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Directorate D: Government Finance Statistics (GFS) and quality

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FINAL FINDINGS

EDP standard dialogue visit to Lithuania

19-20 May 2016

Executive summary

Eurostat undertook a standard EDP dialogue visit to Lithuania on 19-20 May 2016. The purpose of the visit was to review the existing institutional responsibilities for compiling EDP and GFS 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 examine the statistical classification of certain units.

First, the institutional arrangements currently in place were reviewed. There have not been substantial changes since the last EDP visit. Some agreements with data providers have been updated.

The data sources used for compiling EDP and GFS statistics were analysed. Statistics Lithuania has access to the necessary information and does not plan to use source data based on IPSAS. It is mainly used for higher education institutions of central government and hospitals in the central and local government but cash data was considered more suitable source for other parts of government. Eurostat encouraged Statistics Lithuania to implement a more analytic approach when looking at units and specific transactions involving public controlled units.

Some technical aspects of the April 2016 EDP Notification tables, regarding the reporting of interest and EU flows, were examined in detail and clarified.

The sector classification of VIPA, Regitra, EPSO-G and the Company for Housing Mortgage Insurance was analysed. While for EPSO-G it was agreed on its current sector classification in sector S.11, further analysis was requested for the other units. For Regitra, Eurostat considered that it should be reclassified in sector S.13. VIPA functions and management were in the process of being changed and Eurostat agreed to wait for the approval of the changes before taking a decision. The list of Public Corporations was also extensively discussed and further clarifications were requested by Eurostat for units in the list which had less than three employees.

Standard items of EDP dialogue visits were discussed. In addition, the Lithuanian statistical authorities provided a very extensive description of the Energy efficiency schemes using repayable EU financial instruments and how they should be recorded in national accounts. Regarding military expenditure, Eurostat was informed that only cash data is available from budgetary data and that further contacts are needed with the Ministry of Defence to obtain data on deliveries.

Final findings

Introduction

In accordance with article 11(1) of Council Regulation (EC) No 479/2009 as regards the quality of statistical data in the context of the Excessive Deficit Procedure, Eurostat carried out an EDP dialogue visit to Lithuania on 19-20 May 2016.

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 Luca Ascoli Lenka Valenta and Mr Luis Biedma. Representatives of the Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers. The Lithuanian authorities were represented by Statistics Lithuania (SL), the Ministry of Finance (MoF) and the Bank of Lithuania (BoL).

The previous Eurostat EDP standard dialogue visit to Lithuania took place on 5-6 March 2014.

Eurostat carried out this EDP standard dialogue visit in order to review the implementation of the ESA2010 methodology and to ensure that provisions of the ESA2010 Eurostat Manual on Government Deficit and Debt (Implementation of ESA 2010) and Eurostat decisions are duly implemented in the Lithuanian EDP and Government Finance Statistics (GFS) data.

The main objectives of the EDP standard dialogue visit were (1) to review the data sources, in particular for the social security sub-sector (2) to clarify the sector classification of specific units (VIPA, Regitra, Epso-G) (3) to obtain additional information of the flows related to the Energy Efficiency Improvement Programme to renovate buildings of public institutions (4) and to clarify some points on the reporting of interest, EU flows and other accounts receivable and payable in EDP notification tables and related questionnaire.

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

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

1. Statistical institutional issues

1.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation

Introduction

Eurostat enquired about the functioning of the cooperation between the different institutions involved in the EDP process and the changes which have taken place since the last EDP visit in 2014, in respect of division of responsibilities and organisational structure.

Discussion

The presentation on the recent developments was made by the Deputy Director General of Statistics Lithuania (SL). SL is a government agency assigned to the Ministry of Finance (MoF). The Director General is a state official and not a civil servant. It was confirmed that the Bank of Lithuania (BoL) is not directly involved in the compilation of EDP figures. SL is responsible for preparing the notification tables. In the past, a new division in SL dealing with GFS was created. NSI is responsible for EDP Table 1 (except the figures for deficit and all planned data), EDP Table 3 and trade credits and Gross National Income in EDP Table 4. The MoF is responsible for the deficit figures in EDP Table 1, and all planned data, EDP Table 2 and planned Gross National Income in Table 4. Although the MoF compiles Table 2 of the EDP notification, SL compiles non-financial and financial accounts for general government independently. When inconsistencies are found, they are solved bilaterally. The three institutions (SL, MoF and BoL) also meet regularly in the Working Group on Sectorization to discuss the sector classification of units.

