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- FINAL FINDINGS -

EDP dialogue visit to the Czech Republic

18-19 June 2007

Executive summary

An EDP dialogue visit to the Czech Republic took place on 18-19 June 2007 with the aim to assess the existing statistical capacity, to review institutional responsibilities in the field of government finance statistics including EDP statistics, to analyse the EDP tables and to ensure that the provisions from the ESA95 Manual on Government Deficit and Debt and recent Eurostat decisions are implemented and that specific government transactions are appropriately recorded in the Czech EDP notification and national accounts.

First, Eurostat discussed with the Czech authorities the institutional arrangements and data sources used for the compilation of Government Finance Statistics (GFS). The co-operation arrangements among statistical authorities is organised on a permanent basis. Though no special working group was set up, it is believed that informal discussions and consultations are regularly conducted between various parties involved in GFS and EDP compilation. Eurostat took note of the forthcoming multi-institutional Agreement and of the routine yearly meeting at high level. Overall, the Czech statistical authorities are encouraged to further intensify co-operation in the field of GFS, at the working level. As far as data sources are concerned, Eurostat took note of the fairly good coverage and timeliness of the data sources available to the CSO. Eurostat noted the clarity of the EDP inventory, however small improvements and updates could be done.

Eurostat very much appreciated the amount and quality of information provided by the Czech statistical authorities prior to the mission. In particular, apart from the information regularly requested from Member States, the Czech authorities provided a new template of EDP table 3B1 pertaining to the State budget as well as a very detailed set of complete sequence of national accounts for individual units.

Eurostat examined in detail the EDP tables and enquired about significant downwards revision of taxes for 2005 (-0.5% of GDP) between October and April 2006, and about regular revisions of data on acquisition of non-financial assets. It was clarified that in the April 2006 EDP notification, estimations for taxes, as reported by the Ministry of Finance (MOF) in February 2006, had been used for compiling the 2005 deficit. Regarding data for 2006, notified in April 2007, more up-to-date estimations for VAT were used. However, the MOF stated that tax revenues may be significantly revised upward in October 2007 EDP notification due to the final settlement relating to the corporate income tax. As for data on acquisition of non-financial assets, revisions relate to delays in the availability of additional data sources coming from the Statistical Questionnaire, and such revisions can also occur in future. Eurostat found the situation in both cases unsatisfactory and particularly stressed the need of using the most updated information while calculating deficit in April for the year $n-1$ and encouraged speeding up the process of the Statistical Questionnaire.

Eurostat examined in depth numerous adjustment lines that are reported in EDP table 2 in order to bring the reported deficit closer to the ESA95 concept. On the basis of the discussion, it was found that revenues from fines and penalties on late social contributions are overestimated since they include amounts unlikely to be collected. The Czech authorities will correct data for the October 2007 notification. The negative impact of this revision will be somewhat compensated by a revision of the recording of transfer returns. Transfer returns relate to unspent subsidies which are returned back to government. Currently, these are incorrectly eliminated in EDP table 2, so expenditures on subsidies are overestimated in the long run. Furthermore, the appropriateness of several adjustments is to be further clarified by

the Czech statistical authorities (e.g. accrual adjustment of acquisition of non-financial assets).

The issues of reporting other accounts receivable/payable and of statistical discrepancies were extensively discussed. Eurostat stressed the importance of closely monitoring other accounts receivable/ payable and statistical discrepancies. The CSO understands the importance and usefulness of this recommendation, and agreed to send other accounts receivable/payable reported in EDP tables 3 appropriately split and reconciled with EDP tables 2, for the next October 2007 EDP notification, and to provide a quantification of the ex-ante statistical discrepancies for 2003-2006.

Besides, the Czech statistical authorities agreed to provide in future together with EDP notification tables (as annexes) the explanatory notes and tables specifying revisions and other details, which are usually sent later on during the request for clarification. This will allow speeding up the EDP notification validation process. The Czech authorities are requested to ensure a clear and transparent link between data reported in EDP tables and in the questionnaire related to EDP notification tables.

The compliance with the rules established by the ESA95 Manual on Government Deficit and Debt were discussed, as e.g. delimitation of general government, accrual recording (taxes and social contributions, interest, EU flows, military expenditure), and recording of other specific government transactions. The approach taken by the Czech authorities was found generally sound. However, there is a need to reconsider whether a recording of transactions relating to the inclusion of the Railway Infrastructure Administration and its assets and liabilities into the general government sector in 2003 would be appropriate, with an impact on the deficit of 0.5% of GDP. As for PPPs, the Czech authorities stated that seven PPP projects are being discussed by government, although none has been approved yet. In this context, Eurostat noted that the Czech authorities had an obligation to ensure that the rules for measuring the government deficit were fulfilled.

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 the Czech Republic on 18-19 June 2007. The delegation of Eurostat was headed by Mr. Nørlund, director of Directorate C, National and European Accounts. The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) participated also in the meeting as observers. The Czech authorities were represented by the Czech Statistical Office (CSO), the Ministry of Finance of the Czech Republic (MOF), the Czech National Bank (CNB) and the Czech Consolidation Agency (CKA). The list of participants is attached (Annex 1).

The previous Eurostat mission to the Czech Republic took place on 22-23 August 2005.

The aim of this EDP dialogue visit was to clarify issues relating to EDP tables raised in the context of previous notifications and to examine the treatment of specific government transactions.

Eurostat very much appreciated the amount and quality of information provided by the Czech statistical authorities prior to the mission. In particular, apart from the information regularly requested from Member States, the Czech authorities provided a new template of EDP table 3B1 pertaining to the State budget (i.e. Budgetary Central Government) as well as a very detailed set of complete sequence of national accounts for individual units.

1. Statistical capacity issues

a) Institutional responsibilities in the framework of the reporting of data under the EDP and government finance statistics compilation

Introduction

EDP tables are reported by the CSO. The whole set of EDP tables relating to actual data is compiled by the CSO. The MOF compiles planned deficit and debt data.

The CSO is also responsible for compiling and reporting government finance statistics (GFS) according to the ESA95 Transmission Programme and according to the EU Regulations on quarterly government non-financial and financial accounts and government debt.

Eurostat inquired further about the institutional arrangements and division of responsibilities in the framework of the compilation and reporting of EDP tables. Particular attention was given to co-operation between the NSI and the MOF.

Discussion and methodological analysis

The Czech statistical authorities explained that an Agreement on co-operation between the

CSO and the MOF is being prepared, which should contain a general agreement as well as annexes specifying more precisely the responsibilities of involved parties in different fields. One of the annexes of the Agreement will be devoted to Government Finance Statistics (GFS) compilation, including EDP tables.

The Czech authorities will provide Eurostat with the final version of the Agreement.

