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- FINAL FINDINGS -

EDP dialogue visit to Ireland

4-5 July 2006

Executive Summary

The EDP dialogue visit to Ireland took place on 4-5 July 2006 with the aim to assess 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 review the progress achieved in implementing ESA 95 methodology (sectorization of units, accrual principles), to assure that provisions from the ESA95 Manual on Debt and Deficit and recent Eurostat decisions are duly implemented and that specific government transactions are properly recorded in the EDP tables, and, finally, to examine the compliance with the ESA95 transmissions programme and the consistency of these data with EDP statistics (as requested by the Regulation (EC) 3605/1993, as amended).

First, Eurostat discussed with the Irish authorities the institutional arrangements and source data used for the compilation of government finance statistics. As regards data sources, Eurostat welcomed the introduction of a comprehensive accrual-based system for local government. Concerning the delineation of the government sector, Eurostat considered several cases in order to discuss whether these units are to be classified inside or outside of government.

As far as the analysis of the April 2006 EDP notification is concerned, Eurostat examined in detail the tables of the EDP reporting and suggested a few changes. Most of these were of a presentational nature with no impact on the government balance.

The tables in the "*questionnaire related to EDP tables*" were analysed. It was agreed that Irish authorities would review some figures from this questionnaire to support full consistency with the EDP tables.

The follow-up of Council Regulation 2516/2000 and recording of other transactions on an accrual basis were discussed. Eurostat concluded that the accrual principle was currently not fully implemented in particular for taxes (except VAT and excises) and social contributions, as well as for EU flows. The Irish authorities were encouraged to make a swift effort in this respect.¹

The implementation of the recent Eurostat's methodological decisions and compliance with the rules given by the ESA95 Manual on government deficit and debt were discussed, as e.g. the treatment of capital injections, debt assumptions, debt cancellations, state guarantees, military equipment expenditure, PPP projects, etc. Ireland is not concerned by the decision of Eurostat on funded pension schemes.

Concerning the ESA95 transmission programme, Irish authorities agreed with the need to step up work to ensure consistency between the EDP reporting and the quarterly financial accounts for general government (ESA95 table 27). Eurostat also noted that Ireland did not comply with its reporting obligation in respect to annual financial accounts.²

¹ In the October 2006 notification, Ireland already made considerable efforts to apply the accrual principle for all taxes and the EU flows.

² Ireland submitted a subset of consolidated ESA tables 6 and 7 for years 1998-2005 in November 2006.

The meeting was constructive and Eurostat welcomed the transparent, well structured and comprehensive approach of Ireland to the EDP related work. Eurostat also appreciated the volume of additional documentation provided by the Irish authorities.

Provisional findings

1. 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 Ireland on 4-5 July 2006.

The delegation of Eurostat was headed by Mr. Nørlund, Director of National and European Accounts. The European Central Bank (ECB) also participated in the meeting as observer. The Irish authorities were represented by the National Statistical Office, the Ministry of Finance and the Central Bank of Ireland. Eurostat carried out this EDP dialogue visit with the aim to assess 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 review the progress achieved in implementing ESA 95 methodology (sectorization of units, accrual principles), to assure that provisions from the ESA95 Manual on Debt and Deficit and recent Eurostat decisions are duly implemented and that specific government transactions are properly recorded in the EDP tables, and, finally, to examine the compliance with the ESA95 transmissions programme and the consistency of these data with EDP statistics (as requested by the Regulation (EC) 3605/1993, as amended).

2. Statistical capacity issue

Introduction

Eurostat inquired about the institutional arrangements and division of the responsibilities in the framework of the reporting of data under the EDP and government finance statistics.

Discussion

The IE authorities gave a detailed account and explanations of the institutional arrangements in place for the EDP reporting. EDP statistics for current year n are compiled by Department of Finance (DoF), as well as data for the year $n-1$ for central government (CG) and social security funds (SSF), while the CSO compiles data for local government (LG) for the year $n-1$. Other years ($n-2$, $n-3$ etc.) are prepared in particular by the CSO with some contribution of the DoF. It was noted that the cooperation between the IE authorities took place without formal agreements and as part of normal interactions between government departments. In this context, Eurostat found that the current practice of seconding a CSO staff to the DoF was a particularly useful arrangement to ensure enhanced communication and understanding of issues in between the two institutions.

