



EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics (GFS) and quality
Unit D-2: Excessive deficit procedure (EDP) 1

Luxembourg, April 2016

FINAL FINDINGS

EDP standard dialogue visit Sweden

19-20 May 2015

Executive summary

Eurostat undertook a standard EDP dialogue visit to Sweden on 19-20 May 2015. The purpose of the visit was to review the existing institutional responsibilities for compiling GFS and EDP statistics, discuss the quality and exhaustiveness of primary data sources, clarify some issues relating to the EDP notification tables, discuss the implementation of ESA 2010 methodology and clarify the sector classification of certain units.

First, the institutional arrangements currently in place were reviewed. The discussion focused on the recently updated Memorandum of Understanding between the main institutions involved in EDP reporting. Also the newly signed Memorandum of Understanding between the SCB and the ESV on data deliveries for central government financial and non-financial accounts was discussed. The progress made in integrating data sources for non-financial and financial accounts project as well as progress made in establishing data sources for specific local government operations were reviewed. Furthermore, the current situation on quality management framework, audit and internal control arrangements and cooperation with the upstream data suppliers were discussed.

Second, the progress made by the Swedish statistical authorities on the open Action points from the EDP visit that took place in June 2013 was discussed. The few remaining issues from the April 2015 EDP notification were clarified.

The discussion continued on the application of the ESA2010 sector classification rules. Eurostat invited the Swedish statistical authorities to reconsider the current policy in relation to the reclassification of units, so that consistent time series could be ensured and the correct deficit and debt data could be reported for the whole reporting period. The nature and the practical implementation of the sector classification rules for the units possibly being holding companies were discussed in detail. Further analysis is to be undertaken by the Swedish statistical authorities on the companies having zero employees. Particular attention was paid to the sector classification of the public financial corporation *Kommuninvest AB* and the Premium pension system.

For the Premium pension system, it has been agreed that temporary management phase of the Premium pension system will be reclassified outside the general government sector in the October 2015 EDP notification.

On the implementation of the accrual principle, Eurostat verified the accrual adjustments for interest and asked the Swedish statistical authorities to analyse further the existence of so called coupon sold and the reporting of these flows in the EDP tables. As for the data on taxes, due to the fact that the accrual adjustment for central government taxes is performed by the ESV, the quarterly patterns have improved. Eurostat also noted the progress in data availability on the net figures of other accounts receivable /payable (F.8), by the type of taxes.

As regards the recording of specific government transactions, the Swedish statistical authorities were asked to confirm that the recoverability of government claims is monitored on regular basis. Eurostat took note that the data for local government swap related flows is available starting from the year 2014. The Swedish statistical authorities will summarise their findings on whether the EKN guarantees should be considered as standardised guarantees.

Eurostat appreciates the information provided by the Swedish Statistical Authorities prior and during the EDP standard dialogue visit. Eurostat also thanks the Swedish statistical authorities for their co-operation during the EDP visit and considers that the discussions were open and constructive.

Final findings

Introduction

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009, as amended, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty on the functioning of the EU, Eurostat carried out an EDP dialogue visit to Sweden on 19-20 May 2015.

The delegation of Eurostat was headed by Ms Lena Frej Ohlsson, Head of Unit D-2 Excessive Deficit Procedure (EDP) I. Eurostat was also represented by Mr Denis Besnard, Ms Nicoleta Savu and Ms Rasa Jurkonienė. A representative of the European Central Bank (ECB) also participated in the meeting as observer. The Swedish authorities were represented by the Statistics Sweden (SCB), the National Financial Management Authority (ESV), the Swedish National Debt Office (SNDO), the Ministry of Finance (MoF) and the National Central Bank (NCB).

The previous Eurostat EDP dialogue visit to Sweden took place on 4-5 June 2013.

Eurostat carried out this EDP dialogue visit in order to review data sources for the EDP data compilation and the availability of the data sources on the specific local government operations, as well as to review the implementation of the ESA2010 methodology in the recording of government transactions and in the sector classification of units.

With regard to procedural arrangements, the *Main conclusions and action points* would be sent to Sweden for review. Then, within weeks, the *Provisional findings* would be sent to Sweden for review. After this, *Final Findings* will be sent to Sweden and the Economic and Financial Committee (EFC) and published on the website of Eurostat.

1. Statistical institutional issues

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

Introduction

Eurostat enquired about the cooperation between the institutions involved in EDP and any changes since the 2013 EDP visit, in relation to the division of responsibilities and organisational structure. The progress achieved in the project on the integration of the financial and non-financial accounts was also discussed under this point of the agenda.

Discussion

The Swedish statistical authorities explained that, currently, two agreements defining cooperation among the institutions are in place. The first Memorandum of understanding is of a more general nature, it is defining the EDP reporting responsibilities following the requirements in the Council regulation 479/2009, as amended. It is signed by the directors general of the institutions involved: Statistics Sweden (SCB), the Swedish Financial Supervisory Authority (*Finansinspektionen*), the Legal, Financial and Administrative Services Agency (*Kammarkollegiet*), the Swedish National Debt Office (*SNDO, Riksgälden*) and the Swedish National Financial Management Authority (*Ekonomistyrningsverket, ESV*). This Memorandum of understanding was updated in the beginning of 2015, when all the references were changed to ESA2010 and the changes to the EDP tables templates as well as to the templates of the Questionnaire related to the EDP notification tables were updated.

The Swedish statistical authorities informed Eurostat that, in May 2015, a Memorandum of understanding between the SCB and the ESV was signed. This memorandum covers data deliveries for central government non-financial and financial accounts. The SCB explained that this kind of Memorandum of understanding is a statistical service level agreement frequently used by the SCB to ensure smooth delivery of data for national accounts. The Swedish statistical authorities explained to Eurostat that, in their view, this Memorandum of understanding is a formalization of the existing working arrangements; it covers national accounts and EDP.

Eurostat asked at which stage the ESV delivers the EDP table 2A to the SCB. The Swedish statistical authorities explained that the ESV provides the completed table 2A, explaining the transition between the working balance and the B.9. Thereafter, SCB introduces the splits in other accounts receivable/payable. The final responsibility for the EDP table 2A, as for the other EDP tables, is with the SCB.

As for practical examples on how the cooperation functions, the Swedish statistical authorities explained that before and after each EDP notification, the SCB organises formal meetings with the representative of all the authorities involved.

Financial accounts compilation

The progress achieved by the Swedish statistical authorities in the creation of the integrated data sources for non-financial and financial accounts, as well as the involvement of ESV in the compilation of central government financial accounts, were discussed under this point of the agenda. The Swedish statistical authorities recalled that, starting from 2012, ESV is producing both non-financial and financial accounts data for central government and delivers the data to SCB, on a quarterly basis. The ESV had to undertake several actions for the successful implementation of the project on the creation of the integrated data sources: update and expansion of the IT system, changes in the reporting codes for all central government units, and training of staff. The Swedish statistical authorities explained that the use of the integrated central government data source for both non-financial and financial accounts resulted in an outcome that the discrepancies between the B.9 and B.9f decreased substantially as illustrated in the figures for the last years – 2012-2014.

Eurostat noted that, since 2012, there are two independent central government B.9f calculations on a quarterly basis. One is done by the ESV, another by the SCB. Eurostat asked the Swedish statistical authorities what are the plans for the future, and how long this parallel calculation will continue. The Swedish statistical authorities explained that, at this stage, the approach of two independent calculations is very useful, as the results are compared and reconciliation is done. This approach will continue for at least one more year, and then the idea is that the ESV will take over fully. For transactions in deposits, repos, loans, shares and other accounts receivable/payable, the SCB uses the ESV source for the SCB financial accounts and the previous practice to use counterpart information is abandoned.

The Swedish statistical authorities informed Eurostat about the areas where further work is still needed. It relates to the units such as SNDO or Kammarkollegiet, where the operations are very complex and it is not possible to collect information through the established reporting systems, consequently additional calculations are still performed by the SCB manually by using additional, customized, information.

