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Directorate D: Government Finance Statistics (GFS) and quality
Unit D-3: Excessive Deficit Procedure (EDP) 2

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FINAL FINDINGS

EDP dialogue visit to Luxembourg

15-16 March 2016

Executive summary

Eurostat carried out an EDP dialogue visit on 15-16 March 2016 with the aim to discuss with the Luxembourgish statistical authorities statistical issues related to the compilation and reporting of EDP data.

Several methodological and technical issues were reviewed during the meeting with the Luxembourgish statistical authorities. The main points discussed during the meeting are the following:

STATEC confirmed that there have been no changes in the responsibilities of the institutions involved in the compilation and reporting of EDP statistics. It was agreed that STATEC will provide Eurostat with the mandate of the subgroup on budgetary statistics of the Committee of public statistics.

Eurostat indicated that it is important for STATEC to finalise the new Inventory of sources and methods as soon as possible after the meeting. STATEC agreed to send to Eurostat the parts of the document that are ready and the remainder in the course of the months after the April 2016 EDP notification.

Regarding the quality of the reported EDP data, Eurostat asked STATEC to establish regular contacts with the National Audit Institution with a view to improve the quality of data on government transactions.

The major issue of recurrent statistical discrepancies was examined in detail. It was agreed that all institutions involved will accelerate efforts to address the problem decisively:

- *The Treasury will outline in a document the cash accounting system of the State as well as the content and frequency of data provided to STATEC. Eurostat will receive this document from STATEC.*
- *STATEC will provide Eurostat with a note on the works of the Working group which will be set up in cooperation with the IGF and the Treasury with the aim to investigate in detail the reasons of statistical discrepancies.*
- *The Treasury will identify in its accounts all financial and to non-financial transactions and provide the relevant information to STATEC; it will also consider how to compile other accounts receivable/payable in the financial accounts.*
- *The Ministry of Interior will accelerate efforts in order to implement the new integrated public accounting system for the local government earlier than planned.*

Moreover, measures to improve the compilation and the reporting of data on other accounts receivable/payable (especially for the social security funds subsector) and of data on trade credits were extensively discussed and agreed with STATEC and the Ministry of Finance.

In relation to the changes in the accounting systems of general government subsectors, Eurostat pointed out the importance of the active involvement of STATEC in the development and implementation of the new accounting systems in order to ensure that the data needs of EDP reporting are fully satisfied.

On the issue of the overestimation of expenditure on investment projects of central and local government, Eurostat urged the IGF and the Ministry of Interior to make all possible efforts in order to incorporate all information available at the beginning of year (n) in their estimation of investment expenditure for the year (n-1) reported to STATEC for the first EDP notification.

In the context of the discussion on the delimitation of general government, Eurostat asked STATEC to re-examine the sector classification of hospitals and inform Eurostat about the conclusions of this analysis.

A series of other technical and methodological issues were discussed covering the statistical recording of government guarantees (including standardised guarantees), emission permits, sale of mobile phone licences, and deferred tax assets.

Introduction

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009, as amended, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Luxembourg on 15-16 March 2016.

The delegation of Eurostat was headed by Ms Madeleine Mahovsky, Head of Unit D3: Excessive deficit procedure. Eurostat was also represented by Mr Stelios Pantazidis, Mr Denis Besnard, Ms Monika Wozowczyk, and Ms Elodie Boumokonia. Representatives of the Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers.

The Luxembourgish authorities were represented by STATEC (l'Institut National de la Statistique et des Études Économiques du Grand-Duché du Luxembourg), the Ministry of Finance, the Inspection Générale des Finances (IGF), the Ministry of Interior, the Trésorerie, the Inspection Générale de la Sécurité Sociale (IGSS) and the Central Bank (Banque Central du Luxembourg – BCL).

Eurostat carried out the EDP dialogue visit with the aim to review with the Luxembourgish statistical authorities issues related to the compilation and reporting of EDP data.

Eurostat appreciated that the Luxembourgish authorities contributed to the smooth organisation of the meetings as well as the useful documentation provided in time before the visit.