The co-operation between the CSO and the MOF has been recently organised on two levels:

- Meetings of a high level working group, consisting of heads of units of relevant departments from the CSO and the MOF, are to be organised once a year.
- Co-operation at the "technical level" in the field of GFS is permanently organised on an informal basis, between the CSO staff and the staff of the Financial Policies Department and the other relevant departments of the MOF. It concerns source data provision, sector delimitation issues and methodological issues. A post of co-ordinator has been established at the MOF, whose role is to distribute requests from the CSO relating to various statistical fields to relevant departments of the MOF. However, the CSO felt that one of the problematic issues relates to the structure of public accounting system, since it does not reflect statistical needs, and noted an insufficient awareness of the CSO needs at the Accounting Methodology Department of the MOF.

The CSO provides to the MOF and CNB, once a month, an updated statistical register of institutional units. The 50% criteria test is carried out by the MOF, using the formula designed by the CSO.

The Czech statistical authorities stated that regular discussions and consultations on methodological issues, on borderline cases of sector classification, on public accounting issues, etc. are carried out. EDP tables compiled by the CSO are sent to the MOF for comments before reporting to Eurostat.

Findings and conclusions

- Eurostat underlined in general that it was very important to ensure a close co-operation between those authorities involved in the compilation of the EDP statistics.
- Eurostat took note of the co-operation arrangement among statistical authorities organised on a permanent basis in the field of GFS. Though no special working group has been set up at this level, it is believed that informal discussions and consultations are regularly conducted between various parties involved in GFS and EDP compilation. Eurostat took note of the forthcoming multi-institution Agreement and the routine yearly meeting at high level.
- The Czech authorities will provide Eurostat with the final version of the Agreement on co-operation between the CSO and the MOF.
- Eurostat noted that there was a gap between statistical needs and current public accounting systems, which was not uncommon to other Member States. Overall, the Czech statistical authorities are encouraged to further intensify co-operation in the field of GFS, at the working level.

b) Data sources, EDP inventory

Introduction

The information on data sources and methods used for general government deficit and debt compilation, as described in the EDP Inventory, was discussed.

Discussion and methodological analysis

The CSO collects accounting information from the MOF pertaining to Central and Local government Budgetary Organizations (BO) and to Semi-Budgetary Organizations (SBO), as well as to state extra-budgetary funds (SEBF). The CSO collects information from other public bodies directly. In addition the CSO collects additional information based on a Statistical Questionnaire, filled by all units and organizations.

Detailed cash data from the budget reporting, split by economic categories and by functions (national classification), are available separately for central and for local BO. The breakdown by budgetary chapters is available for central budgetary organisations. It was noted that apart from main activities, "secondary" activities are also undertaken by budgetary organisations (pipelines, renting of building and flats, etc.) and are reported separately on an accrual basis, in a profit and loss account. Balance sheet data are also available for all government units, but with a different breakdown for BO (by NACE, rather than by chapters).

Data for BO, SBO and SEBF are processed by an external body of the MOF. Furthermore, results of the Statistical Questionnaires (exhaustive surveys) are used for GFS compilation as supplementary information, notably to come closer to the accrual principle and with a noticeable impact on the measurement of the government deficit. Data requested in the Statistical Questionnaire are based on ESA95 categories, and include information on the financial side and, since 2005, counterpart information.

Data received by the CSO from the MOF are processed by the IT department at the MOF, and take the form of special databases (for central and for local BO and SBO, by main and secondary activity, and for SEBF). The CSO does not have direct access to individual budget organization reporting data sources, but can obtain this information, upon request, from the IT Department at the MOF.

These databases are mainly consistent with the State Final Accounts, available in the second quarter of the year $n+1$. The State Final Accounts include useful supplementary information.

The timeliness of the availability of source data is good, as the CSO obtains these MOF databases by March $n+1$, in time for the April $n+1$ notification. However, the Statistical Questionnaire is available only later.

The EDP Inventory for CZ was found reasonably informative and clear to readers. Some suggestions for clarification were pointed out, notably for the good detail and timeliness of accounting source data, and conversely for a worse timeliness (than implied) of the Statistical Questionnaire.

Findings and conclusions

- Eurostat took note of the fairly good coverage and timeliness of the data sources available to the CSO, comprising accounting data for all government units and inclusive of balance sheet as early as March n+1. While, in a number of cases, the CSO would be relying on aggregated data, it draws on detailed budget, profit and loss accounts and balance sheets generally available in March n+1.
- Eurostat noted the clarity of the EDP inventory. It was agreed that the CSO will update the EDP Inventory for identified improvements.

2. Follow-up of the April 2007 EDP reporting

Analysis of EDP tables

Revisions

Introduction

Eurostat recalled the significant revisions of general government deficit and debt figures, particularly a significant downward revision of taxes for 2005 by 0.51% of GDP notified in October 2006 compared to April 2006, and regular revisions of data on acquisition/disposal of non-financial assets.

The issue on the revision of taxes was discussed in detail in the context of the item 2.2 of the agenda.

Discussion and methodological analysis

The following revisions of data on acquisition/disposal of non-financial assets were observed by Eurostat:

- In the context of the April 2006 EDP notification, compared to September 2005, data on acquisition/disposal of non-financial assets for 2002-2004 were revised by -0.15%, -0.58%, -0.31% of GDP respectively.
- Data for 2005 notified in October 2006 compared to April 2006 were revised by -0.42% of GDP.
- Additional revision of data on acquisition/disposal of non-financial assets for 2005 reported in April 2007 compared to autumn 2006 was carried out by an amount of +0.1% of GDP.

The CSO confirmed that basic accounting data sources used for general government deficit compilation are available in March n+1 and could be considered as final. However, additional data from the Statistical Questionnaire, with information on the accrual adjustment for acquisitions/disposals of non-financial assets are used later on, which causes revisions to the reported deficit: partial information from the Questionnaire is available in October n+1 and complete information in April n+2. The CSO aims at completing the Questionnaire in time for the October n+1 notification, but this may not be achieved in the short term.

The CSO noted that, in line with the revision policy used in the national accounts balancing process, the deficit of general government could theoretically be changed in the context of national accounts balancing for n+2, although no such occurrences were recently observed.

Findings and conclusions

- Eurostat took note of the explanations concerning revision policies.
- Eurostat took note that revisions of data on acquisition/disposal of non-financial assets relate to delays in the availability of additional data sources coming from the Statistical Questionnaire. Revisions of the general government deficit until April n+2 can occur, also in the future. Eurostat found the situation not completely satisfactory and encouraged the CSO endeavour for accelerating the processing in time for the October n+1 notification.

EDP table 2

Introduction

When calculating the transition from the nationally based working balance to the ESA95 based deficit, a large number of adjustment lines is reported in EDP table 2A by the Czech statistical authorities, with an intention to bring the reported deficit closer to the ESA95 concept.

