table 3B), the NAI undertakes some corrections.

The NAI confirmed that, as a general rule, transactions are derived from stocks.

For the Federal Government, some corrections are made on the variation of stocks in order to identify premiums/discounts at issuance and interest accrued but not paid and both are recorded in F.79 (other accounts receivable/payable), thus these items are identified in EDP table 3B and they are also included in B.9.

However, in tables 3C and 3D, there is no recording for premiums/discounts and for differences between interest accrued and paid. This is because AF.33 (stocks of securities other than shares excluding derivatives) are recorded at nominal value (face value, thus corrected from premiums and discounts). There is no information on premiums/discounts and there is no recording of interest accrued but not paid in F.79. Therefore, these items are reflected in the statistical discrepancy in tables 3C and 3D.

In addition to the absence of data for accrued interest and premiums and discounts in the Regions, the NAI confirmed that also no correction was made for swaps in the Regions despite the fact that around 20% of the regional debt is swapped. Eurostat underlined that the absence of these data implied that the figures for B.9, statistical discrepancy, financial accounts and consolidation are not fully correct for the Regions and the local government level.

The NAI explained that this information will be collected in the framework of the building blocks project and confirmed the existence of a correspondent in each of the Regions as concerns debt management. It was also mentioned that, in the Region of Wallonia, debt management and treasury transactions are not undertaken in a separate specific unit, but that accounts are compiled in the cabinet of the Ministry of Finance instead.

Main conclusions and action points

Action point 41: As concerns the recording of interest, Eurostat takes note that:

- Premiums and discounts are not treated as interest in the accounts of the Regions and local authorities (so there is no impact on B.9);
- Interest is not recorded on an accrual basis in Wallonia and in the French Community;
- No correction is recorded for swap operations in the Regions and other government units (including public corporations classified in S.13). This is because, apart from at Federal Treasury level, no swap operations are reported in general. As a result, the NAI cannot comply with the accounting rules on swaps.

In this context, the NAI will take immediate contact with the Regions and the Federal Government in order to obtain all necessary information from them, in order to comply with ESA rules for the above mentioned issues.

*Deadline: April 2014 EDP Notification*⁶²

⁶² This action point was partially implemented. The NAI has obtained the information from the Regions. In the April 2014 EDP Notification, data for accrued interest were included for all the Regions. The inclusion in the accounts of the Regions of information of proration of premiums and discounts and swaps is still outstanding.

4.3. Recording of specific government transactions

4.3.1. Government transactions in the context of the financial crisis

Introduction

Prior to the mission, the NAI provided a document explaining the transactions and the stocks reported in the supplementary table for the financial crisis in the last years. These transactions impacted Maastricht debt indirectly through acquisitions/sales of assets and credit reimbursement. Since 2011, there was an increase in dividends received by government due to the different transactions carried out to support financial institutions.

The main transactions by year were the following:

2011

- Dexia Banque Belgique (Belfius today) was nationalized and government acquired shares for EUR 4 bn, which was recorded as a financial transaction. No dividend was paid by Belfius in 2012.
- The Holding Communal entered in a liquidation process. Part of the debt of this holding (EUR 450 mn) was guaranteed by the Regions and a debt assumption was recorded for the full amount due to the call of the guarantee. In addition, the Regions had bought commercial papers for an amount of EUR 121 mn, which were withdrawn from the assets portfolio of the Regions and recorded as a capital transfer.

2012

- In 2012 the Belgian government carried out a EUR 2,915 mn capital injection in Dexia Holding. The capital injection was recorded as a capital transfer impacting the government deficit of year 2012. The French government also contributed to the recapitalisation, by injecting EUR 2,585 mn.
- KBC reimbursed the full amount of the loan granted by the Federal Government and amounting to EUR 3.5 bn, contracted in 2008. In addition, government received EUR 525 mn as penalties.
- Government (central government and the Regions) purchased securities of Ethias for an amount of EUR 155 mn.

2013

- The Belgian State sold the structured credit portfolio held by Royal Park Investment (RPI) and received in cash an amount of EUR 1 bn.
- The Belgian State has bought back from Ageas a call option on shares in BNP Paribas for an amount of EUR 144 mn. The purchase/sale of an option is a purely financial transaction and has no impact on Maastricht debt.
- In July 2013, KBC reimbursed to the Flemish Community a first instalment of the loan amounting to EUR 3.9 bn contracted in 2009. The total amount received by the Region was EUR 1750 mn, which included a penalty of EUR 583.3 mn. Further reimbursements are foreseen for next year.

- In November 2013, the Federal State sold its 25% stake in BNP Paribas Fortis for a price of EUR 3.25 bn.

Discussion

Belfius

According to information on the press echoing a report of the European Commission, the price paid by Belgium in 2011 for the shares of Dexia Banque Belgique (Belfius) could have been overestimated by an amount between EUR 1 and 2 bn. Eurostat inquired on the way the valuation was undertaken and on who had performed it. The NAI explained that the valuation had been done by an independent body (UBS). Both Eurostat and the NAI agreed to investigate the issue.

Arco

Eurostat inquired about the state of play of the Arco dossier and the potential impact in government accounts. Arco Group is a group of financial cooperatives, currently under liquidation. Arco group was a major shareholder in Dexia Bank when it collapsed in 2011. The collapse could have affected about EUR 1.5 bn in investments made by Arco members and other members of the public, who could also invest (called “cooperants”). That danger was avoided thanks to a royal decree that extended savings account guarantees to Arco cooperants.

In October 2011, the Belgian ARCO group was the first financial cooperative to ask for protection under the scheme.

When Dexia collapsed, many small investors lost their money but Arco investors did not. The case was taken to the Council of State by an association of investors claiming discrimination and it is still being challenged in Court.

In 2012, the European Commission opened an investigation to assess whether an extension of the Belgian deposit guarantee scheme, aiming at the protection of shares in financial cooperatives such as ARCO, was in line with EU state aid rules.