1. Statistical institutional issues

1.1 Institutional responsibilities

Introduction

According to the EDP consolidated inventory (as of January 2008), the Ministry of Finance (General inspectorate of Finance, IGF) is the EDP reporting authority. The National Statistical Institute (STATEC) is responsible for the compilation of EDP data. The Central Bank of Luxembourg has a very limited role in EDP reporting.

During the meeting the responsibilities of the Institutions involved in the compilation and reporting of EDP statistics were reviewed in detail.

Discussion

The Luxembourgish statistical authorities confirmed the role of the IGF as the formal EDP reporting authority and the leading role of STATEC in the compilation of all ESA 2010 data. It was also confirmed that the financial accounts are compiled by the Central Bank except for the financial accounts of general government which are compiled by STATEC. Eurostat mentioned the problems encountered in the course of the October 2015 EDP notification (irregularities with regard to the deadline and transmission mode) and inquired about the measures that the Luxembourgish statistical authorities have taken to address these problems.

Luxembourgish statistical authorities referred to the new statistical law (2012) which provides for the establishment of the Committee of Public Statistics as part of the National Statistical System. In this context, a subgroup working on budgetary statistics has been established under the presidency of STATEC. The group convenes at least twice per year before the EDP notifications with the aim to better coordinate the EDP reporting procedures.

Findings and conclusions

STATEC will provide Eurostat with the mandate and the rules of procedures of the subgroup on budgetary statistics of the Committee of Public Statistics by the **April 2016** EDP notification (**Action point 1**)¹.

1.2 Data sources and revision policy, EDP inventory

Introduction

The State budget is the main source of information on the State's transactions. For the other (non-budgetary) central government units the main data sources are the current and capital expenditure and revenue for special funds and the profit/loss accounts for public establishments. Budget reporting is the source of data for municipalities and localities while information on social security funds is derived from income statements and balance sheets of individual funds.

Under this agenda point, Eurostat also recalled that the Inventory of EDP sources and methods has not been updated since 2008 (last version available to Eurostat) and the timetable for completion of the Inventory in the new template was discussed.

Discussion

STATEC informed the participants that there have been no changes in data sources. However, it was also mentioned that from 2013 onwards, a new accounting system is in place and used for collection of information on transactions of local government subsector.

Regarding the pending issue of the new EDP Inventory (in the new template endorsed by the CMFB in June 2012, adapted to ESA 2010 in 2014), STATEC invoked the lack of resources as the main reason for the delay in delivering the complete updated text of the Inventory on time. Eurostat recalled that the ESA 2010 inventories had been due by end of 2015 to accelerate matters. STATEC agreed to send to Eurostat for review by the April 2016 EDP notification a part of the new inventory (approximately 20%) which had been finalised and the remainder in the following months with a view to publishing the whole text before the October 2016 EDP notification. In the same context, Eurostat reminded of the need to provide also the four surveys (on EU flows, on recording of interest in EDP tables, on hospitals, and on universities) as annexes to the EDP Inventory. STATEC mentioned that these surveys could be provided shortly after the meeting.

¹ This action point has been completed.

Findings and conclusions

STATEC will provide Eurostat with those parts of the updated EDP inventory which are ready for review in the course of the **April 2016** EDP notification. The remaining parts and the updated relevant annexes will be provided to Eurostat in the course of the next months and must be ready for publication before the **October 2016** EDP notification at the very latest (**Action point 2**)².

2. Follow-up of the of the previous EDP dialogue visit

Introduction

The last EDP dialogue visit took place on 14 May 2013. Eurostat shortly reviewed the implementation of the action points resulted from that visit. Most of the action points were considered to have been implemented. However, there were seven still pending actions.

Discussion

Eurostat enquired about the reasons for the non-implementation of the pending action points. STATEC explained that the lack of resources was the main reason for the observed long delay. Eurostat stressed that it is important to have the agreed action points implemented within the set deadlines. It was agreed that Eurostat will be informed in case of any delays in the implementation.

In the same context (as a follow-up to action point 3 of the 2013 EDP dialogue visit), the issue of cooperation between the national audit institutions (NAI) and NSIs with a view to improving the quality of government statistics was discussed. It was recalled by Eurostat that the NSIs were requested (by the agreement of Working Group (WG) Meeting "Quality Management in GFS" of 2012) to contact the respective NAIs and provide feedback to Eurostat on these contacts by 8 May 2013.