It is indicated by the CSO that the government deficit (EDP B.9) is calculated on the basis of the compilation of detailed government expenditure and revenue (ESA Table 2), and that the EDP Table 2A merely links, ex-post, the working balance to the EDP B.9.

The appropriateness of the following adjustments recorded in EDP table 2 was discussed in depth:

- a) Internal transfers
- b) Wages in kind
- c) Transfers free of charge
- d) Transfer of flats in local government
- e) Accrual adjustment of P.5 and K.2
- f) Recording of accrual fines and penalties in social security funds
- g) Transfer returns
- h) Holding gains / losses (exchange rate movements)
- i) Net borrowing / net lending of the Railway infrastructure Administration (RIA) and of the Czech Consolidation Agency (CKA)
- j) Other financial transactions (adjustment on guarantees and compensation on behalf of the RIA)
- k) Other accounts receivable / payable
- l) Social contributions paid by the state

a) Internal transfers

Discussion and methodological analysis

A correction line "internal transfers" is reported in EDP table 2A (with a large positive impact on the government balance for 2003-2006), to reflect money set aside by budgetary units and

not spent during the budget year. Budgetary organizations are entitled to set aside in their own balance sheet unspent budgetary credit, for spending later on. At time of setting aside of funds, a budget expenditure is recorded (item 534 of national budget classification), with an impact on the working balance. Conversely, at time of actual expenditure, a budget revenue is also recorded (item 413 of national budget classification), with an impact on the working balance, neutralizing the budgetary effect of the expenditure in that accounting period.

Eurostat noted that the internal transfers were substantial, over 2003-2006, for an accumulated total of 67 bill CZK. The Statistical authorities however noted that the MOF had some control on the speed of release of such expenditure.

Findings and conclusions

- Eurostat took note on the explanation of the accounting practices and motivation for recording of the correction line "internal transfers".

b) Wages in kind

Discussion and methodological analysis

The Czech statistical authorities declared that not all expenditures relating to wages in kind are included in the working balance, as some are partially financed from the "social and culture fund". These "funds" are extra-budgetary accounts that are maintained in the balance sheet of the respective organizations.

It was clarified that social and culture funds are financed by transfers payable by employers which negatively impact the working balance of EDP table 2 (these are "internal transfers"). These transfers being revenues of social and culture funds, a counterbalancing positive entry under the transition line "internal transfers" is reported in EDP table 2A to neutralize the impact on deficit.

At time of expenditure, no amounts are reported in the working balances. Since expenditures of the social fund do not enter the working balance, an adjustment line "wages in kind" with negative impact on deficit is reported by the CSO as a transition item between national working balance and the ESA95 based balance. Relevant data on social and culture fund expenditures are not available in public accounts, therefore the information from a labour costs survey is used. This survey covers all institutional units classified in general government and the requested information is designed in line with ESA95 definitions. Data from the labour cost survey include complete labour costs (including wages in kind and social expenditures); part of them is financed via working balance. The CSO stated that the structure of data from this survey ensures distinguishing expenditures on wages in kind that are financed via working balance, and allows proper classification of transactions (P.2, D.11 etc.). The results from the survey are also compared with data of the social and culture funds as reported by units in their balance sheets (liability side). Thus there would not be cases of duplication of recording.

Findings and conclusions

- Eurostat took note of the explanation that the correction line "wage in kind" were broadly neutralized over the years with entries under "internal transfers". Eurostat recommended

that these transfers to the social and culture funds be separately identified within internal transfers. Eurostat took note of the source data used for the measurement of the item “wages in kind”.

c) Transfers free of charge

Discussion and methodological analysis

According to the description provided by the Czech authorities, the adjustment line “transfers free of charge”, with negative impact on deficit, reflects mostly transfers of non-residential and residential buildings from the Ministry of Defence to local authorities. The information is based on the annual Statistical Questionnaire. Since this adjustment should have a neutral impact on the deficit of both sub-sectors (as well as for general government to the extent that these transactions are consolidated), a counterbalancing entry is reported under the item “adjustment of P.5 and K.2” in EDP table 2A (as well as symmetrically in EDP table 2C), reflecting the disposals of non-financial assets (with positive impact on deficit).

Findings and conclusions

- Eurostat took note of the soundness of these adjustment lines in EDP table 2 and accepted the treatment applied by CSO.

d) Transfer of flats in local government

Discussion and methodological analysis

The CSO stated that according to their estimations, the sale price of flats privatised by local authorities to households represented only 60% of the market value of flats. Therefore, the difference between the sale and the market price is recorded as capital transfer payable from local government to households, and, to this effect, an adjustment item with negative impact on the deficit has been recorded in EDP table 2C.

It was also clarified that only a part of the sale price was paid by households in the first year, with additional payments in following years, which implies the recording of an increase of receivable of local authorities to households. The further payments by households are thus to be recorded as financial transactions.

Separately the cash receipts from the sale of flats are not included in the working balance, because these reflect “secondary activities” of local budgetary institutions.

The privatization of flats should improve the government deficit for the amount due by households, while the grant component should be neutral for the deficit (net lending / net borrowing). Thus, one assumes that the capital transfer relating to the difference between the sale and the market price of flats sold is counterbalanced by an entry for disposals of non-financial assets with positive impact on deficit.

Eurostat however noted that significant negative values are reported in the line “accrual adjustment of P.5 and K.2”. The CSO explained that the balance of secondary activities is in fact recorded in the line “adjustment for sector delimitation”, which reflects the disposal of non-financial assets at market value.

Findings and conclusions

- Eurostat took note of the explanations concerning transfer of flats.

e) Accrual adjustment of P.5 and K.2

Discussion and methodological analysis

The CSO stated that this adjustment line reflects data on accrual expenditures for acquisition of non-financial assets, based on the Statistical Questionnaire. However, the CSO could not justify the large negative entries for this item in EDP T2C.

	2003	2004	2005	2006
GDP MNAC	2577110	2781060	2970261	3204086
Adjustment "Difference between P.5 and K.2 cash and accrual "				
EDP T2A	5140	3347	1347	-35
EDP T2C	-14948	-8679	-8613	-1993
EDP T2D	0	0	0	0
TOTAL	-9808	-5332	-7266	-2028
% of GDP	-0.38	-0.19	-0.24	-0.06

Findings and conclusions

- Eurostat took note that representatives of the CSO were not in position to fully justify the noticeable negative values reported in the adjustment line on accrual P.5 and K.2. Clarification of this issue will be the subject of a detailed follow-up to the visit.

f) Recording of accrual fines and penalties in social security funds

Discussion and methodological analysis

The recording of accrual revenues from fines and penalties collected by health insurance companies had been discussed in the context of the April 2007 EDP clarifications. Since the actual payments are much lower than the accrual revenues (see table below), a question of a risk of overestimation of fines and penalties arose. The CSO explained that the information on accrual revenues is based on accrual data sources and represents the assessed amounts of fines and penalties. It was therefore confirmed that amounts unlikely to be collected are *de facto* included in government revenues, and no assessment on recovery expectations is being conducted while compiling the deficit of social security funds.

