



EUROPEAN COMMISSION
EUROSTAT

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

Luxembourg, 17 May 2017

FINAL FINDINGS

EDP dialogue visit to Belgium

21-22 January 2016

Executive summary

Eurostat carried out an EDP dialogue visit to Belgium on 21-22 January 2016. The purpose of the visit was to review the existing institutional responsibilities for compiling EDP and GFS statistics, discuss data sources, clarify some issues relating to the EDP notification tables, discuss the implementation of ESA 2010 methodology, clarify the sector classification of certain units, notably hospitals, and analyse different transactions impacting government deficit and debt.

First, the institutional arrangements currently in place were reviewed. The discussion focused on the cooperation agreement adopted in July 2014 concerning the integration of the regions and communities in the NAI and the creation of a scientific committee for government accounts and ESA methodology. The policy for publication of Eurostat's advice was discussed. The progress made as concerns data sources for local government and the Building Blocks project for the compilation of the financial accounts was also reviewed.

Second, the progress made by the Belgian statistical authorities on the open Action points from the EDP visits that took place in 2014 was discussed. A few remaining issues from the October 2015 EDP notification were clarified, such as the exit of Electrabel from the Distribution System Operators and some general issues related to the supplementary table on the financial crisis.

The discussion continued on the application of the ESA 2010 sector classification rules. Particular attention was paid to the sector classification of public hospitals which, according to Eurostat, should be classified in the general government sector. The Belgian statistical authorities were asked to work on an updated version of the questionnaire on government controlled units, taking into account Eurostat's comments.

On the implementation of the accrual principle, the Belgian statistical authorities were asked to investigate the facts concerning the EC decision on the "Excessive Profit Scheme" and the amounts to be returned to the Belgian State. Eurostat verified the accrual adjustments for interest and requested the NAI to provide an updated table and to investigate the adjustments needed for the local government sector. The methodology for recording tax revenue generated from emission trading schemes was also discussed.

As regards the recording of specific government transactions, it was agreed that the existence of energy performance contracts should be investigated, as well as the issue of nuclear decommissioning in Belgium. The recording of the green certificates in Wallonia and the associated transactions was discussed in detail.

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

Introduction

In accordance with article 11(1) of Council Regulation (EC) No 479/2009, as amended, concerning the quality of statistical data in the context of the Excessive Deficit Procedure (EDP), Eurostat carried out an EDP dialogue visit to Belgium on 21-22 January 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, Mr Philippe de Rougemont and Ms Lourdes Prado Ureña. A representative of the European Central Bank (ECB) also participated in the meeting as observer. The Belgian authorities were represented by Statistics Department of the National Bank of Belgium, the Federal Public Service Economy and the Federal Planning Office, all three being part of the National Accounts Institute (NAI).

The previous Eurostat EDP dialogue visit to Belgium took place on 3-5 February 2014 and was followed by an EDP ad-hoc visit on 13-14 February 2014.

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

The main objectives of the dialogue visit were to review specific institutional issues concerning the compilation of EDP statistics, data sources and data availability (in particular for local government and financial accounts), the accrual reporting, the delimitation of the general government sector (in particular, as concerns the sector classification of public hospitals) and specific transactions impacting government deficit and debt.

In relation to procedural arrangements, Eurostat explained the procedure, in accordance with article 13 of Regulation No 479/2009, indicating that within days the main conclusions and action points would be sent for comments to the Belgian statistical authorities. Subsequently, the provisional findings would be sent in draft form for review. After amendments, the final findings would be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat appreciated the good co-operation and transparency demonstrated by the Belgian statistical authorities during the meeting and the high quality of the documentation provided before, during and after the EDP dialogue visit.

Provisional findings

(1) Statistical capacity issues

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

Introduction

In Belgium, the compilation of EDP statistics and government accounts is under the responsibility of the NAI (National Accounts Institute), with the tasks effectively being carried out by the national central bank (BNB). The NAI has three partners: the Statistical Department of the National Bank of Belgium, the Federal Planning Office and the Directorate-General Statistics and Economic Information of the “Federal Public Service Economy, SMEs, Self-employed and Energy” (FPS Economy).

Eurostat enquired about the latest developments concerning the staffing of the NAI for GFS and EDP (10 staff members after the last EDP mission) and about the publication policy followed regarding advice letters by Eurostat.

Discussion

As regards staffing, the NAI confirmed that there was a new recruitment, replacing a temporary staff member, and that the team could be enlarged with one more person in 2017.

Concerning the publication of advice letters, Eurostat underlined that the Belgian statistical authorities often opposed the publication of official letters by Eurostat – often due to the opposition of parties involved in the transaction being analysed or of the directors of the entity which sector classification is being reviewed. At the same time, leaks on the content of such letters were occasionally figuring in the Belgian press. The NAI agreed with the Eurostat position that, in case of leaks, the letter would then be published by Eurostat (with appropriate hiding of confidential information, if necessary). Eurostat recalled the importance of following a transparent approach and invited the NAI to review the policy followed for the publication of advice letters by Eurostat.

Main findings and conclusions

Action Point 1: Eurostat and the Belgian Statistical Authorities agreed that, if an advice of Eurostat is published in the press, it will also be published by Eurostat, even in cases where the Belgian Authorities had formally made a request for non-publication in prior correspondence. *Deadline: Continuous*¹

Action Point 2: Eurostat invited the Belgian Statistical Authorities to review the current very restrictive policy in relation to publication of Eurostat's advice. *Deadline: Progress report by October 2016*

1.1.1. Inter-institutional protocol for the compilation of EDP statistics

Introduction

¹ Eurostat is currently publishing all advice letters provided to Member States.

An inter-institutional protocol was signed² in 2014 between the Federal and Regional Governments, including the mandate of the NAI to collect data from any entity belonging to the general government sector. This protocol was intended to formalise the transmission of data needed for the compilation of EDP statistics. However, a transition period was foreseen in order to draft the exhaustive list of tables and data required in articles 3-4 of the protocol.

Eurostat enquired on the state of play of the inter-institutional protocol as regards the finalisation of the list of tables and data to be transmitted.

Discussion

The NAI explained that the Protocol had been finalised and that there were ten annexes ('fiches') dealing with the reporting needs. It was confirmed that the NAI can decide to enlarge or update the annexes at any time in order to adapt them to the current needs.

Main findings and conclusions

Action Point 3: The Belgian Statistical Authorities will send to Eurostat the latest version of the Protocol related to the transmission of the necessary data for the compilation of GFS/EDP figures, including the 10 annexes dealing with the reporting requirements. *Deadline: April 2016 EDP Notification*³

1.1.2. Cooperation agreement adopted in Belgium on the 15th of July 2014

Introduction

Following the 6th reform of the state, the regional statistical authorities would be put on a par with the Federal level as regards the compilation of statistics. This will be achieved by the inter-federalisation of the NSI. For national accounts, this should be accomplished by the integration of regions and communities into the Board of the NAI.

To give effect to the above, a cooperation Protocol was officially adopted on the 15th of July 2014 and published in the Official Journal of the 20th of October 2014. This cooperation agreement had still to be confirmed by federal and regional/community legislation.

By law of 18 December 2015, the existing law on the NAI has been modified in order to take into account the decision of the Government to integrate the regional levels into the functioning of the NAI. This includes the inclusion of the regions to the Board of the NAI and to the Scientific Committees for national accounts, for economic budget and for prices. A new Scientific Committee on Government Accounts was also created.

Eurostat raised a number of questions on the composition, the functioning and the specific role of the Scientific Committee created for government accounts, which is particularly relevant for EDP and GFS.

Discussion

² Although the Protocol was signed on 15th July 2014, it was drafted in July 2013.

³ This action point was implemented.

It was clarified that the composition of the Scientific Committee for general government accounts is the following:

- 2 members proposed by the Central Bank
- 1 member proposed by the Federal Planning Office
- 1 member by the Federal Minister of economy
- 1 member by the Federal Minister of finance
- 1 member by the Federal Minister of social affairs
- 1 member by the Federal Minister of Budget
- 7 members by the Regions and communities.

The NAI explained that Mr Pierre Crevits (from the Central Bank) had been appointed as chairman of the Committee but that not all members of the Committee had been appointed at that stage. Eurostat enquired on the members proposed by the regions. The NAI explained that, according to the law, they should be experts, that politicians could not participate and that it was foreseen that the members from the regions should be the current SPOCs⁴.

The NAI explained that the activities of the Committee had not started yet but that ten meetings were already foreseen. It was confirmed that minutes will be drafted, but will not be published.

It was clarified that the role of the committee would be to provide advice on the scientific value and objectivity of the methods applied by the NAI to compile the government accounts and discuss all requests for advice in relation to ESA (in particular, the delimitation of general government).

It was confirmed that the internal regulation of the Committee was under preparation and should be finalised by February 2016.

Before the creation of the Committee, the last say regarding methodological decisions was taken by the Board of the NAI, based on the input provided by the EDP/GFS team of the NAI. After the new developments, the Board of the NAI would still keep having the last say for all decisions, but an input will be provided by the recently created Scientific Committee on government accounts.

Eurostat expressed concern as regards a possible threat to the independence of statistics for EDP and GFS, as stated in the Code of Practice, and expressed its wish to be regularly informed of all discussions and decisions taken in the Committee.

Main findings and conclusions

Action Point 4: Eurostat took note of the pure advisory role of the Scientific Committee on General Government Accounts, recently established in the framework of the Cooperation Agreement adopted in Belgium on 15th July 2014. The Belgian Statistical Authorities will provide Eurostat with the names and functions of the members of the new Scientific Committee on General Government Accounts. *Deadline: April 2016 EDP Notification*⁵

⁴ Contact person for the NAI in each region.

⁵ This action point was implemented.

Action Point 5: The Belgian Statistical Authorities will provide Eurostat with the internal rules of functioning of the Scientific Committee on General Government Accounts, which should be drafted by the end of February 2016. In addition, the Belgian Statistical Authorities will send regularly to Eurostat the list of issues discussed in the Committee. *Deadline to provide the internal rules: April 2016 EDP Notification*⁶; *Deadline for sending the list of issues discussed: Continuous. The list of issues discussed (as well as the outcome of the discussion) should be transmitted to Eurostat once per quarter, coinciding with the deadline for transmission of ESA quarterly tables (March, June, September and December. The first transmission is expected by the April 2016 EDP Notification)*⁷.

1.2. Data sources and revision policy

1.2.1. Changes in data sources

Introduction

There have been several changes recently concerning data sources, notably as concerns sub-sectors S.1312 and S.1313. The changes were explained in detail in a document provided by the NAI before the mission. Eurostat enquired on some changes, which will entail that amounts are included in the working balance by the regions instead of being reported in the adjustment lines of EDP table 2. Eurostat welcomed the changes as regards the switch to the 'BBC accrual system' for the local government accounts in Flanders.