The NAI explained that the case was still awaiting final decision. They will continue to follow the dossier and once a final decision will be taken, with no possibility to be contested, they will record a capital transfer from government in case the protection of the Arco investors is accepted. The operation will not be recorded retroactively.

Royal Park Investment (RPI)

Eurostat recalled the rules on dividends and super-dividends and inquired on the recording followed by the NAI for the transaction related to the sale of RPI portfolio. The Belgian State held EUR 740 mn equity capital and received in cash an amount of EUR 1 bn. The NAI explained that, according to their analysis, EUR 75.4 mn should be recorded as a dividend and EUR 239.5 as a super-dividend.

Main findings and conclusions

Action point 31: The NAI will examine the issue of the valuation of Belfius in the context of the nationalisation of the bank in 2011. Eurostat will also investigate the information published in the report on Belfius by the European Commission (DG COMP).

*Deadline: end of June 2014*⁶³

Action point 32: The NAI will continue to follow the issue of ARCO and, if needed, will record a capital transfer from government (which amount will have to be precisely determined) at the moment in which the legal process will be closed.

*Deadline: continuous*⁶⁴

Action point 33: Eurostat agrees with the NAI on the amount to be recorded as government revenue (EUR 75.4 mn) in the context of the dividend paid in 2013 by Royal Park Investments to its shareholders (including government) on the profit of the previous year.

4.3.2. Specific government transactions impacting government debt

A. Analysis of the Report of the National Court of Auditors (CoA) on the debt of Wallonia. Implications for EDP data of Wallonia

Introduction

On the 14 January 2014, the National CoA (Cour des comptes) published a report⁶⁵ analysing in detail the debt of Wallonia and the participations held by the Region in the year 2012.

The following conclusions, which are relevant for the EDP data, can be drawn from the report:

- (1) the amounts reported by the Region of Wallonia to the NAI for the compilation of Maastricht Debt seemed to be incomplete, leading to an underestimation of the Maastricht Debt transmitted to Eurostat in the framework of the EDP Notification;
- (2) the CoA was not in a position to assess the debt guaranteed by the Region (due to a lack of exhaustive data and no centralisation of data sent to the NAI);
- (3) the CoA was not in a position to assess the portfolio of participations held by the Region (due to the fact that there is no detailed inventory and no information to obtain the real value of the portfolio).

Eurostat intended to clarify the above statements during the SDV mission as well the possibility that such issues could also exist in other Regions.

The figures in the report of the CoA led to a calculation of the debt of Wallonia for the year 2012 much higher than the amounts published by the NAI (EUR 11.2 bn versus EUR 8.5 bn). In this context, Eurostat prepared some bridge tables in order to reconcile

⁶³ Outstanding action point.

⁶⁴ On 4 July the European Commission has made public its decision to consider the state guarantee to Arco as non-compliant with the state aid rules. The Belgian government contested this EU decision in court on 15 September 2014.

⁶⁵ Report available at the link below (page 157 and onwards):
<https://www.ccrek.be/FR/Publications/Fiche.html?id=d3066a52-df02-4929-af16-ee75ac314292>

the amounts in the report of the CoA and those published by the NAI in October 2013. The NAI filled in the tables and some of the discrepancies could be explained before the mission. It was confirmed that some amounts were indeed missing, while other amounts had been recorded by the NAI as local government debt instead of as debt of the Regions.

According to the explanations of the NAI, the amounts missing in the data for the debt of Wallonia published by the NAI in October 2013 could be at least of EUR 700-800 mn (around 0.2% GDP), but it was likely that they could be even higher. They were explained by the following reasons:

- Financial leasing data. No loans liabilities have been imputed for financial lease contracts where the Region was the lessee, leading to an underestimation of the debt of the Region by EUR 126 mn in 2012.
- Borrowing by units consolidated within the Region. It seems that the NAI has a good control of the amounts corresponding to direct borrowing of most units consolidated within the Region (TEC group, Sofico, Fiwapac...). However, clarification was still needed as regards some small amounts.
- Alternative financing. Debt incurred by non-government units, to be repaid by government units acting on delegated mission. For instance, Sowafinal (in S.1312), acting under mission déléguée of the Region, is responsible for the reimbursement of EUR 610 mn incurred by different units classified outside government. These amounts are off balance sheet of Sowafinal and, therefore, were not reported to the NAI.

Another example of alternative financing are the amounts to be repaid by the Centre régional d'Aide aux Communes (CRAC, in S.1312), which should be re-routed into the debt of Wallonia. This amount, adding up to EUR 2197 mn in 2012 according to the CoA report, is considered by the CoA as government debt of Wallonia.

Eurostat asked the NAI to split the debt for the other Regions and Communities in the same categories as those in the CoA report for Wallonia in order to check whether the debt published for the other Regions/Communities could also be underestimated.

Discussion

Following the conclusion of the report of the CoA, Eurostat inquired on different issues related to data availability for the calculation of government debt in the Regions and Communities. It was confirmed that there was a problem regarding the availability of some relevant data for the calculation of the debt in the Regions, especially in Wallonia.

As concerns data availability for financial leasing in the Regions, the NAI explained that some information is available on the flows, via the Economic Groupings of revenue and expenditure, but no information is available on stocks. In the absence of information on stocks, the method followed to estimate the debt related to financial leasing was to start from a stock of debt dating back to year 1998 (for which data was available) and to update it every year by the flows available. However, the stock was only partially increased when new financial leasing operations occurred. This method, which was still in force at the time of the mission, led to incorrect figures for financial leasing operations and thus, to amounts missing in the Maastricht debt of the Regions. This was confirmed at least in the cases of the Regions of Wallonia and Flanders.

Concerning “alternative financing” in Wallonia, Eurostat inquired about the availability of information on debt off-balance sheet, incurred by units classified outside government but to be repaid by government units acting under delegated missions. Eurostat inquired on the amount of EUR 610 mn to be repaid by Sowafinal (in S.1312) acting on delegated mission on behalf of the Region. Such debt was incurred by units classified outside government and was not reported on the balance sheet of Sowafinal. The NAI had not taken note of these amounts, as no information was available before the report of the CoA was published. The NAI confirmed that this amount would be nonetheless included in the debt for the April 2014 EDP Notification.

