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**- FINAL FINDINGS -**

**EDP Mission to Denmark**

**11-12 September 2008**

## **Executive summary**

An EDP dialogue visit to Denmark took place on 11-12 December 2008.

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

Several issues were discussed and first Eurostat enquired about the institutional arrangements and division of responsibilities with respect to the reporting of data under EDP. The whole set of EDP tables relating to actual data is compiled by Statistics Denmark (SD). The Ministry of Finance (MOF) compiles the planned deficit and debt data. EDP tables are reported by the MOF. No formal co-operation exists between the two institutions. The National Central Bank is not involved in compilation of EDP tables. Eurostat took note of the situation.

SD had prior to the meeting provided an update of the Danish EDP Consolidated Inventory of sources and methods confirming information on source data and revision policies.

The transmission from ESA B.9 and EDP B.9 should contain adjustments for swaps only. However, Denmark systematically differs from this by also adjusting for UMTS licences and infrastructure investments into Banedanmark, as these transactions in Danish national accounts are not treated as non-financial transactions but as financial transactions. Eurostat has several times recommended a change of this recording, but according to SD a change will only take place within the next major revision indicated to be undertaken in year 2011. In practise, SD informed that this means that a change will materialize in their reporting only after the implementation of the revised ESA, probably in 2014. The disagreement between SD and Eurostat on this issue was confirmed in the meeting.

The treatment of transfers into loss making public quasi-corporations has been a long standing methodological disagreement between SD and Eurostat. Since the last year an agreement has been reached on the methodological treatment, and in the meeting an agreement was also obtained for the practical recording of these transactions in EDP Tables 2, i.e. correcting for the consumption of fixed capital of these public quasi-corporations that is included in the working balances.

The adjustments made for taxes in other accounts receivable/payable of EDP Tables 2 are a concern as the amounts in these lines in EDP Tables 2 are rather large and are often subject of substantial revisions. It was agreed in the meeting that SD will undertake a comparative study between the present method based on assessed taxes adjusted by a capital transfer for taxes unlikely to be collected and a time adjusted cash method. SD will provide a note on this study.

On the sector classification of public quasi-corporations SD indicated that some of these units that are persistently not complying with the 50% rule would be reclassified into general government. SD signalled that they will provide a note on this later on.

On the treatment of TV licences, SD stated that they will keep their present treatment as sales of services, but indicated that if an agreement was reached in FAWG to treat such licences as a tax, SD would be willing to change their treatment.

In EDP Tables 3, large amounts often subject for significant revisions are observed in the line other financial assets. These entries are not satisfactory accounted for, nor are the reconciliations between stocks and flows for F.7 entries in the Danish EDP Notifications. In addition, SD has the habit of reporting a zero statistical discrepancy between B.9 and B.9f, a habit that could be questioned when there are other entries, as for F.7, not being sufficiently accounted for. Eurostat asked SD to provide a note elaborating on these issues.

In the meeting it was agreed that some debt cancellations related to guarantees called would be expected to be seen in table IIIa of the Questionnaire related to EDP since stocks of debt under (also repeated) calls not yet assumed are reported.

The PPP contract, and more specifically the termination clause, in the case of Vildbjerg Skole were discussed. Eurostat thought that in this case a reclassification of the assets into government had to be considered since the termination conditions for the private party were such that the private party is in fact enjoying a government guarantee and seems to be subject for little risk. SD promised to investigate further on this case in order to obtain the necessary details concerning the settlement conditions in case of termination. In case this information is not available, Eurostat will take a prudent approach.

The government and Central Bank operations to support the distressed Roskilde Bank were discussed. Further information was provided by SD after the meeting concerning this case and other government interventions through the Danish participation in the CMFB Task Force on Financial Turmoil.

During the meeting, SD informed Eurostat that they are currently working on a "data and methodological revision" that will be published at the end of October 2009. According to SD, this work will address many of the issues discussed in the meeting. The result of this work is foreseen to be implemented in the April 2010 EDP notification. After the mission SD has informed Eurostat that also the long standing issue concerning the treatment of capital injections into Banedanmark will be changed and brought in line with the statistical guidelines.