Discussion

The NAI explained that, from 2015, the Communities and Regions try to include in the economic groupings reported to the NAI ("budget execution", giving rise to the working balance) the public corporations reclassified in the government sector, instead of providing separate accounts for them. Likewise, from 2016, the so-called "alternative financing" in Wallonia will be reported directly in the economic groupings and will not be explicitly shown in the adjustment lines of EDP table 2. The NAI is of the view that the new settlement will improve the quality of the reporting and confirmed that all the information necessary for cross-checking will be available to them.

As regards changes in data sources for local government, Eurostat took note of the switch to the BBC accounting system in Flanders, which was fully achieved in 2014. From 2011, Flemish municipalities, CPAS⁸ and provinces gradually switched to the so-called BBC, which is almost completely in compliance with IPSAS. In 2014 all 308 Flemish municipalities and public social welfare centres as well as the 5 Flemish provinces had to report in BBC.

The new system increases the details in the accounts, for the social welfare centres and the provinces, and makes a complete translation into ESA 2010-categories possible. The working balance used is closer in line with ESA concept. Another key improvement in

⁶ This action point was implemented.

⁷ The list of issues discussed, and their outcome, was provided in the EDP notifications of April and October 2016 and April 2017.

⁸ Public social welfare centres.

the BBC accounting system is that for all transactions the sector of the counterparty has to be reported. Also, there is an improvement in the coverage in the data reported in September, or the second EDP notification.

It was explained that in the September 2015 Notification this transition was implemented for the Flemish public social welfare centres and that, for the Flemish provinces, the transition would take place for the April 2016 EDP Notification.

1.2.2. Data availability for implementing the accrual principle

Introduction

As a follow-up action of the April 2015 EDP notification, in May 2015 Eurostat sent a letter to the NAI asking for further clarification concerning the reporting in previous years of unpaid bills by the regions and communities. The NAI provided an official reply in July 2015. Eurostat analysed the extensive documentation that had been provided by the NAI and asked to clarify a few aspects in order to close the issue.

Discussion

Traditionally, the reporting system for government accounts in Belgium has been cash-based. It was recalled that, following legal changes introduced in 2003, the different government levels are progressively shifting from cash accounting to accrual, since several years.

The Federal government started with the switch to accrual in 2003. It was confirmed that the FEDCOM system of accounting has been gradually extended and that for the most important part, the accrual principle is followed. It was explained that, although some decentralised services in the SPF Justice still follow a cash recording, there is a system in place (CGAB system) that allows following the invoices. According to the information provided by the NAI, it is foreseen that all services of the SPF Justice switch to accrual accounting in the near future.

In the regions and communities, the switch to accrual has occurred as follows:

- The Brussels Capital Region switched to accrual in 2007. The ESA adjustments for interest and taxes in EDP table 2B are undertaken by the NAI on the basis of data provided by the entities (this seems however not the case in Flanders and the German Community).
- The German Community switched to accrual in 2010.
- The Flemish Region switched to accrual from 2012.
- The Region of Wallonia and the French Community still provide the economic groupings on a cash basis and therefore adjustments in the lines of EDP table 2B are needed. No correction for unpaid invoices for Wallonia was introduced in the accounts before the April 2015 EDP Notification. No correction for unpaid invoices of the French Community was introduced at that time.

In Belgium, before the switch to accrual accounting, no corrections for unpaid bills were applied in the data reported to Eurostat and the invoices were recorded only at the time of payment. With the switch to accrual accounting, the problem is supposed to be solved, (except for Wallonia, but, in this case, a specific system exists that allows the tracking of invoices). The NAI confirmed that the recent system of the “facturier” in the Region of Wallonia registers the invoices both at the time they are received and at the time of payment, constituting a good source to obtain the accrual adjustment. Although this

system has existed in Wallonia from the year 2012, the NAI was informed of this existence only in autumn 2014. Thus, the data from the “facturier” in Wallonia are used, to carry out the accrual adjustment, only from the April 2015 EDP Notification.

According to the information provided by the NAI, the National Court of Auditors checks the implementation of the accrual recording in Belgium⁹ and publishes a report every year during the summer. This report is used by the NAI to do some corrections to the economic groupings (if needed). The NAI explained that the national CoA had checked the system of the “facturier” in Wallonia and had confirmed the quality of the data derived from it.

No similar system to the “facturier” exists in the French Community and no accrual adjustment is undertaken for the unpaid bills or the time lags in payments. However, according to the NAI, amounts should be small and the main expenditure category should correspond to salaries of teachers and public employees. In addition, the flows that go towards universities are consolidated.

As regards the compilation of the stock of trade credits, before April 2014, the only trade credits recorded in the financial accounts corresponded to invoices of hospitals.

For the April 2014 EDP Notification, after Eurostat’s visit, the NAI launched a one-off data collection for the year 2012 and used the information on the balance sheets reported to the Central Balance Sheet Office of the Central Bank for the years 2009-2011. Data for 2013 were estimated. In April 2014, data that could not be retropolated were introduced in the accounts through the “other volume changes”. The one-off data collection was also launched for April 2015.

It was recalled that, from the October 2015 EDP Notification, the NAI is using information on trade credits collected by the Building Blocks¹⁰ project, covering the core entities of S.1311 and S.1312 on a quarterly basis. The balance sheets (which are available only on annual basis) continue to be used for other entities, which are extra-budgetary units. It was confirmed that the Building Blocks have been extended to public corporations included in S.1312 and that the information would be used in April 2016. The NAI explained that information on F.89 is not yet collected by the Building Blocks.

Eurostat recalled that the switch from the one-off collection to the Building Blocks implied a downward revision of the stock of trade credits in October 2015. This is explained by the fact that the data collected one-off apparently included F.89 amounts (which should not be the case with the Building Blocks).

It was concluded that most information needed for a proper recording of unpaid bills (flows) and stocks of trade credits is available to the NAI for all government levels. Eurostat asked the NAI to correct, as far as possible, the accounts of previous years in the next revision of historical data. Eurostat pointed out that, if needed, estimates should be made.

The NAI explained that, by 2020, all accounts should be certified by the CoA. In Brussels and in the German Community, this seems to be already the case. In Flanders,

⁹ For the local government level, the CoA checks only invoices of the provinces.

¹⁰ See point 1.2.3 for further information on the Building Blocks project.

the project is almost completed. At the Federal level and in Wallonia, further work is needed.

Main findings and conclusions

Action Point 6 (previous Action Point 10): Concerning the switch from cash to accrual data sources in the regions, the Belgian Statistical Authorities will record the expenditure related to unpaid bills of past years in the next revision of GFS historical data. *Deadline: Next revision of GFS backward data by the NAI*

1.2.3. Building Blocks project

Introduction

In Belgium there are no centralised balance sheets for general government. Data for assets and liabilities are not centralised, creating an issue as concerns the compilation and the quality of the financial accounts and of the Maastricht debt.

Before the signature of the Protocol in 2014, there was no legal basis for the collection of the financial data necessary to compile the financial accounts of government and the debt figure to be transmitted in the context of the EDP¹¹. The data collection was developed on a voluntary non-standardised basis, using own templates (which covered mainly stocks) and indirect data sources.

This system was the cause of the following flaws identified in the financial accounts and government debt data reported by Belgium in previous years:

- The data obtained did not meet the needs to compile ESA95
- Coverage of liabilities was better than for assets
- Transactions were normally derived from stocks
- Some stocks/transactions were not taken into account, while others were double counted
- The identification of the counterpart was only partially available
- The methodology was regularly modified based on new information, creating instability.
- Financial and non-financial accounts were not coherent, and statistical discrepancies were considerable.

The object of the Protocol was to provide a legal basis for a standardised reporting of GFS and EDP data, including the financial accounts. A technical group dedicated to the data reporting defined 10 domains covering the requirements for the GFS/EDP compilation, which are summarised by 10 'fiches' explaining the need for information and the broad line of the reporting.

One of those fiches (fiche 3 and 3a) was dedicated to the data collection needed for the compilation of the financial accounts. A technical sub-group was created to develop the Building Blocks project, in an attempt to cover the shortcomings of the source data for the financial accounts. The Building Blocks are intended to allow the NAI to build the balance sheet for all entities which do not have one.

¹¹ In the non-financial side, the situation was slightly better, but there was no obligation nor standardised reporting for the collection of all the necessary data to make ESA adjustments to budgetary non-financial accounts.

Eurostat congratulated the NAI for the progress achieved and asked for detailed information as regards the Building Blocks (BB) project, its coverage and its degree of implementation.

Discussion

The NAI confirmed that, from the reference period 2014, the BBs is the main data source for the compilation of stocks and transactions of financial assets and liabilities of the subsectors S.1311 and S.1312.

The aim of the BBs project is the development of a systematic and standardised system to collect the data necessary to establish the financial accounts of general government in Belgium in line with ESA 2010 and the statistics related to the EDP.

The compilation system of the financial accounts is intended to be fully articulated by construction, each operation having a recording in stocks, transactions, other changes in volume and revaluation. Information will be provided by ESA instrument and by counterpart sector. Different valuations are provided in order to cover both ESA and EDP requirements.

It was confirmed that the BB project was launched in December 2013 and is being gradually implemented. The priority was first on the data collection of debt instruments (AF.2L, AF.3L and AF.4L). The lack of data on trade credits (AF.81A/L) was dealt with simultaneously. Once the reporting on Maastricht debt and trade credits was operational, the work shifted to the assets side of the balance sheet, with the launching of the reporting of loans (AF.4A) and debt securities (AF.3A). Although the information on assets is still under examination by the NAI, it was confirmed that it was already used in the October 2015 EDP Notification.

The NAI explained that the template for data collection on shares (AF.5A/L) had been discussed and would be launched for reference year 2015, with deadline 15 August 2016.

The NAI clarified that the reporting is compulsory for all units in S.1311 and S.1312 and that the coverage was rather good, with most of the reporting entities fully cooperating. The NAI explained that the German Community was the only one not yet formally committed to fill in the reporting of financial assets.

The NAI explained that it receives the input via the SPOC of each government level (Federal, regions and communities) and that the information of the BB is used to check large transactions.

The reporting is requested on a quarterly basis, with deadline T+45 days. For certain units, some data are reported only on a yearly basis. The NAI confirmed that for such cases, a voluntary reporting has been designed to capture large transactions.

The NAI confirmed that, in each exercise, only the new year is requested, instead of having the full series reported.