Receivables F.7 on fines and penalties EDP T2D	2003	2004	2005	2006	2003-2006	sources
Accrual revenue from fines and penalties	4134	5171	5568	4898	19771	CSO
Actual cash receipts from fines and penalties	1168	2534	3230	1431	8363	Eurostat
Receivables F.7 on fines and penalties	2966	2637	2338	3467	11408	CSO
Receivables, % of GDP	0.12	0.09	0.08	0.11	0.36	
actual payment / accrual revenue, %	28.25	49.00	58.01	29.22	42.30	

Eurostat recalled that there are two possible source data options for recording tax revenues (and fines and penalties related to taxes):

- to record the assessed amounts, appropriately reduced by a coefficient for amounts unlikely to be collected; or
- to record time adjusted cash.

The CSO declared having no monthly data available for the purpose of time adjusted cash calculations, only quarterly data being available. Eurostat noted that for the purpose in question, quarterly data could be satisfactory used.

Findings and conclusions

- Eurostat concluded that revenues from fines and penalties on late social contributions recorded in non-financial accounts are overestimated since they include amounts unlikely to be collected. The Czech statistical authorities agreed with this analysis and will examine possible ways of recording of fines and penalties, a time adjusted cash method seeming the most appropriate option. The CSO will notify Eurostat about the method chosen. Data are to be corrected for the October 2007 EDP notification, with an impact on deficit.

g) Transfer returns

Discussion and methodological analysis

One of the adjustment lines recorded in EDP table 2A is the line "Transfer returns". The Czech statistical authorities explained that unspent subsidies and special-purpose transfers given by government to institutional units inside and also outside the general government sector in previous years are to be paid back to government, and are recorded as "transfer returns" according to the national economic classification. Annual amounts represent about 3-4 bill CZK and are reported as a negative entry in EDP table 2A, in a manner to neutralize the impact on government revenue.

Subsidies returned by local government to central government are symmetrically neutralized, such that those returns are neutral for the measurement of the general government deficit. However, an impact on the discrepancy of each sub-sector would arise.

It was clarified that no claim of the State budget on transfer returns had been recorded in national accounts for previous years, since the information on the amounts is not available in March n+1. So, government expenditures are overestimated over the long term by the unspent amounts given back to government by units classified outside general government. In the case of transfers to government units, the impact of this return is neutralized because it is consolidated.

The exact amounts relating to unspent subsidies and transfers relating to previous years, which are later returned to government by units outside general government, will be clarified by the Czech authorities.

A discussion took place on whether it was more appropriate to book government revenue at time of cash return, or to revise expenditure for previous years. Eurostat pointed at the advantage of recording government revenue at the moment of actual transfer return, as transactions could relate to several previous years, and as information on amounts of transfer returns are not available in the year when the transfer/subsidy was initially paid out.

Findings and conclusions

- Eurostat concluded that in the case of transfers within general government sector, transactions are consolidated and thus the impact on deficit is eliminated (although an impact on the discrepancy of each sub-sector would arise). However, in case the transfers are repaid by units outside government sector, government expenditures and deficit are overestimated over the long run. Amounts relating to unspent subsidies and transfers which are later returned by units outside general government will be clarified on a bilateral basis, as a follow-up to the visit. Figures are to be corrected by the October 2007 EDP notification.
- Eurostat pointed at the advantage of recording government revenue at the moment of actual transfer return, since transactions could relate to several previous years.

h) Holding gains / losses (exchange rate movements)

Discussion and methodological analysis

According to the explanation provided by the Czech statistical authorities, holding gains/losses refer to revaluations that are recorded in the revaluation account.

However, Eurostat noted that, since the holding gains/losses are budget entries in a cash budget, being actually paid and referring to realised holding gain, they would be recorded as a part of the relevant transaction. In case the transaction is a non-financial one, holding gains/losses should not be excluded in EDP table 2. In case the holding gains/losses refer to a financial transaction, the relevant amount should be excluded from the working balance via an adjustment line in EDP table 2.

The CSO felt that these entries, which amounts are however negligible, relate to the foreign exchange impact of unspent foreign currencies returned to cashiers. In that sense, these holding gains correspond to a financial transaction and are appropriately excluded.

Findings and conclusions

- Eurostat recommended CSO to confirm this point.

i) Net borrowing/net lending of other central government bodies, EDP T2A

Discussion and methodological analysis

It was clarified that the surplus of the Railway Infrastructure Administration (RIA), amounting to 3962 mill CZK for 2006, was influenced by a grant received from the state budget.

The negative balance of the Czech Consolidation Agency (-5658 mill CZK) for 2006 was impacted mainly by a transfer (of non-distributed profit from previous years) paid to the state budget.

Findings and conclusions

- Eurostat took note of these explanations.

j) Other financial transactions, EDP T2A

Discussion and methodological analysis

The CSO confirmed that repayments relating to debt assumed on state guarantees (principal and interest) are excluded from the working balance in EDP table 2A via adjustment lines under "other financial transactions". At the same time, the negative impact of interest payable originated from the debt associated to guarantees called is recorded in "other adjustments".

"Compensation on behalf of the Railway Infrastructure Administration (RIA)" refers to the repayment of debt previously recorded as debt assumption by government, which is excluded from the working balance via the adjustment lines in "other financial transactions".

Findings and conclusions

- Eurostat took note of these explanations.

k) Other accounts receivable/payable

Discussion and methodological analysis

Transactions in other accounts payable of the State budget recorded in EDP Table 2A relating to losses of CKA have been clarified. Positive entries refer to the amounts of repayment of old losses to CKA (included in the working balance), and negative entries refer to the recording of capital transfers payable to CKA and to the matching increase of payables of the state budget against CKA.

Findings and conclusions

- Eurostat took note of these explanations.

l) Social contributions paid by the state

Discussion and methodological analysis

The issue of recording of social contributions paid by the State on behalf of children, pensioners, etc. was discussed in the context of bilateral clarifications in April 2007. The CSO records these payments as current transfers within general government (D.73).

This case seems to be identical to a Slovak case on payments of social contributions from the state budget to the social security funds for groups of individuals determined by law. According to the advice provided by Eurostat to the Slovak authorities in 2007, such payments should be recorded as social assistance benefits in cash (D.624).

