



EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics (GFS)

Unit D-1: Excessive deficit procedure and methodology and GFS

- FINAL FINDINGS -

EDP dialogue visit to Romania

6 – 8 February 2018

Executive summary

Eurostat undertook an EDP dialogue visit to Romania on 6 – 8 February 2018 as part of its regular visits to EU Member States. The purpose of the visit was to review the existing institutional responsibilities for compiling EDP statistics, to discuss the quality, exhaustiveness and use of primary data sources, to examine the practical implementation of the quantitative and qualitative criteria in the context of the sector delimitation, to analyse the sector classification of some units, to revisit the implementation of the accrual recording for relevant transactions and to examine the statistical treatment of specific operations undertaken by government.

First, the institutional arrangements currently in place were reviewed. Regarding the institutional responsibilities in the EDP framework, the discussion focused on the cooperation infrastructure of the four institutions involved in the EDP reporting formed by four thematic Working Groups. Concerning data sources, EDP inventory and revision policy, Eurostat and the statistical authorities discussed in detail the capacity to exploit the cash flow statements of government units, in particular for financial accounts compilation. Eurostat and the Ministry of Public Finance agreed the final content of the bridging table allowing an immediate observation of the consistency between EDP Tables 2 working balances and the Bugetul General Consolidat, BGC (Consolidated General Budget).

Some issues left open in the October 2017 EDP Notification were reviewed. Most importantly, the statistical authorities clarified the recording of the compensation titles and the recording of guarantees.

The discussion continued on the implementation of the ESA2010 sector classification rules. In particular, the Romanian Statistical Authority explained the reclassification of units based on both qualitative and quantitative criteria. Eurostat clarified that the current classification of EXIMBANK is correct and that EXIMBANK remains outside government sector, while keeping the re-routing of the EXIMBANK activity performed on behalf of the State. Furthermore, the potential sector classification of the Fondul Suveran de Dezvoltare si Investitii- FSDI (Sovereign Fund for Development and Investment) was discussed in detail.

Other discussions on specific cases were related to: the road company's new structure, involving two entities, one dealing with investment and the other with administration activities; railways; hospitals; and social housing, for which organization and recording principles were clarified.

On the implementation of the accrual principle, Eurostat verified and clarified the accrual adjustments for taxes and social contributions, the recording of interest, EU flows, etc.

Finally, the recording of some specific transactions was discussed. Eurostat agreed that the Pillar II of pensions is correctly treated as a systemic pension scheme, even though the contribution rates to Pillar II was reduced due to new legislation on taxes and social contributions (Government Emergency Order No 79/2017) to be applied starting from year 2018. The recording of dividend/superdividend of the Romanian National Bank was discussed in detail, while a methodology to be possibly applied remains an open issue for further work at the level of Eurostat Working Group and / or Task Force.

Technical details in relation to some specific articles of the Public-Private Partnership (PPP) amended law were discussed. In addition, the Energy Performance Contracts (EPC) and Concessions situation was assessed.

Introduction

In accordance with Article 11 (1) of Council Regulation (EC) No 479/2009, as amended, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Romania on 6–8 February 2018. The previous Eurostat EDP dialogue visit to Romania had taken place in winter 2015 (on 12-13 November 2015 and 17-18 December 2015).

The delegation of Eurostat was headed by Mr Luca Ascoli, Head of Unit D-1 "Excessive deficit procedure and methodology". Eurostat was also represented by Mr Philippe de Rougemont, Ms Luiza Munteanu and Ms Galjinka Dominic. The European Commission's Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers. The Romanian statistical authorities were represented by the National Institute of Statistics, the National Bank of Romania and the Ministry of Public Finance.

Eurostat carried out this EDP dialogue visit in order to review the implementation of the ESA 2010 methodology and to ensure that the provisions of the Eurostat's Manual on Government Deficit and Debt, as well as the Eurostat's decisions and guidance notes were duly implemented in the Romanian EDP statistics and Government Finance Statistics (GFS).

The main objectives of the EDP dialogue visit were (1) to revisit the existing institutional responsibilities for compiling GFS and EDP statistics, (2) to review data sources for the EDP/GFS data compilation, (3) to review the implementation of ESA 2010 methodology for sector classification of public units, (4) to review the implementation of the accrual principle, and (5) to discuss the recording of some specific government transactions.

In relation to procedural arrangements, Eurostat explained the procedure, in accordance with article 13 of Regulation No 479/2009, as amended, indicating that, within days, the Main conclusions and action points were sent to the Romanian statistical authorities for their comments. The Provisional findings would be sent to the Romanian statistical authorities in draft form for their review or amendment if necessary. Final findings would be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat thanked the Romanian statistical authorities for all the documents provided prior to the visit and for the explanations given during the mission and appreciated the excellent co-operation and transparency demonstrated by the Romanian statistical authorities during the meeting.

1. Statistical capacity issues

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

Introduction

Eurostat took note of the institutional arrangements for the compilation of EDP/GFS in Romania. In Romania, the compilation of EDP Statistics and general government accounts is divided between four institutions: the National Statistical Institute, the Ministry of Public Finance, the National Bank of Romania and the National Commission of Prognosis.

The main national laws that specify the collection of fiscal data are:

1. Government Emergency Order no. 9/1992 on the organization of official statistics, approved with amendments by Law no. 311/2002, republished, with subsequent amendments, amended by Government Emergency Order no. 67/2003 and no. 71/2004;
2. Law no. 500/2002 on public finances, as amended and supplemented by Government Emergency Order no. 45/2003 on local public finances, approved by Law no. 108/2004, with subsequent amendments and Government Decision no. 1574/2003 on the organization and functioning of the Ministry of Finance and the National Tax Administration Agency, modified and supplemented;
3. Law no. 312/2004 on the Statute of the National Bank, as amended and supplemented;
4. Government Decision no. 757/2003 on the organization and functioning of the National Commission for Prognosis, as amended and supplemented; Cooperation protocol no. 20403/24148 signed in 2003 between the Ministry of Finance and the National Institute of Statistics for the exchange of statistical information;
5. Convention no. 1755, concluded in 1999, between the National Statistical Commission (later renamed National Institute of Statistics) and the National Bank of Romania on cooperation actions related to statistical information system;
6. Protocol of Cooperation no. 2183/2014 between the Ministry of Public Finance (MPF), the National Institute of Statistics (NSI), the National Bank of Romania (NBR) and the National Prognosis Commission (NPC) on the development of the National System of Government Finance Statistics and Addendum to the Protocol.

As regards the split of responsibilities for GFS/EDP, the situation is the following:

The National Statistical Institute is responsible for the compilation of ESA non-financial accounts, in general, and for the compilation of the B.9, and co-shares with the Ministry of Public Finance the responsibility for the other non-financial variables in EDP Table 1. Moreover, the National Statistical Institute is the ultimate responsible for the EDP notification in Romania.

The Ministry of Public Finance compiles ESA Table 28 (Maastricht Debt), co-shares with the National Statistical Institute and the National Bank of Romania the compilation of several items of the EDP tables as mentioned above and is the sole compiler of EDP Tables 2 adjustment lines.

The National Bank of Romania is responsible for the compilation of ESA 2010 financial accounts (ESA Table 27 and Tables 6-7), co-shares with the Ministry of Public Finance the compilation of EDP Tables 3 and co-shares with the National Statistical Institute and the Ministry of Public Finance the compilation of EDP Table 4.

The National Commission of Prognosis provides planned data in EDP Table 1.

Discussion

The discussion emphasized the cooperation of the four institutions involved in the GFS/EDP reporting that set-up a GFS Committee. Eurostat was informed that, based on a protocol signed by the four institutions, a cooperation structure was put in place formed by four thematic working groups that involve experts on each field. The four working groups are:

1. Working Group on the elaboration and transmission of government deficit and debt of public institutions and public companies reclassified into the General Government sector - S.13;
2. Working Group on the ESA Transmission Program;
3. Working Group on National Accounts General Government sector;
4. Working group on the implementation and improvement of the integrated IT system.

Each thematic working group is composed by at least two members selected from each of the four institutions (Ministry of Public Finance, National Romanian Bank, National Statistical Institute, and National Commission of Prognosis). Each Working Group establishes and updates, quarterly, the thematic work and will periodically inform the GFS Committee on the activities undertaken and on their respective status.

Eurostat required the National Statistical Institute to provide detailed information in relation to the mandate of the above four working groups that are reporting to the GFS committee.

More details were asked in order to better understand how a new forthcoming IT integrated system would function. It was explained that it was designed as a common reporting system including all financial operations of public entities. The entire financing activity of government units is to be reported. Operations such as treasury bills issuances, loan withdrawals, repurchases of government securities, repayments of government-guaranteed loans, loans granted from the State Treasury General Account, privatization receipts, and premium on government securities are all to be reported in the integrated system.

In the new IT system, the State Treasury should be able to check the balance sheets, profit and loss, cash flow statement, executed budget, and any other statement uploaded by all public entities.

Eurostat enquired if an example of financial statements could be provided for one Ministry (for instance: Ministry of Interior, Ministry of Health or Ministry of Education) as well as for one entity reporting to the Ministry.

During the discussion, Eurostat asked the National Statistical office to clarify the role and contribution of the Accounting General Department of the Ministry of Public Finance in the

EDP/GFS work, and to confirm its participation in the Working Groups reporting to the GFS committee.

Main findings and conclusions

Action point 1: The National Institute of Statistics will provide Eurostat with the mandate of the four Working Groups that are reporting to the GFS committee: (1) EDP Working Group, (2) Working Group on GFS/ESA, (3) GFS Quarterly accounts WG, (4) IT Working Group, and their composition.¹

Deadline: July 2018

Action point 2: The National Institute of Statistics will describe the role and contribution of the Accounting General Department of the Ministry of Public Finance in the EDP/GFS work, will confirm its participation in the Working Groups reporting to the GFS committee, and will adapt the EDP inventory accordingly.²

Deadline: July 2018

Action point 3: The Accounting General Department of the Ministry of Public Finance will report to Eurostat the financial statements for one Ministry of its choice (for instance, the Ministry of Interior) as well as the financial statements for one reporting unit to the latter: balance sheet, profit and loss, cash flow statement, executed budget, and any other statement routinely produced (such as on debt).³

Deadline: March 2018

Action point 4: The National Institute of Statistics will closely follow the on-going IT developments piloted by the Accounting General Department of the Ministry of Public Finance, will evaluate the opportunities that it offers for EDP/ GFS compilation, and will report to Eurostat.⁴

Deadline: October 2018

1.2. Data sources and revision policy, EDP Inventory

Introduction

The EDP Inventory provides detailed information on data sources and methods used for the compilation of the deficit and Maastricht debt instruments. Under this point of the agenda, the following topics were discussed: the data sources, the current situation of the inventory and the revision policy.

The Ministry of Public Finance publishes every month, on its website, the budget execution of several units and budgetary sectors, in the context of the ‘*Bugetul General Consolidat*’ (BGC, General consolidated budget). All items for all sectors are reported on a cash basis, except the revenues from EU grants that are reported on an accrual basis.

¹ A note was provided on 29 March 2018

² A note was provided on 29 March 2018

³ A note was provided on 31 July 2018

⁴ On-going

Discussion

Data sources

Eurostat enquired with the Romanian Statistical Authorities about the possibility to use the cash flow statements of government units, in particular for financial accounts compilation. Given that the information on that issue was not provided in the EDP inventory, Eurostat also wanted to clarify if and how a link between the balance sheets and profit and loss was being made. It was agreed that further clarification of the applicable accounting rules that are followed for establishing the cash flow statement, in particular related to debt issuance, needs to be provided to Eurostat.