The Swedish statistical authorities stated the following priority areas and concrete steps for the future: to achieve a transformation of the SNDO accounting data into the s-codes, to analyze further and reconcile the cash holdings of the central government authorities in the SNDO, and to solve consolidation issues. The idea is that all the data will come from the ESV in the future and no adjustments are needed from the SCB. A second priority is to achieve improvements in the quality of quarterly financial accounts.

Regarding Eurostat's question on the final institutional responsibilities for the central government accounts, the SCB confirmed that the final results for assets and liabilities,

stocks and transactions, and the net lending/net borrowing in the financial accounts remain the responsibility of the SCB. The SCB will continue to be as in the case of non-financial accounts, the responsible authority for the financial accounts and will perform the final reconciliation (e.g. between non-financial and financial accounts as well as relating to the other institutional sectors and adjustments, if any).

Findings and conclusions

- (1) Eurostat welcomed the progress made by the Swedish statistical authorities on the project on the integration of central government data sources used for non-financial and financial accounts. Eurostat noted that, due to these developments the statistical discrepancies between B.9 and B.9f have decreased.
- (2) Eurostat took note on the existence of the general Memorandum of Understanding between the authorities involved in the EDP work: SCB, the ESV, the Finansinspektionen, the Kammarkollegiet and the SNDO; as well as the recently signed Memorandum of Understanding between the SCB and the ESV on data deliveries for central government non-financial and financial accounts.
- (3) Eurostat took note that there is still some progress foreseen regarding the financial accounts for central government in relation to the data reporting from the SNDO to ESV, for the data on consolidation and the data on cash holdings between central government authorities (Action point 1 of June 2013 EDP visit)¹.

Deadline: April 2016 EDP notification.

1.2. Data sources, Revision policy

Introduction

Eurostat enquired about any new developments in local government data sources.

Discussion

Municipal associations

Eurostat started the discussion by asking a question on the nature of the units in the EDP inventory on sources and methods called “*municipal associations*”. The Swedish statistical authorities clarified that these are units formed by a few municipalities, counties, and/or public service institutions for certain purposes, such as, for example, education, social and health purposes as well as emergency fire services. In Swedish these units are called *Kommunalförbund*. The Swedish statistical authorities confirmed the information in the

¹ Progress reports of the work on financial accounts at the ESV were provided to Eurostat on 30 09 2015 and 31 03 2016.

EDP Inventory that there are 198 municipal associations. Eurostat asked about the data sources available for these units. The Swedish statistical authorities explained that the main data sources are the statements of accounts for municipal associations and the balance sheets. The annual accounts for municipal associations are compiled by the SCB. The Swedish statistical authorities explained that, in the financial accounts, these units are included starting from the year 2008, whereas in the non-financial accounts they are included throughout the whole time series. There is no quarterly data source available for the municipal associations, thus on quarterly basis and in the first April EDP notification in year n+1 for year n, estimations are made.

Data availability on specific local government transactions

The shortcomings in the availability of data for specific local government transactions were discussed in the previous EDP dialogue visit. Consequently, the Swedish statistical authorities have amended the local government questionnaire by including questions on the identified transactions, such as debt cancellations, capital injections, non-performing loans, gross transactions on loans and equity. Prior to the EDP visit, the Swedish statistical authorities informed Eurostat that the questionnaire had been sent out for completion in the fourth quarter of 2013 and that data was received for the first time in 2014. The SCB explained that during the initial phase, they had a number of meetings with the representatives of SALAR - the association for municipalities, county councils and regions – explaining the purpose of the changes to the questionnaire, and asking for advice how to formulate the questions, so that they would be easily understood. The figures for 2014 will be reported for the first time in the October 2015 EDP notification. However, the Swedish statistical authorities explained that the figures on specific local government transactions are not final as they have to reconcile with the annual accounts of local government.

The Swedish statistical authorities explained to Eurostat that there will be problems with the data availability in the first April EDP notification, as the answers come late in the financial accounts compilation process and the incorporation of the additional information available in the questionnaire is time consuming. For certain categories, such as gross reporting of loans and equity and information on derivatives, preliminary estimates could be incorporated in the April notification (as it was implemented in April 2015 EDP notification for 2014 data).

Before the October 2015 EDP notification, the Swedish statistical authorities intended to analyse the received data and, when needed, contact the local government units in order to ensure that the data provided in the answers corresponds to what was asked. Eurostat welcomed the improvements and took note of the fact that the new data will be incorporated in the October 2015 EDP notification.

The Swedish statistical authorities informed Eurostat that swap transactions were identified and the data will be incorporated in October 2015 for the years 2013 and 2014. According to preliminary information, the swap impact could amount to around 1 billion SEK, thus a slight improvement in B.9 is expected.

Findings and conclusions

- (4) In relation to data on specific local government operations, Eurostat welcomed the extended local government questionnaire and the fact the data on local government debt cancellations, capital injections, non-performing loans, privatizations and derivatives are now available. The newly available information will be incorporated in October 2015 EDP notification².

Deadline: October 2015 EDP notification

- (5) The SCB will correct D.41 reported by local government in order to eliminate the impact of swap related interest flows³.

Deadline: October 2015 EDP notification

1.3. Compliance with Council Directive 2011/85

Introduction

The national publication of the data as required by the Council Directive 2011/85/ of 8 November 2011, *On requirements for budgetary frameworks of the Member States*, were discussed under this point of the agenda.

Discussion

Eurostat took note that the monthly and quarterly cash fiscal data and the reconciliation table showing the methodology of transition between cash-based data and the data on contingent liabilities have been published nationally according to the deadline by the SCB⁴. The data is obtained in cooperation with the ESV, the SNDO and the pension funds. Data on contingent liabilities is consistent with the similar reporting to Eurostat.

As regards the monthly fiscal data for the State budget, it is provided by the ESV. The monthly data for other central government bodies are estimated (by using one twelfth of the yearly figure). The monthly data includes the compulsory items – total revenue, total expenditure and the balancing item.

As requested by the Directive, local government data is published on a quarterly basis and it includes the compulsory items. The quarterly questionnaire is used as a data source, so some

² A note No 2015/275 was sent to Eurostat on 30 09 2015. The new local government information was incorporated in the October 2015 EDP notification. Action point is closed.

³ Implemented in the October 2015 EDP notification. Action point is closed.

⁴ <http://www.scb.se/nr0111-en/#>

estimations are done for the small municipalities, municipal associations and entities controlled by local government.

Eurostat took note that, as required, the data on contingent liabilities was published nationally for the first time in October 2014. The data included information on government guarantees for the years 2010-2013 and stocks of non-performing loans for the year 2013 in % of GDP. For the other requested indicator, the off-balance PPPs, zeros were reported for the years 2010-2013.

The Swedish statistical authorities explained that the data source for the non-performing loans is the CSN (The Swedish Board for Study Support), and that data on the non-performing loans of the units reclassified inside central government are obtained from the annual reports. Local government non-performing loans data is obtained from the quarterly questionnaire.

On local government PPPs, the information is gathered on a case by case basis, as there is no centralized data base. The NSI is relying on media information and other sources. However, so far (during the last 10 years) there were only three projects identified at the local government level that could somehow be assimilated to a PPP, but they were very small.

Findings and conclusions

Eurostat took note of the situation.

1.2.3. EDP Inventory

Introduction

The current status of the ESA 2010 based *EDP inventory of the methods, procedures and sources used for the compilation of deficit and debt data and the underlying government sector accounts* (EDP Inventory) was discussed under this point of the agenda.

Discussion

Eurostat thanked the Swedish statistical authorities for providing the ESA 2010 based draft EDP Inventory prior to the EDP dialogue visit. Eurostat explained that the Inventory will be used as an input for the various agenda points and in case some further clarifications will be needed this will be pointed out. The Swedish statistical authorities informed Eurostat that the section 7.15 on Pension schemes is preliminary and will be updated once the outcome of the methodological discussion will be available. Eurostat recalled that the ESA2010 EDP Inventory is to be published on Eurostat's webpage in December 2015. It has been agreed that Eurostat will provide the comments to the draft Inventory text by the end of June 2015.

