



EUROPEAN COMMISSION
EUROSTAT

Directorate C: National and European Accounts
Unit C-3: Statistics for Excessive Deficit Procedure I



Luxembourg, 28 April 2011

FINAL FINDINGS

EDP dialogue visit to Lithuania

22-23 November 2010

Executive summary

An EDP dialogue visit to Lithuania took place on 22-23 November 2010.

Eurostat carried out this EDP dialogue visit with the aim to analyse the October 2010 EDP notification, to review sectorisation procedures, to ensure that the provisions from the ESA95 Manual on government deficit and debt (MGDD) and recent Eurostat decisions are implemented and that specific government transactions are appropriately recorded in the Lithuanian EDP notifications and national accounts.

First, Eurostat enquired about the institutional arrangements and division of responsibilities with respect to the reporting of data under EDP. Eurostat took note of the current organisation framework for EDP purposes involving Statistics Lithuania (SL) and the Ministry of Finance (MoF) and welcomed the good cooperation between these institutions.

Second, the ongoing public sector accounting system reform was discussed. Starting from 2010, budgetary entities apply *Public Sector Accounting and Financial Reporting Standards*. State and municipal budgetary institutions and public institutions rendering health and education services will provide quarterly financial statements on accrual basis. The Lithuanian statistical authorities informed that the data from financial statements based on PSAFRS will be incorporated starting from the 2012 EDP reporting.

Concerning the EDP tables, Eurostat invited SL to analyze data on hospitals and try to reconcile the figures between the different data sources so that the B.9 of hospitals is properly reported in EDP tables 2A and 2C. The adjustments in EDP table 2A and 2C for "*Other accounts receivable/payable*" were discussed. The Lithuanian statistical authorities will report "*Other accounts receivable/payable*" in EDP table 2C and will analyze the issue of future loss of data sources for "accrual of current expense" - other accounts payable as reported in EDP table 2A. A report on revenue and expenditure of local government is to be provided to Eurostat.

Concerning the classification of units, Eurostat concluded that the so called 50 percent test is to be applied to all public corporations having "commercial" legal status. Attention is also to be given to the sectorisation of water, heat providing companies, public transportation companies and all loss making public corporations.

Regarding the recording of accrual interest, Eurostat took note that there is no accrual adjustment for interest for the local government sub-sector and invited the Lithuanian statistical authorities to analyse the possibility of finding relevant data sources. The Lithuanian statistical authorities should also check the recording in EDP tables 3 of discounts on Eurobonds and coupon sold.

Eurostat emphasized that dividends paid by public corporations to government are to be monitored regularly. The so called super-dividend test is to be applied and data corrected accordingly in the next EDP reporting. Further analysis of the companies having repeated calls on guarantees is to be made and clarification of the treatment of a capital injection into mortgage insurance company is to be provided by SL.

The non existence of securitisation and sale and lease back operations was noted. Eurostat took note of the developments in the area of PPPs and the Lithuanian statistical authorities were invited to ask Eurostat for ex-ante advice. Privatisation figures as reported in EDP

tables and the Questionnaire are to be checked by the Lithuanian authorities with the aim to resolve small inconsistencies.

The meeting was constructive and Eurostat very much appreciated the openness and transparency demonstrated by the Lithuanian authorities during the meeting and the documentation provided prior to the visit.

Final findings

Introduction

In accordance with article 11(1) of Council Regulation (EC) No 479/2009 as regards the quality of statistical data in the context of the Excessive Deficit Procedure, Eurostat carried out an EDP dialogue visit to Lithuania on 22-23 November 2010.

The delegation of Eurostat was headed by Mr. Luca Ascoli, Head of Eurostat Unit C-3 Statistics for Excessive Deficit Procedure I. The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers. The Lithuanian authorities were represented by the Statistical Office (SL), the Ministry of Finance (MoF) and the National Central Bank (NCB).

Eurostat carried out this EDP dialogue visit 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 the Lithuanian EDP and Government Finance Statistics (GFS) data.

In detail, the main aims of the dialogue visit were: to clarify the issues relating to EDP tables raised in the context of previous notifications; to analyse sectorisation practises, to analyse the availability of data sources for hospitals, and to review the progress achieved in implementing ESA 1995 methodology, particularly on the recording of interest, dividends, guarantees and derivatives.