The consistency between balance sheets and cash flows was argued to be important. It would be important to clarify if a reduction in value in the case of loans, for instance, would be treated as a transaction or as a write-off or a write-down, or in the case of equity, as another example, if the value of equity would be a net asset of the government into a corporation, and how these would be recorded in the cash flow statement.

Eurostat took note that the recording of transactions in assets seemed correct, as the cash flow statement recorded cash collected on sale. On the liabilities side, the value of the cash raised is shown in the statement.

Using the cash flow statements, as a data source for compiling the general government national accounts and EDP tables, seems fruitful to Eurostat. This is to be further investigated by Romanian Statistical Authorities.

As regards to the main data sources used for general government financial accounts purposes regarding debt securities issued by General Government, the National Romanian Bank mentioned that data about residents' issuances are collected from different domestic sources on a monthly basis, whereas information about foreign instruments held by residents are extracted directly from the Centralized Securities Database – CSDB. This IT system is developed at the level of the European Central Bank (ECB). In addition, data about holders are supplied by resident credit institutions, investment funds, money market funds, insurance corporations, private pension funds and domestic funds. This information is not based on surveys or estimations.

Eurostat took note of the information provided by the NRB and requested further clarification regarding the ways by which the securities holding statistics are assembled, for both stocks and flows. In addition, it is also important to clarify how securities lending, repurchase agreements, short selling transactions and cross-border transactions are in practice accommodated by the securities holding statistics (for both stocks and flows).

Concerning the calculation of currency and deposits (F2) and debt securities (F3) it was stated the following:

- For deposits, the main source is the Monetary Balance Sheet of the National Bank of Romania and the Monetary Balance Sheet of the Other Monetary Financial Institutions (OMFI). Another source is the Balance of Payments (BoP) Statistics' for transferable deposits held by embassies. These data sources are exhaustive. Other data sources are individual data on the balance sheets of all public companies reclassified into S.1311

(according to the market/non-market producer test). From the assets side of the balance sheet of the Treasury, only the position “Cash and cash equivalents” is taken into accounts for compiling the financial accounts, in order to reflect the F.21 owned by public institutions.

It was agreed that the National Bank of Romania would provide to Eurostat a description on the level of details and on the monitoring of the banking source data used for F.2 assets.

- As regards debt securities, it was stated that there are two databases that are being used – one database accounting for issuers and one for the holders. The information related to the price of debt securities in SHS database is provided by Ministry of Public Finance, Bucharest Stock Exchange (BVB) and Market Operations Department.

Eurostat requested the National Statistical Authorities to further clarify the amounts and the data sources concerning consolidation for F.3/ AF.3 (both ESA stocks and Maastricht stocks) both in between sub-sectors and within sub-sectors.

Inventory

According to information provided by the country prior the visit and confirmed during the meeting, a new transmission of the EDP inventory was planned to be provided so that updates concerning several issues were foreseen, among which:

- an update of the list to the EDP Inventory of units classified into general government sector (annexes);
- a section related to specific government transactions – UMTS licenses according to the last Eurostat guidance note;
- new available data sources received from the Bank Deposit Guarantee Fund (BDGF)
- bridge tables between public accounts and national accounts (expenditure and revenue).

In addition to the above, it was agreed that the new version of the EDP inventory would include page numbering and would eliminate the standard questions from the text.

Revision policy

Regarding revision policy, Eurostat took note that the source data and the compilation practice in place in Romania generally allow for final data to be available for October of year T+1, with the exception of reclassification of units. Eurostat took note that EDP years are routinely re-opened for reclassifications of units, and also that historical years can be reopened in case of need. Eurostat considered this as a good practice.

Main findings and conclusions

Action point 5: The Romanian statistical authorities will examine ways to more systematically exploit the cash flow statements of government units, in particular for financial accounts compilation. A note will be provided to Eurostat.⁵

Deadline: July 2018

Action point 6: The Accounting General Department of the Ministry of Public Finance will clarify the applicable accounting rules that are to be followed for establishing the cash flow statement, in particular related to debt issuance. A note will be provided to Eurostat.⁶

⁵ The note was provided on 31 July 2018

Deadline: March 2018

Action point 7: The National Bank of Romania and the General Department of Treasury and Public Debt of Ministry of Public Finance will clarify the manner through which the flow of F.3 that the latter compiles (consistently with the stock of Maastricht debt) enters the compilation of the financial account (ESA table 27), in particular in relation to the alternative source data: security holding statistics. The Romanian statistical authorities will report to Eurostat and will amend the EDP inventory where appropriate.⁷

Deadline: March 2018

Action point 8: The National Bank of Romania will clarify the amounts and the data sources concerning consolidation for F.3/ AF.3 (both ESA stocks and Maastricht stocks) both in between sub-sectors and within sub-sectors.⁸

Deadline: 2018 April notification

Action point 9: The National Bank of Romania will explain, in a note to Eurostat, the ways by which the securities holding statistics are assembled, for both stocks and flows. It will notably indicate how securities lending, repurchase agreements, short selling transactions, cross-border transactions are in practice accommodated by the securities holding statistics (for both stocks and flows).⁹

Deadline: 2018 October notification

Action point 10: The National Bank of Romania will compare the information coming from cash flow statements with the current source data used for financial accounts, and in particular for F.2 assets and F.3 liabilities, among others. A note will be provided to Eurostat.¹⁰

Deadline: July 2018

Action point 11: The National Bank of Romania will describe the level of details and monitoring of the banking source data used for F.2 assets.¹¹

Deadline: July 2018

Action point 12: The National Institute of Statistics will provide a new version of the EDP inventories (updated information, page numbering), by spring 2018. It will provide a more aligned version (e.g. elimination of the standard questions), for publication, at a later stage.¹²

Deadline: March 2018 (1st stage) - October 2018 (2nd stage)

⁶ A note was provided on 29 March 2018

⁷ A note was provided on 29 March 2018

⁸ A note was provided on 29 March 2018

⁹ A note was provided on 29 March 2018

¹⁰ The note was provided on 31 July 2018

¹¹ A note was provided on 31 July 2018

¹² This was implemented in three stages: a new version was provided on 29 March 2019, an updated version was provided on 31 July 2018 and the final version was sent to Eurostat on 19 December 2018

2. Follow-up of the previous 2015 EDP Dialogue visits

2.1. Exim Bank

Introduction

EXIMBANK is an institution mainly held (95.4%) by the State of Romania, specialised in activities supporting the Romanian business environment and international transactions, through specific banking, financial, guaranteeing or insurance instruments. It was established in 1991. According to the Law, beside the activity on its own behalf, EXIMBANK S.A. is acting as the secretary of CIFGA (Inter-ministerial Committee for Financing, Guarantees and Insurance), a governmental body managing the support given by government to export activities, subsidies for bank loans interest rates, guarantees for bank loans, export insurance, etc. In order to perform these activities, EXIMBANK S.A. receives amounts from the state budget, which is kept separate from the own funds of the bank (recorded under “Other creditors”).

The EXIMBANK S.A. is currently classified in the sector “Deposit-taking corporations except the central bank” S.122. Starting from the 2016 April notification, EXIMBANK's revenue and expenditure made on behalf of the State are re-routed through government accounts.

The status of the EXIMBANK was foreseen to be expanded so that it could also act as a full fledged development bank. The new status was still under consultation with DG COMP and it was expected to have a final version of it by mid-2018.

During 2016 and 2017, several exchanges (as a follow-up on action points from previous EDP dialogue visits) took place between the Romanian authorities and Eurostat in order to clarify the appropriate statistical classification of the Romanian EXIMBANK.

Discussion

Detailed discussions took place during the meeting, between EXIMBANK representatives and Eurostat, in order to better understand the bank's activity made on behalf of the State, the banks' commercial activity, as well as clarifying the prerogatives of the management of the bank by type of activity.

Eurostat was informed that a special division was recently created within the EXIMBANK that operates exclusively "on behalf of the State". This department actually works like an agent of the Ministry of Finance. There is a clear separation (Chinese wall) of the human resources and operations made on behalf of the State from those of the commercial arm of the bank. The operations of this division are not recorded on the same balance sheet as the rest of the EXIMBANK that operates commercially. EXIMBANK receives a monthly fee from the Romanian State for this activity carried out on behalf of the State. In relation to the board of directors and the supervisory board, the activity made on behalf of the State is coordinated by the same hierarchy as the commercial arm.

Eurostat suggested that the National Institute of Statistics enquires on the opportunity and practicability to partition EXIMBANK for statistical purposes, separating the commercial unit and the unit operating for the State, in particular having in mind the recent segregation of the department in charge of the State contract (Chinese wall) and also having in mind the options currently being discussed regarding the role of EXIMBANK in the establishment of the Romanian Development Bank.

In addition, more information was requested from the Romanian Statistical Authorities and from EXIMBANK in relation to the type of relationship between the newly segregated department in charge of the State contract and the commercial part of EXIMBANK: payment of salaries, supply relationships, auctions of contract with banks etc.

Detailed discussions took place in relation to the members of the board of the EXIMBANK, about the criteria of selection, the degree of independence (their relationship with government), the procedures and the decisions that they are taking (by type of products). It was confirmed that all 7 members of the Board of Directors are professional bankers and are, in principle, totally independent from government.

The EXIMBANK commercial branch is operating on the market like any other commercial bank. It takes its own risks and is lending money to companies regardless of their size. It was confirmed that EXIMBANK does not act like a promotional.

EXIMBANK is not part of the Paris Club.

Main findings and conclusions

Eurostat confirmed the classification of EXIMBANK outside general government, on the basis of the governance in place as described by EXIMBANK representatives during the meeting and of the nature of the activities of the commercial part of EXIMBANK.

Action point 13: The National Institute of Statistics will nonetheless enquire on the opportunity and practicability to partition EXIMBANK for statistical purposes, separating the commercial unit and the unit operating for the State, in particular having in mind the recent segregation of the department in charge of the State contract (Chinese wall) and also having in mind the options currently being discussed regarding the role of EXIMBANK in the establishment of the Romanian Development Bank. To this effect, the Romanian statistical authorities and EXIMBANK will explain the type of relationship between the newly segregated department in charge of the State contract and the commercial part of EXIMBANK: payment of salaries, supply relationships, auctions of contract with banks, etc.¹³

Deadline: 2018 October notification

2.2. BGC (Bugetul General Consolidat)

Introduction

The Ministry of Public Finance publishes every month, on its website, the budget execution of several units and budgetary sectors, in the context of the ‘Bugetul General Consolidat’ (BGC) – to be translated as General Consolidated Budget.

Eurostat noticed that the difference between the balancing item of the State Budget and the working balance of EDP Table 2A comprised more than the EU flows adjustments reported during the EDP Notifications. Moreover, differences between other balancing items in BGC and the working balances of EDP Tables 2C and 2D can be observed. In order to reconcile these differences, the Romanian authorities had agreed, in previous EDP dialogue visits, to create a bridging table to show clearly the transition from BGC to the EDP working balance.

¹³ A note was sent on 29 September 2018

During 2016 and 2017, several versions of this bridging table have been proposed by the Romanian authorities to Eurostat. No final version had been approved by Eurostat until this meeting.

Discussion

The bridge table aims to show the transition from the BGC (Bugetul General Consolidat) surplus/deficit to the EDP tables working balance.

The discussions on this matter were of a technical nature. All the lines of the BGC table were discussed in relation to the recordings in EDP Tables 2.