Eurostat inquired as well about the amounts related to the debt repaid by the CRAC in Wallonia. The NAI confirmed that part of the debt repaid by the CRAC was already accounted for as local government debt. However, it could not be confirmed whether the full amount was accounted for. The NAI explained that financial data for the local government sector are obtained from indirect data sources (mainly from banks), for which the NAI has no details. The NAI agreed to check whether the whole amount of debt repaid by the CRAC was already included in the accounts as government debt.

Eurostat urged the NAI to check if there could be other similar cases of government units (such as Sowafinal or CRAC) in Wallonia repaying the debt of units classified outside S.13 and to investigate the issue in the other Regions.

Following the statements made in the CoA report, concluding that the information concerning the guarantees on debt and the shareholding of the Walloon Region might not be exhaustive, Eurostat inquired about the availability of data for guarantees and capital injections in the Regions. The NAI confirmed that an exhaustive list of guarantees is not available. The Regions provide some information on the stock of guarantees, but information on guarantee calls is more difficult to follow. The Regions of Brussels and Flanders have reported minor guarantee calls, but for Wallonia there seems to be no calls whatsoever and the NAI explained that it was not possible to check this information on guarantee calls.

As concerns capital injections undertaken by the Regions, the NAI confirmed that information was normally available for capital injections undertaken by government units. However, this was not the case for public units classified outside government in S.11 or S.12. The NAI explained that information on planned capital injections can be obtained from the annual budget. In the absence of details, the NAI records government expenditure (D.99, capital transfer). Eurostat underlined that the use of the budget with no further follow-up and corrections may lead to incorrect figures in the accounts. Following the remarks of the CoA, Eurostat inquired further on the data availability and the recoding of the bank account “fonds de solidarité”, which includes information on guarantees (guarantees called and probably guarantee fees). The CoA underlined a lack of transparency as concerns transactions recorded in such account and stated that, in addition, such transactions are not included in the budget of the Region. The NAI agreed to investigate the issue.

Eurostat noted that most of the specialised regional units and its subsidiaries in Wallonia (SRIW, Sofico, Sogepa...) are outside the scope of the report of the CoA. Some of these companies are or will most likely be classified inside government and they should be taken into account for the calculation of Maastricht debt. Eurostat recalled that, in addition, an analysis should be undertaken of the impact on government accounts of the loans given by government units or units acting on delegated missions which will never be reimbursed.

Eurostat expressed concern on the fact that relevant information for the calculation of government deficit and debt in the Regions was not reported to the NAI. Although this could be applied to a certain extent to all the Regions, the situation in Wallonia seems to be particularly worrying due to the considerable number of potential issues. In addition, the Region has systematically not provided a reply on different information requests by the NAI which are important for the correct calculation of deficit and debt figures.

Main findings and conclusions

Action point 42: The NAI will include in government debt the amount of EUR 610 mn incurred by Sowafinal on behalf of government in delegated mission, as revealed in the recent report of the *Cour des comptes* (CoA) concerning the debt of Wallonia.

*Deadline: April 2014 EDP Notification*⁶⁶

Action point 43: The NAI will include financial leasing operations in government debt, following the recent report of the *Cour des comptes* (CoA) concerning the debt of Wallonia.

*Deadline: April 2014 EDP Notification*⁶⁷

Action point 44: The NAI will take contact, once more, with the three Regions and the Federal Government in order to take stock of all financial leasing operations undertaken by government, with a view to determine the amount to be added to government debt. It appears, in this context, that the data sent by the Regions are not complete.

*Deadline: February 2014*⁶⁸

Action point 45: The NAI will check if all the debt to be repaid by the *Centre régional d'Aide aux Communes* (CRAC) is already included in the debt of local government.

*Deadline: April 2014 EDP Notification*⁶⁹

Action point 46: The NAI will investigate whether all guarantees provided and all capital injections undertaken either by Regions or by any unit in the context of delegated missions, are reported and whether they impact government accounts according to national accounts rules. Furthermore, the issue of guarantee calls will also be investigated by the NAI.

*Deadline: April 2014 EDP Notification*⁷⁰

⁶⁶ This action point was implemented. For the April 2014 EDP Notification, the NAI investigated the issue and included in the accounts the corrected amount after amortizations and consolidation (some of the units which incurred the debt have now been reclassified in the general government sector).

⁶⁷ This action point was implemented.

⁶⁸ This action point was implemented. Data for financial leasing in the Regions was included in the April 2014 EDP Notification.

⁶⁹ This action point was implemented.

⁷⁰ This action point was implemented. Due to the large amount of information involved, a practical approach was taken in the April 2014 EDP Notification. Further follow-up is needed in future EDP notifications.

Action point 47: As concerns capital injections, Eurostat understands that there is the possibility that some funds allocated in the budget for capital injections which are not used in the same year, will not be identified anymore in the following years. In this context, the NAI will have to ensure that these capital injections not included in the budget and therefore not reported to the NAI, are identified and correctly recorded.

Deadline: October 2014 EDP Notification

Action point 48: The NAI will investigate the accounting consequence (if any) of the existence of the bank account (*fonds de solidarité*) which is apparently not included in the accounts of the Region of Wallonia and not reported to the NAI.

*Deadline: April 2014 EDP Notification*⁷¹

B. Institutional constraints aiming to reinforce the structural character of the consolidation of debt

Introduction

The NAI provided a note explaining the transactions in 2013 impacting government debt by increasing the consolidation.

Main findings and conclusions

Until December 2013, a Royal Decree of 1997 required some institutions to put their liquid assets into a Treasury account or to invest in government securities. The list of institutions concerned appeared in the Royal Decree and the procedure to update it was heavy. In recent years, the list of units belonging to the general government sector provided by the NAI has evolved significantly and the list of units in the Royal Decree was too restrictive in order to maximize the consolidation of Maastricht Debt within the subsectors of general government.