Findings and conclusions

Eurostat took note of these explanations and found that the arrangements are solid and well established. The IE authorities would consider the merits of the formalisation of these institutional arrangements. Additionally, Eurostat requested the IE authorities to strictly respect the transmission deadline for the EDP tables delivery.

3. Data source issues

Introduction

Eurostat enquired about the exhaustiveness, timeliness and consistency of data sources used in compilation of the government finance statistics.

Discussion

The IE authorities gave an account of sources data availability and their use for EDP statistics reporting. The main data sources providers are the Department of Finance (DoF), the National Treasury Management Agency (NTMA), the Department of Environment, the Heritage and Local Government, the Department of Health and Children, the Department of Social and Family Affairs (DSFA) etc.

As regards central government, some balance sheet information (stocks of accounts receivable and payable) is available. However, this information is so far used rather in a limited way in the government statistics compilation. Some further statistical work is needed to exploit the existing information on the changes in stocks of accounts receivable and payable and associate them with the appropriate ESA95 transactions, a practice commonly used by other compilers in Europe.

For local government, the IE authorities gave an account of the introduction of the new Financial Management System (FMS). Since this introduction, which started in 2003, the Local Authorities are keeping their books using a business accounting approach, reporting accrual-compliant financial statements (profit and loss statement, balance sheet and multiple notes) within 3 to 6 months, and using a common chart of accounts. Separately, the reform of the health care system of the 1st January 2005 created a break in time series: the disappearance of a number of units previously classified in the LG sub-sector, and simultaneously the creation of a single institutional unit, the Health Service Executive (HSE), classified in the CG sub-sector. It was noted that, following this reorganization, the source data for the new HSE was not detailed enough yet for the compilation of the national accounts, but this was expected to improve soon.

The social security fund sub-sector consists only of the Social Insurance Fund (SIF), which is a social security scheme, administratively operated by the DSFA. The balance sheet and opening statement was examined.

Findings and conclusions

Eurostat took note of these explanations and found that the situation is generally sound and improvements in the way are encouraging.

As regards data sources for central government it was agreed that the IE authorities would endeavour maximizing the use of information available regarding notably the government spending to ensure accrual adjustments. Eurostat encouraged exploiting the existing information on stocks of payables and receivables reported by budgetary units, so to bring a measurement of the government deficit closer to accrual.

As regards Local government, Eurostat welcomed this considerable improvement in the source data. It is expected that the EDP notification in October 2006 will be fully based on FMS for the year 2005.

4. Delimitation of the General government sector

Eurostat enquired about the division of responsibilities for the classification of entities in the sector of general government. Furthermore, a number of methodological issues were discussed related to the classification of some institutional units according to ESA 95.

4.1 Social Insurance Fund

Introduction

The SIF is the only unit sectorised in the SSF sub-sector, and it is administrated by the Department of Social and Family Affairs. The revenues are constituted by social security contributions and the expenditures comprise the social benefits and some administrative charges.

Discussion

The Irish authorities confirmed that all transactions related to SIF are currently recorded on a cash basis. It was noted that some additional balance sheet information is not currently used in the compilation of the SIF account.

A discussion took place on the question whether SIF had enough autonomy of decision to make it an institutional unit. If this was not the case, the SIF would be a social security scheme included in central government sub-sector, leaving the social security fund sub-sector empty.

Findings and conclusions

It was agreed that the sector classification of the Social Insurance Fund merited further analysis, notably with respect of establishing its institutional unit character. Eurostat suggested that the SIF accounts needed to be reviewed; the SIF data needed to be recorded on an accrual basis and the existing balance sheet information had to be incorporated in non-financial and financial accounts.

4.2 Irish transport companies (C oras Iompair  ireann)

Introduction

This issue was raised in 2004 by the Irish authorities. C oras Iompair  ireann (CI ) is the fully state owned holding company, which has three operating subsidiaries: Irish Rail, Dublin Bus and Bus  ireann. Based on the overall activities of the CI  group, the holding company is a market unit, nonetheless the sales of one of its subsidiaries - the Irish Rail, have been consistently around 50% of its production costs. The question is whether Irish Rail should be sectorized in government.

