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FINAL FINDINGS

EDP dialogue visit to Austria

25-26 June 2012

Executive summary

An EDP dialogue visit to Austria took place on 25-26 June 2012 in order to review the implementation of ESA95 methodology and to assure that provisions of the ESA95 Eurostat Manual on Government Deficit and Debt and Eurostat decisions are duly implemented in Austrian EDP and Government Finance Statistics (GFS) data.

Eurostat reviewed with the Austrian statistical authorities the existing institutional arrangements and welcomed the handover of responsibilities for formal EDP reporting from the Ministry of Finance to Statistics Austria in line with a recommendation of the EDP upstream visit. The status of implementation of remaining actions agreed in the upstream visit was reviewed and Eurostat took note of developments in this respect.

Eurostat understood that some amendments to the legal settings and national fiscal governance system (the Austrian Stability Pact) with potential implications for production of government finance statistics were pending following developments at EU level, in particular the work of the Task Force on implementation of the Directive 85/2011.

The availability and quality of the data sources and their use for EDP data compilation was discussed on the basis of information provided in the upstream dialogue visit. It was agreed that the EDP inventory would be updated as regards the sources for the first notification.

The reporting conventions and particular transactions presented in the EDP tables notified in April 2012 were discussed and the Austrian statistical authorities were requested to provide Eurostat with additional information on operations related to the reserves included in the working balance of central government and social security funds.

Eurostat understood that a problem of reporting detailed splits of financial instruments in EDP tables 3 and sizable statistical discrepancies was addressed by the Austrian statistical authorities in the course of on-going work on the integration of production of non-financial and financial government accounts. This project also aims to adapt the financial accounts compilation procedure to fully allow for all the information available in public accounts (direct integrated sources) and necessary improvements to the sources. Eurostat expects an interim progress report on first results from this exercise by end-2012 and noted that the final outcome should become available by September 2014, after the switch of compilation responsibilities from the Austrian National Bank to Statistics Austria has been finalized, and alongside implementation of the ESA 2010.

Eurostat took note of the government interventions, undertaken or foreseen, to support the liquidity and sustainability of Austrian banks and the need for a close follow-up of these operations from a statistical perspective in the future. Eurostat understood that, due to the legal setting, bodies with features of defeasance structures in Austria are equipped with banking licence for running their wind-down activities, and therefore they are considered monetary financial institutions in statistics.

As regards sector delimitation, Eurostat welcomed the efforts undertaken to delineate in a more exhaustive way the public sector, via the launching of an ad-hoc collection of data on government controlled entities at the level of local government. Eurostat took note that Statistics Austria is expecting the reclassification of sizeable infrastructure companies into the general government sector in 2014, due to the refinements of criteria for sector classification under ESA 2010.

Considering that ESA 2010 will focus to a greater extent than currently on the interactions between the government and dependent entities, Eurostat encouraged the Austrian statistical authorities to develop a reporting system for accurate capturing of the relevant transactions, in particular concerning quasi-corporations.

Eurostat welcomed the intention of Statistics Austria to run the "50%" test on an individual basis for a sample of hospitals and agreed that the methodological guidance on the sector classification of bodies providing health care services should be further elaborated in the Manual on Government Deficit and Debt (MGDD).

As concerns time of registration of transactions, Eurostat took note that current data sources do not allow for a full compliance with the ESA95 concept of accruals. This will be solved at the federal government level by introduction of accrual budgeting and reporting systems in 2013. At the state and local government level the information available in the public accounts should be scrutinized to assure clear understanding of concepts used for time of registration and related practical aspects.

Eurostat took note that imputations applied currently for recording of the deficit and debt impact from the government assumption of guaranteed borrowings of the Austrian Federal Railways and hospitals have rather features of regular re-routing of related transactions than an actual assumption of the stock of outstanding debt. In this context, Statistics Austria committed to examining whether Eurostat's methodological advice from February 2011 had been duly implemented.

For registration of taxes, Eurostat agreed to follow up the classification of taxes based on balance sheets of financial institutions and the accrual recording of proceeds from the tax treaty with Switzerland.

Eurostat accepted the view of the Austrian statistical authorities that guarantee exposure for identical/overlapping risk events should not be double-counted as contingent liabilities in the government accounts; this seemed to be a case at present for export credit guarantees and export financing guarantees for Oesterreichische Kontrollbank AG.

Eurostat would welcome more information on the data sources used for capturing EU flows and their treatment in national accounts, as well as some improvements in the completeness of tables in EDP-related questionnaire.

Eurostat appreciated the information provided during the meeting on recording of public subsidies on the railway infrastructure. Considering the possible increase in the use of PPP-contracts by government bodies in Austria, Eurostat encouraged Statistics Austria to closely follow the developments in this respect.

Eurostat very much appreciated the openness and transparency demonstrated by the Austrian authorities during the meeting and the documentation provided before the dialogue visit.

Final Findings

1. Introduction

In accordance with article 11(1) of Council Regulation (EC) No 479/2009, as amended, as regards the quality of statistical data in the context of the Excessive Deficit Procedure, Eurostat carried out an EDP dialogue visit to Austria on 25-26 June 2012.

The delegation of Eurostat was headed by Mr John Verrinder, Head of Eurostat Unit D-3 Excessive Deficit Procedure (EDP) 2. DG ECFIN and the European Central Bank (ECB) also participated in the meeting as observers. The Austrian authorities were represented by the Statistical Office (Statistics Austria, STAT), the National Central Bank (Austrian National Bank, OeNB), the Ministry of Finance (MoF), the Ministry for Transport, Innovation and Technology (BMVIT), and the Ministry of Health.

Eurostat carried out this EDP dialogue visit in order to review the implementation of ESA95 methodology and to ensure that provisions of the ESA95 Eurostat Manual on Government Deficit and Debt and Eurostat decisions are duly implemented in the Austrian EDP and Government Finance Statistics (GFS) data. During the meeting the state of implementation of the action points from the upstream EDP dialogue visit, held on 17-19 January 2012, was also reviewed.

In detail, the main aims of the dialogue visit were:

- to review the quality of the data sources used,
- to improve understanding of the reasons for the significant statistical discrepancies observed in EDP tables 3, and to examine progress in the work undertaken to tackle this problem, i.e. the switch to using direct data for compilation of government financial accounts and the integration of the production of the financial and non-financial government accounts at Statistics Austria;
- to review the current treatment in national accounts of the government interventions undertaken in the context of the financial crisis and to discuss the recording of recent (2012) interventions;
- to discuss the treatment of specific transactions and imputations undertaken by STAT for needs of national accounts, and
- to review the sector classification of the largest public corporations, quasi-corporations and hospitals and enquire on the possible revisions in this respect in the view to the forthcoming implementation of the ESA2010.

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

2. Review of institutional issues

2.1. Institutional responsibilities for compilation and reporting of the EDP data

Introduction

The institutional set-up and co-operation between EDP data compilers and source data providers was extensively discussed during the EDP upstream dialogue visit (UDV). Eurostat

briefly recalled the current arrangements and enquired about any changes introduced or envisaged.

Discussion

It was confirmed that the Sector Accounts and Public Finance unit in the Macro-Economic Statistics Directorate of Statistics Austria (STAT) deals with the compilation of:

- EDP data,
- main aggregates and sector accounts reported in the annual and quarterly tables of the ESA95 transmission programme as well as government non-financial accounts and debt data (tables: 1, 8, 2, 9, 11, 25 and 28),
- OECD-System of Health Accounts, as well as
- data used for the purpose of national policy (*Austrian National Stability Pact*), and
- government-related statistics for IMF and OECD.

In addition, the unit is involved in collecting and verifying of the basic data (public accounts) used for the compilation of national accounts.

Annual and quarterly financial accounts are produced by the Austrian National Bank (OeNB), which uses Maastricht government debt data compiled by STAT as a source.

Eurostat asked whether there had been any changes in the planned switch in the responsibilities for the compilation of financial government accounts. The Austrian statistical authorities explained that STAT is making the efforts to establish a procedure for derivation of reliable data on financial assets and liabilities for general government from direct integrated data sources. In the meantime, the OeNB will continue to compile the data on behalf of STAT until 2014.

The Ministry of Finance (MoF) prepares forecasts of the government deficit and debt figures for the current year to be reported in the EDP tables. In this context, it consults Statistics Austria on the application of relevant statistical guidelines for treatment of certain government operations; the discussions usually focus on the time of recording. The Ministry of Finance also used to transmit the EDP tables to Eurostat before the responsibility was handed over to the National Statistical Office (from the April 2012 EDP notification).

It was confirmed that Statistics Austria is also responsible for drafting and updating the EDP inventory.

Findings and conclusions

Eurostat took note that no changes had taken place in the responsibilities for the data compilation and that Statistics Austria has become the official EDP reporting authority from April 2012.

2.2. Follow-up of the January 2012 upstream visit – status of the implementation of the agreed action points

Introduction

Pursuant to article 11a of the Council Regulation (EC) No 479/2009, as amended, on 17 – 19 January 2012 Eurostat carried out an EDP upstream dialogue visit to Austria. The aim of this visit was to assess the quality of upstream data and processes used as a basis for EDP notifications and gather information on the related accounting, auditing, control and reporting systems in place. As a result, ten action points were agreed. The main conclusions of the EDP upstream dialogue visit are annexed to this document (Annex 2).

Discussion

During the discussion on the current setting of institutional responsibilities (in section 2.1 of the findings), Eurostat took note that, following the recommendations from the EDP upstream visit (action point 2 of UDV), Statistics Austria became the formal reporting authority for EDP from April 2012. Eurostat enquired about the progress achieved in implementation of the remaining action points. Even though most of the actions recommended should be finalized by the end of 2012, Statistics Austria reported that many steps had been undertaken to advance the work and ensure that the deadline set would be met¹.

Inter alia, a one-off survey covering all municipalities was launched to collect information on the units controlled by communities that is needed for the public sector delineation (action point 5 of UDV, see also discussion on the questionnaire on government-controlled entities in section 5.1.2). At the beginning of June the survey was sent out and 95% of answers had been received by the time of the discussion. The Austrian delegates mentioned that the survey also collects data on public private partnerships undertaken by the municipalities. Eurostat asked for the results of the analysis of the data from the survey on municipalities as soon as they are available.

In parallel, another survey among local government units was run by the Court of Auditors to capture all the functioning associations of communities. After the results of the survey are available, they are to be shared with the Austrian statistical authorities.

The Austrian delegates also informed that, as regards the possible harmonisation of the public accounting rules across different sub-levels of government, state and local entities were reluctant to change. Any amendment of the regulation on public accounts depended on the survey feedback and this was available, at the planned deadline, by mid-2012.

Eurostat also received feedback from the units of Statistics Austria in charge of risk management and quality management. It was confirmed that the shift of responsibilities for compilation of government financial accounts had also been subject to a risk assessment exercise (action point 4 of UDV).

Finally, at the request of Statistics Austria, Eurostat explained that mission findings from the upstream visit were to be annexed into the findings from the standard EDP dialogue visit.

Findings and conclusions

- 1) Eurostat took note that the good progress in the implementation of the action points agreed during the EDP upstream dialogue visit was achieved.
- 2) Statistics Austria will provide Eurostat by mid-July 2012 with a copy of the template for the ad-hoc questionnaire addressed to the Austrian municipalities in Spring 2012 (on the entities under their control and the PPP-projects run) (**Action point 3²; deadline: mid-July 2012**)³.
- 3) The Austrian Statistical Authorities will provide Eurostat with the results of analysis of the questionnaire on municipalities (see also point 3) when the analysis is completed, however at the latest by end-2012 (**Action point 4⁴; deadline: by end-2012**).

¹ Progress reports on all UDV action points provided to Eurostat on 17 December 2012.

² The numbering convention follows the order set in the document 'Main conclusions and action points of the EDP dialogue visit to AT 25-26 June 2012' sent to the Austrian Statistical Authorities on 4 July 2012.

³ Completed.

⁴ Information provided on 20 December 2012.

2.3. Source data

Introduction

Under this agenda point, the availability and use of the data sources for compilation of ESA95 government accounts and EDP were reviewed. The discussion also covered a bridge table between source data and the ESA95 categories used for compilation of non-financial government accounts provided as a follow-up of the upstream visit.

Discussion

- Availability of data for the first spring notification

Eurostat recalled the information on data sources available in the EDP inventory. It wondered why, according to this metadata, no sources were available for most units for first notification of data and asked the Austrian statistical authorities for explanations.