A number of co-operation agreements have been updated since the last EDP visit. Updates mainly refer to annexes related to the exchange of data between different institutions. In October 2014, there was a change in the Organigram of the MoF, which required an update. The Lithuanian statistical authorities confirmed that they have access to all the information they need to collect EDP figures.

Regarding co-operation with the Lithuanian Court of Auditors (CoA), the Lithuanian statistical authorities explained that the CoA has never been involved on EDP issues. The CoA audits the MoF accounting. A new Independent Fiscal Institution was created in 2015 inside the CoA, but its work mainly focuses on approving the government assumptions used for preparing the budget.

Findings and conclusions

Action Point 1: Eurostat took note of the recent updates of the cooperation agreements between Statistics Lithuania and the Ministry of Finance, the Ministry of Social Security and Labour and the National Central Bank, respectively, as well as the decree of the

Ministry of Finance to upstream data providers. Statistics Lithuania will provide copies of the updated agreements and the decree to Eurostat. *Deadline: end of June 2016*¹.

1.2. Data sources and revision policy, Council Directive 2011/85 and EDP inventory

Introduction

The data sources for EDP, the fulfilment of Council Directive 2011/85 and the EDP inventory were discussed in this agenda item.

Discussion

Lithuania uses government financial statements, which consists of cash data for central and local government and accruals figures for social security. For some units in government, mainly hospitals and higher education institutions, IPSAS based data is used. IPSAS is available for central and local government units but cannot be easily used for ESA 2010 due to major methodological differences. SL has investigated in the past whether to use it as the main source for compiling government sector figures, but concluded that it was not feasible. There is also an issue regarding the timeliness of IPSAS data. Final data is not available on time for using it in the April EDP notification, only provisional data, although changes made in the figures after April are relatively small.

Eurostat enquired on the application of the qualitative criteria introduced in ESA 2010 in order to decide on the sector classification of units. The Lithuanian statistical authorities explained that government normally holds majority stakes in public companies, the issue of government control via other means than the ownership of the majority of the shares, had a limited impact in Lithuania and the quantitative criteria is still the main criteria used for deciding on the sector classification of units. SL pointed out that qualitative information is not readily available and that it would very time consuming to do it for all units. Eurostat remarked that it is necessary to analyse at least major units operating in sectors in which government is normally prone to play an important role.

Eurostat also asked whether Statistics Lithuania scrutinises if, in some cases, public corporations might be acting on behalf of the government when performing certain operations (providing loans or capital injections) which fall outside the normal activities of the company. Eurostat commented two cases that have been mentioned in the national press. Although the amounts involved were not substantial, Eurostat considered that the possible re-routing of such transactions should be analysed. One operation involved the increase in capital of the Lithuanian Railway company, which was paid by government with shares of the Lithuanian Shipping Company. Afterwards, the Lithuanian Railway company provided a loan to the Lithuanian Shipping company which will probably not be repaid, as the Lithuanian Shipping Company is now under a bankruptcy procedure. The Lithuanian Railway company was allowed to decrease the dividends paid to government by the same amounts as the loan that was provided to the Lithuanian Shipping Company. The other operation involved a loan by

¹ Action Point completed on 27.06.2016.

the Vilnius Heating municipal company to Air Lituanica, which is now also under bankruptcy procedure.

Concerning Directive 2011/85, Eurostat noticed that the data is consistent with the amounts reported in EDP Questionnaires and the Questionnaire on Public Corporations. The Lithuanian statistical authorities informed that liabilities are measured from business accounts for AF.3, AF.4 and AF.8. Eurostat asked for more information about the amounts of non-performing loans reported. The Lithuanian statistical authorities informed that they refer to loans in the balance sheet of Turto Bankas, non-performing loans from government are transferred to this unit.

Regarding the EDP Inventory, Eurostat thanked Statistics Lithuania for providing the EDP Inventory based on ESA 2010 in a timely manner. SL informed that the EDP inventory is published on its website in English. The bridge table between public and national accounts codes was also reported to Eurostat together with the EDP inventory. Eurostat enquired about some items of the budget revenue labelled as taxes, but that were recorded in national accounts as sales of goods and services and property income. SL explained the nature of these transactions, which indeed corresponded to sales of goods and services and property income. The misunderstanding was due to a linguistic issue on the English labels of budgetary codes.