The bridge table between the EDP Working Balances and the BGC presentation should include all the reporting EDP years (currently, referring to 2014-2017) and cover all EDP Tables 2 (2A, 2C and 2D). Several adjustment lines are to be introduced as follows:

- Expenditure made on behalf of the EU: Table 2A-detail 4/ Table 2C-detail 3/ Table 2D-detail 2 to be split by programs (EU Funds programme 2007- 2013 and EU Funds programme 2014-2020)
- Amounts to be reimbursed by the EU on account of the agriculture funds-Other accounts receivable Table 2A- detail 9
- EU funds correction-Table 2A other adjustments- detail 17
- Table 2C Financial transactions - detail loans granted by and loans repaid to local authorities
- Table 2C Non-financial transactions not included in the working balance-detail 1(Expenditure financed from external and internal loan)
- Table 2C Other financial transactions- detail 2 (Amounts received in payment mechanism)
- Table 2C Net lending/net borrowing of other local government bodies- detail 1(Local public institutions partially or totally financed from own revenues)
- Table 2C Other adjustments- detail 1(difference from VAT, income revenue)
- Table 2A Other adjustments detail 25 and Other accounts receivable (detail 5)
- Unexplained residuals (BGC and EDP – data sources operative/final), if any

It was agreed during the meeting that the above bridge table would accompany each EDP notification and would be published after each final data of EDP Notification at the bottom of the BGC table on the Ministry of Finance website.

Main findings and conclusions

The discussion agreed on the precise structure of the transition table between the BGC and the working balance of the EDP table to be identified on the Ministry of Public Finance website.

Action point 14: The Ministry of Public Finance will report to Eurostat the transition from the BGC (Bugetul General Consolidat) surplus/deficit to the EDP tables working balance, in the form of the table agreed in the meeting, which would accompany each EDP notification.¹⁴

Deadline: continuous from the April 2018 notification

¹⁴ Implemented from 2018 April EDP Notification

Action point 15: The Ministry of Public Finance will publish on its website this transition table from BGC surplus/deficit to the EDP tables working balance, and will refer to this table at the bottom of the BGC table also published on the Ministry of Finance website.¹⁵

Deadline: 2018 April notification

3. Follow-up of the October 2017 EDP reporting – analysis of EDP tables

3.1. The recording of compensation titles related to property restitutions

Introduction

In the October 2017 notification, Eurostat noticed a high increase, from -359 million RON in 2015 to -2,133 million RON in 2016, in the table 2A, for adjustments related to compensation titles – National Authority of Property Restitution. Eurostat enquired on the nature of these adjustments and on the cause behind the steep increase.

Discussion

The Property Fund (Fondul Proprietatea) was created to provide the financial resources needed to compensate persons (e.g. whose buildings had been) abusively expropriated during the communist era. Under Law 247/2005, *"the compensation titles are certificates issued by the Central Commission for Settlement of Damages, in the name and on behalf of the Romanian State, incorporating the holders' claims on the Romanian State corresponding to the compensation titles granted under this law"*.

At inception, the main shareholder of the Property Fund was the State. As compensation titles granted were converted into shares of Fondul Proprietatea, the State lost gradually its majority. Not all compensation titles were converted into shares, though.

According to a report dated in 2012, communicated by Fondul Proprietatea to the National Securities Commission, the Romanian State, through the Ministry of Public Finance, held on January 31, 2012, a 2.69% stake in the subscribed share capital of Fondul Proprietatea.

In the year 2012, Fondul Proprietatea was reclassified in S.124, being considered as a sort of mutual fund, mostly held by the public at large.

Eurostat enquired about the size of the balance sheet of Fondul Proprietatea and about its assets and liabilities. The Romanian Statistical Authorities indicated that, since 2012 (when it was reclassified outside government sector), such information was not readily available.¹⁶

Restitutions in discussion have no link with the Property Fund anymore. The recent restitutions are made by the authority in charge, ANRP (National Authority of Property Restitution). In 2014, Law no. 164/2014 established measures in order to accelerate and complete the process of settling claims based on Law no. 9/1998 on granting compensations to Romanian citizens for assets transferred to State ownership. The amounts, set by the decision validating the one of the ANRP, are paid in chronological order of issuance, in equal annual instalments, spread over a period of 5 years from the validating decision year. The Romanian authorities explained that the payments are made by the Ministry of Finance. The

¹⁵ Implemented from 4 July 2018

¹⁶ Detailed information regarding the size and composition of Fondul Proprietatea balance sheet is nonetheless available to the NRB, since the entity is a reporter to the NBR in the context of investment funds monthly data collection

first tranche of the payment due is made within 6 months from when the decision is taken. The compensation titles (amounts) refer only to inherited goods and cannot be traded.

The ANRP liabilities arising from the 'restitution decision instrument' are currently recorded within AF.8, and the stock went up by RON 4.2 billion in 2017. It was agreed that, following the meeting discussions, the National Institute of Statistics would further reflect on the appropriate classification of those liabilities arising from the 'restitution decision instrument' (within AF.8 or AF.4), taking into consideration the significant time lag between the capital transfer and the settlement, which can be interpreted as a kind of forced borrowing.

The recording referred to in the EDP tables reflect only the amounts set by the ANRP. They do not comprise restitutions in kind. For restitutions in-kind, Local Governments are in charge. Restitutions in-kind are recorded as "other changes in volume", as the assets of local government decrease following the restitutions. In the profit and loss of the Local Government, restitutions in kind do not appear as a transaction affecting the cash flow but appear as a loss of equity (depending on the nature of the assets). It was explained that the assets in question should be close to the market value and that, each three years, the assets are re-evaluated based on the HICP index.

It was agreed that the National Institute of Statistics would confirm the above information provided by the Ministry of Finance, in relation to restitutions in-kind by local governments having no impact on GFS/EDP aggregates, given (1) that these assets in question are typically classified as non-amortisable, for which, in Romanian accounting practice, the holding gains/losses enter directly in equity rather than through the profit and loss, and (2) that the source data for P.51 excludes these restitution flows.

Finally, it was confirmed that the restitutions in kind do not appear in the ANRP system. They are not recorded in EDP Tables. Assets encompassing both land and buildings that are returned are recorded in the National Accounts with no impact on deficit (B9), although they are taken into account for the compilation of consumption of fixed capital. Eurostat requested the Romanian Statistical Authorities to further explain the motivation for using, for consumption of fixed capital, Annex 35 A and B (which includes restitutions in-kind), rather than the budget source data (net of related payables) currently used for compiling P.51. In general, Eurostat encouraged the National Institute of Statistics to examine the possibility of using the budget source for compiling total fixed assets (through PIM – Permanent Inventory Method), and using Annex 35 A – 1B merely for compiling the breakdown by type of assets.

Main findings and conclusions

Action point 16: The National Institute of Statistics will reflect on the appropriate classification of the liabilities arising from the 'restitution decision instrument' (within AF.8 or AF.4, for RON 4.2 billion), notably in consideration of the significant time lag between the capital transfer and the settlement, which can be interpreted as a kind of forced borrowing.¹⁷

Deadline: 2018 April notification

Action point 17: The National Institute of Statistics will confirm that restitutions in-kind by local governments are de facto without impact on GFS/EDP aggregates given (1) that these assets in question are typically classified as non-amortisable, for which, in Romanian accounting practice, the holding gains/losses enter directly in equity rather than indirectly

¹⁷ Implemented on 30 March 2018

through the profit and loss, and (2) that the source data for P.51 excludes these restitution flows.¹⁸

Deadline: 2018 April notification

Action point 18: The National Institute of Statistics will explain the motivation for using, for consumption of fixed capital, the Annex 35 A and B (which includes restitution in-kind), rather than the budget source data (net of related payables) currently used for P.51. Eurostat encourages the National Institute of Statistics to examine the possibility of using the latter source for compiling the total fixed assets.¹⁹

Deadline: July 2018

3.2. Guarantees

Introduction

During the October 2017 notification, the recording of Guarantees in Questionnaire Tables 9 was discussed. Further clarification took place during the EDP dialogue visit, clarifying technical aspects on almost each recording line.

Discussion

Questionnaire Table 9.2

The data recording in Questionnaire Tables 9.2 was discussed, with an emphasis being put on the recording of guarantees for Tarom and Nuclearelectrica. It was clarified that the guaranteed debt of Tarom had been repaid in 2015.

Concerning Nuclearelectrica's long term debt, incurred more than 10 years ago, it was stated that until 2007, a capital transfer was recorded – as the debt was considered as assumed and was also effectively repaid by government. After a grace period, starting from 2009/2010, Nuclearelectrica started repaying its own debt, however. Given the above, Eurostat advised the Romanian Statistical Authorities to correctly record the debt reimbursements of Nuclearelectrica. These reimbursements currently lead to reductions in Maastricht debt, given that the debt is statistically considered as 'assumed' by the State. The correct recording would lead to a reduction in discrepancy by 0.2 billion RON a year, either by revenue recognition to be super-dividend tested, or by a revision downwards in Maastricht debt. In the latter case the impact of interest of the Nuclearelectrica debt (currently government expenditure) would have to be also considered.

Questionnaire Table 9.4

The guarantees treated as standardised guarantees refer to those guarantees granted by the Romanian State under the First House programme and the support of Small and Medium Enterprises (SME) as well as guarantees provided for a programme on purchases of new vehicles. It was clarified that no lending to the Guarantee Fund took place, so no recording exists in this respect. Clarification was brought referring to the recording of F66 liability and associated expenditure recorded in ESA 2010 accounts, as the latter concerns only the provision of guarantees issued for free (i.e. without guarantee fee) or at a price below commercial prices. The fees paid for the service provided are being paid by the State (they

¹⁸ The note was sent on 12 April 2018

¹⁹ The note was sent on 31 July 2018

represent expenditure) to the fund concerned. In Romanian accounts, there is no B9 impact in relation to these schemes as the guarantee fees are considered as representing the fair value of the guarantees. Column 4 of the table represents only the actual calls. The recording of the guarantee fees in the working balance appear with a "plus", the calls with a "minus".

During the discussion, the guarantees mechanism for loans provided by the EXIMBANK and their recording were clarified. Those loans are recorded in the EDP Tables 3.

Main findings and conclusions

Action point 19: The National Institute of Statistics will reflect on the appropriate correction to apply for the debt reimbursement of Nuclearelectrica. These reimbursements currently lead to reductions in Maastricht debt, given that the debt is statistically considered as 'assumed' by the State. This correction will lead to a reduction in discrepancy, by 0.2 billion per year in the past 4 years, through: either revenue recognition to be super-dividend tested, or revision in Maastricht debt. The impact of interest of the Nuclearelectrica debt (currently government expenditure) will be also considered.²⁰

Deadline: 2018 April notification

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government

4.1.1. Practical implementation of the market/non-market test

Introduction

ESA2010 uses the criterion of covering production costs by sales at institutional unit level as a necessary condition for producers to be market: if sales cover less than 50% of production costs, the institutional unit is deemed a non-market producer.

In Romania, the 50% criterion is verified annually for all public companies at both central and local government levels. The public companies controlled by government, selected from the Statistical Register (REGIS), are annually tested by applying the 50% test. The analysis is done by the National Statistical Institute and is based on annual financial statements (Profit and Loss).

In addition, the National Institute of Statistics prepared a questionnaire in order to obtain information on the qualitative criterion. The purpose of the questionnaire is to obtain information on the control of a given company, on who are the clients of the company in question, etc.

Discussion

The qualitative questionnaire was sent to all units (736 units) in which the government is a minority shareholder (holds shares between 0-49.9%). The purpose of the questionnaire was to obtain information about the level of control by government. Answers were received from 540 units (central and local level) and were analysed by the National Statistical Institute. Following this exercise, 16 units (12 at central level and 4 at local level) were classified into

²⁰ Implemented since 12 April 2018

the general government sector for the period 2012-2015 and the ESA financial and non-financial accounts were revised accordingly.