It was confirmed that information on other accounts payable/receivable (AF.89 A/L) and derivatives is still missing in the BBs reporting. According to the NAI, the next steps in the framework of the BB project will be the following:

- The development of a building block for derivatives (F.7 A/L) and other payables

- The recording of the assets (reported via the BB in October 2015 for the 2014 data and in February 2016 for the 2015 data) in the financial accounts
- The analysis of the accuracy/exhaustiveness of the data relative to the non-performing loans and factoring with/without recourse reported via the BB

According to the data reported by the regions, via the Building Blocks project, factoring operations without recourse involving government are marginal in Belgium (if any). Eurostat invited the NAI to provide confirmation from other sources (e.g., by liaising with factoring professional associations).

Eurostat underlined the improvement that the BB project represents concerning the compilation of financial accounts in Belgium and asked the NAI to report on the new developments in each EDP notification.

Eurostat congratulated the NAI for the progress achieved so far and encouraged the further development of the BB project in the specific areas identified.

Main findings and conclusions

Action Point 7 (previous Action Point 11): Eurostat welcomed the progress achieved by the NAI on the Building Blocks project and took note of the good coverage reached to date. Eurostat expects that all the reporting entities will fully cooperate in this respect – including also the German Community, which is the only one not yet formally committed to do so for the reporting of financial assets. *Deadline: Continuous*

Action Point 8 (previous Action Point 12): The Belgian Statistical Authorities will provide Eurostat with a progress report on the Building Blocks project before each EDP Notification. *Deadline: Continuous. The first report is expected by the April 2016 EDP Notification.*¹²

Action Point 9 (previous Action Point 13): Eurostat expects that the data on assets obtained via the Building Blocks project are fully used for the compilation of the accounts for the October 2016 EDP Notification. *Deadline: October 2016 EDP Notification*¹³

Action Point 10 (previous Action Point 16): Eurostat took note that, according to the data reported by the regions via the Building Blocks project, in Belgium, factoring operations without recourse involving government (if any) are marginal, and invited the NAI to provide further confirmation (e.g., liaising with factoring professional associations). *Deadline: A progress report is expected by the October 2016 EDP Notification*¹⁴

1.2.4. Data sources for the compilation of local government figures

Introduction

¹² Progress reports were delivered by the NAI for the April and October 2016 and the April 2017 Notifications.

¹³ On 30 September 2016, the NAI provided a note on the progress on this action point. According to NAI, the introduction of data on assets obtained from the Building Blocks has been delayed by quality issues

¹⁴ This action point is outstanding.

In Belgium, the non-financial accounts of local governments are available at T+8 months and are used for the October EDP Notification. Given this 8 months delay, there is no direct data available for the April notification for the year T-1. Eurostat enquired on the data sources to be used for the compilation of the accounts of local government, in each of the regions, in the April 2016 EDP notification.

The compilation of the financial accounts for local government relies on indirect data sources available at an infra-annual frequency and with no counterpart information (creating problems for a proper consolidation). Eurostat enquired on the progress achieved to use direct information from financial statements by the main units of local governments (municipalities, public welfare centres and provinces) and/or exploit the Central Corporate Credit Register (CCCR) of the National Bank of Belgium.

Discussion

The NAI explained that the coverage reached in the non-financial accounts was close to exhaustive, with the few units missing being small. As regards the data source used for the compilation of the accounts of year T-1 in the April notification of year T, the NAI confirmed that the situation differed among regions.

The Walloon Region transmits provisional annual accounts for their local governments with a time lag t+45 days. The NAI explained that it is exploiting the individual accounts and using them in April since 2015 and that the coverage is rather high. The NAI added that there was room for improvement, as some corrections are needed for wages and transfers with higher authorities.

The Brussels Region does not transmit provisional accounts. Since 2014, an annual survey is conducted focussing on the most volatile accounting headlines (investments, transfers, sales, etc.). This provides the NAI with information leading to better estimated data for the April notification. The survey covers all 19 entities. The data of the six-pack are also available, as they are provided by the end of February for year T-1. The NAI explained that they would choose between using the survey or the six-pack monthly figures for compiling the accounts of year T-1, for the April 2016 EDP notification¹⁵.

The Flemish Region does not transmit provisional accounts. In previous years a survey covering the largest entities was used for the most volatile accounting headlines. Since 2016 six-pack data is available, which is based on accrual and enables the transition to ESA. The NAI had investigated the possibility to use the six-pack and had identified some problems, in particular for wages and transfers, which seemed underestimated. As with the Brussels six pack data and the Walloon provisional accounts the main conclusion was that the coverage is rather good, but the quality of the data was considered to be insufficient in 2015 and considerable corrections based on other data sources were necessary. The NAI explained that, in 2016, they would further monitor the quality of the six-pack data and choose between using them or falling back to external data sources, as in past April notifications.

As regards the compilation of financial accounts for the local government sector, the NAI admitted being aware of the problems with the existing data sources for the compilation of the financial accounts and the government debt of local government. The sources used are mainly indirect data sources, which create problems with the consolidation and lead

¹⁵ Six-pack data was used for the compilation of the April 2017 Notification.

to frequent and sizeable revisions in the debt figures. The NAI explained that it is considering a switch to direct data sources.

It was confirmed that balance sheets exist for around 80% of the entities. The NAI explained that there were difficulties to exploit the balance sheets, mainly because of the existence of different accounting systems. The NAI informed Eurostat that two members of the team were currently working on the exploitation of the balance sheets.

The NAI explained that local authorities are not covered by the Building Blocks project and that the Central Corporate Credit Register (CCCR) of the National Bank of Belgium had been analysed as a complementary data source. It contains loan liabilities held exclusively towards MFIs; it seems a good source according to the NAI and has been used to determine the perimeter. The Securities Settlement System contains information on securities by issuer and is also a source to be explored.

Eurostat concluded that the indirect data sources currently used (basically, the reporting scheme of MFIs) should be replaced by direct data sources, combining the CCCR and the Securities data base (both containing information by counterpart) with the balance sheets of local government (which does not contain counterpart information).

The NAI explained that the figures of the CRAC¹⁶ posed some difficulties, as it is debt of local government paid by the regions. It is therefore recorded as debt of the regions and not of the local government sector.

Main findings and conclusions

Action Point 11 (previous Action Point 7): The Belgian Statistical Authorities will inform Eurostat on the data sources used for each region for compiling the non-financial accounts of local government for the year 2015 in the April 2016 EDP Notification. *Deadline: April 2016 EDP Notification*¹⁷

Action Point 12 (previous Action Point 8): Eurostat welcomed the switch foreseen to compile the Maastricht debt of local government by using the Central Corporate Credit Register, instead of using the reporting scheme of MFI. *Deadline: October 2016 EDP Notification*¹⁸

Action Point 13 (previous Action Point 9): As a second step, Eurostat recommended the exhaustive exploitation of balance sheets of local government for eventually compiling the financial accounts based on direct data sources. *Deadline for progress report: April 2017 EDP Notification; Deadline for the full exploitation of balance sheets: October 2017 EDP Notification*¹⁹

1.2.5. EDP inventory

¹⁶ Centre Régional d'Aide aux Communes

¹⁷ This action point was implemented.

¹⁸ This action point was implemented.

¹⁹ The progress report was provided in the April 2017 Notification.

Introduction

In December 2015, Eurostat published the ESA 2010 EDP Inventories for a number of countries. The Inventory for Belgium is still not ready. The NAI had provided a draft version of part A of the ESA 2010 EDP Inventory in September 2015, but Part B was still missing.

Eurostat recalled that the latest version of the EDP Inventory currently available for BE dates back to year 2007 and asked the NAI about their plans to finalise the ESA 2010 Inventory.

Discussion

The NAI explained that the months of February and March would be a busy period and committed to send the completed Inventory before the summer 2016.

Main findings and conclusions

Action Point 14 (previous Action Point 15): The Belgian Statistical Authorities will provide Eurostat with part B of the ESA 2010 EDP Inventory (and, if needed, will update part A following Eurostat's comments), with the objective to have the complete updated inventory published before the October 2016 EDP Notification. *Deadline for sending the Inventory to Eurostat: End of June 2016*²⁰

(2) Follow-up of previous EDP visits

Introduction

Eurostat recalled the state of play as regards the action points of the EDP dialogue visit of June 2012 and the EDP visits undertaken in 2014 (dialogue visit of 3-5 February and ad-hoc visit of 13-14 February).

Discussion

Thanks to the progress achieved by the NAI concerning data sources and the BBs project, Eurostat can consider all the action points from the 2012 mission closed (12 action points in total). There are two open points, both related to the data sources for local government: the use of direct data sources for the compilation of the debt (and the financial accounts) and the improvement in the coverage/quality for the April Notification. However, since 2012, there have been improvements and the NAI is working on both issues, which continued to be monitored in the context of the 2014 and 2016 missions.

There were 53 action points resulting from the dialogue visit of 3-5 February 2014. Eurostat recalled that most of them had been implemented, welcomed the effort of the NAI and acknowledged the additional work over the past two years. Eurostat underlined that the action point concerning the ESA 2010 based EDP Inventory was still open²¹. It was confirmed that the action points concerning the accounts of universities could be closed as well as those for 'intercommunales' and those related to the impact of ESA 2010. Concerning interest, it was agreed that some follow-up was needed for derivatives

²⁰ This action point was implemented.

²¹ This action point is now closed at the time of the drafting of this document.

and for premiums/discounts. It was agreed that some follow-up was also needed for guarantees at local government level as well as for trade credits and factoring operations. On this last point, the NAI explained that the information had been collected, but that the figures compiled so far showed an amount of zero on factoring operations. The NAI admitted that the data collection should still be extended to corporations consolidated in S.13, which are more likely to engage in this type of transactions.

Concerning the Ad-hoc visit of 13-14 February 2014, the NAI explained that nearly all action points given to the regions and the Federal level had been implemented.

(3) Follow-up of the October 2015 EDP reporting – analysis of EDP tables

3.1. Calculation of the working balance in EDP tables and reporting of economic groupings

Introduction

Eurostat raised some questions on the calculation of the working balance.

Discussion

Eurostat asked for detailed information on the calculation of the working balance for all government subsectors. The NAI explained that the working balance used in the EDP tables 2 is obtained from a file with four columns, as follows:

- the first column is the official budget, which is voted in Parliament;
- the second column provides the amounts to be consolidated;
- the third column provides corrections to bring the budget in line with ESA;
- the fourth and last column is the sum of the other three and is the working balance used in the first line of EDP tables 2. This fourth column is the only one published.

Eurostat recalled that the working balance should be a prominent national indicator, for instance presented/voted in Parliament, presumably featuring explicitly in various Budget execution report, and ideally being audited.

The NAI informed Eurostat that the Court of Auditors has access to all the information to do the verification and that the situation as regards auditing, as well as the publication, vary between the different government levels.