STATEC informed Eurostat that no formal contacts have been established so far with the Luxembourgish National Audit Office. STATEC was urged to do so as soon as possible.

Findings and conclusions

STATEC will establish contacts with the National Audit Institution with a view to improving the quality of data on government transactions. STATEC will provide feedback to Eurostat on these contacts as soon as possible (**Action point 3**)³.

² STATEC provided an intermediate version of the EDP inventory which will be reviewed by Eurostat

³ At the time of writing of these findings no information has been provided yet by STATEC.

3. Analysis of EDP Tables and related Questionnaires- follow-up of the October 2015 EDP reporting

3.1 EDP Table 3

3.1.1 Statistical discrepancies

Introduction

The presence of high statistical discrepancies in EDP table 3 is not a new phenomenon. In fact, the issue was already discussed in the EDP DV of 2013. It was then agreed that STATEC would analyse the issue and report the results of the analysis to Eurostat by end-August 2013.

Yet, high statistical discrepancy was observed also in the October 2015 EDP reporting. STATEC then attributed the persistence of the discrepancy to some problems in central government accounts, related amongst other reasons to the reclassification of Société nationale des Chemins de Fer Luxembourgeois, (CFL) which required many changes in the accounts of the whole reporting period.

Discussion

The discussion focused on key points described in a note provided to Eurostat by STATEC before the meeting. STATEC reiterated the main conclusion of its investigation that "the statistical discrepancy in Table 3 mainly comes from central government and for a minor part from local government."

During the discussion the basic elements of the accounting systems determining the scope of the information available in data sources currently employed by the Luxembourgish statistical authorities were extensively described by the representatives of the Institutions involved in the procedures of EDP reporting (Treasury, IGF). The representative of the Treasury explained that for central government there was not a fully integrated system. The existing system is not producing full information on receivables/payables. It was mentioned that no comprehensive financial balance sheet is compiled although there is a legal obligation to provide data on relevant government financial positions. However, the legislation does not provide for detailed definitions. Moreover, the system covers only the budgetary central government. Public establishments provide separately to STATEC information on an accrual basis.

Eurostat stressed that the problem of statistical discrepancy should be solved as soon as possible and that Eurostat needed to be reassured that STATEC will address the issue decisively.

STATEC pointed to the problems related to compilation of financial accounts based on the information available in the source data. It was mentioned that the existing information did not distinguish between cash flows relating to financial and non-financial transactions and cash flows occurring in relation to transactions budgeted in the past year and in first months of the current year because of the overlapping years of budgeting. As a result, this data could be used only partially to measure flows and positions in financial instruments and some inaccuracies could occur.

Eurostat pointed out that it is important for the Treasury to identify cash flows related to financial and non-financial transactions and provide this information to STATEC.

Regarding local government, STATEC explained that the same factor as for accounted for the discrepancies in this subsector central government: the accounting system is not a closed integrated system. STATEC expected that with the new accounting plan introduced for municipalities in 2013, better quality financial information will be produced contributing to reduce discrepancy between B9 and B9f. Presently, however the new accounting system produces information only on non-financial transactions. Financial information is compiled based on the counterpart information (banking statistics). The representative of the Ministry of Interior mentioned that the new accounting system will be fully operational by 2018.

Eurostat emphasised that it would be necessary to accelerate efforts to implement the integrated public accounting system for local government as early as possible and clearly before 2018 in order to ensure the quality of information on local government transactions and thus contribute to reducing statistical discrepancies.

STATEC informed Eurostat about the creation of an intra-institutional working group which will be dealing with the issue of statistical discrepancies.

3.1.2 Data on Receivables/payables

Introduction

In the October 2015 EDP notification, Eurostat observed significant revisions to receivables/payables (F8) data due mainly to changes in the accounts of Social Security Funds. STATEC then clarified that the revisions were mainly due to finalisation of the accounts of SSF after the changes introduced in 2013. STATEC was to start investigating the issue and inform Eurostat about the results of this investigation.

