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Directorate D: Government Finance Statistics (GFS)
Unit D-3: Excessive deficit procedure (EDP) 2

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FINAL FINDINGS

EDP dialogue visit to Portugal

22-23 November 2012

Executive summary

Eurostat carried out an EDP dialogue visit to Portugal on 22-23 November 2012. The objective of this visit was to review the compliance of the Portuguese EDP data with the EDP statistical framework, as well as to review the data sources used for the compilation of the EDP Notification tables, to discuss different operations related to the bank recapitalisation that took place in June 2012 and to further clarify some issues raised in the context of the October 2012 EDP Notification.

Eurostat invited the Portuguese statistical authorities to update the existing Memorandum of Understanding between INE, BdP and DGO regarding their involvement in compiling EDP notifications and to begin work on drafting the new format of the EDP Inventory.

As regards data sources, Eurostat took note that the budget reporting system in Portugal was moving towards an accrual based system. Eurostat also reviewed the revision policy in place and took note that no big revisions were expected in the April 2013 EDP Notification.

Eurostat followed up on some outstanding action points from previous visits to Portugal. In this context, it was agreed that the outcome of the investigation of the statistical misreporting case in the Autonomous Region of Madeira would be communicated to Eurostat as soon as new information on the case becomes available.

Also, the EDP tables and the Questionnaire of the October 2012 EDP Notification were examined and some issues raised in the assessment round were clarified.

As regards methodological issues, the statistical treatment of "indenizações compensatórias"¹, the recording of a concession sale in the context of privatisation, as well as the statistical recording of a retroactive interest rebate on international loans, were extensively discussed. Specific government transactions such as bank recapitalisations, UMTS licence sales, government guarantees and public-private partnerships (PPPs) were also examined. The sale of assets of the private bank BPN to the defeasance structures Parvalorem and Parups was also among the important topics covered in the meeting. Different transactions related to Parública were discussed in detail (the treatment of advanced payments to government from privatisation proceeds and the re-routing to government of operations carried out by Parública).

It was agreed that INE would send to Eurostat additional information on the concession sale to the airport operator ANA. Eurostat also requested additional information on the recapitalisation of the state-owned bank CGD, which would bring more clarity on the statistical treatment of the capital injections. Similarly, further information was requested on the recording of the rebate mechanism of prepaid margins in EFSF loans. As regards the statistical treatment of "indenizações compensatórias", Eurostat argued in favour of recording these payments as "subsidies on production", as opposed to "subsidies on products". The Portuguese authorities agreed to provide Eurostat with copies of the latest contracts of "indenizações compensatórias".

Among others, the following issues were also briefly covered in the meeting: the public entity Estradas de Portugal, the reporting of statistical discrepancies, local government taxes, expenditure for military equipment, securitisation and sale and lease-back

¹ Subsidies provided by the State on an annual basis to different public and private corporations.

operations, derivative instruments and the role of the Public Debt Agency, equity injections made by hospitals and the Portuguese pension system, including transfers of pension obligations.

Eurostat also briefly covered some issues related to the Task Force on the implications of Council Directive 2011/85 on the collection and dissemination of fiscal data.

Finally, Eurostat announced the forthcoming Task Force on the "adaptation" of the current MGDD to the new ESA2010. In this context, Eurostat briefly presented the time schedule for the implementation of the new ESA 2010.

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 Portugal on 22-23 November 2012.

Eurostat was represented by Mr John Verrinder (Head of Unit D3 "Excessive Deficit Procedure II"), Mr Viktor Popov (Desk Officer for Portugal), Mr Luca Ascoli, Ms Lourdes Prado Urena and Mr Luis Temes Castrillon. DG ECFIN and the European Central Bank (ECB) also participated in the meeting as observers.

The Portuguese statistical authorities were represented by the National Statistical Institute (INE), the Budget Directorate General (DGO) and the Treasury Directorate General (DGT) from the Ministry of Finance, and the Banco de Portugal (BdP). In addition, representatives from the Portuguese Public Debt Agency (IGCP) and from the state-holding Parpública participated for some of the agenda points.

The previous Eurostat EDP dialogue visit to Portugal took place on 17-18 January 2011, followed by two ad-hoc visits on 14-15 April 2011 and 19-20 September 2011.

The aim of this visit was to review the data sources used for the compilation of the EDP Notification tables and to further clarify some issues raised in the context of the October 2012 EDP Notification. The statistical treatment of "indenizações compensatórias", the recording of a concession sale in the context of privatisation, as well as the statistical recording of a retroactive interest rebate on international loans, were among the main methodological issues discussed. Specific government transactions such as bank recapitalisations, government guarantees, public-private partnerships (PPPs) and different operations related to Parpública were also examined.

With regard to procedural arrangements, the Main conclusions and action points would be quickly sent to the Portuguese statistical authorities for their comments. Then, the Provisional findings would be sent to Portugal for review. After this, the Final findings will be sent to Portugal and the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat appreciated the documentation provided prior to the EDP dialogue visit and the good cooperation on EDP-related issues from the Portuguese Statistical Authorities.

1. Review of statistical capacity issues

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

Introduction

Eurostat welcomed that the Portuguese authorities had sent an updated note on the institutional responsibilities in the framework of EDP reporting. As explained in the note, there were no changes in the institutional responsibilities – the Portuguese Statistical Office (INE) and Banco de Portugal (BdP) are responsible for compiling actual data (the general government net borrowing/net lending and the financial accounts and gross debt data, respectively), while the Ministry of Finance (MoF) is responsible for providing planned data. Compared to the previous version of the note, the updated note included information on new national legislation regarding statistics and a short description of the functioning of the Working Group (WG) created within the inter-institutional cooperation agreement. The note also included an annex with a list of the relevant European legislation in the field of statistics and a copy of the inter-institutional cooperation agreement signed in 2006. The exact responsibilities of each institution were further specified in a separate annex to the note.

Discussion

Inter-institutional cooperation agreement in the field of general government statistics

The Portuguese authorities explained that an updated version of the cooperation agreement signed between the co-compilers of EDP statistics (INE, MoF and BdP) is under preparation and INE has the will and the objective to finalise the new agreement by the end of 2013. It was stressed that the WG created within the inter-institutional cooperation agreement was useful and the cooperation between the three institutions generated positive results. The WG meets 2 to 3 times for the preparation of each EDP notification and also each quarter for the analysis of quarterly results. In addition, it meets whenever there are methodological issues deserving special attention and discussion.

Cooperation with the Court of Auditors (CoA)

In its September 2011 ad-hoc visit to Portugal, Eurostat had stressed the importance of an enhanced and productive cooperation between INE and the CoA. Eurostat followed up on this issue in the visit and asked whether a memorandum of understanding had been signed between INE and the CoA. The Portuguese authorities reported that so far there had been no memorandum of understanding signed and expressed their desire to enhance the cooperation between the two institutions. Eurostat provided the Portuguese authorities with a copy in Portuguese of the resolution on Supreme Audit Institutions' cooperation with Eurostat and NSIs, which had been presented in the Working Group on Quality Management in Government Finance Statistics held in Luxembourg in November 2012.

Misreporting of expenditures in the Autonomous Region of Madeira

In 2011 internal investigations undertaken by the Portuguese authorities revealed that deliberate misreporting of expenditures had occurred in the Autonomous Region of Madeira. This led to backward revisions to both debt and deficit data. As a result, an investigation was launched in September 2011, after the publication of the autumn Press

Release, by the Public Prosecutor to further clarify the issue and possibly identify individual criminal responsibility.

Eurostat has been closely following the developments in the dossier, being constantly in touch with INE. Therefore, Eurostat took the opportunity to enquire in the visit on the results from the investigation launched by the Public Prosecutor. The Portuguese authorities explained that the investigation was approaching its final phase and that an internal report on the case was expected to be produced by the end of November 2012. INE was invited by the Public Prosecutor to give its view on the case and both DGO and INE were asked by the Public Prosecutor to provide information on Madeira from 2003 onwards. By the end of the first quarter of 2013 a decision would be taken, based on the results from the internal report produced by the Public Prosecutor, as to whether to bring the case to the Court or not. The Portuguese authorities were not aware whether the internal report would be published.

A number of measures have been taken by the competent Portuguese authorities to address the issue and to reform the budgetary and reporting systems so as to prevent similar cases occurring in the future. DGO explained that a new accrual based data reporting system was being implemented in Madeira, expected to be fully operational by the beginning of 2013. This system is aimed at transforming the currently used cash based system into an accrual based one, bringing the reporting in Madeira in line with the reporting in the State and other general government units. Furthermore, INE provided on-the-spot training to the staff of the Regional Statistical Office of Madeira, with the intention to do the same for the staff of the Regional Statistical Office of Azores. Finally, the Regional Law was updated and further reinforced, and a new law on commitments has been in force since February 2012.

DGO explained that data for Madeira are received at aggregated level and that they are not in a position to check individual data. However, the Region of Madeira performs this kind of entity-by-entity check. DGO also confirmed that the information received is in line with the current legislation in place.

BdP explained that the Madeira case had been discussed in the Statistical Council and that a document summarizing the main points from the discussion was available on the Statistical Council's website. They also pointed out that the Portuguese statistical law foresees sanctions, but it was not clear whether these sanctions would be applicable to this particular case.

Eurostat welcomed the measures taken by the competent Portuguese authorities to address the issue and expressed its support to the government's firm intention to investigate the case and apply sanctions. Eurostat expects INE to inform it on the progress made in investigating the case, in particular on the findings of the investigation and the sanctions which have been applied or which may be under consideration.

Main findings and conclusions

Action point 1: Eurostat welcomes the intention of the Portuguese Statistical Authorities to develop an improved inter-institutional protocol, and INE will provide an update of the progress made in this respect by end-March 2013².

Action point 2: INE will keep Eurostat informed about any developments relating to the misreporting by Madeira, notably in relation to the work of the Public Prosecutor on the case³.