Findings and conclusions

- (6) Eurostat thanked the Swedish statistical authorities for providing an updated version of the EDP Inventory under ESA2010 and will provide the comments so that the final version is ready for publication in December 2015⁵.

Deadline: Eurostat feedback June 2015.

1.4. Quality management framework; Audit and internal control arrangements; Cooperation with the upstream data suppliers.

Introduction

Eurostat recalled that, as a so called *upstream dialogue visit* has not taken place in Sweden, certain aspects of the upstream issues will be discussed within the framework of the Standard dialogue visit. The Swedish statistical authorities have provided detailed notes on the existing Quality framework; Audit and internal control arrangements and the cooperation with the so called upstream data providers. An updated flow chart was also sent to Eurostat prior to the EDP visit.

Discussion

Eurostat started the discussion by recalling the latest findings of the Peer review report (January 2015). The report acknowledged the SCB “*high degree of compliance will all aspects of the Code of Practice*”. The Peer review report mentioned the existence of the so called *Product Support System* and *Maintenance Management Model* – both being integrated and complementary approaches linked to the *Generic Statistical Business Process Model*, for managing and developing statistical processes and products in a systematic and quality assured way. The Report also provided information on the adoption of the ISO 20252 standard in the SCB.

From the documentation provided before the EDP visit, Eurostat read that, starting from 2012, a quality management system (QMS) was implemented for national accounts (NA), including EDP and data on contingent liabilities and potential obligations as requested by the Directive 2011/85. The QMS is seen by the SCB as a tool to secure the quality and efficiency in the production process of NA and EDP in order to generate high quality statistical information. More specifically, it is used to reduce the risk of errors in the production process, support the management and employees in the work and increase traceability of data. The QMS is described in the National Accounts quality manual. Information on quality management, quality work at SCB and the management model is included as a module in the program developed for new employees at the NA department.

⁵ Action point is closed. Eurostat feedback was sent on 17 08 2015. The final version of the EDP Inventory was received from Sweden on 13 11 2015. The EDP Inventory was published on Eurostat website on 17 12 2015.

The Swedish statistical authorities described the existing IT environment where the NA (and EDP) is produced. At this stage, the SCB has separate IT-system for non-financial and financial accounts. The basic calculations up until NA level data is performed in standardized Excel spread sheets (standardized format/design and documentation). The results from the Excel files are then uploaded to the IT-systems. Calculations that are unique for the EDP tables are also compiled in the standardized Excel spread sheets. The standardized workbooks are version controlled and stored in a standardized sheet structure. The SCB has plans for the future to construct a new IT-system where non-financial, financial accounts and EDP for general government is compiled in an integrated IT-system, having a high degree of traceability of data and input/output validation procedures.

The Swedish statistical authorities described the process of NA production. The process is managed by lists of activities along with job descriptions stored in the NA quality management system. The system indicates which roles and responsibilities perform certain defined activities: when, where (IT Environment) and how (work instruction). In addition, the execution of the activities is logged in the system. In practice, the staff use the activity lists as a tool for planning their work. The lists indicate at what point in time the activity should be undertaken. Hyperlinks to work instructions are imbedded in the activity lists. After performing an activity, the staff member signs the activity in the activity list. The Swedish statistical authorities explained that currently there are around 150 activities in the activity list for EDP. The activity list, including documentations, is updated in connection to each notification. Before each notification, a kickoff meeting is organized with the responsible authorities/ individuals within the EDP framework to reach agreement on the deadlines and content. The EDP-manager at the SCB logs the activities carried out by the other authorities.

The Swedish statistical authorities provided a description of the internal controls in place. The control system at SCB has three levels. The first level is manager follow up, conducted regularly on the content and use of the quality management system. After each notification period there is an evaluation meeting organized with all authorities involved in the EDP reporting, during this meeting the cooperation and EDP processes are reviewed. The second level is internal audit at the SCB, focusing on how the actual execution of a process conforms to the corresponding work instruction. The third level of control is the internal review carried out by Statistics Sweden's Chief Audit Executive.

Eurostat recalled that the requirement to have public accounting system internally controlled and audited by the independent auditors is established also in of the Directive 85/2011 Article 3. On the basis of the answers provided by the Swedish statistical authorities to the *questionnaire on the Arrangements for Internal Control & Independent Audit for public accounting systems in general government*, Eurostat concluded that such arrangement are in place in Sweden.

The Swedish National Audit Office audits the central government bodies; financial audit is performed on an annual basis. The same applies for the Swedish pension agency.

Municipalities, County councils/regions and associations of municipalities and county councils are subject to annual financial audit from external private firms.

The Pension funds are annually audited by the auditor assigned by the Government Office of Sweden. The system of internal controls and internal audit is established in all central government agencies and ESV has overall responsibility for government internal audit system. When it comes to the local government entities, they have to comply with the Code of Audit in local government issued by the Association of Local Authorities and Regions (*Sveriges Kommuner och Landsting*).

Eurostat asked questions about how the cooperation with the National Audit Office (NAO) is organised. The Swedish statistical authorities explained that all government agencies are audited by NAO the results of the audits being presented to government. ESV has close cooperation with the NAO and follows up on any findings of audits that might have an impact on the quality of accounts. The National audit office is not auditing national accounts data as such, however the notion of net lending /net borrowing is used in their report on central government. As for the SCB cooperation with the NAO, there were a couple of bilateral meetings organised in the last two years.

Data flows to/from the so called upstream entities

As regards the data collection from the so called upstream entities, the Swedish statistical authorities explained that, due to the complexity of national accounts, neither a single nor a standardized data source is available. Data is collected from a large variety of sources and in various ways - some through large, official transmissions from data suppliers, electronically directly into databases at the SCB. Other data are collected in a standardized way, by receiving data in excel by e-mail or by receiving single figures from the data supplier based on a mutual agreement. The main part of all figures are collected and received by an electronic transmission directly into databases at SCB. An exception is data for central government financial accounts which is received via the ESV. The SCB explained that their staff do not have access to databases at ESV, Ministry of Finance or SNDO, therefore bilateral contacts are taken once the need to verify data arises.

Additional figures needed for EDP that are not included in national accounts are more often collected directly from the data supplier via excel-files. The working process of calculating and compiling national accounts and EDP is based on a standardized working process and in close cooperation with data suppliers.

Findings and conclusions

Eurostat thanked the Swedish statistical authorities for the well-structured and comprehensive documentation provided prior to the EDP visit. Eurostat concluded that no problematic areas were identified within the Quality management framework, audit and internal control arrangements or cooperation with the upstream data suppliers.

2. Follow-up of the previous EDP visits

Introduction

Eurostat briefly recalled the outstanding action points of the EDP dialogue visit in June 2013.

Discussion

Eurostat thanked the Swedish statistical authorities for their notes on the status of the action points provided before each EDP notification. As regards the action points from the 2013 EDP dialogue visit, Eurostat noted that two action points are not yet closed: action point 1 on the creation and implementation of the integrated data sources for the non-financial and financial accounts and action point 18 on local government data sources. The Swedish statistical authorities explained that, on both open actions points, there is visible progress and Eurostat has received progress reports; however the issues covered are complex and involve systemic changes and thus require more time for finalisation.

Findings and conclusions

Eurostat took note.

3. Actual data April 2015 EDP reporting – analysis of EDP tables

Introduction

Under this point of the agenda, a few outstanding issues from the April 2015 EDP notification were clarified.