Discussion

STATEC explained that the main source of information on receivables/payables is the IGF for non-financial accounts and underlined the lack of information on receivables/payables for financial transactions.

Eurostat urged the Treasury to develop a compilation system for accounts receivable/payable in financial accounts. It was also pointed out that a better coordination amongst STATEC, the Treasury and the IGF should be ensured in order to correctly allocate transactions in the corresponding budgetary years. The attribution of observed flows to specific ESA transactions seems to be a problem also for the SSFs after the introduction of a new accounting system in 2013.

Eurostat urged all parties involved in the production of data on receivables/payables to accelerate efforts in order to ensure the consistency of the information obtained from several sources.

The discussion concluded with an agreement on technical changes in the way information is reported in EDP Questionnaire tables 4.1.1 and 4.1.2 and the EDP table 2D on Social

Security Funds. It was also agreed that the bridge table used for the compilation of ESA data for SSFs will be provided to Eurostat as an additional information in the next EDP notifications.

Closing the discussion under this section, Eurostat underlined that it is important for STATEC to be informed and involved in the procedures when changes in the accounting systems of government subsectors are decided.

Findings and conclusions

The Treasury will provide Eurostat (via STATEC) with a note describing in detail the cash accounting system of the State and the content and frequency of data provided to STATEC by the **October 2016** EDP notification (**Action point 4**)⁴.

Regarding the Working group which will be set up in cooperation with the IGF and the Treasury with the aim to investigate in detail the reasons of statistical discrepancies, STATEC will provide a note explaining (i) the mandate of the group and the respective roles of the different institutions as well as (ii) its action plan with milestones by end of July 2016 and (iii) keep Eurostat informed on the progress of this work (Progress report by the October 2016 EDP notification) (**Action point 5**)⁵.

The Treasury will identify cash flows related to financial and to non-financial transactions and provide the relevant information to STATEC; it will also consider how to compile other accounts receivable/payable in the financial account. STATEC will make full use of this information and the information provided by the IGF from the **October 2016** EDP notification. The three institutions together will correctly allocate the transactions into the respective budgetary years (**Action point 6**)⁶.

The Ministry of Interior will take the necessary measures in order to accelerate the implementation of the new integrated public accounting system for the local government and have it in place from **October 2017** (**Action point 7**).

STATEC will provide to Eurostat data on other accounts receivable/payable reported in tables 4.1.1-2 of the EDP Questionnaire by subsector and explain in detail the figure for transfers from central government to social security funds in 2013 in the course of the **April 2016** EDP notification (**Action point 8**)⁷.

In EDP table 2D on Social Security Funds, STATEC will report receivables/payables under other adjustments as reflecting differences in data sources by the **April 2016** EDP notification (**Action point 9**)⁸.

STATEC will provide Eurostat with the bridge tables used for the compilation of ESA data on social security funds in the course of the **April 2016** EDP notification (**Action point 10**)⁹.

⁴ At the time of writing of these findings no information has been provided yet by STATEC

⁵ Partly completed

⁶ At the time of writing of these findings no information has been provided yet by STATEC

⁷ This action point has been completed

⁸ At the time of writing of these findings no information has been provided yet by STATEC

⁹ This action point has been completed

STATEC should be consulted and involved in the procedures before changes in the accounting systems of the subsectors of general government are introduced (**Action point 11**)¹⁰.

3.2 EDP Table 4

Introduction

In the October 2015 notification, the compliance of the Luxembourgish EDP data with Eurostat's decision of July 2012 on the recording of operations related to trade credits was clarified. STATEC, after consulting the Ministry of Finance, declared that no factoring transactions occurred in relation to invoices issued by suppliers of goods and services to the government bodies in Luxembourg. There remained however some issues related to the quality of the reported information on government liabilities arising from trade credits and advances, one aspect of this being the degree of coverage of units.

Discussion

STATEC confirmed that according to the information received from the Ministry of Finance there have been no factoring transactions.

In the same context, Eurostat was informed by the Ministry of Finance that no information on trade credits is available for central government. It was mentioned that this will continue to be the case until the new electronic invoicing system is introduced.