Discussion

It was discussed whether a non-market subsidiary of a market public institutional unit could or should be classified within general government i.e. whether when one of the subsidiaries (Irish Rail in this case) falls below the threshold (and stays there), while the others (and the group taken as a whole) stay above the threshold, the below-threshold company should be reclassified in the government sector.³ In an exchange of letter, Eurostat had advised that the holding, being de facto a shell, could be sectorized outside government, on the basis that the group was predominantly market. In the absence of significant independent sales and considering limited costs, Eurostat authorized the classification outside government using an analogy already existing for the non-financial /financial sector. Under this condition, Eurostat observed that the question of the sectorization of Irish Rail was also linked with the notion of allowing, in the system, the position: equity liability for general government.

Findings and conclusions

Notwithstanding a previous exchange of letters on this issue, Eurostat took note that in this specific case the size of the subsidiary was not marginal. Eurostat stated that it would inform the CSO of its opinion on this issue before the next October 2006 EDP notification. The IE authorities would in the meantime provide further factual information of the case in question: size of the respective subsidiaries, and information on planned investments.

4.3 Radio Telefis Éireann

Introduction

Radio Telefis Éireann (RTÉ) currently receives a licence fee income, which is a substantial portion of its total revenue. RTÉ is permitted to raise additional revenues through commercial advertising but the amounts are now capped as an indirect aid to private broadcasters who do not have access to the licence revenues. The licence fee income is currently treated in national accounts as a payment by households for a market service and on that basis, RTÉ is classified as a market unit. The issue is whether this is correct. The ONS of the United Kingdom had reclassified the TV “licence fee” in the National Accounts as a tax.

Discussion

The licence fee is a payment that entitles the holder to receive radio/television signals. It was noted that the ONS decision was based on the fact that the television licence was payable on ownership of a television without particular link to the access to the public television that the licence proceeds finances, and without a reasonable way to avoid it. It was recalled that ESA79 (paragraph 460c) recorded television licences by convention as sale of service, whereas ESA95 methodology merely lists TV licenses as plausible or typical example of sales of services. This might not be appropriate anymore, at time of competition between broadcasting providers, and considering that the tax/service borderline criteria outlined in ESA95 paragraph 4.80 and its footnote 5 should generally apply.

³ An issue that was briefly examined at the May 2005 meeting of the Eurostat *Financial Accounts Working Group*, under item D.2.d - Equity liability of government.

Findings and conclusions

As regards the question of classification of the TV/radio licences, either as provision of services or as a tax, and the resulting sector classification of television companies, it was agreed that the issue merited a review of current interpretation of ESA95 conventions. Eurostat will reflect on an appropriate way to organise this review.

4.4 Horse Racing Ireland

Introduction

Horse Racing Ireland performs a range of functions, for example administrating and promoting the Irish horseracing industry, managing racecourse, operating totalisator on course betting, guarantying prize money, granting permits to on course bookmakers etc. The issue is the appropriateness of using gross or net betting income for the calculation of 50 % rule and recording of revenue and expenditure.

Discussion

It was noted and agreed that it would be in accordance with ESA95 rules to use net betting for the measure of sales of services (ESA 4.135) with implication for the income test for the purposes of the 50% rule.

Findings and conclusions

Eurostat found appropriate that the IE authorities would use net betting and would reclassify this unit in case the 50% test is not met.

4.5 Housing Finance Agency

Introduction

The sectorization of the Housing Finance Agency (HFA) for land acquisition was a follow-up from the previous November 2002 EDP mission to Ireland. The HFA had been solely lending to Local Authorities for on-lending purposes to house owners and in a limited way to voluntary housing associations. HFA has been classified so far in S.12 and its activity was almost exclusively the provision of funds for Local Authorities. The issue is whether the HFA should be classified in government or not.

Discussion

It was noted that an important consideration was whether the HFA was acting as a genuine financial intermediary, or was simply another way to organize levying financing for local government: some of the criteria discussed were whether local government could borrow from other sources (notably long-term finance), whether the HFA can lend to other parties and borrow from various sources, and whether the HFA has genuine technical capacities for conducting its borrowings or instead relies extensively on the National Treasury Management Agency (NTMA) know-how and capacity.

