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Directorate D: Government Finance Statistics (GFS) and quality
Unit D-3: Excessive Deficit Procedure (EDP) 2

Luxembourg, 13 January 2014

FINAL FINDINGS

EDP dialogue visit to Luxembourg

15 May 2013

Executive summary

An EDP standard dialogue visit took place on 15 May 2013. It was carried out by Eurostat in order to review the implementation of the ESA95 methodology and to assure that the provisions of the ESA95 Eurostat Manual on Government Debt and Deficit as well as the Eurostat decisions are duly implemented in the Luxembourgish EDP and Government Finance Statistics (GFS) data.

Eurostat enquired about the changes in the institutional arrangements and division of responsibilities in the EDP reporting process. In particular, the progress on a number of quality management projects was reviewed, such as the formalisation of the institutional cooperation, the EDP flowchart, the contact with the national audit authorities, etc.

The discussion then focused on the high level of statistical discrepancies and the steps to be taken to reduce them. It was followed by a thorough analysis of the breakdown of other accounts receivable/payable, including a review of the data sources used for the compilation of this item.

Particular attention was paid to the delimitation of general government, in particular to the sector classification of the CFL (Luxembourg Railway Company). Eurostat also strongly encouraged the Luxembourgish authorities to complete the Questionnaire on government controlled entities classified outside general government.

Eurostat reviewed the progress concerning more timely and accurate estimates for investment expenditure for central and local government. The implementation of the accrual method for gross fixed capital formation expenditure was also analysed.

The future transactions with the European institutions relating to the construction of new premises for these institutions (JMO-2 and the third tower of the Court of Justice) were discussed.

Particular attention was given to the recording of VAT and revisions observed during the recent notification. Cooperation with data providers of tax information was also raised. Finally, the general preparedness for the implementation of ESA2010 was reviewed. In this context, the need to re-analyse the sector classification of the SICAV-FIS was identified.

Eurostat appreciated the openness and cooperation demonstrated by the Luxembourgish authorities during the meeting. Eurostat thanked the Luxembourgish authorities for the documentation provided prior to the visit.

Introduction

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009 (as amended by Council Regulation (EC) No 679/2010) on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Luxembourg on 15 May 2013.

The delegation of Eurostat was headed by Mr John Verrinder, Head of Unit D3: Excessive deficit procedure - 2. Eurostat was also represented by Mrs Malgorzata Szczesna-Rundberg, Mr Michele Marotta, Mr Gabe de Vries and Mr Luis Temes Castrillon. Representatives of the Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers.

Luxembourg was represented by the representatives from STATEC (l'Institut National de la Statistique et des Études Économiques du Grand-Duché du Luxembourg), the Ministry of Finance, the Inspection Générale des Finances (IGF), the Ministry of Interior, the Trésorerie, the Inspection Générale de la Sécurité Sociale (IGSS) and the Central Bank (Banque Central du Luxembourg – BCL). Annex 1 presents the complete list of participants.

Eurostat carried out the EDP dialogue visit with the main aims of discussing (1) steps which need to be taken to reduce the significant statistical discrepancy in the Luxembourgish data, (2) the breakdown of other accounts receivable / payable and (3) progress on EU institutions buildings.

With regard to procedural arrangements, Eurostat indicated that the main conclusions and action points would be sent to the Luxembourgish authorities for review. Then, within weeks, the Provisional findings would be sent to the Luxembourgish authorities for review. After this, Final Findings would be sent to the Luxembourgish authorities and the Economic and Financial Committee (EFC) and would be published on the website of Eurostat.

Eurostat appreciated that the Luxembourgish authorities contributed to the smooth organisation of the visit with their open and constructive approach during the meeting as well as with documents provided during the visit. The following points were discussed.

1. Institutional arrangements and data sources

1.1. Institutional responsibilities and cooperation

Introduction

Under this item, a variety of issues related to institutional responsibilities and cooperation were raised. The majority of them were related to the recent developments on the forum of the Eurostat Working Group for the GFS Quality Management such as the formalisation of the institutional cooperation, the EDP flowchart, the contact with the national audit authorities, etc.