Action point 3: The Portuguese authorities will forward a copy of the document on sanctions prepared by the National Statistics Council⁴.

1.2. Source data characteristics and revision policy

1.2.1. Changes in data sources for central government, local government and social security funds

Introduction

The Portuguese authorities gave an overview of the public accounting system in Portugal and briefly described the main data sources used in the EDP compilation process. As explained by INE, a number of public accounting plans exist in Portugal, each one covering a specific subset of units – health, education, local government, social security units, etc. Even though they may have different charts of accounts, they are all consistent with the main Official Plan of Public Accounting (POCP), which is the General Public Accounting Plan in Portugal.

Overall, the budget reporting system in Portugal is moving towards an accrual based system, the accrual basis of recording currently being implemented for the whole general government.

Discussion

Eurostat asked some questions on the SAP-based project called *Rede Integrada de Gestão Orcamental e dos Recursos do Estado* (RIGORE), which is currently being implemented in the Portuguese public sector. DGO explained that this project aims at developing an integrated and comprehensive accounting and financial recording system for all central and local government units. Its main goal is to implement the POCP in an integrated way between all central government and regional government units, which would allow more rigorous consolidation of intra-government flows.

² INE has started the discussion of the update of the current inter-institutional agreement. Until now it was not possible to reach a consensus. In particular, INE is waiting for suggestions from some of its partners.

³ This is an outstanding action point. Eurostat is to be informed about possible developments. At this stage, no information has been received.

⁴ Outstanding action point.

Eurostat asked further questions on a data source called Simplified Corporate Information (IES). INE explained that IES covers all units with the legal form of corporations and includes Profit and Loss accounts and Balance Sheet data. These data are used for both statistical and tax purposes. However, IES data are only available for the October notification.

As regards the local government sub-sector, the accrual based Official Plan of Local Authorities Accounting (POCAL) has been fully implemented for all municipalities. However, as the municipalities' accounts are finalized at the end of April (beginning of May), POCAL data are only available for the October notification. For the April notification preliminary accrual data (cash data adjusted by payables) are used.

Eurostat took note of the importance of having good accruals-based data available at the time of the first EDP notification for local government, and therefore strongly encouraged the Portuguese authorities to bring forward the reporting deadline for local government accounts to March each year.

The Portuguese authorities explained that apart from payables, adjustments for leasing contracts may be made if POCAL data are not available.

Eurostat also asked how data on payables from the commitment system sources provided by DGO, and used by INE for the compilation of the non-financial accounts, and data used by BdP for the compilation of the financial accounts have been compared. The Portuguese authorities explained that no such comparisons had been made so far.

As far as the social security sub-sector is concerned, the Profit and Loss accounts and Balance Sheet data are available but not used because the Official Plan of Solidarity and Social Security Institutions Accounting (POCISS) data are aggregated, while more detailed data are needed for statistical purposes. Hence, only cash data are currently used for the social security sub-sector.

Finally, INE assured that it has access to all the plans and they explained that Balance Sheet data are also used for the compilation of Government Finance Statistics.

Main findings and conclusions

Action point 4: The Portuguese authorities will provide a copy of the technical documents for the RIGORE system to Eurostat as soon as possible⁵.

Action point 5: The Portuguese Statistical Authorities will compare data on government payables for 2012 between commitment system sources and the Bank of Portugal sources, reporting to Eurostat by end-March 2013⁶.

1.2.2. Revision policy

Introduction

Before the visit, INE sent a note explaining its revision policy for EDP and National Accounts purposes. No changes were made to the revision policy compared with the

⁵ Action point completed.

⁶ Outstanding action point.

revision policy applied in previous years. As indicated in the note, the revision policy followed by INE for non-financial accounts is consistent with the revision policy followed by BdP for financial accounts.

Discussion

Eurostat appreciated the observed decreasing size of the revisions made to data submitted by INE and said that this could be viewed as a sign of an improved quality of data.

Eurostat enquired about the reasons for the half-finalized status of the 2010 year data in the October 2012 EDP Notification. INE explained that these data were not finalized at the time because there had been a delay in the transmission of the data from IES. INE committed to provide finalized data for the year 2010 in the April 2013 EDP Notification⁷, with no major revisions expected.

Eurostat also took the opportunity to ask about the revisions made to the central government and social security subsectors' working balances for 2011 in the October 2012 EDP Notification. INE explained that the final public annual accounts for both central government and social security subsectors are only available in June each year. Therefore, it is quite common for working balances to be revised in October. In addition, revisions in the October Notification may also stem from recommendations made by the Court of Auditors. However, finalized data for year 2011 should normally be available in the April 2013 EDP Notification.

INE also confirmed that no big revisions are expected following the introduction of the new accounting framework based on IFRS, except for some minor changes concerning some small local government corporations.

Main findings and conclusions

Eurostat took note that no big revisions were expected in the April 2013 EDP Notification.

1.2.3. EDP Inventory

Introduction

In its Article 9 Council Regulation (EC) No 479/2009, as amended, stipulates that "Member States shall provide the Commission (Eurostat) with a detailed inventory of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts. The inventories shall be prepared in accordance with guidelines adopted by the Commission (Eurostat) after consultation of CMFB. The inventories shall be updated following revisions in the methods, procedures and sources adopted by Member States to compile their statistical data".

⁷ Fulfilled.

Discussion

In this context, Eurostat recalled that a new EDP Inventory format had been approved by the CMFB in June 2012. Eurostat briefly described the structure of the new EDP Inventory format which is composed of a main document (to be regularly updated) and a number of annexes which require more detailed information (for example with respect to institutional arrangements, data sources, compilation procedures, delimitation of the general government sector, treatment of specific transactions, etc.). One of the aims of the new format is also to improve the availability of information on "upstream" data and to take into account the new powers of Eurostat under Council Regulation (EC) No 479/2009, as amended.

Eurostat recalled that a note had been sent to the Financial Accounts Working Group (FAWG) in July 2012 including instructions for completing the EDP Inventory, guidelines for practical implementation and an indicative timetable. A template of the new EDP Inventory format and a template of the list of general government units to be published together with the Inventory had also been sent together with the note.

Eurostat explained that before the Inventory is published, bilateral communication between INE and the Eurostat Desk Officer for Portugal would be highly appreciated in order to clarify possible issues and to assess whether all information and details requested in the guidelines are covered in the national descriptions. In this context, Eurostat proposed a "step-by-step delivery" approach to be adopted by INE for completing and transmitting the new EDP Inventory format, with the following indicative timetable:

- first draft version of the new EDP Inventory would be available by February 2013;
- bilateral discussions between INE and Eurostat until October 2013;
- final draft completed by November 2013;
- publication of the new EDP Inventory by the end of 2013.

INE agreed on the proposed timetable and explained that they had already started to work on the completion of the new EDP Inventory in English.

Main findings and conclusions

Eurostat agreed with the Portuguese authorities on a timetable for completing and publishing the new EDP Inventory. According to this timetable, a first draft version of the new EDP Inventory would be available by February 2013⁸.

2. Follow-up of the EDP visits to Portugal

Introduction

One EDP dialogue visit and two ad-hoc visits took place to Portugal in 2011:

- EDP dialogue visit (17-18 January 2011)
- ad-hoc visit (14-15 April 2011)

⁸ INE has provided part of the Inventory and the rest will be transmitted by October 2013.

- ad hoc visit (19-20 September 2011)

Overall, the first two visits led to a significant impact on both debt and deficit figures in the April 2011 EDP Notification. The second ad-hoc visit to Portugal, held in September 2011, focussed on the deliberate misreporting of expenditure in the Autonomous Region of Madeira. Most action points from these three visits have been completed. However, there are still some action points left for discussion, in particular:

- Action point 4 from the January 2011 EDP dialogue visit to Portugal: remove discrepancies from "Other accounts payable";
- Action point 1 from the September 2011 visit to Portugal: follow-up of the investigation launched by the Portuguese authorities on the deliberate misreporting of expenditure in Madeira;
- Action point 4 from the September 2011 visit to Portugal: enhance the cooperation with the CoA and other institutions.

Discussion

Eurostat pointed out that some action points left from previous visits needed to be further discussed.

Main findings and conclusions

These outstanding action points were covered under the corresponding points in the agenda (see point 3.2 on discrepancies and point 1.1 on the Madeira case and on the cooperation with the Court of Auditors).

3. Examination of the EDP tables and the Questionnaire relating to EDP tables of the October 2012 notification

Introduction

Eurostat thanked the Portuguese statistical authorities for providing complete and consistent EDP, ESA and Questionnaire tables for the October 2012 EDP Notification.

Discussion

Eurostat noted one outstanding consistency issue concerning consolidating amounts for statistical discrepancy. This issue had already been addressed in the clarification round of the October 2012 EDP Notification and could possibly indicate problems of consolidation of debt.

The Portuguese Statistical Authorities committed to further analyse the issue of consolidating amounts in the statistical discrepancy, seeking to eliminate them if possible, and to report back to Eurostat before the April 2013 EDP Notification.

3.1. EDP Tables

3.1.1. EDP Table 1

Eurostat enquired on the change in the sign observed in EDP table 1 for the difference between EDP D.41 and D.41 in 2011. The Portuguese Public Debt Agency explained that this was due to a decrease of the market rate on Portuguese government bonds. In addition, they explained that Forward Rate Agreements had also been included in these amounts.

The Portuguese Public Debt Agency confirmed that swaps are always linked to underlying debt instruments.

3.1.2. EDP Tables 2A-D

EDP table 2A

Eurostat enquired about the recording in EDP tables of the reclassification of loans granted by the National Health Service Payment System Support Fund (FASPSNS) for an amount of EUR 430 million, which accounted for the major part of the revisions made to the central government deficit. As explained by INE, this amount had been recorded under "Net borrowing/lending of other central government bodies" in EDP table 2A. Eurostat took note of this recording and underlined that it should be consistent with the corresponding recording in Questionnaire table 8.2.