Because of the government commitment as regards the level of Maastricht Debt at the end of 2013, a new law amending the previous one was promulgated on 21 December 2013. In substance, it contains the same arrangements as those of the previous Royal Decree of 1997, but facilitates the update of the list of units by making reference to the list of units in general government as published by the NAI. The law of 2013 is also stricter in terms of exemptions and in terms of reporting matters. The MoF grants less exemption to the consolidation requirements and sanctions can be applied in case of non-respect of the consolidation requirements.

Concerning the reporting, on the basis of the previous law the MoF was already collecting information on the assets side on a quarterly basis with the use of a template. However, this reporting had some constraints according to the NAI. In the template to be used with the new law of 2013 some proposals from the NAI have been taken into account. Information on the debts contracted by the institutions is now included, more details on the assets are asked and the problems related to timeliness and the scope of replies has been dealt through with possible sanctions. Moreover, the quarterly reporting

⁷¹ This action point was implemented. A small reserve of about EUR 5 mn to cover guarantees calls had not been recorded in the accounts.

will be done in electronic format, which was not the case before. There is however still room for improvement as concerns the quality control made by the Ministry of Finance.

C. Berlaymont building

Introduction

In 2004, the Belgian State signed a contract with the European Commission (EC) concerning the Berlaymont building, legally owned by government. The EC would use the building for 27 years until 2031 and would pay EUR 552.88 mn to the Belgian government, the payments being spread over the 27 years.

In December 2013, the Belgian State sold its claim on the EC (future payments during 18 years) to BNP Paribas Fortis for an amount of EUR 636 mn. Moreover, the Belgian State made a profit of about EUR 131 mn in the transaction, since the last nominal value registered in the general government accounts in 2013Q3 was EUR 505 mn.

Discussion

Eurostat inquired on the recording of the transfer of claims from the Belgian State to BNP Paribas undertaken in 2013 in national accounts, to be reported in the April 2014 EDP Notification for the first time.

Eurostat expressed doubts that the transaction could be considered as a true sale in national accounts. In case the risks would not be transferred to BNP Paribas but remaining with the Belgian State, the transaction would have the nature of government borrowing. Eurostat agreed to analyse the issue in detail and provide its opinion to the NAI.

Main findings and conclusions

Action point 49: Eurostat will provide to the NAI its analysis of the operation with BNP-Paribas in 2013, transferring the claims related to the Berlaymont building towards the European Commission. The point is to determine whether it can be considered as a true sale of an asset to BNP-Paribas or as government borrowing from BNP-Paribas due to the existence of a guarantee of government on the repayment by the European Commission.

Deadline: Eurostat will provide its analysis by 15 March 2014 and the potential impact on the accounts will be recorded for the April 2014 EDP Notification⁷²

⁷² This action point was implemented. Eurostat provided its analysis of the transaction. After some exchanges with the Belgian authorities and following the opinion of Eurostat, the transaction was recorded as government borrowing in the April 2014 EDP Notification as it is considered that the Belgian State was de facto bearing the risk associated to the claims.

4.3.3. Public Private Partnerships and concessions

Introduction

PPP projects in Belgium are assessed by the NAI who publishes on its website the advice given to the government unit involved in the project if the latter has asked for an advice and does not oppose to the publication. In Belgium, the main PPP projects and concessions are undertaken by the Regions (the Flemish Community being the most active in PPPs) and by the Federal Government (normally through the “Régie des Bâtiments”). However, there are also PPP contracts at local government level, involving smaller amounts. For clear cases, the NAI takes the decision to include or exclude PPP contracts from government accounts without discussing with Eurostat. Only borderline cases are brought to the attention of Eurostat.

It is to be underlined that in Belgium, out of all the PPP projects reported, only one is currently classified on government balance-sheet, all the rest being off-balance sheet.

Prior to the mission, Eurostat received and analysed the contracts concerning the construction of the prisons recorded in table 11 in the EDP questionnaire, as well as those of Kempense Noord Zuid, Brabo 1 and Livan 1. The contracts of the Flemish schools and Oosterweel link were already available to Eurostat, as the cases were under discussion at the time of the mission.

Discussion

Eurostat highlighted some elements that make the issue of PPPs in Belgium different as compared to other Member States:

- First, most PPP contracts are classified off-government balance sheet;
- Second, as a general rule the contracts are not provided to Eurostat for analysis.

The NAI confirmed their policy of analysing PPPs internally for clear cases and to consult Eurostat only in case of doubts. The NAI pointed out that Belgian governments have the clear objective to record PPP's off balance sheet, which entails that governments might change their contracts until a recording off balance sheet is accepted. The NAI explained that, in the past, they also did not have access to certain PPP contracts. However, from 2012 onwards, the situation has improved. The NAI is receiving more detailed information (including the signed contracts) and a standardized reporting on PPPs for all government levels has been launched.

Eurostat stated that, as a policy applicable to all Member States, all PPP and concession contracts should be provided to Eurostat and no formal advice is given by Eurostat in the absence of the contracts and all the relevant documentation.

The NAI asked Eurostat to clarify what version of the MGDD should be used when analysing PPPs. Eurostat clarified that the version to be used should always be the latest version of the MGDD in force at the time of the signature of the contract⁷³.

⁷³ However in the context of the implementation of the ESA2010, the treatment of some PPP projects might be revisited.

Eurostat recalled that some features, such as the risks and rewards, the financing (including guarantees) and the early termination clauses, are enough by themselves to trigger a classification of the assets in the government sector. However, Eurostat underlined that it is also important to analyse in detail other features (see below) that may not determine an assessment if considered individually, as a number of them considered together would imply a transfer of risks to government, as government could be assuming the risks through other mechanism. In this case, the risks would be shifted to government due to an accumulation of different features.

Eurostat highlighted that rewards as well as risks have to be analysed, as a partner cannot be the economic owner of the assets if it is not taking the rewards (as well as the risks). Eurostat also underlined the importance of analysing what happens with the assets at the end of the contract, especially in borderline cases.