Eurostat raised specific questions as regards the working balance for local government. The NAI confirmed that CPAS are included in the working balance, while the provinces and '*zones de police*' are not, and that these two latter groups of entities are reported in the line for B.9 of other government bodies. The NAI explained that the coverage for units in the working balance was around 70%-80% and that the missing units (e.g. for the April notification) were not extrapolated for the calculation of the working balance. Instead, the extrapolation is done at the level of B.9.

Main findings and conclusions

Action Point 15 (previous Action Point 6): The Belgian Statistical Authorities will transmit to Eurostat the detailed information on how the working balance is established at the level of the different government subsectors (e.g., providing the table with the different columns presented and discussed during the meeting for S.1311 and for S.1312). The Belgian Statistical Authorities should detail, for each reporting entity,

whether the working balance is published and integrated or not in an annual report and whether it is subject to audit. *Deadline: April 2016 EDP Notification*²²

3.2. Size of statistical discrepancy (SD)

Introduction

Following the October 2015 EDP Notification, Eurostat remarked that further progress was needed to reduce the SD and that the issue would be discussed in the next EDP mission. The NAI listed a number of factors linked to the compilation of the financial account that could have an impact on the SD:

- The use of indirect data source for the S.1313 (counterpart information of MFIs reporting scheme).
- The fact that net acquisition of financial assets is currently not exhaustive, with a direct impact on the B.9F and on the discrepancy.
- The recording of F.89 in the financial account. The F.89 recorded in the financial accounts corresponds to the adjustments for the time of recording in the working balance. However, the accounting basis of WB is mixed (cash/accruals), which means that the adjustment for accruals recorded in EDP T.2 should correspond only to a part of the F.89 to be recorded in the financial accounts. Since there is a trend towards a recording of revenue and expenditures on an accrual basis in the economic groupings, the time adjustments reported in EDP table 2 decrease over time, while the amounts to be reported in EDP table 3 need not be subject to such a decreasing trend.
- The introduction of new data sources (BB) for the financial accounts of S.1311 and S.1312 since 2014 is work in progress. The introduction of the BBs makes the compilation of financial account more complex during the transition phase (hybrid system of old and new methodology).

Eurostat enquired on the progress achieved in reducing the SD since the October 2015 Notification.

Discussion

The NAI explained that the progress in the Building Blocks project was expected to reduce the SD and that some results could be seen maybe in the October 2016 EDP Notification.

Eurostat suggested to NAI to compare the B.9f obtained via the BB with the B.9 obtained from the economic groupings and check the statistical discrepancies by unit, given that the BB is complete enough to allow this. The NAI indicated that the priority is first to record flows and stocks properly in the financial accounts and that the analysis of discrepancies at the unit/grouping level is foreseen once the BB project would be complete. While agreeing on the priorities, Eurostat considered that such a discrepancy analysis could be carried out even before final completion of the BB project. Such an analysis could be carried on the 10 biggest entities, for instance.

The NAI added that the change to direct data sources (from money and banking statistics) foreseen for the compilation of the local government debt should also decrease the size of SD.

²² This action point was implemented.

Main findings and conclusions

Action Point 16 (previous Action Point 14): Using the data reported in the Building Blocks project, the Belgian Statistical Authorities will calculate the statistical gap between B.9 and the approximation of B.9f obtained from the Building Blocks, for the ten biggest entities, and will report the results to Eurostat. *Deadline: October 2016 EDP Notification*²³

3.3 Transaction related to the equity disposal of Electrabel in the distribution system operators

Introduction

A Flemish decree of 6 July 2001 does not allow private partners to participate in the share capital of existing inter-municipal companies beyond 31 December 2018. In this context, the Distribution system operators' (DSOs) public and private shareholders agreed on an accelerated and simultaneous exit of Electrabel (GDF Suez group) from all the 7 Flemish DSO's capital by the end of 2014, instead of a gradual departure between 2014 and 2018.

On 27 August 2014, Electrabel and the DSOs reached an agreement of principle on Electrabel's exit as a shareholder of the DSO's by the end of 2014 at the latest. On 29 December 2014, Electrabel exited from the Flemish DSOs. Its 21% share was taken over by the Flemish local authorities. The DSOs thus became 100% publicly owned by the Flemish municipalities and provinces.

The agreed purchase price of 911 million euro was however not directly raised by local government but was entirely financed by Eandis (a subsidiary of the DSOs, which are the sole shareholders), who purchased the shares from Electrabel on behalf of the Flemish municipalities in 2014Q4. However, Eandis formalised the transaction by granting a short term loan to the municipalities. Eandis funded this operation on the financial market by means of long term loans and the emission of corporate bonds²⁴.

In 2015Q1, the Eandis group carried out a capital reduction by way of setting off the short term loan to local government in its business accounts.

All DSOs and Eandis are classified in S.11, outside the government sector.

The NAI and Eurostat had different views on the recording of this transaction in the accounts of the Flemish local governments and the issue was discussed in detail. The issue under discussion is the re-routing to government of the long term debt raised by Eandis and the recording of the redemption of this debt.

Discussion

²³ On 30 September 2016, the NAI provided a note on the progress of this action point. Eurostat considers that significant work had been done until that stage. The action point is work-in-progress.

²⁴ Two private placements were issued, EUR 170mio (30 year) and EUR 95 mio (20 year). In the framework of an existing EMTN program, corporate bonds were issued for EUR 400 mio (12 years). These amounts were directly on-lent by Eandis to the 7 DSOs at exactly the same conditions. Furthermore, there were also two bank loans directly contracted by the seven DSOs. The different loan contracts were obtained from Eandis and are currently being analyzed by the NAI.

According to Eurostat, the debt raised by Eandis in 2014 for the above purpose should be recorded as debt (F.3 or F.4) of the municipalities and cities, with an increase in F.5 as counterpart transaction – thus recognising government as the principal for the borrowing. The redemption of this government debt should then be linked to the redemption of the debt by Eandis (over a number of years), and not to a possible decrease in the capital of the DSOs in 2015. The capital reduction is statistically a non-event.

In October 2015, the NAI followed the treatment proposed by Eurostat, insofar as it recognised a government debt when compiling the government accounts for 2014. The long term debt that Eandis incurred to finance this operation was re-routed to government, in the form of a short term loan, thus implying that in fact the municipalities had borrowed EUR 911mio (increase F41A) and purchased equity.

Subsequently, a disposal of shares by EUR 911 mn was also recorded in the accounts of 2015Q1, to reflect the capital reduction, although with no counterpart cash transaction. The NAI argued that the reduction in assets (shares) of the Eandis group (i.e. Eandis and the seven DSOs) was effectively used to redeem the EUR 911 mio debt that the shareholders (i.e. the municipalities and cities) had vis-à-vis the Eandis group. This would imply that, instead of rerouting and recording an increase in F42L for mio 911EUR in the accounts of the municipalities, in 2014Q4, the NAI had recorded a short term loan from Eandis to local government. As a result, a decrease of F5A (sale of assets) and a reduction in F41L (repayment of short term debt) would be recorded in 2015Q1.

In short, the NAI expressed their disagreement with the routing of the long term debt through government accounts, and only envisaged a rerouting in the form of a short term loan.

The NAI pointed out that an amendment to the current decree (to be approved by the Flemish Parliament) would allow for a private partner not involved in the energy sector to participate in the DSOs. The NAI explained that negotiations with several potential investors were ongoing. Thus the shares could be sold off by the Eandis Group again.

The NAI explained that the shares of the DSOs are not quoted and that the DSOs have no staff, the staff being concentrated in Eandis.

Eurostat remarked that a similar treatment should be applied for the case of Wallonia if the conditions of the exit of Electrabel from the Walloon DSOs in the future would be similar to the Flemish case.

Main findings and conclusions

Action Point 17 (previous Action Point 18): Concerning the exit of Electrabel from the capital of the DSOs in the Flemish Region, Eurostat confirmed its view that the debt raised by Eandis in order to finance the purchase of shares by the municipalities should continue to be reported as a long term debt of government, Eandis acting as an agent of the municipalities, and increasing government debt. In case part of the shares will be sold to private investors, an equity disposal by government would be recorded at that time (privatisation), partly or totally redeeming the existing imputed debt. *Deadline: April 2016 EDP Notification*²⁵

²⁵ This action point was implemented. Until the April 2017 EDP Notification the shares of Eandis had not been sold to a new private investor.

Action Point 18 (previous Action Point 19): The NAI will correct the existing recording of the transactions related to Electrabel and Eandis in the quarterly financial accounts of the year 2015. *Deadline: ESA transmission before the April 2016 EDP Notification*²⁶

3.4. The recording of leasing transactions in the regions

Introduction

Following a leasing transaction identified in the 2015 Notifications, Eurostat enquired on the data source for leasing transactions used at different government levels.

Discussion

The reporting for leasing transactions is not standardised. The NAI explained that they do not normally receive leasing contracts and that they tend to rely on the treatment applied in public accounts.

The NAI recalled that the Federal government sold most of its buildings in years 2005 and 2006 and that only small amounts of sales should be expected in the future.

Concerning the regions, the NAI explained that the situation differs among them. The region of Flanders asks for advice regularly for these transactions, while in the Region of Brussels several recent long-term contracts had been treated as financial leases.

It was agreed that some work is needed as regards the compilation of data on leasing. Those leases reported on the balance sheet, would normally be captured via the building Blocks project. The NAI explained that, in addition, an ad-hoc questionnaire had been prepared for S.1312 units, but that it was sent for completion only to a few units instead of to all units. As regards local government, the NAI explained that their accounting is IPSAS-like and therefore, financial lease contracts are recorded on-balance sheet. Eurostat took note that leases treated as operating lease in public account and as financial lease in national accounts would not be properly captured. The NAI confirmed that units involved in financial leasing transactions (as lessors) in Belgium are normally not MFIs.

Main findings and conclusions

Action Point 19 (previous Action Point 17): Eurostat invited the NAI to step up efforts in order to capture leasing operations in the regions and in the local government subsectors. *Deadline: A progress report is expected by the October 2016 EDP Notification*²⁷

(4) Methodological issues and recording of specific government transactions

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

²⁶ This action point was implemented.

²⁷ A progress reports was sent with the April 2017 Notification.

4.1.1. Latest developments and changes in sector classification since the last EDP dialogue visit

Introduction

Before the mission, the NAI provided a document describing the procedures to detect public units, the source data used and the process followed in order to classify the units. Eurostat took note of the issues described in the note and raised no questions on this point.

In Belgium, the list of public units is updated and published twice a year (in April and October) on the website of the NBB. The NAI is responsible for this list, which includes government and non-government public units.

The latest version is available in excel format at the following link²⁸:

<https://www.nbb.be/fr/statistiques/finances-publiques/methodologie>

Concerning changes in sector classification, the Eurostat SDV of 2014 and the introduction of ESA 2010 led to the reclassification of a large number of entities in S.13 in the EDP Notifications of April 2014 (around 150 units) and October 2014 (around 700 units), with the subsequent impact on government deficit and a considerable increase in the government debt. There were no reclassifications in April 2015. In October 2015, there were two reclassifications linked to the correction of errors and updated information.