The CSO agreed with recording social assistance benefits in cash, but this reclassification would require the revision of national accounts for the whole economy and this was not possible to be carried out immediately.

Findings and conclusions

- Eurostat noted that it had already provided an advice to another Member State on the classification of the payment of social contributions paid by the state on behalf of certain groups of individuals, and that this will not have an impact on general government deficit. The Czech statistical authorities will implement this reclassification in future.

EDP table 3

Introduction

In the context of the April 2007 EDP clarification, several issues relating to EDP table 3 arose and were examined by Eurostat in detail during the visit:

- a) Other accounts receivable/payable and statistical discrepancies
- b) The structure of financial assets
- c) Recording of issuance above/below par and redemption of premium/discount

a) Other accounts receivable/payable and statistical discrepancies

Discussion and methodological analysis

Eurostat noted that it is difficult to understand the link between other accounts receivable/payable recorded in EDP table 3 and in EDP table 2. In addition, part of other accounts receivable/payable recorded in EDP table 3 should be explainable by information on time adjustments from the questionnaire related to EDP tables (i.e., taxes and social contributions, EU flows, military expenditures) and by some additional information on other accounts receivable /payable recorded in EDP tables 2. However, unexplained residuals seemed considerable.

The CSO pointed that the receivables/payables between the two tables would differ owing to the absence of payables/receivables of other central government bodies in EDP Table 2A, and to the consolidation effects in EDP Table 3B. While agreeing with this statement, Eurostat noted that for transparency reasons, a description of the link was necessary, particularly when large amounts were at stake.

It seems that the F.7 recorded in EDP tables 2 is constructed by statisticians and refers to accrual adjustments of non-financial accounts according to ESA95 rules, while F.7 recorded in EDP tables 3 is measured independently, based on administrative data sources and compiled as change in stocks from accounting balance sheets.

Another related problem is that the CSO does not report the statistical discrepancy in EDP table 3, even though some gaps identified in EDP tables should have been accompanied by the existence of a discrepancy.

According to the information provided by the CSO (table on other accounts receivable/payable for central government, split by units), there are significant "balancing" and other methodological adjustments incorporated in EDP table 3. Furthermore, net lending/borrowing reported in non-financial accounts provided by the CSO for the state budget, RIA, CKA and SBO, differs from net lending/borrowing from financial accounts by non-negligible amounts.

It was explained by the CSO that methodological adjustments, such as adjustment on wages in kind, adjustment of P.5 and K.2 etc., are made on an aggregated level only (i.e., for subsectors). Therefore differences between non-financial and financial accounts are observable for particular institutional units but cannot be simply aggregated. The column "balancing and methodological adjustment" reported by the CSO eliminates discrepancies at the subsector level and is composed of two elements: adjustment due to methodology and statistical discrepancy.

Eurostat stated that when assessing GFS data quality, there is a clear need for close monitoring of statistical discrepancies. However in the case of CZ, it is difficult to identify the amount of statistical discrepancy and see whether it is positive or negative. Therefore the Czech statistical authorities were invited to separate the methodological adjustments and to quantify and report separately the statistical discrepancies.

To this effect, Eurostat invited the CSO to establish a synthetic monitoring table that would regroup the detailed information of these transactions existing and already provided to Eurostat, and to send the result to Eurostat. This would involve splitting the information by transaction, or by units, or a mix of those approaches.

The CSO stated that they understood the importance of this issue and welcomed the Eurostat initiative of closely monitoring other accounts receivable/payable and statistical discrepancies. Despite of capacity problems, they will make a further effort to meet Eurostat's requests.

Findings and conclusions

- Eurostat stressed the importance of closely monitoring other accounts receivable/ payable and statistical discrepancies. The CSO understands the importance and usefulness of this recommendation, and agreed to send other accounts receivable/payable reported in EDP table 3B-D appropriately split (e.g., by transactions) and reconciled with EDP table 2A-D, for the next October 2007 EDP notification, and to provide a quantification of the *ex-ante* statistical discrepancies for the years 2003-2006.

b) The structure of financial assets

Discussion and methodological analysis

The issue of the revisions of the structure of financial assets and liabilities had been discussed in the context of EDP clarifications.

Stocks and flows of financial assets are derived from balance sheets, which are available for all general government bodies. However, starting with 2005, the structure of financial assets and liabilities is modified by the CSO on the basis of information from the banking statistics,

from 2005 onwards, though leaving totals of assets and liabilities unchanged. It was confirmed that the revision of data does not concern loans liabilities, and relates only to currency and deposits assets (F.2) and other accounts receivable (F.7). The Czech statistical authorities explained that there were differences in the amounts of F.2 between data reported in banking statistics and in government units balance sheets. Differences were analysed and it was found out that there are some cases when units record other deposits in other accounts receivable.

The CSO explained that this choice had been motivated by the consistency with the quarterly financial accounts compiled by the CNB.

Eurostat wondered why banking statistics is used in case direct and complete data sources are available from balance sheets for each general government body. Eurostat recalled that Council and Parliament Regulation 501/2004 on the Quarterly Financial Accounts for General Government (QFAGG) requires using direct source data to the maximum extent possible.

The CNB declared that banking statistics were very accurate and reliable given that the sector delimitation is fully computerised (sectorization is directly linked to the national identification number of clients, by way of use of a CSO register of economic units). Therefore transactions in F.2 relating to the general government sector should be accurate.

After a remark of Eurostat, the CSO agreed that the item "adjustment of structure by Money and Banking statistics", amounting to 18.8 bill CZK for 2005, as initially reported by the CSO in the table 2e) provided prior to the mission, had erroneously been recorded as financial transaction. Since this amount relates to a stock of reclassification, it should have been mostly reported as other economic flow.

Findings and conclusions

- Eurostat recommended using information from banking statistics only in the case of an absence of direct data sources or, possibly, in case good reasons and well documented methodological differences exist.

c) Recording of issuance above/below par and redemption of premium/discount

Discussion and methodological analysis

According to the information provided in the EDP inventory, there are cases of issuance above/below par, however no entry is recorded in EDP table 3. This was caused by non-availability of data.

The existence of issuance above/below par and thus redemption of premium/discount was confirmed during the mission by the representative of the MOF. Furthermore, buyback operations will start taking place in 2007. It was declared that data sources are available, and that data will be provided to the CSO by the MOF.

Findings and conclusions

- Eurostat requested that data on issuance above/below par, redemption of premium/discount and buy-back operations are appropriately treated in October 2007 EDP

notification.