Statistics Austria clarified that, indeed, in line with the applicable national regulation on public accounts statistics, the data for a given year should be transmitted by reporting entities only by end of May of the following year, so that the sources are in time ahead of the autumn notification. Nevertheless, the information on data sources availability in the EDP inventory needed an update since, starting from 2010, the regularly transmitted quarterly data from the main units of state government and a sample of municipalities constitute immediately the basis for derivation of the provisional non-financial government accounts (for subsectors S.1312 and s.1313). Eurostat took note of clarifications and stressed that quarterly data are increasingly gaining importance and interest of data users.

Concerning the data for extrabudgetary funds, the financial statements for most units, especially the biggest ones, become available for the autumn notification so that in spring - for the latest year reported - the figures for these entities are estimated.

- Cut-off sample for collecting data on municipalities and grossing-up procedure

Subsequently, Eurostat enquired about the detail of sample design at the local government level. It was explained that municipalities from each Austrian state were selected for the sample based on their number of inhabitants, size of revenue and expenditure and a degree of urbanisation. In addition, complete data for Vienna were collected. On the whole, over 150 municipalities out of close to 2 350 were sampled, accounting altogether for around 85% of total revenue and expenditure of the local government sector.

The grossing-up procedure for the sample data was based on ARIMA models with parameters set independently for each transaction, differentiating between revenue and expenditure sides. The procedure appeared to be a reliable method for the compilation since the error of estimation was below 10%. In this context, it was also mentioned that in the future the whole municipalities' population might be covered in the quarterly data collection (via the amendment of the national regulation on public accounts statistics envisaged).

- Bridge table for production of non-financial government accounts

As a follow-up of the upstream visit, a bridge table used for compilation of non-financial transactions of government according to ESA95 was sent to Eurostat. The table enables the transformation of the source data from public accounts, closed accounts of extrabudgetary funds and reports of social security funds uploaded into an internal database, into a set of ESA non-financial categories. The level of detail of the bridge table was determined by breakdowns and classifications used in the source data. The table was used for the production of the whole time series from 1995 onwards.

Eurostat confirmed with Statistics Austria that the bridge table is exhaustive. It covered all the main units of the central, state, local government for which the public accounting framework was used, as well as social security funds and extrabudgetary units for which distinct reporting systems functioned.

Moreover, it comprised all the operations foreseen in the public accounting system, even those for which no figures were reported. It was clarified that some of the flows included were not considered transactions according to ESA95, or at least not at the level of the units that reported them (e.g. money transferred or collected on behalf of other entities), and so they were excluded from the further automatic processing via coding them as 'nESVG'.

In some cases the bridge table split a given item of the source data between different ESA categories. Statistics Austria explained that the split is established based on direct information received from the units concerned.

Furthermore, Eurostat noted that according to the coding in the table, some direct data sources existed for transactions in other accounts receivable and payable (ESA code F.79). It was explained that, since the transactions are part of financial accounts, and the bridge table is intended exclusively for derivation of non-financial data, information with these codes was not used in the compilation process. Eurostat wondered why these items are not used for non-financial accounts compilation, and asked for more details on the underlying sources and the rationale for assigning the code, as a follow-up to the meeting.

- Financial accounts

The sources used and compilation methods for government financial accounts were also discussed. The Austrian National Bank generates these data during production of financial accounts for all sectors of the economy.

For calculation of transactions and stocks of government liabilities, the central bank uses government debt statistics and figures on other accounts payable/receivable received from Statistics Austria, data available in a security-by-security database, direct information from Austrian Federal Financing Agency (AFFA) completed by counterpart information from banking statistics. For compiling the asset side of the accounts, balance of payments statistics and direct information from public accounts of state and local government is used.

As regards the security-by-security database, it was confirmed that the data are compared with direct information received. Even though at the aggregate level both data sources seem to provide consistent results, there is a problem with the split by instruments. It was also mentioned that for security-by-security database a problem with capturing in the data of early redemption for state government exists.

Eurostat enquired whether the information on liabilities of the state and local government may be considered complete and whether there is any risk of underreporting of debt. It was explained that under the Austrian Stability Pact incurrence of liabilities by the states is restricted. In addition, in some cases, a state may impose the borrowing limits on municipalities. In practice, the situation is under greater control due to the on-lending arrangements with AFFA's borrowing on the financial markets on behalf of states, Vienna and even for some smaller municipalities. When asked about a possibility of independent cross-border borrowing at government sub-levels, the Austrian Statistical Authorities mentioned that database shows only small amounts of loans incurred in Swiss francs.

Findings and conclusions

Statistics Austria will explain the treatment of flows, and stocks if relevant, related to the other accounts receivable/payable in the bridge table used for the translation of the available

source data (public accounts, closed accounts of extra-budgetary funds, social security funds' reports and others) into ESA95 (*Action point 1; deadline: as soon as possible*)⁵.

2.4. Revision policy

Introduction

Under this agenda item the revision policy of Statistics Austria applied for government deficit and debt data was briefly discussed.

A revision timetable for the Austrian government accounts is determined by source data availability. In general, data are reported as final already for their third notification. In March 2011, following Eurostat advice, a methodological review of treatment of the debt of the Federal Austrian Railways (ÖBB) by Statistics Austria took place (debt assumption). This, together with an analogous change in recording of hospitals' debt, resulted in significant revisions.

Discussion

Statistics Austria explained that the revision policy for general government data is integrated in the general revision policy schedule of national accounts, aiming at coherence across all the datasets. Therefore the recent guidance of Eurostat on treatment of capital injections into multilateral development banks (MDBs), affecting also Balance of Payments recordings, was applied only for two recent years reported in the April 2012 EDP notification (2010-2011). The data for earlier years will be revised only in 2014.

Findings and conclusions

Eurostat took note of the revision policy followed by Statistics Austria and that the implementation of the guidance of the treatment of capital injections to multilateral banks was still outstanding in the Austrian government accounts for the years before 2010.

2.5. Update of the EDP inventory

Introduction

The latest update of the Austrian EDP inventory dated back to March 2010. The finalization of the work on the new EDP inventory template was subject to consultation with the Member States via the Committee on Monetary, Financial and Balance of Payment Statistics (CMFB).

Discussion

Eurostat stated that the available version of the inventory needed an urgent update. According to the current version, the data sources for EDP data compilation for the first notification were available only for main units (State) of the central government sector, even though for most government entities quarterly data were collected and used. Statistics Austria agreed to introduce the necessary amendments by the next EDP notification.

Moreover, under this agenda point Eurostat presented a timetable and procedure for completing the new EDP inventory template.

⁵ Some information has been provided; additional information will be available when both nonfinancial and financial accounts for S.13 will be calculated by Statistics Austria.

Findings and conclusions

The Austrian Statistical Authorities will update the current version of the EDP inventory by October 2012, so that it can be published alongside the autumn release of the EDP tables, and, will adapt a step-by-step approach to compilation of the new EDP inventory in the close co-operation with Eurostat, so that the EDP Inventory could be published in the course of 2013 (*Action point 2⁶; deadline for the update of the current version of the EDP inventory: October 2012*).

3. Current EDP reporting and envisaged changes due to on-going work on integration of compilation of non-financial and financial government accounts

3.1. Follow-up of the April 2012 EDP reporting – analysis of EDP tables

Introduction

Under this action point the completeness of EDP tables notified in April 2012 was reviewed. In addition, reporting of certain transactions and adjustments was clarified.

Discussion

- Completeness of EDP tables

Eurostat enquired about data missing in EDP tables 2, in particular the working balance for local government for the latest year reported in April notifications and accrual adjustments for interest for state and local government.

The concept of ‘working balance’, the starting point in EDP tables 2, refers to the measure commonly used in country public accounts or budget presentation. This information is required by Council Regulation (EC) 479/2009, as amended. For the central government sub-sector it should correspond to the public accounts outcome usually presented to the national parliament, and ideally independently audited.

Statistics Austria explained that for the first notification of data (for year (n-1) in April of year (n)) the working balances are available in the sources only for the central government and social security funds. The provisional figure for the state government is calculated on the basis of quarterly data. Since, for the local government data, only a sample of municipalities is available by March of the following year, there is no possibility to derive the respective figure, so the entry in the EDP table is coded as missing. Before the October EDP notification data for all municipalities are collected and working balance for local government is reported in EDP table 2C.

In this context, Statistics Austria mentioned that due to the legal developments in the framework of the Austrian Stability Pact it is possible that in the future data for all the municipalities will become available earlier in the year; nevertheless the working balance figure could be notified for the spring EDP exercise at the earliest in April 2014.

Concerning the working balance, it was also confirmed that it includes the balance from business activities of quasi-corporations and is not adjusted in this respect for compilation of net lending/net borrowing (EDP B.9). In this regard, Eurostat took note of the re-invested earnings approach applied for capturing the relations between the government and its quasi-corporations which is not in line with ESA95 (see section 5.1.4 below). The issue is relevant mostly for the state and local government sub-sectors. Eurostat asked the Austrian statistical

⁶ Completed.

authorities to reconsider this treatment. Any changes of the current method would have to be preceded by a conceptual analysis and practical considerations relating to data availability.

Concerning the missing accrual adjustments of interest payable for the state and local government sub-sectors, the problem of the accounting basis was recalled (see section 5.2.2 on time of recording of other transactions). For the central government, the interest accrued is calculated by the Austrian Federal Financing Agency (AFFA) on a single transactions basis. Since AFFA also incurs debt on behalf of state and local government levels (on-lending operations), some information could be available from this source. As auxiliary information, accrual data from security-by-security database run by the Austrian National Bank could be used.

As regards missing data on transactions in other accounts receivable and payable for sub-sectors: state and local government, it was confirmed by Statistics Austria that the data should become available in 2014.

Findings and conclusions

In the context of the improvement of the coverage of the EDP tables 2B and 2C the Austrian Statistical Authorities will examine the quality of the „Soll“-data on interest accrued reported by the state and local government entities, especially by comparing them on the aggregated level with the counterpart data from the National Central Bank, by the end of November 2012 (*Action point 5⁷; deadline: by end-November 2012*).

- Open reporting issues

EDP Table 2A

For the central government, the 2010 adjustment labelled ‘*K10-writing down of bad debts by creditors*’ was discussed in detail. The Austrian statistical authorities explained that the write-down concerned financial assets purchased in 2007 that lost their value substantially due to the financial crisis.

The investments were financed from the budget reserves and registered only in the stock accounts (*BEV; Bestands-und Erfolgsverrechnung*). In this regard, Statistics Austria provided additional information on the data flow arrangements. It was explained that, since the interface for electronic data transmission from the federal government to STAT covers exclusively the flows (*VWV; Voranschlagswirksame Verrechnung*), detailed information on the change in the stocks is available only with a delay. The work on the development of the new interface in the context of the shift of responsibilities for production of financial government accounts should improve the timeliness of the stock data availability and in 2014 they will become part of the standard data exchange with the federal government.

In respect to this transaction the outlays in VWV were registered following the write-down in the stock accounts resulting from the sales of the assets with loss and decrease in the stock of reserves. Eurostat asked whether the designation of the working balance basis in EDP table 2A as ‘cash’ is correct, allowing for the fact that it can be affected by bookings of non-cash flows. Statistics Austria confirmed that a corresponding negative adjustment had been made under transactions in debt liabilities included in the working balance ‘*Reserves (buildup minus drawdown)*’ and committed to provide more details concerning the recording and the working balance basis as a follow-up to the visit.

EDP Table 2B

Individual transactions at the state government level were explained by Statistics Austria. The sales and lease back arrangements related to the financing of hospitals in Styria with partici-

⁷ Some information has been provided.

pation of the holding company KAGES were reviewed in detail. Eurostat understood that the deficit impact from the transaction was imputed in ESA95 data prior to the actual debt assumption that resulted in additional adjustments in the EDP table 2B.

EDP Table 2D

It was confirmed that the working balance based on accrual accounting rules does not include the amounts of social contributions assessed but unlikely to be collected, treated in the Austrian national accounts as debt cancellations. In the source data (financial statements of social security funds), these amounts are recorded as write-downs of the working assets (*Ab-schreibungen vom Umlaufvermoegen*).

Eurostat requested more information on the reserves reported under transactions in debt liabilities included in the working balance of social security funds as a follow-up to the meeting.