Given the long timeframe envisaged for implementation of the changes to the invoicing system, Eurostat pointed out that until the new system is in place it would be useful for the Ministry to develop a transitory alternative method of collection of data on trade credits for central government (via surveys). The Ministry of Finance agreed to consider this approach.

Moreover, Eurostat asked STATEC to ensure the consistency of information on F.81 reported in EDP table 4 and the EDP Questionnaire Table 4.1.2.

Findings and conclusions

The Ministry of Finance will consider alternative methods for collecting information on trade credits for central government until the new electronic system is fully implemented and inform Eurostat in a progress report by the **October 2016** EDP notification (**Action point 12**)¹¹.

Regarding trade credits, STATEC will check the transactions in F.81 reported in Questionnaire Table 4.1.2 and ensure the consistency with the figures on stock of trade credits reported in EDP Table 4 during the **April 2016** EDP notification (**Action point 13**)¹²

¹⁰ At the time of writing of these findings no information has been provided yet by STATEC

¹¹ At the time of writing of these findings no information has been provided yet by STATEC

¹² This action point has been completed.

4. Methodological issues and recording of specific government transactions.

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

Introduction

An updated list of general government units was provided to Eurostat by STATEC before the Dialogue Visit. According to this new list central government consists of the State (Parliament, Ministries and the Monarchy), it also includes 34 special funds, 46 public establishments, 60 Services de l'Etat a Gestion Separe and 4 non-market public enterprises.

Local government includes 123 municipalities and 73 inter-communal associations. The subsector of Social Security Funds (SSFs) comprises 19 social protection entities.

Discussion

STATEC briefly described their procedures for classifying institutional units for which STATEC is the responsible institution. Institutional units are checked on a regular basis. The procedure includes all units controlled by government but classified outside the general government institutional sector. It was also clarified that there is no separate register for the government controlled entities.

Eurostat asked STATEC to confirm the sector classification of hospitals under ESA 2010. It was confirmed that hospitals are classified outside general government. Eurostat indicated that discussions on the sector classification of hospitals in other Member States were ongoing and the clarifications gave rise to more detailed examination of how the relevant MGDD guidance should be implemented. Consequently, Eurostat requested the current classification of hospitals be re-analysed by STATEC to check whether this was justified by recent data, and to report to Eurostat the results of this analysis.

STATEC informed Eurostat that most of the municipal associations are classified in the local government subsector but some are classified outside general government.

Another issue which was briefly discussed concerned the classification of the entity Lux Development.¹³ STATEC pointed out that the analysis of the case has been completed and the entity was classified to general government.

¹³ Lux Development (LuxDev) is the aid and development agency of the government of Luxembourg to support sustainable development in partner countries.

4.2 Recording of specific government accounts

4.2.1 Estimates of investment expenditure for central and local government

Introduction

The overestimation of investment expenditure (underestimation of surplus) in the budgets of the central and local government subsectors is a problem which has been discussed with the Luxembourgish authorities several times in the past. According to STATEC, already in the first notification of EDP data for local government, a correction is introduced in the working balance of this subsector for the investment expenditure estimates (based on the pattern of revisions observed in the past between the first and subsequent notifications). The correction is eliminated when the data on investment expenditure are finalised. It is noted, that in the October 2015 EDP notification the item 'other adjustments' in EDP table 2C was revised downwards by 183 mill euro (0.4% of GDP) and the working balance was revised upwards by 270 mill euro (close to 0.6% of GDP).

Discussion

Eurostat underlined that the IGF and the Ministry of Interior needed to intensify efforts in order to improve the quality of estimates of government expenditure on investment projects for the first (April) notification. To this end, all information on the amounts budgeted and spent by surveyed government bodies returned by the time of the compilation of EDP data by STATEC should be used. This would allow STATEC to reduce the size of revisions in the second EDP notification. The competent authorities agreed that with a more efficient use of the existing information in the intermediate estimation in April, the size of revisions might be contained.

Findings and conclusions

IGF and the Ministry of Interior will incorporate all available information in the estimation of investment expenditure of central and local government for year (n-1) reported to STATEC for the April notification in order to avoid big revisions in the October notification. (**April 2016 EDP notification**) (**Action point 14**)¹⁴.