At the end of the meeting SD expressed some concern of the increased reporting burden, lately crystallized through the new proposal for an update of the Questionnaire related to EDP. Eurostat took note of the Danish view, and said that the reporting burden is always a concern when asking the Member States for additional information for the purpose of better monitoring the government finances in Member States.

## **Final findings**

### **Introduction**

In accordance with article 8d of Council Regulation (EC) No 2103/2005 of 12 December 2005, amending Council Regulation (EC) No 3605/93 as regards the quality of statistical data in the context of the excessive deficit procedure, Eurostat carried out an EDP dialogue visit in Denmark on 11-12 September 2008.

The delegation of Eurostat was headed by Mr. Luca Ascoli, head of unit C3 Public Finance. The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers.

The Danish authorities were represented by Statistics Denmark (SD), the Ministry of Finance (MOF) and the Danish National Central Bank (NCB).

The previous Eurostat mission to Denmark took place on 18 September 2006.

Eurostat carried out this EDP dialogue visit with the aim to assess the existing statistical capacity, to review the division of responsibilities concerning the compilation of EDP statistics and government accounts, to discuss the quality and exhaustiveness of primary data sources, to clarify the issues relating to EDP tables raised in the context of previous notifications, to review the progress achieved in implementing ESA 1995 methodology (sectorisation of units, accrual principle), to assure that the provisions of the ESA 1995 Manual on Government Debt and Deficit and the recent Eurostat decisions are duly implemented and that specific government transactions are properly recorded in the Danish EDP tables and national accounts.

In relation to procedural arrangements, Eurostat explained the new procedure, in accordance with article 8 of Regulation 3605/1993 as amended, indicating that the *Main conclusions and action points* would be sent within days to the Danish statistical authorities, who may provide comments. The *Provisional findings* would be sent to the Danish statistical authorities in draft form for their review. After adjustments, *Final Findings* will be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

The numbering of the findings and conclusions refers to those of the document "Main conclusions and action points".

### **1 Statistical capacity issues**

#### **1.1 Institutional responsibilities in the framework of reporting of data under the EDP and government statistics compilation**

##### *Introduction*

The Danish statistical authorities explained that the institutional responsibilities and cooperation between institutions in Denmark in the EDP context as well as other government statistical compilation has not changed since the previous EDP dialogue visit in September 2006.

The whole set of EDP tables relating to actual and historical data is compiled by SD. The MOF compiles planned deficit and debt data. EDP tables are reported by the MOF. In addition, SD also provides an accompanying explanatory note to the EDP tables with explanations for revisions in tables 2A and 3A since the previous notification for one of the reported years as well as a transition table for the deficit concept ESA B.9 to the deficit concept EDP B.9. SD is also responsible for compiling and reporting government finance statistics (GFS) according to the ESA95 Transmission Programme.

Eurostat inquired about the co-operation and division of responsibilities between the DS and the MOF, as well as on the role of the NCB.

#### *Discussion and methodological analysis*

SD had, prior to the meeting, provided a document showing the institutional responsibilities for the EDP tables as described above. The Danish statistical authorities clarified that the NCB is not involved in compilation of EDP tables.

It was also explained that even though the MOF is responsible for the forecasts, SD helps the MOF in preparing budget data in order to convert those into a national accounts form enabling the MOF to make forecasts.

It was made clear that even SD might raise methodological cases for discussions with the MOF and the NCB the responsibility and decisions are solely and independently with SD.

Eurostat took note of the existing institutional responsibilities where it seems that no formal co-operation is organised between SD, MOF and NCB, e.g. in the context of methodological working groups for EDP issues or government finance statistics in general.

#### *Findings and conclusions*

- 1 Eurostat very much appreciated the amount and quality of the information provided by the Danish statistical authorities prior to the mission.
- 2 Eurostat took note of institutional arrangements between SD, the MOF and the NCB and of their respective roles in EDP reporting, and that the situation was unchanged since the last EDP mission in 2006. In this context, Eurostat was pleased to take note of the very high degree of professional independency enjoyed by SD in the field of Government Finance Statistics, probably one of the highest in Europe.

