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## **FINAL FINDINGS**

**Eurostat EDP dialogue visit to Belgium**

**28-29 June 2018**

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## EXECUTIVE SUMMARY

Eurostat undertook an EDP dialogue visit to Belgium on 28 – 29 June 2018 as part of its regular visits to Member States and with the aim to assess the statistical capacity, review the implementation of ESA2010 methodology, review the recording of specific government transactions and assure that provisions from the ESA2010 Manual on Government Deficit and Debt and recent Eurostat decisions are duly implemented.

First, the institutional responsibilities in the framework of the EDP data reporting were reviewed. The Belgian statistical system has an unusual architecture, compared with other EU Member States, with several supervising bodies, widely decentralised data collection responsibilities, and entities in charge of the data collection and compilation working inside large federal institutions.

The mission also reviewed the progress in the transition to the new compilation system for the financial accounts, based on the Building Blocks reporting and on the use of the balance sheets for the local authorities.

The mission was updated on the evolution of the cases of units that rejected the sector classification decided by the National Accounts Institute (NAI) and turned towards a legal assessment from the *Conseil d'Etat*; this is a resource intensive undertaking that requires reading a technical manual for statisticians like ESA2010 from the perspective of a lawyer, taking every word and sentence literally.

The mission discussed extensively the statistical discrepancies, the gap between B.9 and B.9F, which is in Belgium much larger than in many other Member States. As regards the delimitation of general government, the mission discussed many small problems detected in the *Questionnaire on public units classified outside government*.

An important part of the mission was dedicated to the thorough screening of the business accounts and the service contracts of the two public entities providing railway services (Infrabel and SNCB), with the purpose of defining if these entities could be considered market operators according to ESA2010 definitions. The NAI decided to reclassify Infrabel in the government sector and implemented this in the October 2018 EDP notification.

The mission also reviewed the way in which the accrual principle was applied to different types of transactions (taxes, social contributions, interests, EU Flows, military expenditure) and the way in which specific government transactions were treated. The mission was further updated on the expected evolution of Public Private Partnership contracts, which were expected to increase in the following years.

Finally, the mission discussed capital injections, guarantees, debt assumptions, debt cancellations and debt write-offs.

Eurostat appreciated the co-operation and transparency demonstrated by the Belgian statistical authorities during the meeting, the documents provided beforehand, and the timely implementation of most Action Points.

## INTRODUCTION

In accordance with article 11(1) of Council Regulation (EC) No 479/2009 as regards the quality of statistical data in the context of the Excessive Deficit Procedure, Eurostat carried out an EDP dialogue visit to Belgium on 28 – 29 June 2018.

Eurostat's delegation was headed by Mr Luca Ascoli, Acting Director of Directorate D and Head of Unit D-1: Excessive deficit procedure and methodology. Eurostat was also represented by Ms Laura Wahrig, Ms Malgorzata Szczesna and Ms Daniela Comini. The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers. Belgium was represented by the National Accounts Institute (NAI), the National Bank of Belgium (NBB), the Federal Public Service of Economy, the Federal Planning Bureau (FPB), and the Federal Public Policy and Support.

The preceding Eurostat EDP standard dialogue visit (SDV) to Belgium took place on 21-22 January 2016.

The main aims of the dialogue visit were: to review the sector classification of units (including the public units providing railways services), the implementation of the accrual principles and the recording of specific government transactions.

With regard to procedural arrangements, the *Main conclusions and action points* were sent to Belgium for review on 05/07/2018. A preliminary draft of the *Provisional Findings* was sent to Belgium for review in March 2019, and a second draft was sent on 05/07/2019. After this, the *Final Findings* would be sent to Belgium and to the Economic and Financial Committee (EFC) and published on Eurostat's website.

In this draft, footnotes provide information on the implementation status of each Action Points.

Most Action points were already implemented, according to the deadlines originally agreed. The following Action points are still pending: AP.4 (description of IT developments, p.10), AP.15 (non-performing loans p.24), AP.26 (funded pension schemes p.34).

## 1. STATISTICAL CAPACITY ISSUES

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

#### *Introduction*

In Belgium, the compilation of the public finance statistics (governments accounts and EDP-tables) is done by the **National Accounts Institute**<sup>1</sup> (Instituut voor de Nationale Rekeningen/Institut des comptes nationaux) created by the Law of 21 December 1994, adapted in 2009.

The National Accounts Institute (NAI) is a partnership between four entities: the National Bank of Belgium (NBB - Nationale Bank van België/Banque Nationale de Belgique), the Federal Planning Bureau, Statistics Belgium and the Ministry of Economic Affairs.

**The NAI does not compile statistics, the compilation is done in the institutions of the three partners, on behalf of the NAI.**

The competences and missions of the four partners in the NAI are determined by the Law.

The **National Bank of Belgium** is responsible for the compilation of:

- Non-financial accounts
- Financial accounts
- Quarterly national accounts
- Regional accounts
- Foreign trade statistics
- Yearly and quarterly statistics of the government sector (in collaboration with the Federal Planning Bureau)
- EDP related statistics

The **Federal Planning Bureau** is responsible for:

- The economic budget
- Economic prospects
- Input-output tables

The National Statistical Institute (NSI), **Statistics Belgium**, also known as STATBEL, is responsible for:

- Data provision to the other entities.

The **Ministry of Economic Affairs** is responsible for:

- Price observatory.

**In practice the NAI is a formal coordination arrangement, an entity with no employees.** However the NAI has a Board, and since 2016 has also four "scientific" committees, including one responsible for GFS/EDP: the Comité scientifique des comptes des

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<sup>1</sup> <https://inr-icn.fgov.be/fr>

administrations publiques<sup>2</sup>/Scientific Committee on General Government Accounts (SCGGA).

The different NAI supervising bodies (the Board, the scientific committees) include the representatives of the National Central Bank, Statistics Belgium, the central government (Bureau fédéral du Plan, Ministère fédéral des Finances, Ministère fédéral des Affaires Sociales, Ministère fédéral de l'Emploi, Ministère fédéral du Budget, Ministère fédéral des affaires économiques, l'Office national de Sécurité sociale, l'Office national de l'Emploi), the Regions (Bruxelles-capitale, Flandre, Wallonie), the Communities (Flemish, French and German), the Conseil central de l'Economie and professors from Universities and colleges from the Flemish and French Communities.

Before the creation of the SCGGA, the last say regarding methodological decisions was taken by the Board of the NAI, based on the input provided by the EDP/GFS team. After the introduction of the new scientific committees, the Board of the NAI still keeps the last say for all decisions, but an input is provided by the SCGGA.

As requested by the 2016 SDV, NAI regularly sends to Eurostat the list of issues discussed by the SCGGA and the minutes of its meetings, as part of the documentation provided with each EDP notification. NAI also provided Eurostat with the names and functions of the members of the SCGGA and with its internal rules of functioning.

The Ministry of Economic Affairs holds the presidency of the NAI Board<sup>3</sup>. The National Bank of Belgium presides the SCGGA, and takes care of the secretariat of the NAI Board, together with the Ministry of Economic Affairs, and of the SCGGA<sup>4</sup>.

Jean-Marc Delporte<sup>5</sup> is NAI's president and Mr Pierre Crevits (from the Central Bank) is the chairman of the SCGGA.

**In the National Bank of Belgium (NBB), around 60 staff members work in the activities that fall under the NAI's formal cap (without counting the staff working on foreign trade statistics). All these persons are employed by the NBB and not by NAI.**

The Statistical Department of the National Bank of Belgium, besides the above statistics falling under the NAI's responsibility, also compiles monetary and banking statistics, balance of payment and all the other statistics normally produced by a Central Bank.

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<sup>2</sup> 15 Juillet 2014, *Accord de coopération entre l'Etat fédéral, la Région flamande, la Région wallonne, la Région de Bruxelles-Capitale, la Communauté flamande, la Communauté française, la Communauté germanophone, la Commission communautaire commune de Bruxelles-Capitale et la Commission communautaire française concernant les modalités de fonctionnement de l'Institut interfédéral de statistique, du conseil d'administration et des Comités scientifiques de l'Institut des comptes nationaux*, Art 22-26 and 32.

<sup>3</sup> <https://inr-icn.fgov.be/fr/institut/compositions>

<sup>4</sup> Loi 17 Juillet 2015, Art 32.

<sup>5</sup> **Since 1 July 2019, Mr Regis MASSANT is President ad interim of the NAI.**

### 1.1.1 EDP and GFS team

#### *Discussion*

At the moment of the SDV, the BNB's team in charge of the compilation of EDP/GFS had 10 members<sup>6</sup>, including the head of unit. The number of staff members was identical at the time of the 2014 and 2016 SDVs.

One of the 10 posts was vacant, with the replacement procedure ongoing. NAI explained that, in the EDP/GFS team, staff changes had been frequent in 2017-2018 (3 persons).

Eurostat enquired about how NAI was coping with the frequent staff changes, given the long time it takes to form an expert in GFS and EDP.

NAI explained that training was foreseen for all new group members, including participation to the GFS-training courses organized by Eurostat. Also, following the recommendations out of an internal audit of 2011, the GFS-team started preparing a documentation of its processes in a Wikipedia like environment (developed using *Confluence*). The processes that involved less persons were documented first, notably the delimitation of the public (government) sector, the quarterly non-financial accounts, the COFOG data. For the other processes the production of the documentation was postponed, given that the compilation methods were changing (Building Blocks) and that several persons knew the compilation system.

Eurostat expressed appreciation for the practice of producing internal documentation describing all the steps in the data compilation, a useful knowledge-management tool for newcomers. Eurostat asked if it could access the readily available documentation.

#### *Findings and conclusions*

**Action point 1.** *NBB will share with Eurostat the available **documentation on internal processes** for the determination of the public sector, the quarterly non-financial accounts and the COFOG data<sup>7</sup>.*

### 1.1.2 The institutional arrangements overseeing the EDP/GFS production

#### *Discussion*

NAI explained that there had been no major changes in the institutional arrangements surrounding the EDP compilation, since the last SDV of 2016.

Eurostat commented about the several bodies formally in charge of supervising the GFS/EDP activity performed by the NBB (NAI Board, SCGGA). Compared to other EU Member States, the Belgian statistical system has an unusual architecture, with many supervising bodies, widely shared (and apparently overlapping) responsibilities, and entities in charge of data collection and compilation which work within large federal institutions (NAI's staff belongs to the NBB, NSI's staff is part of a Ministry). This unique organisational architecture is the result of successive reforms of the central and regional government and of the NSI's shortage of resources at one point in time.

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<sup>6</sup> Of which one person is seconded to Eurostat for two years in 2019-2020.

<sup>7</sup> Done. This action point was implemented on 24/08/2018, according to the deadline agreed.



NAI explained that the Board and the SCGGA were useful for sharing information with all the federal and regional institutions in a transparent way and helped improving the quality and also the acceptance of the advices provided by NAI. The committees also contributed to the further spreading of the ESA knowledge to the administrations (most administrations have a representative in SCGGA). The better the data-suppliers understand ESA, the better they can identify recording issues that deserve attention.

Eurostat expressed concerns about the interference of the different bodies supervising NAI with the activity of the team producing GFS and EDP data.

NAI explained that a first set of EDP data are sent straight from the NAI-GFS team to the NAI-Board a few days ahead of the official EDP Notification of end March and end of September. The Board takes note of the main figures. The full set of the EDP Notification tables is then sent to Eurostat. In the second week following the official EDP notification, the SCGGA discusses in detail the data, is informed about important issues, and concludes by expressing an opinion. Once the “Request for Clarification” period is formally closed, the detailed EDP data and the opinion of the SCGGA are presented to the NAI’s Board for decision. Shortly after the Board decision, the EDP data are published on the website of the NBB.

#### *Findings and conclusions*

***Action point 2. NBB will send to Eurostat an explanatory note detailing the steps leading to the transmission of the EDP figures<sup>8</sup>.***

### **1.1.3 The public entities rejecting NAI’s classification decisions**

#### *Discussion*

In Belgium, NAI’s classification decisions related to public entities are highly contentious, with some entities rejecting them and bringing legal proceedings against NAI. Before the meeting, NAI had provided an updated list of the classification cases object of a legal litigation. Out of the 25 cases included in the list, 9 were still open.

Eurostat congratulated NAI for defending so strongly its decisions and enquired about the reason for classification issues being more litigious in Belgium than in other countries. NAI explained that the public entities oppose their classification in the government sector mainly because of the reporting burden implied.

NAI explained that dealing with cases taken to the Court (*Conseil d’Etat*) was resource consuming. NAI had initially to learn the administrative procedures that have to be followed to avoid being defeated in the Court for formal reasons. NAI clarified that when *Conseil d’Etat* concludes against NAI’s classification decision, the entity is kept outside government, but all its transactions are re-routed in government accounts.

NAI is of the opinion that the number of contentious cases would be reduced if the Manual on Government Deficit and Debt (MGDD) would have legal value and would be available in

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<sup>8</sup> Done. This action point was implemented with a note (*AP.2 - Steps leading to the transmission of EDP figures*) that reached Eurostat on 23/10/2018, which is taken in account in the text above.

French and Dutch. NAI suggested that Eurostat could take the steps for giving legal value to MGDD.

Eurostat said that the transformation of MGDD in a formal Commission legal act was not planned, and this for multiple reasons, including the fact that most Member States do not have problems with its current status. If one country decides not to apply MGDD, it generates doubts on the quality of its data. And in case the Commission (Eurostat) has doubts on the quality of the data reported by any Member State it might express a reservation or amend the reported data (Commission Regulation 479/2009 Art 15).

Eurostat also enquired about one of the legal cases included in the list provided by NAI: *Credit Immobilier Ouvrier* (CIO). NAI provided its original (2016) analysis of the case, and a new note explaining why the Conseil d'Etat had rejected NAI's classification decision. Based on the argumentation put forward by the Court and CIO, and namely the fact that since 2012 no guarantees had been provided to CIO, and the fact that CIO had developed an activity outside the loans for public social housing, the NAI finally decided that CIO was different from other entities providing social loans. The NAI therefore decided to classify CIO outside the government sector, but to reroute in government the part of the activities that were controlled and guaranteed by government. At the end of 2017, 40,5 million euro were added to the debt of the Brussels Capital region (the total debt of CIO amounted to around 55 million euro).