Discussion

With regard to institutional responsibilities, the IGF was reconfirmed to be the EDP reporting authority in the context of regulation 479/2009, as amended, though the execution of reporting was delegated to STATEC. For a number of years, both STATEC and IGF sent the notifications to Eurostat, resulting in a parallel data transmission. Following Eurostat requests for a single data transmission, only STATEC provided data to Eurostat during the April 2013 EDP Notification. Eurostat welcomed having only one data provider and expressed the hope that this would also be the case in the future.

With regard to institutional cooperation, the Luxembourgish authorities informed that BCL has a very limited role in EDP reporting. STATEC cooperates with BCL in the area of the Balance of Payments and Financial Accounts. The cooperation is based on a gentleman's agreement for the production of Government Finance Statistics. There is no Memorandum of Understanding between BCL and STATEC.

The Working Group, chaired by the Ministry of Finance, and involving the main data providers (STATEC, IGL, Ministry of Finance, IGSS, Ministry of the Interior and the Trésorerie) remains unchanged. Eurostat enquired if there were plans to formalise this cooperation with a Formal Operational Arrangement as agreed in the Working Group "Quality Management in Government Finance Statistics". The Luxembourgish authorities explained that the Ministry of Finance is responsible for formulating this agreement and that a document regarding this issue had already been circulated to the relevant bodies. The observer from the ECB pointed out that the BCL should be included in the Formal Operational Arrangement or in the Working Group.

Action Point 1. STATEC will inform Eurostat on the progress in formalisation of the cooperation between STATEC and main data providers within their working group by end September 2013.¹

Eurostat also raised a point about the availability of historical time series for financial accounts dating back to 2000. The BCL representative clarified that up to 2003 no separate data between Belgium and Luxembourg were available. Eurostat was informed about an ongoing project to derive the relevant series but it is not of high priority. Eurostat took note of the clarifications and asked to be informed about the progress.

With regard to the flowchart of the EDP data flows, STATEC explained that little progress had been made mainly due to limited human resources. STATEC agreed to provide the flowchart before the October 2013 EDP Notification.

Action Point 2. STATEC will provide to Eurostat a flowchart of EDP statistics production with an overview of the stages in the process, the relevant entities and data flows by end-September 2013.²

¹ Implementation of Action Point 1 is completed.

² Implementation of Action Point 2 is completed.

Concerning the cooperation with the National Audit Office, Eurostat recalled the deadline of 8 May 2013 given in the relevant Working Group for Member States to provide their feedback on cooperation with Audit Offices. STATEC informed that no contacts had been made so far with the Luxembourgish National Audit Office. Eurostat emphasized the benefits such cooperation might bring.

Action Point 3. STATEC will inform Eurostat about the contacts made between the NSI and the National Audit Office by end-September 2013.³

The Quality Management System was discussed. According to Luxembourg's response to the 2012 Eurostat questionnaire on quality for EDP statistics, STATEC had plans to introduce a Quality Management System in the domain of EDP statistics by the end of 2013. Eurostat enquired about progress. The Luxembourgish authorities reconfirmed they were planning to launch the project by the end of 2013.

Action point 4. STATEC will inform Eurostat about progress on the implementation of the Quality Management System in the domain of EDP statistics by end-2013.⁴

1.2. EDP inventory

2. Follow-up of the of the previous EDP dialogue visit

Introduction

Eurostat summarized the implementation of the 20 action points agreed during the 2011 EDP dialogue visit. Most of them were implemented; three action points were delayed and will be implemented with the revision of the National Accounts and the introduction of the ESA 2010 in September 2014. One action point, requesting a note on the possible need for specific accruals adjustments for some government capital projects, is outstanding and was assigned to be discussed during this visit (please see item 4.2).

Discussion

Eurostat enquired about the reasons for the delays that occurred in the implementation of some of the action points. STATEC explained this was caused by the limitations in human resources. Eurostat highlighted the need for a timely implementation of the action points and/or communication with Eurostat in case delays are foreseen.

³ Implementation of Action Point 3 is on-going.