In relation to procedural arrangements, Eurostat explained the procedure, in accordance with article 13 of Regulation No 479/2009, indicating that within days the Main conclusions and action points would be sent to the Lithuanian authorities, who may provide comments. Within weeks, the Provisional findings would be sent to the Lithuanian 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.

1. REVIEW OF INSTITUTIONAL ISSUES

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

Introduction

Eurostat enquired about the co-operation and division of responsibilities between the NSI and the MOF, as well as if there have been any changes since the last EDP dialogue visit.

Discussion and methodological analysis

The Lithuanian statistical authorities confirmed that the cooperation between the NSI and MoF was functioning well and the *Schedule for the provision of statistical information on the*

general government deficit and debt approved in 2007 seems to be sufficient.

The Lithuanian statistical authorities explained that, since the last EDP dialogue visit, a new Questionnaire related to the notification tables had been adopted, thus there was a need to agree on the responsibilities for individual questionnaire tables. The MoF is filling in the tables of the Questionnaire relating to EDP tables 2, that is table 1.1.2 (explanation of revisions of deficit), table 2 (breakdown of financial transactions included in the working balance), table 3 (Adjustments for sector delimitation as reported in EDP tables 2), part of table 6 relating to EU flows in EDP table 2, table 8.1 (government claims) and tables 9 on government guarantees. Statistics Lithuania is responsible for the remaining tables. This is on the basis of a gentlemen agreement and for the moment there are no plans for further formalisation.

The Lithuanian statistical authorities informed Eurostat that the Interinstitutional National Accounts Expert group (INAE) and the working group on sectorisation are operational. The former is meeting on a quarterly basis.

Findings and conclusions

1. Eurostat took note of the current organisational framework for EDP purposes involving Statistics Lithuania and the Ministry of Finance and welcomed the good cooperation between the two institutions.

1.2. Source data and revision policy

Introduction

Eurostat enquired about the plans to move towards accrual accounting and the introduction of a public sector accounting system reform.

Discussion and methodological analysis

The Lithuanian statistical authorities explained that, starting from January 2010, by law, all budgetary entities should apply the *Public Sector Accounting and Financial Reporting Standards* (PSAFRS). These standards foresee that financial statements are to be produced on a quarterly basis by the entities of the public sector (State and municipal budgetary institutions, public institutions rendering health and education services). The reform will enable the MoF to prepare consolidated financial statements for the State, municipalities, State Social insurance fund and Health insurance fund. To facilitate the reform, a new IT system is under development. The whole process is supervised by the MoF.

The new accounting system will provide accrual based financial statements. The Lithuanian statistical authorities informed that, in spite of a long preparatory phase and the development of a standard chart of accounts, accounting manuals and organisation of training courses, the change seems to be quite challenging for the entities concerned. The MoF considers that in the first two years the results will not be very reliable, thus the figures from financial statements based on PSAFRS will be incorporated only starting from the 2012 EDP reporting.

Findings and conclusions

2. Eurostat took note that the new public sector accounting and financial reporting system will be implemented in 2011 for the year 2010. The Lithuanian authorities are invited to inform Eurostat on when and how it will be effectively used for EDP statistics.

2. Follow-up of the visit of 9-10 June 2008

Eurostat noted that a majority of action points have been implemented by the Lithuanian statistical authorities or information on their progress has been received. The situation with respect to sectorisation practices and data on hospitals will be discussed later in this report.

Eurostat enquired on the progress made on action point 10 – information on the funds for the decommissioning of Ignalina nuclear power plant. The Lithuanian statistical authorities informed Eurostat that, according to their study, these flows did not enter government accounts and agreed to send the available data after the meeting¹.

3. Follow-up of the October 2010 EDP reporting – analysis of EDP tables

3.1. General review of the October 2010 EDP reporting

Introduction

During the meeting, the EDP notification tables from October 2010 notification were analysed.

EDP table 2A

Discussion and methodological analysis

Eurostat inquired whether the implementation of the *Public Sector Accounting and Financial Reporting Standards* will change the nature of the working balance. The Lithuanian statistical authorities answered that this might indeed be the case.

Adjustments for sector delimitation

In the October 2010 EDP notification, the B.9 of the Lithuanian National Radio and Television was revised compared to April 2010. Eurostat asked why this had been the case. The Lithuanian statistical authorities explained that this entity does not have quarterly accounts, thus an estimated figure was reported in April and the revision was made only once the annual report became available.