Eurostat was informed that the questionnaire on qualitative criteria would be adapted, and a new exercise would be launched during summer 2018. In addition, a new exercise on public control for units with less than 50% of ownership will be carried out, for the second time, in the future.

Main findings and conclusions

Action point 20: The National Institute of Statistics will carry out again, in summer 2018, the survey on the qualitative criteria, which may lead to some reclassification of units in subsequent notifications.²¹

Deadline: 2018 October notification

Action point 21: The questionnaire on public control for units with less than 50% of ownership will be carried out for the second time, in the future.²²

Deadline: During the year 2020

4.1.2. Changes in sector classification

Introduction

Between the April 2016 notification and the October 2017 notification, the Romanian Statistical Institute reclassified a total number of 416 units inside the general government sector (254 units in S1311 and 162 units in S1313), following the implementation of the action points agreed in the previous dialogue visit.

The quantitative criterion (50% test) was applied for the period 2011-2014 for all public companies (at central and local levels) selected from the Statistical Register, based on the information concerning the structure of shareholders and ownership.

The 50% criterion was applied based on the ratio of sales to production costs: the sales excluding taxes on products and include all subsidies on products. The payments to cover overall deficits or not linked to the volume of the activity are excluded (e.g. other subsidies on production). Production costs include intermediate consumption, compensation of employees, consumption of fixed capital (i.e. depreciation), other taxes on production and net interest charges.

The Romanian Statistical Authorities apply the recommendation from the MGDD (section I.2.4.3 paragraph 32) according to which, when the net interest charge becomes negative, it is replaced by zero in the calculation of the market/non-market test.

Discussion

In line with the information above, related to the calculation of the 50% test, Eurostat wanted to clarify how subsidies on product or/and subsidies on production are accounted for. The Romanian Statistical authorities clarified that subsidies on product are taken into account when calculating the market/non-market test, while the subsidies on production are not.

²¹ Accomplished since 28 October 2018

²² To be performed during 2020

Given that the main source for calculating the market/non-market test is the Profit and loss statement of a given company, it was noted that it was sometimes difficult to identify if total subsidies include the subsidies on products, or if those latter subsidies are included in turnover. The National Statistical Institute agreed to compare the information on subsidies of companies with that of the budget.

Eurostat was informed that, for the reclassified units, the information related to subsidies is cross-checked with the Ministry of Finance (that holds the information of subsidies by company).

Technical details related to the market/ non-market test calculation when using the Profit and Loss were discussed regarding the value added of market KAUs of government, impacting the net operating surplus of government. The National Statistical Institute was asked to confirm whether position item 28 (Adjustments in value of current assets/ “Ajustari de valoare privind activele circulante”) from the profit and loss (accounting codes 654/754 and 6814/7814) is used to compile the value added in National Accounts, including the value added of market KAUs of government (thus impacting the net operating surplus of government).

In relation to holding companies and head offices, the Romanian Statistical Authorities provided Eurostat with a list of those entities prior the dialogue visit. The list provided contains a limited number of units. Following the discussion, Eurostat understood that the list contained only entities with NACE code 6420 and 7010 that are considered as captive units of government and are classified in S127. It was agreed that there may exist holding companies or/and head offices classified in S13 or/ and S11, that should be investigated and made available to Eurostat.

Regarding entities in insolvency, in bankruptcy or in liquidation, it was noted that information is missing in some cases and, therefore, sometimes, the required statistical actions – such as reclassification – are delayed. The National Statistical Institute will examine the opportunity of a more automatic rule on reclassification of such units.

Main findings and conclusions

Action point 22: The National Institute of Statistics will carry out, on a trial basis, a comparison between subsidies reported in financial statements (that are used for the 50% test) with the data observed in the budget, with the view to identify any reporting errors (e.g. subsidies in production reported within turnover) that may bias the 50% test.²³

Deadline: 2018 October notification

Action point 23: The National Institute of Statistics will confirm that position item 28 from the profit and loss (accounting codes 654/754 and 6814/7814) is used to compile the value added in National Accounts, including the value added of market KAUs of government (impacting the net operating surplus of government, if any). The National Institute of Statistics will modify the 50% test accordingly.²⁴

Deadline: 2018 October notification

²³ Implemented from 29 September 2018

²⁴ Accomplished on 31 July 2018

Action point 24: The National Institute of Statistics will provide to Eurostat the list of public entities with the NACE codes 6420 or 7010 that are classified in any institutional sector (in addition to the list already provided by the National Institute of Statistics that comprised only those entities that are classified in S.127).²⁵

Deadline: July 2018

Action point 25: The National Institute of Statistics will re-examine its policy with respect to units under Law 85, which covers entities in insolvency, in bankruptcy or in liquidation procedure, and decide on the appropriate statistical approach. This may include a more automatic rule, in the absence of any information, particularly with a view to avoid delays in reclassifications of units subject to low market test for two years in a row, with big losses or debts, with no or very few employees, etc.²⁶

Deadline: 2018 April notification

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

Introduction

The latest version of the questionnaire on government controlled entities classified outside the government sector was sent by the Romanian authorities prior the dialogue visit, on 12 of January 2018 (presenting the situation for the years 2014-2016). To summarize, the questionnaire included 1013 units in total, out of which only three units are classified in S12 and the rest in S11. The total liabilities of those 1013 units for the year 2016 amount to 60,318 mil RON, representing around 8% of GDP. There are 65 units with liabilities bigger than 0.01% of GDP, accounting for 56,135 million RON (around 7.4% of GDP).

Discussion

Eurostat selected a number of units (Romaero; Siderca; Compania Nationala a Metalelor Pretioase si Neferoase Remin; Regia Autonoma pentru Activitati Nucleare; Societatea Nationala de Transport Gaze Naturale Transgaz Medias; Societatea de Producere a Energiei Electrice in Hidrocentrale Hidroelectrica; Operatorul Pietei de Energie Electrica si Gaze Baturale OPCOM; Compania Nationala de Transport al Energiei Electrice – Transelectrica; Compania Nationala ROMARM; Electrocentrale Bucuresti; Compania Nationala – Aeroporturi Bucuresti; Electrica Furnizare; Societatea Complexul Energetic Hunedoara; Electrocentrale Constanta; Regia Autonoma de Distributie a Energiei Termice Bucuresti; RADET; Regia Autonoma de Distribuie a Energiei Termice Constanta, Apa TERM, CET, Termica) that were discussed in detail due to some visible inconsistencies such as: very big losses, zero amounts of employees, unavailability of market test for a given year, or very big amounts for the market test.

The National Statistical Institute explained each case, according to the information available at that time, and proposed to further investigate the situation of the units listed below (action points).

²⁵ The list was provided on 31 July 2018

²⁶ Accomplished on 31 July 2018

Main findings and conclusions

Action point 26: The National Institute of Statistics will enquire on specific activities (nature of the client), of ROMAERO, notably with a view to explaining the 50% test results (very close to 50%), and decide on the statistical implication.²⁷

Deadline: 2018 April notification

Action point 27: The National Institute of Statistics will enquire on the REGIA AUTONOMA PENTRU ACTIVITATI NUCLEARE 50% test and on the prospects of the company, and will conclude on the sector classification.²⁸

Deadline: 2018 April notification

Action point 28: The National Institute of Statistics will review SIDERCA, taking into account the very low number of employees and very low market test in the last two years, and will conclude on the sector classification.²⁹

Deadline: 2018 March notification

Action point 29: The National Institute of Statistics will exclude SC OPERATORUL PIETEI DE ENERGIE ELECTRICA SI DE GAZE NATURALE OPCOM from the questionnaire on public entities, as its parent (Electrica) became a private company.³⁰

Deadline: December 2018

Action point 30: The National Institute of Statistics will enquire on the financial situation of SOCIETATEA COMPLEXUL ENERGETIC HUNEDOARA taking into account the mergers (that notably took place in recent years), and will conclude on any statistical implications.³¹

Deadline: 2018 April notification

4.1.4. Units engaged in financial activities

Fondul Suveran de Dezvoltare si Investitii (FSDI)

²⁷ Accomplished on 31 July 2018

²⁸ Accomplished on 29 March 2018

²⁹ Accomplished on 29 March 2018

³⁰ Accomplished on 19 December 2018

³¹ Accomplished on 29 March 2018

Introduction

In September 2017, the Romanian Statistical Institute sent a letter to Eurostat asking for an ex-ante advice on the sector classification of the newly created fund, the Sovereign Fund for Development and Investment (Fondul Suveran de Dezvoltare si Investitii – FSDI).

The FSDI – fully State owned – will be created with an intention to be used as a financial investment instrument that will participate in financing commercially viable projects, mainly through capital injection. The Romanian authorities explained that the FSDI's aim would be to finance profitable investment projects, in various economic sectors, investing alone or together with other parties. The FSDI's aims include participation in PPPs and the management of its own financial assets.

It was explained that the financing sources of the fund would be: dividends received in the account of the shares held in its portfolio, other income from its own financial instruments, proceeds from the sale of portfolio shares, loans, bonds issuance and other sources.

Following different exchanges between Eurostat and Romanian Authorities, until the end of December 2017, a new draft law was submitted to Eurostat representing the base of discussions during the EDP dialogue visit. The scope of the discussion was to assess the potential sector classification of FSDI.

Discussion

The introduction of the topic was made by the Ministry of Public Finance that explained that, at that moment, the draft law was published on the Ministry's website for public consultation, and that the public, the stakeholders and different companies were invited to give their opinion on the draft law. It was also mentioned that the FSDI aims at profitability and that it would focus on equity investment. It was also said that it would be a vehicle that would act mostly based on its capital.

Eurostat underlined that, for statistical classification purposes, the law should ensure clear provisions about: the independence of the deciding body (who are the members of the board of the fund, and their relationship with the government), clear activities of the fund, establishing risk/return parameters (as key performance indicators), whether the fund would benefit from State guarantees, or not.

The aspects related to the fund potential financial activity have been discussed. The Romanian authorities mentioned that the fund might grant loans, but not as a core business, and only in cooperation with banks (or other financial institutions).

Eurostat was also informed that the fund would also participate in activities related to PPPs, The Romanian Statistical Authorities were accordingly advised to take into account the guide on PPP issued by Eurostat in cooperation with EIB, for assessing the statistical implication of the FSDI funding, and taking into account government involvement in PPP projects.

The potential impact of the FSDI on the government deficit (B9) and on the Maastricht debt was also discussed. The Romanian authorities are aiming at classifying this unit outside the Government sector to avoid that the Fund's activity generates volatility in government accounts.

The aspect of captive financial institution was also discussed in the context of the FSDI. Eurostat underlined the references from the ESA 2010 and the MGDD that clearly stipulate

situations in which financial companies are financial intermediaries or would become government captives. In order to be a financial intermediary an entity should transact on the market with the public at large on both sides of the balance sheet (i.e. on the assets and liability side simultaneously) and should ensure that the main client is not government. The entity has to exhibit autonomy of decision - with no constraints for the approval of government to borrow, for instance.