During the discussion, Eurostat clarified some of the issues that should be carefully checked when analysing a PPP project. Some of these issues are listed below:

- (1) Analysis of the partner. Cases where government participates in the ownership of the private partner should be carefully assessed. The control over the SPV should also be determined. Government participation or control of the partner (or the SPV) could entail a transfer of risks and rewards to government;
- (2) Government guarantees on debt;
- (3) Financial support from government to the partner (for instance, in the form of loans);
- (4) What happens to the assets at the end of the contract? Do they remain property of the partner or are they transferred to government? In case they are transferred to government, is this done for a price equal to the economic value of the asset or is this done for a lower price or even for free?;
- (5) Payments done from government during the construction phase;
- (6) Re-financing guarantee. According to Eurostat, this is part of the financing risk;
- (7) Check whether the contract could have the nature of a leasing contract more than a PPP;
- (8) Check whether the important principle of "zero availability equals zero payments" is respected even for very short periods of zero availability;
- (9) Financial advantages or disadvantages. These may appear in some contracts for the purpose of sharing risks and rewards. With such clauses, if the private partner would make an excessive profit, part of it would be transferred to government and if the profit would be smaller than expected, then government would step in by providing some form of additional support to the partner. The existence of such clauses would be a way for capping risks and rewards for the private partner;
- (10) Early termination clause. The payments made by government should be based on the market value of the assets assessed by an independent body;

- (11) Check whether some of the risks mentioned in the contracts (legal, environmental, economic, etc.) are in reality, according to the MGDD, construction risks;
- (12) Perturbations in the financial market should be considered as part of the general economic risk to be taken by the private partner;
- (13) Redeployment guarantees;
- (14) Insurance premiums. In some cases, potential increases in the insurance premiums could be compensated by government. This should be considered as part of the economic risk;
- (15) Force majeure.

Based on the points above and following the MGDD 2008 edition⁷⁴, Eurostat and the NAI discussed some of the PPP contracts provided to Eurostat prior to the mission and agreed that a detailed analysis should be undertaken in order to determine whether the classification outside government of some of the contracts should be revisited. It is the opinion of Eurostat that some of the assets related to the existing PPP contracts in Belgium should be in fact reclassified inside government.

The NAI requested to receive from Eurostat a description of the points raised during the discussion and would like Eurostat to set a procedure in the future for the assessment of PPP contracts in order to have a clear understanding of how to read the MGDD related chapter.

Main conclusions and action points

Action point 50: Eurostat raised the attention of the NAI on a number of features in some PPP contracts, which Eurostat recently examined for the first time, which result in reducing the risk and the rewards for the private partner. Eurostat and the NAI will jointly review a number of contracts with the objective to take a final decision on their classification by the time of the October 2014 EDP Notification. The NAI will also send to Eurostat the contracts concerning the school buildings in the German Region and the Missing link R4 Gent Zuid.

*Deadline: October 2014 EDP Notification for the analysis and possible reclassifications*⁷⁵

*Deadline: February 2014 for transmitting the contracts*⁷⁶

⁷⁴ This was the edition of the MGDD in force at the time the existing PPP contracts under discussion were signed.

⁷⁵ This action point was implemented. The NAI has provided to Eurostat an analysis of the classification of existing PPP contracts in Belgium. A number of contracts will be reclassified in the October 2014 EDP Notification.

⁷⁶ This action point was implemented. The contracts concerning the school buildings in German Region and the Missing Link R4 Gent Zuid have been provided to Eurostat.

4.3.4. Capital injections in public corporations, dividends, privatization

Introduction

The NAI had provided a note explaining the treatment followed for capital injections undertaken at different government levels as well as a description of the treatment of a specific category named “avances récupérables” (recoverable advances). The NAI had also provided a note explaining the treatment of dividends at local government level and the detailed implementation of the capital injection test for the NBB. For other units paying dividends, the comparison between net profit and dividends paid had been provided as usual.

Discussion

Capital injections

According to the NAI, all capital injections in public corporations are reported in the data sources transmitted to the NAI.

For the capital injection test in the April EDP Notification, the units have to provide information to the NAI before the 15 February and the NAI can request additional details until the 1st of March (cut-off date). In the absence of information, the NAI follows an approach based on previous experiences of similar capital injections.

For the October Notification, units have to provide information before the 15 April and the cut-off date is the 15 June. All capital injections (in the form of equity, loans or other) without documentation are reclassified by the NAI as capital transfers in the October Notification.

In the case of capital injections in the form of equity, units have to provide to the NAI detailed information covering the following:

- nature of the transaction
- information on the possible other partners (name, percentage and form of the injection)
- financial statements of the corporation for the last 3 years
- financial plan audited by an independent institution for at least 3 years

The NAI accepts to record capital injections as financial transactions in the following cases:

- Presence of private partner (at least 25%). If the private partner is transforming a loan into capital while the government unit is the only part injecting cash, the financial situation of the corporation is checked.
- Financial soundness and sufficient rate of return.

In case these conditions are not met or in case there is no complete information, the NAI reclassifies the capital injection as a capital transfer.

Following the same timing, information has to be provided on loans, interest charge and terms of redemption. For reimbursable subsidies or advances, the same information has to be provided and also an estimation of the repayment rate.

In general, the NAI does not reclassify loans if information is provided, but it is checked whether the beneficiary corporation is in financial distress. For reimbursable subsidies or advances, in the absence of information on the repayment rate, the NAI records the advances as expenditure at inception and the subsequent repayments as revenue.

The NAI informed Eurostat that a specific request had been launched in December 2013 in order to gather information on capital injections by the regional holdings and the nine invests. The details have been requested only for the ten biggest transactions undertaken in each case.

The request includes the following information:

- capital injection in the form of loans and equity;
- reimbursement of loans and equity disposals;
- assets and liabilities in the balance sheet and some specific details on these.

The timing to provide the data to the NAI will be 15 of February, 15 of March and 15 of June (final data). The first data transmissions will take place in 2014 and they will cover only data for 2013. Transactions for which no information would be provided, will automatically be reclassified as capital transfers.