Hospitals

There was no adjustment for the B.9 of hospitals in EDP table 2A, as these entities were considered by the Lithuanian statistical authorities as non profit institutions having by

¹ The documents were received on 29 November 2011.

definition a zero deficit. This issue had been discussed in the EDP dialogue visit of 2008 and further analysis was to be conducted according to an action point.

The main data source on hospitals' revenue and expenditure is a quarterly survey. Information on capital expenditure is available from a quarterly survey on investment. The Lithuanian statistical authorities have compiled B.9 of hospitals using data from quarterly surveys. Expenditure was increased by incorporating gross fixed capital formation. The B.9 figure was positive for the whole period 2006-2009 and for 2009 the surplus was equal to 103.5 million LTL. The Lithuanian statistical authorities informed Eurostat that hospitals have a double entry accounting system. Revenue and expenditure are on an accrual basis.

In 2010 annual financial balance sheets (covering the years 2008 and 2009) and activity reports were collected by the NSI. The B.9 compiled from the financial side showed an even higher B.9 (181.9 million LT for 2009). The Lithuanian statistical authorities explained that they had difficulties to reconcile the financial and non-financial sides. One item called "compensated cost" seems to be very problematic as various items of expenditure might be included there and recording practices vary from one hospital to another.

As the main revenue of hospitals comes from the State Health insurance fund, Eurostat thought that it could be useful to try to reconcile the other accounts receivable as recorded by hospitals and the other accounts payable as reported by the State health insurance fund.

Eurostat appreciated all the work done by the Lithuanian statistical authorities.

Other accounts receivable/payable

Eurostat noted that, on the expenditure side, other accounts payable relating to taxes and EU funds are reported, as well as a country specific adjustment for real estate restitution. There are also accrual adjustments to current expense and direct payments. On the revenue side, on the contrary, apart from standard adjustments for taxes, EU funds and interest receivable, there are no other accrual adjustments. The Lithuanian statistical authorities explained that this situation is largely explainable by the existing budgetary system - that is, payments and delivery for goods and services are to be made within the calendar year.

The Lithuanian statistical authorities explained that, as for payables, the adjustment for *direct payments related to year N but made in year N+1*, relates to the co-financing of EU funds, mainly by the Ministry of Agriculture. The data source for the *accruals of current expense* is the Special report for Budgetary funds, which will disappear under the new accounting system and therefore this adjustment will not be implemented anymore starting from the year 2010 data. The Lithuanian statistical authorities informed Eurostat that they have analysed the possibility to report also accruals for capital expenditure, but the amounts involved were very small.

Findings and conclusions

3. As regards hospitals, given the complexity of the issue, Eurostat can provisionally accept the Lithuanian statistical authorities' hypothesis of a zero B.9 for hospitals for the April 2011 notification. However the Lithuanian statistical authorities will closely analyze in the meanwhile this issue and will try to reconcile the figures between the different data sources (quarterly, annual surveys and the financial statements under the

new public sector accounting and financial reporting system). Statistics Lithuania will report to Eurostat on the results of their investigations and on their proposals for recording B.9 of hospitals before October 2011.

EDP table 2C

Eurostat observed that the deficit of Municipalities decreased in 2009 in comparison to 2008. The working balance is positive for the years 2007-2009. The Lithuanian statistical authorities explained that Municipalities receive transfers from the State budget for assigned functions (e.g. education). Municipalities can borrow to finance investment projects but the established borrowing limits must be respected.

Eurostat took note that the working balance is on a cash basis and there are no adjustments for receivables/payables in EDP table 2C. In a period of economic crisis it is not uncommon to observe payables accumulating and as this would not be reflected in the cash figures, B.9 might be underestimated, thus Eurostat suggested that further analysis of revenue and expenditures of municipalities be conducted. Eurostat stressed that ESA 1995 records flows on an accrual basis and the Lithuanian statistical authorities were invited to investigate the issue of non-existence of receivables/payables in the EDP table 2C and to report to Eurostat on their findings.

The issue of B.9 of hospitals is discussed under EDP table 2A. The issue of accrued interest is discussed under point 3.2.2 Calculation of accrual principle.