Main findings and conclusions

Eurostat and the Ministry of Public Finance (MoF) discussed the draft law of FSDI, in detail, examining the various aspects relevant for its sectorisation: governance, captive character (MGDD definition, ESA definition), nature of the client and nature of the activity. The MoF indicated that the main purpose of the FSDI is to provide venture capital to profitable projects in Romania, in a manner to mobilize funding available so to accompany projects (pension funds etc). The MoF aimed at an off balance sheet recording, in order to: (a) avoid any adverse impact on B.9 (volatility), (b) to allow PPP funding without effect on PPP reclassifications, (c) to permit levying debt outside the Maastricht Debt, and (d) to avoid any reputational risks associated to sectorisation inside government. Eurostat indicated that, given the description of the case, no B.9 impact would occur in relation to the initial capital contribution(s) or any equity capital losses that may arise in future, irrespective of the classification of the FSDI. Nonetheless, in case FSDI would be classified outside government, the B.9 of general government would generally deteriorate (at least in the early years) owing to the fact that the dividends earned on the large FSDI equity portfolio would be excluded from government revenue – although FSDI may in turn itself distribute dividends to government (which would then have to be super-dividend tested).

Action point 31: The Romanian authorities will amend the draft Law of FSDI, will send a new version to Eurostat, and will ask for an advice on the classification of FSDI.³²

Deadline: as soon as it is available

Deposit guarantee fund

Introduction

Following discussions with Eurostat, the Romanian Statistical Authority decided to reclassify the Bank Deposit Guarantee Fund (including the resolution fund) from S.126 into S.1311, for the October 2016 notification. The reclassification took place from 2012 onwards (the reporting EDP years).

Eurostat published on 26 September 2016 a clarification note on the appropriate treatment of the 2015 contributions raised by the National Resolution Funds (NRF) in 2015 to be transferred to the Single Resolution Board/Single Resolution Fund (SRB/SRF) in 2016.

The Romanian Statistical Office explained to Eurostat that, in national accounts, the contributions to the national resolution fund were recorded as national taxes under D.29 REC and as a capital transfer to the resolution fund under D.99 PAY, without impact on B.9 both in 2015 and 2016.

Discussion

³² Accomplished on 26 September 2018

The discussions firstly referred to the update of historical data for the years before 2012, which need to be revised following the decision of re-classification of the deposit guarantee fund. It was agreed that the National Statistical Institute would cooperate, in this respect, with the Romanian National Bank for the benchmark revision, to be implemented in 2019.

The market/ non-market character of the fund was reviewed, Eurostat underlying the fund's genuine activity and government as its main client.

Regarding the appropriate recording of contributions to the BDGF (as tax or as F5 - equity or as F8 – other accounts receivable/payable), Eurostat referred to the forthcoming MGDD revision that should clarify this recording. It was underlined that the nature of the contributions needs to be defined. If the contributions are refundable, as it was confirmed by Romanian Statistical Authorities, a F8 recording would be appropriate.

It was also clarified that the Bank Resolution Fund is part of the Deposit Guarantee Fund, and that, from an institutional point of view, they are only one entity (having common assets and liabilities).

Eurostat indicated that the statistical classification of the Romanian deposit guarantee fund inside the government sector did not prevent it to access the central bank's refinancing window (against collateral), for the purpose of liquidity management purposes, as recommended by the IMF/World Bank. Any such refinancing would a priori be without effect on the statistical classification.

Main findings and conclusions

Action point 32: The National Institute of Statistics will review the sector classification of the Romanian deposit guarantee fund for historical years (i.e. years prior to 2012), for the benchmark revision, notably based on the non-market character of the deposit guarantee funds activities.³³

Deadline: Benchmark revision

Guarantee funds

Introduction

Eurostat continued the discussion from the previous EDP dialogue visit on the appropriate sector classification of three entities specialized in providing guarantees: the Rural Credit Guarantee Fund (FGCR-IFN SA), the National Credit Guarantee Fund for SME (FNGCIMM IFN S.A.) and Fondul Român de Contragarantare

The **Rural Credit Guarantee** Fund (FGCR-IFN) was created in 1994, based on a Memorandum concluded between the EU and the Ministry of Agriculture and Rural Development (MARD), as a commercial company mostly owned by private entities: the Romanian Commercial Bank (33.3%), the Romania Bank for Development - Groupe Societe Generale (33.3%), and Raiffeisen Bank SA (33.3%), aside from MARD (0.007%).

Its main field of activity is to assume guaranteeing commitments and to issue guarantees, either on behalf of public funds or on its own funds. This can take the form of guaranteeing credits or other financial instruments granted by Romanian financing institutions, and of issuing guarantee letters in favour of the Agency for Rural Financing (AFIR) or of public

³³ To be performed

beneficiaries of the National Plan for Rural Development (NPRD). The FGCR-INF also manages a scheme of guarantees for ‘deposit certificates’.

The **National Credit Guarantee Fund for Small and Medium-Sized Enterprises** (FNG CIMM IFN) was created in 1999 with, as unique shareholder, the Romanian State (Ministry for Small and Medium-Sized Enterprises and Co-operatives), with the legal mission to improve the Romanian SMEs access to financing, through issuing guarantees and committing to guarantee credits or other financing tools that can be obtained by small and medium-sized enterprises from banks or other sources.

The **Fondul Român de Contragarantare** (Romanian Counter-guarantee Fund) was set up in 2009, with the goal to indirectly improve access to financing for SMEs by taking over part of the risk assumed by the two other guarantee funds. The Romanian Counter-guarantee Fund is owned by the Romanian Government (68% of share capital) and the Post-Privatization Foundation (32% of share capital).

Discussion

These three institutions are currently classified in the Financial Corporations sector (S.12), subsector Other financial intermediaries, except insurance corporations and pension funds (S.125). It was agreed that the Romanian Authorities and Eurostat would continue monitoring the sector classification of the above mentioned funds, taking into account the developments of the on-going work at the EDPS WG relating to the borderline between S.13 and S.12.

In addition, the Romanian authorities would provide for each fund, the profit and loss, the balance sheet and the stock of guarantees provided, for the year 2016.

In relation to the Rural Guarantee fund, Eurostat was informed that more information should be received from the Ministry of Agriculture, as this fund was based on the previous framework running until 2015. The fund was financed from EU funds (0.8 billion RON) and from internal funds received from the Ministry of Agriculture.

Technical discussions on the recording of these 0.8 billion RON in EDP Table 3B, took place (F8), The National Statistical Institute informed that it will provide more details in relation to the recording of this amount and how it transits through the working balance of government, and the size of guarantees put in place for this fund.

Main findings and conclusions

Action point 33: The National Institute of Statistics and Eurostat will continue monitoring the sector classification of the Rural Guarantee Fund, the SME Fund and the Counter-Guarantee Fund, notably taking into account the on-going work at the EDPS WG relating to the delineation borderline between S.13 and S.12.³⁴

Deadline: 2018 October notification

Action point 34: Eurostat will draft questions in relation to these guarantee funds. The National Institute of Statistics will provide their profit and loss, their balance sheet and the stock of guarantees provided, for year 2016.³⁵

Deadline: 2018 April notification

³⁴ On-going

³⁵ Accomplished on 29 March 2018

4.1.5. Discussion of specific cases

CNADNR (CNIR and CNAIR)

Introduction

Starting from 2016, there are two companies dealing with national roads in Romania. The Romanian Government adopted a Government Emergency Order (GEO 55/2016) that reorganizes the National Company of Motorway and National Roads (Compania Nationala pentru Autostrazi si Drumuri Nationale - CNADNR). The new name of CNADNR is National Company of Administration of Road Infrastructure (Compania Nationala de Administrare a Infrastructurii Rutiere – C.N.A.I.R) and has as main activity the maintenance, management and operation of motorways, roads, by-passes road etc.

At the same time, a new company was set up: the National Company on Road Investments (Compania Nationala de Investitii Rutiere – C.N.I.R). C.N.I.R will be responsible for the development of road transport projects infrastructure. The Romanian Government is the sole shareholder, exercising the rights and fulfilling its obligations through the Ministry of Transport. C.N.I.R funding sources are: external grants, the amounts allocated from the state budget and other legal sources.

The projects under construction managed by C.N.A.I.R will be transferred to the newly investment company C.N.I.R after finalisation. Based on a cooperation protocol signed between the two companies, C.N.A.I.R transfers gradually, during a period that is not exceeding three years, road transport infrastructure projects to C.N.I.R..

C.N.A.I.R remains classified into the Central Government subsector (S.1311). Starting from 2016, the new company C.N.I.R has been classified in same subsector.

Discussion

The coexistence of the two companies starting from 2016, one related to investment (C.N.I.R) and one in charge with the management of infrastructure (C.N.A.I.R), was well understood by Eurostat. The main focus of the discussion was technical in nature, namely the recording of those entities in EDP table 2A.

Eurostat was informed that Government Emergency Order no 16/2017 modifying Government Emergency Order no 55/2016 specifies that the date of starting activity of C.N.I.R would be 1st September 2017. Thus, for 2016, C.N.I.R had no activity.

It was agreed that the National Institute of Statistics would monitor the planned transfer of CNADNR activities and the implications for statistical purposes. In addition, the National Institute of Statistics would provide to Eurostat the quarterly accounts of those companies.

Starting from the April 2018 notification, in EDP Table 2A, the old company CNADNR will be replaced with the C.N.A.I.R for all EDP reporting years, while a new entry will be made for C.N.I.R when it will become operational.

Main findings and conclusions

Action point 35: The National Institute of Statistics will monitor the planned transfer of CNADNR activities into two companies (CNAIR and CNIR) and the implications for

statistical purposes. The National Institute of Statistics will notably provide to ESTAT, for the April 2018 notification, the quarterly accounts of those companies, for 2016 and 2017.³⁶

Deadline: from March 2018 notification

Railways

Introduction

In Romania, there are four active units related to railways. Out of these four units, one CFR Marfa (freight) is classified in S11, the rest being classified in S13.

The market/ non-market test performed by Eurostat based on published profit and loss statements showed different numbers for CFR Marfa (though, still over 50%) than the results presented in the Questionnaire on public entities.

Discussion

Eurostat enquired about the calculation of the market – non-market test performed for CFR Marfa (freight). The National Statistical Institute explained each item of the profit and loss statement that is considered for the calculation of the above mentioned test.

Main findings and conclusions

Eurostat concluded that the calculation performed by the National Statistical Institute was correct and confirmed that CFR Marfa remains correctly classified in S11.

Hospitals

Introduction

According to a questionnaire on hospitals dating from 2009, there were 428 public owned hospital units classified in S13 and 30 non-profit hospitals classified in S11 in Romania. Following Eurostat's request, in preparation for the current EDP dialogue visit, the Romanian Statistical Authorities informed, on 30 January 2017, that there were 386 public owned hospitals classified in S13, 9 non-profit hospitals classified in S15 and 199 for-profit hospitals classified in S11 in Romania. Besides, a new questionnaire on hospitals taking into account qualitative criteria, created by Eurostat in 2017 for a new assessment of the situation, was also filled in by Romania.

According to the EDP inventory, the classification of hospitals follows the general principles that are set out in ESA 2010. The classification is based on the autonomy of decision (ESA 2.12), public sector control (ESA 20.309) and market/non-market nature of the operational activities (ESA 20.19-20.34).

Discussion

The National Institute of Statistics explained that the main reasons for the revision in the number of units of public hospitals in the last 8 years were the recession, or the fact that the units concerned simply do not act any more like hospitals, but only as sanitary units. Furthermore, it was explained that, normally, the assets of those hospitals stay with the Ministry of Health or with local authorities, in case of closures.

³⁶ Accomplished on 29 March 2018

Eurostat was informed about the practice of the public health care system in Romania. A unique price list for each treatment is established by the Ministry of Health. It was confirmed that this applies only to public hospitals, as private hospitals could freely choose their fees.

The public healthcare system foresees that, normally, no reimbursement is needed as the health fund is paying directly hospitals, for each patient.

While the classification of public and private hospitals was clear, on-going work refers to defining the criteria for classification of the nine units currently classified in S.15, notably the existence of public control.