## **1.2 EDP inventory, Data sources and Revision Policy**

### *Introduction*

The data sources used for the main sub-sectors were discussed in detail.

### *Discussion and methodological analysis*

SD had prior to the meeting provided an updated version of the EDP Consolidated Inventory of sources and methods confirming the information on source data and revision policies. It was agreed in the meeting that the updated version of this document could be published on the

Eurostat website on 1 October 2008. This document is also published nationally.

#### Sub-sector central government

It was explained that the central government consists, in addition to what is referred to in the EDP inventory as "the State", also of a number of so-called extrabudgetary units. "**The State**" comprises the parts of the central government identified thoroughly in the budget such as the ministries and other budgetary entities. The information is collected from a government agency responsible for central government book keeping, "Økonomistyrelsen". The level of details in the information from "Økonomistyrelsen is high and contains for example counterpart information enabling detecting transfers from central government to other sub sectors of general government. As also indicated in the EDP inventory document, in preliminary statistics, information from central government overrules information from local government in case of deviations, whilst for final reports it is the other way around. Additionally, detailed information on taxes is provided by another government agency, "SKAT". Preliminary data (year n) for the State used in the April (n+1) EDP notification is available in February (year n+1). In May (n+1) half-finalised data for year n is available and are used in the October (n+1) EDP notification. Final data for year n is available in October n+1. This means that final data for year n are reported in the April (n+2) EDP notification.

On the accounting basis for "the State" it had previously been reported by the Danish statistical authorities that the central government from year 2007 would convert its budget accounting principles from expense based accounting to a cost based appropriations system. The former representing a cash based system and the latter being closer to an accrual approach. Prior to the meeting a MOF-document was sent to Eurostat describing the new system including the consequences for national accounts. It was explained in the meeting that not all entities of central government were yet affected by the new system, i.e. defence, national inheritance and infrastructure. In addition, some transactions like grants and taxes were also not yet included.

The new system was presented as a cost-based appropriation system and had its background in a modernization program aiming at improving government efficiency both at central government and local government level. It was assumed that the new system would bring improved economic information for e.g. fixed assets and financing.

In addition to those entities in "the State", the central government comprises several **Extra-budgetary** (non-integrated) **units** which are not fully reflected in the budget reports from "the State's" budget reports. Extra-budgetary units consist among others of the national church, unemployment funds, universities and other education institutions. Accounting information for year n from these units is not available for the April (n+1) EDP notification, however, some preliminary information is available and used from the "State" budget accounts. Due to the rather late availability of data from those units, SD uses estimation methods to represent those units for year n in the April EDP (n+1) notification. Some of these units provide accounting information for year n during the summer year n+1, but complete information for year n from all units is not available until October year n+1 and is therefore not available for EDP purposes until the April (year n+2) notification. The accounting basis for these entities varies, and accounting reports are collected directly by SD. The recording practise in statistical reports between those units and "the State", is similar as the one between "the State" and local government, as described above.

During the year the revision of data for central government can be summarized as: for non-financial data the April notification, year n contains "preliminary" data for n-1 and in EDP tables

preliminary data are denoted half-finalized. Based on updated data becoming available during the spring, the figures reported in the April notification are revised for the October notification.

Denmark also has many public quasi-corporations, in particular at the local government level – see point 3.2 in this document.

There has been a long lasting disagreement between Denmark and Eurostat on a couple of methodological cases, i.e. the transmission from ESA B.9 and EDP B.9 containing not only corrections for swaps, but also for UMTS licenses and infrastructure investments into the railway company Banedanmark. The position of the Danish statistical authorities is that they will not change this recording, despite the opinion of Eurostat, until the next major revision in 2011 because these transactions are treated differently in Danish national accounts and are upheld to ensure consistent time-series. See also point 3.2 in this document.

Rather big revisions in Danish EDP data are frequently observed due to revised taxes. This issue was discussed, and is described in point 3.1 in this document.

### *Findings and conclusions*

- 5 Eurostat welcomed the clear presentation of the revision practises in Denmark as well as the note prepared for the meeting. The disagreement of the treatment on UMTS licences was confirmed, and a change of the treatment would be pending on a change of revised ESA. However, SD has informed after the mission that the treatment of capital injections into Banedanmark will be changed as a result of the data and methodological revision this year.
- 8 It was agreed in the meeting that the updated version of this document could be published on the Eurostat website on 1 October 2008. This document is also published nationally.