⁴ Implementation of Action Point 4 is completed.

3. Follow-up of the latest EDP reporting – analysis of EDP tables and the related questionnaires

3.1. Table 1

No issues were raised under this item. The discussion on the revision in the gross fixed capital formation took place under item 4.2.

3.2. Table 2

No issues were raised under this item.

3.3. Table 3

3.3.1. Statistical discrepancies

Introduction

In the April 2013 EDP Notification Luxembourg, for the first time, explicitly reported statistical discrepancies in the EDP Table 3. In the past, it had applied a policy of showing zero statistical discrepancies in the EDP Table 3 and including the balancing items in other accounts receivable/payable. During the meeting, Eurostat welcomed this change as an important step in improving the quality of the Luxembourgish EDP Notification.

Discussion

Eurostat drew attention to the fact that the revealed statistical discrepancies in EDP tables 3 are of a significant level. In particular concerning the years 2010 and 2012 for which statistical discrepancies amounted to +0.8% and -0.9% GDP respectively for the general government. Eurostat perceived it to be the most urgent issue to be resolved in the Luxembourg notification and strongly encouraged STATEC to undertake efforts to lower the level of statistical discrepancies.

A thorough discussion followed, aiming at finding the potential reasons for the discrepancies. Eurostat suggested it could be worthwhile to verify whether some of the statistical discrepancies are linked to debt measurement and not to the discrepancies between financial and non-financial GFS data. Further, the analysis was focused on the detailed breakdown of other accounts receivable/payable that is reported under item 3.5.1.

Action Point 5. STATEC will analyse the statistical discrepancies reported in the EDP Table 3 with the aim to separate the 'Other statistical discrepancies' from the 'Difference between capital and financial accounts' and will report to Eurostat on the results by end-August 2013.⁵

⁵ Implementation of Action Point 5 is outstanding.

3.4. Table 4

3.4.1. Trade credits

Eurostat enquired about the implementation of the decision on the recording of some operations related to trade credits of 31 July 2012. Prior to the visit Luxembourg informed that they took note of the decisions and at that time they were not aware that such cases took place. They said that they would, time and resources allowing, investigate further. Eurostat thus asked about the progress on this issue. STATEC replied that no major progress had been achieved so far. Eurostat reiterated the request for the information concerning the occurrence of factoring transactions.

Action Point 6. STATEC will investigate the possible occurrence of factoring transactions entered into by general government entities and will inform Eurostat by the end of September 2013.⁶

3.5. Questionnaire relating to the EDP-tables

3.5.1. Table 4.1.1. and 4.1.2 Presentation of other accounts receivable/payable

Introduction

Eurostat appreciated the progress made during the April 2013 EDP Notification in providing more detailed breakdown of other accounts receivable/payable. Prior to the visit, STATEC provided a note concerning the main administrative sources for data on 'other accounts receivable/payable'. It showed that the data comes from different sources and are provided by different actors: the fiscal administration, the IGF, the financial statements of the Special Funds and public establishments. Also the accounts of the communes and the accounting plan of the SSF are used.

Discussion

Taking into account the number and variety of data sources, Eurostat raised questions about the quality of the data, in particular its internal consistency. Concerns about consolidation issues were also raised.

STATEC explained that the quality of data varies depending on the source. For the social security subsector, the complete set of accounts allowing a detailed allocation is available. It is more complicated for the other sources where a number of missing items are observed. For central and local government, there is no consolidation possible between the subsectors, leading to bigger discrepancies. In general, STATEC assesses the quality of local government data as good. This data is provided twice a year by the Ministry of Interior and covers all municipalities.

⁶ Implementation of Action Point 6 is on-going.

As a follow-up, Eurostat asked STATEC to provide the breakdown of other accounts receivable/payable by subsector. It was perceived this as a crucial step in the quality analysis of data provided for this entry.

Eurostat enquired in particular about the missing breakdown of other accounts receivable/payable for the year 2012, leading to a significant level of unexplained items. STATEC explained that it was not able to provide the breakdown due the lack of final accounts. It explained that the provisional accounts were available for the central and local levels but not for the social security subsector. Eurostat stressed the need to provide the estimate of the breakdown for the social security subsector during the following spring EDP notification.