Eurostat took note that the coverage of the list of public units has improved significantly during the last years thanks to the efforts of the NAI who, in addition to the usual data sources, has introduced new reporting requests (reporting on participation of public units, 'reporting Périmètre'), has increased its staff working on this part and has enhanced cooperation with the reporting entities and the SPOCs of the regions.

The following 3 sources are used simultaneously to detect public units in a systematic manner:

- Crossroads Bank for Enterprises (KBO/BCE), which provides information on their legal form and makes it possible to detect automatically certain units flagged as public (ministries, FPS, Regional authorities, Local Police, CPAS, Public limited company, Intercommunale, etc.)
- Office for Special Social Security Systems (ORPSS), which is the body in charge of the social security services of local government units. All units affiliated to this body are automatically flagged as public.
- Shareholding links, which are in turn derived from 4 sources:
 - o Annual accounts reported to the Central Balance Sheet Office (CBSO) of the NBB
 - o Consolidated annual accounts of groups reported to the CBSO of the NBB
 - o Foreign direct investment survey of the NBB, conducted on a monthly basis
 - o The reporting of participations of public units, sent every year to the NAI by the SPOCs of each government

²⁸ The list is now published on the NAI website at the following address: <http://inr-icn.fgov.be/fr/publications/comptes-nationaux-et-regionaux>

These four sources are entered into a specific algorithm that detects the public nature of units based on the information on participations.

In addition to the sources described above, the statutes of new units and other official documents are used if necessary to determine whether they are publicly controlled.

The market/non-market test is applied regularly (usually once a year) to all public units classified in S.11 and S.126.

For the units in S.11 and S.126 that provide their annual accounts to the CBSO of the NBB (around 55% of the total), the test is calculated automatically from the information therein. For the qualitative aspects, manual checks are necessary.

For the units in S.11 and S.126 that do not file their annual accounts with the CBSO (45% of the total), the necessary information is collected via a specific reporting launched by the NAI, the 'reporting Périmètre'. This reporting request is sent to the SPOCs of each government once a year and asks also for the necessary information to assess the qualitative criteria.

The sector classification of public units in S.12 (excluding S.126) is assessed manually on a case by case basis.

4.1.2. Questionnaire on government controlled entities classified outside the general government sector

Introduction

The questionnaire provided in December 2015 was analysed in detail and Eurostat raised a number of points for discussion.

Discussion

Eurostat took note that the liabilities of financial institutions have been included in the questionnaire transmitted in December 2015, which was not the case in previous versions. Eurostat welcomed also the improvement in the coverage of units in the local government sector, which was slightly extended (mainly as concerns intercommunales and their subsidiaries). The number of entities reported in the questionnaire by December 2015 was above 1,100.

Eurostat pointed out that a number of entities were reporting negative liabilities and asked the NAI to clarify the issue. The NAI replied that the negative values are explained by the formula used to calculate the Maastricht liabilities from the accounts reported to the Central Balance Sheet Office. Following this formula, the profit to be distributed every year is deducted from the financial and commercial debt, giving rise to negative values for units that do not have debt liabilities and distribute profits. Eurostat asked the NAI to correct the negative liabilities by capping the debt of each entity to zero and/or excluding from the calculation, where needed, the profit to be distributed.

Eurostat raised some questions on certain public units classified as S.12 and S.11. Eurostat expressed doubts on the classification of the *Holding communal* in S.127. It is a holding controlled by the local government, which has been in liquidation since 2011. It was recalled that the current rules for sector classification of units under liquidation refer to units previously in S.11 and defeasance structures and that there are no explicit rules

for units in S.12 that are not defeasance structures. It was agreed that the issue should be followed-up²⁹.

It was confirmed that all the units reported in the questionnaire as S.127 (*captive financial institutions*) despite being classified outside government are controlled by public corporations classified outside government.

Eurostat pointed out that a number of entities classified as financial auxiliaries (S.126) showed the sales to production cost equal to zero or below 50%. Eurostat recalled that the market test should be applied to financial auxiliaries, which should present the result of the test to be 50% in order to be classified in S.126.

Eurostat noted that there were a non-negligible number of entities with results below 50% in the market test, classified in S.11. This concerns mainly “foyers” (specialised public housing entities) and some of the units have non-negligible liabilities. The NAI explained that accounts for foyers were not available but that foyers were considered as market units, due to similarity with other market entities. The NAI was asked to introduce comments in the questionnaire to provide explanation on such cases.

Eurostat recalled that there were a large number of entities in the questionnaire that reported zero employees. This concerns mainly 'intercommunales'. It was explained that most entities that have zero employees subcontract the service of other units. Eurostat wondered whether we were not confronted to a case of 'artificial subsidiaries' (ESA 2010 2.24 to 2.26)

Eurostat suggested that the changes in inventories could be used for the calculation of the 50% test, which may be notably useful in the case of units in liquidation.

Main findings and conclusions

Action Point 20: The NAI will correct the negative liabilities reported in the questionnaire of government controlled entities classified outside government, by capping the debt of each entity to zero and will exclude from the calculation, when needed, the profit to be distributed. *Deadline: December 2016*³⁰

Action Point 21: The Belgian Statistical Authorities will review the market test of public entities currently classified in S.126, reclassifying inside the government sector those entities non-compliant with the 50% rule. *Deadline: December 2016*³¹

Action Point 22: For entities that remain outside the government sector despite being non-compliant with the 50% rule or having no employees or no data available, the NAI will provide further information in the questionnaire by adding a column for comments. *Deadline: December 2016*³²

²⁹ The NAI reclassified the *Holding communal* within the government sector at the time of the April 2017 Notification

³⁰ On 20 December 2016 the NAI has sent to Eurostat the Questionnaire on government controlled units classified outside general government (reference year 2015). No negative liabilities were reported.

³¹ This action point was implemented through information provided by NAI via email on 27 February 2017.

³² This action point was implemented.

Action Point 23: In the context of the calculation of the 50% test, Eurostat proposed that, in addition to the turnover, change in inventories could be used in order to estimate the amount of sales (production concept) and/or intermediate consumption. *Deadline: December 2016*³³

4.1.3. Sector classification of public hospitals

Introduction

There are currently 180 hospitals in Belgium. These include general hospitals and psychiatric hospitals, but exclude day-clinics and polyclinics (where patients do not stay overnight).

Under ESA 95 rules, the NAI classified public hospitals in the sector of non-financial corporations (S.11). Following the Eurostat EDP dialogue visit of February 2014 and the October 2014 EDP Notification, the NAI was asked to assess the sector classification of public hospitals in the light of ESA 2010 rules.

On 17 November 2015, the NAI provided a note analysing the hospital sector in Belgium according to ESA 2010 rules. The decision of the NAI was to maintain public hospitals outside the general government sector. However, in its note, the NAI admitted that "*if the MGDD ESA 2010 would be strictly implemented, all Belgian hospitals should be consolidated within the government sector because the government approval needed for heavy hospital investment would imply a lack of autonomy*".

After analysing the note in detail, Eurostat expressed its view on the issue.

Discussion

The NAI confirmed that clinics and policlinics are considered ancillary units of hospitals.

The law of 7 August 1987 (*Loi coordonnée sur les hôpitaux, "LCH"*) regulates the framework for hospitals in Belgium (both public and private). The hospital sector is heavily regulated, as the law describes the types of hospitals that can be authorised, the conditions for the management of hospitals, the structure of the medical activity, the hospital programming, the conditions for the authorisation of hospitals and hospital services, the legal relationship between hospitals and doctors, the statute of doctors, the setting of fees, etc.

Eurostat recalled that hospitals were always considered a special case and that there had always been specific rules applicable to them. Eurostat confirmed that the MGDD specific chapter and decision tree for hospitals should be applied.

Eurostat considered that Belgian hospitals do not have full autonomy of decision as concerns their main functions, as the approval of government is needed for all main relevant decisions, such as investment, the number of beds in each hospital and the type of medical services provided. This element, according to the MGDD, would be enough to trigger the classification of Belgian hospitals in the general government sector, which is the controlling entity.

It was concluded, both by the NAI and by Eurostat, that the private hospitals in Belgium

³³ This action point was implemented.

could be considered to be public in the ESA 2010 sense (because of the control exerted by government). For this reason, Eurostat concludes that it cannot be considered that real competition between private and public hospitals exists, *de facto*, in Belgium. According to Eurostat, this fact would also be enough to consider that the Belgian public hospitals, in the ESA 2010 sense, should be classified in the general government sector. The NAI objects to this conclusion on the grounds of circular reasoning.

Eurostat underlined that, in other Member States, the facts that investments have to be authorized by government and that the related cost is mainly covered by government have been the decisive criteria for a classification of public hospitals in the government sector.

The NAI explained that most of the debt of hospitals was already included in government debt and that the reclassification inside government would not have a relevant impact. They also pointed out that there could be some time constraints concerning the practical implementation of a reclassification in S.13.

The NAI stated its view that the MGDD rules for hospitals go beyond ESA, notably as regards the issue of autonomy of decision. It also expressed its view that competition exists. The NAI underlined that the Belgian court had indicated that the MGDD is not a legal text and stated that one should be able to defend the sector classification of entities based on ESA2010. The NAI recalled that they were facing 13 open cases in the Conseil d'Etat concerning sector classification of various entities, mainly in the Regions of Wallonia and Brussels. Eurostat recalled that it has the mandate to decide on methodological issues and that the rules should be respected.

Main findings and conclusions

Action Point 24: After a detailed analysis of the hospital sector in Belgium, Eurostat considers that the entities *de facto* controlled by government according to ESA2010, are to be classified in the government sector.

The Belgian Statistical Authorities are therefore invited to reclassify in the government sector all hospitals and health institutions that are controlled by government, according to ESA2010 rules. Until the moment of reclassification, the remaining debt of hospitals not already considered as government debt, will be recorded as government debt. *Deadline for reclassification: October 2016 EDP Notification; Deadline for debt rerouting: April 2016 EDP Notification*³⁴

4.1.4. Sector classification of other units:

- **Data Centre in the Region of Brussels (DCR) and Irisnet 2**

Introduction

³⁴ This action point is outstanding. In the April and October 2016 EDP notifications, Eurostat expressed a reservation on the quality of the data reported by Belgium in relation to the sector classification of hospitals. Eurostat has sent two official letters confirming its view on the sector classification of hospitals in Belgium. The letters are publicly available. The NAI has replied to both letters expressing its disagreement with the classification in the government sector and provided additional elements on which they conclude a sector classification outside government is valid.