Main findings and conclusions

Action point 36: The National Institute of Statistics will write a note to Eurostat on the changes in the number of hospitals in Romania, in their status (if any change), and in their sector classification, that seem to be observed between 2009 and 2018.³⁷

Deadline: 2018 April notification

Action point 37: The National Institute of Statistics will clarify the characteristic and the rationale for the sectorisation of the 9 hospitals that are NPIs (foundations) and are currently classified in S.15, notably examining the possible public control achieved through various means according to ESA 20.15.³⁸

Deadline: July 2018

Social housing

Introduction

In Romania, the term social housing is officially defined as “*public dwellings with subsidized lease, allocated to individuals or families whose financial position would not otherwise allow them access to dwellings leased on the market*”.

The stock of social housing is entirely owned by local authorities and represents around 2.3% of the national housing stock.

The construction of social housing is a shared responsibility between the authorities of the local public administration and the central public administration. The requests for social housing are submitted to the authorities of the local public administration. This information is periodically centralized and sent to the Ministry of Regional Development and Tourism in order to establish the housing needs and to plan the investments for social housing construction within the limits of the approved budget.

However, the authorities of the local public administration can also build social houses entirely from their own funds and they can buy houses from the free market and use them as social housing.

Social housing is financed from local budgets and from transfers from the state national budget, through transfers to the Ministry of Regional Development and Tourism budget. As

³⁷ The note was sent on 31 July 2018, as agreed with Eurostat

³⁸ Accomplished on 29 March 2018

the money allocated from the state budget doesn't represent a sizeable amount, the number of social dwellings built each year is low.

Discussion

The Romanian authorities were invited to comment the situation of social housing in Romania.

Eurostat was informed that only ANL (Agentia Nationala de Locuinte – National Housing Agency) is responsible for social housing in Romania. The Agency is classified in the general government sector – S.13.

The mechanism for the construction of the social housing is the following: the budget is transferred by the state budget to the budget of the Ministry of Regional Development and Tourism, which builds the dwellings on the land put at the disposal by local administrations.

The revenue of the ANL is represented by grants from government, rentals and possible sales of social dwellings.

Relating to the stock of social housing in Romania, Eurostat was informed that 667 units were built in the year 2016 and that 1181 social housing units were under construction in 2017.

Main findings and conclusions

Eurostat took note of the situation (mechanism and sector classification) of social housing in Romania. The Romanian Statistical Authorities were asked to inform Eurostat in case any developments on the issue.

4.2. Implementation of the accrual principle

4.2.1. Taxes and social contributions

Introduction

The recording of taxes and social contributions is explained in detail in the EDP inventory.

The Romanian Statistical Authorities informed Eurostat, prior to the visit, about some changes due, starting from the year 2018, to the switch of social contributions from employers' to employees' contributions, and to the new structure and types of social contributions.

Discussion

Based on the information provided in the EDP inventory, Eurostat enquired further on tax refunds, on corporate tax and on TV and Radio tax.

Further information was required on tax refunds (for example VAT) and how it happens in practice – e.g. if the taxes were generally refunded quickly or if refunds were sometimes delayed.

Concerning corporate income tax, the Romanian Statistical Authorities explained that, for year t, it includes cash receipts in the period April – December plus cash receipts in the period January – March of year t+1. Thus, a time lag three months is applied.

In relation to the Radio and TV tax, Eurostat was informed that the tax was not anymore collected from households. Eurostat understood that, before 2017, TV and Radio tax was directly collected as revenue by broadcasters. This arrangement was disrupted and, starting from that moment, there is a simple cash flow transfer from the State to the broadcaster, recorded as D39 (other subsidies on production). The Romanian authorities were recalled that such transfer cannot be treated as a subsidy on production, unless the subsidy is payable to all producers (ESA 4.30) and therefore they were advised to record this flow as D73 (current transfers within general government).

Main findings and conclusions

Eurostat took note on the practices related to tax refunds and to corporate tax recording, as well as about the changes related to social contributions to be applied starting to 2018.

Action point 39: The National Institute of Statistics will record the transfer from the Treasury to Television and Radio (following the disruption of the TV and Radio tax) as D.73 rather than D.39.³⁹

Deadline: 2018 April notification

4.2.2. Interest

Introduction

The Romanian Statistical Authorities provided the last version of the table concerning "Recording of interest" in October 2017, during the EDP notification clarification rounds.

The discussions on this topic originate from the April 2017 EDP notification, when Eurostat demanded an update of this table in order to better understand the recording in EDP Table 3. Clarifications were notably needed regarding the recording in EDP Table 3A of the item "difference between interest paid and accrued".

Discussion

The discussion was based on the supplementary table Recording of interest, each line being analysed. Eurostat explained how discounts at issuance (including for t-bills) and premiums at issuance (lines 8, 9, 10 and 11 of the table) should be reflected in line 7 of the table (Stock of discounts/premiums). It was underlined that the flows of amortization of premiums/discounts should be reconciled with the stock of premiums/discounts.

Main findings and conclusions

As a result, Eurostat encouraged the Romanian Ministry of Public Finance to check the stocks of discount and of coupons paid, from 1995, as those flows were considered to be a reason of distortions.

Action point 40: The Ministry of Public Finance will review the stocks and flows associated to discounts and premia, in the table on interest recording.⁴⁰

³⁹ Accomplished on 28 September 2018

Deadline: 2018 October notification

4.2.3. EU flows

Introduction

Prior to the EDP dialogue visit, the Romanian authorities provided to Eurostat detailed information about the EU funds and the recording of EU flows of different framework programmes (2007-2013 and 2014-2020).

Discussion

Eurostat further enquired on the mechanism of those funds and their recording, in order to better clarify the accounting of EU flows in Romanian GFS/EDP.

All EU funds (advances and reimbursements) are credited to a bank account opened at the Romanian National Bank, in the name of the Ministry of Finance. All transactions are made through this bank account.

For each operational program, there is a management authority (MA) that operates as a directorate within the ministries, namely the Ministry of Regional Development and Public Administration and the Ministry of European Funds.

In the case of temporary unavailability of EU funds, the Authority of Certification and Payment (ACP) can transfer amounts from the state budget, which then return to the state budget on the revenue side. The projects operate on the principle of reimbursement. They act following the financing mechanism that has been established for this purpose by the normative act governing the financial management of European funds for the 2014-2020 programming period set by Government Emergency Order 40/2015.

In EDP Table 3B, the related claim is recorded as F.89, under the item “Other accounts receivable” (F.8).

Referring to the accounting situation, the expenditure (on a cash basis) identified to be financed by the EU leads to recording a matching revenue to neutralise the effect within the Working Balance.

The budget of the beneficiaries that are fully financed from the state budget, from the state social insurance, from central administration or from social security administration budget, comprises the commitment appropriations and the budgetary credits related to the total value of the European funded projects.

Reimbursement of the amounts advanced by the state budget shall be made according to the following sequence:

- After the payments are made, the authorizing officers implementing the projects send the supporting documents to the MA.
- After verification of eligibility, for public beneficiaries, the MA transfers these sums to the revenue account of the budget from which these projects were financed and sends the verified applications to the ACP. In contrast, the MA reimburses directly private beneficiaries according to the tranches / grant agreement.

⁴⁰ Accomplished on 28 September 2018

- The ACP verifies and processes these requests, based on which it issues cost statements. Those cost statements are sent to the European Commission.
- The amounts reimbursed by the European Commission are transferred to the Ministry of Finance account opened with the National Romanian Bank.

The local public administration authorities that make payments relating to "Non-reimbursable external funds" recover those amounts from the Managing Authority for eligible Program's expenditure. The local budget revenue are recorded as D74.

Unlike for the old 2007-2013 framework, in the new 2014-2020 financial framework, the agricultural funds are recorded in government accounts.

According to the new programme, following Government Emergency Order 40/2015, there are 7 operational agricultural programmes. The Ministry of Agriculture is responsible for three programs: FEAGA – Fondul European de Garantare Agricolă (European Fund for Agricultural Guarantee); FEADR – Fondul European Agricol pentru Dezvoltare Rurală (Agricultural European Fund for Rural Development); and FEPAM – Fondul European pentru Pescuit și Afaceri Maritime (European Fund for Fisheries and Maritime Affairs).

The subsidies from the state budget to the local budgets needed to support projects' developments from the non-reimbursable funds are included into the local budget under the subchapter "Subsidies from the state budget to the local budgets needed to support the development of the projects financed from the non-reimbursable external funds (FEN) post-accession related to the programming period 2014-2020 " and they are recorded as D92 (investment grants) from the Rest of the World.

When the money is reimbursed from the EU, the amounts related to the expenditures from the state budget for temporary availability are transferred to the state budget revenue account.

The amounts received from the state budget by the other sectors on behalf of the European Union, for both agricultural funds and structural funds, were recorded, in the October 2017 Notification, in the Other Adjustments section (+/-), detail 27, 28, 30 in EDP Table 2A. Eurostat recalled that, according to the ESA methodology, EU flows benefits to non-government units should not be recorded as government expenditure or revenue. Those amounts should preferably be recorded in EDP Table 2A "Other accounts receivable". At the same time it was agreed that the National Bank of Romania would verify the existence of a related claim in EDP Table 3B (for all EDP years and before).

Main findings and conclusions

Action point 42: The Ministry of Public Finance will report the adjustment for agricultural funds that arises from the change in administrative arrangements within receivable in EDP Table 2A (rather than within other adjustments), for the years 2016 and 2017. The National Bank of Romania will verify the existence of a related claim in EDP Table 3B (for all EDP years and before).⁴¹

Deadline: 2018 April notification

⁴¹ Accomplished on 29 March 2018

4.2.4. ETS

Introduction

The recording of emission permits was discussed during the October 2017 notification, before the EDP dialogue visit. The Romanian Statistical Authorities, in cooperation with the Romanian Ministry of Environment, filled in a voluntary annex on "Reporting of emission permits - one-off table" from 2005 to 2016. Eurostat welcomed the responses received.

Discussion

It was recalled that the payments for emission allowances (ETS) is a tax (D.29) that should in principle be recorded at time the emission takes place, although it has been agreed that the tax would be recorded at the time of permit surrendering. Further clarification on reporting rules applicable to the ETS tables and possible corrections to these ETS table, should be sought after. The Romanian Statistical Authorities as well as Eurostat will liaise with their respective counterparts.

Eurostat asked for further clarifications referring to the change in data regarding permits over-due.

Main findings and conclusions

Action point 43: The Romanian Statistical Authorities, as well as Eurostat, will liaise with their respective counterparts, in relation to the Emission Trading Schemes (ETS), in order to clarify with them the reporting rules applicable to the ETS tables and, where possible, to organize corrections to these ETS tables in a coordinated way.⁴²

Deadline: 2018 October notification

4.2.5. Court decisions with impact on government accounts

Introduction

In relation to court decision, entries for the year 2016 within "Other accounts payable" in EDP Tables 2A, C and D record the total wage entitlements granted according to Law no.85/2016. The situation was explained during the EDP notification process.

During 2012-2014, the Romanian Court ruled in favour of employees, delivering decisions that awarded salary rights to public sector personnel. Subsequent legislative acts were adopted providing that these amounts established through court decisions would be paid in instalments throughout a term of 5 years, based on a process similar to that approved through Government Emergency Order no. 71/2009 and Law no. 230/2011. If these legislative acts had not been adopted, the legal provisions of general applicability would have implied that the people who obtained compensation in court after December 31, 2011, would have been paid the amounts in full at once, while those who obtained the rights prior to that date would have received the amounts in instalments distributed over 5 years.