Issues relating to consolidation

Eurostat enquired in more detail about a regular adjustment presented under non-financial transactions not included in the working balance in EDP table 2A for time of recording for current transfer from federal government to social security funds (ESA code D73). Since the reports used as source data for compilation of ESA government accounts for social security funds are deemed to be on an accrual basis, Statistics Austria reconciles these amounts with respective cash transfers registered in the federal public accounts and corrects the latter in EDP table 2A. It was confirmed that the amounts are also considered part of transactions in other accounts payable in EDP table 3B and in other accounts receivable in EDP table 3C. Nevertheless, no stocks (AF7) are imputed on this basis in the government balance sheet since the transaction is eliminated under recordings of other changes in volume. Eurostat expressed its concerns about the applied treatment.

Prior to the meeting Statistics Austria provided a note prepared in cooperation with the Austrian National Bank on the flows within and between sub-sectors of general government. The document was meant as a starting point for a discussion of consolidation problems observed in ESA tables transmitted to Eurostat. Due to time constraints it was, however, decided to discuss this issue in detail after the EDP dialogue visit.

Statistical discrepancies

The issue of the significant levels of statistical discrepancies reported in the Austrian EDP tables 3 was addressed during earlier EDP dialogue visits, and discussed extensively during the April 2012 EDP clarification exercise. As a solution to the problem, use of direct data sources and integrated compilation procedure for government non-financial and financial accounts are envisaged starting from 2014. Progress achieved in this respect was discussed under agenda point 3.2.

Findings and conclusions

- 1) Statistics Austria will provide Eurostat by the October 2012 EDP notification with a reconciliation of the 2010-transaction reported in EDP T2A under the label "K.10-writing down of bad debts by creditors" of 299 million euro with the working balance and its corrections (in particular "reserves build minus drawdown"); explaining also in the context of this transaction the designation of the working balance basis as 'cash' (**Action point 7; deadline: by the October 2012 EDP notification**)⁸.
- 2) The Austrian Statistical Authorities will provide Eurostat by the October 2012 EDP notification with information on the reserves presented in the EDP T2D under other financial

⁸ Completed.

transactions included in the working balance, allowing for the recording principles in the source data and explaining the reporting convention (*Action point 8; deadline: by the October 2012 EDP notification*)⁹.

3.2. Progress achieved and envisaged in the view of integration of compilation of non-financial and financial accounts

Introduction

Considering that many outstanding issues relating to the Austrian EDP reporting (completeness of EDP tables, sizable statistical discrepancies) are expected to be resolved via implementation of the project on the integration of production of financial and non-financial accounts and use of all relevant information available in the public accounts, Eurostat enquired about the progress achieved in this respect and the timetable for further work. An interim report on the developments was provided by the Austrian statistical authorities prior to the meeting.

Discussion

In 2009, it was agreed between Statistics Austria and the Austrian National Bank that STAT will take over the responsibility for compilation of financial accounts of general government by mid-2013. The transition period was necessary for developing the resources, knowledge and infrastructure required for the switch. In June 2011 it was, however, decided by the parties involved to postpone the handover until September 2014, so that the work would be finalized in parallel with the amendments to the compilation system being introduced for the implementation of ESA2010.

Between January 2010 and May 2012 work in this respect concentrated on three areas:

- improving the quality and availability of source data for compilation of annual government financial accounts,
- work on the availability of quarterly data sources and efforts to establish the reliable estimation methods for local government aggregates and
- development of the necessary IT infrastructure.

The calculation of first estimates of financial accounts for central government for 2011 was envisaged in 2012. Later, their quality should be examined through reconciliation with official results compiled by the Austrian National Bank. By the end of 2012, also STAT intends to collect the quarterly data from public accounts of federal government and undertake their analysis.

In 2013, first estimates of government financial accounts for 2011 for further government sub-sectors are planned to be calculated and reconciled with respective results of the Austrian National Bank. Moreover, annual and quarterly estimates for the whole general government for 2012 will be compiled and the consistency checks between the infra-annual and annual data will be defined. Use of the provisional results of the project before the work is finalized for the current EDP reporting is contingent on the quality of the estimates and therefore the Austrian authorities could not commit to this.

In parallel, over the coming years, procedures and infrastructure for a regular exchange of the relevant data with the Austrian National Bank will be developed to ensure a reconciliation of data from direct sources with available counterpart information, after the finalization of the handover.

⁹ Completed.

By September 2014, the ESA2010 should be integrated into the compilation process of financial government accounts and transmission of the data to Eurostat will be arranged. Statistics Austria will also analyse whether it would be possible to recalculate the back data to ensure the consistency of the estimates over time.

Eurostat confirmed with the Austrian Statistical Authorities that the intention is to transmit in September 2014 the EDP data:

- for 2010-2011 as final data compiled according to the current procedure, whilst
- for 2012-2013 the results coming from the integrated compilation system and available direct data sources.

Eurostat raised some concerns about the time series break caused by the change in the data sources and compilation method between 2011 and 2012. The Austrian statistical authorities explained that an issue of inconsistency over time may arise for other accounts receivable/payable whereas for securities and currency and deposits no major break is expected.

In this context, Eurostat noted that the regulation covering the EDP notification (479/2009, as amended) would need an amendment following the introduction of ESA2010, so that the EDP tables compiled according to new guidelines could be sent alongside the transmission of ESA tables at end-September 2014.

Eurostat also enquired about the treatment of quasi-corporations in government financial accounts in the current compilation system and in the future. It was explained that the liabilities of quasi-corporations can be identified and excluded, whilst their financial assets are included in the government accounts. Eurostat took note that the inconsistent treatment of quasi-corporation financial stocks on both sides of government balance sheets should be considered as one of the factors contributing to the statistical discrepancies.

Eurostat mentioned that the project addressed a problem in part of statistical discrepancies, i.e. difference between capital and financial accounts (B.9-B.9F) and noted that other statistical discrepancies are of significant size as well. It was explained that use of direct data should also contribute to reduction of other statistical discrepancies.

Findings and conclusions

The Austrian Statistical Authorities will inform Eurostat on the progress achieved in the reconciliation of the financial and non-financial accounts for 2011-estimates by the end of 2012 (an interim report). Eurostat takes note that the work is still in progress and the results may not be of sufficient quality for their integration into EDP data compilation for the needs of October 2012 EDP notification (*Action point 9¹⁰; deadline: by end-2012*).

4. Government interventions related to the financial crisis

Introduction

Under this agenda point the main interventions undertaken by the Republic of Austria to support distressed financial institutions and their treatment in national accounts were reviewed. Some measures foreseen or considered for 2012 were also mentioned, nevertheless with a caveat about their contingency on further developments of economic and financial conditions and state aid approval of the European Commission.

The Austrian statistical authorities report biannually to Eurostat information on the impact of Austrian government rescue measures addressed to financial institutions in the supplementary tables on financial crisis. Prior to the meeting a list of government interventions (past and

¹⁰ Information provided on 20 December 2012.

foreseen) in the context of financial crisis was provided. A document presenting implementation in the Austrian national accounts of the Eurostat advice on the government transactions related to KA Finanz AG (debtor warrant, government guarantee on problematic assets, capital injections) was also prepared.

Methodological guidance in this context was set out in Eurostat's decision on the statistical recording of public interventions to support financial institutions and financial markets during the financial crisis from July 2009 and MGDD's chapter IV on relations between government and financial sector (2012 edition).

Discussion

Support measures to financial institutions in Austria have two legal bases: the Interbank Market Support Act (*Interbankmarktstärkungsgesetz, IBSG*), used mostly for guaranteeing issues of interbank commercial papers and bonds, gradually expiring with redemption of the underlying instruments, and the Financial Market Stability Act (*Finanzmarktstabilitätsgesetz, FinStaG*), aimed at recapitalisation of credit institutions. The recapitalisation was offered in the form of capital injections and guarantees on assets and commercial papers.

- Treatment of injections of participation capital

Since significant recapitalisation operations were undertaken in the form of injections of participation capital, Eurostat enquired about their treatment in national accounts. It was explained that despite of some features of a debt instrument, this form of capital has been registered in the Austrian national accounts as equity. Cases were mentioned where participation capital had been converted into share capital or reduced.

An example of a participation capital injection was the 4.5 bln euro granted to private Austrian banks: BAWAG P.S.K. AG, Erste Group Bank AG, Raiffeisen Bank and Oesterreichische Volksbanken AG in 2009. The capital injection was recorded by the Austrian statistical authorities without deficit and debt impact, as an equity acquisition (ESA code F.5), as the rates of return complied with EU state aid rules. It was confirmed that the participation capital has a form of non-voting share capital equipped with dividend rights and dividends for 2010 and 2011 were paid out by three out of four banks mentioned.

Statistics Austria explained that reductions of participation capital, based on government decisions, were considered cancellations of assets and government expenditure was booked for them in national accounts (capital transfers). Eurostat took note that government deficit was affected by the reductions of participation capital.

- Government interventions into selected banks

Hypo Alpe Adria-Group

In the case of Hypo Alpe Adria International AG in 2008 a participation capital of 900 mln euro was granted by government. The transaction was also registered in government accounts as an equity acquisition.

Further injections were made of participation capital of 30 mln euro in 2009 and 600 mln euro in 2010 (by the Federal government and state of Carinthia) – according to the available guidance these were already considered as government expenditure. In May 2011 a reduction in capital of Hypo Alpe Adria took place, recorded as capital transfer expenditure in government accounts. In June 2011 participation capital was transformed into share capital, and the operation had no impact on government accounts since the relevant expenditure had already been registered for the injection of capital (2010).

The Bank was granted a guarantee on assets of 200 mln euro, also subject to a state aid procedure. The Austrian delegates confirmed that by the time of the meeting the guarantee has not been called.

With regard to further developments that may be relevant from a statistical perspective, it was explained that the Austrian financial market supervisory authorities had decided that a strengthening of the Bank's equity base by 1.5 billion euro was essential. The deadline for the compliance with the decision was set at end-2012. The Austrian delegates confirmed that need, but noted that the form of government intervention in this respect had not yet been determined. In addition, state rescue measures for Hypo Alpe Adria Group have been only temporarily approved by the European Commission, subject to further investigation.

A possibility of establishing a defeasance structure (wind-up institution/ bad bank) for HAA was mentioned. The Austrian delegates explained that no dedicated legal basis was available for such a construct and thus, the potential bad bank would, nevertheless, need to hold a banking licence to wind-up the impaired assets.

Further questions referred to the involvement of the government at the regional level in rescue operations for Hypo Alpe Adria. It was recalled that state of Carinthia had provided - via its subsidiary (Kärntner Holding) - direct participation capital, recorded for an amount of 150 mln euro as capital transfer expenditure. Since its earlier capital engagement underwent a capital cut, its current direct financial engagement in bank was very low.

It was mentioned that bank also benefited from the statutory guarantee of the State of Carinthia for all commitments, as a temporary exemption to the state aid rule, expiring in 2017 (a grandfathering arrangement).

KA Finanz AG

After the nationalization of Kommunalkredit AG, in 2009 the bank was split into two institutions: **Kommunalkredit AG and KA Finanz AG**. Shares of both institutions are held by FIMBAG (*Finanzmarkteteiligung AG des Bundes, Financial Markets Holding Company of the Republic of Austria*) on behalf of the Republic of Austria.

Capital injections into **Kommunalkredit AG** were registered as equity injections and a privatization of the bank is foreseen. It was confirmed during the meeting that, in the context of the privatization, government had not taken over any major obligations against employees of the bank or as regards pre-selling costs.

KA Finanz AG has some features of a defeasance structure, nevertheless, it holds a **banking licence** and, according to the existing guidance, it is considered a monetary financial institution (MFI) for statistical purposes. For this reason, it remains classified outside the general government sub-sector, in the financial corporations sector.

KA Finanz AG benefited from government recapitalization operations in the form of shareholder contributions, including reinvestment of received guarantee fees into the company's capital, registered as capital transfer expenditure, and a debtor warrant for which a deficit and debt impact was registered for 1 bln euro in 2010. KA Finanz AG issues bonds guaranteed under IBSG (3.6 bln euro end-May 2012, decreasing with redemption of the underlying bonds) and there were government guarantees both on its borrowing (for commercial paper; 2.5 bln euro end-May 2012, to be increased to 3 bln euro) and on its assets (268 mln euro end-May 2012).