Findings and conclusions

It was agreed that the criteria for determining the sector classification needed to be clarified, and in particular the understanding of the ESA95 paragraph 2.37. Eurostat will provide the necessary clarifications before the next October 2006 EDP notification. The IE authorities will provide further factual information on this issue, notably to what extent HFA relies on the NTMA capacities and financing.

4.6 Public universities

Introduction

Ireland reviewed the classification of Universities for national accounts purposes in 2003. The conclusion reached at the time was that due to the degree of autonomy from government enjoyed by these institutions, they are privately and not publicly controlled and hence it was appropriate to continue classifying them as 'Non-profit institutions serving households' i.e. that they remain classified outside the General Government sector.

Discussion

The IE authorities explained their analysis, i.e. that those are not controlled by government, leading to the classification as non-profit institutions serving households in S.15. It was noted that although government was the main financing provider, it only had a minority participation to university boards and was not influential in establishing the curriculum. Eurostat noted that the funding originated mainly from government and wondered whether universities were genuinely free to open classes competitively or whether government had not de facto control on the orientations taken by universities when determining the funding allowances. On the other hand, the capacity to close activities without government authorization might be a consideration to support a hypothesis of autonomy of decision.

Findings and conclusions

Eurostat found that the analysis is *prima facie* in accordance with ESA95 rule, in so far as the classification inside government required that the unit be financed and controlled by government. A question remained whether the majority government financing of Universities provided *de facto* control to government, and Eurostat reserved its decision to be provided by the October 2006 EDP notification.

4.7 North-South Bodies

Introduction

The North-South Bodies were set up by Ireland and UK following the Good Friday agreement in relation to the Northern Ireland question.

Discussion

The IE authorities explained their current practice as classifying these bodies as international organisations, within the Rest of the World (S.2) and the payment to the bodies as current or capital transfers to S.2.

Findings and conclusions

It was agreed that this question required further analysis notably in the light of SNA 14.27, as well as clarification of the accounting treatment used by the UK statistical authorities.

4.8 Market regulatory agency

Introduction

The ESA95 Manual on government deficit and debt specifies the rules for classification of the "market regulatory agencies": "By convention these units should be classified in the sector general government if their costs incurred in market regulation compared to the total costs are less than 80%, and in the sector non financial corporation if their costs incurred in market regulation compared to the total costs are more than 80%."

Discussion

It was explained by the IE authorities that the Irish Intervention Agency, was classified, as a unit acting on behalf of the EU, in the S.11 sector (outside both the general government and the public sector). The agency's tasks included market interventions as well as the distribution of subsidies under EAGGF. The 80 % convention of the ESA95 Manual on government deficit and debt, which has been previously applied, has not been verified recently.

Findings and conclusions

Eurostat suggested re-applying the "80% test" for the purpose of the sectorisation of the Irish Intervention Agency.

4.9 House Rental Account

Introduction

The House Rental Account of Local Authorities is treated as a quasi corporation (outside general government sector). Local Authorities rent out their accommodation at subsidised prices to low-income families. In National Accounts, these rents are valued at their full economic value and the difference between the economic rents and the rents actually paid by tenants is considered to be a social benefit in kind provided by the Local Authorities to households. The IE authorities indicated an interest to review the treatment of the House Rental Account of Local authorities.

Discussion

The classification of those entities inside government seem supported by the fact that they might not meet the quasi-corporation criteria: non-autonomy of decision and lack of complete set of accounts. A reclassification inside government would probably have limited impact on the general government deficit, but a more noticeable one on the revenue and expenditure levels and composition.

Findings and conclusions

Eurostat expressed support for a classification of those entities inside government, as those seem not to meet the quasi-corporation criteria.

4.10 Other Local government units

Introduction

The IE authorities indicated that the new FMS based financial statement for local government had revealed a large number of participation of local governments in various ventures, which had not been examined yet.

Discussion

The IE authorities were in the process of examining this new issue, with an aim to try applying the 50% criteria. Whilst the CSO has access to accounting information reported in tax returns, a noticeable part is not yet computerized, impeding faster progress.

Findings and conclusions

Eurostat took a note of this issue and supported the IE authorities to continue in this work.

5. Implementation of accrual principle

5.1 Taxes and social contributions

Introduction

It was recalled that Regulation 2516/2000 requires taxes and social contributions to be recorded on an accrual basis using one of the specified methods – using assessments and declarations or using cash data.