Action Point 7. By end-July 2013, STATEC will provide a breakdown by subsectors of other accounts receivable/payable presented in Tables 4.1.1 and 4.1.2 of the Questionnaire relating to the EDP-tables.⁷

Action Point 8. For the April 2014 EDP Notification, STATEC will provide an estimate of other accounts receivable/payable for the year 2013, including the estimate for the social security sector.

3.5.2. Table 6. Adjustment for transactions of general government with the EU in EDP tables

Some technical issues related to recording of the EU grants in EDP Questionnaire Table 6 were discussed. Eurostat pointed out the 'Check' line in "part I.EDP Table 2A-EU grants" does not equal zero. It appeared to Eurostat that the EU flows included in the net lending/net borrowing of other government bodies (Special Funds) are not correctly neutralised. During the meeting, it was clarified that it was only a presentation issue and will be corrected by STATEC for the next notification.

3.6. Questionnaire on the financial turmoil

No issues were discussed under this item.

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government

4.1.1. Questionnaire of government controlled entities classified outside general government

Eurostat pointed out that Luxembourg had not yet provided any reply to the questionnaire on government controlled entities classified outside general government (the deadline was December 2012). STATEC explained that the delay was due to limited staff resources. Some

⁷ Implementation of Action Point 7 is completed.

of the columns of the questionnaire (those for the entities with liabilities larger than 0.01% of GDP and the filling out of the 50% test) turned out to demand more time and deeper investigation. STATEC agreed to provide the parts of the questionnaire which were easily filled out as soon as possible and the complete questionnaire by the end of 2013.

Action point 9. STATEC will send a first reply (list of entities) to the Eurostat questionnaire on government controlled entities classified outside general government as soon as possible and a complete return by end-2013.⁸

4.1.2. Sector classification of the Luxembourg Railway Company (CFL)

Eurostat raised the issue of the sector classification of the Luxembourg Railway Company (CFL). It was already extensively discussed during the EDP visit in 2011. The company is listed under public establishments with a government participation of 94% and is currently classified outside the general government sector.

The level of contributions/subsidies granted by the government is significant. Eurostat highlighted that the characteristics of these subsidies are crucial for the analysis of the sector classification of this unit. The main question is whether they should be treated as 'subsidies on products' and assimilated to sales or as 'subsidies on production' which must not be taken into account as sales. Depending on the treatment, the outcome of the market/non-market test might be different and may lead to the reclassification of the unit.

STATEC reconfirmed that the government contribution to CFL is related to the actual number of runs/travels of the train/bus and that there exists a clear linkage with the volume of output. Eurostat requested that the issue should be re-examined in particular in the context of the worsening results of the company. Eurostat emphasised that it should be certain that the contributions provided by the State are not purely deficit covering.

Action Point 10. STATEC will analyse the government subsidies provided to the Luxembourg Railway Company (CFL) and demonstrate the linkage between the amounts granted and the number of journeys actually executed by the company. STATEC will report to Eurostat on the results of this analysis by end-June 2013.⁹

Action Point 11. STATEC will consider the statistical classification of the Luxembourg Railway Company CFL in the context of the implementation of ESA2010 by (1) including net interest into the calculation of market/non-market test by end-August 2013 (2) considering the qualitative criteria introduced by the ESA2010 for market/non-market delineation.¹⁰

⁹ Implementation of Action Point 10 is on-going.

¹⁰ Implementation of Action Point 11 is outstanding.

4.2. Estimates of investment expenditure for central and local government

Introduction

The main issues discussed under this item included the timeliness of the data for the first estimates for the year t-1 and the implementation of the accrual principle for the gross fixed capital formation.

Discussion

Eurostat pointed out the lack of timely data on government expenditures and revenues for the first estimates for the year t-1. It systematically results in overestimating the deficit (or underestimating the surplus) as the budget is typically prepared from a prudent perspective. It is mostly observed for the local level of government but also concerns the central level. Prior to the visit, STATEC provided a note on their experience in finding a solution for compiling more accurate first estimates for the year t-1.

