



EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics (GFS)
Unit D-2: Excessive deficit procedure (EDP) 1

Luxembourg, August 2019

FINAL FINDINGS

EDP dialogue visit to Portugal

17-18 January 2019

Executive summary

Eurostat undertook an EDP dialogue visit in Lisbon on 17-18 January 2019. The main aim of this dialogue visit was to discuss methodological issues and specific government transactions in the light of the implementation of the ESA2010 methodology and of the provisions of the ESA2010 Manual on Government Deficit and Debt. In addition, data sources, used for the EDP data compilation, were reviewed and some issues, raised in the context of the October 2018 EDP Notification, were further clarified.

Firstly, the functioning of the cooperation among institutions involved in the GFS/EDP data compilation was reviewed. Eurostat took note that arrangements foreseen in the 2017 Institutional cooperation protocol are fully functioning. Eurostat took note that there were no changes as regards the quality management framework and audit/internal control arrangements.

Second, the progress on the implementation across the government sector of a new IPSAS based single accounting framework – *Sistema de Normalização Contabilística para as Administrações Públicas (SNC-AP)* was reviewed. Eurostat took note that the 2021 budget will be presented in the new codes. The Portuguese statistical authorities will send to Eurostat a bridge table linking the new chart of accounts with ESA 2010 codes.

Regarding statistical discrepancies, Eurostat remarked the progress achieved in reducing discrepancies in recent years. Eurostat took note that some progress is expected also for historical years in the context of the benchmark revision.

Eurostat expressed its view that, in Portuguese national accounts, the discrepancy between the B.9 and B.9f *de facto* exists and, thus, should be shown explicitly. Eurostat stressed the importance of consistency in the EDP and GFS reporting and asked BdP to undertake actions on the current inconsistency of reporting different figures of other accounts payables in EDP tables 3 and in ESA table 27, quarterly financial accounts.

Further analytical information provided by the Portuguese statistical authorities before the EDP visit, in a form of: a detailed table on main revenue and expenditure items of OCGB and OLGB by units or groups of units; a split of EDP table 3B into tables 3B1 and 3B2; as well as a debt reconciliation table, were discussed.

As regards the sector classification of TAP SGPS, Eurostat and the Portuguese statistical authorities agreed that, after its 2015 privatisation, TAP SGPS is to be seen as a funding device for TAP group and therefore, being an artificial subsidiary/ancillary unit, should be classified together with TAP S.A. in S.11. Before 2015, TAP SGPS should remain classified inside general government, being a funding device set up by government to capitalise the group. In the benchmark revision, the Portuguese statistical authorities will report non-financial (D.43) and financial flows associated to TAP SGPS (accumulated B.9 impact of around 1 billion EUR). The Portuguese statistical authorities will examine a possibility implementing similar D.43 recording in relation to Cahora Bassa case.

On the implementation of the accrual principle, the Portuguese statistical authorities were asked to provide monthly VAT tax data on a gross basis and monthly data on VAT tax refunds. The legal changes regarding import VAT and their impact on the VAT tax time lag were discussed. Eurostat took note that only Novo Banco used DTAs in 2017. Due to the limitation for government to increase its shareholdings in Novo Banco, D.9 expenditure was recorded in Portuguese national accounts.

Regarding the recording of accrued interest, discussion focused on data provided in the table on interest recording. The Portuguese statistical authorities will clarify how the flows associated to coupons sold and coupons bought back are recorded in EDP table 3. Some further clarifications will be needed as regards the reconciliation of debt at face and nominal value, in particular, how premiums/ discounts as well as prepaid margins relating to EFSF are treated.

The discussion continued on the recording of EU financial instruments in Portuguese national accounts. The Portuguese statistical authorities in the benchmark revision will make sure that the EU FI neutrality is ensured for government accounts.

Concerning transactions undertaken in the context of the financial crisis, Eurostat and the Portuguese statistical authorities agreed that guarantee calls in the context of the Novo Banco CCM mechanism will be recorded once the amount of a call for a given accounting period is established and verified. As regards the BPP guarantee, granted in 2008 and called in 2010, Eurostat took note that further recoveries are expected in 2018 and will be treated as D.9rev for government.

As regards specific government transactions, the reporting of government claims, capital injections, government guarantees, debt assumptions, debt cancellations and write-offs were reviewed. Eurostat took note that full information is available in Portugal as regards the existing and new PPPs and concession contracts. Eurostat took note that there were no Energy performance contracts signed.

On derivative transactions, the use of derivatives for hedging purposes was discussed. The Portuguese statistical authorities will clarify further the contents of the lines *Appreciation/depreciation in foreign currency debt* and financial derivatives in EDP table 3B.

Eurostat appreciated the information provided by the Portuguese statistical authorities prior to and during the EDP dialogue visit. Eurostat also thanked the Portuguese statistical authorities for the co-operation for the constructive discussions during the EDP visit.

Final Findings

Introduction

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009, as amended, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Portugal on 17-18 January 2019.