Findings and conclusions

Action Point 2: Eurostat invited Statistics Lithuania to analyse government control of units also on the basis of qualitative criteria, in addition to the quantitative criteria, in order to make sure that the provisions of ESA 2010 and the Manual on Government Deficit and Debt (MGDD) are implemented in the accounts. *Deadline: October 2016 notification².*

Action Point 3: Statistics Lithuania will analyse possible cases of re-routing of transactions performed by public entities on behalf of the government according to the provisions of chapter I.2.4.5 of the MGDD. A note with the results of the analysis should be provided to Eurostat. *Deadline: October 2016 notification³.*

Action Point 4: Statistics Lithuania will analyse the need to re-route some specific transactions that took place between the Lithuanian Railway company (Lietuvos Geležinkeliai) and the Lithuanian Shipping Company (Lietuvos jūrų laivininkystė) and between the Vilnius Heating municipal enterprise (Vilniaus Silumos Tinklai) and Air Lituanica and report back to Eurostat. *Deadline: October 2016⁴.*

² Action point completed in October 2016. The Lithuanian statistical authorities analysed enterprises where government hold a minority stake and found that government had no control, using the features defined in ESA 2010, on these enterprises.

³ Action point completed in October 2016. The Lithuanian statistical authorities did not find transactions that need to be re-routed in government accounts. The only applicable case, following Eurostat's recommendations, is the re-routing of euro coin liabilities issued by the Central Bank, as government liabilities.

⁴ Action point completed in October 2016. The Lithuanian statistical authorities investigated both transactions and concluded that they should not be re-routed.

2. Follow-up of the previous EDP visit

The Lithuanian statistical authorities had implemented the 23 actions points that were agreed with Eurostat during the previous EDP visit according to the agreed timetable. Eurostat congratulated the Lithuanian Statistical authorities.

3. Analysis of EDP tables – follow up of the April 2016 EDP notification

Introduction

Eurostat and the Lithuanian Statistical authorities reviewed some technical details of the April 2016 EDP notification.

Discussion

Eurostat appreciates the very good reporting, in terms of coverage, timeliness and information provided by the Lithuanian Statistical Authorities during the EDP notifications. During the April 2016 EDP notification, a last minute change was reported in the Social Security subsector as some receivables for Sodra were originally recorded as Other Accounts Receivable and later it was found out that they were included in the working balance of Sodra. Prior to the mission, SL had provided Eurostat the detailed financial statements they receive from SODRA and how figures are used to fill in EDP table 2D. SL considers that the situation was exceptional and similar issues are not expected to happen again.

Eurostat requested the Lithuanian Statistical authorities to report in the future tables 4.2.1 and 4.2.2 in the Questionnaire relating to EDP notification tables. Although the information is also provided in Table 2 of the EDP notification, including the relevant amounts in the Questionnaire would facilitate the implementation of some automatic checks by Eurostat.

Table 6 of the Questionnaire relating to EDP notification tables (Recording of EU flows) was analysed in detail and Eurostat requested a change in the presentation of overbooked amounts for the year 2013.

Findings and conclusions

Action Point 5: Statistics Lithuania will start reporting tables 4.2.1 and 4.2.2 of the Questionnaire relating to EDP notification tables (Other accounts receivable and payable reported in EDP table 2) in future EDP notifications. Deadline: October 2016 notification⁵.

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government sector

4.1.1. Sector classification of specific units

⁵ Action point completed in October 2016.

4.1.1.1. VIPA

VIPA is a company established and owned 100% by government. It is the designated implementation authority for EU flows. VIPA has a plan to become the national promotional bank, broadly comparable to specialised units operating in other EU countries. VIPA is currently classified in sector S.126 as a financial intermediary based and passes the 50% market/non-market test. According to the explanations provided, the Management Board does not intervene in the running of the company and places itself at risk. There is also no explicit government guarantee. Most of its current clients are private and are part of the residential sector. VIPA has participated in public procurement contracts and SL considers VIPA competes with private banks for contracts.

According to the articles of association, government employees form the majority in the Supervisory Board and the Management Board. The Management Board and the General Manager have similar responsibilities but the Management Board approval is needed for operations involving more than 1/20 of the capital of VIPA.

Eurostat considers that VIPA should be classified in the General Government sector as in other EU countries in which it has been observed that government employees constitute the majority of the Management Board. However, there are discussions between VIPA and the MoF to change the management structure of VIPA in the framework of VIPA's strategic plan for 2016-2019 which foresees the removal of government employees from Management Board of the company.