## **2 Actual data – EDP reporting, analysis of EDP tables**

### *Introduction*

During the meeting, the April 2008 EDP notification tables as well as draft tables for the October 2008 notification provided before the meeting were discussed, and in some cases references to previous notifications were also made.

### **2.1 Examination of the EDP tables**

#### **2.1.1 EDP Table 1**

### *Discussion*

During the April 2008 notification Eurostat enquired about the often significant revisions in EDP B.9 observed in EDP table 1. As usual, these revisions in data were explained to be caused to a large extent by revised data for taxes on the income of households and taxes on corporations. See also point 3.1 in this document.

In addition, in the April 2008 notification Eurostat pointed at a seemingly inconsistency between rather low holdings of intra government sub-sector debt compared to the accompanying flows of intra government sub-sector interest flows. It was confirmed that a main reason for this finding was due to that three central government entities (Den Sociale Pensionsfond, Højteknologifonden and Grundforsknings- og finansieringsfonden) had not correctly been consolidated with central government.

### *Findings and conclusions*

The Danish EDP table 1 is fully filled, even though one observes significant revisions, as explained above mainly due to revised data for taxes.

### **EDP Tables 2A-2D**

#### *Discussion*

##### Table 2A

Eurostat mentioned that in EDP Tables 2 one should indicate in the explanatory lines the basis of the working balances. The working balance for central government is according to SD on an accrual basis (cost based appropriations system).

It was enquired on some of the entries in the table. In the lines "Other accounts receivable" and "Other accounts payable" there are large entries because of taxes, for example the amount for 2006 was 1,1 % of GDP. These amounts related to taxes are presented on a net basis, i.e. when the sum of receivables and payables are positive, the net amount enters the line "Other accounts receivable", and similarly in the line "Other accounts payable" if the net amount is negative. A rather long discussion took place on the issue of the Danish system of calculating accrual taxes. More details of this discussion are described in point 3.1.1 of this document.

In the detail lines under "Other adjustments" some adjustments are regularly implemented. One of those adjustments is corrections to "commitment values". It was explained by the Danish statistical authorities that in the budget (and the working balance) certain commitments related to subsidies and investments payments are included. However, the amounts actually paid out might differ from those amount reflected in the budget, and this difference is adjusted for in the line corrections to "commitment values". Negative entries in this line indicate that amounts actually paid out were higher than the commitments. Eurostat took note of the explanation, and agreed that this adjustment would bring these entries presented in the budget on a commitment basis closer to an accrual basis for the calculation of the net lending/net borrowing. Eurostat wondered if these adjustments are also reflected in financial accounts, otherwise potentially being a source for discrepancy.

Another entry enquired on was the correction for central government guarantees for tax revenue in local government. It was explained that Danish local governments have an opportunity on a voluntary basis to make an arrangement with central government to fix their tax revenue for the coming fiscal year. If the actual assessed taxes are below this fixed amount, the difference will be paid from the central government to the local government in question. Likewise, if the actual assessed taxes are above the fixed amount, the difference will have to be paid from the local government to the central government.



The issue of public quasi-corporations has been subject for a long discussion between SD and Eurostat. SD had, during the last year and before the mission, provided various documents on the treatment of public quasi-corporations. Conceptually an agreement was obtained on the fact that in case the public quasi-corporations were loss making, government capital injections should be recorded as a capital transfer. The remaining problem was how to treat loss making public quasi-corporations in EDP Tables 2, since in the working balance of government are not only subsidies and capital injections into these units included, but also their consumption of fixed capital. It was agreed that an adjustment for consumption of fixed capital was needed in EDP Tables 2, and that the correction should enter the details lines of "Other adjustments" for the correct measurement of the B.9.

#### *Findings and conclusions*

9 -11 Eurostat took note of the explanations given by the Danish statistical authorities on the various issues discussed for EDP Table 2A, and in particular an agreement was found on the recording of loss making public quasi-corporations. On the issue of the large entries recorded in other accounts receivable/payable for, see point 3.1.1 on this document. Information of the basis of the working balance should be filled in the table from the next EDP notification.