Discussion

Eurostat recalled the discussion in the April 2015 EDP notification on the reasons for the sharp increase in the Swedish debt ratio in 2014 as compared to 2013 (by more than 5 pp). In addition to the revaluation effect resulting from strong USD and EUR, the change in legislation was also mentioned. The Swedish statistical authorities explained that, in fact, there was no specific change in the legislation; however some central government units decided to keep outstanding repos over the turn of the year. The decision was taken by the boards of the entities: the Swedish Export Credits Guarantee Board (EKN) and Nuclear Waste Fund (NWF), both classified in S.1311. A similar decision was taken by the Pension Agency (S.1314).

On the EDP table 2A, Eurostat asked further information on the change in the recording of the so called "*Capitalized rate of interest for study loan*", reported under "other adjustments". Eurostat recalled that the adjustment was needed to reconcile the cash working balance and B.9. The figures are shown for the years 2010-2013 and, for the year 2014, zero is reported. The Swedish statistical authorities explained that, starting from the year 2014, the new system of the financing of study loans came into force. In cases when a borrower is not in a position to repay interest on the study loan, the accrued interest is

included in the working balance of the EDP table 2A (as part of the government borrowing requirement). Eurostat noted that as indicated in the EDP table 2 and described in the EDP Inventory, the working balance is on a cash basis, while the inclusion of the accrued interest does not constitute a cash flow. The Swedish statistical authorities explained that not all parts included in the working balance are on a cash basis. Eurostat stressed that more information on this is needed and asked the Swedish statistical authorities for a note.

- (7) The Swedish statistical authorities will provide a note explaining the change in the recording of capitalized interest on student loans, and their recording in the working balance, B.9 and the EDP table 2A adjustment lines⁶.

Deadline: October 2015 EDP notification

Other central government bodies (OCGB) as reported in EDP table 2A

The data availability for the OCGB in the first EDP notification (data for year n in April n+1) as well as the reporting convention in the adjustment line in the EDP table 2A were discussed under this point of the agenda.

As regards the data source for the OCGB, the Swedish statistical authorities confirmed the information available in the EDP Inventory that these units are not transmitting the S-codes based data, instead, their annual financial reports are used. Financial statements of the OCGB become available at n+5 months, thus for the first EDP notification (data for year n in April n+1) ESV estimates the figures on the basis of the previous year results. In practice, the figures of the year n-1 are used for year n in April n+1. Eurostat enquired about the existence of plans to change this practice. The ESV explained that, to their understanding, the amounts are rather stable from year to year, so the risk of substantial revisions in October n+1 (once the annual financial report data is incorporated) is low. The ESV also confirmed that in case some information on exceptional operations is available it is being used. Eurostat agreed that over the last years the revisions observable in the EDP table 2A line “*Net lending (+)/ net borrowing (-) of other central government bodies*” were not big. The ESV mentioned the plans to contact some of the OCGB in the future and to start collecting some quarterly figures.

Eurostat raised a question on the nature of the figures reported in the EDP table 2A adjustment line “*net borrowing (-) or net lending (+) of other central government bodies*”. The Swedish statistical authorities confirmed that as it was discussed in the previous EDP visits, this line includes the difference between the amounts recorded in the working balance and the B.9. Eurostat took note that, due to the fact that the central government payments to the OCGB, as included in the working balance, are on a cash basis, whereas the B.9 of the OCGB is accrued, there might be a need to introduce additional adjustment lines in EDP

⁶ An explanation of the content of this adjustment line was provided in the note No2015/1104 dated 30 09 2015. The Action point is closed.

table 2A. Eurostat expressed the view that following the logic of the EDP tables, the adjustment line “*net borrowing (-) or net lending (+) of other central government bodies*” should report B.9 of the OCGBs. The Swedish statistical authorities were asked to implement this in the next EDP reporting.

- (8) For Other central government bodies, the figures reported in the line *net lending/net borrowing of other central government bodies* should reflect their B.9 and an additional adjustment line should be introduced, if needed, in EDP table 2A⁷.

Deadline: October 2015 EDP notification

EDP table 2C

Eurostat took note that the main local government sub-sector as reported in the working balance, includes municipalities, municipal associations and county councils. After reading the description in the Swedish EDP Inventory, Eurostat raised a question on the existence of the quarterly data source for municipal associations. The Swedish statistical authorities explained that only annual data sources are available for municipal associations, therefore the past years data are used as a proxy in the first April notification. The Swedish statistical authorities stressed that the figures for municipal associations are negligible.

Eurostat took note that, similarly to the OCGB, there is an issue about the non-availability of data for the first EDP notification (year n in April n+1). As it was explained by the Swedish statistical authorities, the annual source is used in October n+1, whereas in the first April notification and in quarterly accounts, the data for year n represent the annual reports for year n-1. Eurostat asked the Swedish statistical authorities to consider establishing a quarterly data source for the other local government bodies.

Findings and conclusions

- (9) Eurostat invited the Swedish statistical authorities to explore the possibility to establish a quarterly data source for the *Other central government bodies and the Other local government bodies*, so that the information could be used for the first EDP notification (year n in April n+1)⁸.

Deadline: First progress Report -October 2015 EDP notification

New Questionnaire table 10.1 and table 13 templates

Introduction

⁷ Implemented in April 2016 EDP notification. The Action point is closed.

⁸ Progress reports were provided by the Swedish statistical authorities on 30 09 2015 and 31 03 2016.

In the April 2015 EDP notification the Swedish statistical authorities reported on a voluntary basis the new tables 10.1 and 13 of the Questionnaire related to the EDP notification tables.

Eurostat thought that this voluntary exercise was very useful as it has given the possibility to test the template and the instructions and thanked the Swedish statistical authorities for initiative.

Discussion

The Swedish statistical authorities asked for Eurostat's feedback on the filled new table 10.1. Eurostat briefly highlighted the new elements of the tables, and noted that in case of Sweden the coverage has improved, as the table included also the data on local government capital injections. However, the information on local government equity injections, privatisations and withdrawals of equity are still missing. The Swedish statistical authorities explained that some of this information will become available and thus incorporated in the October 2015 EDP notification. Eurostat also took note that the newly requested information on the capital injections in kind is not available. Eurostat thought that further specifications are needed for the reporting convention, as under memorandum items in part A(m) absolute figures (MNAC) should be reported. Furthermore Eurostat pointed out that in case some amounts of the components are reported as "L– not available", the figures should be reported under totals only in cases when there is evidence that the non-available figures are negligible. However, if the amounts are material, the totals should be reported as 'not available'. A few issues on internal consistency were identified. Eurostat thought that these issues could be partially solved by the introduction of automatic checks in the template of the table. It was agreed that Eurostat will provide further comments in written.

New Questionnaire related table 13

Eurostat recalled that, in the April 2015 EDP notification, Sweden reported the new questionnaire table 13 on a voluntary basis for the first time. No examples of rerouting have been found for Sweden. The Swedish authorities expressed the wish to discuss the requirements of Eurostat for this table further. Eurostat clarified that what is asked in this table are cases when a public unit undertakes transactions on government's behalf, following clear instructions. These instructions could even take the form of a formal letter/order. Transactions that are rerouted should capture situations when the risk is fully taken by government, and this does not refer to the regular/normal activity of an entity. The Instructions to the Questionnaire table mentions that both non-financial and financial transactions as well as assets or liabilities which are shown in public accounts on balance sheets of units classified outside S.13, could be re-routed and recorded on the government balance sheet in the sector S.13 to show that government is the economic owner, i.e., bears most of risks and rewards concerning the assets/liabilities in question.

Findings and conclusions

(10) Eurostat welcomed the early submission of the new template of the Questionnaire table 10.1 on *Capital injections, superdividends and privatizations* and will send its feedback.

Deadline: end June 2015⁹.

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government sector

4.1.1. Changes in sector classification due to ESA 2010

Introduction

The application of the sector classification rules were discussed under this point of the agenda.