For local government, Luxembourg decided to include the correction for investment expenses in the working balance of this subsector. The correction disappears as soon as final accounts for the year N-1 and year N are available. During the meeting, Eurostat said that it understood the logic of the mechanism. It emphasised however, that the level of the correction would need to be higher to approach the actual revisions undertaken when the final accounts are available. Eurostat also mentioned the possibility of using quarterly data and preliminary data from the communes to obtain better estimate in this respect.

STATEC explained that the estimate is based on the observed historical pattern and is sufficient for the purpose. It agreed to monitor the situation and consider adjustments to the approach, should the need occur.

For central government, no correction is currently undertaken. STATEC explained that the high revision in gross fixed capital formation data that was observed in October 2012 was of the one-off character and thus no systemic solution is necessary at the moment. STATEC would also monitor the situation at this level and consider relevant actions if and when necessary.

The second issue discussed under this item was the application of the accrual principle for government revenues and expenditures. STATEC had informed Eurostat in the past that the cash payments in the months January-March concerning transactions of the previous year were carried backward and included in the data for previous year. Eurostat enquired about the control mechanism for the implementation of this approach. STATEC explained that the source data provide information about the reference year.

Eurostat reiterated its view, already shared during the dialogue visit of 2011, that this time adjustment approach would be expected to produce acceptable results for intermediate consumption, whereas the results for gross fixed capital formation and some other classes of transactions might be less satisfactory. Eurostat reminded that the payment delays for the GFCF could vary according to the contract and can be significantly longer than 3 months.

STATEC admitted difficulties in this respect mainly due to the lack of relevant information available to STATEC. It was clarified to Eurostat during the meeting that there is no central point in the Luxembourgish administration for the registration of invoices. STATEC emphasized however that in case of big transactions, the corrections for accrual recording are conducted based on the information from the Ministry of Treasury.

Concerning prepayments (cash paid in advance at the end of the year) relating to the following year's expenditure, no time adjustment is applied as the amounts involved, according to STATEC, are not material.

Action Point 12. STATEC, in cooperation with the Treasury, will provide to Eurostat an example of a long-term investment project and an explanation of how it is recorded in the public accounts of Luxembourg and in the national accounts. Deadline: by end-2013.

Action Point 13. STATEC will address to the Ministry of Interior the need for improvement of source data on capital expenditure (gross fixed capital formation) by local government. An update on the steps undertaken in this respect by the Ministry of Interior will be sent by STATEC to Eurostat by end-2013.

4.3. Taxes and social contributions

Introduction

In Luxembourg there are three authorities for collecting taxes: the "administration de l'enregistrement et des Domaines", the "administration des contributions directs", and the "administrations des douanes". The main tax collected by administration de l'Enregistrement et des Domaines is VAT. The main taxes collected by administration des contributions directs are: taxes on individual or household income, taxes on employment withheld by employer for direct payment to the Government and taxes on holding gains. The administration des douanes collects the excise duties.

Frequent revisions in revenues related to taxes, mainly VAT, are common in Luxembourgish EDP Notifications. STATEC applies the "caisse transactionalisée" method as a time adjusted recording concept. It involves moving each cash flow on tax received backwards to the year of origination of the tax obligation.

Discussion

STATEC confirmed that in case of VAT, the tax office in charge of the VAT, l'Administration de l'Enregistrement, provides STATEC with a template by year of recording and by year of payment. This allows them to rebuild the amounts collected by accrual year. STATEC also clarified that the same method is applied for VAT refunds. STATEC also explained that this method applied only to finalised data. Intermediate years are estimated using the assessment method based on declarations and historical patterns.

During April 2013 and October 2012 some unusual patterns of revisions related to VAT was observed. Eurostat asked about this. STATEC explained that the Luxembourg authorities had been facing technical problems with the IT system used for the allocation of VAT. The updated tax matrices were expected to arrive before October 2013 and thus further revisions of VAT data should be anticipated.

STATEC explained that personal income tax and corporation tax are adjusted using the same method, however in these cases timely and good quality information is assured by the data providers.