#### Table 2C

For local government the working balance is on an accrual basis except for taxes and some interest flows. Eurostat noted that the working balance for current year is often substantially revised from the April notification to the October notification. The reason for this is that in April one does not have all data available and therefore to a large extent it is necessary to rely on survey data, which naturally causes revisions. As for central government, large entries are observed in other accounts receivable/payable due to taxes. As for central government, corrections for adjustments are made for loss making public quasi-corporations.

#### *Findings and conclusions*

Similar findings and conclusions as for EDP Table 2A.

#### Table 2D

There are not many entries in this table. The working balance is based on detailed budget reporting, and it was explained that a main component of the working balance is related to unemployment expenditures.

#### *Findings and conclusions*

Eurostat took note of the explanations given by the Danish statistical authorities

#### **EDP Tables 3A-E**

#### *Discussion*

Eurostat noted the habit in Danish EDP Tables 3 to report a zero statistical discrepancy between financial and non-financial accounts. Large amounts are observed in the line "Other financial

assets", and these entries are also subject for substantial revisions. The table below illustrates the issue.

***Entries reported in line "Other financial assets" of EDP Table 3A***

Notification	Apr-08			Oct-08		
Table 3A	2005	2006	2007	2005	2006	2007
Amount in bn DKK	-5.1	18.8	0.0	-4.1	-11.3	0.8
In % of GDP	-0.33	1.15	0.0	-0.26	-0.69	0.05
GDP	1548.2	1641.5	1965.5	1548.2	1641.5	1696.3
Revision in % of GDP				0.06	-1.83	0.05

Notification	Oct-07			Apr-08		
Table 3A	2004	2005	2006	2004	2005	2006
Amount in bn DKK	-15.0	-12.0	28.3	-12.7	-5.1	18.8
In % of GDP	-1.03	-0.77	1.72	-0.87	-0.33	1.15
GDP	1459.4	1552.0	1642.2	1466.2	1548.2	1641.5
Revision in % of GDP				0.16	0.45	-0.58

One observes rather large entries sometimes larger than 1% of GDP. In addition, amounts are sometimes revised substantially. For example, for the year 2006 the amount reported in the October 2007 notification was bn 28.3 DKK (1.72% of GDP). In the April 2008 notification this was revised by bn 9.5 DKK to bn 18.8 DKK, a revision of 1.15% of GDP. In the October 2008 notification this was revised again to bn -11.3 DKK (-1.83% of GDP). This means that the revision from October 2007 to October 2008 was equal to bn -39.6 DKK or -2.4% of GDP, which has to be considered being a very large revision.

In addition, in tables I and II of the Questionnaire related to EDP there are no or very limited information about stocks. Eurostat thought that it was questionable to report such large amounts in "Other financial assets" when reporting a zero statistical discrepancy between financial and non-financial accounts as long as flows and stocks related to F.7 were not appropriately accounted for.

Eurostat thought that the F.7 entries in EDP Tables 3 "Other financial assets" needed to be better accounted for. SD stated that the April 2009 notification would improve the situation by also providing information on stocks. In addition, SD explained that one reason was the budget reform that had big impacts on particular 2006 figures.

***Findings and conclusions***

- 4 Eurostat invited SD to provide an explanatory note elaborating along the lines described above related to flows and stocks related to F.7 entries in Danish EDP notifications, e.g. in Table I of the Questionnaire related to EDP no stocks are reported and in table II only net figures are presented. It is also considered important that a zero statistical discrepancy between B.9 calculated from financial accounts and from non-financial accounts could be explained and justified. This note should be provided well before the October 2009 EDP notification so eventual changes can be included in that notification.

### **3 Methodological issues and recording of specific government transactions**

#### **3.1 Implementation of the accrual principle**

##### **3.1.1 Calculation of accrual tax revenue**

###### *Discussion*

Denmark is according to its statistical authorities close to a pure accrual basis for the calculation of taxes. However, Eurostat expressed its concern about the method of recording of taxes (through assessment) chosen by SD. The method has proven to result into substantial revisions of tax data between notifications during several years.