Discussion

The IE authorities gave an account of accounting practices relating to the recording of taxes and social contributions and their current plans for moving further in the direction of accrual recording. It was noted that Ireland only partly complied with the requirement of the Regulation (EC) No 2516/2000 i.e. only VAT and excises taxes were recorded on an accrual basis (time adjustment method used).

Findings and conclusions

It was agreed that further effort would be made already for the next October 2006 EDP notification in order to extend the time adjustments to more of the revenue items (social contributions notably). Eurostat underlined the importance of making progress in compliance with the Regulation, not only in Ireland, but also in general across Member States.⁴

⁴ In the October 2006 notification the IE authorities made a considerable effort to report accruals for all taxes and social contributions and for the EU flows.

5.2 Interest

Introduction

The National Treasury Management Agency (NTMA) produces details of the national debt interest on an accrual basis. Interest on the national debt is calculated on an accrual basis by adjusting the value of cash payments of interest by the change in the value of the stock of accrued but unpaid interest recorded at the start and end of each year. Local government interest has been recorded on a cash basis, however the introduction of the new accruals based Financial Management System for LG should mean that, from 2004 onwards, interest receipts and payments would be correctly recorded on an accruals basis. One issue was the very large entries in the lines "*Issuances above (-)/below (+) par*" and "*Redemptions of debt above (+)/below (-) par*".

Discussion

The IE authorities explained that the large entries in the lines "*Issuances above (-)/below (+) par*" and "*Redemptions of debt above (+)/below (-) par*" in the EDP table 3B are related, aside from the entries connected to a large bond exchange in 2005, to the NTMA repos activities (repurchase agreement) designed to improve the liquidity of the bond market. The NTMA indicated that bonds provided against cash in this context, entered the Maastricht debt, and that whereas the amount outstanding could exceed 1 billion euro, it was largely liquidated by the end of year. Eurostat recalled that repos were considered, for statistical purposes, as loans and not as transactions in the underlying securities. However a complication might arise due to the fact that repos are conducted on specially issued bonds rather than existing bonds, which might need further reflection.

In addition, the EDP Table 3B item "difference between interest accrued and paid" needed to be corrected for 2002 for a noticeable amount.

Findings and conclusions

Eurostat took note of the National debt coverage and of the efforts to consolidate interest in General government sector. In addition it was agreed that the entry in the EDP Table 3B for 2002 needed to be corrected, and that the IE authorities would examine the additional implications. Eurostat indicated a need to reflect further on the appropriate recording of these transactions.

5.3 EU flows

Introduction

The decision of Eurostat published on 15 February 2005 says that transfers from the EU to a Member State should not have any impact on the deficit. EU flows are in Ireland currently recorded on a cash basis. However, about 70% of the EU transfers received by Ireland relate to the EAFFG Guarantee schemes and are for the benefit of third parties; in the Irish National Accounts, these are routed directly from the EU to the final recipients and therefore do not affect the General Government net lending/borrowing.

Discussion

The IE authorities reported on their efforts made to implement Eurostat decision No 22/2005. In relation to the Cohesion fund and the 3rd Community Support Framework, Eurostat was informed that noticeable delays might occur between the moment of expenditure and the moment the claim is submitted, in particular because of lack of proper incentives for various agencies (notably at a local level) to provide the appropriate documentation. In addition, the advance at the origin of the 3rd CSF has been booked as revenue. The CSO indicated a lack of reliable source data to identify the moment of actual expenditure.

Findings and conclusions

Eurostat concluded that there are outstanding issues on source data availability to ensure accrual reporting.

5.4 Military equipment

Introduction

On 9 March 2006 Eurostat released a decision on recording military expenditures. According to this decision expenditure on purchases of military equipment should be recorded on a delivery basis.

Discussion

The IE authorities confirmed that they were able to implement the Eurostat decision No 31/2006 on the recording of military equipment expenditure in a proper way using information from the *Appropriation Accounts*, although implying some estimates for distinguishing the military equipment from other expenditure.

Findings and conclusions

It was agreed that more extensive use of information on the payables/receivables would reduce the reliance on estimates for the compilation of the government deficit. The IE statistical authorities confirmed the absence of leases of military equipment.