Findings and conclusions

4. Eurostat invited the Lithuanian statistical authorities to provide a report on the accounts of local government, including disaggregated figures on revenue and expenditure of Municipalities. Deadline: April 2011².
5. Eurostat encouraged the Lithuanian statistical authorities to take action in order to dispose of other accounts receivable/payable for local government (EDP table 2C). Deadline: October 2011. Moreover, the Lithuanian statistical authorities will report to Eurostat before April 2011 on the measures that will be taken to solve the problem of the future disappearance of the data source for the other accounts payable – accrual of current expense, as reported in EDP table 2A.³

² Information was provided on 31 March 2011.

³ In the April 2011 EDP notification *current expenditure arrears* were reported for the year 2009 in EDP table 2C.

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government, application of 50% rule in national accounts

Introduction

Eurostat enquired about recent changes in the classification of entities of the General Government sector.

Discussion and methodological analysis

The Lithuanian statistical authorities informed Eurostat that there were no major changes in the composition of the general government sector since the last EDP dialogue visit. From the list provided prior to the EDP dialogue visit, Eurostat concluded that predominantly budgetary institutions and entities having public entity (*Viešoji įstaiga*) legal status are classified inside the general government sector. One State enterprise (*Valstybės įmonė*) and one joint stock company (*AB*) are classified in the central government sub-sector. Eurostat reminded that the 50% test should be applied to all public corporations with a “commercial” legal status (e.g. joint stock companies, limited companies).

The Lithuanian statistical authorities informed Eurostat that the institutional working group on sectorization convenes regularly and discuss borderline cases. Currently there are a few pending cases, as the decision is to be taken on the results of several years. The Lithuanian statistical authorities explained that once a new entity is established, a specifically designed algorithm is applied and based on this, the sector classification is established. Most non-profit institutions were checked with this algorithm.

Findings and conclusions

6. As far as sectorization is concerned, Eurostat recalled that the 50% test should be applied to all public corporations with a “commercial” legal status (e.g. joint stock companies, limited companies). The Lithuanian statistical authorities will continuously inform Eurostat on their progress.

A note on the algorithm currently used for sectorisation and the list on the existing pending cases is to be provided to Eurostat, deadline – April 2011.

Moreover a separate Report on the sectorisation of water, heat providing companies, transportation companies and all loss making public units is to be provided to Eurostat before April 2011 at the latest.⁴

⁴ Information provided on 29 November 2010 and 31 March 2011.

4.2. Implementation of accrual principle

4.2.1. Accrual taxes and social contributions

Introduction

Other accounts receivable relating to taxes and social contributions as reported in the Questionnaire table 5 were discussed under this point of the agenda.

Discussion and methodological analysis

Eurostat pointed out that the stock of other accounts receivable relating to taxes, as reported in the table 5 of the Questionnaire relating to the EDP notification tables, seems to be erroneous. The reason for this might be a mistake in the stocks or some uncertainties about flow figures. The Lithuanian statistical authorities explained that the flow of other accounts receivable relating to taxes is provided by the MoF and thus this figure is accurate. Eurostat invited the Lithuanian statistical authorities to investigate the issue of possibly erroneous data on stocks and report to Eurostat on their findings.

Following up on the discussion from the EDP dialogue visit of 2008, and taking into account that the flow of F.79 relating to social contributions reported for 2009 (Questionnaire table 5) is considerably higher than in the previous years, Eurostat asked the Lithuanian statistical authorities to confirm that the reported amount does not include amounts unlikely to be collected. The Lithuanian statistical authorities agreed to look into this issue and come back to Eurostat.

Eurostat observed that in table 5 of the EDP Questionnaire the flows and stocks of other accounts payable relating to taxes are filled in for earlier years (1995-2001) while starting from 2002 the reporting suggests that these amounts refer only to other accounts payable relating to social contributions. The Lithuanian statistical authorities were invited to clarify what these flows of payables refer to and inform Eurostat on their findings.

Findings and conclusions

7. The Lithuanian statistical authorities are invited to investigate the issue of stocks of other accounts receivable relating to taxes and to correct possibly erroneous stock figure in table 5 of the *Questionnaire relating to the notification tables*. The Lithuanian statistical authorities will also check and inform Eurostat on whether the other account receivable relating to social contributions include amounts unlikely to be collected. Deadline: April 2011.
8. The Lithuanian statistical authorities will analyse, and by April 2011 come back to Eurostat on their findings, to what refer other accounts payable relating to taxes and social contributions as reported in table 5 of the *Questionnaire relating to the EDP notification tables*.