Eurostat strongly emphasized the importance of the availability of good quality and timely information related to VAT revenues.

Action Point 14. Eurostat stresses the importance of the availability of high quality and timely matrix tables for taxes provided by the Luxembourg tax authorities to STATEC. STATEC will report to Eurostat on the progress in this respect by end-2013.

4.4. Government guarantees

On a prior request from Eurostat, the Luxembourgish authorities provided a listing of all guarantees provided by the State. During the meeting, Eurostat enquired about some definitions used in the listing and in particular the difference between the concepts of 'montant maximal', 'montant emis' and 'montant en circulation'. The Luxembourgish authorities agreed to investigate and come back to Eurostat with clarifications.

An analysis of guarantees granted in 2012 was made and clarifications were sought concerning some entities (i.e. CFL, DEXIA). STATEC also confirmed that the local government in Luxembourg is not entitled to provide guarantees.

Action Point 15. The Luxembourg authorities will clarify to Eurostat the difference between the concepts of 'montant maximal', 'montant emis' and 'montant en circulation' used in relation to the guarantees in the documentation provided for the dialogue visit. Deadline: by end-June 2013.¹¹

4.5. European Institutions buildings

Introduction

Under this item, the discussion focused on the on-going project of the construction of the JMO-2 building and the new project for the construction of the third tower of the EU Court of Justice.

Discussion

STATEC reiterated the information provided during the dialogue visit in 2011 that in the past the EU building were built under a lease contract and have generally been repurchased by

¹¹ Implementation of Action Point 15 is completed.

the relevant European institution on maturity of the lease contract. In more recent cases, ownership is transferred to the relevant EU institution from the beginning. The Luxembourgish state provides the corresponding loan (pre-financing), and therefore no gross fixed capital formation is recorded for the Luxembourgish government in these cases.

The construction of the new Jean Monnet Office (JMO-2) is to be arranged according to the model used in the recent cases. The estimate of construction costs is approximately 400 million euro.

On the JMO-2 dossier, the Luxembourgish authorities informed that the contract was very close to be signed (probably to occur during the summer 2013). The set-up and the main provisions of the contract were said to remain unchanged compared to the draft version of the contract that Eurostat and STATEC discussed together in 2011.

Eurostat enquired about the type of guarantees provided by the Luxembourgish government to the project. It was clarified that Luxembourg guaranteed that the Commission could stay in the current building of JMO until the construction of the JMO-2 is finalised. A public cooperation, a 'société immobilière', will grant a loan to the Commission as pre-financing. The Luxembourg government will not have to raise any debt. The credit lines linked to the pre-financing will be guaranteed by the State.

The economic ownership of the building during the construction period was analysed, which was identified in the past as a critical point for the statistical recording of this project. Luxembourg affirmed that the economic risk stays with the European Commission, which would be always associated with decisions about construction. If the assumptions are confirmed in the final contract, no related gross fixed capital formation would be then entered in the accounts of the Luxembourg state.

Upon receipt of the final contract, STATEC will complete its analysis of the case and inform Eurostat about its final decision for the statistical treatment. Concerning the timeline, the construction is envisaged to start within a year and a half and be finalised in 2019.

Furthermore, STATEC informed that the construction of the third tower of the EU Court of Justice is planned to be undertaken using the same model as the one used for the JMO-2.

STATEC also added that the on-going extension of the building of the European Parliament is conducted without any involvement of the Luxembourgish government.

Action Point 16. Once the contract is finalised, STATEC will provide to Eurostat an analysis of the project for the construction of the third tower of the EU Court of Justice with respect to its recording in the national accounts.

4.6. Acquisition of equity by government

Under this item, some major acquisitions of equity by the Luxembourgish government were discussed.

Firstly, Eurostat enquired about the developments in the cargo airline Cargolux. In 2012, the government participated in the acquisition of equity in Cargolux for EUR 89.1 million (0.2% GDP) repurchasing the shares it sold in 2011 to the sovereign fund of Qatar. STATEC informed that the participation of the government should be perceived only as temporary and that a new investor was being actively sought. As a result, STATEC treats this transaction as financial (and not as a capital transfer). Eurostat took note of the clarifications and advised to closely monitor the situation. STATEC agreed to inform Eurostat about new developments on this dossier.