6. Analyses of the EDP tables and EDP related questionnaire

Eurostat reviewed the EDP tables as they were reported in April 2006 together with the *EDP related questionnaire*. On this occasion specific government transactions were discussed as well, based also on some additional clarifications received from the IE authorities.

A number of minor inconsistencies between EDP tables and the *EDP questionnaire* were discussed and agreed, leading to some corrections. Some issues related to presentation of data in EDP tables, notably with moving items under receivables/payables and under other financial transactions, were discussed and agreed. In addition, EDP inventories might be usefully updated.

6.1 EDP Table 2A

6.1.1 Capital injections in public corporations and privatisation

Introduction

The treatment of capital injections in government accounts is covered by the Eurostat News release No 98/2003 and subsequently clarified in the new chapter of the ESA95 MDD. Capital injections, super-dividends and privatisations are requested to be reported in the *EDP related questionnaire*.

Discussion

Information on capital injections, super-dividends and privatisations provided in the EDP tables and the EDP related questionnaire was reviewed and their consistency analysed and discussed.

Findings and conclusions

There are no realized or planned large capital injections recorded as transaction in equity (F.5). The IE authorities informed Eurostat on plans of the privatisation of Air Lingus, which should not lead to accounting difficulties. It was agreed that the EDP related questionnaire would be corrected for some inconsistencies.

6.1.2 Dormant accounts

Introduction

The Dormant Accounts Fund receives deposits and life insurance contracts that are not claimed by original holders. They aim at financing social expenditure. The Fund is classified in central government as an extra-budgetary fund, while proceeds collected on foreclosed deposits are not booked as government revenue but as an incurrence of a liability (payable). The outlays of the Dormant Accounts Fund are recorded as government expenditure.

Discussion

The IE authorities explained the accounting treatment chosen regarding transactions with the Dormant Accounts Fund.

Findings and conclusions

It was noted that this treatment was in line with a previous advice given by Eurostat.

6.1.3. UMTS

Introduction

Treatment of the allocation of mobile phone licences (UMTS) is covered by the Eurostat News Release No 81/2000 and subsequently clarified in the chapter of the ESA95 MDD. Sales of 3 UMTS licences took place in Ireland in 2002, for a net present value of €208 mio recorded as deficit reducing in 2002. Receipts of the outstanding amount were due to begin after a grace period.

Discussion

The treatment of the UMTS licence in the EDP tables was reviewed.

Findings and conclusions

It was agreed that the IE authorities would verify whether an entry should have been made in the EDP table 2A for 2006 (end of the grace period), and would provide to Eurostat a schedule of future payments.

6.1.4 Debt cancellation, debt assumption, debt write-offs and state guarantees

Introduction

Treatment of debt assumption and debt cancellations / write-offs and also treatment of state guarantees is covered by the ESA95 MDD. There have not been any debt cancellations in the framework of Paris Club. The only state guarantee called in recent years was related to Nítrigin Éireann Teoranta (N.E.T.), a loss making state-owned company.

Discussion

Recording of debt cancellation, debt assumption and debt write-offs and state guarantees were discussed based on information provided in the EDP related questionnaire and in the EDP tables.

Findings and conclusions

It was confirmed that there have been nearly no debt cancellations, debt assumptions, debt write-offs (apart from one case in 2001 and in 2002), and that nearly no guarantee has been called (apart from one case).

6.1.5 PPP projects

Introduction

The CSO provided a substantial amount of information on its PPP projects in the context of the December 2004 Eurostat PPP questionnaire, including a list of all PPP projects.

Discussion

The IE authorities explained the situation concerning the implementation of the PPP as well as the "prudential" nature of the entry of the € 58 mio in 2006 as expenditure to cover potential unplanned PPP expenditure.

Findings and conclusions

In the context of potential future PPPs, it was agreed to analyse further the possibility of separating in national accounts the government acquisition of land from the rest of a PPP transaction, even if included in the PPP contract. The IE authorities will also review the level of guarantee attached to some of the PPP contracts (schools) and the possible incidence on their classification.

6.1.6 Carbon Fund

Introduction

The Carbon Fund was established in 2006. This fund is designed to allow Ireland meet its Kyoto targets for greenhouse gas emissions and works together with the national implementation of the EU Emissions Trading Scheme. The IE authorities explained that the aim of this Carbon Fund is purchasing carbon rights for further distribution to manufacturers.