Furthermore, INE confirmed that the amount of EUR 860 million reported under the "Capital injections reclassified to D9" line under "Other adjustments" in EDP table 2A for year 2011 includes a capital transfer of EUR 600 million made by the government to BPN. The difference of EUR 260 million corresponded to other capital transfers, not related to injections made to hospitals.

Eurostat enquired about some injections made by hospitals into shares issued by the FASPSNS (part of general government), in the years 2008-2011. The Portuguese

authorities explained that these injections were subsequently repaid to the hospitals and that the funds collected from the issuance of the shares had been classified as liabilities in deposits, with an impact on Maastricht debt.

As further explained by the Portuguese statistical authorities, the FASPSNS had been set up in 2006 as a cash pooling system allowing hospitals to reduce their cost of financing. The fund had been redistributing cash from financially stable hospitals to hospitals that were experiencing difficulties. Initially, public hospitals had been the main shareholders of the Fund. However, as the financial situation of the public hospitals started deteriorating, one part of the equity held by hospitals in the fund was sold to the government. Thus, the government became the major shareholder of the fund. At the same time, the fund started providing long-term loans to hospitals, which led INE in 2011 to reclassify these loans from financial to non-financial transactions, as described above.

In this context, Eurostat also discussed the statistical treatment in general of payments made by government to hospitals, whether classified inside or outside the general government sector.

The Portuguese statistical authorities explained that the *Serviço Nacional de Saúde* (SNS) (or the National Health Service) is the main body which provides healthcare services through health centres, public hospitals and local health units. SNS is not an Autonomous Fund or Service or an institutional unit on its own, but it is rather a consolidated group of institutional units that integrates all public entities providing healthcare services, namely health centres, public hospitals and local health units.

In the beginning of each year SNS signs contracts with the hospitals, specifying the prices for each service delivered by the hospitals. Throughout the year the hospitals send their invoices to SNS, based on the health services they provided. These amounts are recorded on an accrual basis in National Accounts, even if the actual payments to the hospitals are only made at a later stage. Usually the government pays each year around 80% of the total amount of the invoices accrued that year, while the remaining 20% are paid in the following 2 to 3 years. Thus, the amounts corresponding to these 20% to be paid in the following years are reported as payables in EDP table 2. In this context, INE noted that the stock of hospital arrears would be significantly reduced by end-2012.

Therefore, it was made clear that any payments made by government to hospitals outside the general government sector, which were intended to cover the invoices submitted by hospitals to SNS, had already been recorded on an accrual basis, and would not give rise to recording capital transfers. However, any payments made by government which are not intended to cover the cost of invoices submitted by hospitals, but rather to cover accumulated losses of hospitals, would give rise to the recording of capital transfers.

EDP table 2C

Eurostat requested more details on two debt assumption operations reported for 2011 in EDP table 2C.

In the first case, INE explained that the Regional Government of Madeira had initially planned to sign a PPP contract with a private company called Viamadeira for building an infrastructure asset. Viamadeira started with the construction works, but later on it did not manage to raise the required financing and the PPP project had finally to be abandoned. No guarantees whatsoever had been granted by the Regional Government of

Madeira to Viamadeira. However, the Regional Government of Madeira decided to take over the half-constructed asset and to assume Viamadeira's debt at the same time. Thus, the Regional Government of Madeira booked the asset in its balance sheet as an acquisition of a non-financial fixed asset with a counterpart recording of debt assumption (EUR 237 million).

Eurostat recalled that in this case, gross fixed capital formation should be recorded for the acquisition of the asset. INE committed to check if gross fixed capital formation had been recorded and to make any necessary changes in recording, if needed⁹.

As regards the second case, the Regional government of Madeira had guaranteed the debt of a health unit called Sesaram. As Sesaram became financially unsustainable and it became clear that it would never be able to reimburse its debt, when an additional guarantee was issued so that the corporation could receive further bank loans, the total amount of guaranteed debt (EUR 295 million) was included in government debt, in national accounts.

On other issues, Eurostat noted that no adjustments had been made in EDP table 2C for taxes. INE explained that both central and local government taxes are time-adjusted in EDP table 2A.

EDP table 2D

Eurostat asked for a more detailed breakdown of the adjustments reported under the line "Other accounts receivable" in EDP table 2D. INE explained that the only two items reported under this line are the adjustments made for EU funds from the European Social Fund and the adjustments made for the one month time-adjustment for social contributions, as evidenced in Questionnaire table 4.2.1.

Eurostat also enquired about the small amounts reported under "Other adjustments" in EDP table 2D. INE committed to provide more details on these amounts by mid-December 2012.

3.1.3. EDP Tables 3A-E

EDP table 3A

Eurostat enquired about the significant differences observed between other accounts receivables and payables reported in EDP tables 2 and those reported in EDP tables 3. The Portuguese statistical authorities explained that EDP tables 2 are compiled by INE, while EDP tables 3 are compiled by the BdP based on information from INE. Such differences could be due to the fact that the amounts reported under other accounts receivables and payables in EDP tables 3 cover all general government bodies. The Portuguese authorities committed to further investigate this issue and to reconcile the differences by end-January 2013.

In line with Eurostat's Decision from 31 July 2012 on "The statistical recording of some operations related to trade credits incurred by government units", the Portuguese statistical authorities reclassify some trade credits to loans, in particular when trade credits are refinanced without recourse on the original holder of the claim. Eurostat

⁹ INE confirmed the recording of gross fixed capital formation for the acquisition of the asset.

asked how these reclassifications are recorded in EDP tables 3. BdP explained that trade credits which are not part of Maastricht debt are neutralized through "Net incurrence of other liabilities", whereas trade credits which are part of Maastricht debt are not neutralized and they also appear in the "Change in debt" line, with no impact on the statistical discrepancy.

EDP table 3B

Eurostat also asked about the amounts reported under "Other volume changes in financial liabilities" in EDP table 3B. BdP explained that these amounts relate to revisions due to the fact that past data concerning bank lending from the Money and Banking Statistics are not revised. Eurostat noted that this could have a possible impact on the level of debt and asked the Portuguese authorities to examine the other changes in volume on government debt in EDP tables. The Portuguese authorities will provide to Eurostat an analysis of the time series of government debt.

EDP table 3E

It was made clear that the item "Net incurrence of other liabilities" in EDP table 3E includes discrepancy amounts. The issue of recording statistical discrepancy under "Other accounts payable" was covered under item 3.2 on "Statistical discrepancy".

3.1.4. EDP Table 4

The Portuguese statistical authorities confirmed that trade credits in EDP table 4 are reported on a consolidated basis and that they do not include any "Other accounts payables" (F.79). Part of these trade credits have been reclassified to loans, in line with Eurostat's Decision on "The statistical recording of some operations related to trade credits incurred by government units". Moreover, the stock of liabilities of trade credits as reported in EDP table 4 is complete and consistent with the figures reported in ESA table 7 on stocks of financial liabilities.

Eurostat clarified some aspects of the Decision and specified that even in the absence of factoring without recourse operations, some trade credits should be included in the Maastricht debt, provided there has been a formal renegotiation as to when and how the payment will be made. The Portuguese authorities replied that they duly apply the provisions of the Decision and gave as an example the reclassification into Maastricht debt of some renegotiated trade credits in the Regional Government of Madeira, where no factoring operations were involved.

Main findings and conclusions

Action point 6: The Portuguese Statistical Authorities will analyse the issue of consolidating amounts in the statistical discrepancy, seeking to eliminate them if possible, and will report back to Eurostat by end-March 2013¹⁰.

Action point 7: The Portuguese authorities will confirm by end-December 2012 the amounts involved, and the statistical classification, of the injections by hospitals

¹⁰ Action point completed.

(subsequently repaid) to the National Health Service Payment System Support Fund (FASPSNS)¹¹.

Action point 8: INE will check if gross fixed capital formation has been recorded for the acquisition of assets from Viamadeira, and make any necessary changes in recording, by the end-2012 transmission of quarterly GFS tables to Eurostat¹².

Action point 9: INE will record interest accrual effects in "Difference between interest paid and accrued" in EDP Table 2C, moving them from "Other accounts payable", in the end-March 2013 EDP notification¹³.

Action point 10: INE will detail the "other adjustments" in EDP Table 2D for Eurostat by mid-December 2012¹⁴.

Action point 11: The Portuguese authorities will provide to Eurostat by end-January 2013 a reconciliation of the differences between other accounts receivables and payables reported in EDP tables 2 and EDP tables 3¹⁵.

Action point 12: The Portuguese authorities will examine the recording of short time series revisions of government debt as other volume changes in EDP tables, and provide an analysis to Eurostat of whether or not government debt may be understated, by mid-January 2013¹⁶.

3.2. Statistical discrepancies in EDP tables

Introduction

Eurostat is strongly opposed to the practice of allocating statistical discrepancies to different instruments in the financial account, mainly F.7.

Discussion

Eurostat enquired about the practice of Portugal to report zero for "Difference between capital and financial accounts (B.9-B.9f)" in EDP tables 3.

Eurostat recalled that the inclusion of discrepancy under "Other accounts payable" had already been discussed in the EDP dialogue visit to Portugal in 2011. At that time, the Portuguese authorities explained that the statistical discrepancy was zero by construction, as B.9f is calculated from B.9, and thus there was nothing to be removed from "Other accounts payable" and shown as a separate item in EDP tables 3.

¹¹ Action point completed.

¹² Action point completed.

¹³ Action point completed.

¹⁴ Action point completed.

¹⁵ Action point completed.

¹⁶ Action point completed. As a result, government debt increased in 2009, 2010, 2011 and 2012 by 0.4, 0.5, 0.2 and 0.2 percentage points respectively. This was reflected in the April 2013 EDP Notification.

The Portuguese authorities referred to other Member States that do not show separate statistical discrepancies. They also recalled that Member States are allowed to balance their accounts, as there is no legal basis forbidding them to do so.