Facilitating the EDP notification validation process

Introduction and discussion

Eurostat congratulated the Czech statistical authorities for regularly providing detailed and comprehensive information in the context of EDP requests of clarification. Eurostat, however, asked the Czech statistical authorities to provide in future these explanatory notes and tables together with EDP notification tables (as annexes) instead of sending them later on during the request for clarification. This will allow speeding up the EDP notification validation process. The explanatory notes and tables will include the following information:

- explanation and quantification of the revision of deficit and debt, by subsector, by year
- detailed breakdown of other financial transactions from EDP T2A-2D, by years
- detailed breakdown of other accounts receivable/payable for EDP tables 2A-2D, by year
- detailed breakdown of other accounts receivable/payable for EDP Tables 3B-3E by units and by type of transaction, by year
- breakdown of B.9 of other main CG bodies, by year
- detailed and exhaustive breakdown of other adjustments from EDP table 2A-D, by year
- description of new adjustment lines, if any
- providing of EDP table 3B1 for the state budget, if possible

Findings and conclusions

- The Czech statistical authorities agreed to provide in future together with the EDP notification tables (as annexes) the explanatory notes and tables usually sent later on during the request for clarification, which will allow speeding up the verification process.
- The Czech authorities are requested to provide a greater detail in EDP tables 2 and 3 for other accounts receivable/payable and other adjustments, as was previously the case, in order notably to identify more clearly the link with the data reported in the questionnaire related to EDP (separately for taxes, social contributions, EU flows, military expenditures, guarantees).

Methodological issues and recording of specific government transactions

2.1. Delimitation of general government

Introduction

The Czech authorities provided, prior to the mission, an exhaustive list of units included in each subsectors of general government as well as a note on sector delimitation, including a description of the application of the 50% rule and a short note on sector delimitation of hospitals.

Eurostat inquired further on details on the application of the 50% rule and on the sector classification of public hospitals and railways.

Discussion and methodological analysis

a) Application of 50% rule

The 50% rule test is applied for all central and local semi-budgetary organisations and for public universities. Starting from 2007, this test will be applied also for non-profit public research institutions (previously SBO). The test is realised by the IT department of the MOF on the basis of a formula provided by the CSO. Sector delimitation based on the first test carried out on data for 1996 and 1997 was used in national accounts until 2003. The second 50% exercise was carried out on data for 2002 and 2003. All borderline cases (about 200 cases) are discussed by the CSO and the MOF.

b) Public hospitals

The CSO confirmed that public hospitals (which are SBO) administered by local government are classified outside general government sector since they are market institutional units and the same pricing rule is applied for private and public hospitals.

The CSO confirmed that there was a number of private hospitals and pointed out that public hospitals do propose supplementary services, such that a genuine market exists.

c) Railways

It was recalled that in 2003, the state company Czech railways was split into two entities: the Railway Infrastructure Administration (RIA), classified in the general government sector, and the Czech railways, a joint stock company classified in the public corporation sector.

The RIA was classified in general government including assets (railway infrastructures for close to 100 bill CZK) and debt of the Czech railways (46 bill CZK). The railway infrastructure assets are rented to the Czech railways.

Part of the debt of the original company (Czech Railways) guaranteed by the state had been called and recorded as a debt assumption in national accounts for years 1998-2001, with a capital transfer recorded in these years (30.4 bill CZK). An amount of 4 bill CZK of loan granted by the CKA as well as 7 bill CZK payable to the government (liability of RIA against MOF) were consolidated between the RIA and CKA and the state, all being government units. A residual amount of 4.6 bill CZK bank loans, both long-term and short term (2.9 bill +1.7 bill), increased the Maastricht debt, but was recorded in the table EDP 3B as an other change in volume for the year 2003 when the RIA was created.

An exchange of correspondence had taken place on this issue in 2006, at the occasion of a clarification of the recording of capital injections in CZ.

Eurostat noted that whereas 30.4 bill CZK had already impacted the government deficit and was in the Maastricht debt, a further 15.6 bill CZK of debt cancellation and assumption had de facto been reported in the Other changes in volumes (in either government liabilities or government assets), without impact on the deficit and that some reflexion was necessary to decide whether this was appropriate. A recording of capital transfer expenditure would be considered, as a counterpart of debt cancelled and assumed.

The CSO mentioned that the debt transfers/cancellations had as counterpart a transfer of asset. Eurostat agreed with this point, but noted that the recording of a gross fixed capital formation could also have been envisaged, with an impact on the government deficit for an amount equal to the debts assumed and cancelled.

Findings and conclusions

- Eurostat took note of the sector classification of public hospitals outside the general government sector.
- Eurostat concluded that there was a need to analyse the background documentation relating to the case of the split of the Czech railways, and to reconsider whether a recording of transactions relating to the inclusion of the RIA and its assets and liabilities into the general government sector would be appropriate, with a potential impact on the deficit of 0.5% of GDP in 2003.

2.2. Accrual taxes and social contributions

Introduction

The Czech statistical authorities provided, prior to the visit, a note on the accrual taxes and social contributions, sources and methods. For all kind of taxes and social contributions, a time adjusted cash method is used.

Eurostat inquired on the significant revisions downward in taxes for 2005 (-0.5% of GDP) between the October 2005 and the April 2006 EDP notifications.

Discussion and methodological analysis

The Czech statistical authorities indicated that accrual taxes are compiled by the MOF and the results are provided to the CSO. The MOF and the CSO verify that data on taxes are consistent with the State Final Accounts. It seems that changes in time adjustment calculations relating to legislative changes are not necessarily bilaterally discussed by the MOF with the CSO beforehand.

When discussing the reason for the significant revisions in taxes for 2005 (-0.5% of GDP) between April 2006 and October 2006, Eurostat expressed surprise that such a large revision could occur in a country using the time adjusted cash method.

The representative of the MOF explained that the revision was caused mainly by the revision of revenues from VAT. It turned out that the CSO used the estimated data, as reported by the MOF in February 2006, for compiling the 2005 deficit reported for the April 2006 notification. These data were updated for the October 2006 EDP notification, since information for two months lag on VAT compiled in February was not available yet¹.

¹ The CSO stated in the Clarification I in the context of the October 2006 EDP Notification and on 9 July 2007 that they have received new information on tax revenues only on the 16th May 2006, i.e. after the 15th April.

The revision of data was influenced also by the new information on revenues from corporate income tax, based on updated information available in August 2006.

Eurostat found anomalous that the CSO did not ask the MOF for an update of the accrual adjustment by the end of March, so to avoid relying on estimates. In case of need, a new notification during the first 10 days of April could usefully be sent to Eurostat in order to avoid large revisions in the October notification.

As for the April 2007 notification, the CSO used more up-to-date data on VAT, provided by the MOF on 14 March 2007, for compiling the deficit for 2006. However, the MOF stated that data on tax revenues may be significantly upward revised in October 2007 EDP notification due to new data on final settlement (especially on corporate income tax).