*Findings and conclusions*

**Action point 3.** *NAI will provide information on the classification of the unit Credit Immobilier Ouvrier and its reasoning*<sup>9</sup>.

## **1.2 Data sources and revision policy**

### **1.2.1 The IT tools used for EDP/GFS compilation**

*Introduction and discussion*

NAI explained that the compilation of the EDP/GFS accounts was done in Excel, and this started to create problems from a technical point of view, because of the many heavy work files. A project to move over to a more stable IT environment started in the previous years. In the coming 4-5 years the main compilation processes will be moved to a new application.

*Findings and conclusions*

**Action Point 4.** *NAI will provide a description of the ongoing IT developments that will move the compilation process out of Excel and towards a more stable environment, including how it will handle the different steps in the compilation, and how it will integrate the data sources. Deadline: end of October 2018*<sup>10</sup>.

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<sup>9</sup> Done. This action point was implemented with a note (*AP.3 – credit immobilier ouvrier*) that reached Eurostat on 17/08/2018, which is taken in account in the text above.

<sup>10</sup> On 23/10/2018 and 21/12/2018 NAI communicated to Eurostat delays in the implementation of this action point, due to the priority given to other initiatives. On 2/4/2019 NAI communicated that Action Point 4 will be provided in September 2019.

## 1.2.2 Sources and data compilation methods

### *Introduction*

NAI gathers information from the government entities according to the conditions and modalities defined in a Protocol which entered into force on 17 July 2013. The reporting covered by the Protocol is defined by 10 "fiches", annexed to the Protocol that NAI provided to Eurostat before the mission.

In Belgium, the compilation of financial and non-financial accounts are two separate statistical processes.

### *1.2.2.1 Non-Financial accounts: the General Documentary Base*

#### *Introduction*

The basic data for the compilation of the non-financial accounts are the Economic Groupings, a 4-digit economic classification of transaction available from the General Documentary Base/*Base documentaire générale*<sup>11</sup>.

The General Documentary Base (GDB) is forum of cooperation between the different levels of central and state government and the NAI created by the Cooperation Agreement of 1 October 1991. The secretariat of the GDB is provided by the Budget and Evaluation DG of the SPF Stratégie et Support<sup>12</sup>.

The GDB collects statistics relating to the central and state government public finances to enable the NAI to draw up quality national accounts. The GDB is responsible for updating the economic and the functional classifications. It also serves as a link between the NAI and the entities for all questions relating to economic and functional groupings.

The economic grouping is an aggregation, according to their economic nature, of the budgetary operations of the different government entities that belong to the government sector. The economic groupings classification currently used by all entities (federal government, Regions, Communities and Community Commissions) is the March 2017 version, updated to take account of ESA2010.

In the economic grouping there are 10 main groups (see Table 1). The groups 0-4 register current flows, the groups 5-7 concern capital flows, the group 8 concerns transactions on financial assets and the group 9 concerns transactions in the government debt other than interest charges. All the codes used for the economic groupings are available online<sup>13</sup>.

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<sup>11</sup> <http://www.budgetfederal.be/FR/figures/grouping.html>

<sup>12</sup> The Federal Public Service (FPS) Policy and Support was set up on 1 March 2017. The FPS assists the government and supports the federal organisations in different areas: IT, HR, organisational control and integrity policy, budget, accounting and public procurement contracts. The FPS Policy and Support is the result of the integration of the agencies of the FPS Personnel and Organisation, of the FPS Budget and Management Control, of Fedict and of Empreva into one entity. The project should be seen in the general context of the 'redesign' of the federal government started with the agreement of 9 October 2014.

<sup>13</sup> <http://www.budgetfederal.be/FR/figures/Documents/Classification%20C3%A9conomique%20mars%202017.pdf>

Table 1 – The economic groupings used in the Belgian General Document Base

Group	Expenditure	Receipts
0	Non-divided expenditure	Non-divided receipts
1	Current expenditure for goods and services	Current receipts for goods and services
2	Interest and other expenditure from property	Interest and other receipts from property
3	Current transfers to other sectors	Current transfers from other sectors
4	Current transfers within the government sector	Current transfers within the government sectors
5	Capital transfers to other sectors	Capital transfers from other sectors
6	Capital transfers within the government sector	Capital transfers within the government sector
7	Investments	Disinvestments
8	Capital injection (equities and loans)	Reimbursement of loans and sales of equities
9	Governments debt	Government debt

The balance of the economic grouping of each entity (called Working Balance) is the balance from which the NAI starts working to establish the ESA balance of each entity<sup>14</sup>.

### *Discussion*

NAI noted that the information from the economic grouping was not exhaustive, and did not cover all the entities included in the government sector. The number of units included in the economic grouping aggregation changes every year.

### *1.2.2.2 Financial accounts S.1311, S.1312, S.1314: Buildings Blocks reporting*

#### *Introduction*

The main source used for compiling financial accounts for sectors **S.1311, S.1312 and S1314** is a statistical report developed by the NAI and the General Documentary Base called the Building Blocks (BB) [of the financial balance sheet].

**BB is a reporting system for the data on all types of financial movements: transactions, positions and income, delivered** directly by each government unit. The compilation system was built to be fully articulated by construction, with **each operation having a recording in stocks** (with multiple valuations), **transactions, other changes in volume and revaluation, with the information to be provided by ESA instrument and by counterpart sector.**

The BB project was launched in December 2013 and is gradually being implemented. The priority was the collection of data on debt instruments (AF.2L, AF.3L and AF.4L) and trade credits (AF.81A/L). Once the reporting of 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). The template for data collection on shares (AF.5A/L) was launched in 2016 and started producing reliable information at the end of 2017.

The NAI gets the duly filled BB reports through the SPOC<sup>15</sup> of each government level (Federal, regions and communities). The reporting for the main states and for other

<sup>14</sup> <http://www.budgetfederal.be/FR/figures/WorkingBalance.html>

<sup>15</sup> The SPOCs are the Single Points Of Contact designated by the Federal government and by the 8 regional governments (Brussels Capital Region, Flanders, Walloon Region, French Community, German-speaking

consolidated units of S.1311 and S.1314 which are subject to an institutional constraint (the Law of the 21th of December 2013 aiming at reinforcing the structural character of the consolidation within sub-sectors of the general government), is on a quarterly basis for most instruments, with a deadline of t+45 days. Other government units of S.1312 report twice a year annual data.

The response rate to the BBs survey has considerably increased and is now considered by NAI as almost exhaustive. Approximately 4000 units participate to the survey, with only a few units not participating or reporting too late, and for these units, information of the National Bank of Belgium Central Balance Sheet Office (NBB\_CBSO) is used.

The introduction of the BB produced a large increase in the stocks of 2016 assets in EDP 2017-Q2 (reported in October 2017) compared to what was available in EDP 2017-1<sup>st</sup> notification. Breaks in time series resulting from changes in data sources (due to financial assets reported for the first time) were recorded under Other Changes in Volume.

### *Discussion*

Eurostat enquired about the next steps in the BBs survey. NAI explained that by the end of 2018, the BB project gathered data on the financial instruments F.2, F.3, F.4, F.5 and F.81. A **BB on F.7 was undergoing testing** at the moment of the mission, leaving the **F.89 as the only financial instrument** significantly used by S.13 **not yet reported** as part of the BB survey.

The BB for reporting F.81 does not ask for counterpart data, since it was assumed that the major part of trade credits and advances would be towards domestic, private enterprises. Close examination of book-keeping data and consultation with the main administrations and some consolidated units revealed that, indeed, the largest flow of F.81 was towards S.11, but a significant part had other counterparts.

**The extension of data collection to other accounts payable/receivable F89 was tested** a first time on data of 2017 by the consolidated units of one of the regions, the Vlaamse Gemeenschap. **Pending the results of the test, a definite template will be prepared at the end of 2018. The new building block F89 is planned to be tested in 2019 and to be reported by all government units as of 2020.** After a detailed analysis of the data collected for year 2018-2019 and a comparison with the current data sources, full integration of this BB is foreseen in 2020-2021. With the new template the NAI is also trying to fix some problems detected in the original template for trade credits F81, which did not collect information on the counterpart. The new XLS template developed for F81 and F89 was provided to Eurostat.

A **BB reporting template on derivatives/F7** had also been developed to collect information for the compilation of financial accounts, but also to gather the detailed presentation required by Eurostat's table on derivatives discussed during the EDP\_WG of July 2017 (Part B item 4.b). The template had been reviewed, tested and (nearly) finalised in close cooperation with the Belgian debt agency. **The first regular transmission by S1311\_MS off the BB\_F7 was foreseen for 15 August 2018, covering the reference periods 2018Q1 and 2018Q2.** The new BB\_F7 template was provided to Eurostat.

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Community, VGC, COCOM and COCOF) to ease the flow of information between the NAI and the government entities.

NAI explained that the main issues with the BB reporting were (i) the quality of reporting and (ii) the sheer volume of data provided for the first round of the EDP notification. The quality of the reporting was a major issue due to the (mis)understanding of ESA concepts and the (lack of) effort by the reporting units to provide the correct valuation and/or a complete horizontal sequence. The SPOCs, set up to serve as an interface between the NAI and the reporting units, performed the first quality checks on data reported, before the transmission to the NAI.

A stand-alone version of the BB application was designed by the GFS Team IT engineer to ease the first line of internal consistency checks by the SPOCs or by the reporting units.

The BB reporting templates duly filled reach NAI in Excel and are loaded in an IT application that produces an XLS output used in the compilation of GFS.

### *Conclusion*

**Action Point 5.** NAI will share with Eurostat the *stand-alone version of the Building Blocks application*<sup>16</sup>.

### *1.2.2.3 Financial accounts S.1313 - Local government*

#### *Introduction*

Local government financial accounts are not compiled using the reporting from the BB.

During the January 2016 EDP Dialogue visit, the NAI and Eurostat agreed that the financial accounts of local governments should be compiled on the basis of direct sources (balance sheets of local governments) in combination with indirect sources as the Central Corporate Credit Register (NBB\_CCCR) and the Securities Settlement System (NBB\_SSS), rather than being entirely based on indirect sources.

In 2016-2018, NAI worked to better exploit the direct sources and **the Balance sheet information became the starting point for the compilation.**

Balance sheets for the local authorities *sensu stricto* (that is the municipalities, the social welfare centres and the provinces) are provided by the supervising authorities, and balance sheets for the consolidated local units (intercommunales and the like) are extracted from the database of the Central balance sheet office (NBB\_CBSO). **Using bridging tables, the balance sheet rubrics are ‘translated’ into ESA-instruments.** Since little counterpart information is available in the balance sheets, hypotheses and/or indirect sources are used to determine the counterpart and/or correct the attribution of the ESA-instrument.

Balance sheet information is available for most local units. Only small units are exempted from the obligation to deposit accounts at the Central Balance Sheet Office.

For units that do not deposit annual accounts at the NBB\_CBSO, the data in NBB\_CCCR and NBB\_SSS are integrated. This also applies for the social welfare centres of the Brussels

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<sup>16</sup> Done. This action point was implemented by NAI on 24/08/2018, with the transmission of a power point presentation that included the explanation of how the BBs stand-alone application works, and a link to a file on NBB web-site that could be downloaded. The file is not compatible with the Commission IT system.

Capital Region and the German speaking Community for which no (usable) balance sheet data are available.

Further macro-corrections are needed, for instance the imputation of liabilities of the local PPPs. Other accounts payable/receivable are not based on the balance sheets but on information reported by higher authorities.

### *Discussion*

**The new compilation system was used for the first time for the April 2018 Notification and applied to the period 2014-2017.** The change of methodology entailed a break in the time series that was recorded as Other changes in volume in 2014Q1 of 2.4 billion EUR or 9 % of S1313 financial liabilities. However, since the increase in liabilities was 1) partly in ESA instruments that are not part of the Maastricht debt and 2) partly consolidated, the revision on Maastricht debt was limited to MEUR 459 in 2016 (0.1 % GDP).

Eurostat enquired about plans to address the break in the time series. NAI clarified that further analysis is needed to decide if a backward revision (before 2014) is possible, and for fine-tuning the interpolation methods for the quarterly accounts.

The calculation of the financial accounts for local authorities **for the periods for which no balance sheets are (yet) available continues to follow the previous methodology** based on indirect data sources. On the liabilities side, the NBB\_CCCR is used to determine the loans (F.4) granted to local authorities by the financial institutions (S.122). Debt securities reported by the NBB\_SSS are recorded under F.3 on the liability side of the (local) government and their counterpart is determined using Securities Holding Statistics (NBB\_SHS).

2017 NBB\_CCCR data were also used by NAI to perform validation checks. Only two loans that had escaped other reporting were detected: this led to an imputation of investment expenditure for MEUR 13 in year 2014. **There is good hope that similar checks will be possible at higher intervals to further increase the quality.**

### **1.2.3 Revision policy**

#### *Introduction*

The new financial accounts compilation methods discussed above (BBs for S.1311, S.1312 and S.1314 and balance sheets for S.1313) were used to produce data starting from the reference year 2014.

#### *Discussion*

In Belgium, the next National Accounts benchmark revision will be in 2019 and will affect the EDP notification of September 2019. Any change in the perimeter of the sectors has to be defined by end of January 2019, if it has to be part of the 2019 revision.

Concerning the 2014 break in the financial accounts of S.1313, NAI is considering if it should retropolate data, which could be done only up to 2009, since no balance sheet information is available for previous years.



## 1.2.4 EDP Inventory

### *Introduction*

The version of the EDP inventory on Eurostat website at the time of the mission was dated 23 September 2016. Since in 2017-2018 Belgium introduced substantial changes in the compilation system, the EDP inventory should be updated.

### *Discussion*

NAI was assuming that the published EDP inventory could not be updated for five years. Eurostat explained that the EDP inventory is a living document that can be updated whenever substantial changes are made in the compilation system. Eurostat will upload on its website the updated version, when available.