Eurostat agreed to prepare a document showing the state of play as regards the reporting of statistical discrepancies in EDP table 3 and the practice followed in other Member States. Although initially some countries included discrepancy amounts under "Other accounts payable", most countries have already followed Eurostat's advice to remove these amounts from "Other accounts payable". It is Eurostat's view that Member States should show a discrepancy, even if there is no legal obligation for them to do so. Statistical discrepancy is important for EDP purposes, as a significant statistical discrepancy could indicate that the deficit and/or the debt had not been correctly measured.

The Portuguese authorities agreed to show a statistical discrepancy as a separate item, rather than including it in "Other accounts payable", provided that clear guidelines and a common framework are agreed between countries, ensuring a common approach among Member States. Eurostat committed to check the situation in other countries and to follow up on this issue.

Eurostat also made a comment that negative statistical discrepancy, as present under "Other statistical discrepancies" in EDP table 3A, could either mean that the deficit had been overestimated or that the debt had been underestimated.

The Portuguese authorities explained that Net borrowing/ lending (B.9) is compiled by INE, which is then adopted by BdP as the Net borrowing/ lending of the financial accounts (B.9f). Thus, there is no discrepancy between B.9 and B.9f by construction, as evidenced in the EDP tables. Moreover, no discrepancy information is available on a unit-by-unit level.

Eurostat recommended the use of direct data sources in financial accounts, whenever possible. Such an approach would allow the statistical discrepancy to be reduced in EDP tables. Moreover, this would allow discrepancy information to be available on a unit-by-unit basis. However, Eurostat is aware that such approach would imply a change in the accounting system and financial accounts would not be consistent with Monetary and Banking Statistics.

The BdP expressed its preference for using indirect data sources, which are consistent with financial accounts. The Portuguese statistical authorities agreed to further discuss this issue between themselves.

Main findings and conclusions

Action point 13: Eurostat will inform the Portuguese Statistical Authorities of the state of play with regard to reporting by EU Member States of statistical discrepancies in EDP notification tables, and the Portuguese Statistical Authorities will then respond to Eurostat's proposal that such statistical discrepancies might also be reported in its EDP Notification tables, rather than being included in other accounts payable¹⁷.

¹⁷ After the mission, Eurostat prepared a table summarizing the reporting of statistical discrepancies by Member States in EDP table 3.

In the April 2013 EDP Notification, Portugal reported the discrepancy between B9 and B9f under other accounts payable. Eurostat updated the table with the reporting practices of statistical discrepancies after the April 2013 EDP Notification and presented a document in the FAWG in June 2013.

3.3. Other EDP related tables

3.3.1. Questionnaire relating to EDP tables

Table 1

Eurostat enquired about the revisions made to both central government and local government debt in the October 2012 EDP Notification (see action point 17).

Table 2

Eurostat enquired about the acquisition by government of equity in the FASPSNS for an amount of EUR 50 million in 2010 (see point 3.1.2 for more details).

Table 3

Eurostat asked the Portuguese authorities to confirm that the deficit of the two defeasance structures Parups and Parvalorem for 2011 was included in the Net borrowing/net lending of Autonomous Services and Funds. INE confirmed this recording in the October 2012 EDP Notification and agreed to show this amount on a separate line for the April 2013 EDP Notification¹⁸.

Table 4

Eurostat enquired about the large amounts reported under the line "Time differences between the financial transaction and the cash payment" in Questionnaire table 4.1.2. The Portuguese statistical authorities explained that these amounts related to advance payments made from Parública to the State. Notably, Parública was advancing privatisation proceeds to government to be matched by equity transfers.

Eurostat asked the Portuguese statistical authorities to elaborate on the nature of these prepayments. The Portuguese authorities confirmed that the advance payments came from privatisation proceeds to be matched by equity sales. The particularly high amount reported for 2010 was due to a delay of more than one year between the cash payment and the equity transfer to Parública.

As explained by the Portuguese authorities, the delay between the cash payment and the equity transfer could sometimes be very long. The Portuguese statistical authorities decided to treat the advance payments for which a major delay was observed as loans, rather than payables. Thus, the advance payments made in 2011 for a total of EUR 1.9

Despite the fact that a few Member States report zero discrepancies under the line "Difference between capital and financial accounts (B.9-B.9f)" in EDP tables 3, at least they include these amounts under "Other statistical discrepancies" in EDP table 3 or show them in a separate line in Questionnaire table 4.

After the April 2013 EDP Notification, only Portugal and one more Member State were not reporting explicit amounts for statistical discrepancy neither in EDP tables 3 nor in a specific line of questionnaire table 4.

¹⁸ Fulfilled.

billion was split into loans (EUR 0.8 billion) and other accounts payable (EUR 1.1 billion) for shares that should be transferred to Parpública.

The Portuguese authorities pointed out that, as foreseen in the State Budget, the equity would be given back (and thus the other accounts payable settled) to Parpública by the end of 2012.

The Portuguese authorities agreed to confirm the impact on debt from the advance payments made to government from privatisation proceeds collected by Parpública. At the same time, the Portuguese authorities agreed to inform Eurostat on the settlement of the government payables related to the transfer of equity to Parpública.

Table 9

It had been agreed in the EDP dialogue visit to Portugal in 2011 that any new guarantees granted to public corporations, which would most probably not be able to repay their guaranteed debt, should be recorded as capital transfers from 2011 onwards.

In this context, Eurostat noted the significant amount of new guarantees provided to both public and private corporations in 2011. The Portuguese statistical authorities explained that one significant part of these guarantees had been granted to financial corporations. There was only one case where the public corporation benefitting from the guarantee was not able to repay its guaranteed debt and this was properly recorded as a debt assumption counterbalanced by a capital transfer (see point 3.1, under EDP table 2C).

3.3.2. Tables on the financial turmoil

Eurostat asked the Portuguese statistical authorities to explain the big increase in shares and other equity (assets) reported in part 2 of the tables on the financial turmoil from 2007 (EUR 150 million) to 2008 (EUR 930 million).

The Portuguese authorities explained that one part was due to a capital injection made into CGD (EUR 400 million), while the rest (EUR 380 million) corresponded to the nominal value of the BPN shares when nationalised.

Furthermore, the Portuguese authorities explained that the assets reported in part 2 for the year 2010 corresponded to the nominal value of the loans, securities other than shares and shares and equity of the defeasance structures, reclassified inside general government from 2010 onwards.

Main findings and conclusions

Action point 14: The Portuguese authorities will make presentation changes to certain EDP questionnaire tables (notably Table 8.2 for the reporting of the hospitals, and Net borrowing / net lending for Parvalorem and Parups in 2011 in Table 3), as discussed in the meeting, in the end-March 2013 EDP notification reporting¹⁹.

Action point 15: The Portuguese authorities will confirm by end-December 2012 the impact on debt from the advance payments made to government from privatisation proceeds collected by Parpública. At the same time, the Portuguese authorities will

¹⁹ Action point completed.

inform Eurostat on the settlement of the government payables related to the transfer of equity to Parpública²⁰.

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government sector: classification of institutional units according to ESA95

4.1.1. Transtejo, Soflusa ("indenizações compensatórias")

Introduction

The statistical treatment of "indenizações compensatórias" (special subsidies set up by the Portuguese government to compensate some public and private corporations for charging prices below the market value as part of the public transportation policy) has been discussed on several occasions over the last two years. Eurostat's view has always been that "indenizações compensatórias" should be treated as subsidies on production, whereas the Portuguese statistical authorities have always argued that these should be rather treated as subsidies on products. Unlike subsidies on production, subsidies on products are assimilated to sales because they are directly linked to a given unit of a good or service provided by the producing unit. Therefore, the statistical treatment of "indenizações compensatórias" has direct implications for the delimitation of general government. Depending on whether these government payments are treated as "subsidies on products" or as "subsidies on production", the outcome of the 50% test might be different and in some cases may lead to reclassifications of units.

Discussion

Eurostat presented its arguments for considering "indenizações compensatórias" as subsidies on production:

In the first place, "indenizações compensatórias" are pre-determined and the payments are made in advance. The government decides every year on the total amount of the subsidy to be paid and then divides this amount among the beneficiary companies. However, subsidies on products cannot be fixed in advance as, by definition, they must be directly linked to the effective sales or to the effective level of the service provided. Thus, they can only be recorded after the sales or services have taken place.

In addition, "indenizações compensatórias" are cost-oriented, based on both fixed and variable costs incurred by the beneficiaries. However, subsidies on products should be

²⁰ Action point completed. It is the view of Eurostat that the only monetary flows from Parpública (being a public corporation) to the State should be in the form of dividends or loans. The treatment as F.7 (other accounts payable) of such flows should not be the normal practice and Eurostat recommends disregarding this treatment in the future notifications. Whenever the amounts are considered a financing of government, they should be recorded as loans, notably when the time-lag is long, as it was the case for the amounts recorded under F.7 in 2011 (the shares in exchange of the prepayment were only transferred to Parpública at the beginning of 2013). The advance payments made by Parpública to the State in 2012 (around EUR 2 billion) were recorded as loans impacting Maastricht debt.

linked to the effective level of demand and cannot be only based on the costs incurred by the beneficiaries.

At the request from Eurostat, the Portuguese statistical authorities had submitted before the visit a list of public corporations receiving "indenizações compensatórias". Eurostat pointed out that the sales of some of the entities reported in the list were negatively correlated to "indenizações compensatórias", which was one more argument in favour of treating these payments as subsidies on production.

Eurostat also recalled that in many cases no contracts existed between the government and the beneficiaries, which would allow checking whether the payments had been based on volume. However, INE informed Eurostat about the signature of new contracts, to be approved by the Court of Auditors. As explained by INE, these new contracts establish a link between the payments made by government and the level of the service provided. It was agreed that INE would send the new contracts to Eurostat.

INE explained that even if some units will have to be reclassified due to the change in the treatment of "indenizações compensatórias", the impact on debt from such reclassifications is expected to be less than 0.1% of GDP, while the impact on deficit will be insignificant.