In addition, the CSO stated during the meeting that they were disappointed by the lack of meaningful and timely information and explanations on tax revenues data, and notably by the low VAT revenue data, which seemed difficult to reconcile with the level of the economic activity. This issue will be discussed with the MOF in order to identify the problems.

Findings and conclusions

- Eurostat took note of the existing practice of the CSO, and expressed concern about the approach taken by the Czech statistical authorities for reporting data on taxes in the context of April EDP notification for the year n-1 using old estimates instead of using actual data. The Czech statistical authorities should use for the April notification source data more up-to-date. It was stressed that the most updated information on taxes should be used while calculating deficit in April for the year n-1.
- The CSO will provide Eurostat shortly with updated detailed information on accrual taxes for 2006, indicating the amount of the revision by taxes.
- Eurostat recalled that in case the method applied for accrual taxes calculations is changed, it should be discussed between the CSO and Eurostat in advance. According to the Regulation (EC) 2516/2000, Member States are obliged to inform Eurostat in advance on the method applied for calculation of accrual taxes and social contributions and on possible changes in methods.

2.3. Calculation of accrual interest

Introduction

The Czech authorities provided, prior to the visit, a requested document on the description of data sources and methods for accrual interest calculation. Eurostat enquired further on the details relating to accrual interest recording.

Discussion and methodological analysis

The CSO stated that information on interest and swaps is available from the MOF (there is no information on Forward Rate Agreements).

The representative from the MOF (Debt and Financial Assets Department) explained that they use an instrument by instrument database available at the MOF to compile the flow of interest accrued and the flow of interest actually paid. The MOF indicated that the latter is consistent with the interest reported in the State Final Accounts.

Discounts and premiums are recorded on an accrual basis by way of spreading them over time.

The MOF compiles interest payments after and before swap to serve the need of the EDP reporting as well as of the ESA95 reporting. The State Final Accounts report interest payments after swaps.

The MOF generally use swaps for hedging purposes. Some option instruments have been used, though generally at zero cash cost, the option costs being embedded into the swap payments. It was confirmed that no off-market swaps have been contracted.

Findings and conclusions

- Eurostat took note of these explanations. There would be a need to reflect on whether the swap correction appropriately reflects the transactions on options (which in principle should not be considered).

2.4 Recording of specific government transactions

a) Guarantees

Standard guarantees

Introduction

The CSO provided Eurostat, for the visit, with stocks and flows (for 2003-2006) relating to state guarantees (guarantees of borrowing).

Debt assumption relating to state guarantees is recorded in CZ for the full outstanding amount upon the first call, as already indicated and accepted by Eurostat during the last EDP mission in 2005.

Eurostat inquired about the link between data on state guarantees reported in EDP tables and in the questionnaire related to EDP notification tables, and about recording of environmental guarantees.

Discussion and methodological analysis

Eurostat noted that the data reported in the questionnaire related to EDP tables sometimes differed from the data reported in the EDP notification tables. The CSO indicated that one reason for divergences was the inclusion of some non-standard guarantees into the questionnaire related to EDP tables. The EDP tables report non-standard and also standard guarantees (under capital transfers, interest on guarantees or as repayment of guarantees), whereas the content of data requested in the questionnaire related to EDP tables is different. The CSO also stated that data on transactions related to guaranties cannot be easily split

between non-standard and standard guaranties. The CSO pointed out that the guidelines relating to the questionnaire may benefit from further explanatory notes.

The CSO explained that "Environmental guarantees" correspond to guarantees provided by the NPF to privatised companies, relating to possible future ecological damages. Non negligible amounts of payments are made by the State (5.6 bill CZK in 2006). The CSO indicated that these are recorded as capital transfers payable to non-financial corporation sector, at the time when the payment for incurred damage is approved.

Findings and conclusions

- Eurostat took note of the sound treatment applied for the recording of guarantees on borrowing and for environmental guarantees.
- Eurostat asked the CSO to ensure a clear link between data reported in the questionnaire related to EDP tables and data reported in the EDP notification tables (and/or provide explanation and quantification on possible differences for the October 2007 EDP notification).

Non-standard guarantees

Introduction

The issue of IPB and CKA had been essentially closed in 2006, the aim of the discussion during the visit was to monitor further developments on this issue.

Discussion and methodological analysis

According to the information provided by the CSO, the amounts of payments by government relating to the exceptional IPB guarantee are the following: 2000 mill CZK in 2003, 782 mill CZK in 2004, 26 mill CZK in 2005 and 522 mill CZK in 2006. These amounts remained limited in size and much smaller than the maximum potential payments foreseen of 160 bill CZK. The MOF confirmed those data. In accordance to the CSO decision to follow the Eurostat advice to record expenditure related to this very specific guarantee on a cash basis, these amount are recorded as a capital transfer in the years in question, with an impact on the government deficit.

The CKA is a restructuring agency set up to assist with bank rescue operations, notably for CSOB and IPB. As such, CKA is sectorized inside general government.

As a mean to support the banking sectors, CKA acquired over 2002-2005 portfolios of impaired claims at their nominal value. The CSO recorded a capital transfer for the estimated difference between the purchase value and the fair value of these assets.

The CKA representative indicated that CKA was organizing its termination of activities, as foreseen in its statutes, to end by 31 December 2007. He indicated that no portfolio acquisition had been conducted recently, the last noticeable one being a 3.8 bill CZK claim of health insurance companies in 2005 (the capital transfer being consolidated as the latter are also classified inside government).

The CKA representative indicated that 1.7 bill CZK of claims initially acquired by CKA in 2002 had been repurchased by CSOB (following arbitration) in 2005. Eurostat felt that it might be appropriate to record capital transfer revenue to this effect in 2005, *de facto* compensating the original capital transfer expenditure at time of purchase.

Findings and conclusions

- Eurostat took note of the amounts pertaining to the IPB guarantee, which remained limited in size and much smaller than the maximum potential payments (160 bill CZK) and of the recording applied by the CSO.
- Eurostat took note that CKA was preparing its disappearance and that no substantial operations had been conducted in recent past. Eurostat pointed at the need for the CSO to consider recording capital transfer revenue for 1.7 bill in 2005. Eurostat will bilaterally follow up with the CSO in coming weeks on further details.

b) EU flows

Introduction

The Czech statistical authorities provided, prior to the mission, an explanatory note on the recording of EU flows. The issue was briefly discussed. Particular attention was given to the examination of the implementation of the Eurostat recommendation on the recording of the National Fund in EDP tables.

Discussion and methodological analysis

According to the document provided by the Czech statistical authorities, EU flows are appropriately treated. However, Eurostat pointed out that the link between data on EU flows reported in EDP tables and in the questionnaire related to EDP notification tables was not clear.