Eurostat enquired about the financial statements of VIPA. The Lithuanian Statistical Authorities explained that, in the financial statements the liabilities in relation to EU flows are recorded off-balance sheet and most of the on-balance liabilities correspond to loans from the European Investment Bank.

Action Point 6: Eurostat considers that, according to its current structure, VIPA should be classified in the general government sector as, amongst other elements, the majority of the Board is composed of government employees. However, given the ongoing plans to change the management and role of VIPA, Eurostat will make a final decision on the sector classification after having analysed the impact of the future changes⁶. *Deadline: end of December 2016.*

Action Point 7: Statistics Lithuania will provide VIPA's detailed accounting statements for the period 2012-2015 and the new 2016-2019 Strategic Plan, once it is approved. *Deadlines: end of June 2016 (accounts) and end of December 2016 (strategic plan)*⁷.

4.1.1.2. Regitra

⁶ The sector classification of VIPA is still being subject of discussion between Eurostat and the Lithuanian statistical authorities.

⁷ Both action points were completed in June and December 2016, respectively.

The sector classification of Regitra was discussed based on a note prepared by the Lithuanian Statistical authorities before the meeting. Regitra is a public company which registers motor vehicles, makes driving examination, issues driving licences and also provides some commercial services (mainly selling information from the register). The company has been profitable during the last years. The key issue is to determine whether a majority of the revenues of the company should be considered as sales or taxes.

Eurostat recalled that payments for registering motor vehicles, the main source of revenue of the company, are compulsory payments and, additionally, Regitra seems to be performing a government function. Only in the case of the driver's examination, it would seem that Regitra incurs significant costs for checking the competence of drivers. Although the unit is profitable it cannot be concluded that it perform market activities. Market activities (selling information, personalised plate numbers, etc) are a very small portion of Regitra's revenues.

Action Point 8: Eurostat considers that there are strong elements that would lead to the classification of the public company Regitra in the general government sector. Statistics Lithuania will analyse the case and send a note to Eurostat. *Deadline: end of August 2016.*⁸

4.1.1.3 Other units

EPSO-G

Eurostat and the Lithuanian statistical authorities discussed the sector classification of EPSO-G. EPSO-G was established in 2012, wholly owned by government, and in that year bought from Lietuvos energija 97.5% of the electricity transmission system operator LITGRID. Later on, it acquired controlling stakes in AB Amber Grid, the natural gas transmission system operator, and UAB Baltpool, the energy resources exchange operator. In 2014 EPSO-G only had two employees but the situation has changed considerably in 2015 when a new business plan was approved. EPSO-G will start selling services to its daughter companies and EPSO-G employees (8 in 2015) will sit at the Board of the daughter companies, instead of civil servants. For the acquisition of the shares of Litgrid, Lietuvos energija provided a loan, which will be repaid. A new loan with commercial banks is being negotiated.

Company for Housing Mortgage Insurance

The unit was reviewed during the 2014 EDP visit. The unit stopped making insurance contracts in 2012 and has since then only been managing insurance contracts signed before 2012. A recent development is that the company lost at the beginning of 2016 its insurance licence. A representative from the company explained that they plan to sell the insurance on its books to other companies within the next five years. The company has not entered formally in liquidation. It had losses in the past but it has been profitable in 2014 and 2015. It

⁸ Action Point completed. The sector classification of Regitra was discussed in the September meeting of the Lithuanian Working Group on Sectorization, which concluded that it should be classified in the General Government sector. The change was implemented in the April 2017 EDP notification.

has a government loan that will be started to be repaid in 2017. The company is expected to remain profitable and to be able to repay the government loan by selling assets (property).

Action Point 10: Statistics Lithuania will send a note to Eurostat on the recent changes to the activities of the Company for Housing Mortgage Insurance (Būsto paskolų draudimas) and the possible implications for its sector classification. *Deadline: October 2016 notification 2016.*⁹

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

Introduction

The Questionnaire on public corporations provided in December 2015 referring to the year 2014 was analysed in detail under this agenda point.

Discussion

Eurostat, together with the Lithuanian statistical authorities, reviewed the list of government controlled entities and asked some additional questions about specific cases. For some companies and years, the market/non-market test result is above 100% while the companies display an operating loss. The Lithuanian statistical authorities explained that the business accounts from where figures on losses were taken, included changes in the value of the assets. A decrease in the value of the assets can explain that in specific years losses are recorded while the market/non-market test is above 100%.

Eurostat also enquired about the activities of public corporations in the list that have less than three employees. The Lithuanian statistical authorities could not provide detailed explanations during the meeting.