The delegation of Eurostat was headed by Mr Luca Ascoli, Acting Director of Directorate D: Government finance statistics. Eurostat was also represented by Ms Gita Bergere, Mr Philippe de Rougemont and Ms Rasa Jurkonienė. Representatives of DG ECFIN and the European Central Bank (ECB) also participated in the meeting as observers. The Portuguese authorities were represented by the National Statistical Office (INE), the Directorate General for Budget of the Ministry of Finance (DGO) and the Bank of Portugal (BdP). In addition, representatives from the Portuguese Treasury and Debt Management Agency (IGCP) and from the company TAP SGPS participated for some points of the agenda.

The previous Eurostat EDP dialogue visit to Portugal took place on 9-10 November 2016.

Eurostat carried out this EDP dialogue visit in order to review the data sources for the EDP compilation, to review the implementation of the ESA2010 methodology and of the provisions of the ESA2010 Manual on Government Deficit and Debt, as well as to discuss some specific government transactions and sectorization issues.

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

1. Statistical capacity issues

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

1.1.1. Institutional cooperation and EDP processes

Introduction

An updated Institutional Cooperation Protocol was signed in March 2017¹. Eurostat enquired on the functioning of the cooperation between the institutions covered in the Protocol.

Discussion

Contrary to the 2006 Cooperation agreement, which involved only INE, BdP and DGO, the 2017 Protocol covers in addition the following institutions: IGCP, the Directorate General for of Treasury and Finance of the Ministry of Finance (DGTF), the Portuguese Public Finance Council (CFP), the Regional Directorate of Statistics of Madeira (DREM), Statistics Azores (SREA), the Directorate-General for the Local Authorities (DGAL), the Technical Unit of Budget Support of the Portuguese Parliament (UTAO), the Inspectorate General of Finance (IGF) from the Ministry of Finance and the Court of Auditors (TdC).

The Portuguese statistical authorities explained that the cooperation is functioning smoothly. The General Government Statistics Group, a technical Working Group, is meeting regularly. The meetings of this group in small composition (INE, BdP and DGO) take place before each EDP notification and also quarterly. Ad hoc meetings, focused on a specific methodological matter can be organised, also with the participation of other entities directly concerned. After each EDP notification, a Group meeting among all signatory entities is taking place with the aim to present and discuss the notification results.

The exchange of information between the Portuguese statistical authorities, on one side, and the IGF and TdC, as audit institutions, on the other side, is also covered in the Protocol.

Findings and conclusions

Eurostat took note of the situation.

1.1.2. Quality management framework

1.1.3. Audit and internal control arrangements

Introduction

Eurostat asked whether there have been any changes in quality management framework and audit and internal control arrangements.

Discussion

The Portuguese statistical authorities confirmed that, since the 2016 EDP dialogue visit, there were no changes in quality management framework. Also the audit and internal control arrangements have not changed, and their descriptions in the 2016 Portuguese *Inventory of the methods, procedures and sources used for the compilation of deficit and*

¹ The Protocol is available at INE's website:

https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_docmetodsec2010_cn&contexto=si&perfil=2206773

debt data and the underlying government sector accounts according to ESA2010 are valid (further – "EDP Inventory").

The Portuguese statistical authorities confirmed that the flowcharts on compilation process of non-financial and financial accounts of general government sector, provided to Eurostat in the context of the 2014 EDP dialogue visit, are valid.

Findings and conclusions

Eurostat took note of the situation.

1.2. Data sources and revision policy

1.2.1. Changes in data sources and revision policy

Introduction

The progress on the implementation of the new accrual based accounting framework – *Sistema de Normalização Contabilística para as Administrações Públicas (SNC-AP)* was discussed under this point of the agenda.

Discussion

The Portuguese statistical authorities explained that the project aims at introducing IPSAS based accrual accounting standards across the whole government sector. All general government sector is covered, including corporations, classified inside general government: *SNC-AP* is intended to be applicable for all the units in the list of units published by INE.

It has proven to be an ambitious project and this is also reflected in its implementation schedule. By Law, the new accounting plan became applicable from January 2018. However, for some groups of units (e.g. local government entities and the institutions of the SSF subsector), the entry into force of the *SNC-AP* was extended by one year.

The Portuguese statistical authorities explained that, for the entities that started submitting new data over the course of 2018, the 2018 accounts would become available in June 2019. However, the data submitted inevitably has quality issues. Another group of entities are expected to have accounts available in mid-2020. Only then an analysis could be done what data should be used for statistical purposes.

INE explained that, as regards State owned enterprises (SOEs), which are having accrual data already now, no major changes are foreseen. The situation will change for those units that are currently having only cash data, as they will have to compile a full set of financial statements.

The Portuguese statistical authorities explained that the cash data that is used now will not be abruptly abandoned: there will be a transitional period, when cash data and changes in payables will be used and compared with the results coming from *SNC-AP*. Eurostat noted that the cash data is used by the MoF for budget monitoring purposes, so cash data reporting will remain in parallel with the accrual *SNC-AP* data.