4.2.2. Calculation of accrual interest

Introduction

A note on the recording of interest was provided by the Lithuanian statistical authorities prior to the meeting. In the October 2010 EDP notification, revisions were observable relating to the discounts on Eurobonds.

Discussion and methodological analysis

The Lithuanian statistical authorities explained that different practices for recording discount are put in practice for domestic securities and for Eurobonds. This was discovered just before the October 2010 EDP notification. Discounts/premiums on domestic securities were recorded at redemption, while for Eurobonds these amounts in public accounts (thus also in the working balance) were recorded at issuance. The EDP table 2A was revised for the years 2008 and 2009 to include the redemption of discount (negative impact on B.9). As the revision was observed only in EDP table 2A, Eurostat invited the Lithuanian statistical authorities to analyse the reporting of discounts/premiums on Eurobonds in EDP table 3B and to implement the relevant changes to EDP table 3B if needed.

The Lithuanian statistical authorities provided detailed tables on the *recording of interest flows in EDP tables*, showing cash and accrual amounts by instrument as reported in EDP table 2A. For the compilation of EDP table 3B, the total amount of accrued interest is used by the NSI.

Eurostat took note that the amounts of so the called *coupon sold*⁵ enter the working balance of EDP table 2A. The impact on B.9 is neutralised via an adjustment under "*other financial transactions*". Eurostat enquired how amounts associated to the coupon sold are recorded in EDP table 3B/A. The Lithuanian statistical authorities agreed to analyse this further and report to Eurostat on their findings.

The issue of the recording of interest in EDP table 2C was recalled by Eurostat. Eurostat noted that under ESA1995, interest must be recorded on an accrual basis for all the sub-sectors of general government. In the past the local government debt was rather small compared with central government debt, but due to the financial crisis the level of municipal debt has increased. The Lithuanian statistical authorities informed that currently only stocks of debt by municipality are available, whereas information on the redemption schedule and interest rates is not available to the statistical authorities. Eurostat asked whether this information will be available under the new public sector accounting system. The Lithuanian statistical authorities agreed to analyse this issue further to try to find an appropriate data source. Eurostat is to be informed on the findings.

⁵ *Coupon sold* refers to the amount that government receives in addition of the issue price for the principal of issued securities due to the fact that the new tranche of a bond (holding all the characteristics such as coupon rate and payment dates, maturity, etc) is issued between two coupon payment dates and thus the investor pays to the issuer the accrued coupon since the last payment. The investor is entitled to receive full coupon amount at the next coupon payment date.

Findings and conclusions

9. Eurostat recalled that under ESA1995, interest must be recorded on an accrual basis for all the sub-sectors of general government. The Lithuanian statistical authorities are invited to investigate the possibility to gather information on accrued interest for the local government subsector (possibly also from the new public sector accounting and financial reporting system) and report on the findings to Eurostat by October 2011 at the latest.⁶
10. Eurostat took note that flows associated to the so called "coupon sold" do not impact EDP B.9. The Lithuanian statistical authorities will clarify how flows associated to "coupon sold" are recorded in EDP tables 3 – Deadline April 2011.
11. The Lithuanian statistical authorities are invited to investigate and report to Eurostat on how discounts on Eurobonds (in public accounts recorded at issuance) in EDP tables 3 are recorded. Deadline: April 2011.

4.2.3. Court decisions with retroactive affect

Introduction

In the past, following a ruling of the Constitutional court, the Lithuanian government had to compensate pensions to working pensioners and salaries to judges. Eurostat enquired about the current situation.

Discussion and methodological analysis

The Lithuanian statistical authorities assured Eurostat that there were no pending court cases due to unpaid pensions and/or salaries. As for the cuts in the transfers from social security fund (SODRA) to the second pillar pension funds, currently there are no plans for compensation.

Findings and conclusions

Eurostat took note of those explanations.

4.3. Recording of specific government transactions

4.3.1. EU flows

Introduction

The issue of EU flows was extensively discussed in the EDP dialogue visit of 2008. Eurostat enquired on how the so called disallowances of EU funds were treated.

⁶ Implemented for the year 2009 in the April 2011 EDP notification.