Secondly, the operation of the integration of the energy company of the city of Luxembourg into ENOVOS and the public distribution network into CREOS was analysed. The municipality of Luxembourg received shares in return for the transfer of assets to these entities. After these operations, the participation of General Government (State and municipality) accounts for 33.4% in ENOVOS and for 24.5% in CREOS. STATEC explained that ENOVOS and CREOS are private corporations. It was agreed that Eurostat will internally analyse the transactions and come back to STATEC with its view.

Action Point 17. Eurostat will analyse the case of the integration of the energy company of the city of Luxembourg in ENOVOS and the public distribution network into CREOS in return for obtaining shares in these entities. Eurostat will come back to STATEC by end-June 2013 with its opinion concerning the statistical recording of this transaction.¹²

Finally, a capital injection in LuxTrust that took place in March 2012 was discussed. LuxTrust is a company providing services to enterprises with the specific goal to protect personal data. It is owned two thirds by the government and one third by a public corporation. After the acquisition of new shares, the company reduced the value of the capital by cancelling shares (without reimbursement to the shareholders) in order to offset the cumulated losses. Furthermore, in the same year a new guarantee was provided to LuxTrust.

Eurostat asked STATEC to provide more detail about this operation. In particular, it enquired if it has been recorded in compliance with the operational guidance in the MGDD for the capital injections test. STATEC agreed to re-analyse the case and inform Eurostat about its findings.

Action Point 18. STATEC will re-analyse the increase of capital in LuxTrust in March 2012 in the light of the MGDD capital injection test and will inform Eurostat of the results by end-September 2013.¹³

¹² Implementation of Action Point 17 is on-going.

¹³ Implementation of Action Point 18 is outstanding.

4.7. Other methodological issues

Under this point, Eurostat raised questions about any new developments concerning public private partnerships (PPPs) in Luxembourg. STATEC confirmed that the assets of all operating PPPs, or PPP-like structures, are classified inside government.

Eurostat asked in particular about the project of the swimming pool Aquasud in Differdange (estimated at about 40 million EUR) which is reported in the press to be realised within a PPP framework. A contract has been signed with the Luxembourgish company NDLR Tralux Construction. Eurostat enquired about the status, the main characteristics and the envisaged ESA classification of this undertaking. Not having sufficient information at hand, STATEC agreed to investigate the details of the project and inform Eurostat about the findings.

Action Point 19. In the context of the analysis of private-public partnerships, STATEC will investigate the status and the characteristics of the project in the Differdange for the construction of a swimming pool and will inform Eurostat by end-June 2013.¹⁴

5. Implementation of ESA2010

5.1. SICAV-FIS classification

The issue of the sector classification of the Société d'Investissement à Capital Variable, Fonds d'Investissement Spécialisé (SICAV-FIS) was revisited, in particular in the context of the implementation of ESA 2010.

The SICAV-FIS is an entity through which the common investment vehicle 'Fonds de Compensation' invests the surplus of the social security funds. The 'Fonds de Compensation' is classified in the general government (S.1314). The issue of the SICAV sector classification has been subject of many discussions and exchanges between STATEC and Eurostat over the last years. STATEC indicated its view that the SICAV should be considered as an auxiliary entity (and not an institutional unit) and should therefore be merged with the FdC and thus included in the general government sector.

Eurostat holds the view that the interpretation of the ESA95 agreed in the GNI Committee and the Commission Decision of 12 February 1997 defining the treatment of the income of undertakings for collective investment (UCIs) should be followed. It stipulates that the mutual funds (including UCIS and other investment vehicles) should be considered as separate institutional units for the purpose of national accounting. Consequently, the SICAV of the Fonds de Compensation is currently classified as a separate institutional unit, in the sector 'Financial institutions' (S.12), subsector 'Other financial intermediaries with the exception of insurance corporations and pension funds' (S. 123).