Discussion

The Swedish statistical authorities confirmed that the EDP Inventory provides detailed explanations on the sector classification procedures in Sweden. The SCB recalled that, for EDP/GFS purposes, a separate list of public corporations was created on the basis of the Business Register. It is complemented with additional information to include all the relevant information needed to perform the so called 50% test. The public corporation list is used as a basis for Eurostat's Questionnaire on government controlled units, classified outside general government. The SCB updates it regularly; the new information for the year t becomes available in November $t+1$. The information on dividends paid is filled in later on, once it becomes available.

The delimitation of the government sector has been a priority for the SCB in recent years, with a focus was on the large public corporations and holding structures. Some further work will be done in relation to the SMEs and non-profit institutions.

Eurostat took note that a number of units were reclassified inside the general government since the last EDP visit, following the implementation of the ESA2010. The Swedish statistical authorities explained that six more units, mainly SMEs, will be included in the local government sub-sector in the October 2015 EDP notification.

Twenty eight units were reclassified inside the central government sub-sector and eighteen units inside the local government sub-sector. Eurostat noted that the majority of unit

⁹ Action point implemented. Eurostat feedback was sent on 26 06 2015; further discussion took place in September 2016. The updated table was delivered in the October 2015 EDP notification.

reclassifications were implemented from the year 2012, whereas two of the hospitals were reclassified from the year 2000, one from 2002 and one from 2009. Eurostat asked whether this was a question on prioritisation due to the proper implementation of the ESA2010 and whether the consistent time series will be ensured in the next revision of national accounts. The Swedish statistical authorities explained that there were no plans to reclassify the units from 2012 backwards, as their impact on the GDP, B.9 and gross debt are negligible.

The Swedish statistical authorities were asked to clarify what practice is currently followed for unit reclassifications inside the general government. The SCB explained that the decision on from which year the reclassification is implemented is decided on the basis of the impact on the net borrowing and debt, as well as on GDP. Eurostat noted that in the short term it is advisable that the reclassifications are implemented for the whole EDP reporting period (the four years covered in the EDP notification). The Swedish statistical authorities added that reclassifications constitute a huge amount of work in relation to the effect on national accounts, moreover the reclassified entities will be from 2012 and onwards fully *incorporated in the general government calculations*. Eurostat also stressed the importance to have consistent historical years for both non-financial and financial accounts.

Findings and conclusions

(11) Eurostat invited the Swedish statistical authorities to reconsider the current policy in relation to the reclassification of units, so that consistent time series could be ensured and the correct deficit and debt data could be reported for the whole reporting period.

Deadline: Progress report October 2015¹⁰, April 2016 EDP notification¹¹.

4.1.2. Sector classification of specific units (public infrastructure companies, units engaged in financial activities)

Introduction

Sector classification issues in the light of ESA2010 rules were discussed under this point.

Discussion

Prior the meeting, the Swedish statistical authorities provided a note on the sector classification and activities of the entities *Kommuninvest AB* and *Kommuninvest ekonomisk förening*. The Swedish statistical authorities confirmed that the cooperative society *Kommuninvest ekonomisk förening* is owned and controlled entirely by its member

¹⁰ Progress Report was sent to Eurostat on 30 09 2015.

¹¹ A Report on the update of Swedish national accounts and EDP revision policy, with respect to changes in sector classification, was provided to Eurostat on 31 03 2016.

municipalities and county councils/regions. Currently (in 2014) it had 94% of Swedish municipalities and 40% of county councils as its members. The entity acts as a non-profit institution. The activities of the association are financed mainly by the membership fees and by dividend payments. It has been reclassified inside the local government sub-sector in October 2014 starting from the year 2012.

The discussion focused on the activities of the *Kommuninvest AB*, which is a daughter company of the *Kommuninvest Cooperative Society (Kommuninvest ekonomisk förening)*. Eurostat explained what aspects should be looked into in order to determine whether the entity is not to be considered as a captive financial institution. Firstly, the activities of a captive unit are carried out within a limited framework and in and under conditions which are mainly designed, significantly influenced, closely monitored and supervised by the parent unit. A captive unit, as defined in the MGDD, has limited capacity on decisions and is very dependent on the parent, whose influence goes beyond the notion of control and might involve also the influence over the “day-to-day” activities. The influence of the parent unit must be observable simultaneously over assets and over liabilities of a captive unit.

Eurostat summarised its observations on the basis of the descriptions provided prior to the meeting. The customers of *Kommuninvest AB* are seemingly only members of the association *Kommuninvest ekonomisk förening* and corporations owned by the members. The lending provided by the *Kommuninvest AB* is guaranteed by the Swedish municipalities and county councils. *Kommuninvest AB* is financing its activities by issuing bonds, and profits are due to the differences of interest rates on borrowing and lending. No deposits are being taken.

As regards the independence of the *Kommuninvest AB*, the Swedish statistical authorities explained that the Annual General Assembly of *Kommuninvest ekonomisk förening* is the highest decision making body within the group. The board of *Kommuninvest ekonomisk förening* establishes the directives for the subsidiary - *Kommuninvest AB*. The board of *Kommuninvest AB* is responsible for running the entity within the framework of these directives. Eurostat thought that the aspect of independence/dependence from the mother company should be analysed further, especially the roles of the Board and the director of the *Kommuninvest AB*. The nature of the “directives” of the mother company is important, and whether they establish just a general policy framework, or go beyond.

Regarding constraints on assets and liabilities, it is clear that the liabilities are guaranteed by the members of the association. For the assets, the Swedish statistical authorities explained that only members of the association can borrow. Eurostat noted that the restrictions on the customer base might be seen as an indication that a unit is acting quasi automatically, therefore it is important to establish who (the board of the mother company/ subsidiary or a General assembly) is taking decision on providing individual loans and their conditions. It has been agreed that at this stage additional information is needed in order to decide on the proper sector classification of the *Kommuninvest AB*. The Swedish statistical authorities will provide a note with the analysis of the issues described above.

Findings and conclusions

- (12) In order to decide on the proper sector classification, the Swedish statistical authorities will send the statute of the *Kommuninvest AB* and a note analysing the activities of this entity, as regards the constraints on assets and liabilities, the decisions in the lending process, and the nature of the “directives” of the *Kommuninvest ekonomisk förening*¹².

Deadline: October 2015 EDP notification.

4.1.3. Government controlled entities classified outside general government (public corporations)

Introduction

Information as provided in the *Questionnaire on government controlled entities classified outside the general government* sector was discussed under this point.

Discussion

Eurostat started the discussion by recalling the ESA2010 rules on holding structures. The ESA2010 draws the line between head offices (entities satisfying the criteria of institutional units that are controlling, managing their subsidiaries and are providing services to them) on one hand, and holding companies on the other hand. The latter mainly hold shares of corporations, and should be considered as a shell.

Eurostat, together with the SCB, reviewed the list of government controlled entities and asked some additional questions about specific cases. It was pointed out that the data is missing for some entities for some years. Eurostat noted that there are some cases when zero employees are reported. In these cases a further analysis is needed to determine whether these units are to be considered as public holding companies and as such classified inside the sector S.13. Eurostat stressed that, in the case of groups of companies, the number of employees is an important but not necessary a decisive indicator. Some other aspects such as the nature of income of the holding, the existence of management fees, etc are also to be considered. The Swedish statistical authorities will look into this issue, analyse the companies case by case and report the results to Eurostat.

The Swedish statistical authorities asked Eurostat to clarify how the holding structures/groups of companies should be analysed. In particular at which level - on the group level or on subsidiary by subsidiary basis, control, capital injections, dividends should be assessed. Eurostat recalled that as regards sector classification, the MGDD is clear that

¹² The documents were provided by the Swedish statistical authorities on 30 09 2015.

the classification of subsidiaries has to be assessed on an individual basis. In addition, the MGDD foresees that, in case a subsidiary is a non-market producer, it should be classified inside the general government sector despite the fact that it is controlled by government indirectly – through the head office/public holding company. The so called super-dividend test should also be undertaken on a company by company and not on a group basis.