Eurostat asked about further developments concerning government rescue measures for the bank, notably the treatment of shareholder capital injections and guarantees on losses of problematic assets subject to March 2012 consultation between Statistics Austria and Eurostat. The Austrian delegates came back to the question of time of recording of capital transfer ex-

penditure, referring to the FAWG June 2012 discussion on this issue. Eurostat recalled the reasoning from its advice letter. It was confirmed that the guarantee had not been called and that its coverage was extended with the contract amendment in spring 2012. The expiry date of the guarantee was requested as a follow-up to the discussion.

In addition, it was mentioned that the existing capital of the bank has been reduced and another capital increase, of around 390 mln euro, was essential.

The Austrian statistical authorities also mentioned a need for adjustment of recording of the debtor warrant. Upon the split of banks in 2009, Kommunalkredit Austria AG waived its claim against KA Finanz AG to a money-market deposit of 1 bln euro, against issue of a debtor warrant equipped with a put option, equivalent to a guarantee of the Republic of Austria. Following a consultation with Eurostat, a debt assumption was registered in government accounts for 2010, when it became certain that the guarantee would be called, for nominal value of 1 billion euro.

The option was however called only at the end of 2011 with the respective cash payment deferred to mid-2013. The amount to be redeemed includes the interest accrued starting from the date of issue of the debtor warrant. Considering that the expenditure in 2010 was recorded at a nominal value, it was agreed during the meeting to spread in the government accounts an excess of the actual payment over the amount already registered (as a debt assumption) as accrued interest.

Volksbank AG (ÖVAG)

It was confirmed that the Volksbank AG held an active banking licence and was on the MFI list. Main shareholders of the bank are individual cooperative banks. In 2009 the Republic of Austria granted an injection of participation capital of 1 bln euro to the bank. The operation was registered in government accounts as an acquisition of equity.

Considering the need for further restructuring of the bank, a capital reduction was agreed by the shareholders in spring 2012. The scope of the intervention was not known in full detail at the date of the meeting. Taking into account that the features of capital reduction demonstrated a similarity with the 2011 operation in the Hypo Alpe Adria case the same treatment, i.e. recording government expenditure in the form of a capital transfer, was found appropriate.

Moreover, additional injection of the capital into the bank was foreseen. Eurostat confirmed with the Austrian statistical authorities that the injection will lead to ordinary, unquoted shares being acquired. It was also confirmed that other (private) shareholders are also contributing to the recapitalisation under identical conditions as the Republic of Austria. For the first two years the payments of dividend by the bank in respect of this equity were however not certain.

The shareholder structure of the bank was briefly discussed. The majority of shares is held by regional Volksbanken that are private institutions. Small shareholdings are also held by other banks: DZ Bank AG, Ergo Gruppe and RZB.

Eurostat confirmed that, except for the operations explicitly mentioned during the discussions on Hypo Alpe Adria, KA Finanz and Volksbank AG, no further interventions were foreseen to the date of the meeting. It was, however, indicated that it might change due to stricter capital requirements rules imposed by the Austrian financial market regulators starting from January 2013.

Findings and conclusions

- 1) Eurostat took note of the treatment of participation capital granted in the context of the rescue measures to the banking sector, and notably its subsequent reductions, if relevant, in the Austrian government accounts
- 2) Eurostat took note of the government interventions undertaken or foreseen in the course of 2012 to support the liquidity and sustainability of Hypo Alpe Adria, KA Finanz AG and Volksbank AG and the need for a close following of these operations from the statistical perspective.
- 3) Statistics Austria will provide Eurostat by mid-July 2012 with the information on the expiry date of the guarantee granted by the Austrian government to KA Finanz AG under the contract signed in December 2011, and amended in Spring 2012 (*Action point 17; deadline: mid-July 2012*)¹¹.

5. Methodological issues and recording of specific government transactions

5.1. Delimitation of general government

5.1.1. Practical arrangements and application of 50% rule in national accounts

Introduction

Under this agenda item the practical aspects of sector delimitation were discussed based on the information provided in the dedicated template of the new EDP inventory.

Discussion

- Responsibilities and work schedule

It was confirmed that the Directorate Macro-Economic Statistics in Statistics Austria is fully in charge of sector classification of individual units in Austrian national accounts. The review of delimitation of the general government sector takes place in early spring each year (February-April), and results in the release of an updated list of general government entities on STAT's webpage.

The Austrian business register, run by another division of Statistics Austria, assigns to all units information on their ESA95 sector classification as provided by the Directorate Macro-Economic Statistics. This ensures that the sector coverage of the data derived from statistical surveys remains coherent with other sources used for government units.

Information on the ownership of units is, however, not included in the business register. It is collected independently, mainly based on the details provided in business reports. It was mentioned that the distinction of public enterprises in the business register would be helpful for reporting data on liabilities of individual bodies in the questionnaire on the government-controlled entities.

The Austrian National Bank is notified on a monthly basis about sector classification. It also co-operates closely with Statistics Austria to ensure that the coverage of the general government sector in non-financial and financial accounts does not show differences.

¹¹ Completed.

- Criteria and procedure for sector delimitation

The main criterion used by Statistics Austria for the assignment of a unit to general government is that the ratio between its sales and production costs, as defined in ESA95, is below 50%. Nevertheless, based on specific MGDD guidance, some special purpose vehicles (SPV) – sales and leaseback limited liability companies (*Landesimmobiliengesellschaften, LIGs*), even though deemed to be market producers, are currently considered part of general government sector.

As auxiliary criteria, the legal status, economic activity, ownership of the unit and its financing are also taken into account. The latter factor is also helpful for a further classification of units between different levels of the government.

The frequency with which the “50%-test” is run, its time coverage and aggregation of the units tested are determined by the data availability and results of the former exercises, in the following way:

- 1) non-market producers, being part of general government, are tested only in case of a substantial change in their activities or reported results, and exclusively for the latest year, as for earlier years only processed and aggregated data are available,
- 2) market producers, with results of previous tests close to 50%, and so with a sectorization risk (borderline cases), are tested on an individual basis for the most recent three years,
- 3) other market producers are tested on an ad-hoc basis.

Based on the Austrian Stability Pact, information on new units established by the general government entities is, starting from 2011, provided on a compulsory basis by the parent institution. For earlier years the information has been derived from analysis of source data, the business register, or received from other bodies responsible for the sector classification.

Findings and conclusions

Eurostat took note of the practical aspects of the process of delimitation of the general government sector in Austria.

5.1.2. Questionnaire on government-controlled entities

Introduction

From December 2012 Member States are required to transmit to Eurostat on a compulsory basis a questionnaire on government controlled units. This information is crucial for the delimitation of the general government sector; however in many countries efforts are still ongoing to ensure the exhaustiveness of the list. The availability of sources for the questionnaire on government controlled entities in Austria, and related compilation issues, were discussed during the meeting. This issue relates closely to the discussion on the implementation of action point 5 agreed during the upstream visit on a register of public units.

Discussion

In Austria the main problem with capturing government controlled entities concerns the local government sub-sector level. In order to assure an exhaustive coverage of entities controlled by local government bodies, an ad-hoc survey was conducted for municipalities.

Considering that information on the association of municipalities was to be delivered by the Austrian Court of Audit, Eurostat asked about the reasons for different arrangements for col-

lecting the data. It was explained that the survey is a one-off exercise, run independently and on its own initiative by the Court of Audit. Statistics Austria expected to receive a reliable and exhaustive list of all associations of municipalities.

Eurostat enquired whether administrative databases could be helpful in obtaining the information, e.g. the records of the tax office. In this context Statistics Austria pointed out that the main problem concerned the balance sheet information required in the questionnaire. Even though restrictions on borrowing were imposed for some units, and for large public corporations, e.g. ASFINAG, published accounts were available, for some groups of units dedicated requests were necessary.

In this context, Statistics Austria enquired about two issues relating to the questionnaire on government-controlled entities. First, it was not clear how the aggregation of liabilities should be conducted considering the different concepts used and potential financial relations between the entities covered, subject to consolidation for general government entities. Also a question of publication of the data was raised since the relevant legislation stipulated the release of the data at the national level. Eurostat acknowledged that these issues are to be further discussed by the Task Force on the implementation of Directive 85/2011.

Findings and conclusions

Eurostat took note of the progress in work on the compilation of government controlled entities and related open reporting issues subject to further discussions by Task Force on the implementation of Directive 85/2011.

5.1.3. Public corporations

Introduction

Under this agenda point, the sector classification of infrastructure public companies was reviewed, based on information provided in the new EDP inventory template. The activities and sectorization of Österreichische Industrieholding AG was briefly discussed.

Discussion

Prior to the visit Eurostat had asked Statistics Austria to complete an ad-hoc questionnaire on the transactions between the government and the largest public corporations, to inform discussion of their sector classification. Since Eurostat had further questions, Statistics Austria asked for a more detailed specification of the information needed.

- Infrastructure companies

It was confirmed that main infrastructure companies: ÖBB, Asfinag, Wiener Linien (metro) and Vienna Airport, are considered non-financial corporations in Austrian national accounts. Other public corporations classified outside the general government sector include public utility companies dealing with energy and water supply, wastewater treatment, garbage removal and public transport.

Infrastructure companies also function at the local level, usually organized in conglomerates providing various services for one or more municipalities. Detailed information on these business structures and their sector classification was sought in the context of work on the questionnaire of government-controlled entities.

- Österreichische Industrieholding AG (ÖIAG)

Prior to the meeting, Statistics Austria provided a note prepared in co-operation with the Ministry of Finance, on the activities of ÖIAG, its dividend policy and sector classification.

ÖIAG is a 100%-state owned public corporation, mandated by government to manage its participations in five companies: Telekom Austria, OMV AG, Österreichische Post AG, GKB Bergbau GmbH, considered non-financial corporations in national accounts, and Finanzmarktbeilegung (FIMBAG), a SPV classified as a general government entity. The main purpose of ÖIAG is to increase the value of the participations.

ÖIAG might be also authorized by government to privatize public companies, as in the past case of Austrian Airlines. It was confirmed that no major privatizations have recently taken place. In this context, Eurostat referred to the lack of data on other, smaller, privatizations reported in EDP related questionnaire tables 10 and it was agreed that the Statistics Austria will investigate whether, during the past four years, there were any material privatization receipts to be reported or they could be assumed as close to zero.

As a holding company, ÖIAG generates its revenues mostly from the dividends received on its participation holdings. It then distributes the income to the government. Statistics Austria explained that current recording of government dividends from ÖIAG is under review for its compliance with the relevant MGDD rules.

Statistics Austria considers ÖIAG to be an individual institutional unit, an independent holding company rather than a shell. Considering that the unit, in carrying out its business activities, seems to act as a government agent, it was not clear to what extent it may independently decide on the increase or decrease of its participation in a given company. Since it is possible that it runs its operations strictly according to government instructions, Statistics Austria committed to review the sector classification of the company and provide results of the analysis to Eurostat.

Findings and conclusions

- 1) Eurostat will define by the 1st September 2012 its information needs concerning transactions (and the related stocks) between the largest public corporations and government (**Action point 18; deadline: 1 September 2012**)¹².
- 2) The Austrian Statistical Authorities will check the mandate of the Austrian Industrial Holding (ÖIAG) for privatization and investments, in the view of examination of its current sector classification and provide Eurostat with the results of the analysis by November 2012 (**Action point 19; deadline: November 2012**)¹³.
- 3) Statistics Austria will examine, before October 2012 EDP notification, the available data on transactions in shares and other equity (F5) whether they include the privatizations receipts to be reported under 'other privatizations' in table 10.2 of the EDP-related questionnaire and, in general, the materiality of such receipts in Austria¹⁴ (**Action point 20; deadline: October 2012 EDP notification**).

5.1.4. Quasi-corporations

Introduction

The issue of aggregate testing of quasi-corporations for compliance with the 50%-market/non-market rule, and the treatment of transactions between government and quasi-corporations were briefly discussed during the meeting, also based on the information received under agenda point 3 (April 2012 EDP notification review).

¹² Completed.

¹³ Some information has been provided.

¹⁴ Completed.

Discussion

In Austria, quasi-corporations exist at all levels of general government (central, state and local government). Nevertheless, they seem to be of statistical relevance only in one state (hospitals in Lower Austria) and for Austrian municipalities (hospitals in Vienna, entities dealing with different activities, mostly public utility bodies).