4.2.2 PPPs (and concessions)

Introduction

In the October 2015 EDP notification, in the Questionnaire Table 11.1, STATEC reported the 9 PPP projects, all recorded on the balance sheet of government and all having their construction phase completed.

Discussion

The discussion focused on a series of construction projects ongoing or already completed. STATEC informed Eurostat that the statistical analysis for Aquasud (a project for the construction of a swimming pool) was completed. Following the examination, the entity (the

¹⁴ Partly completed

'private partner' in charge of construction and operation of the swimming pool) was classified to the institutional sector S.11 of non-financial corporations, and the constructed infrastructure was recorded on government balance sheet.

As for the third extension of the building of the EU Court of Justice, STATEC confirmed that according to the existing contractual arrangements all risks are borne by government. Eurostat inquired about the agreement regarding the construction of the JMO-2 building. STATEC agreed to investigate whether the arrangements for the Court of Justice building will also be adopted for the JMO-2 building.

In the same context, Eurostat asked STATEC to correct the reporting of information on contributions in kind related to the integration of the energy company and the distribution network of the city of Luxembourg into the private corporations ENOVOS and CREOS.

Findings and conclusions

STATEC will inform Eurostat whether contractual arrangement for the third extension of the building of the EU Court of Justice will also apply to the construction of JMO-2, as soon as possible (**Action point 15**)¹⁵.

STATEC will correct the recording of capital injections in kind related to the ENOVOS/CREOS operations for 2011 and will report the change with the transmission of historical data to Eurostat during the **April 2016** EDP notification (**Action point 16**).

STATEC will provide to Eurostat a detailed analysis of the sector classification of hospitals by end of **June 2016** (**Action point 17**).

4.3 Implementation of the accrual principle

4.3.1 Taxes and social contributions

Introduction

According to the EDP inventory of Luxembourg, for "*all types of taxes (D2, D5 and D9) and social contributions (D611), the amounts recorded are the amounts actually received*".

From the September 2001 EDP notification the same principle was also adopted for the VAT. Regarding the time of recording, most taxes are recorded at the time when the activities, transactions or other events giving rise to a tax liability take place.

For all taxes (except VAT and excise duties), STATEC applies the method of time adjusted cash. "*The adjustment is estimated on the basis of the difference between the time of the monthly payments and the time when the activity generating the tax liability took place or the time for which the tax is due*". The time lags used range from 1 to 2 months.

For social contributions the assessments and declarations method is used. In the EDP inventory (p.37) the following is mentioned regarding the accounting treatment of social contributions:

¹⁵ At the time of writing of these findings no information has been provided yet by STATEC on action points 15-17

"Social security accounting records in principle the amounts of the contributions due minus the amounts recognised as unrecoverable for the current year. The amounts of the contributions referring to a previous accounting year can be identified (using the information on the year to which they relate). Similarly, contributions recognised as unrecoverable within a subsequent accounting year are recorded as expenditure with information on the year to which they relate. The change from social security accounting to amounts actually paid and adjusted for time is done on the basis of this information".

The data on taxes and social contributions are finalised with a time lag 't+2 years'.

Discussion

STATEC confirmed that there was no need for updating the questionnaire on taxes and social contributions.

Eurostat asked for explanations on significant and frequent revisions to tax data. STATEC explained that the revisions were due to an update of the source data from tax administrations. Regarding the revisions to tax related receivables/ payables, STATEC indicated that for receivables the revisions were due to the flexibility awarded to liable tax payers under the existing tax settlement system whereas data on payables are more stable.

Eurostat inquired about the observed frequent revisions to revenues related to VAT (including historic data). STATEC shortly described the method used according to which the cash received on VAT is moved backwards to the year when the tax obligation was established. In this context, it was agreed that a note describing in detail the method of recording of VAT tax received and VAT refunds would be provided as a follow-up to the discussion.

Regarding social contributions, it was recalled that according to the social security accounting practices the amounts of contributions due are recorded in the accounts reduced by the amounts recognised as unrecoverable. Eurostat requested a description of the method used by STATEC for the estimation of the unrecoverable social contributions to be provided after the meeting.