Findings and conclusions

(13) The Swedish statistical authorities will analyse the entities included in the *Questionnaire on government controlled entities*, having zero employees, in order to see whether they are holding companies, as defined in ESA2010, and as such should be classified inside the general government sector¹³.

Deadline: April 2016 EDP notification.

(14) Eurostat confirmed that the market/non market test and the so called super-dividend test should be applied on a unit by unit basis and not on group level.

4.1.4. Premium pension system

Introduction

The sector classification of the Swedish Premium pension scheme and the Local government pension scheme were discussed under this point of the agenda.

Discussion

The issue of the sector classification of the Premium Pension scheme has been discussed with the Swedish authorities for some time, whereas the local government pension scheme sector classification was analysed for the first time.

Regarding the Premium pension scheme, Eurostat recalled that due to the reclassification of the transitory period inside the central government sub-sector in the October 2014 EDP notification, the consolidated government debt decreased due to consolidation effect. The reclassification did not substantially impact the B.9. The Swedish statistical authorities explained that the reclassification undertaken in 2014 was triggered by the fact that the management of the Premium pension scheme was taken over by the Swedish Pensions Agency (SPA - unit created in 2010 and classified in S.1314). The reclassification was implemented in 2014 as a part of the benchmark revision of national accounts.

The Premium pension system currently consists of three main stages: transitional period, funding period and retirement period (the conversion into annuity). The temporary management stage is administrated by the SPA. This stage covers the period from the initial

¹³ A Report on the analysis undertaken and the results was provided to Eurostat on 31 03 2016.

earning of the preliminary contributions which are paid as part of social contributions in the first year until the contribution is finally settled in the tax assessment in the second year. The feature of the temporary management scheme is that all the contributions are managed collectively pending attribution to the individual accounts. The Swedish statistical authorities explained that the individuals do not have any influence over the investment strategy; it is decided by government and is implemented by the SPA. The pension entitlements in practice are mainly invested in government bonds, real interest bonds and asset-backed securities. Part of the entitlements is being kept as a liquidity reserve at the SNDO bank account. There is no direct correspondence between the individual entitlements and the instruments they are invested in.

Once the final assessment is done, the entitlements are transferred to the individual accounts and being invested following the choices of the policy holders. The participants can choose the investment fund and the investment strategy. The returns on investment vary following the investment strategy. The SPA is administrating the individual accounts and charges service charges.

The Swedish statistical authorities explained that currently the first and third stages of the Premium pension system are classified inside the general government in national accounts. As concerns the second phase, a notional pension fund unit in S.129 reflecting the relations between the household sector and the investment funds had been created.

In the final stage – the retirement - there is an option to convert the fund value into annuity. At retirement, or at any point in time after retirement, a participant can choose to return to the so called “*traditional insurance plan*”. In this case, the accumulated funds would be transferred to the Swedish Pension Agency and the latter would assume the risk of the future payments of the annuities. Once the decision on annuity is taken, there is no possibility for policy holders to switch back to investment funding. The SPA acts as an insurance enterprise and charges annual fees for the administration. The Swedish statistical authorities explained that the SPA assumes the risk of the future payments, thus the investment risk is transferred to government. Annuities constitute a small part of the premium pension scheme. They are currently recorded in the sector S.1314.

As regards the defined contribution individual pension plan of local government, the Swedish statistical authorities explained that there are two stages, the temporary funding phase (classified in S.1313) and the so called investment phase (classified in S.12). Local government is not involved in the retirement phase. The temporary phase constitutes the difference between the time the contributions are collected and the time the accumulated funds are transferred to the individually chosen fund managers. The main difference between the local government plan and the Premium pension plan is the fact that the local government plan temporary management phase does not constitute investment. No service charges are paid for temporary management to local government. There is no investment income earned on the accumulated funds. In national accounts, a local government liability is recorded for the amount of accumulated contributions. There is no corresponding asset.

The second phase of the local government scheme is the management of contributions by pension funds until the time the benefits are paid to the beneficiaries.

During the meeting the discussion continued on the sector classification of the temporary management and the retirement stages of the Premium pension system. The Swedish statistical authorities explained that during the temporary management, solely the SPA is managing and administrating the contributions according to central government regulation until the final settlement of contributions is made and they are transferred to the investment funds (S.12). The investment policy is established by government and neither households nor investment funds have an influence on it. As for the recording in national accounts, the SPA balance sheet shows debt of pension entitlements (AF.63).

Eurostat noted that in both cases we were discussing the defined contribution schemes where the end result/the benefit depends solely on the investment results. The main different between the two schemes is that in the case of Premium pension system, assets are being recognised and interest is earned on the investments (mainly bonds), whereas for local government there are no specified assets, there are only liabilities towards employees. The Swedish statistical authorities noted that the temporary management stage in the Premium pension plan is longer – it lasts about seventeen to eighteen months, whereas in the case of local government plan it is about thirteen months. Eurostat recalled the rules in the MGDD chapter I.3 *Pension institutions*, stating that in case of funded defined contributions pension schemes government is not fixing the level of the pension benefits and it does not “control and finance” the scheme, thus these schemes should not be classified as social security schemes. In addition, as the full investment risk is with the policyholders/beneficiaries, these schemes are comparable to an investment fund. MGDD paragraph 35 reads: “*all pension funds where the participants bear the financial risk should be treated in the same way, whatever the nature – public or private – of the unit managing the scheme, or even the obligatory or voluntary nature of the scheme. They are savings accumulated by households. Managing assets on behalf of other units is a financial intermediation activity that is not normally a function of government. When managing such schemes, government is not acting for public policy purposes but is acting in a similar way to a financial institution.*”|

Eurostat continued its analysis by asking what were the changes in the view of households during the temporary phase of the premium pension scheme. It did not seem that the existence of the temporary management phase was changing the nature of the pension scheme. During the transitory period the assets belong to households and investment income is earned by households as during investment period, it is just that the households do not have a choice on investment. The future pension size will still depend on the investment, and it is only due to some administrative arrangements (tax assessment) during the first year that the funds are invested automatically rather than by the chosen funds. The funds does not become government funds, instead they belong to the households and are earmarked for this purpose. Eurostat concluded that, consequently, the funds managed by the SPA during the transitional period of the Premium pension scheme, should not be recorded in the government sector, but be reported as assets of sector S.12.

As for the local government pension scheme, Eurostat agreed with the Swedish statistical authorities that the fact that the funds are not invested during the transition period might be important. Eurostat asked whether there were any limitations on how the contributions should be used. Were there dedicated accounts / escrow accounts created, or could the local government instead use the funds for its own purposes? The Swedish statistical authorities explained that the time lag between the contribution and the transfer to the investment funds allows saving, and this approach has proven to be more beneficial as compared with the payments done every month. The SCB also informed Eurostat that in the case of local government pension plan, the legal status of the funds under the temporary management is discussed by the government. Considering the discussion, Eurostat and the Swedish statistical authorities agreed that further reflection is needed on the correct recording of the transitional period of the local government pension scheme.

Findings and conclusions

- (15) Eurostat considered that the assets managed by the Swedish Pension Agency during the transitional period of the Premium Pension Scheme, should not be recorded in the government sector, but be reported as assets of sector S.12¹⁴.

Deadline: October 2015 EDP notification.

- (16) Eurostat will reflect on the correct recording of the transitional period of the local government pension scheme¹⁵.

Deadline: Eurostat feedback end September 2015.

- (17) Eurostat will reflect on the correct recording of the annuities guaranteed by government at the retirement phase of the Premium pension scheme¹⁶.

Deadline: Eurostat feedback end September 2015.

¹⁴ Action point is closed. The transitional period of the Premium pension system was reclassified in sector S.12 in the October 2015 EDP notification.

¹⁵ The issue is under discussion. Eurostat provided its feedback on 01 10 2015. SCB provided its feedback 18 December 2015.

¹⁶ The issue is under discussion. Eurostat provided its feedback on 01 10 2015. SCB provided its feedback 18 December 2015.