Results of all public quasi-corporations are included in the source data used for production of government finance statistics; nevertheless the information on the individual transactions between government and a quasi-corporation is not available. The impact of the balance of quasi-corporations on general government accounts is then captured via a “reinvested earnings” approach.

In parallel with an analysis for the group of quasi-corporations of all the municipalities located in the state, the aggregated results derived from public accounts for quasi corporations of a given state are independently analysed for both current and capital accounts. A positive balance of the current account is registered for the whole amount as government revenue from withdrawal from the income of quasi-corporations (ESA95 code D.422).

This does not fully comply with ESA95 guidance that requires to record under D.422 only the amounts which entrepreneurs actually withdraw for their own use from the profits earned by quasi-corporations. Part of the trading profit left, especially for investment purposes, is considered saving of the quasi-corporation (ESA95 para 4.56 and 4.58).

As a matter of symmetry, any negative balance of the current account is recorded as a subsidy (ESA95 code D3) from general government to the corporation in Austrian national accounts. This approach could be reconciled with the guidance included in ESA95 para 4.35 c) and 4.61.

Furthermore, capital transfer expenditure (D9PAY) is imputed whenever the capital accounts show a negative balance, for example due to gross fixed capital expenditure not balanced explicitly by a related capital transfer, or financed through the incurrence of a loan.

This procedure for the treatment of quasi-corporations has been applied by Statistics Austria for many years. Statistics Austria enquired about the techniques applied by other countries in this respect. Eurostat committed to a follow-up of this issue after the meeting.

Moreover, it was underlined by Statistics Austria that the current “50%”-testing of the quasi-corporations at the aggregate level for assigning them to the relevant ESA sector should not risk underestimating the government deficit. Most of the entities providing public utility services should be profitable (wastewater treatment, waste management), whereas capital injections into loss-making hospitals, treated as quasi-corporations, are included in government expenditure.

Eurostat enquired about the profitability of other areas where quasi-corporations may operate, for example the construction of residential buildings, and indicated that quasi-corporations should also be listed in the questionnaire on government-controlled entities. It was discussed whether, in this context, the data should be reported at the level of individual quasi-corporations or grouped by activities (according to NACE code). Statistics Austria explained that for most cases it should be possible to distinguish particular quasi-corporations in the public accounts (via a combination of functional (*Ansatz*) and economic classification (*Posten*)) and committed to provide the information on quasi-corporations on an individual basis in the questionnaire.

Findings and conclusions

- 1) Eurostat took note that the current public accounting system does not contain the information on transactions between government and quasi-corporations needed to compile government accounts in line with ESA95, and encouraged the Austrian national authorities to take prompt actions in this respect.
- 2) Eurostat welcomed the intention of Statistics Austria to list quasi corporations in the questionnaire on the government controlled-entities on an individual basis.

5.1.5. Hospitals

Introduction

The issue of sector classification of public hospitals in Austria and the treatment of specific transactions between government and the hospitals (capital injections and loans assumption) have been discussed extensively between Statistics Austria and Eurostat during recent EDP dialogue visits.

In the context of EDP upstream dialogue visit detailed information on Austrian hospitals financed by the social security funds as well as on the holding companies managing hospitals at the state level, their liabilities and main expenditure items was delivered. The issues of accounting systems in place and data availability were discussed with the Ministry of Health and representatives of hospital holdings. As a follow-up, a note on the pricing policy for health services and the financial statements for a sample of hospitals were requested.

Discussion

Institutional aspects and financing of health services were recalled in a note provided before the meeting. The responsibility for providing hospital services is shared between federal and state government; whilst the federal government sets the framework legal basis, the regional governments pass the implementing rules and are in charge of the implementation of the whole relevant legislation.

The practical arrangements for the organization and financing of the health system are agreed between federal and regional administrations and apply for a predefined period. All public funds earmarked in the agreement for financing of hospital services are allocated to both the regional governments and their provincial health funds (*Landesgesundheitsfonds*).

The funds also draw resources from local governments and social security funds. In addition, they receive payments from patients for services charged directly, and resources set under Austrian Act on Health and Social Benefits (*Gesundheits- und Sozialbereich-Beihilfengesetz (GSBG)*). Provinces may choose to administer additional regional resources earmarked for hospital financing via the funds or independently.

The provincial fund resources are spent on investments and outpatient and inpatient care services. The financing of the latter is governed by a special system of hospital funding based on Procedure-oriented and Diagnosis-related Groups (*Leistungsorientierte Krankenanstaltenfinanzierung, LKF, eng. DRG*). It is required that the endowments from the funds should be determined by a market-simulating pricing policy (*to be considered turnover in line with market conditions in the sense of earnings*) for a minimum amount of 51% of their operating expenses, including depreciation. In this way compliance with 50%-test on market/non-market output should be assured.

Provincial health funds resources are disbursed based on the DRG-system to public and non-profit oriented private hospitals. According to information provided, 60.3% of the final costs of the hospitals were reimbursed in this way in 2010. Starting from 2002, the DRG-system

has also been used for distribution of social insurance resources from the Fund for Financing Private Hospitals (*Privatkrankenanstalten-Finanzierungsfonds; PRIKRAF*). This is one of prerequisites set out by MGDD (section I.2.4.4 iv) for considering the DRG-based payments as sales revenues. However, not all private hospitals are financed by the fund.

DRG-“prices” for specific group of hospital services (procedure oriented diagnosis related case groups) have been set based on costs of 20 representative hospitals, considering that they would reflect the average level of costs over the whole country, and are independent from the costs of individual hospitals. There is, though, some flexibility built in the system at the provincial level as regards differences in the cost structure of certain specialized hospitals (DRG-control range) compared to the average. This is handled by the state administrations usually with help of weighting coefficients.

The current system was decided in 2009 and is based on the 2005 hospital costs structure.

It was acknowledged by the Austrian delegates that it is difficult to differentiate in the cash flows from funds to hospitals between the amounts for financing sales and subsidies, and that the 51%-ceiling of costs covering via DRG-based payments is reached on a global level. In this context, it was recalled that some hospitals were also financed via loans, registered as subsidies under ESA95.

Considering that as a follow-up to the upstream dialogue visit Eurostat received financial statements for a selected group of hospitals, and for some of them a negative equity position was observed, it was stressed again that ESA95 requires application of the 50% test, as defined in the statistical guidelines, on an individual basis. The testing of individual entities is also necessary under ESA2010. In this context, Statistics Austria agreed to undertake an examination of the sales to production costs ratio for a representative sample of hospitals and provide Eurostat with results of the analysis.

Eurostat also enquired about any plans for reforming the current system of hospital financing. The representatives of the Ministry of Health explained that there is an intention to also develop and apply the DRG-based pricing system for outpatient hospital care.

Taking into account that the discussion of sector classification of Austrian hospitals and treatment of related capital injections from government has been discussed since 2001, with implications for the government deficit and debt (imputed debt assumptions), the Austrian authorities believed that the Manual on Government Deficit and Debt should be expanded so that it also provides more specific guidance on the sector classification of the health care bodies and related transactions with government entities.

Eurostat explained that, under ESA2010 rules, more weight has been given to qualitative criteria as prerequisites for sector classification, so that before the application of 50%-test the share of resources coming from government to a given entity will have to be examined and government’s role as a main or the only purchaser of its services considered. Moreover, Eurostat suggested that a detailed discussion on this issue could take place during a training session on the new ESA or a meeting of a Task Force on implementation of the ESA 2010 in the MGDD planned for autumn 2012.

Concerning the sector classification of health insurance funds, Eurostat confirmed that in some cases they can be classified outside general government sector.

Findings and conclusions

- 1) Statistics Austria will prepare a sample design to select the representative hospitals for conducting on the individual basis the 50%-test on their sector classification (market/non-market producers), and will consult Eurostat by the 1st September 2012 on the design. Af-

terwards a timetable for further work in this respect will be agreed (*Action point 13; deadline: 1 September 2012*)¹⁵.

- 2) Eurostat took note on the proposal of the Statistics Austria that the guidelines on the treatment of the EDP-relevant health care issues should be developed in the context of work on the revision of the Manual on Government Deficit and Debt in respect to ESA2010 implementation (*Action point 14; deadline: in the context of work on the revision of the Manual on Government Deficit and Debt*).

5.2. Implementation of accrual principle

5.2.1. Accrual recording of taxes and social contributions

Introduction

Prior to the meeting, an updated version of the questionnaire on taxes and social contributions and a note on time of recording of transfers related to taxes collected by central government for other government sub-sectors were provided. Considering the difficulties with consolidation of flows between different levels of government observed in Austrian government accounts, Eurostat wanted to confirm that potential time differences in assigning the revenue from tax transfers did not contribute to the problem.

Discussion

The note explained that taxes transferred from central government to state and local administrations according to the system of fiscal equalisation are registered directly as tax receipts in the accounts of state and local government according to the ESA95 rules of recognizing the principal party to the transaction (ESA95 para 1.41). There has been no need to record related flows between the sub-sectors. It was also confirmed as that for the wage tax (ESA95 code D.51A, value added tax (D.211), and for duty on vehicles based on fuel consumption (D.214A), the same time adjustment of cash receipts is undertaken as for the central government, i.e. one month for D51A and two months for D211 and D214A.

For a few items in the detailed list of taxes and social contributions, Eurostat asked for additional information on the accrual method. In 2011 tax revenue was collected from new taxes: a flight charge (*Flugabgabe*), classified as other taxes on products (D214H: 'other taxes on specific services: hotels, lodging, housing services, communication, advertising'), and a Financial institutions' Stability Fee (*Stabilitätsabgabe*), classified in the questionnaire as taxes on income (or profits of corporations D51B). The issue of the latter assignment of ESA tax category was briefly discussed since taxes of similar features had been introduced in other EU Member States and a harmonised treatment is sought to assure the comparability of taxation data.

Eurostat also enquired about potential statistical implications concerning the time of recording of the tax treaty signed by the Republic of Austria with Switzerland. Considering that the amounts at stake were substantial and similar tax treaties were also planned by the United Kingdom and Germany, it was agreed that the issue will have to be followed closely in coordination with Eurostat.

With regard to table 5 of the EDP-related questionnaire on other accounts receivable and payable registered for taxes and social contributions, Eurostat pointed out that a detailed breakdown by type of taxes and data for social contributions are substantially missing from the table and enquired about the reasons. Statistics Austria explained that the available data sources allow only a breakdown of transactions in other accounts receivable and only for recent years

¹⁵ Completed.

(2006-2011). For earlier years the data for transactions in other accounts receivable and the detailed breakdowns of transactions in other accounts payable and the reported stocks would have to be estimated for the whole reference period (1995 onwards). On the payables side it is known that amounts registered refer to the credits of taxpayer, mostly resulting from income tax paid in advance and value added tax on inputs. Statistics Austria committed to undertaking efforts to complete the missing data for the autumn 2012 EDP notification.

Findings and conclusions

- 1) Eurostat will check by the 1st September 2012 the classification and recording of taxes for which the tax basis is determined on the size of the banks' balance sheets across Member States and provide the answer to Statistics Austria (**Action point 10; deadline: by 1 September 2012**)¹⁶.
- 2) Statistics Austria will improve the coverage of table 5 of the EDP-related questionnaire ("Taxes and social contributions: transactions and stocks in other accounts receivable/payable") by the October 2012 EDP notification (**Action point 11; deadline: by October 2012 notification**)¹⁷.
- 3) Eurostat will consult other Member States on the treatment of their tax treaties with Switzerland in the national accounts and inform Statistics Austria on the results of the consultation by the 1st September 2012 (**Action point 12; deadline: by 1 September 2012**)¹⁸.

5.2.2. Time of recording of other government transactions

Introduction

The basis of the working balance is declared in the Austrian EDP tables as 'cash' for central government, 'mixed' for state and local government and 'accrual' for social security funds. The issue of time of registration of transactions in source data was discussed during the EDP upstream visit. As a follow-up action, additional information on the time of recording in public accounts for major revenue and expenditure items was requested, for the main entities of federal, state and local sub-sectors, with an indication of differences between cash and accrual figures where relevant.

Discussion

Statistics Austria explained that they had undertaken a more in-depth examination into the source data concerning their compliance with the accrual principle as defined under ESA95. The discussion focused on time of registration according to the existing public accounting rules at different level of government and the forthcoming changes.