Eurostat had become aware of advices published in the website of the NAI in relation to the classification of the Data Centre of the Region of Brussels and to Irisnet and considered that further discussion was needed on these cases.

Discussion

Although the amounts involved are not significant, Eurostat considered that these cases deserve attention from a conceptual point of view.

In both cases, the ex-ante advice of the NAI concluded that the units could be classified as public non-financial corporations, in S.11.

Eurostat agreed that the units are publicly controlled in both cases. However, Eurostat considered that the units should rather be classified in S.13 for a number of reasons, notably as they *de facto* provide ancillary services even if the entities attracted the private partner after public tendering.

Main findings and conclusions

Action Point 25: Eurostat considers that the units Data Centre of the Region of Brussels and Irisnet must be reclassified in the government sector. In this context, Eurostat will provide the NAI with a note analysing the sector classification of both units. *Deadline for Eurostat's analysis: April 2016 EDP Notification³⁵; Deadline for reclassification: April 2016 EDP Notification³⁶*

- **Écoles libres**

Introduction

The case of *écoles libres*, which is one of the cases for which the NAI has been taken to the *Conseil d'Etat*, was raised by the NAI.

Discussion

The NAI explained that these are normally catholic schools at local government level, financed by government. The Communities are in charge of paying the salaries of the teachers. The NAI explained that government can provide other funding, but is not obliged to do so. The NAI confirmed that the decision on investments comes from the schools.

The NAI is of the view that these entities are correctly classified in the government sector and asked Eurostat for its view as well as for an overview of the situation in other EU Member States. Eurostat agreed to look into the issue.

4.2. Implementation of the accrual principle

4.2.1. Taxes and social contributions

Introduction

³⁵ This action point is outstanding.

³⁶ This action point is outstanding.

For taxes, the time adjusted cash (TAC) method is used with a time lag of one or two months and the same method is applied for tax refunds. For social contributions, the assessments and declarations (AD) method is used, being recorded when the liability is established. A coefficient is applied to estimate the amounts that will not be collected. This estimation is done by the ONSS³⁷.

Since the April 2014 EDP and for the period beginning in year 2010, the tax amnesties are recorded with the time-adjusted method with a time lag of 15 days. Payable tax credit systems are in place.

Discussion

Eurostat raised some general issues as regards the recording of taxes and social contributions and enquired on the "Excess Profit" tax scheme, which allowed certain multinational group companies to pay substantially less tax in Belgium since 2005 on the basis of tax rulings. The scheme reduced the corporate tax base of companies by between 50% and 90% to discount for so-called "excess profits" that allegedly result from being part of a multinational group. Some technical issues linked to the takeover of the perception of inheritance and registration taxes by the Flemish government were also discussed.

The NAI explained that the time of recording of excise duties had been changed to pure cash due to the shortening of the deadlines to pay.

As regards the tax amnesty of 2013, the NAI explained that the amounts were recorded in 2014 and 2015, as government took time to treat the dossier.

The NAI explained that, in Belgium, all the tax credits are payable and confirmed that the treatment for payable tax credits had been changed in order to follow the specific provisions in ESA 2010.

The NAI explained the reasons for a change in the coefficient to calculate the amounts of social contributions unlikely to be collected. It was confirmed that the previous method, which deducted a fixed amount of EUR 250 mn, had been changed. A new method to calculate the coefficient is now in place and leads to the deduction of lower amounts. It was confirmed that the new methodology had been applied as of year 2012.

The NAI explained the reason why no explicit correction for amounts unlikely to be collected is applied to D.613 (Household's actual social contributions). According to the NAI, it is assumed that household contributions are always paid (they are in practice mostly paid by employers) and that only the employers do not pay all of their social security contributions. The calculation of the coefficient, which is calculated globally, is described in the questionnaire on taxes and social contributions transmitted to Eurostat.

Concerning the "excessive profits" tax scheme, on the 11 January 2016 the EC concluded that the advantages granted by Belgium under its "excessive profit" tax scheme are illegal under EU state aid rules (see IP/16/42). The scheme has benefitted at least 35 multinationals mainly from the EU, who must return unpaid taxes to Belgium. The amounts to be recovered were estimated by the EC around EUR 700 mn. The

³⁷ Office Nationale de Sécurité Sociale

Commission decision required Belgium to stop applying the "excess profit" scheme also in the future.

Eurostat asked about the reliability of the amount to be collected (700 mn) and whether the Belgian government would appeal. Eurostat underlined that it was crucial to check the likelihood that the amount would be paid. Eurostat recalled the rules for the time of recording of Court decisions as well as the importance of being prudent with the recording of government revenue unlikely to be collected. The NAI agreed to investigate the issue and confirmed that it was not likely that the amount would be recorded as government revenue in 2016Q1.

The NAI informed Eurostat that the takeover of the collection of inheritance and registration taxes by the Flemish government from 2015 had led to some issues. The NAI explained that there had been delays in their collection and a drop in receipts. As regards the inheritance tax, the NAI confirmed that no changes were foreseen of the current time of recording of TAC with a time lag of two months. As for the registration taxes, the NAI explained that it was foreseen to change the current method (based on pure cash) to TAC and that the time lag to be applied was still under discussion. The NAI confirmed that despite the takeover by the regions, the accrual adjustment for taxes would still be done by the NAI.

Main findings and conclusions

Action Point 26: The Belgian Statistical Authorities will investigate the facts concerning the decision taken by the EC in January 2016, that corporations concerned by the "Excessive Profit Scheme", should return unpaid taxes to the Belgian State. *Deadline: The NAI should inform Eurostat regularly on the progress achieved and on the amounts recorded in government accounts*³⁸.

4.2.2. Interest

Introduction

Eurostat raised some technical questions on the table on interest, which had been filled in by the NAI before the mission.

Discussion

Eurostat thanked the NAI for providing this table and confirmed that the differences between the figures reported in GFS and EDP was explained by FISIM (GFS tables include data after FISIM, while EDP includes data before FISIM).

The NAI explained that the Building Blocks project had been useful for the compilation of this table.

Eurostat pointed out that the totals were missing in the table and should be included. Eurostat made a number of technical comments, and asked the NAI to provide Eurostat with an updated table.

³⁸ At the 2017 April Notification, the NAI explains the recordings of the payments of corporations in the ESA public accounts of the years 2016 and 2017.

Eurostat remarked that no accrual adjustment was undertaken for interest at the level of local government. The NAI explained that, in general, interest paid and accrued by local government was expected to be close and that having a specific questionnaire for this item would be too costly. This is because the adjustment would only concern loans paying monthly interest, which account for most of the debt of the local government. Eurostat encouraged the NAI to investigate the materiality of the adjustment concerning local government and to make some estimates to be included in EDP table 3D, if necessary.

Main findings and conclusions

Action Point 27: The Belgian Statistical Authorities will provide to Eurostat the updated excel table for interest, as discussed during the visit, and will investigate the materiality of the adjustment for interest accrued/paid in the local government sector and, if necessary, make an estimate of the amount (to be included in EDP table 3D). *Deadline: April 2016 EDP Notification*³⁹

4.2.3. Recording of SMP and ANFA payments to Greece in 2015

Introduction

In 2015, Eurogroup Member States were given the possibility to suspend ANFA payments until further notice and, therefore, the obligation that the ANFA transfers are to be made by 30 June 2015 was no longer in place. According to the Greek authorities, there were no cash payments from Member States to Greece by the end of August 2015.

Eurostat raised the issue in order to confirm the treatment to be applied in April 2016 for ANFA payments by EU countries to Greece, which are recorded as D.74 expenditure, current international cooperation.

Discussion

Following the 2015 developments, Eurostat was of the view that the accrual time of recording in Q2 of each year (regardless of the actual cash settlements) should not be applied in 2015. Eurostat considered that the amount of 595.5 mn euro related to foreseen ANFA transfers should not be considered as revenue for Greece in 2015Q2 (nor as expenditure of EU countries).

ANFA payments consist for the NCB that invested in Greek bonds to pass back to Greece gains made on them. Those gains reflect the high yields at which those bonds (which were exempted from the PSI haircut) were acquired. These amounts transferred are deemed to be transferred by each NCB concerned to its own government (which then records a revenue), which then passes them to the Greek government (with a matching entry as expenditure, such that the event is neutral for the B.9 of the government in question). ANFA transfers were deemed to be recorded in the second quarter of each year, until the Eurogroup 2015 decision to suspend them.

Eurostat stated that ANFA future transfers should be recorded as government revenue/expenditure only in case there would be a new Eurogroup decision inviting Member States to transfer the amounts. The time of recording would be the time the Eurogroup stipulates that the transfers are to be made. In the absence of a new Eurogroup

³⁹ This action point was implemented.

decision, in case a Member State decides to transfer the ANFA payments to Greece voluntarily, government revenue can be recorded at the time the transfer is made in line with the provisions of ESA 2010 4.123 on voluntary transfers.

Eurostat had understood that 53 mn had been recorded as D.74 expenditure of Belgium in 2015Q2 (together with a matching revenue). The NAI took note of Eurostat's explanation and agreed to make the necessary corrections.

4.2.4. Contribution to the EU budget

Discussion

Some technical issues related to the adjustment for the EU budgetary contribution in years 2014 and 2015 were briefly clarified.

4.3. Recording of specific government transactions

4.3.1. Government transactions in the context of the financial crisis

Introduction

Before the mission, the NAI had sent a note describing the main transactions, as well as some comments to the supplementary table for government interventions to support financial institutions. Eurostat took note of the main transactions reported for year 2015 and the comments provided by the NAI in relation to the update of the table.

Discussion

The NAI confirmed that, in December 2015, KBC reimbursed the Flemish Community the last instalment of the 3.5 bn loan contracted in 2009 in the form of hybrid capital. The reimbursement amounted to 2 bn plus a penalty of 1 bn (total transaction was -3 bn in AF.519).

The NAI was invited to continue to monitor the developments of the ARCO dossier. In July 2014, the EC considered that the guarantee provided to ARCO constituted illegal state aid. The EC established that ARCO should reimburse EUR 147 mn to the Belgian Government. The decision has been contested by the Belgian Government. ARCO is under liquidation and it is not certain whether it will be in a position to pay to the Belgian Government. The NAI confirmed that no amounts had been recorded so far in the accounts of 2014 and 2015.

The NAI confirmed that the line for "other assets and liabilities of other government structures in S.13" included in the table, reflects the amounts for Vitrufin and Dexia Holding.

The NAI asked for an improvement of the table, to bring it closer to ESA concepts, while underlining that it was a table for analysis, not being part of the ESA reporting. The NAI also suggested that the reporting to ECB and to Eurostat on these matters be more actively coordinated. The ECB appreciated the effort to develop these data, and confirmed that the figures are used by the ECB.