Discussion and methodological analysis

The Lithuanian statistical authorities explained that disallowances are recorded at the time the penalty is established (the time the Commission takes a decision). Up to now there was a penalty of 8.2 million LTL recorded in 2009 and shown under item 19 in the Table 6 of the Questionnaire. In EDP table 2A this amount is included in the working balance.

Findings and conclusions

Eurostat took note of the explanation

4.3.2. Guarantees

Introduction

Prior to the EDP dialogue visit, the Lithuanian statistical authorities provided lists of repayments of guarantee calls by original debtors as well as outstanding amounts of guaranteed debt, for the period 2006-2009. During the dialogue visit this information was analysed.

Discussion and methodological analysis

Eurostat observed that primary receivers of government guarantees were municipal heating and water suppliers. Eurostat stressed that the Manual on government deficit and debt (MGDD) foresees that "*if government repayments of the debt occur in the three consecutive years, and this situation is expected to continue, then the debt is to be considered assumed*". Eurostat noted that at least two of those companies had three repeated calls on guarantees, nevertheless their debt was not recorded as assumed by government. The Lithuanian statistical authorities explained that these municipal companies, though facing repeated guarantee calls, could not go bankrupt and will eventually repay the guaranteed debt. Eurostat noted that MGDD describes the situation when government de facto have assumed the debt: repayments occur each year, either directly or through payments to the corporation, and/or provisions are recorded in public accounts. The Lithuanian statistical authorities were encouraged to analyse these two identified cases. Among the aspects to be considered is the profitability of the companies, the existence of government loans and/or any transfers from government to the companies.

The Lithuanian statistical authorities explained that there are two guarantee institutions that are classified as financial auxiliaries (S.124):– the Guarantee agency for SMEs (UAB „Investicijų ir verslo garantijos“ (Invega)) and the Agricultural loans guarantee fund (UAB „Žemės ūkio paskolų garantijų fondas“). There is also a Mortgage loans insurance company (UAB „Būsto paskolų draudimas“) but this company is operating as an insurer and does not provide guarantees. The Lithuanian statistical authorities confirmed that the former two companies have not received capital injections, loans or other support from government. A capital injection into the Mortgage loans insurance company was made in 2010. Eurostat invited the Lithuanian statistical authorities to carefully assess this capital injection following the rules of the MGDD and inform Eurostat on the decided treatment.

Findings and conclusions

12. The Lithuanian statistical authorities will investigate the profitability of the two companies that benefited from the repeated calls on guarantees in view of the possible debt assumption by government of the outstanding debt of the companies. Deadline: April 2011⁷.
13. The Lithuanian statistical authorities will assess the nature of the capital injection into UAB "Būsto paskolų draudimas" (Company for Housing mortgage Insurance) carried out in 2010 and report to Eurostat on their findings by April 2011⁸.

4.3.3. Debt assumptions, debt cancellations and debt write offs

Introduction

Prior to the EDP dialogue visit, the Lithuanian statistical authorities provided a list of debt cancellations for the period 2006-2009. A list of government claims was also provided by the Lithuanian statistical authorities.

Discussion and methodological analysis

Eurostat took note that there have been no debt cancellations in 2007 and 2009. As for government claims, Eurostat observed that for a number of claims there were no movements over the period 2007-2009. The Lithuanian statistical authorities indicated that some of the claims are towards companies that are in a bankruptcy procedure and debt cancellations will be recorded once the bankruptcy procedure is over. Under the Bankruptcy law no interest is accruing on the loans of companies under bankruptcy. Eurostat asked if the recoverability of these claims was tested, if they could still be considered as well performing and why no debt cancellations were recorded.

Eurostat recalled that an inconsistency was observed between Loan assets of government as reported in EDP table 3B and government claims as shown in Questionnaire table 8.1. The Lithuanian statistical authorities informed that the main reason for these differences was that government claims towards commercial banks in national accounts are currently recorded as deposits. Eurostat noted that these claims are long term (granted back in 1999) thus ESA paragraph 5.75 is not applicable. The Lithuanian statistical authorities agreed to reconsider their treatment.

Eurostat enquired about the nature of the government loan to the Social security fund. The Lithuanian statistical authorities informed Eurostat that this is an interest bearing loan and there is no irrefutable evidence that the Social security fund will not be able to repay it, thus it is treated as a loan in public and national accounts.

⁷ Information provided on 31 March 2011.