In addition to the above, Law no 85/2016 concerned payments of salary entitlements due to teachers from the State education system for the October 2008 - May 13, 2011 period. According to this law, teaching staff in higher education (universities) will receive those amounts of money from the State budget and teachers in schools will receive those amounts

⁴² Accomplished on 28 September 2018

from the local budget based on claims submitted. According to Article 2 of Law no.85/ 2016, these salary rights shall be paid in instalments over a period of five years from the date of entry into force of this law. According to Article 3 of Law no.85/ 2016, payments for retired personnel was paid in full in 2016. Payments for personnel who are being retired after the Law enforcement date will be done gradually as mentioned above, up until the retirement date, when the remuneration will be paid in full.

Discussion

Eurostat made an overview of the information received on the schedule of payments to be performed by the State, according to the law, which may influence current and future entries in EDP table 2A. The Romanian authorities confirmed the information, and informed that, for the future, the recording in EDP Table 2A will follow the same structure as foreseen in the law.

Main findings and conclusions

Eurostat took note of the situation, and confirmed that the recording in EDP table 2A related to court decisions is correct.

4.2.6. Other issues

Introduction

Prior to the visit, the Romanian authorities informed Eurostat about the impact on budget revenues that was generated in 2018 due to measures regulated by the GEO No. 79/2017 (the new legislation relating budgets to be applied starting to 2018). Some of the important measures concerned the following:

- (1) Changes in income tax (corporate tax and private income tax) - reducing the rate from 16% to 10% and modifying personal deductions;
- (2) Changes in social contributions (transferring contributions from employers to employees, reduction of contribution rates and introduction of precautionary contributions);
- (3) The revision of the taxation's system of micro-enterprises (including an increase of the limit of enrolment in the taxation system from 500,000 euros to 1,000,000 euros).

Discussion

The discussion recalled the main measures to impact the accounts. DG ECFIN was invited to address further questions if needed.

Main findings and conclusions

Eurostat took note of the major changes foreseen by the new legal act.

4.3. Recording of specific government transactions

4.3.1. Pension (discussion on new developments related to Pillar II)

Introduction

The pension private system is regulated by Law no. 411/2004 regarding private pension funds. It stipulates an obligation for employees contributing to the public pension system up to the age of 35 to adhere to a privately managed pension fund, while employees aged between 35 and 45 may optionally join such a pension fund.

Law no. 411/2004 foresees that, beginning with January 1st of each year, the contribution share to the pension fund of 2% in 2008 increases to a maximum of 6%, with a raise of 0.5 percentage points per year up until 2015 and a further increase of 0.1 percentage points in 2016. The contribution share is set at 5.1% from 2017.

Based on the information above, the Romanian Statistical Office requested from Eurostat an analysis regarding the eligibility of the Romanian pension reform for a treatment as a systemic pension reform.

After several exchanges for additional clarification/ information, Eurostat made its assessment of the situation in a response letter dated March 2017. *"Eurostat considers that the Romanian Pension Reform implemented in 2008 can be considered as a systematic Pension Reform, for statistical purposes, given its mandatory character, the fact that with time it will cover the whole working population paying social contributions to the social security funds, and the fact that it is a funded defined contribution scheme classified outside general government."*

Employees automatically contribute to the privately managed pension system, as the share of privately managed pension funds is included in the individual social security contribution share.

Romania informed Eurostat prior this mission that beginning with 1st of January 2018, according to Government Emergency Order (GEO) no. 82/2017, the contribution share to the pension fund is decreased to 3.75%.

The amount estimated to be collected for the Pension Pillar II in 2018 is 7,315.1 million lei (based a contribution share of 5.1% for the first 2 months and 3.75% for the remaining 10 months). In making this estimation of contributions to the privately managed pension fund, approximately 5 million contributors to the Pension Pillar II were assumed.

Discussion

Eurostat recalled the importance for DG ECFIN to assess when a pension reform is being eligible for a systemic pension reform in the context of the Stability and Growth Pact. Eurostat revisited its assessment based on those changes. Eurostat also enquired if the reduction of the contribution share to 3.75% was the only change concerning Pillar II.

The Romanian authorities confirmed that this was the only change and explained that the reduction in rates is mostly due to the increase in wage level mechanically arising from the switch of employer social contributions to employee social contributions starting January 2018. As the 3.75% rate was to be applied to a bigger income base, in cash terms, the contributions to Pillar II remain the same.

Main findings and conclusions

Eurostat concluded that, from the statistical classification point of view, the Romania Pension system Pillar II remains correctly classified outside the government sector and that the reform it is to be considered as a systemic pension reform.

4.3.2. Capital injections in public corporations, dividends, privatization

Introduction

Capital injections

Amounts provided by government to public companies from the state budget for investments are recorded in the national accounts either as capital transfer (non-financial transaction) with negative impact on B.9 or as financial transactions with no impact on B.9.

Case of capital transfers: amounts provided by government to finance in whole or in part the acquisition of fixed assets are recorded as D.92 Investments grants; otherwise, when the beneficiary units are public companies controlled by government, an analysis of the financial statements is undertaken – i.e. to check if the company recorded past losses.

Case of financial transactions: the government is acting like a private shareholder, expecting a sufficient rate of return; this involves the analysis of financial statements – i.e. if the company recorded profits.

The capital injection test is performed annually by the National Institute of Statistics based on information received from the Ministry of Public Finance.

Dividends

The main data sources on dividends received by government are the financial statements of public companies at central and local level. The superdividends test is applied annually by the National Institute of Statistics in March, based on the data provided by the Ministry of Public Finance-General Division of Legislation and State Assets Regulatory, using the operating profit from the previous year and the dividend paid to the State in the current year.

The government occasionally receives interim dividends. The interim dividends paid by the central bank are recorded under the financial instrument F.8, being provisional data for the notifications in April. For the October notifications, following the superdividend test provided by the NSI, any superdividend is recorded under the F.5 “Other equity”.

Privatisation

There are four units involved in privatization activities: the Ministry of Economy (Ministerul Economiei), the Ministry of Energy (Ministerul Energiei), the Authority for State Assets Administration (Autoritatea pentru Administrarea Activelor Statului) and the Ministry of Transport (Ministerul Transporturilor).

In relation to the recording in EDP Table 2A, Eurostat was informed that the S1311 working balance does not include proceeds from privatisation, while the S1313 working balance includes proceeds from privatisation, which are neutralised in Table 2C within the line “Equities”.

Discussion

The discussion put the emphasis on the practice related to the recording of dividends and super dividends in relation to Nuclearelectrica and to the Romanian National Bank.

In the case of Nuclearelectrica, the repayments by the company of the debt assumed by the State in previous years were omitted in GFS/EDP, creating a discrepancy. The Romanian

Statistical Authorities had to decide to either record a revenue (to be super-dividend tested), or to revise downwards the Maastricht debt. In the latter case, the impact of interest of the Nuclearelectrica debt (currently government expenditure) would have to be also considered (see above).

In the case of the Romanian National Bank, the discussions were related to the entry of the interim dividends in EDP Table 2A as F89 between the Central Bank and Government and a related entry in EDP Table 3B.

It was recalled that, until the EDP Notification in October 2015, the distributions between NBR and the state budget were recorded as D.51 (taxes on income) instead of D.421 (dividends), and the super-dividend test was never undertaken. Following discussions between the Romanian authorities and Eurostat on the nature of this transaction and the analysis of the annual reports of the NRB, the 'net operating income' (as defined in ESA2010 par. 20.217) was found to be negative in all the reported years. Applying the methodological guidance in this field (ESA 2010 and MGDD), the NSI submitted revised EDP Notification Tables, impacting the net lending/net borrowing (B.9) of General Government for the period 2009-2017 by treating all the distribution payments from the central bank as financial transactions (capital withdrawal).

The Romanian authorities mentioned that the Manual on Government Deficit and Debt, chapter IV.2.2 on the treatment in national accounts of payments between the central bank and the government paragraph 4 states that *“For the central banks that apply the Euro-system accounting rules (including many EU Members not part of the euro area), the item - net result of financial operations, write downs and risk provisions (items 2.1, 2.2 and 2.3 of the profit and loss account in Annex IX of ECB/2010/20) should be deducted from the total profit/loss for the year, to arrive at the operating profit/loss.”* Also paragraph 3 explains why this correction/ adjustment should be performed, stating that capital gains have to be excluded from the distributable profits of the central bank, assuming that the afore-mentioned items are capital gains. According to their opinion, for some central banks, including the NBR, this resulted in the exclusion of a big part of their profits that are in fact part of their operations / business as a central bank in managing foreign assets reserves.

Romanian Law No. 312/28.06.2004 on the Statute of the National Bank of Romania chapter II “Monetary policy, exchange rate policy and foreign exchange regime” article 9 defines foreign assets reserves management as Central Bank’s specific domain. Foreign assets reserves represent 97 % of total NBR assets (in 2017). They are not Treasury assets, but Central Bank’s assets. In the view of the NRB, the profits from managing these assets belongs to the Bank’s production.

Eurostat took note on the Romanian view related to the statistical treatment of NRB trading gains in foreign currency and invited the NBR representatives to explain their views to other Member States during a forthcoming Eurostat Task Force, to further analyse the issue by applying the methodology proposed by NRB in application of ESA 3.73. A possible technical visit of Eurostat experts to the NRB was also an option.

Main findings and conclusions

Action point 41: Eurostat and the National Bank of Romania will examine ways to implement ESA 2010 paragraph 3.73 in order to achieve a more realistic measurement of the central bank income (with an impact on government B.9, through NBR distributions, super-

dividend tested). This issue will be discussed in a forthcoming Eurostat Methodological Task Force.⁴³

Deadline: September 2018

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

Introduction

No foreign claims were reported for years 2013-2015. During the 2017 October notification, starting from the year 2016, a loan granted by Romania to the Republic of Moldavia of 269.3 million RON is reported.

No debt cancellations were recorded for 2013-2016 in Questionnaire table 8.2. No write-offs are recorded under Questionnaire table 8.1.

Discussion

The discussion started with confirming the above. The emphasis was then put on "other claims" under Questionnaire Table 8.1. The Romanian Authorities explained that this category represents the difference between total claims and foreign claims, claims against the public corporations and claims against other government subsectors. They could represent claims held by guarantee funds or/and rural funds, notably.

Main findings and conclusions

Action point 44: The Romanian statistical authorities will describe the content of who is the debtor counterpart of the largest other loans in table 8.⁴⁴

Deadline: April 2018 notification

4.3.4 Accounting for decommissioning costs

Introduction

In Romania, there are two active nuclear reactors at the Cernavoda plant. Cernavoda NPP Unit 1 was commissioned in 1996 and Unit 2 in 2007. These two plants are managed by Societatea Nationala Nuclearelectrica (Nuclearelectrica National Company) – SNN.

According to the information provided to Eurostat in a 2015 questionnaire, there were no plans yet for decommissioning.

Discussion

Firstly, Eurostat enquired if there was any Decommissioning Fund in place or planned for the future. The Romanian authorities confirmed that no such fund existed at the moment and no plan for creating such a fund was in place.

⁴³ A note was sent to Eurostat on 28 September 2018. The issue is still on-going

⁴⁴ The note was sent on 31 July 2017

Actually, the plan was to invest in plant modernisation in two stages: in 2023 and in 2033. The investment is foreseen to be made by the Ministry of Environment under the authority of Central Government.

Nevertheless, the management of the nuclear waste is organised by joint cooperation among several institutions: the Ministry of Energy (that ensures the implementation of the actions of the SNN), the Ministry of Economy, the Ministry of Environment, the Ministry of Research and Innovation, the National Commission for Nuclear Activities Control and the Nuclear and Radioactive Waste Agency.