Eurostat explained and clarified in details the different methods applicable for the recording of taxes according to the relevant EU legislation. Since the Danish tax data has proven to be subject to frequent and large revisions, Eurostat wondered if the time adjusted cash method would end up in less revision in the tax data, and therefore could be an alternative for the recording of Danish taxes.

SD explained that cash data is not easily available, and that the Danish tax collecting had been subject for reorganizing. Eurostat thought that it was not normal that cash data for taxes was not available, and that cash data for paid taxes had to be available somewhere in the Danish government.

###### *Findings and conclusions*

- 3 It was agreed that SD would look for intra year cash data, possibly with the cooperation of the Danish Central Bank and/or Ministry of Finance, and then undertake a comparative study between the present method of assessed taxes adjusted by a capital transfer for taxes unlikely to be collected and a time adjusted cash method. This study should be undertaken well before the October 2009 EDP notification so eventual changes can be included in that notification.

#### **3.2 Delimitation of general government sector**

##### **3.2.1 Sectorisation practice for public quasi-corporations**

###### *Discussion*

For several years the sector classification of public quasi-corporations running persistent losses and the government transfers to covers these losses had been one subject of discussions between Eurostat and SD. SD provided in 2007 a note on the classification of public quasi-corporations in Denmark, and in 2008 SD also provided a note on the treatment of investments transfers into these units.

On the recording of investments into public quasi-corporations, Eurostat and the Danish statistical authorities have reached an agreement to record transfers into persistent loss making public quasi-corporations as capital transfers. Because the consumption of fixed capital of public

quasi-corporations is included in the working balance, it was agreed on the need to adjust for this in order to measure correctly the B.9 of government.

On the issue of the sector classification of public quasi-corporations, SD had explained in their 2007 note that the classification followed the criteria set out in ESA 95. However, it was explained in the meeting that SD is considering taking steps to reclassify some persistent loss making public quasi-corporations into the general government sector since in a long run perspective, they are not complying with the 50% rule.

#### *Findings and conclusions*

9-11 Eurostat took note of the situation, and given the information provided by SD, the general methodological discussion on public quasi-corporations between Eurostat and SD is to be considered as closed.

### **3.2.2 Classification of Banedanmark**

#### *Discussion*

Banedanmark is a central government quasi-corporation responsible for the rail tracks in Denmark. The entity was created in 2004, replacing the former Banestyrelsen. The change seemed to signal a more independent entity.

Banedanmark is persistently making losses, but government capital injections into Banedanmark is in Danish national accounts treated as equity transactions, also being reflected in the Danish reports to the ESA Transmission Programme. These capital injections are in EDP notifications reclassified and reported as capital transfers. Eurostat has frequently been asking SD during the clarifications related to EDP notifications to reclassify these transactions also in ESA tables. SD has resisted this, but has signalled that a change will indeed take place but not until after the revised ESA is implemented, probably in 2014. It is also a question if Banedanmark complies with the 50% rule, to the effect that the unit should be considered being classified inside central government. The effect of a reclassification would according to SD have no effect on the central government deficit and debt. SD mentioned that also other central government quasi-corporations are considered being reclassified into central government, likely without effects on government finances.

#### *Findings and conclusions*

Eurostat took note of the unchanged Danish position, and welcomed the signal from SD to provide a note on the issue later on.

### **3.2.3 Public radio and television**

#### *Discussion*

The issue of the classification in national accounts of TV licences had been brought on the table in the Financial Account Working Group as some countries had reclassified these payments from sales of services to taxes.

SD made clear in the meeting that their position is unchanged, to the effect that these payments will still be considered sales of services and not taxes. SD also thought that ESA should be clearer before they would be willing to potentially change their present recording in a future major revision, but that a clarification in the FAWG would be important.

### *Findings and conclusions*

12 Eurostat took note of the Danish position, and also stated the need to further clarify the issue in the FAWG since country practises and arrangements seem to be heterogeneous across Member States. SD indicated that if they are instructed to change the recording of these licences, they would do so, given that clarifications are agreed on in FAWG.