The issue of the National Fund had been discussed during the previous EDP mission, which recommended excluding the balance of the National Fund from EDP T2A. This recommendation was implemented, the National Fund being excluded when calculating the deficit for general government. It was also clarified that the accounts of the National Fund (deposits together with payables with the EU) are recorded in EDP table 3B.

The issue of the sector classification of the Market Regulatory Agency (MRA) and classification of market intervention activities was not discussed during the visit. However, the CSO stated in the context of the April 2007 EDP clarification that the MRA is inside general government, and transactions in inventories do impact the government deficit, which is not in line with a recent Eurostat advice. The CSO will reclassify the MRA outside government in the near future².

² The CSO stated on 9 July 2007 that "at present, availability of data necessary for splitting the activities of the State Agricultural Intervention Fund (MRA) is discussed with the unit. Depending on results, the CSO will reclassify the activities related to inventories outside government in the near future (as a part of revision of annual national accounts)".

Findings and conclusions

- Eurostat took note that the Czech statistical authorities seem to follow the Eurostat decision on recording of EU flows.
- It was stressed that consistent data on receivables and payables for EU flows should be reported in the questionnaire related to EDP tables and in the EDP notification tables (and/or explanation and quantification on possible differences should be provided for the October 2007 EDP notification).

c) Military equipment expenditures

Introduction

The compliance with the ESA95 rules on the recording of military expenditures was examined by Eurostat.

Discussion and methodological analysis

The CSO stated that data on a delivery basis are used for the recording of other military expenditure. The CSO remarked that the time lag between the cash payment and the delivery was generally small, which led to very similar figures.

In addition, the CSO records the lease for the Gripens as a financial lease, with an impact on the government deficit and debt at time of delivery, in accordance with the Eurostat Press Release. The practical implementation of this recording was reviewed and accepted by Eurostat during the last EDP mission in 2005.

Findings and conclusions

- Eurostat took note that data on a delivery basis for military equipment expenditure are used for the compilation of the general government deficit.
- It was stressed that consistent data on military equipment expenditures should be reported in both the questionnaire related to EDP tables and in the EDP notification tables (and/or explanation and quantification on possible differences should be provided for the October 2007 EDP notification).

d) Debt assumptions, debt cancellations and debt write-offs

The issue of *foreign claims* recording was not discussed during the mission, however the treatment was approved during the EDP mission in 2005 with the exception of smaller reservations on the treatment of the sale of claim to a third party and on unilateral debt cancellations.

According to information provided in the context of the April EDP 2007 notification, the recently circulated Eurostat advice on foreign claims recording will be applied in the short term.

e) Capital injections in public corporations, dividends, privatizations

The CSO provided a detailed list of capital injections for 2003-2006. All capital injections are reported as capital transfers payable by general government. Eurostat took note of the treatment of capital injections in the Czech national accounts.

Recording of dividends and privatisation was not particularly discussed during the visit, since no specific issues arose in this field in the context of the questionnaire related to EDP tables examination and EDP tables verification in April 2007.

f) Public Private Partnerships (PPP)

Introduction

The CSO provided a note on planned PPP projects prior to the mission. Eurostat enquired further details on the current status in the field of PPP implementation in the Czech Republic.

Discussion and methodological analysis

The representative from the special department of the MOF informed Eurostat that seven pilot projects (out of an initial list of ten) are being discussed by government. However no PPP project has been approved for the time being. It is expected that the first PPP project will be approved no earlier than end 2008.

There is an obligation for the MOF and for the Ministry of Development to prepare and to publish methodologies for PPP procurements (on risk management, on value for money, on procurement, on process and gateways) and this would include rules for public accounting. The methodology will be finalised in 2007 and will be applicable for central government units.

Eurostat recalled that before getting to any conclusions on the treatment of future PPPs, the assessment of the PPP project should be done by the CSO and the proposal for the treatment should be sent for advice to Eurostat.

The CSO however noted that there is a lack of capacities, skills and qualification for analysing and assessing PPP contracts in detail at the statistical office.

Findings and conclusions

- Eurostat noted that the Czech authorities had an obligation to ensure that the rules for measuring the government deficit were fulfilled. Eurostat agreed that the assessment of PPP contracts is not a simple exercise, as the rules are complex and contract writing sometimes particularly creative. It was up to the Statistical authorities (i.e. CSO, MOF and CNB), to organize, for this demanding exercise of PPP projects assessment, the sharing of responsibilities amongst public authorities. One simplifying option in the absence of capacity is to report all PPP on balance sheet of government. A proportionate approach is also recommended with focusing resources for assessment on the bigger contracts.

g) Other

Other specific government transactions, such as securitisation, carbon trading rights, UMTS, payments for the use of roads, sale and leaseback operations were not discussed during the mission due to lack of time. However, explanatory notes had been provided by the Czech statistical authorities on the issue of carbon trading rights, UMTS and on payments for the used of roads.

Annex 1

EDP dialogue visit to the Czech Republic
List of participants
Prague, 18.-19. June 2007

Name	Institution	
Lauris Norlund	Eurostat	
Luca Ascoli	Eurostat	
Philippe de Rougemont	Eurostat	
Viera Karolová	Eurostat	
Rajko Vodovnik	DG ECFIN	
Emanuel Larue	ECB	
Jiří Křovák, 1. vice-president	CZSO	
Jan Heller, director	CZSO	Quarterly NAs Department
Vítězslav Ondruš, director	CZSO	Annual NAs Department
Alena Prokopcová	CZSO	Quarterly NAs Department
Veronika Šťastná	CZSO	Quarterly NAs Department
Světlana Škapová	CZSO	Quarterly NAs Department
Marie Trejbalová	CZSO	Quarterly NAs Department
Ludmila Vebrová	CZSO	Quarterly NAs Department
Roman Dziadkiewitz, director	CKA	Economic Department
Marie Laštovková	CNB	Analyses and Statistics of Financial Accounts Department
Milan Belloň	CNB	Analyses and Statistics of Financial Accounts Department
Tomáš Zidek, deputy minister	MOF	
Marie Frýdmanová	MOF	Financial Policy Department
Dagmar Sojková	MOF	Financial Policy Department
Věra Balounová	MOF	Financial Policy Department
Lubomír Chaloupka	MOF	Financial Policy Department
Petr Klusák	MOF	National Fund Department
Karel Korba	MOF	Tax and Customs Policy Department
Dana Stulířová	MOF	State Budget Department
Irena Válková	MOF	State Budget Department
Michael Rech	MOF	Management of State Debt and Financial Assets Department
Petr Pavelek	MOF	Management of State Debt and Financial Assets Department
Vladimír Zahrádka	MOF	Management of State Debt and Financial Assets Department
Jana Zavadilová	MOF	Management of State Debt and Financial Assets Department