**Action Point 6.** *NAI will revise the inventory on sources and methods for the EDP, taking into account the progress with the building blocks project, the changes in the compilation system for local government, the changes in the number of units in each government subsector, as well as changes relating to guarantees and capital injections reflecting improvements made.*

*Updated deadline: end of December 2018<sup>17</sup>*

NAI delivered a partially updated EDP inventory on 21/12/2018 and a fully updated one at the beginning of April 2019 (this last draft is dated January 2019).

The new EDP inventory has been loaded on Eurostat website (replacing the previous version dated September 2016), together with an updated Annex 1/Liste des unites publiques (dated 18/04/2019 that Eurostat downloaded from NAI's website):

<https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-inventories>

## 2. FOLLOW-UP OF THE PREVIOUS EDP DIALOGUE VISITS

The preceding EDP dialogue visit to Belgium took place on 21-22 January 2016, and the previous one on 3-5 and 13-14 February 2014. Most of the 34 Action Points from the last EDP dialogue visit were implemented, with the following exceptions.

**SDV2016 - Action Point 16 (SDV2014 AP.14)**, related to statistical discrepancies: it's work in progress, and is further investigated in this SDV.

**SDV2016 Action Points 24 and 30 are still pending, since discussions at EU level are ongoing:**

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<sup>17</sup> Done, which is reflected in the text above.



**SDV2016 - 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.

**SDV2016 - Action Point 30:** 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 the conclusion of the Task Force Methodology will be available by that day).

*On 17/06/2019 NAI provided Eurostat with a follow up on this action point and with notes describing the possible recording options for these certificates and the actual figures involved.*

*On 17/06/2019 NAI also informed Eurostat that, in order to reflect the economic reality of the three regional systems and the federal system, the green certificates schemes will be rerouted through the government accounts as tax/subsidy schemes. This will be implemented in the occasional revision of 2019 and in the October 2019 Notification.*

**SDV2016 - 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 analysis: April 2016 EDP Notification. Deadline for reclassification: April 2016 EDP Notification.

IRISnet was included in the December 2018 Questionnaire on public units classified outside the general government (ID 847220467), classified in S11, with M/NM test above 100%. Therefore Eurostat asked NAI for further clarifications, which is reported below.

The NAI issued an opinion on Irisnet in 2012 (April 26, 2012) and another on the Data Centre in 2014 (July 23, 2014), according to which both units should be considered as non-financial corporations (S.11). During the 2016 SDV Eurostat expressed doubts about these two opinions and promised a note on the issue that NAI did not receive. The Data Centre has not been created.

### 3. FOLLOW-UP OF THE LAST EDP NOTIFICATION

#### 3.1 Statistical discrepancies

##### Introduction

In Belgium, statistical discrepancies, the gap between B.9 and B.9F, are an issue for all subsectors and are in some years larger than what it is observed in other Member States. The Statistical discrepancies in EDP tables 3 A-E and in the supplementary table on government support to financial institutions were discussed in most EDP notifications.

Table 2 – Discrepancies between B9 and B9f from EDP tables 3 A-E

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Cumulated 2008-2017
3A - S13	<b>General Government</b>											
T3.SD.S13	<b>Statistical discrepancies</b>	-3,160	-842	863	283	-640	121	-1,172	-196	-4,133	523	-8,353
T3.B9_SD.S13	Difference between capital and financial accounts (B.9-B.9f)	-3,160	-842	863	283	-631	121	-1,092	-195	-4,118	524	-8,247
T3.OSD.S13	Other statistical discrepancies (+/-)	0	0	0	0	-8	0	-81	0	-15	-1	-106
	<b>Statistical discrepancies % of GDP</b>	-0.89	-0.24	0.24	0.07	-0.17	0.03	-0.29	-0.05	-0.98	0.12	
3B- S1311	<b>Central government</b>											
T3.SD.S1311	<b>Statistical discrepancies</b>	-577	-215	213	-575	-106	612	-762	-1,052	-2,125	1,269	-3,316
T3.B9_SD.S1311	Difference between capital and financial accounts (B.9-B.9f)	-576	-214	213	-575	-106	612	-751	-1,053	-2,125	1,272	-3,302
T3.OSD.S1311	Other statistical discrepancies (+/-)	-1	0	0	0	0	0	-11	1	0	-3	-14
3C- S1312	<b>State government</b>											
T3.SD.S1312	<b>Statistical discrepancies</b>	-2,228	1,035	223	728	-110	-100	139	992	-1,010	283	-49
T3.B9_SD.S1312	Difference between capital and financial accounts (B.9-B.9f)	-2,228	1,036	223	728	-110	-100	121	992	-996	278	-57
T3.OSD.S1312	Other statistical discrepancies (+/-)	0	0	0	0	0	0	18	-1	-14	6	8
3D- S1313	<b>Local government</b>											
T3.SD.S1313	<b>Statistical discrepancies</b>	-463	-2,231	756	-101	-303	-690	-313	-344	-1,498	-760	-5,949
T3.B9_SD.S1313	Difference between capital and financial accounts (B.9-B.9f)	-463	-2,231	756	-101	-303	-690	-313	-344	-1,497	-760	-5,947
T3.OSD.S1313	Other statistical discrepancies (+/-)	0	0	0	0	0	0	0	0	-1	0	-2
3E	<b>Social security funds</b>											
T3.SD.S1314	<b>Statistical discrepancies</b>	107	568	-329	231	-112	298	-148	210	495	-265	1,054
T3.B9_SD.S1314	Difference between capital and financial accounts (B.9-B.9f)	107	568	-329	231	-112	298	-148	210	495	-265	1,054
T3.OSD.S1314	Other statistical discrepancies (+/-)	0	0	0	0	0	0	0	0	0	0	0

##### Discussion

As it can be seen from Table 2 above, the 2016 discrepancy between B9 and B9F was large for central and local government. Eurostat recommended dedicating resources to find the possible cause of this sudden jump in an already large discrepancy.

##### Findings and conclusions

**Action point 7.** NAI will investigate the **high statistical discrepancy for central and local government, for the year 2016.**

**Deadline:** end of December 2018<sup>18</sup>

#### 3.1.1 Discrepancies in S.1311 – Central government

Eurostat recommended digging further into the large statistical discrepancy for the central government. It would be perhaps possible to calculate the statistical gap between B.9 and B.9F for each unit in S.1311 (148 units according to Table 2), or at least for the largest units. NAI explained that the GFS team would undertake a thorough verification of the consistency between the data collected through the Building Blocks and the balance sheet of FEDCOM, for the core S.1311 unit, the federal government.

<sup>18</sup> Done. Corrections and adaptations were made during the March 2019 EDP notification and contributed to reducing the 2016 discrepancy.

## *Findings and conclusions*

**Action point 8.** NAI will provide the results of the **comparison of the information collected with the Building Blocks with the information included in the balance sheet of FEDCOM, listing what could be omitted from the Building Blocks and/or FEDCOM.**

*Deadline: end of December 2018<sup>19</sup>.*

### **3.1.2 Discrepancies in S1312 - State government**

In 2017 and 2018 NAI focused its analysis of discrepancies on S1312/State government, analysing carefully the data of the Walloon region/2014 and the Flemish region/2015. As a result, the statistical discrepancies in Table 3C were slightly reduced for years 2014 and 2015.

Eurostat congratulated NAI for the work done, for approaching the problem correctly looking at the discrepancy region by region, and for finding and removing inconsistencies.

### **3.1.3 Discrepancies in S1313 – Local government**

**Statistical discrepancies are worrisome for local government, where they are systematically negative over the years.** To investigate them is difficult, since there are more than 2000 local government units.

Eurostat noted that, since the discrepancy in local government was almost always negative and very high, this could indicate that, either the deficit was too high, or some debt was not reported. Eurostat wondered whether it would be feasible to investigate the statistical gap for the ten biggest units (in terms of debt) of two large municipalities chosen from each region.

NAI explained that, for local government, they have the possibility of analysing the discrepancy only starting from EDP March 2018 Notification (development of the new methodology, i.e. using balance sheet from 2014), since before that time they only had aggregated data. The change in methodology for the compilation of the financial accounts of the local government sector, from indirect data sources to direct data sources, aimed also to improve or to better monitor the statistical discrepancy. The new methodology has however been developed only after the October 2017 EDP Notification. Time will be necessary to allow the NAI to identify all the possible sources causing statistical discrepancy.

At this stage, the NAI has already identified two different issues. The first one concerns equity and investments fund shares. Annual stocks are available in the balance sheets; however there is no information on transactions/price effects and no information on counterparty, i.e. on consolidated acquisitions/sales. For the moment, hypothesis have been used. The second issue is related with the other account payable/receivable which is, in the new methodology, the only instrument not determined via the balance sheets, but via information received from the compilers of the non-financial accounts. Due to the fact that financial and non-financial accounts are now compiled from the same data source (balance sheets), the use of a different source for the determination of other account payable/receivable can create statistical discrepancies.

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<sup>19</sup> Done, with a note on Action Points 7 and 8 (dated 2019-03-14) that NBB sent to Eurostat on 2/04/2019.

### 3.1.4. Discrepancies in the Supplementary table on government support to financial institutions

#### *Introduction and discussion*

As part of the April 2018 EDP notification, Eurostat recommended investigating the discrepancy between B.9 and B.9F in the Supplementary table on government support to financial institutions, for all the years 2011-2017.

NAI investigated these discrepancies and reported the results just before the SDV. NAI explained that the discrepancies came from transactions in assets and liabilities of three entities: Dexia Holding, Vitrufin and Holding Communal. Dexia Holding belongs to S.1311, Vitrufin to S.1312 and Holding Communal to S.1313.

NAI explained that, for these three entities, outstanding amounts of assets and liabilities are taken from their balance sheets. Specific bridge tables between balance sheets items and ESA instruments for each of these three units have been developed. Changes in stocks between year T and year T-1 are explained either through transactions or price effects according to the unit and the ESA instrument. For example, due to the specific features of these three units, it has been assumed that changes in share ownership (assets F.5) were due to price effects unlike other ESA instruments (F.2 and F.4) which have been assumed as being transactions. However, following the discrepancy analysis of the table, it was concluded that these assumptions are not always proved. Other economic flows are observed in loans (F.4) and transactions are observed in shares (F.5).

Therefore transactions and price effects have been reviewed in a case by case analysis, following the reading of the annual accounts of the three units. Discrepancies have improved, as it is shown in table 3 below.

Table 3 - Discrepancies in the *Supplementary table on government support to financial institutions* (B9-B9F; million euro)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
March 2018 EDP Notification	0	-2	2	63	-483	-269	-46	-173	-111	13	
Sept 2018 EDP Notification	0	-2	2	-18	-2	-64	-9	-25	-40	-10	

Among the corrections done in the transactions, only one was done in the non-financial accounts and was related to Vitrufin. In the third quarter of 2011, Vitrufin bought Dexia shares from Ethias (subsidiary of Vitrufin, classified in S.128) for 276 million euros. These shares had been estimated to a market price of 29 million euros. In 2011 Vitrufin was not included in the general government sector. In the framework of the implementation of ESA2010 (in 2014), Vitrufin was reclassified in the general government sector. But the automatic calculation of B.9 for Vitrufin back data (2009-2014) did not take account of the 247 million euros of capital transfer in 2011 (276 million of capital injection valued at 29 million). NAI corrected this oversight, and the discrepancies for all the years 2012-2016 were substantially reduced, as it can be seen from Table 3. In the October 2018 EDP notification, the correction affected B.9/S.1312 of the year 2011 for -247 million EUR.

### *Findings and conclusions*

Eurostat expressed its appreciation for NAI having investigated at micro level this issue and moreover for having substantially reduced the longstanding discrepancy in the *Supplementary table on government support to financial institutions*.

### **3.1.5. Integrating information on non-financial and financial accounts (and comparing B.9 and B.9F) at enterprise level: Flanders pilot project**

#### *Discussion*

In 2018 the Flemish consolidated units and the main state government tested the new Building Block (BB) reporting related to F.89 (see page 13).

Since in Flanders all (important) financial assets and liabilities (including F.89) will be covered in the BBs, **Flanders decided to integrate the BB reporting** in the already existing reporting template (the so-called ‘rapporteringsjabloon’) that already contained the annual accounts reporting (**balance sheet and income statement**) **and the economic groupings reporting plus the link between them**. The template also contains the ‘proefsaldibalans’ which is the book-keeping result on a 5-digit rubrics detail and the source of all other reportings. This template allows to check if all the assets and liabilities are reported somewhere, and only once, in the BBs. In the rapporteringssjabloon there is also a “net lending/net borrowing”, however it’s not calculated according to ESA definitions.

Flanders added a sheet in their reporting tool comparing what is reported in the book-keeping ‘proefsaldibalans’, with what is reported in the BB reporting, but at book value (value in proefsaldibalans). However, the valuation for the financial accounts in the BB is not always the one reported in the book-keeping and the tool Flanders developed only allows to check the correspondence between book-keeping valuations.

With this as a starting point, it will in theory be possible to calculate for individual enterprises the B.9F using the correct valuation. This aggregate is not foreseen in the current template. The NAI asked Flanders to include it in the future.

### *Findings and conclusions*

**AP 9.** *NAI informed about a template developed by the Flemish Community to make the link between the corporations' annual accounts (NBB\_CBSO), the information on economic groupings available from the Base Documentaire, and the results of the Building Blocks. NAI will share with Eurostat the results of this analysis<sup>20</sup>.*

NAI provided Eurostat with an interesting description of the Flemish pilot study and explained that **comparing B.9 and B.9F will be an ongoing project through 2019**, but as it is a time-consuming exercise and since priority is given to the normal production cycles, progress will depend on the human resources available for this project. **If Flanders includes B.9F in the rapporteringssjabloon, comparing B.9 and B.9F at enterprise level could be faster, but this can be introduced in 2020 at the earliest.**

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<sup>20</sup> Done. This action point was implemented on 21/12/2018, within the deadline agreed. On 21/12/2018, NAI provided Eurostat with a description of the Flemish pilot study which is taken in account in the text above.

## 3.2 Transparency of the information related to the Working Balance

### Introduction

The lack of transparency of the Working Balance (WB) for all government subsectors (the starting line of the EDP Tables 2A, 2B, 2C and 2E) is an issue which was already discussed with NAI during the 2014 and 2016 SDV and regularly raised by Eurostat with each EDP notification, the last time with the *April 2018 Closing Remarks*, point 57.