As concerns capital injections at local government level, given the large number of capital injections undertaken often for small amounts, a standardised procedure is followed by the NAI in order to determine whether these can be regarded as financial transactions. Based on a functional division⁷⁷ of capital injections, a number of injections are being reclassified as government expenditure. This applies to stakes in the social, education, culture and police sectors. However, in principle, stake holdings in the energy sector or in other corporate sectors are accepted as financial transactions. The NAI confirmed that capital injections to build are normally treated as capital transfers and recorded as investment grants.

The NAI clarified that there are sometimes exceptions to this general policy. For instance, capital injections in the water or energy sector can be treated as expenditure in some specific cases. Also, capital injections in social sectors can be treated as financial transactions if the supervisory authorities ("autorités de tutelle") can justify that the injection is profitable.

Eurostat inquired on the treatment applied to capital injections undertaken in activities in between the social and corporate sectors and suggested that a simple rule could be applied in such cases. According to this rule, capital injections to private corporations would be treated as financial transactions, while capital injections into public corporations would be treated as government expenditure. The NAI confirmed that this was very close to the treatment applied in practice.

⁷⁷ COFOG classification.

Dividends

The NAI explained that most of the participations of local government are held via intercommunales and that dividends received from the energy, water and cable distribution sectors represent 90% of the total dividends received.

It was confirmed that no individual analysis is carried out for dividends at local government level and that most amounts are recorded as revenue increasing unless something exceptional happens (for instance the sale of sewer systems and the fact that Electrabel went out from the capital of some intercommunales). However, the NAI confirmed that sizeable transactions are always checked.

The amounts received each year as dividends by the local government sector are quite stable⁷⁸, but they are however quite sizeable.

Since 2007, the Region of Flanders sends to the NAI information on the dividends paid by the intercommunales with a distinction between exceptional and regular profits.

It was agreed that the NAI would investigate the possible implementation of a super-dividend test for the local government level.

Avances récupérables (recoverable advances)

Several cases of recoverable advances exist in Belgium, being more frequent in the Region of Wallonia.

According to the NAI, there are mainly two types of recoverable advances:

- Advances of important amounts to one unit (one-off), such as the advances for Sonaca;
- Advances alongside similar conditions for small amounts (standardised). They are normally granted in the framework of specific policies.

Concerning the statistical treatment, one-off advances are analysed on an individual basis in order to determine if they are financial transactions or expenditure (capital transfers). The analysis is carried out following the MGDD rules for capital injections.

For standardised advances, the NAI distinguishes two cases:

- Cases where information is available on the rate of recuperation of the advances. Based on this rate, the NAI decides to treat them in bulk as financial transactions or expenditure.
- Cases where no information is available on the reimbursement of the advances. In this case, all advances pertaining to a program are recorded as expenditure and revenue is recorded once they are reimbursed in the non-financial accounts.

⁷⁸ The maximum profits of these activities are fixed by regulators, leading to stable dividend income.

Eurostat inquired on the existence of possible lending operations by public corporations to government and recalled that these should, in all cases, be considered as increasing government debt. The NAI explained that there are difficulties in some cases in order to obtain this information and agreed to investigate the issue.

Main findings and conclusions

Action point 51: The NAI will ask the Regions to provide details on possible lending operations by public corporations to government.

*Deadline: April 2014 EDP Notification*⁷⁹

4.3.5. Other methodological issues

Main findings and conclusions

Financial derivatives

Before the mission, the Debt Agency (SPF Finances), responsible for debt management at Federal Government level, provided a note describing transactions in financial derivatives as of 2013.

Concerning lump sum payments on swap cancellations, in 2010 the Treasury cancelled a swap and received EUR 2.117 mn that were spread for EDP reporting, impacting B.9 over the remaining life of the swap. In 2013, swaps were cancelled receiving an amount of EUR 730 mn.

An off-market swap for a significant amount and unbalanced for the Belgian Treasury was contracted in 2002 with an impact on the debt of EUR 443 mn that year. Off-market swaps have been used every year since 2008 for small amounts. According to the note of the Debt Agency, the recording is done following the MGDD provisions.

According to the note, no FRA transactions exist since 2007.

It was confirmed during the mission that no information on swaps for the Regions and public corporations classified in S.13 is available to the NAI.

Guarantees

Eurostat inquired on the progress achieved on the questionnaire on guarantees launched by the NAI in 2012. The NAI provided the information received in the questionnaire to Eurostat and explained that there have been improvements, as all the recipients are now replying. In order to collect the data for local government, the NAI sends the questionnaire to the “autorités de tutelle” (supervising authorities), who forward it to the municipalities and collect the information from them.

⁷⁹ This action point was implemented.

The NAI explained that some corrections had been done at local government level, where guarantees were included under exceptional amounts. As concerns guarantee calls, the NAI confirmed that not all of them are in the list of debt assumptions received by the NAI, but are recorded as expenditure in any case.

As concerns standardised guarantees, the NAI has undertaken a stock taking exercise.

Following the aforementioned report of the CoA on the debt of Wallonia, Eurostat took note that the information available for the Region of Wallonia is not enough in order to confirm the data on guarantees for the Region and wondered whether this could also be the case in the other Regions.

Debt assumptions, debt cancellations and debt write-offs

Prior to the mission, the NAI provided a list of debt assumptions and debt cancellations for the period 2008-2012 (no data have been reported for write-offs).

The main operation concerned the Holding Communal in 2011 and no significant operations were reported for 2012.

In the previous SDV, the NAI had underlined the difficulty in getting access to information concerning these operations and in identifying whether a specific operation is a write-off (unilateral) or a cancellation (bilateral). As follow-up of the previous SDV, the NAI provided a note on the recording of debt cancellations at local government level and the translation to national accounts.

UMTS and LTE

The NAI provided information on UMTS and LTE licences as well as the list with all the licences sold since year 1995 and the recording followed in national accounts.

The Belgian government granted three licences in November 2013, each of them for a period of 20 years and for an amount of EUR 120 mn. Following ESA 1995, the NAI foresees to record such transactions as sale of assets, thus impacting B.9 of government in the year of the sale.