Main findings and conclusions

Action Point 28: Eurostat took note of the remarks of the NAI concerning the supplementary table for the financial crisis and invited the NAI to suggest template improvements. The NAI will update the supplementary table for the financial crisis and will continue to monitor the legal case concerning ARCO. *Deadline for template suggestions: 15 February 2016*⁴⁰; *Deadline for providing updated table: April 2016 EDP Notification*⁴¹; *Deadline for ARCO: Continuous*⁴²

4.3.2. Treatment of green certificates and other similar schemes

Introduction

Before the mission, there had been some exchanges describing the general framework of Green Certificates in Belgium, and, in particular, in the region of Wallonia.

In 2002, the Walloon government introduced the Green Certificates (GC) mechanism in order to promote the development of renewable energy in the region. Such mechanism provides financial support measures for the producers of renewable energy while, at the same time, placing an obligation on electricity suppliers to provide an increasing proportion of energy from renewable sources. Although the scheme has been designed and introduced by government, there is no direct involvement of government in the cash flows related to the scheme.

According to the GC scheme, producers of renewable energy in Wallonia receive "Green Certificates" from government (for free) for each Mwh produced. Such green certificates can be sold in the market and are valid over a period of 5 years.

The regional legislation on energy places an obligation on electricity suppliers in Wallonia to provide (to final users) an increasing proportion of electricity produced in the region from renewable sources. Suppliers meet their obligations by presenting green certificates to the energy regulator (CWaPE). Where suppliers do not have sufficient green certificates to cover their obligation, a payment of EUR 100 per missing certificate is to be made to the regulator.

The number of green certificates granted over the past years has been much higher than the number of certificates redeemed (i.e. presented to CWaPE) dropped from the system, creating an excess in the offer of green certificates in the market. From the year 2006 onwards, there has been an excess of GC on the market, peaking in 2012 with an accumulated stock of around 4,000,000 of GC. In order to absorb the surplus of GC and to avoid a collapse of the value of GC on the market, the government has taken the following actions:

- The enforcement of several decrees increasing the quotas of GC that should be presented by energy suppliers to the CWaPE.

⁴⁰ This action point was implemented.

⁴¹ This action point was implemented.

⁴² At the 2017 April Notification, the NAI recalls that for the time being no amount concerning ARCO was recorded in the ESA public accounts.

- An obligation set by government on a specific unit (Elia) to purchase the certificates at a fixed price (65 euros in most cases, which is above the market price). Producers of renewable energy have the choice to sell the green certificates on the market, or to ask Elia to purchase them at the guaranteed price set in the legislation. Certificates purchased by Elia return to the Walloon energy regulator (CWaPE) for free and are dropped from the system. Elia should normally incur no loss in relation to the purchase of GC imposed by the Region, as it has the right to recover the amounts spent via an increase in the rates charged to consumers for the transport of electricity service provided.
- The "*operation de portage*" of 2015, allowed Elia to sell an amount of GC to a third party, which should keep them in a "reserve", storing them temporarily and allowing the temporary removal of such GC from the system. The purchasing entity is Solar Chest SA, an SPV newly created for this purpose and jointly owned by two public entities classified in the local government subsector. Solar Chest SA would purchase green certificates from Elia at a set price of 65€ per certificate and up to a total amount of EUR 300 mn. This would temporarily balance the supply and the demand, removing the current excess of GC currently held by Elia. The purchase would be financed by the issuance of debt securities by Solar Chest. The interest on the debt securities issued, as well as all other management costs incurred by Solar Chest SA, will be paid by Elia.

The actions taken by government were discussed in detail in order to assess the possible implications for the deficit and debt. Eurostat pointed out the main issues to be analysed, which are: (a) the nature of the green certificates and the possible recording of a tax and subsidy scheme on the one hand and, (b) the '*opération de portage*' and the sector classification of the SPV on the other hand.

Discussion

The NAI confirmed that Eurostat's understanding of the measures was correct.

Eurostat expressed its preliminary view that the fact that certificates were given for free and then surrendered entailed a redistribution component and that it seemed reasonable to record a subsidy on production granted to green producers. Concerning the obligation imposed to energy suppliers, Eurostat considered reasonable to record a tax (to be discussed, whether on products or on production). Eurostat pointed out that, although the tax and subsidy scheme would be B.9 neutral over time, on a yearly basis, the tax and the subsidy could perhaps be recorded at different moments in time (impacting B.9 on a yearly basis). The NAI pointed out that the recording of tax and subsidy schemes was still under discussion in the EDPS WG and in the Task Force on EDP methodological issues.

The NAI confirmed the issuance of EUR 275 mn by the SPV Solar Chest in 2015 and the fact that Solar Chest has started buying GC from Elia at a price of EUR 65 mn. It was agreed that the SPV Solar Chest should be classified in the government sector and that the debt issued should be part of government debt. Concerning the sale of permits by Elia to the SPV, it was agreed that it could not be treated as a true sale of assets and that it had similar features to repo agreements, therefore a financing agreement should be recognised.

The discussion focused mainly on the measures taken in the region of Wallonia. Eurostat asked on the situation in the other regions and at the Federal level. The NAI explained that very similar schemes to the one in Wallonia were in place in the region of Brussels and at the Federal level and that the scheme in Flanders presented wider differences. The NAI was asked to monitor the issue.

Main findings and conclusions

Action Point 29 (previous Action Point 30): In relation to the green certificates in Wallonia, Eurostat agreed that the SPV Solar Chest is to be classified by the NAI in the government sector and suggested that the purchase of certificates is treated as a repo (to be recorded as a loan asset). *Deadline: April 2016 EDP Notification*⁴³

Action Point 30 (previous Action Point 31): Concerning all existing green certificates schemes in Belgium, the Belgian Statistical Authorities are invited to record a subsidy on production matched by a tax in the government accounts. The exact time of recording of both transactions and possible impact on B.9 is pending further discussion in the Task Force on Methodology. *Deadline: October 2016 EDP Notification (assuming that a conclusion will be reached in the Task Force on Methodology)*⁴⁴

4.3.3. Capital injections in public corporations, dividends, privatization

Introduction

Before the mission, the NAI had provided a note with the main transactions. During the mission, a couple of technical issues were raised.

Discussion

Concerning privatisations, the only transaction reported in 2015 was the repayment by KBC amounting to EUR 3 bn, of which EUR 1 bn referred to a penalty. As the instrument subscribed by the Flemish government took the form of hybrid capital, it was recorded as F.5 (and not as F.4). The NAI explained that, due to the recording as F.5, penalties paid on late payment were treated as revaluations, with no impact on government B.9.

Concerning dividends, the NAI explained that following legal changes, the intercommunales could be obliged to pay taxes as of 2016 and that, in order to avoid possible taxation, a very sizeable dividend had been paid in 2015 out of reserves. The NAI confirmed that this transaction would be treated as a super-dividend in the April 2016 EDP Notification.

Eurostat enquired on the dividend paid by KBC in 2015. The NAI explained that the dividend was paid in May/June 2015 and that the privatisation took place afterwards, in December 2015.

⁴³ This action point was implemented.

⁴⁴ This action point is outstanding, as the discussion is still ongoing.

Eurostat took note that the dividend paid by the National Bank of Belgium (NBB) in 2015 was lower than in previous years. The NAI explained that the financing provided by the NBB had decreased, leading to lower profits.

As regards capital injections, the NAI explained that very small capital injections may not be captured sometimes, but that all sizeable operations were duly identified. The NAI confirmed also that some loans are checked systematically, even if for small amounts. Concerning the Invests in the region of Wallonia, the NAI explained that, for each entity, the ten biggest transactions by event are analysed.

Eurostat enquired on the so called “avances récupérables”, which exist exclusively in the region of Wallonia and are of two types: one-off and standardised. The NAI confirmed that there had been no changes in the methodology. The capital injection test is applied for each one-off transaction. As regards the standardised transactions, the NAI recalled that expenditure is recorded in the accounts when the amounts are granted and that revenue is recorded when amounts are repaid. It was indicated that around 30% of the “avances récupérables” granted are reimbursed.

4.3.4. Public Private Partnerships and concessions

Introduction

The NAI submitted a number of documents on PPPs before the mission. Eurostat recalled the state of play concerning PPP projects and enquired on future projects in the pipeline. Eurostat enquired on the existence and the treatment of Energy Performance Contracts (EPCs) in Belgium.

Discussion

Eurostat recalled the state of play of the four PPP cases that were still open at the time: Brabo II, the Osterweel Link, the ViaInvest N60 and the Tram de Liège. Out of the four, only Brabo II had been signed.

The NAI confirmed that Brabo II and the Osterweel Link would go ahead despite Eurostat's opinion of on-balance sheet treatment for government. As regards the ViaInvest N60, the NAI informed Eurostat that an updated contract taking into account Eurostat's comments would be submitted⁴⁵.

As for the Tram de Liège, before the mission, Eurostat had already analysed three successive versions of the contract and had provided different letters of advice between March and December 2015, repeatedly expressing its view of on-balance sheet recording. In addition, different methodological issues affecting the analysis of the project were also discussed with the NAI in a bilateral meeting on 30 November 2015.

The NAI pointed out to some issues on which it could not agree with the analysis of Eurostat. The contentious points mainly referred to (a) the reductions for non-availability not being automatic, (b) the compensation in case of early termination, (c) the correction in the fee for the number of km, and (d) the benefits associated to the use of the asset. The NAI explained that the contract would most likely be redrafted and asked Eurostat to

⁴⁵ This was done by the end of January 2016. Eurostat replied with an official letter, which is publicly available.

clarify its position on a number of points as well as to explain the importance of the different features in the contract.

Eurostat enquired on new projects in the pipeline, which are mainly the bridges of Albert Kanaal, a new project for school buildings in Flanders, the Haren prison and the Leopold II tunnel. The NAI confirmed that the projects of Albert Kanaal bridges and the new school buildings⁴⁶ are very similar to the N60 contract, which was at that time an open case under discussion. The NAI clarified that the project for Haren prison, not yet signed, was similar to the projects for other existing prisons. Concerning Leopold II tunnel, the NAI explained that the contract was not available yet and that it was not clear whether it would take the form of a PPP.

Some technical issues regarding the recording of the ViaPass project, which is not a PPP, were clarified and the NAI provided the splits by item of the capital expenditure undertaken in 2014. In this project, only part of the assets would be considered government assets: the fixed equipment, the assets legally owned by government and the assets for which government takes the decision of removal at the end of the contract. It was clarified that these assets will mainly be the portiques.

As regards the amortisation of the debt for those projects recorded on balance sheet, the NAI explained that linear amortisation is applied, equal to the depreciation of the infrastructure asset. The NAI asked Eurostat's view on the issue and wondered whether applying IPSAS/IFRS rules for the amortisation of the debt would not be more appropriate. Eurostat stated not having a particular view on the issue, which had never been discussed and proposed to include the item as a point for discussion in the Task Force on EDP methodological issues.