In the federal government accounting system all operations are registered at different stages relevant for budget execution, including actual payment. All transactions used as an input into EDP data were captured at the stage of actual payment. Eurostat enquired whether other phases available in the sources could be helpful for adjusting the cash data to the ESA concept of accruals. It was explained that not all divisions of the government used all the phases in their accounting system, whilst registration of cash was common to all entities.

In the accounting system used by main entities of state and local government (*Voranschlags- und Rechnungsabschlussverordnung, VRV*) all the expenditure and revenue due in the previ-

¹⁶ Completed. Additional information should be available only later in 2012 with the transmission of ESA95 table 9 by Member States.

¹⁷ Completed.

¹⁸ Completed. Information on statistically relevant features of the treaty signed between Austria and Switzerland has been requested.

ous financial year, or postponed to the next financial year, can be still registered in the records of the previous year if undertaken in the course of the following January. For EDP data compilation Statistics Austria uses “Soll”- entries, whereby “Soll” could be understood as amounts due or assigned (*die Summe der vorgeschriebenen Beträge*). The actual payment are captured under the “Ist”-entries (*die Summe der abgestatteten Einnahmen und Ausgaben*). In this context, it was explained that it is not fully clear whether the concept of “Soll”-registration could assure sufficient compliance with the understanding of accrual recording under the ESA. Beside the conceptual issue, practical registration aspects had to be considered since, in most cases for the quarterly data, cash transactions are usually reported as “Soll”, whilst in the annual data (closing statements/ clearances) the time concept of recording should be rather closer to accrual.

It was also confirmed that for interest payments no differences were usually observed between “Soll”- and “Ist”-registration. Such differences would usually be expected for financial instruments with maturity over one year and interest cash flows not on annual or quarterly basis.

Availability of information on trade credits was also discussed. Statistics Austria considered that stage payments in cash for gross fixed capital formation could be considered as occurring in parallel to asset development, so that the payments should reflect the transfer of the ownership. Hence for gross fixed capital formation (GFCF) very marginal adjustments were needed for accrual registration. Eurostat explained that additional plausibility checks on existence and size of trade credits arrears in settling the bills, notably their size, type of transactions to which they commonly refer and their evolution over time, could be made. Late interest payment (penalties) may be used as an indication in this respect.

It was confirmed that, with the introduction of accrual accounting for the federal budget and progress expected in the compilation of financial accounts from direct data sources, this information should become known for the general government. Eurostat asked further whether it would be possible to distinguish trade credits by particular economic categories (intermediate consumption, gross fixed capital formation) in source data. Statistics Austria explained that cross-linking with the information on differences registered between SOLL vs IST from the current system could be used to that end.

With regard to balance sheet information, Eurostat enquired about availability and possibility to use data on changes in assets and liabilities for checking the plausibility of estimates or even substituting for some transactions. Statistics Austria confirmed that there is a consistency issue between the data on stocks and flows for the federal government (*BEV vs VRV*). In general, it is impossible to ensure a full reconciliation of the data sources currently available. There is an intention to base the compilation in the new system on available balance sheet information.

Eurostat asked also about the designation of balance sheets in the EDP inventory sources table as mixed. It was confirmed that situation differs between the states. In some provinces the accounting systems ensure accrual recording, whereas in others a traditional single-entry system of accounting is used.

The Austrian Statistical Authorities also confirmed that the very small amounts reported in the EDP-related questionnaire table 4 as payables related to financial transactions are derived from counterpart information in banking statistics.

Findings and conclusions

- 1) Statistics Austria will investigate by the 1st September 2012 whether any information on arrears/ late payments of the bills could be derived from available data sources, e.g. from

budget lines relating to interest on late payments (*Action point 15; deadline: by 1 September 2012*¹⁹).

- 2) Statistics Austria will examine whether it would be possible to improve the availability of information on the breakdown of different payables in the balance sheets by economic categories, especially for the sub-sector central government in the context of the on-going reform of the accounting framework of the Federal Government, and provide Eurostat with the results of the investigation when completed (*Action point 16; deadline: as soon as possible*)²⁰.

5.3. Recording of specific government transactions

5.3.1. Recording of guarantees

5.3.1.1. Treatment of guarantees relating to export financing system

Introduction

Under this agenda point discussion was focused on the conventions for recording of guarantees on assets and liabilities of the Österreichische Kontrollbank AG (*OeKB*) in table 9.1 of EDP related questionnaire ('Government guarantees in public accounts').

During the 2009 EDP dialogue visit, the export financing system operated by central government, and its related booking in government accounts under ESA95, were discussed in detail. In the April 2012 EDP notification exercise, the coverage of table 9.1 of EDP-related questionnaire with respect to guarantees on assets was investigated by Eurostat, with a follow-up discussion on rules for reporting of guarantees taking place in the June 2012 meeting of the Financial Accounts Working Group (FAWG).

In this context, the Austrian statistical authorities raised doubts whether the present recording convention applied for guarantees relating to activities of Österreichische Kontrollbank AG is correct. The relevant details and considerations were presented.

Discussion

OeKB is owned by Austrian commercial banks and has a double function, acting as an export credit insurer and a refinancing institution for Austrian commercial banks providing export credits. Since it is not a public institution, it is classified in the financial corporations sector (S12).

OeKB became an official Austrian export credit agency in 1950. It administers **export guarantees**, covering export transactions and investments abroad, on behalf of Austrian government, according to provisions set out in the Export Guarantees Act (*Ausfuhrförderungsgesetz*) from 1981, as amended in 2008. The limit for the aggregate exposure from these guarantees is 50 bln euro, while at end-2011 the outstanding guarantees amounted to 37 bln euro.

In order to avoid any problems of potential conflict of interest relating to the double function of the OeKB, decision making concerning the export guarantees granted on behalf of the Austrian government remains fully with the Austrian Ministry of Finance. Nevertheless, OeKB is responsible for accounting of all the transactions. All inflows and outflows are operated under a dedicated official account of the Ministry of Finance at OeKB, therefore all related cash flows are included in the federal budget on a gross basis.

¹⁹ Completed.

²⁰ Not yet completed; its implementation depends on the availability of balance sheets data from 2013 onwards.

OeKB examines applications for export guarantees and collects the premia from exporters, which are also recorded in the budget. If the guarantee is called, the cash is paid to the exporter benefiting from the guarantee. For the amount transferred, a claim on the importer is registered. Pursuant to the relevant legal provisions, the holder of the claim is the MoF. OeKB is also responsible for the related management and recovery of the claims. No provisions are currently registered for these claims, even though this is expected to change starting from 2013 under the new budget framework. If there is a recovery of a claim, it is recorded in the budget on a cash basis as an inflow. Claims considered irrecoverable are written off. The MoF explained that there is a special procedure for writing-off and that the approach is automatic. These write-offs do not affect the budget; nevertheless, in ESA95 government accounts capital transfer expenditure for the same amount is recorded. MoF mentioned that, for 2011, the premium and interest income amounted to 220 mln euro, whilst 147 mln euro was paid on the claims and 55 mln euro was the net recovery. Write-offs from commercial activities, excluding debt forgiveness, were only 15 mln euro for 2011.

Performing its second function, OeKB directly finances Austrian exporters and foreign importers and funds the investments abroad or grants special funding facilities for the same purpose via other banks (**export financing scheme**). A pre-condition for financing is the existence of an export credit guarantee for the transactions and/or projects.

It was explained that export activities guaranteed by OeKB on behalf of the MoF can be also refinanced by the bank. Eurostat understood that nearly all the assets of OeKB relating to the export financing are secured by the rights from underlying government export credit guarantees.

In order to assure that the funds for export refinancing are obtained by OeKB at a lower interest rate on the financial market, there are also government guarantees granted for the respective OeKB's liabilities, pursuant to the Export Financing Guarantees Act (*Ausfuhrfinanzierungsförderungsgesetz*), amounting to 34 bln euro at end-2011.

Eurostat understood that in this way the guarantees granted by Ministry of Finance cover both sides of OeKB's balance sheet, the assets via export credit guarantees and the liabilities via export financing guarantees. The outstanding amounts of both types of guarantees were included in the stock of guaranteed debt reported in the table 9.1 of EDP-related questionnaire, resulting, seemingly, in a double-counting of the government exposure on the export credit risk.

Austrian authorities confirmed that both guarantees cover the same risks, and if there is a guarantee call on export claims, due to a transfer of rights from the guarantees, government outflows should be used for settlement of the claims from OeKB's financing. Having received this clarification, Eurostat agreed that the Austrian statistical authorities should reduce the stock of guaranteed debt by the amounts of export financing guarantees, to eliminate double-counting.

In this context, Eurostat also enquired under which ESA95 financial instruments the claims relating to the export guarantees are recorded. The Austrian National Bank explained that they are registered as short-term loans in government financial accounts since their maturity is not known, and their stock for 2011 was around 0.9 bln euro. Taking note of this information, Eurostat asked the Austrian Statistical Authorities to complete the missing data on flows and stocks of central government claims from guarantees in table 8.1 of the EDP-related questionnaire on the basis of the data available.

Findings and conclusions

- 1) Eurostat took note of the system of guarantees existing in Austria for fostering the export activities and their current treatment in national accounts

- 2) Statistics Austria will correct, by the next EDP notification, the double-counting of guarantees related to export credits in the EDP table 9.1 of the EDP-related questionnaire, and complete the information on the claims related to the guarantees in the EDP-table 8.1 (*Action point 6; deadline: by October 2012 EDP notification*)²¹.

5.3.1.2. Results of ad-hoc questionnaire on guarantees

Introduction

Eurostat had asked Statistics Austria to complete an ad-hoc questionnaire on government guarantees on assets and liabilities. Clarifications on the availability of the data and reporting conventions were given during the meeting.

Discussion

As regards guarantees, it was also mentioned that there were plans to limit the guarantee exposure at the level of all government sub-sectors in the context of the Austrian Stability Pact through imposing exposure ceilings via special regulations (*Haftungsobergrenzengesetze*).

It was confirmed that the data on guarantees granted for state and local government for 2011 should become available for the October 2012 notification. Only an aggregated level of data, i.e. broken down by states, for Vienna and other entities of local government and for public hospitals, and not for individual corporations, can be reported for these government sub-sectors. Eurostat encouraged work on further disaggregation of the data.

Eurostat took note of significant amounts of government guarantees granted on the debt of the Austrian Federal Railways (ÖBB), ASFINAG and Schieneninfrastruktur-Dienstleistungsgesellschaft mbH (SCHIG). In this context, it was mentioned that under ESA2010 ÖBB Infrastruktur AG and SCHIG will be reclassified into general government sector.

Eurostat enquired about the guarantees reported for works of art exhibited in federal museums. It was explained that these guarantees are granted for special exhibitions and should be treated as an alternative to purchasing an insurance policy.

Eurostat took note that no guarantee cash calls were reported in the questionnaire, even though some amounts are notified in the regular transmissions of EDP tables, and that the information was also missing from the sub-table relating to guarantees on assets.

Concerning the data provided on the debt assumed by general government in ESA95 accounts, Eurostat asked the Austrian statistical authorities for additional information on implementation of the methodological advice of Eurostat from February 2011 on the recording of the debt of ÖBB. It was confirmed that rerouting of a certain type of investment arrangement took place in this respect. Eurostat noticed that, according to the methodological advice, the total stock of ÖBB's debt should be examined for existence of written evidence that it would be taken over by government. In addition, for the investment arrangement for which the debt assumption was imputed, it should be checked whether the same level of government responsibility also applies to the remaining 30% of project financing. Furthermore, Eurostat enquired whether any calls on the guarantees had taken place. In this context, the Austrian delegates recalled the significant subsidies granted by government to ÖBB, which help the company to maintain the level of liquidity necessary for servicing its debt without calling on the guarantees.

In reference to the debt assumption reported for the Austrian public hospitals, Eurostat asked whether the actual transaction is properly measured. The imputation undertaken in the gov-

²¹ Partially completed.

ernment accounts seemed to have the features of a re-routing of a change in debt stocks than an assumption of the total outstanding stock by the government. Statistics Austria agreed that the re-routing concept has been applied for capturing the impact on government debt from assuming the liability for guaranteed hospital debt.