Trade credits and arrears

In December 2012, as follow-up of the previous SDV, the NAI sent a progress report informing about the state of play on trade credits. The data reported by the NAI for general government trade credits (F.71 in ESA 1995) have limited coverage, as they only include part of the trade credits in the social security subsector. No F.71 data for the other subsectors of government are accounted for in the B.9F. These trade credits of the other subsectors, not reported in F.71, are included in the statistical discrepancy between B.9 and B.9F. In absence of information on trade credits, the “Eurostat decision on the statistical recording of some operations related to trade credits incurred by government units” (31 July 2012) is not implemented, leading to an underestimation of government debt.

During the mission, the NAI confirmed that little progress had been made on trade credits recording since 2012. However, the NAI pointed out that improvements are expected in the context of the “building blocks project”.

As concerns the implementation of Eurostat's decision on trade credits, the NAI expressed difficulty to obtain information on factoring, as this information is normally on the balance sheets of the factors, and thus, it does not seem to be available in Monetary and Banking statistics.

Action point 52: The NAI will develop a global project (the "building blocks") to collect balance sheet information. This project is an important step forward for the financial accounts and the availability of integrated data sources. It is intended to reduce the statistical discrepancy and to allow the collection of information on trade credits. For trade credits, the NAI will also analyse whether this information could be available at Monetary and Banking statistics level. In this context, the NAI should apply Eurostat's decision on the classification of certain trade credits.

Deadline: October 2014 EDP Notification

Disposals of non-financial assets by general government

The NAI completed the table for disposals of non-financial assets by general government for the period 2010-2012. Eurostat took note of the transactions reported, which were carried out by three different units and were the following:

- Disposal of locks by BAM for EUR 57.5 mn in 2012. The counterpart was a public corporation in Flanders (Gemeentelijk Havenbedrijf Antwerpen).
- Disposal of land by the Flemish public corporation managing the participations of the Region (Vlaamse Milieumaatschappij). Amounts have been recorded all the years since 2010. The counterpart was a public corporation in Flanders (Aquafin).
- Disposal of UMTS and LTE licences. The counterparts were different mobile phone operators.

Re-routing of transactions, assets and liabilities through government accounts

Following information published in the press, Eurostat inquired about the Green Certificates in the Region of Wallonia. As this is an issue concerning the year 2014, Eurostat and the NAI agreed to further investigate the issue in order to determine whether there could be a potential impact on government deficit and debt.

Carbon trading rights

Eurostat took note of the information on carbon trading rights provided by the NAI in their note prior to the mission. Emission permits were sold for the first time by the Belgian government (Federal and Flanders) in 2013. Before that, they were allocated for free without giving rise to entries in government accounts.

In 2013 only Flanders will record tax revenue (D.29). No tax revenue will be recorded at the Federal Government level and the other Regions, as the allowances sold in 2013 can only be surrendered from 2014 onwards.

From 2014, the Federal Government will sell allowances and the tax revenue generated will be split between the Federal Government and the Regions.

5. Other issues

Main findings and conclusions

Eurostat informed the NAI that Mr Luca Ascoli had been temporarily appointed from 1st January 2014 as Head of Unit of Eurostat D4, responsible for EDP Upstream Dialogue Visits (UDVs) and quality management.

The NAI remarked that, during 2013, they had sent the documents related to the two UDVs undertaken by Eurostat in 2012 and that no feedback had been received from Eurostat. Eurostat committed to provide input before the April 2014 EDP Notification.

Action point 53: Eurostat will provide feedback on the information sent by the NAI in the context of the UDV action points, resulting from the 2012 missions.

*Deadline: April 2014 EDP Notification*⁸⁰

⁸⁰ This action point was implemented. By the end of March, Eurostat provided an assessment of the documentation provided by the Belgian statistical authorities in the context of the two Upstream Dialogue Visits to Belgium that took place in 2012.

Annex 1

List of Participants

National Bank of Belgium

General Statistics Department

Rudi Acx (Head of General Statistics Department)

Claude Modart

Anne Mulkay

Kris Van Cauter

Sarah La Rosa

Xavier Deville

Research Department

Bruno Eugène

Prudential Supervision of Banks and Stockbroking Firms Department

Alain Vranken (only for points related to Dexia)

Federal Public Service Economy

Jean-Marc Delporte (President of Federal Public Service of Economy)

Hamadi Elidrissi

Annie Versonnen

Philippe Mauroy

Federal Planning Office

Vincent Frogneux

Gina Gentil

European Commission DG Eurostat

Lena Frej Ohlsson (Head of Unit D2 Excessive Deficit Procedure (EDP) 1)

Luca Ascoli (Head of Unit D1 Excessive Deficit Procedure and methodology)

Denis Besnard, Unit D1

Lourdes Prado Urena, Unit D2

European Commission DG ECFIN

Henk Van Noten

European Central Bank (ECB)

Henri Maurer



EDP ad-hoc visit to Belgium

13-14 February 2014

Main conclusions

1. Introduction

Eurostat carried out an EDP ad-hoc visit to Belgium on 13-14 February 2014.

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 Ms Lena Frej Ohlsson, Mr Denis Besnard and Ms Lourdes Prado Urena.

The Belgian statistical authorities were represented by the Statistics Department of the National Bank of Belgium, the Federal Planning Office and the Federal Public Service Economy, all on behalf of the National Accounts Institute (NAI). Eurostat, together with the representatives of the NAI, held four separate meetings with the three Regions (Brussels-Capital, Flanders and Wallonia) and the Federal Government, which were represented both by political authorities from different government cabinets and by experts.

During past exchanges with the Belgian statistical authorities, Eurostat had identified significant problems concerning data availability for the compilation of deficit and debt figures at some government levels. Such problems were confirmed during the EDP dialogue visit that took place on 3-5 February 2014 as well as by the Belgian Court of Auditors in its report published in January 2014 25e Cahier d'observations adressé par la Cour des Comptes au Parlement Wallon (922(2013-2014)).