4.2. Implementation of accrual principle

4.2.1. Taxes and social contributions

Introduction

The recent improvements in the quality of tax data were discussed under this point of the agenda.

Discussion

The Swedish statistical authorities summarised the information on progress made towards improving tax related data, as was described in the April 2015 EDP notification. The ESV performs not only annual accrual tax adjustments for central government, but also accrual adjustments on a quarterly basis. The previously used modeling of quarterly figures on other accounts receivable /payable (F.8) relating to taxes is no longer necessary.

Another improvement is the fact that the ESV provides net data of receivables/payables by the type of tax. Consequently, a better breakdown regarding F.8 by type of tax is available, primarily for taxes on income (D.51) for the households and corporation sectors. These net F.8 amounts are used in the financial accounts. Previously the SCB tax model was not capturing the split between the F.8 relating to VAT (D.211) and to corporation income tax (D.51). When the data on net F.8 relating to corporate income tax (D.51) became available via the ESV, the net F.8 for VAT could be reported by the SCB without additional adjustments.

The more detailed ESV data is available starting from the first quarter of 2012; appropriate revisions were implemented in the April 2015 EDP notification. Receiving the net figures on F.8 by type of tax, the SCB is responsible for the counterpart sector classification and the gross recording - assets and liabilities. The Swedish statistical authorities confirmed that the additional tax data provided by ESV increases the quality of the financial accounts and also allows for a better overview and analysis of the tax figures.

Findings and conclusions

Eurostat took note of the improvements.

4.2.2. Interest

Introduction

Prior to the visit, the Swedish statistical authorities provided a table on the recording of accrual adjustments for interest in EDP tables 2A and 3B. This table, as well as the description available in the EDP Inventory, were used as input for discussion.

Discussion

The Swedish statistical authorities confirmed the information in the EDP Inventory that the ESV provides accrued and cash interest figures, for which the data source is S-codes. On the interest relating to the national debt, the report from the SNDO is used as a data source. The

accrual data on interest for local government sub-sector is collected from the statements of accounts. Therefore, no accrual adjustment for D.41 is needed in EDP table 2C. Data on interest payable and interest receivable under the individual instruments is collected via the quarterly survey on financial assets and liabilities for municipalities and county councils.

Eurostat took note that the main difference between the accrual adjustments in EDP tables 3B and 2A is due to the fact that the coupon sold is included in EDP table 3B line “*Difference between interest paid (+) and accrued (-)*”, but not in the EDP table 2A. The accrual D.41 adjustment in EDP table 2A includes also the accrual adjustment for interest receivable, (although the amounts are negligible), and accrual adjustment for inflation compensation (in table 3B these amounts are included both in the change in debt and in the financial transaction).

Eurostat asked the Swedish statistical authorities how the amounts associated with so called “coupon sold” are shown in the EDP table 2A. As the working balance is on cash basis, coupon sold flows should enter the working balance, and consequently some adjustments should be introduced to eliminate any impact on the net borrowing. The Swedish statistical authorities agreed to investigate this issue further, and if needed a new adjustment lines will be introduced in the EDP table 2A.

Findings and conclusions

(18) The Swedish statistical authorities will investigate the data availability for *coupon sold* in financial accounts, with a view to introduce an adjustment in EDP table 2A¹⁷.

Deadline: October 2015 EDP notification.

4.2.3. EU flows

Introduction

The discussion focused on the recording of the contributions to the EU budget.

Discussion

On the data sources for the EU flows, the Swedish statistical authorities informed Eurostat that, from the first quarter of 2012, the quarterly time adjustment is being implemented by the ESV in the financial accounts. Eurostat took note of this.

Eurostat recalled that, the recording of the 2014 contributions to EU budget implemented in the April 2015 EDP notification by the Swedish authorities was correct and followed the clarification provided by Eurostat prior the EDP notification. However, there was a minor issue with the allocation of corresponding amounts between the different EU flows related

¹⁷ Implemented in the October 2015 EDP notification. Action point is closed.

lines in the EDP table 2A. The Swedish statistical authorities confirmed that the GNI repayment relating to the year 2014 will be included in the line “Other accounts payable/Contributions to the EU-budget” in the October 2015 EDP notification¹⁸.

Findings and conclusions

Eurostat took note of the situation.

4.2.4. Military expenditure

Introduction

The recording in Swedish national accounts of the Gripen’s lease contracts was discussed under this point of the agenda.

Discussion

Eurostat recalled that the acquisition of the Gripen aircrafts by the other Member States is treated as financial lease in national accounts. That is leased Gripens are recorded as an acquisition of the equipment by the government (as lessee) with the incurrence of a matching government liability to the lessor. The imputed interest payments on the lease and the lease payments are also reported. For Sweden, as a lessor, this recording would imply an imputed loan with corresponding interest. In this respect Eurostat asked the Swedish statistical authorities how Gripen leases are recorded in the Swedish national accounts, as well as on whether the aircrafts belong to the Swedish state or to the industry. The Swedish statistical authorities explained that, at this stage, only fragmented information is available for the statistical authorities. Payments relating to service components are entering government accounts and are consistently recorded in both non-financial and financial accounts.

Findings and conclusions

Eurostat took note of the explanations.

4.3. Recording of specific government transactions

4.3.1. Guarantees

Introduction

Prior to the visit, the Swedish statistical authorities provided a detailed list of one-off government guarantees, including stocks, guarantee calls and repayments. The data availability for local government guarantees and the existence of the standardised guarantees were discussed under this point.

¹⁸ Implemented in the October 2015 EDP notification. Action point is closed.

Discussion

From the detailed table showing guarantees on scheme or company basis, Eurostat noted that there were only two public corporations benefiting from SNDO guarantees. There were some SNDO managed guarantees to private corporations reported: these involved a bank guarantee scheme, which was coming to an end and the outstanding stocks amounted to 935 million SEK at the end of 2014, as well as international guarantees referring to Sweden's obligations towards international organisations (like the EIB, The Nordic Investment Bank (NIB)). The other reported guarantees were: export credit insurance guarantees (managed by the EKN), guarantees for housing construction and renovation loans (managed by the BKN/Boverket) and guarantees issued by the Swedish International Development Cooperation Agency.

As some of the above guarantees were presented as guarantee programmes, Eurostat asked whether they have been analysed with the view of ascertaining whether they fulfil the definition of standardised guarantees for national accounts/EDP purposes. The Swedish statistical authorities explained that the EKN guarantees were analysed, however they had to check why this scheme was not considered as a standardised guarantee scheme. As for the BKN/Boverket guaranteed loans, the contracts are different and there is no possibility to estimate the average loss on these guarantees.

Eurostat recalled that currently only one very small scheme is reported under the standardised guarantees in Questionnaire related table 9.4 (it refers to guarantees scheme for agriculture, reindeer and horticulture). The amounts are negligible.

Eurostat recalled that the issue of data availability for local government guarantees was discussed in the last EDP visit. The Swedish statistical authorities explained that, starting from the October 2015 EDP notification, figures for local government guarantees for the year 2014 will be included based on data from the annual data source. Until then the figures will be estimated on the basis of the 2013 data. Starting from the year 2015, that is in the April 2016 EDP notification, county council guarantee data will become available and will be complimented with estimates on municipality guarantees, whereas for October EDP notifications data from annual questionnaire will be used.

Findings and conclusions

- (19) The SCB will provide a note summarising their investigation on the nature of the Exportkreditnämnden (EKN) guarantees and whether they can be considered as standardised guarantees¹⁹.

Deadline: October 2015 EDP notification.

¹⁹ A detailed analysis was provided to Eurostat on 30 09 2015. The EKN guarantees will be treated as one –off guarantees, as they do not fulfil the definition of standardised guarantees.

4.3.2. Debt assumptions, debt cancellations and debt write-offs

Introduction

Prior to the visit, the Swedish statistical authorities provided a detailed list of government claims, including the stocks, transactions increase/decrease and other changes, for the period 2011-2014. Also local government claims were provided for the period 2011-2013.