Discussion

Transactions in carbon rights are currently treated by the Irish authorities as purchases of intangibles non-produced assets, impacting the deficit at time of purchase. The subsequent granting for free of those allocations is recorded as a transfer expenditure matched by a disposal of intangible, thus being neutral for the deficit.

Findings and conclusions

It was noted that the statistical treatment of those transactions was being currently under consideration at Eurostat.

6.1.7. Other issues in the EDP table 2A

Introduction

Eurostat discussed remaining issues of the EDP Table 2A.

Discussion

The recently established carry over system was discussed as well as treatment of seigniorage on coins. In addition, The IE authorities indicated that they were not aware of financial leasing by central government units but would review and confirm this to Eurostat, and that the FMS reporting (newly operational – see above) explicitly identifies those for Local government.

Eurostat asked whether there have been any securitisations operations or sale and lease back operations carried out by government units in recent years.

Findings and conclusions

Eurostat took note that a carry over system (established in 2004) leads to a need for an adjustment in the EDP table 2A, for properly adjusting the moment of recording reported in the *Finance Accounts*. Eurostat took note that the proceeds collected by the Treasury related to the seigniorage on coins, following a 2002 law, are appropriately neutralized within EDP table 2A. The Irish authorities will investigate the potential existence of the financial leasing in the central government.

Finally, the Irish authorities confirmed that there were no securitisations operations or sale and lease back operations carried out by government units in recent years.

6.2. EDP Table 3B

Introduction

Statistical discrepancies in the EDP table 3B are not split between "Difference between financial and capital accounts (B.9f-B.9)" and "Other statistical discrepancies". The high amounts under acquisition of shares and other equity represent investments of the National Pension Reserve Fund.

Discussion

Several items from the EDP table 3B were discussed, in particular the item of Statistical discrepancies.

Findings and conclusions

The IE authorities recognized that the statistical discrepancy was not specifically related to the transactions/stocks articulation, and that the item "*Difference between financial and capital accounts (B.9f-B.9)*" needs not to be zero. Eurostat recalled the ongoing work on discrepancy carried out at the European level, and suggested splitting the statistical discrepancy position to be reported.

6.3. EDP Table 3E

Introduction

No debt is reported for the SSF in the EDP table 3E and also no adjustment entries between government deficit and change in debt apart from item currency and deposits (F.2).

Discussion

The possible recording of other transactions of the SIF, apart from currency and deposits, was discussed. The IE authorities further documented the composition of the SIF assets, which suggests that no consolidation (for F.2.) is required.

Findings and conclusions

The IE authorities recognized that the financial statement of the Social Insurance Fund (SIF) could be used to improve the reporting of the EDP Table 3E.

7. Data consistency and ESA 95 transmission tables

Introduction

Eurostat reviewed with the Irish authorities the state of data delivery in the framework of the Council regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community, as amended (ESA95 transmission programme) and its consistency with EDP statistics. The consistency of EDP data was high in particular with non-financial government accounts (both annual and quarterly). On the other hand consistency of EDP data with annualised quarterly financial accounts was not satisfactory, as large differences were identified.

Discussion

Eurostat noted that Ireland did not comply with its reporting obligation with respect to annual financial accounts (ESA tables 6 and 7). It was noted that annual financial accounts for general government should be based on the quarterly data, and that they would generally not be changed by the process of rebalancing of the whole financial accounts. ESA Table 11 (COFOG) was also discussed.

Findings and conclusions

The IE authorities agreed with the need to step up work to ensure consistency between the EDP reporting and the quarterly financial accounts for general government (ESA95 table 27). As regards financial accounts, The IE authorities indicated that in the financial accounts for 2001 - 2005 (both balance sheets and transactions) to be reported by end-September 2006, the results for General Government shall be reported on both the consolidated and non-consolidated bases. Eurostat welcomed this noticeable improvement.⁵

As regards ESA table 11, Ireland indicated that currently missing function on Environmental protection would be transmitted in the next official transmission to Eurostat.

⁵ A first subset of consolidated annual financial accounts was transmitted to Eurostat on 07 November 2006.