To support its view that "indenizações compensatórias" should be treated as subsidies on products, INE presented a graph showing subsidies on products expressed as a percentage of total subsidies paid by Member States' governments in 2011, ranking Portugal among the countries with a relatively low percentage of subsidies on products (30% in the case of Portugal). However, Eurostat questioned the value added of this graph, as it showed no absolute amounts. Eurostat is aware that there may be differences between countries, but a high percentage of subsidies on products in a given country could be very well justified (for example, if the payments are clearly linked to volume). Eurostat referred to other Member States that had been pushed to reclassify some units as there was no link between the payments and the services provided.

The discussion then focused on the relevant paragraphs in ESA95. INE made reference to two ESA95 paragraphs: 3.33 and 4.35. Paragraph 3.33 specifies that sales include payments made by government if they are linked to the volume or value of the output, but exclude payments intended to cover an overall deficit. Paragraph 4.35 details other subsidies on products, notably paragraph 4.35c: "subsidies to public corporations and quasi-corporations to compensate for persistent losses which they incur on their productive activities as a result of charging prices which are lower than their average costs of production as a matter of deliberate government or European economic and social policy;"

INE proposed these two paragraphs to be further clarified in the Manual on Government Deficit and Debt (possibly in the part on the 50% test), as to avoid any possible contradictions between them.

Referring to paragraph 4.33, Eurostat stressed on two important features of subsidies on products - first, the subsidies on products must be directly linked (quantitatively or ad valorem) to a given unit of a good or service provided by the producing unit, and second, the subsidies on products are payable only when the good or service is produced or sold.

Therefore, Eurostat considers that all payments from government to producing units taking the form of "indenizações compensatórias", as described above, should not be included in sales for the purpose of the 50% test. In this context, the Portuguese

statistical authorities may have to re-examine the sector classification of some public companies receiving "indenizações compensatórias".

Parública

Introduction

Eurostat had been informed of the on-going process of restructuring of the financial state-holding Parública.

Discussion

In this context, Eurostat asked whether Parública undertakes some operations on behalf of the government and if some operations have been rerouted from Parública to government.

INE explained that there were no operations rerouted through government accounts. Moreover, Parública was not involved in any PPPs.

Eurostat asked INE to have a closer look at the operations of Parública and to confirm if any operations would need to be rerouted in the future.

4.1.2. Estradas de Portugal

Introduction

The sector classification of Estradas de Portugal had already been discussed in the February 2008 EDP dialogue visit to Portugal. It had been agreed that Estradas de Portugal should be classified inside the general government sector, as it was a non-market unit based on the results from the 50% test.

Discussion

Eurostat asked if there had been any changes foreseen for the sector classification of Estradas de Portugal. The Portuguese authorities explained that the introduction of new tolls did not significantly impact on the results from the 50% test and Estradas de Portugal would remain classified inside the general government sector.

4.1.3. Local Government public corporations

INE confirmed that the 50% test is regularly performed on local government public corporations.

4.1.4. *Questionnaire on government-controlled units classified outside the general government sector*

Introduction

Before the visit, INE provided Eurostat with a completed questionnaire on government controlled entities classified outside the general government sector. The data on liabilities were compiled from business accounts and referred to 2009. The Operating profit/loss figures referred to the year 2009, whereas the Market/non market test covered the years 2007, 2008 and 2009.

Discussion

Eurostat recalled that from 2013 onwards the questionnaire should be updated by Member States on an annual basis.

BdP should not be reported in the questionnaire on government controlled entities classified outside the general government sector.

Main findings and conclusions

Action point 16: In the context of its opinion that "indemnizações compensatorias", under the existing system, are to be recorded as other subsidies on production, Eurostat will clarify its position in the Manual on Government Deficit and Debt. The Portuguese authorities will provide Eurostat with copies of the latest contract(s) introducing changes to the "indemnizações compensatórias" scheme²¹.

Action point 17: In relation to the revisions to the Local Government debt series, the Portuguese statistical authorities will inform Eurostat of the main Local Government controlled units recently reclassified to / outside the Local Government sub-sector by mid-December 2012²².

Action point 18: INE will examine if any operations of Parpública should be rerouted through the general government sector in national accounts, and will inform Eurostat by end-January 2013²³.

²¹ Action point completed. Based on the contracts provided by the Portuguese authorities, Eurostat concluded that "indemnizações compensatórias" were not linked to volume and should be recorded as subsidies on production. Such contracts included a clause foreseeing an adjustment (correction) to be made to the "indemnizações compensatórias", if the initial estimation of the payment turned out to deviate from the final payment by less than 5%. This led to the reclassification of two units (Transtejo and Soflusa) in the general government sector in the April 2013 EDP Notification. In addition, chapter I.2 of the MGDD was updated and a footnote was included clarifying the definition of subsidies on products.

²² Action point completed.

²³ Action point completed. A capital increase from Parpública into Sagestamo (EUR 750 million) in the end of 2012 was recorded as a capital transfer, impacting government B.9 of year 2012 in the April 2013 EDP Notification.

4.2. Implementation of the accrual principle

4.2.1. Tax revenue and social contributions

Introduction

In 2011 Portugal did not send an updated Questionnaire on taxes and social contributions. Eurostat had been informed before the visit that there had been no new taxes in Portugal.

Discussion

Eurostat recalled that, from 2011 onwards, Member States are under the obligation to send updated Questionnaires on taxes and social contributions to Eurostat at the end of each year. INE explained that as there were no changes compared to the 2010 reporting, they did not send an updated Questionnaire.

Eurostat also enquired about the types of accrual adjustments made to taxes in the EDP tables. INE explained that VAT, excise taxes and social contributions are time-adjusted, while all other taxes are reported on a cash basis. The exact time lag of the time-adjustment is clearly specified in the EDP Inventory.

Main findings and conclusions

Eurostat took note of the explanations provided.

4.2.2. Interest

Introduction

The Portuguese Public Debt Agency (IGCP) is the institution responsible for compiling accrued interest.

On 21 July 2011 the European Council adopted a decision to reduce, including retroactively, the interest rate (margins) in the case of bilateral loans to Greece and also in the case of the first loans granted by the EFSF and EFSM to Ireland and Portugal. This decision raised the issue of how to treat such retroactive interest rebates in National Accounts, especially as regards EFSF loans, where a pre-paid margin on the loans had been charged to Portugal. As a matter of principle, it was agreed that the accrued interest should reflect the one specified in the loan agreement applying during the period. Thus, Eurostat's opinion was that any retrospective reduction in interest rate should be recorded as a capital transfer (receivable for government) at the point of the loan agreement change, except for the case when the interest rebate is contingent on certain future events, in which case a capital transfer would only be recorded when the certainty of the rebate is established.

Thus, for EFSM loans it was agreed to book the benefit of this backwards reduction when the agreement had been ratified (in the case of Portugal this was October 2011). This would therefore imply recording a capital transfer in the 4th quarter of 2011, and leaving the accrual of interest in quarters 2 and 3 as in the loan agreement.

Contrary to EFSM loans, the margin charged by EFSF was paid by Portugal up-front, i.e. the amount of the margin was deducted from the nominal value of the loan, so that the disbursed amount was significantly lower. The margin was treated as interest and accrued over the life of the loans. However, on February 2012 the EFSF decided to remove the margin under a rebate mechanism. Eurostat advised INE not to go back and change the figures for accrued interest.

It was Eurostat's understanding that for EFSF loans the rebate is contingent on positive programme reviews by the EU/IMF. That is, the exact amount of the retroactive reduction of interest will be known with certainty only at maturity of the loans and thus the rebate will have an impact only at maturity. In this case, it was agreed that a capital transfer should be recorded at maturity, when the certainty of the rebate is established, and not before.

Finally, the retroactive reduction of interest affected Portugal also as a lender, as in 2010 and 2011 Portugal granted loans to Greece under the 1st Greek Financial Assistance Programme. The formal agreement on the retroactive reduction of interest for the bilateral loans to Greece was signed in March 2012.

Discussion

Eurostat briefly explained its view on the statistical recording of the retroactive reduction of interest on EFSF and EFSM loans.

The Portuguese authorities pointed out that interest had been accrued on EFSM loans, even though there had been no cash payments whatsoever. They also explained that their treatment of interest rebates on EFSM loans was in line with the recommendation given by Eurostat, and they promised to confirm this by end-2012.

As regards EFSF loans, the Portuguese authorities explained that the amount of the pre-paid margin to be reimbursed to Portugal is not certain due to the existence of a contingent penalty component. Firstly, any shortfall in the loan repayments would be deducted from the pre-paid margin to be reimbursed. Secondly, an Incentive Mechanism is in place, according to which Portugal would be obliged to make so-called Disincentive payments if a programme review conducted by the EU/IMF turns out to be negative (resulting in a non-disbursement of a subsequent tranche of the EFSF lending). This means that the exact amount of the rebate would only be known with certainty at the maturity of the loans, and not before.

It was agreed that the Portuguese authorities would provide Eurostat with a more detailed note on the recording of the rebate mechanism of prepaid margins. Eurostat agreed to come back on this issue later, once it has analysed all the available information on interest rebates.

Main findings and conclusions

Action point 19: The Portuguese authorities will check how the retroactive interest rate reduction on EFSM lending has been recorded in 2011 data, and ensure that it follows the recommended treatment of Eurostat (accrued interest in Q2 and Q3, followed by a capital transfer in Q4) in the end-2012 reporting of quarterly GFS data to Eurostat²⁴.

²⁴ Action point completed. INE confirmed that the recording had been done in line with Eurostat recommendation.

Action point 20: The Portuguese authorities will provide Eurostat with a note on the recording of the rebate mechanism of prepaid margins in EFSF loans, and Eurostat will discuss the matter with the EFSF, providing its opinion to INE by end-2012²⁵.