## **3.3 Review of Eurostat decisions and other important methodological issues**

### **3.3.1 EU flows**

#### *Discussion*

Eurostat enquired on the issue of time of recording effects related to EU flows since table II of the Questionnaire related to EDP contains only net figures for both stock and flows. SD explained in a note on the issue prior to the meeting that a breakdown of cash payments and receipts concerning EU transfers are not possible before the end of September.

It was also explained that payments from general government in the context of agricultural grants to non-government beneficiaries are recorded when the application has been approved by the Danish authorities, and that EU reimbursements are recorded at the same time to the effect that no net impact would occur in the working balance. Eurostat wondered if there would be an impact in the working balance and hence in B.9 in case advance payments were found by EU not to be eligible for reimbursements. SD replied that in such cases there would be an impact, but that the amounts were likely very small.

Eurostat also asked if Denmark is benefitting from EU structural funds, e.g. projects being co-financed by EU. SD informed that for the time being there are so such projects.

Eurostat wondered how come there is no stock of payables. SD explained that Denmark for many years has been a net grantor/payer to the system.

#### *Findings and conclusions*

4 Eurostat took note of the Danish explanations that EU flows do not give rise to timing effect in the national accounts and therefore there is no impact on the B.9 of government. However, Eurostat thought that it is not evidenced that there are no time of recording impacts on the government balance due to EU flows.

### **3.3.2 State guarantees**

#### *Discussion*

Eurostat noted that in table IIIa of the Questionnaire related to EDP there seem to be guarantees under repeated calls, and it was asked why this debt seemed not ever to be assumed. SD explained that guarantees called are normally assumed, and counter balanced by a capital transfer. The stock of debt under calls, but not yet assumed, was explained to concern to a large extent non government "urban renewal" entities. SD also informed that the stock of debt under repeated calls is expected to be assumed and therefore an entry in line D1 of table IIIa would be recorded for the next notification.

#### *Findings and conclusions*

6 Eurostat took note of the explanations given by the Danish statistical authorities and in particular that debt under repeated calls is expected to be assumed, and that a change in the recording will materialize line table IIIa of the questionnaire related to EDP tables for the next notification.

### **3.3.3 Debt assumptions, debt cancellations and debt write-offs**

#### *Discussion*

Eurostat noted that there are no debt cancellations in Denmark in the context of the Paris Club. It was further explained that the amounts of debt of public corporations to government to a large extent was due to the corporations operating the two big bridges, Öresund and Storebælt, (line 20 of Table IV of the Questionnaire related to EDP). In addition, the amounts recorded in line 21 in the same table were explained to be due to refinancing operations.

#### *Findings and conclusions*

Eurostat took note of the explanations given by the Danish statistical authorities.

### **3.3.4 Capital injections, super-dividends, interim dividends and privatizations**

#### *Discussion*

No long discussion took place under this item of the agenda as the most important aspects had been discussed under previous items, in particular in relation with the treatment of government transactions with their quasi-corporations. Table V of the Questionnaire related to EDP seems to be largely consistent with EDP Tables 2.

It was confirmed that the superdividends test had been applied for the entries in section II B of Table Vb.

#### *Findings and conclusions*

Eurostat took note of the explanations given by the Danish statistical authorities

### **3.3.5 Military equipment expenditures**

No issues were raised on this point. Denmark seems to apply correctly Eurostat's guidelines.

### **3.3.6 Private-Public Partnerships (PPP) and concessions – Vildbjerg Skole**

#### *Discussion*

During the October 2007 EDP notification the case of a PPP - Vildbjerg Skole (a school) – was revealed, and has since then been an object for discussion between Eurostat and SD. The issue relates to favourable termination clauses for the private partner in the PPP contract, which according to Eurostat's view has the effect that most risks are not transferred from government to the private sector, and consequently the assets should be considered reclassified as government assets since the private operator in practice is enjoying a government guarantee. Eurostat also stated that if looking at the 3 risks, described in the present chapter of the ESA 95 manual on government deficit and debt, in isolation, one could make wrong decisions about the classifications of the assets. One should look at the broader picture, and in case of favourable termination clauses having the effect that the private partner de facto is not at risk, it would be correct to classify the assets within government. Eurostat also referred to the Eurostat guidance note presented at the previous FAWG meeting, elaborating more in detail on this issue. Since some key information had not been available in order to enquire in detail the conditions of the financial settlement in case of terminations from either party, Eurostat asked SD to provide this information if possible. If this would not be possible, Eurostat would take a prudent approach.