Discussion

From the provided information, it seems that the majority of the central government claims refer to the student loans programme and a loan to the Swedish Central Bank. Regarding the latter, the loan appreciated due to the movements in exchange rate SEK versus USD and EUR.

The Swedish statistical authorities confirmed the information available in the EDP Inventory that, as regards the student loans, debt cancellations are recorded on the basis of the legislation. As a general rule, if at the age of 65 a person has not yet repaid his/her student loan, it is cancelled. Cancellations are also recorded in cases of death or serious disability. The information is reported by the CSN - *Centrala studiestödsnämnden* and is included in the main data source. Eurostat noted that the debt cancellations of student loans have been quite stable over the period 2011-2014 and amount on average to 0.02% of GDP.

Eurostat also noted that, apart from the cancellations recorded for *Almi Företagspartner lending*, zeroes are shown for central government debt cancellations or debt write-offs during the period 2011-2014. From the provided list of central government claims Eurostat identified at least two cases where there were no repayments of loans recorded over the whole period 2011-2014. Eurostat recalled that, the recording in national accounts should follow the economic reality and in cases when there is evidence that the company will not be able to repay the loan a debt cancellation should be recorded, irrespective from the recording in public accounts. Eurostat invited the Swedish statistical authorities to investigate the two identified cases – a loan to *A-train* and lending by *Stiftelsen Industrifonden*. Eurostat asked to what referred the 2.5 billion reported under other volume changes in 2013 for Statens järnvägar/SJ loan, as it seemed that debt was cancelled. The Swedish statistical authorities explained that in this case a conversion of loan into equity had taken place, with government receiving bonds in return.

The Swedish statistical authorities described the work undertaken in establishing data sources for local government claims. The recently amended quarterly survey on financial assets and liabilities for municipalities and county councils includes questions on debt cancellations/assumptions. The new annual information regarding non-performing loans, debt cancellations, and debt assumptions was collected for the first time for the 2014 data. The Swedish statistical authorities explained to Eurostat that their preliminary analysis did not found significant amounts referring to debt cancellation for local government.

Findings and conclusions

(20) Eurostat recalled that the recoverability of government claims should be monitored and that debt cancellations should be recorded in cases when there are no repayments over a number of years. In particular the cases of *Stiftelsen Industrifonden* and *A-train* should be analysed²⁰.

Deadline: October 2015 EDP notification.

4.3.3. Capital injections in public corporations, dividends, privatization

Introduction

The recording of dividends as well as data availability for local government were discussed under this point of the agenda. Prior to the visit the SE authorities provided a list of dividends by companies and associated profits. The lists were provided for all sub-sectors of general government.

Discussion

Eurostat noted that from the information provided, the majority of super-dividends were constituted by the dividends paid by the *Riksbank*. Eurostat asked the Swedish statistical authorities to specify how the super-dividend test is performed for the central bank dividends. The Swedish statistical authorities provided detailed working tables illustrating the calculations. It became clear that the Swedish statistical authorities are not using the option proposed in the MGDD to start from the profit and loss account and to use an operating profit as a proxy for entrepreneurial income (B.4). Instead, the Swedish statistical authorities compile a full set of non-financial accounts for the central bank and in this way arrive at the B.4 figure. The outcome is that the B.4 result from non-financial accounts is more accurate and it excludes the flows associated to swaps (they are not treated as D.41 in national accounts).

Local government dividends

From the information provided prior to the EDP visit, Eurostat saw that some negligible amounts of the LG super-dividends were identified. The information for 37 companies was included in the table on local government dividends. The Swedish statistical authorities confirmed that Questionnaire table 10 will be revised in the October 2015 EDP notification, so that all the identified super-dividends will be duly reported.

Findings and conclusions

Eurostat took note of the explanations.

²⁰ A note on the two cases was provided to Eurostat on 30 09 2015.

4.3.4 Government operations relating to the financial turmoil

Discussion

Eurostat asked the Swedish statistical authorities on recent developments in terms of any changes in National legislation relating to the managing of failing financial institutions. Eurostat noted that the implementation of the *Directive 2014/59 establishing a framework for the recovery and resolution of credit institutions and investment firms* might imply some changes. The Swedish statistical authorities explained to Eurostat that at the moment the information is not available, as some changes to the existing legislation are on the way. The Swedish statistical authorities explained that, most likely the functions of resolution will be assigned to the SNDO and that this would not result in the creation of any new units. The Swedish statistical authorities agreed to inform Eurostat once the information will become available.

- (21) The Swedish statistical authorities will inform Eurostat on the developments in the transposition of the European directive on the resolution of financial institutions²¹.

Deadline: when available

4.3.5. Others: Financial derivatives PPPs Sale and leaseback operations, UMTS, Emission permits

Introduction

The Swedish statistical authorities confirmed that there have been identified no sale and lease back or PPP operations. As for the UMTS, there were no recent sales, the licences for 3G and 4G were sold in 2008 and 2011. The recording in national accounts of the cross border sales of the emission trading permits was also discussed under this point.

Discussion

Emission trading permits

The Swedish statistical authorities explained that emission permits were sold by the SNDO starting from November 2012. Before, the permits were distributed for free. In order to monitor the permits, a dedicated data base was created and administered by the Swedish Energy Agency. In national accounts tax revenues were recorded for the first time in 2014 (referring to the pollution year 2013) at the time when permits were surrendered. In financial accounts F.8 - other accounts payable is recorded at the time of sales.

²¹ The information was provided by the SCB on 31 03 2016. The Law implementing the Directive in its entirety entered into force on February 2016. The SNDO was appointed as the Swedish resolution authority.

Regarding the rules on the recording of the sales of the emission permits, Eurostat recalled that they were developed in close cooperation with the international partners, among others the OECD. It has been agreed that the time of surrendering of a permit was considered as a good proxy of accrual recording. Eurostat noted that this compromise creates difficulty in some Member States that issue permits but would never get tax revenue, as permits are surrendered abroad. In this respect, the Swedish statistical authorities clarified that there were no recording of cross border sales of emission permits. The Swedish statistical authorities explained to Eurostat that, in 2014, the auction proceeds were around 300-400 million SEK, whereas the tax recorded in 2014 amounted to around 175 million SEK.

Findings and conclusions

Eurostat took note of the explanations.

List of Participants

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Hans Olsson	
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EDP dialogue visit to Sweden, 19-20 May 2015

Agenda

1. Statistical organisational issues

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

1.2. Data sources, Revision policy

1.3. Compliance with Council Directive 2011/85

1.4. Quality management framework; Audit and internal control arrangements; Cooperation with the upstream data suppliers.

2. Follow-up of the EDP dialogue visit of 4-5 June 2013

3. Actual data April 2015 EDP reporting – analysis of EDP tables

(The new templates of the Questionnaire tables 10.1 and 13 as provided in the April 2015 EDP notification will also be discussed under this point of the agenda)

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government, application of market / non-market rule in NA

4.1.1. Changes in sector classification due to ESA 2010

4.1.2. Sector classification of specific units (public infrastructure companies, public holdings units engaged in financial activities)

4.1.3. Government controlled entities classified outside the general government (public corporations)

4.1.4. Premium pension system

4.2. Implementation of accrual principle

4.2.1. Accrual taxes and social contributions

4.2.2. Accrued interest

4.2.3. EU flows

4.2.4. Military expenditure

4.3. Recording of specific government transactions

4.3.1. Guarantees

4.3.2. Government claims; debt assumptions, debt cancellations and debt write-offs

4.3.3. Capital injections in public corporations, dividends, privatization

4.3.4 Government operations relating to the financial turmoil

4.3.5. Others: Financial derivatives PPPs Sale and leaseback operations, UMTS,
Emission permits

5. Other issues

5.1. ESA 2010 Transmission Programme

5.2. Any other business