Findings and conclusions

Action Point 11. Statistics Lithuania will analyse all public units included in the Questionnaire on government controlled units classified outside general government which have less than three employees and inform Eurostat of the results of the analysis. *Deadline: October 2016 notification*¹⁰.

4.2. Implementation of accrual principle

4.2.1. Taxes and social contributions

Statistics Lithuania explained its current system for recording income and corporate taxes based on pure cash figures, while VAT and excise duties are time adjusted with a one month lag. There is a monthly contribution for income and corporate taxes and an annual assessment

⁹ Action Point completed. The company was reclassified in the financial auxiliaries subsector (S.126).

¹⁰ Action Point completed in October 2016.

is made in May of the following year and settled by the tax authorities a few weeks later. The monthly payments are based on the tax declaration of the previous year.

For social contributions, SODRA (the State Social Insurance Fund) is reported on accrual basis. For making the accrual adjustment, SODRA assesses social contributions receivable for each individual payer at the end of each reporting period and calculates likely impairment losses. The coefficients used for the calculation of impairment losses are calculated by SODRA using information on the behaviour of each individual in the previous last two quarters. The table with the coefficients is calculated by SODRA and Statistics Lithuania is not aware of how often they are updated. Amounts recovered and lost are not treated as contributions but as capital transfers. The difference between cash and accrual data was discussed in the past and it was concluded that the difference was small.

Eurostat thanked for the information provided by Statistics Lithuania.

Findings and conclusions

Eurostat suggested to the Lithuanian Statistical authorities to include additional information on the methodology and sources used to compile taxes in future versions of the Lithuanian EDP Inventory.

4.2.2. Interest and consolidated interest

Introduction

Statistics Lithuania provided, prior to the mission, a detailed ad-hoc questionnaire on the recording of interest for the years 2014-2015.

Discussion

Statistics Lithuania changed the way interest was reported in the October 2015 EDP notification, following Eurostat's advice. Eurostat and Statistics Lithuania reviewed in detail the questionnaire provided. While no problems were discovered, Eurostat suggested some small technical changes that would improve the readability of the questionnaire. Statistics Lithuania also confirmed that no coupon had been sold in previous years, that there were no problems in consolidation and that all debt issued in foreign currency is hedged.

Findings and conclusions

Action Point 12: Statistics Lithuania will provide an updated version of the ad-hoc questionnaire on the recording of interests in tables 2 and 3 of the EDP notification and correct EDP tables, if necessary, in the next EDP notification. *Deadline: end of July 2016¹¹.*

4.2.3. EU flows

¹¹ Action point completed in July 2016.

Introduction

The recording of the Energy efficiency scheme in Lithuania, using repayable EU financial assistance, had been discussed through a formal ex-ante request from Statistics Lithuania to Eurostat.

Discussion

Given that similar issues had been brought to Eurostat by other Member States, Eurostat launched a Questionnaire on countries' experiences with financial instruments linked to EU funds. The results of the Questionnaire and Eurostat's view on the issue will be discussed in the EDP Statistics working group on 20-22 June 2016.

Statistics Lithuania provided a detailed account of how the EU flows related to Energy efficiency measures will be implemented in Lithuania, and what were the issues in which they have doubts.

- The repayable assistance will be implemented through VIPA, currently classified in S.12. In projects involving municipalities, VIPA may provide repayable assistance from the EU plus central government repayable assistance to cover the national co-financed part of the investment. Flows will therefore involve transactions between EU funds, central government, VIPA, municipalities and private companies.
- If the final beneficiary of EU funds should be considered the municipal units, whose buildings will be made more energy efficient, or the private companies receiving the loans.
- According to the EU regulation for structural assistance, EU funds after a number of years or after having been lent a number of times, would not necessarily have to be returned to the EU and could become resources to be used by central government for the same purpose or in accordance with the objectives of the programme.

Findings and conclusions

Eurostat thanked the Lithuanian statistical authorities for the detailed explanations provided and agreed to discuss further the aspects described above at the EDP Statistics Working Group on 20-22 June 2016.

4.2.4. Military expenditure

Introduction

The recording of military expenditure was reviewed under this agenda item.

Discussion

Eurostat enquired about the flows related to military equipment expenditure reported in the accounts. The amounts seem to be reported on a cash basis and the tendency in the last years

is towards an increase in military expenditure. SL confirmed that they are only able to see cash amounts in the working balance and that, despite having asked for the information. Statistics Lithuania does not have information on deliveries of military equipment. They have assurance from the Ministry of Defence that it follows ESA 2010 and excludes expenditure on transport equipment from military equipment expenditure. Statistics Lithuania said that it does not exclude that some cash amounts reported might be related to prepayments.