⁸ In April 2011 EDP notification, capital injection was treated as capital transfer in 2010.

Findings and conclusions

14. The Lithuanian statistical authorities will reconsider the recording of government claims against commercial banks (currently recorded as deposits). Eurostat recalled that ESA 1995 paragraph 5.75 is not applicable here because of the long term nature of the loans. Deadline: April 2011⁹.

4.3.4. Capital injections in public corporations

Introduction

The Lithuanian statistical authorities provided a list of all capital injections for the period 2006-2009.

Discussion and methodological analysis

Eurostat took note that the majority of capital injections made by government are recorded as capital transfers (D.9). Eurostat noted that in table 10.1 of the Questionnaire relating to the notification tables, under lines 20-28, only amounts relating to capital injections are to be reported. The Lithuanian statistical authorities will update table 10.1 accordingly.

Findings and conclusions

15. The Lithuanian statistical authorities will update the table 10.1 of the *Questionnaire relating to the notification tables* (rows 20-28) so that only the amounts relating to capital injections would be included there. Deadline: April 2011¹⁰.

4.3.5. Dividends, superdividends

Introduction

The information available in tables 10.1 and 10.2 of the questionnaire related to the notification tables, as well as additional information provided by the Lithuanian statistical authorities prior to the dialogue visit, was analysed under this point.

Discussion and methodological analysis

Following up on the action point from the 2008 EDP dialogue visit, Eurostat enquired on whether the dividends paid to government are regularly monitored and the so called super-dividend test is regularly conducted. The Lithuanian statistical authorities informed that, so far, the super-dividend test has not been applied, with the exception of dividends paid by the Central bank. All dividends paid to government are recorded as property income. Eurostat stressed that the super dividend test must be applied as data on dividends paid and on associated profits are available. Eurostat also pointed out that when conducting the so called super-dividend test, the provision of MGDD part III.5 could be used and in practice the

⁹ Implemented in April 2011 EDP notification

¹⁰ Implemented in April 2011 EDP notification

operating profit of the corporation used as a proxy for entrepreneurial income (defined in paragraph 8.28 of ESA1995).

The Lithuanian statistical authorities explained that amounts reported in Questionnaire table 10.1 under lines "*total distributions to government*" include dividends paid to government as well as payments for the use of state capital.

Findings and conclusions

16. Eurostat emphasised that dividends received by government should be regularly monitored. The Lithuanian statistical authorities will from now on undertake the so called super-dividend test for all dividend paying public corporations and will correct accordingly the data for all the years included in April 2011 notification¹¹.

4.3.6. Privatisation

Introduction

Detailed lists of privatisation – sale of shares and real estate sales – were provided by the Lithuanian statistical authorities. This information was analysed and compared with the reporting in EDP tables.

Discussion and methodological analysis

Eurostat appreciated the detail of the information provided. Privatisation receipts are not recorded in the working balance of EDP table 2A. But they are revenue of the State Property Fund (*Turto fondas*) and thus are reported under line "*Net borrowing (-)/net lending (+) of other central government bodies*". In EDP table 2C, privatisation receipts are reported under one of the adjustment lines for non-financial transactions not included in the working balance. There were some minor differences observed while comparing data on sales of shares as reported in the Questionnaire table 10.1 line 9 and the information received from the Lithuanian authorities prior to the mission. Eurostat also noted that there were some differences observed while comparing privatisation revenue as reported in EDP table 2C and information from *Turto fondas* on sales of real estate at local government level. The Lithuanian statistical authorities will analyse this issue and eliminate inconsistencies.

Findings and conclusions

17. The Lithuanian statistical authorities will investigate the small inconsistencies on figures for privatisation as reported in the table 10.1 of the *Questionnaire relating to the notification tables*, EDP tables 2 and the reports of Property fund (*Turto fondas*) and revise figures by April 2011¹².

¹¹ Implemented in April 2011 EDP notification

¹² Implemented in April 2011 EDP notification

4.3.7. Other government transactions: sale and lease back operations securitisations, swaps, PPPs

Introduction

Eurostat enquired about the existence of sale and lease back operations, securitisations and PPPs. Some aspects of the treatment of swaps were clarified.

Discussion and methodological analysis

Eurostat took note that neither securitisation operations, nor sale and lease back operations have occurred.