4.3. Recording of specific government transactions

4.3.1. *Government interventions in the context of the financial crisis*

4.3.2. *Recording of EU flows and reporting in EDP tables*

4.3.3. *Public-Private Partnerships (PPP) and concessions*

Introduction

The Portuguese statistical authorities informed Eurostat about the reclassification of three PPPs inside general government in 2011, as revenues from tolls turned out to be lower than initially foreseen. They also pointed out that some contracts for ex-SCUTs may be renegotiated and this would require an additional analysis according to the MGDD.

Discussion

Eurostat recalled that the manual does not cover the treatment of the assets when the PPP becomes off-balance sheet following a renegotiation. The manual rather treats the opposite case, where a PPP becomes on-balance sheet after renegotiation. Eurostat advised INE to assess any renegotiated contract as it was a new contract²⁶.

Eurostat also asked about an inconsistency between the list of on-balance sheet PPPs provided before the mission and those reported in the Questionnaire table 11. INE said that it would correct table 11.

Finally, the Portuguese authorities explained that no new PPPs had been signed.

Main findings and conclusions

Eurostat took note of the explanations provided.

²⁵ INE provided Eurostat with a note prepared by the IGCP on the rebate mechanism, together with additional documentation. Eurostat provided its view on the issue and concluded that no change to the current treatment should be implemented at this stage. Concerning Maastricht debt, the level of debt should not be reduced, as the principal amount recorded is still to be redeemed. The rebate is conditional on the full redemption of the principal of the loans and it can be refunded only at maturity of the two loans. Therefore, as regards the impact on B.9 it is only at maturity of the loans that a capital transfer to Portugal would be recorded.

²⁶ Any renegotiation should be assessed by INE and analysed as a new contract. Eurostat should be informed of the outcome of the new analysis.

4.3.4. *Capital injections in public corporations, dividends and privatisations*

Capital injections

Capital injections made by the government into public and private hospitals were covered under item 3.1.2. Eurostat recalled that any capital injections made to loss-making hospitals classified outside the general government should be treated as capital transfers, with an impact on B.9.

Dividends

Introduction

Prior to the visit, Eurostat requested from the Portuguese statistical authorities a list of all dividends received by government in 2011. The total amount of dividends received by government amounted to EUR 357.4 million in 2011. This amount is in line with the total amount of dividends reported in Questionnaire table 10.1.

Discussion

Eurostat noted that there had been indications in the press about early dividend payments made at the end of 2011, instead of in the early 2012 when taxes increased. To clarify this issue, Eurostat asked whether interim dividends had been paid to government during the 2011 accounting year, before the final annual earnings were known.

The Portuguese authorities were not aware of such cases, but had ensured that the super-dividend test had been regularly implemented, regardless of whether the dividend payments had been made after or before the annual profit of the corporation was known.

Main findings and conclusions

Eurostat took note of the explanations provided.

Privatisations

Introduction

A number of privatisations took place in 2012. BPN was privatised in March 2012. A few days before the visit to Portugal, CGD had sold its healthcare arm HPP for EUR 85.6 million. The government also sold most of its shares in the electricity company EDP and in the energy grid operator REN. On top of these, Portugal had also agreed to sell its remaining stake (around 15%) in Cahora Bassa hydroelectric dam in Mozambique.

Apart from the Lisbon airport operator ANA, the government planned to privatise a few more companies by the end of 2012 and in 2013: the national airline company TAP, the freight and suburban railways in Lisbon and Porto CP Carga (the privatisation process was delayed, waiting for the appointment of a new Board of Directors) and Portugal's

postal services CTT (the privatisation was approved by the Board of Ministers in July 2013).

Discussion

The Portuguese statistical authorities explained that there were no related transactions to these privatisations (pensions, debt forgiveness, concessions, etc.), except for the case of ANA, discussed under point 4.4 of this document.

The privatisation or concession of the cargo handling subsidiary of CP (CP Carga) will be concluded by mid-2013. The tenders for the privatisation of the national air carrier TAP and the airport operator ANA were launched in the third quarter, with a view to final decisions by end-2012 and the financial completion of these transactions is expected in early 2013²⁷.

Main findings and conclusions

Eurostat took note of the explanations provided.

4.3.5. State guarantees, debt assumptions, debt cancellations and debt write-off

Introduction

Prior to the visit, INE provided to Eurostat a list of government guarantees for the period 2009-2011. The figures reported in the list of government guarantees reconciled with the figures reported in the financial turmoil tables.

In the April 2011 ad-hoc visit to Portugal, it was agreed that in the case of new guarantees granted to public corporations experiencing financial difficulties (that will likely not be able to repay their guaranteed debt), the total amount of outstanding guaranteed debt will be recorded as debt assumption (capital transfer with an increase in government debt as a counterpart) from 2011 onwards.

Discussion

Eurostat enquired about any guarantees provided to loss-making public corporations, in particular to CP (Comboios de Portugal), Carris and ANAM, which had been subject to discussions in previous years. The Portuguese authorities replied that there had been no new government guarantees granted to these entities.

Main findings and conclusions

Eurostat took note of the explanations provided.

²⁷ The privatisation of ANA was completed in the beginning of 2013. However, the privatization of TAP was provisionally abandoned in 2012.

4.3.6. *Other government transactions*

Purchase of military equipment

Introduction

The Portuguese statistical authorities follow the Eurostat guidance on the treatment of military expenditure both with respect to the time of recording and to the treatment of leasing operations.

Discussion

The Portuguese statistical authorities explained that no large deliveries of military equipment were expected in 2012 and 2013. However, more information on possible future purchase of military equipment would be available later on.

Main findings and conclusions

Eurostat took note of the explanations provided.

Securitisation and sale and lease-back operations

Introduction

The Portuguese government had securitised future revenues from uncollected taxes and social contributions, by selling them to Citigroup some years ago. At that time, Eurostat had clearly specified the conditions under which the sale of claims could be treated as government revenue – a full transfer of risks from the government to the purchaser and the absence of any explicit or implicit government guarantee. In the particular case of the sale of uncollected taxes and social contributions to Citigroup, the securitisation arrangement had foreseen asset substitution clauses.

Discussion

Eurostat asked about the status of this operation and if there had been any unforeseen transactions associated with its end. The Portuguese authorities agreed to confirm the latest position of the securitisation of uncollected taxes and social contributions.

As regards sale and lease-back operations, the Portuguese statistical authorities explained that no such operations occurred recently. The government did not sell any new assets to Sagestamo. On the other hand, Sagestamo was selling the buildings on the market²⁸.

²⁸ According to the follow-up of action point 10, some sale and lease-back operations were carried out in year 2010. However, those sales were not recorded as such in national accounts.

Main findings and conclusions

Eurostat took note of the explanations provided.

Swaps and other derivatives

Introduction

The Portuguese government has been actively involved in swap transactions. In previous visits Eurostat had already discussed with the Portuguese statistical authorities the treatment of swap cancellations. It had been agreed that the lump sum paid or received by government should be spread over the theoretical remaining life time of the swap, with an impact on government deficit over this period. In the year of the cancellation, the EDP correction should include both the net interest flows accrued to the date of cancellation and the part of the lump sum that is accrued over this year since the cancellation. The swap value (the difference between future cash-flows of the two legs of the swap) should be recorded as capital gains/losses.

Discussion

Eurostat asked several questions on the use and the statistical treatment of different types of swaps in Portugal. The Portuguese authorities confirmed the existence of currency swaps and over-the-counter interest rate swaps.

Eurostat asked about the existence of any kind of collateral related to the over-the-counter interest rate swaps. In this context, Eurostat explained that typically two types of collateral could be involved in over-the-counter interest rate swaps. Eurostat briefly explained the statistical treatment of the two types of collateral in National Accounts. In particular, if the collateral is under the form of cash, it should not be booked as government revenue. Repayable margins that are liabilities of a monetary financial institution should be rather recorded as deposits; in other cases, these should be recorded as short-term loans. If the collateral is under the form of securities, and if the transferor keeps the economic ownership, nothing should be recorded in National Accounts.

Eurostat also asked about the existence of cases of “coupon sold” in Portugal. As explained by the IGCP, there had been such cases. In this context, Eurostat recalled that the inflow from coupon sold cannot be considered as interest income. This coupon should be included in the total amount of the issuance and therefore recorded in the financial account, without an impact on Net borrowing/net lending.

IGCP explained that there had been no operations related to off-market swaps in Portugal.

Main findings and conclusions

Eurostat took note of the explanations provided and recalled that it should be informed of any transactions carried out related to swap cancellation or renegotiation.

Transfer of pension obligations

Introduction

The Portuguese government transferred about EUR 6 billion from the pension funds of four of the country's largest banks to the state. The assets should have been transferred between the end of 2011 and 2012.

Discussion

The Portuguese statistical authorities confirmed that the second part of the transfer of pension obligations from four of the country's largest banks to the state was paid in 2012.

They also explained that two more pension transfers are expected in the near future: from BPN in 2012 and from *Instituto de Financiamento da Agricultura e Pescas - IFAP* in 2013.

Main findings and conclusions

Action point 21: The Portuguese authorities will confirm by mid-December 2012 the latest position of the securitisation of tax and social security contributions, and if there have been any unforeseen transactions associated with the end of this securitisation²⁹.

Action point 22: Eurostat takes note that INE will investigate the potential expansion of the tasks of the Portuguese Public Debt Agency (IGCP) to further financial derivative transactions and will report some elements to Eurostat, when it obtains the necessary information, notably on the types of derivatives and on the counter-parties of these transactions. INE will also send a note on the new mandate of the IGCP³⁰.

4.4. Important issues from 2012 relevant for the April 2013 EDP Notification

Several important issues which took place in 2012 were thoroughly examined: the recording of the sale of a concession to the airport operator ANA, bank recapitalisations, the sale of BPN assets to government and the sale of mobile phone licences.

²⁹ Action point completed.