Findings and conclusions

Action Point 13: Eurostat takes note that the acquisition of military equipment is at present basically recorded on a cash basis in Lithuania. Statistics Lithuania will make efforts to improve access to the necessary source data needed for recording government military expenditure on an accrual basis. A progress report will be submitted to Eurostat. *Deadline: end of December 2016*¹².

4.2.5. Court decisions with retroactive effect

The recording of several court decisions related to civil servants wages and pensions, involving several entries in Tables 2A and 2D were reviewed. Eurostat and Statistics Lithuania confirmed that the amounts have been booked in line with the agreed recording.

4.3. Recording of specific government transactions

4.3.1. Guarantees

Prior to the visit, the Lithuanian statistical authorities provided the requested list of guarantees called, their repayments (by the government and by the original debtor) and stocks for 2013-2015 by title and amount. The most sizeable guarantees are issued by Invega and the Agricultural Credit Guarantee Fund. There were no calls on guarantees during the years 2013-2015. Amounts related to flows linked to guarantees are recorded in EDP Table 2A in the line "Non-financial transactions not included in the working balance" under Detail 1 "Off budget revenue and expenditure (borrowed funds accounts)".

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

The participants reviewed the data on debt assumptions, debt cancellations, debt write-offs and government claims by government for years 2013-2015 submitted by the Lithuanian Statistical authorities before the visit.

4.3.3. Capital injections in public corporations

Introduction

¹² Action Point completed on 30.12.2016. In the April 2017 EDP notification military expenditure for the year 2016 was recorded on an accrual basis.

Prior to the visit, the Lithuanian statistical authorities provided a list of the capital injections that had taken place in the period 2013-2015.

Discussion

Eurostat enquired about the lack of information in the list for local government data in 2015. The Lithuanian statistical authorities explained that the information is not readily available from budgetary data and that they have to make further enquiries to municipalities in order to find out if the injection has to be treated as a non-financial or financial transaction. For the April notifications, Statistics Lithuania takes a prudent approach and considers all capital injections as non-financial. For the October notifications, they have collected the information from municipalities and some injections are reclassified as financial. In any case, the amounts involved are very small.

Findings and conclusions

Eurostat took note of the explanations.

4.3.4. Dividends, super dividends

Introduction

Before the visit, the Lithuanian statistical authorities provided a list of all the dividends paid by companies in the period 2013-2015 and the application of the superdividend test.

Discussion

Eurostat noted that, while the figures provided for the superdividend test matched the figures provided in table 10.2 of the EDP related questionnaire, the total amount of dividends reported in table 10.2 was higher than the amounts that could be derived from the table provided. The Lithuanian statistical authorities explained that for the table provided for the visit and the Questionnaire on Public Corporations, the source is the State tax inspectorate database, while for EDP and GFS purposes the source is the State and Municipalities budgets, which are not detailed by payer. Some amounts included in the table 10.2 of the EDP questionnaire correspond to payments from public enterprises for the use of state property and would be more properly recorded as rent. They also include some small amounts of dividends paid by corporations classified inside the Government sector.

Findings and conclusions

Action Point 14: Statistics Lithuania will revise the amount of dividends received from public corporations in future EDP notifications, as currently some revenue which cannot be considered as dividends, are being included. *Deadline: October 2016 notification*¹³.

4.3.5. Financial derivatives

¹³ Action Point completed in the October 2016 EDP notification.

Introduction

Lithuania has a substantial part of its debt securities issued in foreign currency and actively uses hedging to avoid the effect of exchange rate movements.

In 2015 they obtained a substantial profit from the flows of derivatives when a 1.5 billion of USD denominated bond issued in 2009, was redeemed, and four cross currency swaps matured at the same time. Also this redemption has suffered a holding loss due to the exchange rate.

Discussion

The Lithuanian statistical authorities explained that in the financial derivatives Lithuania has engaged there have only been so called novations without changes in the original agreements.

Findings and conclusions

Eurostat took note of the explanations.

4.3.6. Public-Private Partnerships (PPPs)

Introduction

The Lithuanian statistical authorities provided a note on current and forthcoming PPP projects.