In the discussion, it was recalled that the classification of the SICAV should have no impact on deficit and debt figures for S.13 and S.14 (unless it has investments in government debt)

¹⁴ Implementation of Action Point 19 is completed.

as the balance of the SICAV-FIS is already transferred to the FdC. Individual entries under uses and resources might be affected.

Eurostat and STATEC agreed that the sector classification of SICAV should be re-analysed in the context of the changes introduced by the ESA10, in particular paragraph 2.27. Eurostat highlighted the relevant discussions in the Eurostat Task Force on the update of the Manual on Government Deficit and Debt.

Finally, it was agreed that once the work of the Task Force had been concluded and its findings are known, STATEC and Eurostat would meet bilaterally to discuss the classification of the SICAV in the light of the new provisions of the MGDD.

Action Point 20. STATEC and Eurostat agreed to hold a meeting in autumn 2013 in order to discuss the statistical classification of the SICAV-FIS, the investment vehicle of social security sector, in the context of the implementation of ESA 2010.¹⁵

5.2. General preparedness for the implementation of ESA 2010

Eurostat enquired about the general readiness of STATEC for the implementation of the ESA2010 in the area of general finance statistics. The main question concerned the impact assessment on the deficit and debt figures, however STATEC informed that at this early stage they were not able to quantify the effects. Eurostat invited STATEC to estimate the impact and provide some preliminary answers to the Eurostat questionnaire on the impact of the ESA2010 on debt and deficit figures that was due in June 2012.

Furthermore, Eurostat advised STATEC to consider such entities as CFL, SNCI¹⁶ and SICAV-FIS for which the ESA2010 brings some new elements that may lead to revisiting the decisions about their sector classification.

6. Other issues (transmission of GFS data etc.)

6.1. Transmission of GFS-tables

Some technical issues related to the transmission of the GFS-tables were discussed. Firstly, Eurostat enquired about the timeliness problems observed in October 2012 (i.e. delay of 12 days) with data delivery for Q2 2012. It concerned Tables 25 (and T801) and 27 and was linked to the allocation of FISIM (Financial Intermediation Services Indirectly Measured). STATEC explained that it was a one-off problem and that FISIM was properly allocated to all four quarters of the year.

Eurostat raised a question about the consolidating amounts for assets and liabilities in Table 27 (financial accounts) for some quarters of 2006 - 2007. Luxembourg answered that it was

¹⁵ Implementation of Action Point 20 is completed.

¹⁶ SNCI (Société National de Crédit et d'Investissement Luxembourg) is a bank specializing in medium and long term financing of investments made by Luxembourg based companies.

linked to other accounts receivable/payable for local government and that a solution had not yet been found. STATEC agreed to inform Eurostat about the progress on this issue.

Next, Eurostat asked about the reason for the level shift in 2009Q4 for AF.7 Assets/stocks for General Government. STATEC replied that it would investigate the issue and inform Eurostat about the results.

Concerning the revisions of GFS annual data, Eurostat pointed out that Luxembourg transmits only the revised years instead of the entire data series. STATEC explained that it was due to technical limitations linked to the management of vintages and that the situation would be improved in September 2014 once the improved IT system would become operational.

Action Point 21. STATEC will adjust its policy for sending government finance statistics data (i.e. it will send the entire data series and not only the revised years) in September 2014.

Action Point 22. STATEC will analyse the reasons for the level shift in 2009Q4 for AF.7 Assets/stocks for general government and inform Eurostat by end-June 2013.¹⁷

6.2. Consistency between the EDP and ESA tables

Eurostat pointed out a significant inconsistency between EDP and QFAGG data relating to other accounts receivable/payable (AF7). Luxembourg explained that it resulted from the fact that the statistical discrepancies were presented explicitly in EDP Tables 3 whereas in the QFAGG they were included in other accounts receivable/payable. Eurostat took note of these explanations and encouraged STATEC to investigate possibilities, also in cooperation with the Central Bank of Luxembourg, to assure consistency in the future.

¹⁷ Implementation of Action Point 22 is on-going.

Annex 1 List of participants

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