³⁰ The Portuguese authorities clarified the role of the IGCP and its new task as manager of State Owned Enterprises derivatives. However, no information has been provided at this stage on existing transactions, counter-parties and the on-going swap renegotiations. This issue will be followed up.

The recording of the sale of a concession to the airport operator ANA

Introduction

On 7 September 2012, the Portuguese statistical authorities had requested a view from Eurostat on the statistical recording of planned operations related to the concession and privatisation of the government-owned airport operator ANA.

Under the Economic Adjustment Programme for Portugal, the Portuguese government committed to privatise ANA. The government planned to carry out the privatisation in two steps: first, an explicit concession contract would be sold to ANA³¹, and second, the entity would be privatised, with the value of the concession to be recorded on its balance sheet³².

Based on the statistical rules and principles set out in the European System of Accounts (ESA) 1995 and the Manual on Government Deficit and Debt, as well as on the information transmitted by the Portuguese statistical authorities, Eurostat took the view that receipts from the sale of the concession to ANA, in the run-up to its privatisation, should be recorded as a financial transaction in National Accounts, and therefore could not be considered as government revenue reducing the Portuguese government deficit.

It was Eurostat's analysis that the value of ANA would be decreased by the purchase of the concession contract, as the existing value of ANA in National Accounts should already have taken into account an existing asset for its sole rights to operate airports. Indeed, although the government had previously not formally signed³³ an explicit concession contract with ANA, in economic terms ANA was already benefiting from the permission to operate and manage the airports without any specified time limit. Under these circumstances, Eurostat argued that the purchase and signature of an explicit concession contract would not add new value to the company in terms of national accounts.

Therefore, the proceeds from the concession sale before privatisation would represent a reduction of the net value of the company, simply bringing forward proceeds to government that would otherwise have been received from the sale of equity at a higher value at privatisation. Thus, according to Eurostat, the operation has the features of an equity withdrawal in National Accounts.

At the same time, the MGDD (following ESA95) foresees that certain transactions are to be treated as financial transactions rather than non-financial transactions when in the context of privatisation, based on the rationale that the disposal value of the equity directly reflects the impact on own funds of those operations. Therefore, Eurostat is of the opinion that any concession sale undertaken in the run-up to a privatisation of ANA should be recorded as a withdrawal of equity, with no impact on the government deficit.

Eurostat's view on the statistical recording of the concession sale to ANA, as described above, was presented in its reply to the first letter submitted by INE on this matter. In a second letter, the Portuguese authorities raised some additional arguments supporting

³¹ The sale of the concession to ANA in the context of its privatisation was completed in December 2012.

³² The privatisation took place in 2013.

³³ Although it was not formally signed, a concession contract between ANA and the State already existed and it was published in the official bulletin.

their position to treat the concession sale as a deficit-reducing operation. Eurostat replied to the second letter, maintaining its initial view that the concession sale should be recorded as a withdrawal of equity. Finally, the Portuguese MoF sent a third letter on ANA, which essentially quantified the concession, but without any new rationale against Eurostat's arguments.

Discussion

INE made a detailed presentation of the Portuguese position on the case, raising some new arguments in favour of recording the concession sale to ANA as a deficit-reducing operation.

First, INE argued that no legal document existed that would enable the transferability of the concession to a third party. The enforcement of ownership rights being a prerequisite for recording an asset in National Accounts, the value of the concession could not be recorded in National Accounts before. Therefore, according to INE, the concession sale would add new value to the company once the contract is signed.

Second, INE explained the reasons for the signature of the concession contract, emphasizing on the aim to prevent the new private owner from incurring any losses with respect to ANA's economic value in the absence of a concession contract.

Third, INE pointed out to the arm's length nature of the principal-agent relationship between the State and ANA, arguing in this way against the recording of the concession sale as a withdrawal of equity.

Furthermore, INE made reference to the existence of further information, which was not yet taken into account by Eurostat. INE also pointed out that the treatment of one-off operations undertaken in the context of privatisation was not sufficiently covered in the MGDD.

Eurostat maintained its position that the concession sale should be recorded as a financial transaction, not impacting the government deficit. Eurostat explained that it would expect that its view would be reflected in the EDP data for 2012 reported by Portugal at end-March 2013. It was also agreed that the points presented by INE in the meeting would be provided in writing to Eurostat, as soon as possible, as no document presenting these new arguments had been provided prior to the mission.

Bank recapitalisations

Introduction

In the second quarter of 2012, the Portuguese government recapitalised three of the major banks in Portugal³⁴, including the state-owned bank CGD. About EUR 5.4³⁵ billion were injected in the form of convertible subordinated debt instruments, eligible as Core Tier 1 own funds. The government expected an initial return of at least 8.5% on these instruments. At the same time, the EC approved the recapitalisation scheme for the three banks as a state aid, compatible with the internal market.

³⁴ BPI, BCP and CGD.

³⁵ Of which, EUR 3 billion into BCP, EUR 1.5 billion into BPI and EUR 900 million into CGD.

The Portuguese statistical authorities classified the convertible subordinated debt instruments as "Securities other than shares". As to the recapitalisations, they were recorded by the Portuguese statistical authorities as financial operations, without any impact on deficit.

On top of these bank recapitalisations, the government subscribed to a capital increase of EUR 750 million in CGD's share capital. This operation was also recorded by the Portuguese statistical authorities as a financial transaction in ordinary shares.

The bank recapitalisations were funded from the Bank Solvency Support Facility (BSSF) and from the State budget, with no private investors involved. The funds that had been previously received under the BSSF had been recorded as general government debt.

Discussion

The Portuguese statistical authorities briefly explained their arguments for classifying all bank recapitalisations described above, including the EUR 750 million capital increase in CGD, as financial transactions. As regards the capital increase in CGD, the Portuguese authorities explained that the operation had been approved by the EC. Moreover, before 2011 CGD had always been a profitable bank, regularly paying dividends to the State. The loss incurred by the bank in 2011 was qualified by INE as an exceptional loss due to rising financing costs as a result of the financial crisis.

Eurostat briefly recalled the rules on the statistical treatment of recapitalisations³⁶. In particular, if the instruments used (special shares assimilated to debt instruments and/or convertible instruments) include an unconditional fixed return, then the recapitalisation is a purely financial transaction. Also, according to the MGDD rules, if private investors participate in the capital injection on the same terms and at the same time as government, this could also identify a financial transaction. If these two conditions are not met, then the capital injection would need to be analysed more deeply and this could lead to a classification as a capital transfer.

While Eurostat agreed preliminarily on the statistical recording of the EUR 5.4 billion investment in convertible subordinated debt instruments as a financial transaction, it raised some concerns about the arguments used by the Portuguese authorities for recording the EUR 750 million capital increase in CGD as a financial transaction. In particular, losses incurred due to the bank's exposure to Greek or Portuguese debt, as any other losses related to the operational activity of the bank, could not be considered as exceptional, even in times of a financial crisis. Eurostat recalled that the notion of "exceptional loss" was defined in the note on "The impact of bank recapitalisation on government finance". Losses may be considered as exceptional only if they result from unforeseen events which are beyond the responsibility of the financial institution which incurs them; it is worth noting that this case is considered to be extremely rare, even in a situation of a financial crisis. To further clarify this notion, Eurostat explained that it looked at particular events rather than at rising financing costs. An exceptional loss would be, for example, due to an event like the disappearance of significant market players, such as Lehman Brothers in 2008, which impacted the whole market.

³⁶ On 18 July 2012 Eurostat published a note on "The impact of bank recapitalisations on government finance", providing guidance on capital injections in banks and the classification of publicly supported "bad banks".

Eurostat took note that profits were expected to be made in future years. However, Eurostat was interested to see how the projections for future profits were made. Eurostat also asked for a clear evidence for the existence of a sufficient (market) rate of return on the invested funds. The Portuguese statistical authorities agreed to provide further information on the recapitalisation of CGD, including an analysis of the projections for its financial performance. Furthermore, the Portuguese statistical authorities agreed to provide more detail of the argument that higher financing costs contributed to an exceptional loss of CGD in 2011.

Eurostat also enquired about recent articles in the press concerning a forthcoming government intervention in BANIF. The BdP confirmed that it was aware of the intention of the government to recapitalise this bank and that it was following the issue closely. The Portuguese authorities believed that this operation would not lead to the creation of a bad bank.³⁷

BPN

Introduction

Before the visit, INE had informed Eurostat about the privatisation of BPN carried out in March 2012. At the same time, BPN had sold assets worth EUR 1 495 million to the two defeasance structures classified inside general government - Parvalorem and Parups. The sale was financed as follows:

- a debt assumption by the State of BPN's debt for EUR 1 billion;
- a loan granted from the Treasury to Parvalorem (EUR 438 million);
- own funds of the two defeasance structures (EUR 57 million).

Discussion

According to the Portuguese statistical authorities, the amount paid for the assets was equal to their estimated market value. Therefore, the operation was booked as a financial transaction. As regards the debt assumption of EUR 1 billion, it was correctly recorded as government debt.

Eurostat required further information on the valuation of the assets sold to the government.

UMTS licence sales

Introduction

Before the visit, the Portuguese authorities had informed Eurostat about a sale of UMTS mobile phone licence. The entity (ICP-Anacom), which had sold the UMTS licence in

³⁷ The recapitalisation of Banif took place in the first quarter of 2013. The recording of the EUR 1.1 billion injected has been assessed by the Portuguese authorities. Eurostat will follow up on this issue once it receives the details of the transaction and the rationales for the recording carried out in the quarterly accounts.

2011, is the Portuguese regulator of the telecommunication sector and is classified outside the general government sector. ICP-Anacom had passed part of the proceeds to the government in 2012, while the remainder was planned to be transferred to the government in later years. The Portuguese statistical authorities proposed to book all of the proceeds in 2012.

Discussion

Eurostat required the detail of the arrangements made between ICP-Anacom and the government. In particular, it was interested to know why ICP-Anacom had passed the revenues to the government and whether it had been acting on behalf of the government.