In most Member States the working balance is a prominent national indicator presented/voted in Parliament, featuring explicitly in the Budget execution report, and being audited.

Belgium was publishing only **the WB for central and state government (first line of EDP Tables 2A/S.1311 and 2B/S.1312), with no break down for revenue and expenditure**, on the website of the Budget ministry (see Table 5), at the following address:  
<http://www.begroting.be/FR/figures/Pages/WorkingBalance.aspx>

NAI explained that the revenue minus the expenditure of the Economic grouping, excluding the group 9, provided what is called *Solde net à financer* in Table 4, which is what is reported as WB in the first line of EDP table 2A.

Table 4 – Belgium, the information on the Working balance, June 2018

Working balance - 2017 clôture provisoire (En millions d'euros)										
	Pouvoir fédéral	Communauté flamande	Communauté française	Communauté germanophone	Région wallonne	Région de Bruxelles-Capitale	Commission communautaire française	Commission communautaire flamande	Commission communautaire commune	Total
<b>Regroupement économique</b>										
Recettes	124 512,9	44 892,1	14 403,0	354,5	13 984,7	5 167,0	491,4	153,4	1 278,2	205 027,1
Dépenses	126 284,3	46 673,9	14 700,3	397,8	14 655,6	5 195,7	470,4	151,2	1 276,9	209 806,2
Solde net à financer	-1 771,4	-1 981,8	-297,3	-43,4	-670,9	-28,7	11,1	2,2	1,3	-4 779,0
OCCP Recettes (1)	11 559,8	1 291,9	4,6	0,5	7 119,5	480,2	0,0	0,0	0,0	14 056,6
OCCP Dépenses (2)	8 810,7	4 248,3	7,1	0,6	1 204,3	473,3	0,2	0,0	0,0	14 749,5
Solde de financement du regroupement économique	-4 520,5	974,6	-294,8	-43,3	-186,1	-30,7	11,2	2,2	1,3	-4 086,1

(1) Liquidations de crédits et de prises de participations  
(2) Octrois de crédits et prises de participations

Eurostat enquired about the reasons why the WB for S1313 and S1314 (EDP Tables 2C and 2E) were not published.

NAI explained that the working balance for the local governments is for most local governments the balance of the normal service. This information is public for the individual local entities (but not necessarily available on the internet). The Flemish government started to implement the new accounting system (BBC) from 2011, which is fully implemented from the accounting year 2014 onwards. The supervising authorities calculate an “automatic” ESA balance that is used as the working balance by the NAI.

### Discussion

Eurostat expressed the need to access more information on the components of the WB, as it is possible to do for other Member States. The *Final report of the Task Force on the implications of Council Directive 2011/85 on the collection and dissemination of fiscal data*<sup>21</sup> includes the following example (Table 5) of minimum budgetary detail that are recommended for national monthly and quarterly publication.

<sup>21</sup> European Commission, Eurostat, Directorate D, March 2013, page 4.

Table 5 – Example of budgetary data that should be available to the users on monthly and quarterly basis

<b>A. Overall balance (1-2)</b> <i>the accounting basis is to be specified</i>	compulsory
<b>1. Total revenue / inflows</b>	compulsory
Indicative list of voluntary details: <i>Taxes, of which:</i> <i>Direct Taxes</i> <i>Indirect taxes, of which:</i> <i>VAT</i> <i>Social contributions</i> <i>Sales</i> <i>Other current revenue</i> <i>Capital revenue</i> <i>Inflows from operations in financial instruments</i>	voluntary
<b>2. Total expenditure / outflows</b>	compulsory
Indicative list of voluntary details: <i>Purchase of goods and services</i> <i>Compensation of employees</i> <i>Interest</i> <i>Subsidies</i> <i>Social benefits</i> <i>Other current expenditure</i> <i>Capital transfers payable</i> <i>Capital investments</i> <i>Outflows from operations in financial instruments</i>	voluntary

NAI invited staff of the General Documentary Base/Federal Public policy and Support to the June 2018 EDP dialogue visit so that the persons responsible for publishing the information on the budget could take notice of Eurostat’s concerns which might help them to offer a solution to this longstanding issue.

#### *Findings and conclusions*

**Action Point 14.** *The Belgian Statistical Authorities will expand the **publicly available information on the Working Balance** for the central and state government, by publishing, before each EDP notification, the available information from the Economic Groupings for the most recent reference years<sup>22</sup>.*

The General Documentary Base team at the end of September 2018 started publishing the annual data for the 4 digits detail of the economic groupings, for revenues (14 pages) and expenditure (16 pages), for the years 2016 and 2017, which can be found at the following link:

<http://www.budgetfederal.be/FR/figures/WorkingBalance.html>

### **3.3 Missing information on government’s potential liabilities**

#### *Introduction*

Council Directive 2011/85/EU Art. 14(3) states the following: “*For all sub-sectors of general government, Member States shall publish relevant information on contingent liabilities with potentially large impacts on public budgets, including government guarantees, non-performing loans, and liabilities stemming from the operation of public corporations,*

<sup>22</sup> Done. Action point 14 was implemented on 28/09/2018, well before the deadline agreed (end of December 2018).



*including the extent thereof. Member States shall also publish information on the participation of general government in the capital of private and public corporations in respect of economically significant amounts.”*

Belgium is publishing (and providing to Eurostat) only part of the required information, at the following link:

<http://www.budgetfederal.be/FR/figures/EUreport.html>

Belgium is among the few countries not publishing the information on **Non-performing loans of General Government** and the values of **the Government participation in the capital of public and private enterprises**.

#### *Discussion*

Concerning the Government participation in the capital of public and private enterprises, NAI was planning to start the publication of the data at the end of 2018.

However, NAI could not promise progress for non-performing loans (NPL) of General Government. NAI explained that the information on NPL was collected as part of the Building Blocks (BBs) reporting. However, few units provided such information, which is therefore of poor quality. Some values were reported only by the entities financing social housing: 73 million euro in Wallonia and 35 million euro in Flanders. NAI indicated that it would need time (two years) to progress on this issue.

#### *Findings and conclusions*

**Action Point 15.** *The NAI will study how to improve the quality of the information on non-performing loans of general government with a view to providing this data to Eurostat in the future. Deadline: end of December 2019*

**Action Point 16.** *The NAI will investigate the quality of the information on the government participation in the capital of public and private corporations with a view to making this data available.*<sup>23</sup>

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<sup>23</sup> Done. Action point 16 was implemented on 21/12/2018, when the information on the 2016 and 2017 value of the government participations in the capital of public and private corporations was sent to Eurostat and published on the website of SPF BOSA <http://www.budgetfederal.be/FR/figures/EUreport.html>



## 4. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS

### 4.1 Delimitation of general government

#### 4.1.1 The list of public units

##### *Introduction*

In Belgium, the list of public units (EDP inventory Annex 1) is updated and published twice a year (in April and October) on the website of the NBB. The latest version is available in excel format at the following link:

<http://inr-icn.fgov.be/fr/publications/comptes-nationaux-et-regionaux>

The NAI is responsible for this list, which includes government and non-government public units. The April 2018 list included 4757 entities. The October 2018 list included 4728 entities.

NAI explained to use the following sources to detect public units:

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

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

Concerning changes in sector classification, the introduction of ESA2010 led to the reclassification of several entities in S.13 in the October 2014 EDP Notification, with limited impact on government deficit but a considerable increase in the government debt.

For the April 2018 notification, about 160 units (mainly non-profit institutions) were reclassified into S.13 and 60 outside it, following an analysis of the replies to the **NAI questionnaire (Fiche 9/Régistre des unités publiques)**. The campaign for the filling of the 2018 Fiche 9 was launched in mid-May 2018. Replies were due by the 1st October 2018.

#### 4.1.2 The market/non-market test and the qualitative criteria

NAI applies the market/non-market test 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%), the test is calculated automatically. 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, the information is collected by a specific reporting launched by the NAI, **the 'reporting Périmètre', Fiche n.10/** Reporting pour les administrations publiques hors périmètre des administrations publiques in the 2013 Protocol (see page 11, paragraph 1.2.2 in this document). This reporting request is sent to all the SPOCs once a year and includes all the information needed 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.

Before the meeting Eurostat requested a list of the government controlled units classified in government based solely on qualitative criteria. The list included 269 units.

NAI explained that, following ESA 2010 paragraph 20.27, NAI considers that if a public producer is the only supplier of its services, it is presumed not to be a market producer if its sales to government units are more than half of its output or its sales to government do not fulfil the tendering condition.

To assess if a unit satisfies or not the qualitative criteria, NAI sends to the public entities outside general government a dedicated questionnaire (**fiche 10.3, Volet qualitative du reporting**). In this questionnaire, entities have to fill in their revenue broken down by counterpart (households, private enterprises, public enterprises or government). This distinction allows the NAI to identify the part of sales towards government units. Additional questions concern the nature of the activities, the principles of payments, and the existence of a public market. When a unit fails the qualitative criteria of the market test, it is reclassified in S.13 even if it passes the quantitative criteria.

#### **4.1.3 Questionnaire on government controlled entities classified outside the general government sector**

The version of the Questionnaire on public units classified outside the general government (the "Questionnaire") examined during the SDV was dated 22nd December 2017. It included 1431 units, of which: S.11: 1286 units, S.121: 1 unit, S.122: 3 units, S.124: 1 unit, S.125: 24 units, S.126: 20 units, S.127: 21 units, S.128: 11 units, S.129: 13 units, S.15: 51 units.

##### *Discussion*

NAI explained that the data included in the Questionnaire came from the balance-sheets of the companies, as available in the NBB\_CBSO. The 50% test values included in the Questionnaire were automatically calculated and based on the values the units reported under "sales" in the balance sheets.

Considering that the accounts of the entities might include in sales also government subsidies not in line with the ESA2010 definition of sales, as it happened with the railways, Eurostat wondered which highly subsidised entities were included in the list, and how reliable it could be their 50% test (see next AP.12).

NAI explained that the only highly subsidised public units, besides the railways, were "Bpost" and the units distributing water in the Flemish region. NAI checked what was included in sales for these entities and revised the 50% test for Bpost (which remained well above 50%), while the one for the water companies was already correct, since the subsidies were not included in sales.

Eurostat and NAI went through the units included in the list, and initially focused on those that appeared problematic. Eurostat pointed out that, in the Questionnaire, some units had implausible 50% test values (in some cases equal to the GDP, due to a clerical mistake, NAI explained).

NAI explained that some of these units ended their activity in recent years, and some were new. NAI was considering the reclassification in S.13 of five of these units; in the case of other four units NAI had already concluded that they would remain outside S.13, because they were subsidiaries of public entities classified outside S.13.

Eurostat clarified that, **for all the units included in the Questionnaire and controlled by other public units, it should be verified if they are institutional units. If they are not institutional units, for national accounts compilation purposes they should be consolidated with the public units they belong to (and then for the parent public unit the 50% test should be checked using the consolidated accounts).** No entity with a 50% test below 50 should be in this questionnaire. An exception could be made only for the new companies that have to make heavy investments at the outset.

NAI explained that some units are maintained in the Questionnaire even if they are not considered institutional units because they are legal units controlled by other public units classified outside S.13.

Eurostat suggested that, for these cases, the last column with the explanation should include the information on the parent unit, and the 50% test for the parent should be made using the consolidated accounts.

NAI had already agreed as part of 2016 SDV (Action Point 22) that: "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 would provide further information in the questionnaire by adding a column for comments". NAI had provided the additional column for many, but not for all the problematic units.

### *Findings and conclusions*

**Action Point 10.** *Questionnaire on government controlled units classified outside government. NAI will investigate the 50% test for FINPIPE and for all other units where **the results of the market/non-market test seem implausible** (abnormally high results / clerical errors). A corrected version of the questionnaire will be provided to Eurostat<sup>24</sup>.*

The Questionnaire that NAI sent to Eurostat on 21<sup>st</sup> December 2018 included 1437 units, of which: S.11: 1286 units, S.121: 1 unit, S.122: 3 units, S.124: 3 units (+2), S.125: 25 units (+1), S.126: 24 units (+4), S.127: 20 units (-1), S.128: 10 units (-1), S.129: 13 units, S.15: 0 unit (-51). Between brackets the changes compared to the version dated 22/12/2017 checked during the June 2018 SDV.

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<sup>24</sup> Done, NAI sent to Eurostat a questionnaire with almost no implausible M/NM values on 21/12/2018. In this version of the questionnaire FINPIPE is described as officially terminated in 2017.

As part of the April 2018 EDP notification. NAI reclassified in government 51 units previously classified in S.15. These 51 units are public and non-market, thus, they belong to the sector general government (S.13).

Eurostat noted that the Questionnaire received on 21/12/2018 still included some units with Market/Non Market values below 50% in the last three years. NAI explained that some of these units were daughters of public units and others would be further investigated.

Eurostat also noted that in the Questionnaire more than 700 units, meaning more than half of the units included, had no value for the 50% test, and many had no value for any other indicator included in the Questionnaire.

Some of the units with no 50% test value had many employees (most of these are hospitals, NACE 86), but no value for any of the other indicators.

Among the units with no 50% test value were 82 units with NACE category 68/Real estate.

NAI explained that most of these units did not deposit annual accounts at the Central Balance Sheet Office or deposited only abbreviated accounts that did not allow the 50% test to be calculated. Hospitals (NACE 86) and local social housing companies (NACE 68) are sectorised globally on the basis of their sales (payments by patients as well as the third party paying by the INAMI for hospitals and rents for social housing companies) covering more than 50% of their costs.

**Action Point 11.** *Questionnaire on government controlled units classified outside government: for the units that do not pass the 50% test, and that NAI does not consider institutional units, but keeps in the list since they are legal units, NAI will add, in the column titled "remarks", the **name or ID of the controlling unit***<sup>25</sup>.

In the December 2018 version of the Questionnaire, NAI included the name and ID of the controlling unit. Eurostat wondered if the 50% test for the controlling unit was made using the consolidated accounts.