Finally, technical issues relating to the presentation of other accounts receivable for social contributions in table 5 of the EDP questionnaire were briefly reviewed and it was agreed that the reporting convention will be amended for the April 2016 EDP reporting.

Findings and conclusions

STATEC will provide to Eurostat a table containing all information on the recording of VAT by the **April 2016** EDP notification (**Action point 18**)¹⁶.

STATEC will provide to Eurostat a note on the recording of social contributions explaining the method used for the estimation of unrecoverable amounts by **end May 2016** (**Action point 19**)¹⁷.

¹⁶ This action point has been completed

¹⁷ At the time of writing of these findings no information has been provided yet by STATEC on action points 19-20

In the Questionnaire Table 5, STATEC will change the presentation of stocks of receivables/payables related to social contributions from net to gross reporting of the relevant figures during the **April 2016** EDP notification (**Action point 20**).

4.3.2 Interest

Introduction

In the past STATEC was requested to report the payable interest under a dedicated line in table 4.2.2 of the EDP related Questionnaire instead of using the general line "Other". In the discussions on the October 2015 EDP notification STATEC was asked to clarify the issue. STATEC replied that there were no interest-related amounts recorded under "other accounts payable". Instead, there were small amounts under "other accounts receivable". STATEC indicated that the difference between interest paid and accrued is recorded in Table 2A as foreseen.

Discussion

STATEC confirmed the explanations provided during the October 2015 EDP notification. In the same context, it was indicated that the Treasury calculate accrued interest instrument-by-instrument making the split between paid and accrued. It was mentioned that in general there is no short term debt while the outstanding debt of local government is small with the amounts of interest paid and accrued being negligible.

4.3.3 Government guarantees

Introduction

In the October 2015 EDP notification, Luxembourg reported the total stock of debt guaranteed by government equal to EUR 3.7 billion for 2014 or 7.6% of GDP (EUR 3.9 billion or 8.4% of GDP in 2013). An amount of about 2% of GDP of government guarantees covered debt of public corporations whereas the stock of debt of financial corporations guaranteed by government amounted to EUR 3.5 billion at the end of 2014.

The amount of new guarantees provided by government in the course of 2014 was equal to EUR 280 million (or 0.6% of GDP).

Discussion

STATEC confirmed that there have been no guarantees under call and under repeated call, that no guarantees were provided by local government, and that no debt of public corporations or other entities covered by government guarantees was assumed by government.

STATEC informed Eurostat that only loans are directly guaranteed by the Treasury, no other instruments.

In the same context, Eurostat enquired about the provision of standardised guaranties and whether there have been any calls on such guarantees. STATEC explained that there are currently two groups of standardised guarantees: export guarantees (where the Office de Ducreire, a non-government unit is directly involved) and student loans.

The Treasury mentioned that no information on calls on guarantees for student loans was available. Eurostat indicated that the cooperation of the Ministry of Education for obtaining information on this issue would be useful.

Findings and conclusions

STATEC in cooperation with the Treasury will provide Eurostat with a note describing the nature of the activities of the Office de Dueroire and the statistical treatment of its transactions. **(End of April 2016) (Action point 21)**¹⁸.

The Ministry of Education will provide to STATEC historical information on calls for guarantees for student loans. STATEC will report this information on an accrual basis. **(End of June 2016) (Action point 22)**

4.3.4 Financial derivatives

Introduction

No particular issue relating to financial derivatives was identified during the preparation of the EDP dialogue visit. In the standard questions on derivative operations in the request for clarifications in the context of EDP notification, STATEC's reply was that there were no such operations.

Discussion

STATEC confirmed that there have been no derivative operations other than the transactions carried out by SICAV-FIS. The latter entity, through which the common investment vehicle 'Fonds de Compensation' invests the surplus of the social security funds, was reclassified to the general governments sector under ESA 2010. Eurostat enquired whether there have been any cash collaterals related to the operations of SICAV-FIS. It was agreed that STATEC and the Treasury will cooperate to investigate this issue.