Findings and conclusions

In line with the conclusions of the Eurostat advice on the methodological treatment of the debt of the Austrian railway company ÖBB from February 2011, the Austrian Statistical Authorities will review, whether for the part of the stock of debt of the ÖBB guaranteed by the government, for which, however, no assumption by the government has been recorded in the national accounts, government could be considered as being "de facto" liable to repay the debt. A report will be provided to Eurostat when this is completed, at the latest by end-2012 (**Action point 26; deadline: by end-2012**)²².

5.3.2. Government investments into infrastructure

Introduction

In February 2011 Eurostat expressed its view on methodological treatment of debt of ÖBB, concluding that part of liabilities of company were to be considered as government debt, when there is clear evidence that there is an existence of a "de jure" obligation to service the debt from government funds. The respective inclusion of ÖBB's liabilities into the government balance sheet should be recorded via a debt assumption²³.

Considering that new railways infrastructure projects had being launched, for example the construction of the Semmering Basistunnel, Eurostat asked the Austrian statistical authorities to provide a brief statistical analysis of the treatment of their financing. An explanatory note provided was supplemented with clarifications by a representative of the Ministry for Transport, Innovation and Technology (BMVIT) in the course of the meeting.

Discussion

The Austrian delegates explained that financing of infrastructure investments in Austria is based on a portfolio approach and that specific projects are funded from the budget for infrastructure via subsidies.

As regards the financing of ÖBB Infrastruktur AG's expenditure on maintenance, planning and construction of the railways infrastructure, there exists a legal obligation for the federal government to grant subsidies to this end set out in the Article 42 of the Federal Railways Act (*Bundesbahngesetz*) that also introduces a related procedure for co-ordination and monitoring.

Austrian delegates explained that targets for infrastructure development over a longer time perspective have been defined via the concept of target network (*Zukunftnetz*). For their implementation the ÖBB Infrastruktur is required to present an investment programme for six years, updated annually (*Rahmenplan*). Based on this programme a six-year subsidy contract (*Rahmenplanvereinbarung*) is signed between the company and the Ministry of Transport, subject to approval of the Ministry of Finance. The contract fixes the amount of subsidies based on the planned value of investment.

²² Information provided on 20 December 2012.

²³ http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/Austria%20-%20Treatment%20of%20the%20debt%20of%20the%20Austrian%20railway.pdf

According to the current contractual agreements, federal subsidies should finance 75% of the investment expenditure of a given year for almost all rail infrastructure projects of ÖBB Infrastruktur AG. The government cash flows, however, follow a pattern equivalent to an amortization of a 30-year financing arrangement. Different subsidy parameters are in place for the construction of Brenner Basistunnel where, due to its cross-border nature, the federal government is obliged to cover all the investment expenditure and the related cash payments are spread over 50 years. All the subsidies are booked in the budget on a cash basis.

If the actual investment spending for a given year deviates from the planned value, an adjustment is made in the following year's programme. It was confirmed that, even though the Ministry provides the funding, it is up to the ÖBB Infrastruktur to decide on project implementation. In most cases the projects are sub-contracted.

The Austrian statistical authorities explained that given the same legal, administrative and financial arrangements, the treatment of government participation in funding of new railway infrastructure projects in national accounts will be analogous to the recording introduced in order to comply with the February 2011 Eurostat view. For the whole amount of the investment grant committed for a given year and accrued interest, government expenditure (capital transfer and interest payable, respectively) is to be recorded in government accounts, and an equal incurrence of long-term loans, reduced simultaneously by a repayment equal to the actual payment from the budget, is imputed.

The information obtained, and issues raised, in the course of the clarifications on data reported in the ad-hoc questionnaire on guarantees (see section 5.3.1) were also relevant for the discussion.

Eurostat further enquired about any flows of EU funds committed for the financing of the new projects and how they are recorded in government accounts. It was explained that funds should flow directly from the European Commission to ÖBB Infrastruktur, not via general government accounts. Nevertheless, the Austrian statistical authorities undertook to confirm the details of the relevant transactions and, if relevant, examine the time of recording of the EU flows in the source data, and whether they can be correctly excluded from government revenue and expenditure in line with the available MGDD guidance.

Concerning ASFINAG, and its investments in road infrastructure, it was confirmed that the company independently finances all its investment projects.

Findings and conclusions

- 1) Eurostat took note of railway network infrastructure investment financing and its treatment in national accounts.
- 2) Statistics Austria will investigate by mid-July 2012 whether any delays may occur, relevant from the statistical viewpoint, concerning the EU flows managed by government bodies off-budget, especially in the context of the financing the investments by the public infrastructure companies (notably the Austrian Federal Railways, ÖBB) (**Action point 23; deadline: by mid-July 2012**)²⁴.

5.3.3. Public private partnerships (PPPs), concessions and licences

Introduction

During previous EDP dialogue visits, the Austrian statistical authorities had explained that there were only few PPP projects in Austria, with the three largest ones reported in table 11 of

²⁴ Completed.

the EDP-related questionnaire. Prior to the meeting, Eurostat asked Statistics Austria for a note describing the process of collecting and assessing the data relating to licences, concessions and the progress achieved in collecting information on public-private partnerships.

Discussion

In 2010 Statistics Austria launched, in co-operation with Ministry of Finance, an ad-hoc exercise aimed at stocktaking of PPPs at the level of central and state government. Data are not collected on a regular basis, even though the situation is monitored to a certain extent via the analysis of public accounts, entries in the business register and information in the media. In addition, Statistics Austria is usually consulted by government entities on the statistical treatment of projects with involvement of the private bodies which have PPP characteristics.

Eurostat welcomed the initiative of Statistics Austria to collect the data on existing and planned PPPs at the municipality level via an ad-hoc survey (as mentioned during the discussion on the implementation of action points from the upstream visit in section 2.2). Nevertheless, the Austrian statistical authorities indicated that the projects reported may deviate from the statistical definition of PPPs. In this context, Eurostat pointed out that, at the local level, financial and operating leases may also be of statistical relevance, so it would be recommendable to gather data for these operations as well.

Concerning the statistical analysis of the PPP projects, it focused on the assessment of the construction and availability risk and government's direct or indirect involvement in the project financing.

Furthermore, in the note provided prior to the meeting, Statistics Austria explained that in the future, an increasing number of projects may be implemented under the PPP framework, and these contracts may become important in the area of public health care. Eurostat therefore recommended to adjust in advance the system of collection of statistically relevant data on PPPs. In particular, a centralized list of all the PPPs should be requested by Statistics Austria from the unit dealing with this issue and an access to the contracts upon request should be granted.

Should Statistics Austria be refused a possibility of an independent statistical analysis of the underlying PPP contracts, Eurostat recommended that the projects be classified on the government balance sheet at their inception. Provided that a model contract is used, Statistics Austria may consult Eurostat ex-ante on the treatment of the project in the national accounts. Nevertheless, any methodological guidance based on a master contract is binding and applicable to actual projects only as far as it can be ensured that they are signed without any amendments and no additional comfort letters are provided by government.

In a note provided before the meeting, Statistics Austria confirmed that licences and concessions (under their statistical definitions as set out in MGDD chapter VI) are not important for Austrian government data. Eurostat noted that there seem to be some concessions and licences granted for running lotteries and casino-operations.

Findings and conclusions

Considering the possible increase in the use of the PPP contracts by government bodies in Austria, Eurostat encourages Statistics Austria to closely follow developments in this respect, to examine the model contract in case this is introduced, and to consult Eurostat on its treatment in the form of an ex-ante request for advice.

5.3.4. *EU flows*

Introduction

Eurostat sought more information on the underlying data and reporting conventions for the table on EU flows included in EDP-related questionnaire. As a follow-up to the upstream EDP visit, additional files with detailed calculations of the respective transactions relating to EU flows were provided to Eurostat.

Discussion

Eurostat noted that some entries are still missing in table 6 of the EDP-related questionnaire on adjustments for transactions of general government with the EU. As regards data on advance payments and expenditure financed from those, it was explained that the availability of this information should improve under the new federal budget law. Nevertheless, Eurostat encouraged the Austrian statistical authorities to also investigate this issue for past data.

According to the coding in the table, no adjustments are necessary to exclude EU flows at the state and local government level and for social security funds. Eurostat raised doubts whether the coding is correct, especially allowing for the fact that significant flows from the development fund are usually intended for funding regional projects realized with co-operation of provincial authorities.

As for the EU flows adjustments in EDP tables 3, it was confirmed that transactions in currency and deposits relating to the EU are derived from the respective amounts under other financial assets, as this information can't be obtained directly from the data sources. Eurostat took also note that the information on stocks of receivable and payable against EU is not available.

Eurostat asked Statistics Austria for explanatory notes to additional data and calculation examples received after the upstream EDP visit and intended to follow these issues after the meeting.

Findings and conclusions

- 1) Statistics Austria will investigate the availability of the source data on advances from the EU funds, in particular from the regional funds, in co-operation with Eurostat if appropriate (**Action point 21; deadline: as soon as possible**)²⁵.
- 2) Statistics Austria will provide Eurostat, by the end of 2012, with metadata on the data sources used and adjustments undertaken in respect to the working balance for the transition to B9 and in the financial accounts for the purpose of the implementation of the Eurostat decision on EU flows. In addition, Statistics Austria will confirm whether there are any EU flows at the level of state and local government (**Action point 22; deadline: by end-2012**)²⁶.

5.3.5. *Recording of other specific government transactions*

Introduction

This point of agenda covered other specific government operations for which guidance was set out in MGDD or Eurostat decisions and/or reported in EDP-related questionnaire such as

²⁵ Some information provided.

²⁶ Information provided on 20 December 2012.

financial derivatives, debt assumptions and cancellations, sale and leaseback operations, capital injections and others.

Discussion

- Derivatives

As a follow-up of the April 2012 EDP notification exercise, Statistics Austria provided a note on the treatment of cross-currency swaps in EDP tables 3 and quantified their impact on government debt. Of special interest was the hedging of on-lending of the Austrian Federal Financing Agency for other government sub-sectors. Eurostat thanked the Austrian Statistical Authorities for the explanations and the table provided and took note of the recording and significant size of the transactions.

- Debt assumptions, cancellations and write-offs

Statistics Austria confirmed that they had no information about debt assumption operations other than those relating to the liabilities guaranteed by government entities, notably for hospitals and ÖBB Infrastruktur, as discussed under dedicated agenda points. Eurostat noted that for the debt assumed, the respective accrual adjustments of interest should be eliminated in EDP tables 3.

As regards debt cancellations, Eurostat took note that in government accounts, the relevant MGDD guidance was to be applied for the following types of claims: written-off loans registered upon the export credit guarantees calls, participation capital of Hypo Alpe Adria AG due to its reduction in 2011, and loans granted by central government to social security funds and cancelled for 2010-2012.

Capital transfers registered in government non-financial accounts of social security funds for social contributions assessed but unlikely to be collected (ESA code D995) were considered by the Austrian statistical authorities as another example of claim cancellation.

- Sale and leaseback operations, securitization and emission permits

Eurostat enquired about the missing data in table 13 of EDP-related questionnaire on sale and leaseback operations undertaken by general government, and Statistics Austria committed to complete the information, ensuring its consistency with the respective adjustments in EDP tables 2B and 2C.

It was confirmed that there had been no securitization operation with participation of government entities, and that no information on the payments received by government from the issue of emission permits was available to the Austrian Statistical Authorities.

- Capital injections, dividends and privatization

The reporting of capital injections, dividends and proceeds from privatization in tables 10.1 and 10.2 of the EDP-related questionnaire was briefly discussed. Statistics Austria undertook to examine the data sources available in a view to improving the completeness of the tables.

Eurostat thanked Statistics Austria for information provided prior to the meeting on large transactions relating to equity injections, dividends and loans granted by government in the recent years. Nevertheless, in most cases only the aggregated figures could be reported, and not data on individual transactions.

Findings and conclusions

- 1) Statistics Austria will add any relevant information related to the sale and lease back operations to table 13 of EDP related questionnaire by October 2012 EDP notification (**Action point 24; deadline: by October 2012 EDP notification**)²⁷.
- 2) Statistics Austria will work on the improvement of the completeness of the tables 10.1 and 10.2 of the EDP-related questionnaire by October 2012 (**Action point 25; deadline: by October 2012 EDP notification**)²⁸.

6. Any other business

Introduction

Under this final agenda point there was a discussion about upcoming changes to methodological guidance due to the ESA revision and the reform of the federal accounting system, as well as their potential impact on EDP data.