NAI explained that this was not systematically done or necessary, as these entities are mostly held by corporations (financial/non-financial) for which there is no doubt on the sector classification such as the public telecom corporation or the public banks (that are profitable). The NAI will check consolidated accounts only for the groups for which there are doubts on the sector classification, but this cannot be automated and will be on a case-by-case analysis.

**Action Point 12.** *Questionnaire on government controlled units classified outside government. NAI will verify if, **for the entities receiving large amounts of subsidies, the automatically made 50% test is reliable, or requires a manual adaptation similar to the one made at the end of 2017 for SNCB and Infrabel***<sup>26</sup>.

**Action Point 13.** *Questionnaire on government controlled units classified outside government: Prior to the next benchmark revisions, and considering that the questionnaire is filled on a legal unit basis, NAI will repeat a detailed analysis of **units with zero or few employees with a view to separating out holdings***<sup>27</sup>.

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<sup>25</sup> Done.

<sup>26</sup> Done. On 21/12/2018 NAI sent a note and a file with the results of the M/NM test for the units receiving large subsidies, see page 25 of this paper for more details.

<sup>27</sup> Done, with results included in the Questionnaire sent to Eurostat on 21/12/2018.

Among the 18 units to be reclassified in S.13 in April 2019, according to the Questionnaire sent to Eurostat on 21/12/2018, four are captive financial institutions sponsored by government belonging to NACE 64 (NACE 64.2 is Activity of holding companies).

#### 4.1.4 Classification of public hospitals

##### *Introduction*

Belgium is one of the few EU Member States where public hospitals are classified outside the government sector.

Eurostat started enquiring about the classification of the Belgian hospitals with the "Request for clarification" related to the October 2014 EDP notification. After discussing the issue during the EDP Standard Dialogue Visit of 21-22 January 2016, Eurostat invited the Belgian Statistical Authorities to reclassify in the government sector all hospitals and health institutions controlled by government (Action point 24). Until the moment of the reclassification, the debt of the hospitals had to be recorded as government debt. Deadline for debt rerouting: April 2016 EDP Notification; Deadline for reclassification: October 2016 EDP Notification.

Eurostat reinforced the conclusions taken during the 2016 SDV with a written *Advice on the sector classification of Belgian hospitals* – published on Eurostat website on 5 April 2016<sup>28</sup>.

NAI did not agree with Eurostat recommendation on hospitals, and never implemented it. **NAI recognised that if the Manual on Government Deficit and Debt (MGDD) would be strictly implemented, all Belgian hospitals should be consolidated in the government sector**, because the government approval needed for heavy hospital investment would imply a lack of autonomy. However, NAI underlined that a Belgian court had indicated that the MGDD is not a legal text, and that the MGDD rules for hospitals go beyond ESA, notably as regards the issue of autonomy of decision.

In its *News Release on government deficit and debt of 21 April 2016* Eurostat expressed a reservation on the quality of the data reported by Belgium in relation to the sector classification of hospitals. The reservation was maintained in the following three notifications: October 2016, April 2017, and October 2017.

In 2016-2017 some meetings between Eurostat and the Belgian public authorities were organised, to achieve further knowledge on the details of the Belgian health system.

In December 2017 Eurostat started a fact-finding exercise<sup>29</sup>, to understand which characteristics of public hospitals led almost all Member States to classify them in government.

In January 2018 the NAI informed Eurostat that a law approved at the end of 2017 abrogated article 117 of the national legislation on hospitals, an article that Belgium assumed was standing in the way of the possibility to consider a large part of the government transfers to the hospitals as market sales.

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<sup>28</sup> <https://ec.europa.eu/eurostat/documents/1015035/7142247/Advice-2016-BE-Sector-Classification-Belgian-hospitals-ESA-2010.pdf>

<sup>29</sup> EDPS Working Group 6-8 December 2017, item B.6, *Fact finding on hospitals*.

As a consequence, with the *EDP news release of 24 April 2018*, Eurostat withdrew the reservation on the quality of the data reported by Belgium in relation to the sector classification of hospitals, pending the results of the on-going consultation among Member States.

### Discussion

In a note (dated 2018-06-14) NAI explained that the investment grants given by the different governments to the hospitals are recorded on an accrual basis. These investment grants are sometimes paid over a long period (up to 33 years), but the NAI records the total amount in the first year the grant starts to be paid and records the remaining amounts as debt (F.4). **This makes that a large part of the debt of hospitals is already included in the government debt (see the table below).** Since 2016 the Belgian governments have changed the systems for financing the investments of hospitals. In the new systems the hospitals do not receive an investment grant linked to a specific investment. They receive annual amounts for an indefinite period that can be revised every year. As a result, in recent years the difference between the imputed debt and the outstanding debt of the hospitals increased.

The aggregated accounts of the Belgian hospitals show profits in years 2010-2016.

Table 6- The investment grants to the BE hospitals

Tableau 1 - Difference entre les dettes imputées pour les hôpitaux et la dette des hôpitaux						
(En million d'euro)						
	2012	2013	2014	2015	2016	2017e
<b>A. Dette déjà inclus dans les comptes</b>	<b>4.997</b>	<b>6.200</b>	<b>7.223</b>	<b>7.401</b>	<b>7.109</b>	<b>6.690</b>
<i>(En % du PIB)</i>	1,29	1,58	1,81	1,80	1,68	1,53
A1+A3	4.358	5.111	5.929	6.313	6.054	5.685
VIPA	405	857	1.098	901	860	818
CRAC WAL	176	175	142	134	144	138
UZ Gent	58	56	54	53	50	48
<b>B. Dette totale des hôpitaux</b>	<b>6.420</b>	<b>7.261</b>	<b>8.442</b>	<b>8.545</b>	<b>8.779</b>	<b>8.779</b>
<i>(En % du PIB)</i>	1,66	1,85	2,11	2,08	2,08	2,01
<b>C. Impact de la consolidation sur la dette</b>	<b>1.423</b>	<b>1.062</b>	<b>1.219</b>	<b>1.144</b>	<b>1.670</b>	<b>2.089</b>
<i>(En % du PIB)</i>	0,37	0,27	0,30	0,28	0,40	0,48
pm. Approximation of investments	1.811	2.150	2.295	1.497	1.819	

Eurostat explained that the withdrawal of the reservation related to the issue of hospitals did not mean that Eurostat finally could agree with NAI position, but was due to the following considerations:

- 1) The change in the Belgian law, although maybe not fully sufficient in itself, was an element to be taken in account;
- 2) The amount of the correction of the debt, in case of reclassification, would be limited;
- 3) Two other countries (Germany and Netherlands) were keeping most of their public hospitals outside government, and Eurostat could not guarantee, in that moment, that their case was substantially different from the Belgian one.

So Eurostat decided to proceed with a more general approach to the issue. This would start with an EU-wide fact finding (about the reasons that brought countries to classify hospitals inside or outside government), that will be followed by a discussion in the EDP Working Group.

### Conclusions

Eurostat and NAI will reconsider the issue related to the classification of hospitals once the fact finding at EU level will be finalised.

## 4.1.5 Classification of railways

### *Introduction*

At the end of 2017 Eurostat started a project aimed at achieving further harmonisation in the sector classification of the managers of the railways infrastructure and of the railways transport operators. Since then, in the context of the EDP standard Dialogue Visits to a Member State, the national railways entities are submitted to a close scrutiny that verifies if all the relevant ESA prescriptions are respected.

The SNCB group was restructured in 2014, when the holding SNCB (*Société Nationale des Chemins de fer Belge*) was disbanded and three new entities were set-up: SNCB – rail transport services, Infrabel – infrastructure manager, and HR rail managing the Human Resources for the other two rail entities.

In June 2018, at the moment of the EDP SDV, NAI was classifying SNCB and Infrabel in S11, and not considering HR Rail as an institutional unit.

### *Discussion*

Most of the discussion on railways was dedicated to the analysis of the income statements of SNCB and Infrabel, and to the exam of the *Arrêtés royaux* that define the subsidies that government is paying to both units.

Eurostat also enquired about the way NAI was checking the 50% test for the subsidiaries of public units that were not consider institutional units, as it was the case for HR-Rail.

### *Findings and conclusions*

**Action Point 18.** *NAI will provide a note explaining how it is treating the losses (and debt) of HR-Rail and other units which are subsidiaries of SNCB and Infrabel (not considered institutional units), when making the 50% test for SNCB and Infrabel<sup>30</sup>.*

NAI explained that all the costs of H- Rail are covered by Infrabel and SNCB, and are therefore automatically taken into account in the 50% test of Infrabel and SNCB. The small deficit of the HR-Rail comes from elements that are not recorded in ESA, like provisions, and therefore does not need to be split between SNCB and Infrabel.

**Action Point 19.** *Eurostat noted that the government payments to the SNCB related to the Dotation variable were almost doubled in 2017 by an Arrêté Royal, while the Dotation fixe was reduced by a similar amount. This was crucial for passing the 50% test. NAI needs to evaluate the Dotation variable against the qualitative criteria defined by ESA 20.27 and ESA 3.36. NAI will provide a detailed analysis of the treatment, in the 50% test, of the "variable" part of the payments of government to the SNCB<sup>31</sup>.*

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<sup>30</sup> Done, with a note dated 26/09/2018.

<sup>31</sup> Done. On 27/09/2019 NAI sent a note prepared by SNCB that addressed the action points 19-21. The M/NM test for SNCB ended up revised downwards, but remained above 50 for most of the years 2014-2018. However the note did not address the implications of ESA 20.27 for SNCB.



**Action Point 20.** NAI will **exclude from the sales of the SNCB** the subsidies related to Terrorism and Plan relance. Likewise, the NAI will **verify** whether the amounts in the line Autres produits (Compte74) should be included among sales. NAI will also check whether the amounts included under Comptes 631/4, 660, and 664/7 should be included in production costs. Finally, NAI will verify if the amounts recorded under the Comptes 750 and 751 are interest and whether they are correctly included in production cost<sup>31</sup>.

**Action Point 21.** NAI will explain the **variability from one year to the next of the SNCB revaluation of the amortisation costs** resulting from business accounts<sup>32</sup>.

**Action Point 22.** NAI will provide Eurostat with the latest **service contracts** signed between government and SNCB, between government and Infrabel and between SNCB and Infrabel<sup>33</sup>.

**Action Point 23.** NAI will verify what is included in **Infrabel "sales"** in relation to Variations de commandes en cours (Compte71) and Autres produits (Compte74). The NAI will also verify whether the amounts included in the Comptes 640, 641/8 and 66A are included among the costs<sup>34</sup>.

**Action Point 24.** NAI will explain the **variability from one year to the next of the Infrabel revaluation of the amortisation costs** resulting from business accounts<sup>34</sup>.

**Action Point 25.** NAI will provide evidence on how the amounts related to the **Redevances d'infrastructure** paid by SNCB to Infrabel are determined<sup>35</sup>.

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<sup>32</sup> Done. In the note prepared by SNCB and sent to Eurostat on 27/09/2019 it is explained how SNCB is revaluing the amortisation costs available from the accounting system based on the replacement costs.

<sup>33</sup> Done. A document that NAI sent to Eurostat on 26/09/2019 includes the link to the website where the contracts are available: [https://mobilit.belgium.be/fr/traficferroviaire/financement/contrats\\_de\\_gestion](https://mobilit.belgium.be/fr/traficferroviaire/financement/contrats_de_gestion)

<sup>34</sup> Done. In a note titled "Ratio de deconsolidation" received by Eurostat on 26/09/2019 NAI provides replies to all the action points 23-25. After correcting the Infrabel 50% test according to Eurostat comments, this ended up well below 50% for each year 2014-2017. **Starting with October 2018 EDP notification Infrabel was reclassified in government, from the reference year 2014 onwards.**

<sup>35</sup> Done. In a note titled "Action point 18 to 25 – Infrabel and SNCB Summary" NAI explains why the Infrabel Redevances d'infrastructure cannot be considered as sales, which brings Infrabel M/NM test below 50%.

## 4.1.6 Classification of financial entities

### 4.1.6.1 SRIB

The sector classification under ESA 2010 of **Société Régionale d'Investissement de Bruxelles** (SRIB) is an issue that has been discussed and analysed, by Eurostat and by NAI, in several meetings, e-mails, and documents over the period 2010-2017.

During the June 2012 SDV, Eurostat expressed the opinion that three regional holding entities (PMV, SRIW and SRIB/GIMB) had to be reclassified in the general government sector.

In 2013 NAI proceeded with the reclassification of the three units. Only SRIB objected and submitted to the Belgian Conseil d'Etat a request to invalidate the sector reclassification made by NAI. Since then, the law case has been going back and forth between NAI and the Conseil d'Etat, which in January 2017 concluded that the reclassification of SRIB in S.13 should be suspended.

In 2017 NAI asked for Eurostat's formal advice on SRIB, which was sent to NAI and published on Eurostat website on 09/03/2018<sup>36</sup>. NAI sent a project of sectorial reclassification to SRIB management on 01/06/2018. SRIB reacted with a note dated 20/06/2018. At the moment of the 2018 SDV (28-29/06) NAI was examining the last note from SRIB.

Finally a letter from Mr Delporte required Eurostat's comments on NAI's updated analysis of SRIB. Eurostat replied on 24/05/2019.

To align with the State Council decision, but to avoid breaching Eurostat recommendations, since the April 2017 EDP notification, NAI keeps SRIB outside government, but reroutes all SRIB assets, liabilities, and transactions inside general government.

## 4.1.7 Changes in pension schemes

### *Introduction*

The issue of the restructuring of the pension schemes, and of the way they would be recorded in non-financial and financial accounts, emerged during the April 2018 GFS data checking.

### *Discussion*

NAI explained that there had been no change in the pension schemes, although a project to link pension benefits to the points accumulated during the working time was under discussion. The only change in pensions that affect GFS compilation was the reclassification of *Service des pensions du secteur public* (SdPSP)/*Public dienst voor de overheidssector* (PDOS) from S.1311 to S.1314. In 2016, the SdPSP/PDOS and the *Office National des Pensions/Rijksdienst voor Pensioenen* were merged to form the *Service federal des pensions/Federale Pensioendienst*, classified in S.1314. For the compilation of ESA financial

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<sup>36</sup> <https://ec.europa.eu/eurostat/documents/1015035/8683865/Advice-2018-BE-Sector-classification-of-SRIB.pdf/8cfac77e-ae4a-43f8-a6c7-b4aacfa68884>

accounts, the merger was effective from 1<sup>st</sup> April 2016, while in the non-financial accounts, the merger had been recorded on the 1<sup>st</sup> of January 2016.