As regards the time of recording, the Portuguese authorities explained that even if the auction had taken place in 2011, both the sale of the UMTS licences and the transfer of the funds to government had happened in 2012.

The Portuguese authorities agreed to send to Eurostat a copy of the supplementary budget and ordinance relating to the transfer of the UMTS licence auction receipts in 2012.

Main findings and conclusions

Action point 23: INE will send a letter to Eurostat by 30 November 2012 on the recording of the sale of a concession to ANA, including the arguments put forward during the meeting, and Eurostat will reply to these points³⁸.

Action point 24: The Portuguese Statistical Authorities will provide by mid-December 2012 further information on the recapitalisation of CGD in 2012 (the EUR 750 million element of ordinary share purchase) including the projections for its financial performance, how those projections have been developed and scrutinised, and more detail of the argument that higher financing costs contributed to an exceptional loss of CGD in 2011³⁹.

Action point 25: The Portuguese Statistical Authorities will provide by mid-December 2012 further information on the sale of BPN assets to government, most notably on the valuation of the assets⁴⁰.

Action point 26: The Portuguese authorities will provide Eurostat by mid-December 2012 with a copy of the supplementary budget and ordinance relating to the transfer of mobile phone licence auction receipts in 2012 from ICP-ANACOM to government⁴¹.

³⁸ Action point completed. After several further exchanges between INE and Eurostat, the issue was closed in March 2013. The final outcome of these exchanges was published on Eurostat's website. Portugal sent the data for the April 2013 EDP Notification in line with Eurostat's view on this issue.

³⁹ Action point completed. After some bilateral discussions, the EUR 750 million capital increase in CGD was recorded as a non-financial transaction impacting government deficit of the year 2012. This recording was implemented in the April 2013 EDP Notification.

⁴⁰ Action point completed. New information on the valuation of the assets led to additional estimated impairments of around EUR 100 million, which were recorded as deficit-increasing for 2012 in the April 2013 EDP Notification. As the final accounts for 2012 of Parups and Parvalorem were not available until May 2013, further revisions may be expected in the October 2013 EDP Notification.

4.5. Other issues

4.5.1. *ESA95 Transmission programme*

Eurostat raised a question on some revisions made to FISIM in the ESA tables. The Portuguese statistical authorities explained that these revisions related to loans granted from the IMF, the EFSF and the EFSM. Initially, FISIM adjustments had been calculated for these loans. After discussions with Eurostat's Directorate C, it was made clear that no such adjustments should be made for these loans as the IMF, the EFSM and the EFSF are not considered as financial intermediaries. Therefore, revisions were made to remove the FISIM adjustments.

4.5.2. *Task Force on the implications of Council Directive 2011/85 on the collection and dissemination of fiscal data*

Council Directive 2011/85 of 8 November 2011 on requirements for budgetary frameworks of the Member States requires enhanced collection and publication of short-term public finance statistics and annual off-balance sheet information on contingent liabilities (government guarantees, debt of public corporations, PPPs, non-performing loans and participation of general government in the capital of public and private corporations). In this context, Eurostat established a task force on the implications of the Directive on the collection and dissemination of fiscal data. In 2012, three task force meetings took place, in close cooperation with DG ECFIN.

The MoF explained that detailed monthly cash-based fiscal data are already published on the DGO's website for all sub-sectors. The framework of the transition from cash-based data to ESA95 standards is explained in the State Budget Law report. However, the methodology used for the transition is not yet explained. A methodological reconciliation table explaining the transition from public accounts to the ESA95 based government accounts should be published by December 2013.

The Portuguese statistical authorities explained that they would provide estimates for some small local government bodies. Eurostat agreed that estimates could be used initially. However, such estimates should be subsequently replaced by actual figures, when available.

Overall, the Portuguese authorities do not see any obstacles to comply with the requirements of the Directive by end-2013.

Eurostat encouraged the Portuguese authorities to work out the institutional responsibilities for collecting and publishing monthly and quarterly fiscal data. Since the fiscal data would be based mainly on budgetary reporting, it is strongly recommended that the compilation and publication of monthly and quarterly fiscal data will be under the responsibility of the institution dealing with budgeting.

Eurostat informed the Portuguese authorities that a press release on quarterly government debt for the EU, the Euro-area and individual Member States is published now, in line with the Directive.

⁴¹ Action point completed.

4.5.3. *Any other issues*

Pension funds

INE gave an overview of the Portuguese pension system, which includes the general social security system (compulsory for employees and self-employed) and a voluntary social insurance system. Civil servants and lawyers are covered by special pension schemes.

As explained by the Portuguese authorities, there is no compulsory second pillar pension scheme in Portugal. There had been a Law proposing three pillars, but it never entered into force.

There are, however, occupational schemes – pensions for the banking sector, for example (most of which had been transferred to the state).

Implementation of ESA 2010

Introduction

Eurostat announced the forthcoming Task Force on the "adaptation" of the current MGDD to the new ESA2010 which would be held on 4 December 2012.

Discussion

In view of the forthcoming implementation of ESA 2010, Eurostat briefly explained what should be expected in terms of timing. Eurostat explained that ESA 2010 would not be published until mid-2013⁴², and Regulation 479/2009 amended subsequently. Therefore, it was expected that the October 2014 EDP Notifications should be the first to be reported on an ESA 2010 basis, for the whole reporting period. At the same time, Eurostat will also require quarterly data and historical EDP data on an ESA 2010 basis.

In terms of ESA transmission programme, everything transmitted before September 2014 should be on an ESA95 basis. Eurostat emphasized that Member States are not expected to anticipate the implementation of ESA 2010, unless there is a completely new case, such as emission permits, for example.

Finally, Eurostat informed the Portuguese statistical authorities that the assessment of the impact of ESA 2010 would take place in the middle of 2013⁴³. There are a number of changes that might have impact (not only market/non-market) and this impact should be duly quantified.

⁴² ESA 2010 was published on the official journal of the EU on the 26 of June of 2013.

⁴³ A document providing a preliminary view of the impact of ESA 2010 was presented in the FAWG in June 2013. Work is on-going and Eurostat is carrying out bilateral discussions with Member States on this issue.

Main findings and conclusions

On other issues, Eurostat briefly presented its expectations as regards the implementation of the Council Directive 2011/85 on the collection and dissemination of fiscal data.

Eurostat also made some comments on the future implementation of ESA 2010.

Annex 1

List of Participants

INE

Carlos Coimbra

Pedro Oliveira

Rute Dourado

Noémia Goulart

João Fonseca

Banco de Portugal

João Cadete de Matos

Ana Margarida de Almeida

José Sérgio Branco

Paula Menezes

Jorge Correia da Cunha

Cláudia Braz

Ministry of Finance

General Directorate of Budget (DGO)

Manuela Proença

Maria Teresa Ferreira

Conceição Amaral

Patrícia Semião

Public Debt Agency (first day)

José Miguel Costa

Treasury (second day)

José Castel-Branco

Parública (second day)

José Manuel Barros

Eurostat

John Verrinder (Head of Unit D-3 "Excessive Deficit Procedure II")

Viktor Popov (Desk Officer for Portugal)

Luca Ascoli

Lourdes Prado Urena

Luis Temes Castrillon

Directorate-General for Economic and Financial Affairs (DG ECFIN)

Martin Hallet

Pedro Guedes de Campos

European Central Bank (ECB)

Jorge Diz Dias

Annex 2

Agenda

- 1. REVIEW OF STATISTICAL CAPACITY ISSUES**
 - 1.1. Institutional responsibilities in the framework of the compilation and reporting of EDP and government finance statistics**
 - 1.2. Source data characteristics and revision policy**
 - 1.2.1. Changes in data sources for central government, local government and social security funds*
 - 1.2.2. Revision policy*
 - 1.2.3. EDP Inventory*
- 2. FOLLOW-UP OF THE EDP VISITS TO PORTUGAL**
- 3. EXAMINATION OF THE EDP TABLES AND THE QUESTIONNAIRE RELATING TO EDP TABLES OF THE OCTOBER 2012 NOTIFICATION**
 - 3.1. EDP Tables**
 - 3.1.1. EDP Table 1*
 - 3.1.2. EDP Tables 2A-D*
 - 3.1.3. EDP Tables 3A-E*
 - 3.1.4. EDP Table 4*
 - 3.2. Statistical discrepancies in EDP tables**
 - 3.3. Other EDP related tables**
 - 3.3.1. Questionnaire relating to EDP tables*
 - 3.3.2. Tables on the financial turmoil*
 - 3.3.3. Table on intergovernmental lending*
- 4. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS**
 - 4.1. Delimitation of general government sector: classification of institutional units according to ESA95**
 - 4.1.1. Transtejo, Soflusa ("indenizações compensatórias")*
 - 4.1.2. Estradas de Portugal*
 - 4.1.3. Local Government public corporations*
 - 4.1.4. Questionnaire on government-controlled units classified outside the general government sector*

4.2. Implementation of the accrual principle

4.2.1. *Tax revenue and social contributions*

4.2.2. *Interest*

4.3. Recording of specific government transactions

4.3.1. *Government interventions in the context of the financial crisis*

4.3.2. *Recording of EU flows and reporting in EDP tables*

4.3.3. *Public-Private Partnerships (PPP) and concessions*

4.3.4. *Capital injections in public corporations, dividends and privatisations*

4.3.5. *State guarantees, debt assumptions, debt cancellations and debt write-off*

4.3.6. *Other government transactions*

- *Purchase of military equipment*
- *Securitisation and sale and lease-back operations*
- *Swaps and other derivatives*
- *Transfer of pension obligations*

4.4. Important issues from 2012 relevant for the April 2013 EDP Notification

4.5. Other issues

4.5.1. *ESA95 Transmission programme*

4.5.2. *Task Force on the implications of Council Directive 2011/85 on the collection and dissemination of fiscal data*

4.5.3. *Any other issues*

- *Pension funds*
- *Implementation of ESA 2010*