On PPPs the Lithuanian statistical authorities informed that the legal basis needed to start PPPs is in place now. All information on the new and ongoing PPP contracts as well as concessions will be available in the MoF. The MoF will analyse the risk distribution for GFS purposes. Currently, there are several PPP projects under development/evaluation, involving highway construction, prison and police headquarters construction and construction of social housing. It is expected that two PPPs could be launched in 2010. As PPPs are just starting in Lithuania, Eurostat encouraged the Lithuanian statistical authorities, in order to build up the know-how, to ask Eurostat for ex-ante advice on PPP projects. A prior analysis made by the statistical office should accompany such requests.

On Emission permits, the Lithuanian statistical authorities informed Eurostat that there were no emission permit sales under EU trading scheme in 2008-2009. In 2007 there was a sale of carbon allowances. The sum of 114 thousand LTL was recorded as disposals of intangible non-produced assets.

On derivatives, the Lithuanian statistical authorities informed Eurostat that derivatives were used from the end of 2008. There were occurrences of options, interest rate swaps, cross currency swaps and forward foreign exchanges contracts. At the beginning of 2009 the mark-to-market of an Interest rate swap was made and an interim payment was paid. Currently, in national accounts and EDP this interim payment is recorded as a financial transaction. Eurostat thought that the interim payment in fact should be spread over the remaining life of a swap (similarly to swap cancellations). The Lithuanian statistical authorities agreed to implement the appropriate changes for the next EDP notification.

In EDP table 2A, interest flows from swaps are entering the working balance; therefore no adjustments are made further in the table. In EDP table 3, financial derivatives are shown under the item "Securities other than shares (F.3)". In Financial accounts derivatives are recorded net on the asset side (F.34).

Findings and conclusions

18. Regarding PPPs, Eurostat encouraged the Lithuanian statistical authorities to ask for ex-ante methodological advice and to accompany the request with a statistical analysis prepared by Statistics Lithuania.

19. The Lithuanian statistical authorities agreed that interim payments on interest rate swaps are to be considered as interest and accrued on the remaining maturity of the swap. Relevant changes are to be introduced for April 2011 EDP notification¹³.

¹³ Implemented in April 2011 EDP notification

Annex I: List of participants

Name	Institution	
Vilija Lapėnienė	NSI	First Deputy Director General
Jonas Markelevičius	NSI	Deputy Director General
Gailutė Juškienė	NSI	Head of National Accounts division (NAD)
Jūratė Šinkūnienė	NSI	Deputy Head of NAD
Juozapas Girdenis	NSI	Chief specialist of NAD
Vaida Savickaitė	NSI	Chief specialist of NAD
Virginija Jankauskaitė	NSI	Chief specialist of NAD
Tomas Paulauskas	NSI	Chief specialist of NAD
Marina Apalko	NSI	Chief specialist of NAD
Eglė Rėčkutė	NSI	Chief specialist of NAD
Živilė Dragūnaitė	NSI	Chief specialist of NAD
Audrius Želionis	MoF	Director of State Treasury Department
Gediminas Norkūnas	MoF	Deputy Director of State Treasury Department
Aušra Vičkačkienė	MoF	Director of Assets Management Department
Dalia Žygienė	MoF	Head of Finance Statistics Division (FSD)
Danutė Skėrytė	MoF	Chief specialist of FSD
Ivona Kušelevičienė	MoF	Chief specialist of FSD
Kristina Tylaitė	MoF	Chief specialist of FSD
Galina Vaičiulienė	MoF	Head of Debt Liabilities Administration Division (DLAD)
Eglė Norvaišienė	MoF	Chief specialist of DLAD
Renata Razmaitė	MoF	Chief specialist of DLAD
Rimantas Juozas Vaicenavičius	NCB	Director of Statistics Department
Eugenija Tvarijonavičiūtė	NCB	Head of General Statistics Division, Statistics Department
Birutė Grikinytė	NCB	Deputy Head of General Statistics Division, Statistics Department
Luca Ascoli	Eurostat	Head of Unit C.3 - Statistics for Excessive Deficit Procedure I
Denis Besnard	Eurostat	Unit C.3 - Statistics for Excessive Deficit Procedure I
Rasa Jurkonienė	Eurostat	Unit C.3 - desk officer for Lithuania
Agnė Geniušaitė	DG ECFIN	
Emmanuel Larue	ECB	