Discussion

There are currently two PPP projects reported on government balance-sheet. A further PPP project for the technical design, building and maintenance of two police stations was signed in December 2015 and will enter into force in 2016. The MoF has performed a preliminary analysis of the contract, however a full analysis has not yet been undertaken by the Lithuanian statistical authorities. Another PPP project, still in the design phase, involves a multifunctional health, education, culture and business park, which from the information provided would rather seem to be a concession.

Findings and conclusions

Action Point 15: The Lithuanian statistical authorities will provide to Eurostat a copy of the Public Private Partnership agreement on the Vilnius Police Infrastructure project, together with its own analysis on the classification on/off government's balance sheet. *Deadline: end of July 2016*¹⁴.

4.3.7. Emission trading permits

¹⁴ A copy of the agreement and the analysis of the project were provided on 29.07.2016. The classification of the PPP contract is still being discussed.

Introduction

The issue of the recording of emission trading permits in national accounts was discussed under this agenda item.

Discussion

Some written exchanges on the recording in national accounts of emission trading allowances had taken place in the past between the Lithuanian Statistical authorities and Eurostat. Currently, the revenues from the sale of emission permits are recorded as transactions in non-produced non-financial assets (NP). Lithuania sells all emission allowances in the primary European Energy Exchange market in which Lithuanian companies do not participate. Lithuanian companies participate in the secondary market. Lithuanian companies acquire in the secondary market approximately 10% of the emission permits sold by Lithuania. As 90% of the revenues from emission allowances correspond to allowances used outside Lithuania, Statistics Lithuania introduced the possibility to record them as Other taxes on production (D.29) from the Rest of the World.

Findings and conclusions

Eurostat agreed to keep the current recording as transactions in non-produced non-financial assets instead of recording taxes on production towards the Rest of the World. The case is not well covered in the current guidance, where cross-border flows in emission permits are considered to be of a marginal nature, while for Lithuania they consist of the majority of the transactions.

4.3.8. Government interventions to support financial institutions

Introduction

There have not been any recent government interventions in the financial sector. With the introduction of ESA 2010, the Deposit and Insurance Fund (DIF) was reclassified inside the general government sector.

Discussion

DIF has been recovering substantial amounts from two bankruptcy procedures. Eurostat and the Statistical authorities had agreed that only cash effectively collected from DIF should be recorded as revenue in the accounts of the unit and not to record any revenue to DIF from estimates of amounts that could be recovered. In 2015, for the first time, DIF included in its accounts an estimate of the accounts receivable from the bankruptcy procedure, and as agreed with Eurostat they have not been taken into account to calculate the net lending/net borrowing of DIF.

Findings and conclusions

Eurostat took note of the explanations.

4.3.9. Others: privatization, UMTS, sale and leaseback operations, securitisation

Introduction

Prior the meeting, the NSI provided a detailed list of all the privatisations that had taken place in 2015 and a list of auctions to use the airwaves that had occurred in previous years.

Discussion

Privatization

Eurostat took note of the list of privatisations by central government of land and shares and the privatisations by the local government of land in 2015. Eurostat enquired about the information available for privatisations for local government. Statistics Lithuania explained that the amounts involved are very small and the information is not immediately available from the reporting system. To collect the information Statistics Lithuania has to contact the municipalities one by one when they observe some amounts that could be due to the sale of shares. To gather this information is a very lengthy process. The data were collected and results updated for the October 2016 EDP notification.

UMTS

Regarding the auctions, in all cases the licences have been considered as transferable. In the past, the transactions have been negligible and have been allocated on a cash basis instead of spreading the amounts. In 2016, there was a more significant transaction and the winner of the auction cannot start immediately to use the license. The license will start to be used in November 2017.

Sale and leaseback operations, securitisation

The Lithuanian statistical authorities confirmed that there have not been any sale and leaseback operations or securitisations in recent years.

Findings and conclusions

Eurostat took note of the explanations.

4.3.10. Implications of recent resolution legislation

Introduction

Eurostat issued in March 2016 a Guidance note on the statistical implications of the new resolution legislation. Eurostat enquired the Lithuanian Statistical authorities about the analysis done.

Discussion

The Lithuanian National Resolution Fund was created in 2015. The legislation states that the Lithuanian Central Bank is the national resolution authority. Statistics Lithuania considers that the Fund is not an institutional unit and therefore is included in the activities of the Central Bank, and thus classified in sector S.121. The contributions from the banks to the Resolution Fund are managed by the Deposit and Insurance Fund. Eurostat asked for some details on the national legislation that could indicate that, ultimately, the government would be the controlling the unit. This might for example be due to government playing an active role in case of the necessity of the Fund to intervene. Even if the unit is by convention classified in the Central Bank, the legislation might be so detailed that a public control of the Resolution Fund could be assumed. In addition, the interdiction of the Central Bank to fund the Resolution Fund implies that they could not be part of the same institutional unit.