Another event was the dissolution of the *Fonds de viellissement/Zilverfonds* (ZF) (S.1311) from 1<sup>st</sup> January 2017. The federal state decided to close down the ZF, created in 2001 to safeguard the sustainability of public finances and pensions by pre-financing the burden. All assets of the ZF (F.42A – Zilverbonds) were transferred to the main state without counterpart at the time of dissolution. The federal state became the debtor and the creditor of the Zilverbonds, while all obligations of the federal state vis-à-vis the ZF expired. In the financial accounts, this was treated as Other changes in volume in both assets and liability sides of S.1311 in 2017Q1.

Table 7 - Impact on Financial accounts of pension related reclassifications/dissolutions (million Euro)

		CS	DS	Instrument	Amounts
Zilverfonds	2017Q1	S1311-2	S1311-1	F.42	-22270,3
SdPSP/PDOS	2016Q2	S1311	S1311	F.41	-900,0
SdPSP/PDOS	2016Q2	S1314	S1311	F.41	900,0

Eurostat explained that the above changes had to be recorded consistently in the financial and non-financial accounts, with correct values recorded under the posts F.8/Adjustment for the change in pension entitlements and F.63/Pension entitlements.

#### *Conclusions and Actions*

**Action Point 26.** NAI will investigate the recording of **funded pension schemes** in the non-financial and financial accounts and harmonise the recording of D.8 and F.63.  
Deadline: end of March 2019<sup>37</sup>.

## 4.2 Implementation of the accrual principle

### *Introduction and discussion*

Traditionally, the reporting system for government accounts in Belgium has been cash-based. Following legal changes introduced in 2003, the different government levels progressively shifted from cash to accrual accounting.

The federal government started the switch to accrual in 2003. During the 2016 SDV it was confirmed that the FEDCOM system of accounting had been gradually extended and that for the most important part, the accrual principle was followed.

The regions and communities, switched to accrual as follows:

- The Brussels Capital Region switched to accrual in 2007;
- The German Community switched to accrual in 2010;
- The Flemish Region switched to accrual in 2012;
- The Region of Wallonia and the French Community still provided to NAI the economic groupings on a cash basis and therefore adjustments in the lines of EDP table 2B were needed.

<sup>37</sup> On 2/4/2019 NAI communicated that Action Point 26 will be dealt in the occasional revision of the accounts of September 2019.

The main basic data source for the compilation of the non-financial accounts (the economic groupings) is sent by all administrations to the Court of Auditors (CoA). The federal and/or regional legislation determines what sort of verification the CoA will perform on the economic groupings. The audit reports often include comments that help NAI to identify accrual corrections needed in the data sources. NAI uses the Flemish and Walloon CoA reports to identify and fine-tune accrual-related adjustments during the October EDP notification.

### *Conclusions and actions*

**AP 28.** *NAI will provide Eurostat with the latest reports from the Court of Auditors on the implementation of the accrual accounts by the federal and the regional governments.*<sup>38</sup>

## 4.2.1 Taxes

### *Introduction*

The time of recording of taxes is defined in ESA2010 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

The SPF Finances and the relevant departments of regions collect the majority of the data on taxes. The main data sources used by NAI to calculate the taxes are cash data for which the final data for year t are available in March t+1.

Only small taxes received directly by local government and social security funds are reported on an accrual basis.

The method to adjust the cash data to accrual is the **time adjusted cash method** with a delay of one or two months, or 15 days according to the kind of tax. In some cases, a cash method with no time adjustment is used. The following table (from the *EDP Inventory*) shows the time lags used to correct the different types of taxes.

Table 8 – Timing in the time-adjusted cash method

Sub-sector	Taxes	Time-lag between the activity date (or the determination date of the tax) and the due date
S.1311	VAT (D211)	1 month
S.1311	Excise duty on manufactured tobacco (D212)	3 months (until 31 December 1996), 2 months (since 1 January 1997 until 31 December 2008), 1 month (since 1 January 2009); 0 month from 2015 onwards
S.1311	Taxes on stock exchange business (D214C)	1 month (since 1 April 2002)
S.1311	Vehicle taxes (D29B and D59D)	1 month (since 2002, S.1312)
S.1311	Advance payment of tax on income from capital (D51A and D51B)	1 month
S.1311	Advance payment of tax on earnings (D51A)	1 month
S.1311	Income tax by assessment (D51A and D51B)	2 months
S.1311	Tax amnesty (D91B)	15 days (since 1 January 2010 for DLUbis and 1 January 2013 for DLUter)
S.1312	Registration rights (D214C)	1 month (since 1 January 2017 for Flemish region)
S.1312	Property related taxes (D29A)	2 months
S.1312	Vehicle taxes (D29B and D59D)	1 month (since 2002, S.1312)- Flemish Region 2 months (since 2012)

<sup>38</sup> Done. On 28/09/2018 NAI provided the reports from the Flemish (year 2017) and Walloon (year 2018) Court of Auditors, with a note that explains what information included in the reports was used by NAI.

S.1312	Income tax by assessment (D51A)	2 months (since 2015)
S.1312	Inheritance taxes (D91A)	2 months
S.1312	Tax amnesty (D91B)	15 days (since 1 January 2010 for DLUbis)
S.1313	Property related taxes (D29A)	2 months
S.1313	Income tax by assessment (D51A)	2 months

#### 4.2.1.1 Trends in the taxes

##### *Discussion and conclusions*

Eurostat noted that ESA Table 2 showed that the taxes collected increased by 5.7% in 2017, with Direct taxes/D5 increasing by 7.3%. At the same time F.89 related to taxes from the EDP Questionnaire Table 5 were negative for year 2017.

Table 9 – Growth rate of Belgian taxes

	2015	2016	2017
Taxes	1.2	2.3	5.7
Indirect taxes	1.5	4.7	3.6
<b>Direct taxes</b>	<b>1.4</b>	<b>1.1</b>	<b>7.3</b>
Social contributions	1.8	-0.6	2.7
<i>GDP</i>	2.5	3.1	3.6

NAI explained that regulatory tax changes for the corporations determined the remarkable increase of taxes/D.51 in 2017 (and will probably lead to an even higher increase in 2018). The tax surcharge in the event of insufficient advance tax payments was doubled to 2.25 in 2017, and further increased to 6.75% in 2018; this determined an increase in the advanced payments made by the companies.

The change in surcharges was part of a broader tax reform that in 2015-2017 lowered taxes and social contributions and increased taxes on goods and services and capital taxes. From 2018 onwards, a further step of the reform is foreseen, that will lower the tax rate on the income of corporations progressively from 33.99% to 25% in 2020.

NAI is recording the anticipated payments of D.51 at the time they are made and records the cash receipts linked to the tax-assessment with a time-lag adjustment of 2 months, which corresponds with the normal terms of payment.

*Eurostat noted that the increase in advance payments was artificially inflating the tax revenues of 2017 and 2018. Eurostat however agreed that it was fine to continue with the normal time-adjustment method, since estimating the part artificially inflated by the tax reform was complicated and could open the door to possible manipulations.*

#### 4.2.2 Social contributions

The time of recording of social contributions is defined in ESA2010 §4.94 as "... the time when the work that gives rise to the liability to pay the contribution is carried out..." for employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

The main sources used by NAI to calculate the social contributions are the assessed amounts for which the final data for year t are available in September t+2. In March t+1/ April EDP

notification, only the data for three quarters of year t are available. The assessed amounts are adjusted by a coefficient to exclude the amounts that will never be collected. After three years, the amount collected in cash for a given year (t) is taken as final in the accounts. Only some social contributions received directly by central government are on a cash basis.

### 4.2.3 Interests

#### *Introduction and discussion*

NAI provided an updated table with the detailed figures on debt (at face and at nominal value) and interests that covered S.1311 only, budgetary and non-budgetary units, period 2014-2017. 85% of the Belgian debt is related to S.1311.

Table 10 - Availability and basis of data on interest

Instrument	S.1311		S.1312		S.1313		S.1314	
	State	OCGB	Main unit	OSGB	Main unit	OLGB	Main unit	OSSB
Deposits (AF.2)	Cash	Cash	Cash	Cash	L	L	L	L
Debt Securities (AF.3)	Accrual	Accrual	Accrual	Accrual	L	L	L	L
Loans (AF.4)	Accrual	Accrual	Accrual	Accrual	L	L	L	L
Other accounts receivable (AF.8)	L	L	L	L	L	L	L	L

*Cash/accrual, M (not applicable) or L (not available)*

In the basic data used for the compilation of the non-financial accounts, only the information on the interests paid is available. Some entities provide this information on a cash basis, and the Treasury provides the information needed to apply the accrual accounting.

Information on interest expenditure is also collected as part of the reporting of financial transactions in the Building Blocks templates for central government (S.1311) and state government (S.1312) subsectors. The BB reporting collects data on interest accrued and interest paid on an instrument by instrument basis.

The interest accrued recorded in the financial accounts might differ from interest accrued recorded in the non-financial accounts, the data sources for both accounts being non-integrated. NAI explained that a reconciliation was possible but was not performed. However, the interest accrued for the main federal state was fully consistent.

Information on interest accrued for local government and social security funds was not available. This issue had been discussed during the 2016 SDV. The NAI had explained that 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. The adjustment would concern loans paying monthly interest, which account for most of the debt of the local government. Local authorities (5% of the debt) and social security (2% of the debt) are marginal. The 2016 SDV had included an Action point (n.27) related to the investigation of the materiality of an adjustment for interests accrued/paid by local government. An estimation (value = zero) is now included in EDP Table 3D.

Eurostat and NAI examined the table on interests provided prior to the meeting. Eurostat appreciated that the table was consistent between stocks and flows, and with the figures reported in the EDP Table 3B. However, Eurostat noted that the amounts of D.41 paid did not fit with what was included in the GFS reporting. The NAI explained that the table was missing some of the interest paid by government, for example those related to the

reimbursement of taxes unduly collected decided by the Courts, that bear interests at an annual rate of 7% for procedures that could last 5 years.

### *Conclusions*

Eurostat took note of NAI explanations.

## **4.2.4 EU Flows**

### *Introduction*

In general, EU flows transit through government accounts. To avoid effects on government deficit, GFS/EDP compilers have to eliminate them from public accounts.

NAI describes the issue of the treatment of EU flows in Belgium as being complex, due to the many government units (at the S.1312 level) managing them.

The largest EU flows received are related to the agriculture programmes (EAGF and EAFRD). These programmes are managed directly by the regional governments of the Walloon Region (Service public de Wallonie – SPW) and the Flemish Region (Agentschap voor Landbouw en Visserij – ALV). The EU flows related to these programmes do not enter the working balance.

Regarding the other EU flows, the recording differs according to the entity.

- In the Brussels Region, all EU flows enter the working balance and the government does not use the matching principle. These amounts were however small in the 2012-2015 period. The same recording is applied by the German speaking Community but the amounts are not significant.
- In the Flemish Region, several government agencies are responsible for the management of EU flows. Some agencies record the flows on a cash basis, others record them on an accrual basis.
- In the Walloon Region, most EU flows (received from the EU and paid to the beneficiaries) do not enter the working balance of government and those which do follow the matching principle to avoid affecting the working balance.
- In the French speaking Community, EU flows (received and paid) are recorded on a cash basis. The amounts received matched the amounts paid to the final beneficiaries in 2015.

The Belgian agriculture market regulatory agency was, until 30 June 2014, the *Bureau d'intervention et de restitution belge* (BIRB). On 1st July 2014, following the implementation of the 6th state reform, the missions of the BIRB was transferred to two regional payers, one in Flanders and in Wallonia. All these agencies are classified in the general government sector. The stocks transactions are small and are not recorded in the government accounts.

### *Conclusions*

This issue was not discussed during the 2014 and 2016 EDP SDV.

The text above, taken from Belgium *EDP inventory*, however clarifies that most of the EU funds do not enter the working balance, which is confirmed by the EDP Questionnaire Table 6/Adjustments for transactions of general government with the EU, where zero values are reported for all the lines 1-15.

Regarding the questionnaire on the Recording of EU funds that NAI had provided before the mission, Eurostat appreciated that the figures on receivable/payable/F.8 reported are identical to the figures included in EDP Questionnaire Table 6.

#### 4.2.5 Military expenditure

The NAI explained that defence investments are not currently integrated into the FEDCOM system, and therefore a specific reporting was agreed between the Defence Ministry, the DG Budget and Evaluation and the NAI. This reporting captures the information on payments (including prepayments) and deliveries.

Eurostat noted that in EDP Questionnaire *Table 7/Military equipment deliveries*, the figures on deliveries, cash payments and transactions in Other receivables/payable/F8 seemed consistent.

NAI informed Eurostat that Belgium joined, in 2018, an international organisation with 5 other EU countries that would acquire in the future 7 Multi-Role Tanker Transport (MRTT) aircrafts. The contract had still to be analysed. But the NAI was wondering if the payments had to be considered as payments for the sale of services (flying hours with the plane), investment grants or outright fixed capital investment. *Eurostat indicated that the importance of each country has to be analysed to verify who controls the assets.*

### 4.3 Recording of specific government transactions

#### 4.3.1 Government intervention to support financial institutions

Before the mission, the NAI had sent to Eurostat detailed data and metadata (by single operation) on flows and stocks related to government intervention to support financial institutions. Eurostat thanked NAI for the extremely accurate information provided.

##### 4.3.1.2 Arco/Belfius

###### *Introduction and Discussion*

DG ECFIN wished to discuss the state of the art of the Arco/Belfius case during this SDV.

The liquidation of Arco (the financial arm of the Flemish Christian Workers' Movement), started in 2011, and is linked to the partial privatisation of Belfius Bank<sup>39</sup>. Belfius is a bank 100% owned by government that emerged from the dismantling of the Dexia group, of which it was part until 10 October 2011, when it was purchased by the Belgian government for 3.73 billion euro.