Findings and conclusions

STATEC in cooperation with the Treasury will investigate whether there are any cash collaterals related to the operations of SICAV and report to Eurostat the result of this investigation **(End of April 2016). (Action point 23)**¹⁹

4.3.5 Other: emission trading permits, privatisation, sale and lease back operations, UMTS, tax credits, securitisation, and energy performance contracts

Discussion

Several issues both technical and methodological were discussed under this heading. First, regarding some technical issues and issues of presentation of information reported in the EDP Questionnaire tables, STATEC informed that the work on the improvement of the Questionnaire Table 8 was in progress. In the same context, STATEC agreed to change the

¹⁸ At the time of writing of these findings no information has been provided yet by STATEC on action points 21-22

¹⁹ This action point has been completed

presentation of information on acquisitions of equity in the Questionnaire table 2.1 and in cooperation with Eurostat to clarify the reporting of capital injections in Table 10 of the EDP questionnaire.

Regarding the methodological issues, STATEC was requested to provide information on privatisation, sales and lease back and securitisation operations. The Luxembourgish statistical authorities confirmed that there have been no such operations. It was also mentioned that STATEC had no information on whether any energy performance contracts have been signed. Eurostat urged STATEC to clarify the issue as soon as possible.

In the same framework, Eurostat enquired about the availability of information on auctions of emission permits taking place in Luxembourg. STATEC agreed to investigate and report the related information in EDP tables following the relevant Eurostat guidance.

STATEC informed Eurostat that revenue from mobile phone licences granted in the past was all booked as rent. Eurostat asked STATEC to check the time the newly sold mobile phone licences are usable by the mobile phone operators.

STATEC and the Treasury have had no information on whether deferred tax assets exist. It was agreed that the two institutions will investigate the issue and report the result of the investigation to Eurostat.

Findings and conclusions

(a) STATEC will disaggregate presentation of acquisition of equity in the Questionnaire Table 2.1, distinguishing between capital injections and other acquisitions of equity by entity by the **October 2016 EDP** notification).

(b) STATEC and Eurostat will clarify technical issues related to the reporting of capital injections in the new tables 10 by the **October 2016 EDP** notification. (**Action point 24**)²⁰

STATEC will identify emission permits auctioned in Luxembourg and record in EDP tables the amounts involved under F8, and as tax when surrendered, (**October 2016 EDP notification**) (**Action point 25**).

STATEC will check and report to Eurostat the time that the mobile phone licenses sold are usable during the **April 2016 EDP** notification (**Action point 26**).

STATEC in cooperation with the Treasury will investigate whether deferred tax assets exist and will report to Eurostat the results of this investigation (**October 2016 EDP notification**) (**Action point 27**).

²⁰ At the time of writing these findings there has been slow or no progress on the action points 24-27

EDP-dialogue visit to Luxembourg

15-16 March 2015

Draft agenda

1. Statistical institutional issues

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

1.2. Data sources and revision policy, EDP inventory and its annexes

2. Follow-up of the of the previous EDP dialogue visit

3. Analysis of EDP Tables and related Questionnaires - follow-up of the October 2015 EDP notification

3.1. Statistical discrepancies

3.2. Trade credits

3.3. Recording of other accounts receivable/payable

4. Methodological issues and recording of specific government transactions

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

4.2. Implementation of the accrual principle

4.2.1. Taxes and social contributions

4.2.2. Interest

4.2.3. EU flows

4.2.4. Military expenditure

4.3. Recording of specific government transactions

- 4.3.1. Estimates of investment expenditure for central and local government
- 4.3.2. Government operations relating to the financial crisis
- 4.3.3. Government guarantees
- 4.3.4. Debt assumptions, debt cancellations and debt write-offs
- 4.3.5. Capital injections in public corporations
- 4.3.6. Dividends, super dividends
- 4.3.7. PPPs (and concessions)
- 4.3.8. Financial derivatives
- 4.3.9. Other: emission trading permits, privatisation, sale and lease back operations, UMTS, tax credits, securitisation.

5. Other issues (transmission of GFS data etc.)

- 5.1.** Transmission of GFS-tables
- 5.2.** Consistency between the EDP and the ESA tables

2. List of participants

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Henri Maurer	BCE
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