A system of financial contributions is established in order to ensure financial resources necessary for the safe management of radioactive wastes:

- annual contributions for the constitution of the financial resources necessary for the decommissioning of each nuclear power plant;
- annual contributions for the constitution of the financial resources necessary for the final disposal of radioactive waste produced by the operation and decommissioning of each nuclear power plant.

The above financial contributions are managed by the National Nuclear Agency for Waste Management. This Agency had a budget of 60 million RON. It was agreed during the discussion that the National Institute of Statistics would clarify the amounts recorded and the current accounting treatment of these fees for nuclear decommissioning and waste management, collected by the National Nuclear Agency for Waste Management

In addition, it was agreed that the National Institute of Statistics would clarify to what extent the electricity operator is discharged from any financial obligations with respect to decommissioning and/or waste management.

Clarification is also needed regarding the sector classification of the National Nuclear Agency for Waste Management.

Eurostat underlined that the issue is the subject of on-going discussions in its Eurostat Task Force, which aim at agreeing on the appropriate rule for recording these payments (as taxes or as financial advances).

Main findings and conclusions

Action point 45: The National Institute of Statistics will clarify the amounts recorded and the current accounting treatment of fees for nuclear decommissioning and waste management, collected by the National Nuclear Agency for Waste Management. The National Institute of Statistics will clarify to what extent the electricity operator is discharged from any financial obligations with respect to decommissioning and/or waste management.⁴⁵

Deadline: September 2018

Action point 46: Eurostat will examine, in the TF on methodological issues, the appropriate recording for fees/taxes collected by government for nuclear decommissioning and waste management.⁴⁶

⁴⁵ Accomplished on 28 September 2018

⁴⁶ On-going

Deadline: September 2018

4.3.5 State aid schemes

Introduction

The Ministry of Public Finance (through the General Directorate for State Aid, Regulated Prices and Unfair Practices) created, in 2007-2015, the programs "State aid for financing investment projects" and "Transfers in the aid schemes representing amounts returned to excise duty on diesel used as fuel", and allocated funds from the state budget, in the form of grants.

The first program applies to both large enterprises and SMEs aimed at regional development by stimulating investments, creating new jobs and modernizing or developing SMEs.

The Ministry of Public Finance will continue to support business environment through support measures for State aid, in compliance with regulations in the field, mainly for projects related to:

- selection of investments with real impact on regional development by creating new jobs;
- allocation of budgetary resources through so-called State aid policy, according to Community and national competences;
- financial resources necessary for the payment of State aid to support investment projects.

Discussion

The discussions focused on understanding the mechanism of those funds and their recording.

The Romanian Authorities explained to Eurostat that those so-called State aid schemes follow strict procedures, in line with European Commission regulation (651/2014) in this respect, and that all the amounts used for any State aid is being approved by the Ministry of Finance and the Competition Council.

The amounts concerned are coded as expenditure in National Accounts ("other transfers"). Different entries on "other transfers" could refer to specific programmes under the "State aid – programme name" label.

So far, there were two schemes summing 245 million Euros (one of 145 million and the other of 100 million), concerning multi-annual programs.

In order for the State aid to be approved, any investments over 10 million euros, represented by tangible and intangible assets, require an investment plan, and financial forecast that shows the feasibility of the project over 5 years term.

Main findings and conclusions

Eurostat took note about the situation of the "State aid schemes" in Romania.

4.3.6. Other issues (derivatives; contingent liabilities)

Introduction

For the time being there are no transaction in financial derivatives carried out by government units in Romania.

During the validation process of the data on contingent liabilities for the press release issued by Eurostat in January 2018, Eurostat noticed differences between, on the one hand, data on outstanding liabilities of government controlled entities classified outside general government – at total level and by each controlling sub-sector (for year 2015 and year 2016) published by the Romanian Ministry of Finance and, on the other hand, the data transmitted to Eurostat in December 2017.

Discussion

The Romanian Authorities analysed the data reported to Eurostat in comparison to the data published by the Ministry of Finance. They concluded that the differences were mainly due to inconsistencies in the number of units included in data reported by the MoF and the NSI. (availability of data sources). Meanwhile, the NSI corrected the data and they were ready to re-send the data to Eurostat.

Main findings and conclusions

Eurostat took note on the situation and will inform the statistical authorities if there will be a need for retransmission of data on contingent liabilities (given that the data had been already published on Eurostat website).

5. Other issues

5.1 Public-Private Partnership (PPP), Energy Performance Contracts (EPC) and concessions

Introduction

For the time being, there are no PPP and no concession projects taking place in Romania.

A law on PPP existed, but amendments were made through a Government Emergency Order during 2017, with the purpose of improving the business environment involvement for public infrastructure projects as well as ensuring private financing. In addition to a series of clarifications to the scope of the Law as well as regarding differentiation of PPP contracts from other public procurement contracts, the amended Law brought several other amendments.

A new draft law on PPP was on-going by the time the EDP dialogue visit took place.

Discussion

PPP

Eurostat was informed that, at the end of 2016, the Romanian Parliament approved a working group dedicated to amend the previous PPP law. The Ministry of Public Finance indicated that the new amendment brought to the law aims, first of all, at having a legal basis for taking

on board projects that are value for money, and not at obtaining an off-balance sheet recording.

Technical details in relation to some specific articles of the draft law were discussed. The National Statistical Institute is mentioned in the articles of the law, as it could ask the advice of Eurostat in relation to the accounting treatment of specific projects. Eurostat recalled that the issue of the existence of SPVs, as a tool in the PPP legislation, should be treated carefully (taking into account the PPP guide). Several aspects, like an SPV controlled by government or cash injection in an SPV, could lead to classification issues. Financing by the Treasury, lump sums at inception (and its impact on deficit), government guarantees and loans have an impact on the classification of PPPs. Moreover, the risks and rewards of each given project are to be treated with attention.

In the Ministry of Public Finance a new unit is to be put in place dedicated to the management of PPP projects. The unit was currently under the process of recruiting and training of personnel. It would act like a support unit that, among other tasks, should manage the feasibility studies concerning various projects (ex-ante valuation for project over 100 million RON), and liaise with the spending unit.

In the short term, the PPP projects envisaged relate to public local administration programmes, roads, and hospitals. The old project related to the Comarnic-Brasov highway was completely cancelled.

Energy Performance contracts (EPC)

Eurostat was informed that there was no EPC contract for the time being, but an association was put in place dealing with the issue.

The Romanian ESCOs Association (ESCOROM) aims at contributing to the achievement of national policy and strategy objectives in energy efficiency. At the same time, it aims at supporting the implementation and enforcement of existing legislation in Romania in line with European Union requirements, in the field of efficiency energy and the provisions relating to Energy Service Companies (ESCOs).

Eurostat was informed that ESCOROM would come up with a standard contract relating to EPC. Eurostat inquired if the National Statistical Institute would examine such a contract beforehand. The NSI claimed that they do not have the knowledge in assessing EPCs and there was certainly a capacity problem (human resources). Given that it is envisaged to maintain a list of EPC projects and that some authority should take the responsibility of checking those contracts, internal discussions among different institutions are taking place, and decisions are forthcoming. Aside the consensus that should be reached among the various parties involved in taking the responsibility of the EPCs, it was also discussed the fact that changes in budget and/or accounting codes/ rules to support EPC needed to be taken.

When more information in relation to the EPC legislation, to the list of projects and to the related financial resources will be known, the Ministry of Public Finance would inform the NSI, which in its turn would inform Eurostat.

Concessions

Eurostat was informed that there were on-going discussions between the Ministry of Public Finance and the National Agency for Fiscal Administration concerning the law on concession.

The Romanian Authorities confirmed that, for the time being, no concession project was at stake.

Main findings and conclusions

For the statistical assessment of PPPs and EPC, Eurostat takes note that the Romanian statistical authorities could face severe constraints on the human resources side. Eurostat takes also note that the implementation of Energy Performance Contracts (EPC) in Romania requires a consensus among the various parties involved, and in particular changes in budget and/or accounting codes/ rules to support EPC.

Action point 38: Eurostat will provide comments on the PPP law⁴⁷.

Deadline: March 2018

ANNEX 1: AGENDA

1. Statistical capacity issues

⁴⁷ Accomplished on 26 March 2018

- 1.1. Institutional responsibilities in the framework of the compilation and reporting of EDP and government finance statistics
- 1.2. Data sources and revision policy, EDP Inventory
2. Follow-up of the previous 2015 EDP Dialogue visits
 - 2.1. Exim Bank
 - 2.2. BGC (Bugetul General Consolidat)
3. Follow-up of the October 2017 EDP reporting – analysis of EDP tables
 - 3.1. The recording of compensation titles related to property restitutions
 - 3.2. Guarantees
4. Methodological issues and recording of specific government transactions
 - 4.1. Delimitation of general government
 - 4.1.1. Practical implementation of the market/non-market test
 - 4.1.2. Changes in sector classification
 - 4.1.3. Questionnaire on government controlled entities classified outside the general government sector
 - 4.1.4. Units engaged in financial activities
 - Fondul Suveran de Dezvoltare si Investitii (FSDI)
 - Deposit guarantee funds
 - Guarantee funds
 - 4.1.5. Discussion of specific cases
 - CNADNR (CNIR and CNAIR)
 - Railways
 - Hospitals
 - Social housing
 - 4.2. Implementation of the accrual principle
 - 4.2.1. Taxes and social contributions
 - 4.2.2. Interest
 - 4.2.3. EU flows
 - 4.2.4. ETS
 - 4.2.5. Court decisions with impact on government accounts

4.2.6. Others

4.3. Recording of specific government transactions

4.3.1. Pension (discussion on new developments related to Pillar II)

4.3.2. Capital injections in public corporations, dividends, privatization

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

4.3.4 Accounting for decommissioning costs

4.3.5 Scheme de ajutor de stat [state additions ("help") schemes]

4.3.6. Others (derivatives; contingent liabilities)

5. Other issues

5.1 PPP (new draft law, projects) and concessions

ANNEX 2: LIST OF PARTICIPANTS

Eurostat

Luca Ascoli

Philippe de Rougemont

Luiza Munteanu

Dominic Galjinka

DG ECFIN

Balcerowicz Wojciech

European Central Bank

Robert Gadbsy

National Institute of Statistics

General Directorate of National Accounts and Macroeconomic Synthesis

Georgeta Mondiru

Camelia Ionescu

Cristina Manolache

Mihaela Ojog

Claudiu Iordache

Dariana Mihai

Oana Năstăsescu

Trifu Adi

National Bank of Romania

Statistics Division

Camelia Neagu

Mirela Alexandru

Cristina Goşman

Sonia Grindeanu

Ministry of Public Finance

General Directorate for Budget Policy Synthesis

Ioana Burlă

Alina Raduță

Anne Marie Ştefan

Daniela Stoian

General Treasury and Debt Directorate

Ştefan Nanu

Mihaela Ene

Ecaterina Anastase

Rodica Moroşanu

Treasury and Public Accountancy General Directorate

Alecu Georgeta

Liliana Repanovici

General Directorate for Expenditure and Public Investment Management

Dana Galben
Ciprian Goriță
Claudia Chindriș

Directorate General For State Aid

Irina Avram
Nicolae Conea

General Directorate of Legislation and Regulation in the Field of State Assets

Ioan Răceu
Laura Iorgu
Cristina Antonescu

Department of Accounting Methodology of Public Institutions

Laurențiu Dodociou
Nicoleta Stănică

EXIMBANK

Corina Vulpeș
Șerban Ghinescu