Eurostat took note that the Flemish region (and not the NAI) would soon be ready to make the adjustments for all the PPP projects treated on-balance sheet.

The NAI explained that the Flemish Region intends to review the old contract for the Flemish Schools (on-balance sheet) in 2016, with the aim to reduce the imputed debt. The Region is investigating to provide direct financing to the SPV in the form of a loan (maybe higher than the construction cost), which could reduce the costs. The NAI is reflecting on the potential implications that this could have on government debt and raised the issue during the discussion. The main issues to be clarified are the control of the SPV, which could be considered as controlled by government (and consolidated) because of the minority blocking rights, the financing provided and also because the possible double counting on the debt.

There would be an actual loan asset (from government to the SPV) and an imputed loan liability from the SPV to government (the latter being higher, as it covers the total capital cost). According to the NAI, it would make sense to deduct from the imputed loan a part of the amounts given via the real loan, until it falls to zero. Eurostat was of the view that the patterns of the two debts (actual and imputed) would be completely different and that avoiding the double counting would be difficult. Eurostat stated that part of the direct financing could be considered as an advanced payment covering the construction cost and that just the remaining part could be considered as real debt. It was concluded that

⁴⁶ Both contracts were submitted to Eurostat during 2016. Eurostat sent official advice on both, which are publicly available.

further reflection was needed on this issue. The NAI confirmed that the direct financing was hypothetical and that nothing had been signed yet.

It was explained that the NAI had changed the reporting of PPPs in order to cover as well EPCs and concessions. The NAI explained that Energy Savings Companies (ESCOs) started to exist in a limited scale at the local government level. The NAI explained that PPPs, EPCs and concessions existing at local government level are always treated as financial leasing (on-balance sheet). Eurostat asked the NAI to provide further information on EPCs.

Main findings and conclusions

Action Point 31 (previous Action Point 32): The Belgian Statistical Authorities will provide Eurostat with a note on the existence of Energy Performance Contracts in Belgium, including the data source used, the statistical treatment followed and the amounts concerned. *Deadline: April 2016 EDP Notification*⁴⁷

4.3.5. Emission trading schemes

Introduction

Based on the new MGDD 2016, the NAI proposed to change the calculation for the emission trading schemes. The change will lead to a sizeable increase in the amounts of tax revenue being recorded. Eurostat raised a number of questions on the changes foreseen in the calculation.

Discussion

The NAI explained that the change would mainly consist in changing the average price for the number of certificates surrendered.

The NAI confirmed that, since 2014, permits are sold in auctions, and not anymore granted for free. Eurostat pointed out that, according to the calculation, some permits seem to be still given for free. Eurostat recalled that permits given for free are not recognised as taxes when they are surrendered.

The NAI indicated that it was not possible to identify whether the permits surrendered had been given for free or not. Eurostat explained that, in such a case, a price of zero should be taken into account in the average price.

The NAI indicated that the new MGDD offers the possibility to use a 'FIFO' method as a practical second best solution. This 'FIFO' method is based on the hypothesis that the first permits surrendered are those that have been auctioned. The NAI explained that they had followed this approach, foreseen in the MGDD 2016 in order to update the calculation.

Eurostat pointed out that the updated method was *de facto* going back to a cash recording as well as possibly leading to strange implicit prices. Eurostat wondered if this had been the intention of the EDPSWG. As a result, it would be normal that no adjustments appear for this item in EDP tables. Eurostat agreed to examine in detail the new methodology proposed by the NAI.

⁴⁷ This action point was implemented.

Main findings and conclusions

Action Point 32 (previous Action Point 29): Eurostat took note of the changes foreseen by the NAI in the calculation of tax revenue related to Emission Trading Schemes and will examine the proposed recording. *Deadline: April 2016 EDP Notification*

4.3.6. Other transactions:

- **Financial derivatives**

Introduction

Eurostat raised a number of issues following the two documents provided by the NAI before the mission.

Discussion

The NAI confirmed that there were no swap restructuring transactions. As regards off-market swaps, the NAI recalled that there was a sizeable transaction in 2002 (EUR 0.5 BN), which was recorded as a loan liability and amortised over 10 years, in line with the national accounts rules.

Concerning foreign exchange bills, it was confirmed that the Treasury booked interest after swap. Eurostat recalled that, as regards the B.9 effect, interest should be booked before swap but that, for the debt, it should be booked after swap. The NAI explained that the Treasury is currently reporting foreign exchange bills as T-bills instead of as swaps and that these instruments were normally intra-annual. Eurostat took note that the recording of forex T-bills issued was not fully in line with the requirements and invited the NAI to examine the issue and include the necessary correction to B.9 with an entry in the line for derivative in EDP table 3 and/or in the line for appreciation/depreciation of foreign currency debt.

The NAI informed Eurostat that the notional value of the stock of currency swaps was around EUR 5 bn. The NAI clarified that interest flows for FRAs are treated as financial transactions. The NAI informed Eurostat that the redemption of financial derivatives by around EUR 700 mn would be reported for year 2015 in the April 2016 EDP Notification.

Main findings and conclusions

Action Point 33: Eurostat took note that interest on foreign exchange bills is currently recorded after swap. The NAI will examine the materiality of the deviation from the ESA rules and will carry out the necessary corrections. *Deadline: April 2016 EDP Notification*⁴⁸

- **Guarantees**

Discussion

The NAI explained that they would change the treatment of guarantees provided by a public unit in Flanders. The entity provides guarantees to companies in the Flemish

⁴⁸ This action point was implemented.

Region for small amounts (each guarantee being below EUR 1 mn). Eurostat took note that, from the April 2016 EDP Notification, those guarantees will be treated as standardised guarantees instead of as one-off guarantees.

- **UMTS and LTE**

Introduction

In the case of all licences granted after 2010, the proceeds from the sale have been recorded as revenue at the time of granting, regardless of the contractual payment arrangements. According to the note provided by the NAI, the proceeds from licences granted in 2015 amount to around EUR 172 mn.

Discussion

The NAI explained that some of the licences granted in 2015 are not new and are just the prolongation of old licences that expired in 2015.

Eurostat recalled that the treatment of licences was currently under discussion in the EDPS WG and pointed out that a treatment as prepayment of rent (F.89) was envisaged, instead of the current recording as sales of non-financial assets.

The NAI explained that they had not reflected yet on changing the current treatment as sales of non-financial assets and agreed to follow the outcome of the ongoing discussions.

- **Disposals of non-financial assets by general government. Sale and leaseback operations**

Discussion

The NAI confirmed of not being aware of sale and leaseback transactions carried out by government in Belgium.

- **Re-routing of transactions, assets and liabilities through government accounts**

Discussion

The NAI confirmed that the transactions currently reported in the table 13 for re-routing were mainly those suggested by Eurostat, such as the transactions related to the transfer of claims of the Berlaymont building and the exit of Electrabel from the DSO's capital. The NAI confirmed that the "*missions déléguées*"⁴⁹ were not reported in the table for re-routing.

- **Nuclear decommissioning**

Introduction

⁴⁹ See findings of 2014 visit.

No information on nuclear decommissioning had been provided to Eurostat before the mission. Eurostat is aware that the private entity Electrabel operates seven nuclear reactors: four in Doel and three in Tihange. It seems that the operation life of most reactors will continue at least until 2025.

Eurostat asked the NAI to provide information on the state of play and the accounting implications foreseen for nuclear decommissioning in Belgium.

Discussion

The NAI explained that, in Belgium, nuclear operators are responsible for cleaning up nuclear waste and will have to pay for the waste generated. Electrabel has therefore been forced to make provisions over the years. The NAI explained that an entity (Ondraf, currently classified in S.13), will receive the waste and will manage it over 100 years in exchange of a fee. It was confirmed that, for the moment, the main client of Ondraf is government. However, once the decommissioning process starts, the main client will be Electrabel. Eurostat asked the NAI to provide a formal document on the issue.

Main findings and conclusions

Action Point 34: The NAI will provide Eurostat with a note on nuclear decommissioning in Belgium.

*Deadline: April 2016 EDP Notification*⁵⁰

(5) **Other issues**

(6) **Conclusions and action points**

⁵⁰ This action point was implemented.

Annex 1

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Annex 2

Eurostat EDP dialogue visit to Belgium 21-22 January 2016

Final Agenda

- (1) **Statistical capacity issues**
 - 1.1. **Institutional responsibilities in the framework of the compilation and reporting of EDP and government finance statistics**
 - 1.1.1. Inter-institutional protocol for the compilation of EDP statistics
 - 1.1.2. Cooperation agreement adopted in Belgium on the 15th of July 2014
 - 1.2. **Data sources and revision policy**
 - 1.2.1. Changes in data sources
 - 1.2.2. Data availability for implementing the accrual principle
 - 1.2.3. Building Blocks project
 - 1.2.4. Data sources for the compilation of local government figures
 - 1.2.5. EDP inventory
- (2) **Follow-up of previous EDP visits**
- (3) **Follow-up of the October 2015 EDP reporting – analysis of EDP tables**
 - 3.1. **Calculation of the working balance in EDP tables and reporting of economic groupings**
 - 3.2. **Size of statistical discrepancy**
 - 3.3. **Transaction related to the equity disposal of Electrabel in the distribution system operators**
 - 3.4. **The recording of leasing transactions in the regions**
- (4) **Methodological issues and recording of specific government transactions**
 - 4.1. **Delimitation of general government, application of market/non-market rule in national accounts**
 - 4.1.1. Latest developments and changes in sector classification since the last EDP dialogue visit
 - 4.1.2. Questionnaire on government controlled entities classified outside the general government sector

4.1.3. Sector classification of public hospitals

4.1.4. Sector classification of other units:

- Data Centre in the Region of Brussels (DCR) and Irisnet 2
- Écoles livres

4.2. Implementation of the accrual principle

4.2.1. Taxes and social contributions

4.2.2. Interest

4.2.3. Recording of SMP and ANFA payments to Greece in 2015

4.2.4. Contribution to the EU budget

4.3. Recording of specific government transactions

4.3.1. Government transactions in the context of the financial crisis

4.3.2. Treatment of green certificates and other similar schemes

4.3.3. Capital injections in public corporations, dividends, privatization

4.3.4. Public Private Partnerships and concessions

4.3.5. Emission trading schemes

4.3.6. Other transactions:

- Financial derivatives
- Guarantees
- UMTS and LTE
- Disposals of non-financial assets by general government. Sale and leaseback operations
- Re-routing of transactions, assets and liabilities through government accounts
- Nuclear decommissioning

(5) **Other issues**

(6) **Conclusions and action points**