Discussion

- Introduction of ESA 2010

The discussion concentrated on the ESA2010 rules affecting government sector delimitation. In 2011, Eurostat had run a questionnaire to assess impact of the changes to market/non-market definitions on EDP indicators. In the Austrian return of the questionnaire, the impact was assessed as considerably higher than most other countries.

The Austrian statistical authorities confirmed that, considering the inclusion of net interest payments in the "50% test" in the new rules, ÖBB Infrastruktur AG and hospitals would probably be classified to the general government sector. It was explained that such reclassifications would mostly impact on government debt since the deficit impact is largely already captured under the current guidance through the recording of capital injections as expenditure. Moreover, due to the regular recording in ESA accounts of assumption by government of the debt of hospitals, their potential reclassification would probably only be visible in the impact on gross domestic product.

In addition, the new qualitative criteria for sector delimitation are leading Statistics Austria to consider the classification of Bundesimmobiliengesellschaft. It is not clear whether the company could remain assigned to the ESA non-financial corporations sector in future, since it provides its services mainly to government entities. Furthermore, Eurostat understood from discussion of other agenda points that the classification of SCHIG may change as well.

Eurostat explained that a detailed discussion of the new guidance and its practical implementation with Member States is planned. Subsequently, the questionnaire may be re-run in order to assure updated and comparable results for impact assessment across countries.

Findings and conclusions

Eurostat took note of potential reclassification of sizable Austrian public corporations due to the change in ESA rules on the sector delimitation.

- Upcoming 2nd step of the Austrian budget reform (2013)

The Austrian federal budgeting system is undergoing a reform in result of which accrual budgeting and accounting framework will be in place starting from 2013. It was explained

²⁷ Completed.

²⁸ Partially completed.

that the new basis of accounting should enable compliance directly in source data with ESA requirements regarding time of recording, so that no additional statistical adjustments would be necessary. In addition, a higher consistency of stocks and flows information from federal public accounts was expected from the budget reform.

Findings and conclusions

Eurostat took note of the possible impact of the Austrian budget reform on the source data for federal government.

Annex I: List of participants

Statistics Austria

- Walter Stübler
- Karl Schwarz
- Alexander Ninaus
- Tommaso Gerstgrasser
- Claudia Hofer
- Akós Kászoni
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- Gerald Wimmer
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- Eduard Fleischmann
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- Monika Wozowczyk

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- Tsvetan Tsalinski

European Central Bank

- Jorge Diz Dias

Annex II: Main conclusions and recommendations from 2012 EDP upstream visit to Austria



EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics (GFS)
Unit D.4: GFS Quality Management and Government Accounting



Luxembourg, 9.3.2012

EDP upstream dialogue visit to Austria 17 - 19 January 2012 Main conclusions and recommendations – *Final report*

The main objective of the visit was to review the quality of the EDP reporting system, in particular primary public accounting ("upstream") data sources, as specified in the Communication from the Commission to the European Parliament and the Council COM(2011)211 "Towards robust quality management for European Statistics", and in accordance with Art. 8 of Regulation (EC) 479/2009 as amended. Another point of interest was to review the Austrian National Statistical Institute's ability to utilise its powers under Article 16 of Regulation (EC) 479/2009 as amended by Regulation (EU) 679/2010.

I. General statements

Eurostat staff visited Austria to assess the quality of upstream data and processes used as the basis for EDP notifications. The visit was undertaken in the context of the strategy towards robust quality management for European Statistics related to enhanced economic policy coordination which includes mechanisms to ensure the high quality of statistical indicators, especially for statistics related to EDP. The aim of this visit was to gather information on the accounting, auditing, control and reporting systems in place and to assess the strengths and weaknesses of those systems.

Eurostat, in coordination with Statistics Austria (STAT), reviewed practices regarding the management and control of the flows of public finance data that come from public entities to STAT and are used to compile the ESA deficit and debt.

Eurostat welcomed the cooperative approach of Austrian authorities and their willingness to clarify and resolve the issues discussed.

II. Main conclusions and recommendations

1. Governance

Eurostat noted that STAT possesses both a strong position, and strong leadership and governance with respect to government finance statistics, which derives from a strong statistical legal basis and staff committed to continuous improvement.

As regards the more specific requirements of EDP statistics, however, this needs to be improved in order to further strengthen the professional independence and leading role of STAT in this domain.

In this sense, Eurostat welcomes and supports STAT's ongoing reflection on streamlining and enhancing cooperation with key partners, such as Ministry of Finance (MoF) and National Bank of Austria (OeNB), Austrian Federal Financing Agency (AFFA) and the Austrian Federal Computing Centre.

Eurostat stresses the need to define more clearly the responsibilities of each partner.

In particular, Eurostat recommends that the already functioning Austrian "Maastricht Working Group" should be integrated in the new set-up. Following the reflection of STAT, this working group should be formalised and its conclusions minuted. The leadership of STAT should prevail when deciding on statistical methods, standards and procedures.

Furthermore, STAT should use relevant committees or mechanisms that exist or which are planned to exist in order to directly influence the discussion of reforming public accounting standards. This also applies to defining details of the main or analytical reporting based on public accounts data at all government levels, so that the implications on statistical matters are in line with requirements of European legislation.

Eurostat recommends that STAT should become the *chef-de-file* in drafting and formulation of legislation on statistical matters and be involved in decisions concerning the design of administrative data in order to make such data more suitable for statistical purposes.

Action point 1: STAT to provide Eurostat by the end of 2012 with a report on progress made concerning the above recommendations together with a list of actions implemented and actions planned.

In Austria, the formal reporting authority for EDP is the MoF, which is responsible for relations with DG ECFIN within the Commission and which adds the forecast part in the EDP tables. Eurostat understands that the MoF and STAT are willing to review this with a view to switching responsibility to STAT. Eurostat encourages and supports this.

Action point 2: STAT to contact the MoF on this matter and inform Eurostat by the end of March 2012 on the outcome, including the steps and timescales involved in the possible takeover of this responsibility²⁹.

Eurostat recommends STAT to cooperate in a more proactive way with owners of administrative data in assuring data quality, keeping in mind the accountability of those reporting the actual data and of those reporting of underlying government accounts (according to Art. 16 Reg. 479/2009, as amended). Eurostat encourages the appointment of some type of "statistical correspondents" in main reporting bodies. Eurostat understands that this may already exist in some entities but not in others.

²⁹ Completed in March 2012.

Ideally, when a sub-entity of a ministry reports data directly to STAT, STAT should be informed, within agreed timescales, by that ministry of the outcome of any checks that are done by that ministry, even if no corrections are needed. Presently, STAT is only informed (via the sub-entity) when corrections are made. Furthermore, STAT should encourage authorities at state level supervising local level entities to actively promote the improvement of primary data coming from local authorities. STAT should require supervising authorities at state level to provide adequate assurances that they have performed the relevant qualitative and plausibility checks for respective units at local level.

Action point 3: STAT to provide Eurostat by the end of 2012 with a report on progress made concerning the above recommendations together with a list of actions implemented and actions planned.

2. Risk assessment

Eurostat acknowledges the establishment of an internal Risk Management unit reporting directly to the Director General and considers the approach as an example of good practice. Eurostat welcomes the work done so far and recommends that the internal Risk Management unit be given the resources and the necessary support to make quick progress.

However, Eurostat recommends that more focus on processes at operational level is needed in order to provide comprehensive operational documentation of the mapped processes.

Operational procedures should be in place to maintain and keep the documentation of processes up to date. This should be linked to an operational business continuity plan at EDP process level. Eurostat understands that this idea is already being floated in the ongoing risk assessment exercise within STAT.

Furthermore, the internal Risk Management unit, in cooperation with the Quality Management unit, should follow up risk assessment actions with implementing comprehensive quality audits/reviews of the EDP processes which go beyond pure risk considerations.

Eurostat also recommends that the planned transfer of the compilation of Financial Accounts of the Government Sector from the OeNB to STAT be subject to a risk assessment exercise in order to ensure a smooth takeover.

Action point 4: STAT to provide Eurostat by the end of 2012 with a report on progress made concerning the above recommendations together with a list of actions implemented and actions planned.

3. Register of public units (register defining full population of entities on which the 50% test would be applied)

Naturally, information on public corporations in Member States is a necessary input for EDP and other monitoring purposes, and crucial for the delineation of the general government sector (GG).

Eurostat notes, that there may be a potentially significant risk of the register of public corporations, including state and local levels, not being exhaustive.

Eurostat welcomes and supports the continuing efforts of STAT towards ensuring the exhaustive coverage of public entities and notes that according to STAT's plans this should be achieved by autumn 2012. Moreover, Eurostat recommends that STAT establish a genuine

register of public units and put the necessary procedures in place in order to maintain the register and keep it up-to-date. The register of public units should enable a distinction between GG and non-GG public units and individual financial statements necessary to perform the market/non-market test on a regular basis should be available. This register should serve as an input for the "Questionnaire of public corporations" recently circulated by Eurostat.

Action point 5: STAT to provide Eurostat by the end of 2012 with a progress report on implementation.

4. IT Issues

Eurostat welcomes the major developments that have been undertaken by STAT towards an integrated IT system for GFS.

Eurostat recommends that to the extent possible STAT pursue the further integration of the data input system. Eurostat supports STAT's strategy towards moving away from a "push" system (STAT constantly investigating sources of information) to a "pull" system (general obligation of all public entities to report in line with predetermined requirements). Risks to the EDP reporting process would be reduced by integrating those sectors which are not presently part of the automated input system, such as municipality associations.

Action point 6: STAT to provide Eurostat by the end of 2012 with a progress report concerning the above recommendation together with a list of actions implemented and actions planned.

Eurostat took note of the IT structure in use for the management and control of the flows of public finance data that come from public entities to STAT. While acknowledging the complexity of the matter, Eurostat invites STAT to investigate the possibility of an external independent audit of IT systems, in particular that of MoF's Austrian Federal Computing Centre as regards the IT systems used for EDP processes.

Action point 7: STAT is asked to inform Eurostat by the end of May 2012 on the outcome of this reflection and on the potential timeframe of further steps³⁰.

5. Hospitals

Eurostat recommends that STAT collect, store and make available on request the set of individual data which is available for of all hospitals, including those that are part of hospital holding companies.

Action point 8: STAT to collect, verify the quality and possibly use for the needs of EDP data compilation the data as from 2012 (and where necessary including data for past years).

6. Government accounting issues

Eurostat, in general, promotes the harmonisation in public accounting between entities at central, state and local levels as well as harmonisation with international statistical and accounting requirements.

³⁰ Completed in March 2012.

Based on publicly available information (including the general public accounting requirements VRV, existing reports from the Austrian Court of Audit and from the Austrian Government Debt Committee) and following the discussions with upstream providers during the meetings, Eurostat sees a risk in the potential non-comparability of the raw data, as the VRV leaves scope for different interpretations at different levels that may possibly lead to significant non-comparability issues of upstream data.

In view of the IPSAS based public sector accounting reform at federal level, presently foreseen for around 2013 (and by reference to the budgetary framework Directive in the so-called six-pack (Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States), Eurostat encourages STAT to play an active role in the transformation of this directive into national law in order to achieve a higher degree of harmonisation of accounting rules, and primary data for EDP needs.

Action point 9: STAT to provide Eurostat by the end of 2012 with a progress report concerning the above recommendation together with a list of actions implemented and actions planned.

Furthermore, Eurostat invites STAT to ensure that after the new accounting framework is introduced, source data on all taxes and social contributions will be provided on both cash and accruals bases. Secondly, Eurostat understands from the MoF, that liabilities deriving from obligations of pension schemes would be disclosed in a separate annex to balance sheets. Eurostat therefore recommends that the disclosure of pension scheme liabilities in government accounts be based on recognised international actuarial standards.

Action point 10: STAT to provide Eurostat by the end of 2012 with a progress report concerning the above recommendations together with a list of actions implemented and actions planned.

Finally, Eurostat encourages closer cooperation between STAT and other key EDP players including upstream data providers to actively make progress on the consolidation of intra-GG flows, in view of the forthcoming standard dialogue visit.

III. Final remarks

In view of procedural arrangements within the framework of EDP dialogue visits, in accordance with article 13 of Regulation 479/2009, as amended, above main conclusions and recommendations will be, where relevant, integrated into a subsequent report following the standard dialogue visit which is foreseen to take place later in 2012.