Findings and conclusions

Action Point 9: Statistical Lithuania will provide an English translation of the relevant paragraphs of the Financial Stability Law No. XI-393, relating to the sector classification of the National Resolution Fund. *Deadline: end of June 2016*¹⁵.

¹⁵ The most relevant paragraphs from the Law on Financial Sustainability and the Law on Insurance of deposits and liabilities to investors were provided on 29.06.2016.

EDP dialogue visit to Lithuania, 19-20 May 2016

Draft Agenda

1. Statistical institutional issues

1.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation

1.2. Data sources and revision policy in the context of ESA 2010 implementation, EDP inventory

1.2.1. Availability and use of data sources, revision policy

1.2.2. Compliance with Council Directive 2011/85

1.2.3. EDP Inventory

2. Follow-up of the previous EDP visit

2.1. EDP standard dialogue visit and pre-euro accession visit of 5-6 March 2014

3. Analysis of EDP tables – follow up of the April 2016 EDP notification

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government sector

4.1.1. Sector classification of specific units

4.1.1.1. VIPA

4.1.1.2. REGITRA

4.1.1.3. Other

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

4.2. Implementation of accrual principle

4.2.1. Taxes and social contributions

4.2.2. Interest and consolidated interest

4.2.3. EU flows

4.2.4. Military expenditure

4.2.5. Court decisions with retroactive effect

4.3. Recording of specific government transactions

4.3.1 Guarantees

- 4.3.2. Debt assumptions, debt cancellations and debt write-offs, government claims
- 4.3.3. Capital injections in public corporations
- 4.3.4. Dividends, super dividends
- 4.3.5. Financial derivatives
- 4.3.6. PPPs
- 4.3.7. Emission trading permits
- 4.3.8. Government interventions to support financial institutions
- 4.3.9. Others: privatization, sale and leaseback operations, UMTS, securitisation
- 4.3.10. Implications of recent resolution legislation

5. Other issues

5.1. ESA 2010 Transmission Programme relating to the GFS tables

5.2. Any other business

EDP dialogue visit to Lithuania, 19-20 May 2016

List of participants

Eurostat:

Lena Frej Ohlson
Luca Ascoli
Lenka Valenta
Luis Biedma

Statistics Lithuania:

Jonas Markelevičius, First Deputy Director General
Gailutė Juškienė, Head of National Accounts Division (NAD)
Živilė Dragūnaitė, Chief specialist of NAD
Eglė Rečkutė, Chief specialist of NAD
Jurijus Sluka, Deputy Head of NAD
Daiva Bersėnaitė, Head of Government Finance Statistics Division (GFSD)
Linus Rudelis, Chief specialist of GFSD
Mantas Malcius, Chief specialist of GFSD
Tomas Paulauskas, Chief specialist of GFSD
Gintarė Guobytė, Chief specialist of GFSD
Aistė Vaickienė, Chief specialist of GFSD

Ministry of Finance:

Vaidas Augustinavičius, Deputy Director of Fiscal Policy Department (FPD)
Eglė Radzevičienė, Head of Fiscal Surveillance and Sectoral Analysis Division (FSSAD),
FPD
Gedminė Joniūnė, Chief specialist of FSSAD, FPD
Marina Apalko, Chief specialist of FSSAD, FPD
Renata Razmaitė, Chief specialist of Debt Liabilities Administration Division (DLAD), State
Treasury Department (STD)
Ieva Mackevičienė, Chief specialist of DLAD, STD
Aušra Vičkačkienė, Director of Assets Management Department (AMD)
Rūta Muzikevičienė, Deputy head of Assets Management and Renewal Coordination
Division, AMD
Lora Gogelytė, Head of Capital Markets Division, Financial Market Policy Department
(FMPD)
Edita Bačkieriūtė, Chief specialist of Credit and Payment Markets Division, FMPD
Toma Stašaitytė, Head of Credit and Payment Markets Division, FMPD

Central Bank (Bank of Lithuania):

Rytis Likša, Director of Statistics Department

Virginija Jankauskaitė, Senior Statistician, General Statistics Division, Statistics Department.

DG ECFIN:

Giedrius Sidlauskas

ECB:

Robert Gadsby