Eurostat carried out this EDP ad-hoc visit in order to assess the completeness and correctness of the compilation of deficit and debt figures at the Federal and Regional Government levels and to ensure that the NAI has access to all the information needed from the different entities for the compilation of EDP statistics.

The outcome of these meetings was a number of actions to be undertaken by the Regions and the Federal Government as concerns the compilation of EDP data and the reporting of such information to the NAI.

2. Agenda and aim of the meetings

A common agenda was followed for all the meetings undertaken with the different Regions and the Federal Government. Eurostat opened the meetings with a presentation of Regulation 479/2009, which defines Eurostat as the competent authority for EDP statistics and sets the obligations of Member States to provide National Statistical Institutes with all information necessary to establish correct deficit and debt statistics. In addition, Regulation 479/2009 fixes the rules for standard and methodological EDP missions (the latter carried out when fundamental problems affecting data quality of debt and deficit statistics exist) as well as the possibility for Eurostat to express a reservation on the quality of the data reported by a Member State or to amend such data.

The new powers granted to Eurostat by Regulation 1173/2011 were also explained. This Regulation introduces the possibility of the Commission to launch a formal investigation leading to possible fines on Member State in case of deliberate misreporting or serious negligence.

Eurostat recalled that the NAI is responsible in Belgium for the EDP Notification, EDP methodology, compilation of ESA figures and bilateral discussion with Eurostat and in this sense, full information for the EDP reporting is expected to be provided to the NAI by all government levels. Eurostat explained that there could be doubts on the quality of the deficit and debt data for Belgium, as some data from the Regions appeared to be incomplete (financial leasing, swaps, premiums and discounts) and not available to the NAI. In addition, Eurostat had identified some problems as concerns the delimitation of general government and the recording of transactions, assets and liabilities “hors bilan” (out of the balance sheet).

A discussion followed the presentation in each of the four meetings and Eurostat inquired on the availability of accounts, delimitation of the public perimeter, the existence of transactions carried out on behalf of government, data availability for different methodological issues (financial leasing, capital injections, interest, PPPs, government guarantees, sales of assets, other accounts receivable/payable, trade credits, stock of participations, etc.) and data availability for local government and intercommunales.

Eurostat asked for the cooperation of the different Regions and the Federal Government as regards the availability of the data above.

3. Main conclusions and action points

Eurostat underlined once again that the NAI is the main competent authority for taking decisions in national accounts and expects full information for the EDP reporting to be provided to the NAI by all government levels.

Eurostat underlined the importance of the availability of information relevant for EDP statistics for the next April 2014 EDP Notification and for each EDP reporting. In this respect, a number of actions were set to be achieved by the Regions and the Federal Government a sufficient time in advance before each EDP reporting.

Eurostat asked each Region and the Federal Government to nominate a single contact point (Spoc) for all dossiers and exchanges with the NAI. Eurostat recommended also that a contact point be nominated also in each debt agency.

Eurostat asked the different government levels to actively cooperate in the “building blocks project”, currently being developed by the NAI and to provide the information requested by the NAI in this context.

The Regions and the Federal Government agreed on a number of actions as set below:

- To provide the NAI on a yearly basis with an exhaustive list of government controlled units as well as the information needed to perform the 50% test and the list of participations of all public units and its subsidiaries. All the information needed by the NAI in the context of sector classification analysis, including information on specific units (like for instance the regional holdings), will also be provided.
- To provide the NAI with the accounts of Parliament before each EDP Notification.
- To provide the NAI with the accounts and balance sheets of universities and hautes écoles on a regular basis.
- To answer to the request of the NAI concerning delegated missions and alternative financing and to report regularly on financial leasing operations, issuances with premiums/discounts, swaps and accrued interest.
- To check whether units outside S.13 act on behalf of government and whether all transactions and liabilities incurred on behalf of government are recorded in government accounts.
- To provide the NAI with the necessary information as concerns capital injections, including all public corporations and subsidiaries, and to fill in the specific questionnaire prepared by the NAI.
- To provide the NAI with the necessary information on trade credits and to work on the identification of operations of factoring without recourse and trade credits transformed into loans, which should be included in government debt following Eurostat decision of July 2012.
- To provide to the NAI detailed information on cash pool management before each EDP Notification.
- To provide complete information to the NAI as concerns all PPP projects signed and those foreseen for the future and to provide all contracts to the NAI.
- To provide the NAI with all information as concerns sales of assets by government to public entities, the stock of all loans granted and recoverable advances (avances récupérables) and complete information on non-performing loans before each EDP Notification.
- To provide data for municipalities as requested by the NAI for each EDP Notification.
- To provide to the NAI all the necessary information as regards intercommunales: a complete list and the accounts of intercommunales, the subsidiaries and the participations of all intercommunales and specific information requested on those receiving significant capital injections or paying significant dividends.
- To provide to the NAI information on guarantees granted as well as guarantee calls.

- In addition to these common action points and conclusions, Eurostat requested specific actions in some cases. The Federal Government agreed to provide the NAI with all balance sheets that exist for central government, even if the information is still provisional. The Region of Flanders agreed to provide to the NAI specific information on the intercommunale TMVW. The Region of Wallonia and the Fédération Wallonie-Bruxelles agreed to clarify the use of alternative financing and the details of the Plan Marshall as well as to provide specific information on Spaque, Sowafinal, CRAC, Sogepa and guarantees granted to different public units. Moreover, they agreed to provide to the NAI the PPP contracts of the tram de Liège and the school buildings and to provide a note explaining the mechanism of the “green certificates”.

Eurostat thanked the Belgian statistical authorities and the representatives from the Regions and the Federal Government for their cooperation during the meetings and considers that the discussions were very constructive.⁸¹

⁸¹ Eurostat acknowledges the large efforts and improvement in the quality and the completeness of the data in the April 2014 EDP Notification, most of the actions above having been completed by the Regions and the Federal Government. However, there is still room for improvement in specific areas and Eurostat will continue to monitor closely the availability of EDP data and the cooperation of the different government levels with the NAI as well as the implementation of ESA 2010 in the future EDP Notifications.