Almost 800.000 shareholders are subordinated in the liquidation of the Arco holding. A 2014 federal coalition agreement stipulated that Arco shareholders will be reimbursed for an amount equal to 40% of their investment. With losses amounting to about EUR 1.5bn, this means that a compensation of EUR 600mn is needed. EUR 400mn would be linked to revenues from Belfius, while EUR 146mn would stem from a fine that the Commission had imposed on Arco for benefitting from illegal state aid. This fine is due to the Belgian state

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<sup>39</sup> <https://www.belfius.be/retail/fr/produits/epargner-investir/arco/index.aspx>



and channelling it back to the Arco shareholders needs to survive scrutiny from DG COMP, and this is also the case for the compensation arrangement. The DG COMP decision is still pending and might take several years.

DG ECFIN reported that, for Belfius, two options were considered: (1) use part of the proceeds from the government divestment in Belfius or (2) the Belgian state cashes in on a "super dividend" before Belfius is listed on the stock market.

At the end of February 2019, the Arco/Belfius case was still pending. According to the press, the government did not consider the market conditions to be suitable for an IPO (Initial Public Offering) of Belfius shares<sup>40</sup>.

### *Conclusions*

NAI will continue monitoring the Arco/Belfius dossier, and in particular the payments of dividends by Belfius, to identify super dividends paid out of reserves.

## **4.3.2 Guarantees**

### *Introduction and discussion*

Guarantees are issued on behalf of the government across all sub-sectors (except the social security funds); they might be one-off and standardized guarantees.

The majority of government one-off guarantees are those provided by the Federal government to financial institutions during the financial crisis (for example Dexia). Other beneficiaries of guarantees are public corporations, small and medium-sized enterprises, international organizations, and government units. Guarantees can be provided by the parent government authority or by a government unit acting on behalf of the government.

The guarantees can be on assets and on borrowings. Guarantees on assets existed only during the financial crises and were provided to financial institutions on the value of portfolios of financial assets (such as a guarantee by which a government unit covers all or part of the losses if the sale of assets falls below a certain value). Guarantees on borrowing are provided to public corporations, small and medium enterprises and individual banks.

Before the SDV Eurostat got from NAI a list of the outstanding one-off guarantees (by individual beneficiary) for the years 2014-2017. NAI explained that the reporting of data on guarantees improved a lot compared to what it was in 2016 and is considered exhaustive.

Eurostat asked clarifications regarding guarantees granted by Brussels Region to SBGE (*Société Bruxelloise de Gestion de l'Eau*), which were split in two parts: (i) financial debt (62.8 M€ in 2017) (ii) commercial debt (447.1 M€). NAI explained, as part of the October 2018 EDP notification, that the reported commercial guarantee is much higher, because it is related to estimated payments until 2027 on a concession contract.

During the SDV Eurostat also commented on some inconsistencies detected in the EDP questionnaire Tables 9.1 (line 4 and 9a) and 9.2. In particular Eurostat suggested to

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<sup>40</sup> [https://trends.levif.be/economie/banque-et-finance/pas-encore-le-moment-opportun-pour-privatiser-l-actionnariat-de-belfius/article-normal-1096403.html#cxrecs\\_s](https://trends.levif.be/economie/banque-et-finance/pas-encore-le-moment-opportun-pour-privatiser-l-actionnariat-de-belfius/article-normal-1096403.html#cxrecs_s)

investigate a guarantee cash call of 5 M€ recorded as acquisition of claims (EDP questionnaire Table 9.1 line 9a), which should maybe be recorded as “guarantee cash call recorded as expenditure” (line 8), if this cash calls were already classified as expenditures in the non-financial accounts.

### *Findings and conclusions*

**Action Point 27.** *NAI will implement corrections in the EDP questionnaire tables 8.1, 8.2, 9.1 and 10.2 in line with the discussions held in the meeting<sup>41</sup>.*

### **4.3.3 Debt assumptions, debt cancellations and debt write-offs**

#### *Introduction*

In the updated EDP Inventory, NAI explained that the Buildings Block (BB) questionnaire for loans (BBA\_Loans) collects also information on debt cancellations (imputation of a capital transfer) and debt write-offs (no transaction, Other changes in volume) according to the definitions of ESA 2010.

However, the units fill the template according to their book-keeping practices and not according to ESA 2010 definitions. In most cases, the value of the loans is not the nominal value required by ESA. Write-down and reversal of write-down (not recognised in ESA) are an issue, and are recorded as partial write-offs (Other change in volume) by NAI.

Data on debt cancellations, stocks of bad loans and related accrued interest revenue are not available for local government units.

#### *Discussion*

The NAI explained that the entities giving loans to foreign institutions never cancel the debt asset from their accounts, and neither do the entities financing social housing, since there is always a mortgage backing the loan. Concerning the reimbursable loans/subsidies given by the funds that support innovation or closing of enterprises, NAI records them as expenditure for their full amount from the beginning, since there reimbursement rate is low.

The reported write-offs and debt cancellations are checked one by one by the GFS team, and often the examination shows that they do not correspond to ESA definitions.

Eurostat noted that in the *EDP Questionnaire Table 8.1* no values were reported for 2. *Claims against public corporations*.

<b>2. Claims against public corporations:</b>							
2014		L	0,0	0,0		L	L
2015		L	0,0	0,0		L	L
2016		L	0,0	0,0		L	L
2017		L	0,0	0,0		L	L

In EDP *Questionnaire Table 9.1* the line on Write offs/public corporations was also empty.

<sup>41</sup> Done, as part of the October 2018 EDP notification.

Write-offs by GG of government assets in public accounts	16		0,0	1,2	5,0	0,0
of which: public corporations	16a		0,0	0,0	0,0	0,0
a Of which: write-offs in ESA2010 accounts	17	L	L	L	L	L
of which: public corporations	17a	L	L	L	L	L

Concerning public corporation, NAI explained that they were not able to make a distinction between claims to public and non-public corporations based on the data collected with the Building Blocks. To overcome this shortcoming, NAI was running a project that entailed flagging each public corporation in the general GFS database (used in combination with BB DB). Once this would be done, it would be possible to filter claims from public corporations.

Before the SDV meeting NAI had provided a note with a detailed and nominative description of all the debt cancellations that occurred in period 2014-2017.

Eurostat observed that the largest amounts of debt cancellation included in EDP Questionnaire Table 8.2 were related to EDP Table 2D/Social Security.

NAI explained that the *Office national de l'emploi* (ONEM) is responsible for paying unemployment benefits and other employment-related social expenses. Sometimes social expenses are paid unduly and they have to be recovered. In the accounts of the ONEM, there is a heading "social benefits unduly paid to recover". In 2016, the ONEM carried out a thorough clean-up of its accounts, which showed that 335.5 million euro of receivables/benefits unduly paid could not be recovered.

NAI recorded the debt cancellations over the period 2006-2016, with the following values for period 2014-2017 (same as included in EDP Questionnaire Table 8.2):

2014	2015	2016	2017
-37,3	-33,8	-61,0	-31,8

*Eurostat noted that in the WB of 2016, the amount of 335.5 million was recorded as expenditure. It was eliminated through the "cancellation of holding gains/losses" section. However no correction for 335.5 (nor for 335.5 minus 61) is included in EDP table 2D, Other adjustments/cancellation of holding gains/losses/2016.*

*NAI will investigate and correct it, if necessary, in the Notification of September 2019.*

#### *Findings and conclusions*

**Action Point 17.** *NAI will send to Eurostat a note on the available data sources and exact criteria used for the compilation of write-offs, write-downs and debt cancellations<sup>42</sup>.*

**Action Point 27.** *NAI will implement corrections in the EDP questionnaire tables 8.1, 8.2, 9.1 and 10.2 in line with the discussions held in the meeting<sup>43</sup>.*

### 4.3.4 Capital injections in public corporations

#### *Introduction and discussion*

<sup>42</sup> Done. On /12/2018 NAI sent to Eurostat an updated draft of the *EDP inventory* that included a slightly amended section 7.2.2 *Debt cancellation*.

<sup>43</sup> Done, as part of the October 2018 EDP notification.

According to the *EDP inventory*, since 2008 (since 2011 for loans) the NAI applies the rule of classifying as capital transfers all the capital injections for which an extensive and pre-defined documentation is not provided by 15 February.

In case of capital injection by way of equity, the entities have to provide information covering the nature of the transaction, the possible other (private or public) partners, the financial statements of the corporation for the last 3 years and a financial plan audited by an independent institution. Since 2016, government capital injections by equity are reported through BBA\_Shares. Data are reported on a granular basis allowing the identification of counterpart information.

In case of loans, the information is collected by the BBA\_Loans, and the additional information required is the amount, the interest charge and the terms of redemption. The NAI does not requalify loans if this information is provided, but verifies if the counterpart is a corporation in severe financial distress.

Before the meeting Eurostat had requested a list of capital injections for the period 2013-2016 by beneficiary and treatment in national accounts, and by sub-sectors. NAI provided 22 heterogeneous files which were difficult to analyse. NAI explained that these were the working files, with the heterogeneity reflecting the evolution of the reporting in time, the channel (units) through which the capital injections were performed, and the different members of the GFS team that had analysed the case.

*Eurostat invited NAI to provide, in the future, a simpler and more synthetic template showing all capital injections in a given year, their recording in national accounts and the operating profits of the units concerned.*

#### *Findings and conclusions*

NAI explained that the EDP inventory did not reflect the new compilation system. Eurostat encouraged NAI to update the EDP inventory accordingly. An updated version of the EDP inventory was provided on 21/12/2018 (see page 16 of this report), which included a revised paragraph 7.3/Capital injections (which Eurostat used for the paragraphs above).

### **4.3.5 Privatisations**

#### *Introduction and discussion*

Before the meeting, NAI provided a note describing the main privatisation transactions carried out in 2014-2017.

Eurostat noted a possible mistake in the EDP Questionnaire Table 10.2, part III.

#### *Findings and conclusions*

**Action Point 27.** *NAI will implement corrections in the EDP questionnaire tables 8.1, 8.2, 9.1 and 10.2 in line with the discussions held in the meeting<sup>44</sup>.*

### **4.3.6 Dividends and Super dividends**

#### *Introduction and discussion*

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<sup>44</sup> Done, as part of the October 2018 EDP notification.

Before the meeting NAI provided an Excel sheets with the 'super-dividend' test for:

- 1) Units distributing dividends to S.1311: NBB, Bpost, BNP Paribas, Proximus, RPI, Belfius;
- 2) Units distributing dividends to S.1312: GIMV, KBC, Ethias, Herstal, Safran, Sonaca and Aquafin.

Eurostat noted that, for the units distributing dividends to S.1312, the test was carried out only up to year 2016. NAI explained that, for these units, the year of annual accounts was mentioned, but as dividends are usually paid out in the following year it also concerned 2017.

#### *Findings and conclusions*

Eurostat noted that, when the super dividends of some units were large, it was important to have reliable estimations already in March t+1.

### **4.3.7 Public Private Partnerships and alike**

#### **4.3.7.1 Public Private Partnerships**

##### *Introduction and discussion*

Because of the uncertainty about the statistical treatment of Public Private Partnerships (PPP), in the past NAI used to submit all the cases to Eurostat opinion.

Between 2014 and 2016 the investments under PPP projects was low, also due to the uncertainty about their statistical treatment.

The publication of the Eurostat/EIB *PPP guide* in September 2016 improved substantially the understanding between Eurostat, the NAI, governments and other stake-holders.

Three off-balance sheet projects were on-going in 2017 (A11, Brabo II, albert Canal (part I)). NAI did not expect many new projects starting in 2018 (A11 is finished). This could however change in 2019/2020, when the projects already analysed by NAI will reach the market. Considering that the new PPP contracts follow the new standards on which Eurostat has already provided an advice, and are prepared by the same consultants, the NAI is not anymore sending to Eurostat all the new contracts on which it is providing advice. Only the contracts with new clauses will be submitted to Eurostat.

The following is the list of PPP-projects for which the NAI has provided advice since 2016 (all published on NAI's website):

- New DBFM-project for School buildings in the Flemish community (checked by Eurostat);
- Bridges over the Albert canal (checked by Eurostat);
- Tram de Liège (checked by Eurostat);
- A Convention centre in Brussels (DBFM) and a Hotel (concession);
- DBFM-contract for a new prison contract in Haren;
- DBFM-contract for a new depot for busses;
- Model mini-DBFM contract for local Flemish Governments.

In most contracts, NAI identified clauses that influenced the statistical treatment. For example, in some contracts there were third party revenues for the government (for example

in the case of tram de Liège or the Convention centre). Concerning vandalism, NAI is of the opinion that if this risk is foreseeable than it should be transferred. In practice, this would for example mean that in the Tram de Liège case (in which the tramways are part of the contract) the risk has to be transferred, but for the tram/bus-depots in rural areas it would not (because the analysis indicated that this risk is low).

#### *Findings and conclusions*

Eurostat appreciated NAI good understanding of the rules on PPPs.

#### **4.3.7.2 Concessions**

NAI reported that the works on the *Oosterweelverbinding* had started at the end of 2017 (for a symbolic amount). In its communication, the Flemish government kept this expenditure outside its objectives for the financing balance. However, in its reporting to the NAI, the expenditure was directly included in the data.

#### **4.3.7.3 Energy Performance Contracts**

NAI reported that the Energy Performance Contracts (EPC) were not developed in Belgium. Small contracts existed at the local level (mainly solar panels) and were recorded on government balance sheet. However since the publication of the new guidance several governments were studying it.

#### **4.3.8 Debt repurchases and refinancing**

##### *Introduction*

Debt repurchases lead to premiums or discounts, the difference between the price paid (in principle excluding the coupon accrued to date and repurchased) and the face value. This is captured in the EDP Table 3 in the line Redemptions/repurchase of debt above(+)/below(-) nominal value.

According to ESA2010, premiums and discounts on repurchase enter the financial accounts as a settlement of holding losses or gains incurred, and should not be recorded as expenditure or revenue of government, neither at time of repurchase nor later on.

According to ESA2010, the difference between the market and the face value at the time of repurchase is treated as a revaluation. The eventual resale is to be treated as new issuance and the difference between the issue (resale) price and the face value enters the calculation of interest. Premiums/discounts at resale should be amortised over the remaining maturity of the debt security.