Eurostat also enquired on the existence of other Danish PPPs, and SD provided during the meeting information about three other PPPs which will be provided to Eurostat.

#### *Findings and conclusions*

13–14 SD would try to get more information on the amounts pertaining to the termination clauses, and provide a note to Eurostat when this information is obtained. SD also reminded that it is not always easy to obtain these types of information since they are often restricted due to business secrecy. If the information is impossible to obtain, Eurostat would take a prudent approach.

Eurostat thanked SD information concerning the additional PPP contracts, and promised to come back later on the PPP issue also on a broader basis as this is a topic of general interest and importance in Europe.

### **3.3.7 Others: swaps, securitizations**

No issues were raised on this point.

## **4 Other issues**

### **4.1 ESA 95 Transmission Programme tables**

Denmark is broadly in line with the requirements set out on the ESA 95 Transmission Programme, and no specific issues were discussed in the meeting.

## **4.2 Roskilde Bank**

The first Danish victim of the financial turmoil, Roskilde bank, causing government interventions, was discussed. Roskilde bank came in financial distress during the summer 2008 when the Danish real estate market slumped. The bank was holding a large portfolio of loans to real estate investors and was therefore vulnerable to downturns in the real estate market. During August, the bank was taken over by the Danish Central Bank and the association of private banks, "Det Private Beredskab". Eurostat informed and discussed with the Danish statistical authorities some of the key questions to be considered in this case, in particular based on the experience of, at that time, some ongoing cases in Germany and the UK.

SD participated in the CMFB Task Force that was set up after the EDP mission, and has contributed in the common European effort to reach statistical accounting advices for cases related to the international financial turmoil, by providing information and by discussing the methodological treatment of the various cases in the Task Force.

### *Findings and conclusions*

7 SD will closely follow and monitor the case of Roskilde Bank as well as other cases in the context of the financial turmoil, and provide to Eurostat relevant information.

### **Other business**

SD commented the new proposal for a revised questionnaire related to EDP, expressing their concern due to the increased reporting burden embedded in this specific proposal, as well as the general development in recent years of the reporting burden. Eurostat explained that this new proposal is still to be seen as a pilot exercise, and that comments are presently being collected from the Member States. A new formal questionnaire is not planned to be implemented until the October 2009 EDP notification. Meanwhile, Member States can still use the "old" questionnaire. Eurostat took note of the Danish view, and said that the reporting burden is always a concern when asking the Member States for additional information, even if the purpose is targeting a better monitoring the government finances in Member States.

### *Findings and conclusions*

15 Eurostat took note of the concern communicated by the Danish statistical authorities related to the increased reporting burden in general the last years and in particular in relation to the proposal for a new questionnaire related to the EDP notifications.



## Annex I

### List of Participants at the EDP Dialogue Visit to Denmark 11 - 12 September 2008

<b>Name</b>	<b>Institution</b>
Luca Ascoli	European Commission (DG Eurostat)
Jean-Pierre Dupuis	European Commission (DG Eurostat)
Kurt Wass	European Commission (DG Eurostat)
Gerrit Bethuyne	European Commission (DG ECFIN)
Marta Rodríguez	European Central Bank
Søren Brodesen	NSI – Statistics Denmark
Michael F. Nielsen	NSI – Statistics Denmark
Martin Rasmussen	NSI – Statistics Denmark
Kirsten Wismer	NSI – Statistics Denmark
Martin Ausker	NSI – Statistics Denmark
Kristina Stæhr Vest	NSI – Statistics Denmark
Gitte Knudsen	NSI – Statistics Denmark
Flintull Annica Eriksson	NSI – Statistics Denmark
Michael Lund Nielsen	Ministry of Finance
Nikolaj Warmning Larsen	
Ann-Louise Winther	Danish Central Bank