Due to falling market interest rates, the buyback of old government debt securities might happen at a higher price than the agreed redemption/face price, the debt being repurchased at a premium, hence at a loss for the government.

This issue was extensively discussed during the 2016 and 2017 EDP Working Groups, and the conclusions of the methodological discussion are embedded in the bilateral advice provided to Germany at the end of 2017, available from Eurostat website<sup>45</sup>.

### Discussion

**In Belgium the repurchase of debt securities can be made by the Federal debt agency,** and be related to two types of securities: State bonds and OLOs (Lineaire Obligatie). **State bonds repurchased** are redeemed immediately, while **OLOs repurchased** are kept in the portfolio of the Federal debt agency until maturity. Repurchases of OLOs intervene at the end of the life of the bonds, to smooth the refinancing requirements of large tranches of OLOs.

**Extra budgetary units consolidated in S.1311 have also the legal obligation to invest their cash surpluses in government assets,** which leads to purchase and sale mostly of OLOs and deposits in Bpost accounts.

#### 4.3.8.1 Adjustment values included in EDP table 3B

During the October 2017 EDP request for clarification, Eurostat and the NAI had a long exchange of view concerning the treatment in EDP Table 3B of the “coût hors intérêts” associated with the OLOs (F.32) repurchased by the Federal Debt Agency.

Eurostat had pleaded for the recording of the “coûts hors intérêts”, for the values included in the table below (Table 11), in the EDP Table 3B, line dedicated to the *Adjustments/Redemptions/repurchase of debt above(+)/below(-) nominal value*. NAI had requested additional time to investigate the issue with the Federal Debt Agency.

Table 11

Rachats d'OLO de 2012 à 2015			
	Valeur faciale	Prix de la transaction (*)	coût hors intérêts
2012	9,445,700,000.00	9,673,487,715.23	227,787,715.23
2013	10,127,000,000.00	10,355,724,565.00	228,724,565.00
2014	6,772,000,000.00	6,938,801,020.00	166,801,020.00
2015	7,103,500,000.00	7,237,956,430.00	134,456,430.00
(*) non compris les intérêts courus			
Source: comptabilité, GL 280 , GL 500, GL 692510 et GL 792510			

During the 2018 SDV, NAI explained that, for the years prior to 2016, the transactions in OLOs were derived from stocks at face value, adjusted for interest accrued minus paid. Therefore, for periods before 2016, it had no meaning to include an adjustment in EDP Table 3B for something that was not included in the Financial Accounts. The 46/2014 and 18/2015 values reported in EDP table 3B (see table 12 below) were related to the repurchase of State bonds.

However, from 2016 onwards the reporting of the portfolio of assets as part of the Building Blocks (BB) project allowed the identification of the discount/premium on repurchased OLOs. From 2016 onwards, the information reported in the BB (BBA\_debt securities of consolidated units and BBL\_debt securities of main state) was used to (1) evaluate these transactions and (2) partition them to determine the adjustments to include in EDP Table 3B.

<sup>45</sup> <https://ec.europa.eu/eurostat/documents/1015035/8683865/Advice-2018-DE-Treatment-of-repurchase-and-subseq-resale-transactions-of-Fed-Bonds-rev.pdf/b7b68d46-c826-4fcc-8d0a-15adab45f9b4>



Table 12 - EDP table 3B October 2018 EDP Notification

<b>Adjustments <sup>(a)</sup></b>	820	-2.071	830	1.962
Net incurrence (-) of liabilities in financial derivatives (F.71)	0	0	0	0
Net incurrence (-) of other accounts payable (F.8)	360	171	1.194	1.459
Net incurrence (-) of other liabilities (F.1, F.5, F.6 and F.72)	0	0	0	0
Issuances above(-)/below(+) nominal value	-3.114	-4.240	-3.126	-1.312
Difference between interest (D.41) accrued(-) and paid <sup>(4)</sup> (+)	621	1.369	1.277	1.821
Redemptions/repurchase of debt above(+)/below(-) nominal value	46	18	200	202

Table 13 below details the recording of repurchases and resales of OLOs by the main State and by the units consolidated in S.1311. The small differences with the 2016 and 2017 values included in EDP Table 3A *Redemptions/repurchase of debt above (+)/below(-) nominal value* was explained by the redemption above nominal value of State bonds.

Table 13 – The detailed figures on OLO repurchases and resales

TOTAL F.3	2016	2017
<b>S1311_MS</b>		
COUPON_BOUGHT	85,14	131,17
INCREASE_FACE	6 094,50	8 495,68
PREMIUM_DISCOUNT	171,88	163,25
ACCRUED_COUPON	85,75	188,77
COUPON_SOLD	0,00	0,00
DECREASE_FACE	-2615	-8820,18
PREMIUM_DISCOUNT RESALE	0,00	0,00
COUPON_PAID	-84,66	-349,46
<b>S1311_C</b>		
OPENING_FACE	15 552,93	19 946,77
OPENING_MARKET_EST	18 532,82	23 061,15
COUPON_BOUGHT		
INCREASE_FACE	174,72	290,25
PREMIUM_DISCOUNT	24,73	36,98
ACCRUED_COUPON	108,84	134,32
COUPON_SOLD		
DECREASE_FACE	-261,03	-473,56
PREMIUM_DISCOUNT RESALE	-15,17	-29,75
COUPON_PAID	-126,83	-156,72
<b>Consolidating elements S.1311 (Total)</b>	<b>2016</b>	<b>2017</b>
Issuances/repurchase above(-)/below(+) nominal value	-15,17	-29,75
Difference between interest (D.41) accrued (-) and paid (+)	-68,24	51,93
Redemptions/repurchase of debt above(+)/below(-) nominal	196,62	200,23

NAI is not recording Redemptions/repurchases of debt above (+)/below (-) nominal value for S.1312, S.1313 and S.1314. Eurostat wondered if the redemptions/repurchases made by S.1312, S.1313 and S.1314 were relevant.

NAI explained that in case of S.1314, it was relevant, and estimated using the same methodology as S.1311. For S.1312 and S.1313 the amounts were less important and in any case NAI did not have the details, as only the consolidated government units of S.1311 and S.1314 are subject to an institutional constraint which obliged them to consolidate cash surplus.

#### 4.3.8.2 Recording of Repurchased Liabilities

According to ESA 20.130, the repurchase of a liability must be recorded as a redemption (a reduction) in liabilities and not as an acquisition of assets.



**In the treatment of OLOs repurchased, NAI departs from ESA 20.130: the OLOs repurchased are recorded by the entities and by NAI as an addition to the financial assets of S.1311, and are not removed from S.1311 liabilities.**

The entities prefer to consider the repurchased OLO as assets because they might be resold, and NAI prefers not to depart from the official debt statistics of the entities.

NAI assured that the recording of these repurchases in EDP table 3 and ESA table 27 was consistent, with no internal discrepancies and no impact on B.9 or debt, since these transactions ended up being consolidated.

With this recording NAI is inflating the gross assets and liabilities of the units in S.1311, but not the Maastricht debt, determined after consolidating the OLO assets and liabilities held by all the units belonging to S.1311.

### *Findings and conclusion*

Eurostat took note of these explanations and recognised the differences with the German case.

## **4.3.9 Emission trading schemes**

### *Introduction*

The European Union Emission Trading Scheme (ETS) is the largest greenhouse gas emissions trading scheme in the world, based on the issuance by the governments of the EU Member States of so called Emission Allowances (EUAs).

In Belgium, EUAs are sold via auctions by the government since 2013. Before that, they were allocated for free which did not give rise to entries in government accounts.

The data on permits (number of permits allocated, surrendered, sold, and cash revenues) are directly transmitted to the NAI by the administrator of the Belgian National Registry for greenhouse gas.

The receipts linked to the auction of permits are recorded in the government accounts as a tax on production (D.29). The time of recording of the tax on production corresponds to the moment the corporations surrender the permits, as a compensation for the emission of greenhouse gases, at the end of April of year  $t$  for the emissions of year  $t-1$ .

When the permits are handed over, it is not possible to distinguish between the permits which had been allocated for free and those that had been sold through auction. Therefore, in Belgium, a general rule is used to determine the tax revenue: it is equal to the number of permits surrendered multiplied by the average annual price of the permits. The underlying hypothesis is that the permits that are surrendered first are those that were sold via auction; the permits allocated for free would be surrendered in a second step, when all those auctioned would have been used up.

### *Discussion and conclusions*

Eurostat noted that NAI was following the methodology mentioned in the MGDD, but indicated that discussions in the Task Force on Methodology was heading towards another method. The NAI indicated that users want statistics to be based on stable rules and that

Eurostat should reflect on the need of changing the guidance again. Eurostat agreed that, as long as the methodological discussion going on at EU level was not finalized, NAI could continue with the current treatment.

On this point see also the follow up of the 2016 SDV Action Point 30 (Green certificates schemes), page 17 of this document.

## 5. OTHER BUSINESS

### 5.1 ESA 2010 Transmission Programme

*Action Point 29.* NAI will seek to ensure **better harmonisation of statistical adjustments for the financial accounts**, notably in the areas of super-dividend testing, loans treated as capital transfers and trade credits following the good example of capital injections. A note documenting progress will be provided<sup>46</sup>.

*Action Point 30.* The NAI will ensure that any **debt undertaken by public corporations in which government is considered the principal party** is not reported as a contingent liability<sup>47</sup>.

### 5.2 Contributions to IDA

#### *Discussion*

NAI enquired about the way the Belgian contributions to the International Development Association (IDA), the development financing arm of the World Bank, should be recorded. The contribution covers a period of 3 years, but will be paid over 9 years.

#### *Conclusion*

Eurostat had examined in the past the Belgian arguments put forward for an accrual recording of the IDA contribution. It indicated that the time of recording capital transfers is an issue still under discussion in the EDP Statistics Working Groups (EDPS WG) and for which no final conclusion had been reached. For this reason, countries have at present flexibility on whether to record such amounts at inception or in different instalments on a cash basis.

Eurostat is not in a position to recommend any recording before conclusions are reached in the EDPS WG. As a result, the final decision on how to record contributions from the Belgian government for the reconstitution of the resources of the IDA will have to be taken by NAI.

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<sup>46</sup> Done, with the October 2018 EDP notification and with the updated EDP Inventory. See the note *Action points – résumé*, sent by NAI on 21/12/2018.

<sup>47</sup> Done, as part of the Table sent to Eurostat on 21/12/2018, see the note *Action points – résumé*, sent by NAI on 21/12/2018.

## **ANNEX 1 - Agenda**

### **EDP Dialogue visit to Belgium, 28-29 June 2018**

Starting on 28 June 2018, 9:00

#### **Draft Agenda**

#### **1. Statistical capacity issues**

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

1.1.1 Governance and co-operation

1.1.2 Quality and risk management of EDP/ GFS processes

##### **1.2 Data sources and revision policy**

1.2.1 Sources and data compilation methods (use of direct data/balance sheets and of other data sources, progress with the Buildings Blocks project)

1.2.2 Coverage of units classified in S1313

1.2.3 Bridge tables

1.2.4 Estimations, imputations and re-balancing procedure

1.2.5 Revision policy

1.2.6 EDP Inventory

#### **2. Follow-up of the EDP dialogue visit of 21-22 January 2016**

#### **3. Follow-up of the last EDP notifications**

3.1.1 Statistical discrepancies in EDP tables 3 and in the supplementary table on government support to financial institutions, other flows in ESA table 27.

3.1.2 Detail available for the Working balance (see *April 2018 Closing Remarks* point 57).

#### **4. Methodological issues and recording of specific government transactions**

##### **4.1 Delimitation of general government**

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 specific entities

4.1.3.1 Public hospitals

4.1.3.2 SNCB, INFRABEL and HR rail

#### 4.1.3.3 Financial Entities

4.1.4 Pension schemes and their restructuring, recording of transactions in non-financial and financial accounts

### **4.2 Implementation of the accrual principle**

4.2.1 Taxes and social contributions

4.2.2 Interests

4.2.3 EU flows

4.2.4 Military expenditure

### **4.3 Recording of specific government transactions**

4.3.1 Government interventions to support financial institutions

4.3.2 Guarantees

4.3.3 Debt assumptions, debt cancellations and debt write-offs

4.3.4 Capital injections in public corporations

4.3.5 Privatizations and changes in subsectors

4.3.6 Dividends, Super dividends

4.3.7 Public Private Partnerships, concessions and Energy Performance Contracts

4.3.8 Trade credits and arrears

4.3.9 Debt repurchases and refinancing

4.3.10 Financial derivatives

4.3.11 Emission trading schemes

4.3.12 Other transactions (sale and leaseback operations, UMTS, securitisation)

## **5. Other issues**

### **5.1 ESA 2010 Transmission Programme**

5.1.1 Financial accounts: the effects of the introduction of new data sources

5.1.2 Subsidies

5.1.3 Tax refunds

### **5.2 Any other business (planned future operations etc.)**

## **ANNEX 2 - List of Participants**

### **National Bank of Belgium**

#### **National Bank of Belgium**

##### **General Statistics Department**

Rudi Acx (Head of General Statistics Department)

Vanessa Baugnet (Head of National & Regional Accounts and Short-term Statistic Service)

Claude Modart

Anne Mulkay

Kris Van Cauter

Sarah La Rosa

Salimata Sissoko

Lies Janssen

David Vivet

Thomas Stragier

##### **Research Department**

Barbara Coppens

### **Federal Public Service Economy**

Kris Blancke

#### **Federal Planning Office**

Vincent Frogneux

Gina Gentil

#### **Federal Public Policy and Support**

Gert De Smet (Director general of DG Budget / President of General Documentary Base)

Philippe Dujardin

Elke Cobbaut

#### **European Commission DG Eurostat**

Luca Ascoli (Head of Unit D1 Excessive Deficit Procedure and methodology)

Malgorzata Szczesna

Laura Wahrig (Team leader – GFS data collection and dissemination, Unit D4)

Daniel Comini (Desk officer for Belgium, Unit D1)

#### **European Commission DG ECFIN**

Windy Vandevyvere

#### **European Central Bank (ECB)**

Henri Maurer