The Portuguese statistical authorities explained that *SNC-AP* introduces a single chart of accounts (while, currently, different types/groups of units are using different charts of accounts). The changes *de facto* will be minor for some units, e.g. SOEs or Universities. Another beneficial aspect to consider is that with the implementation of the *SNC-AP*, balance sheets, profit and loss statements, cash flow statements and other information will be available to INE by spending unit.

The single chart of accounts will be mapped to ESA 2010 codes. The Portuguese statistical authorities agreed to send to Eurostat the bridge table between the new single chart of accounts and ESA 2010 codes.

The Portuguese statistical authorities explained that, while drafting the single chart of accounts, the need of national accounts had been taken into account. For example, the new chart will foresee splitting social benefits – with separate codes for pensions and social benefits; also, interest and other charges will be separated.

Eurostat enquired when the *SNC-AP* will be used. The Portuguese statistical authorities explained that the first budget presented in the new codes will be the budget of 2021, approved in 2020.

Eurostat asked whether the so called "*general ledger*" data are available. After some further specifications on the terminology used, it has been clarified that INE indeed receives detailed information that could be assimilated to a *general ledger*.

It has also been explained that, now, these data on SOEs is collected directly by INE. In the future, it will be centralised and will come from the MoF. So called general ledger information – debit and credit of accounts – will be received in the future by INE from all the SOEs quarterly. This will be applicable also for the State. It is planned to receive (quarterly) 15 different sets of data for a given unit.

Eurostat asked if BdP is currently using any of this data in the compilation of the financial accounts. BdP recalled that the financial accounts are currently compiled on an aggregated basis. BdP does not have direct access to INE's database; on request, INE provides information on *ad hoc* basis. Also, data coming from the Simplified Corporate Information – IES (SBS data) is used for the validation of main data sources used for financial accounts compilation.

BdP explained that, provided that access to the relevant datasets is granted, it intends to conduct the analysis of the newly available *SNC-AP based* data and to compare with the current sources and, where appropriate, to fill the gaps in the current system. As discussed already in the 2016 EDP visit, data on cash flow statements will be analysed. After a thorough analysis and evaluation is done, BdP will consider whether the new data could be used for compilation of financial accounts.

BdP also pointed out that the change in data source might lead to discrepancies. Current data allows effectively balancing flows between the sectors of the economy. The change might widen up discrepancies between the government sector and other sectors.

Eurostat noted that once information is available unit by unit, it is important to start compiling data on a unit by unit basis. This would notably allow identifying and monitoring statistical discrepancies on a unit basis. Accordingly, the data that is currently available should be used. Later on, it will be seen what results are achieved. Eurostat did not exclude a situation where, even with the main data coming from a direct source, money and banking data could still be used; for instance, it could be considered as superior in terms of time of recording of transactions (e.g. for deposits).

BdP informed Eurostat that, in cooperation with the unit of the MoF responsible for the implementation of *SNC-AP – UNILEO*, the new chart of accounts has been mapped to the financial accounts and the bridge table could be provided to Eurostat. Eurostat appreciated this.

BdP explained that the analysis of the new information is expected to start in October 2019, conditional to data availability. An experimental exercise compiling data on a set of companies and comparing it with the existing data source will be conducted and some

results could be expected mid-2020. Eurostat welcomed this initiative and encouraged reporting on the results.

The Portuguese statistical authorities argued that, when it comes to direct usage of the SNC-AP data for the compilation of GFS/EDP statistics, it is not only a question of availability but also of quality of data reported: it had to be reliable. Eurostat agreed with this, but presumed that direct source data maintained by government accountants would eventually be highly reliable. The Portuguese statistical authorities noted that, in addition, a lot of practical aspects will have to be solved, such as in what way data will be shared among the main compilers. Inevitably, some financial matters will arise, that will have to be solved.

Data sources

Eurostat took note that, as compared with the descriptions in the 2016 EDP Inventory, there were no major changes in data sources used for the compilation of non-financial and financial accounts.

The Portuguese statistical authorities explained that for the compilation of the financial accounts, the data from *Fundo de Apoio Municipal* (FAM) (S.1311.2) was now incorporated. Eurostat asked questions on the nature of this rather new entity. The Portuguese statistical authorities explained that FAM was created in 2014, although the activation of its capital (in equal share 50% owned by the State and by the municipalities) took place in 2015 only. Overall callable capital of FAM is around 650 million EUR. FAM is providing financial support to municipalities, which are in financial difficulties. FAM is not borrowing on the market. It is financed by injections from the State and the municipalities. Currently the stock of drawn down capital is 350 million EUR. In the financial accounts, the capital drawn down by FAM are considered as other deposits. Eurostat thanked the Portuguese statistical authorities for the clarification.

EDP Inventory

Eurostat noted that the 2016 version of the EDP Inventory should be updated regarding the part on cooperation, with the new arrangements foreseen in the new Institutional Cooperation Protocol described. There might be a need for updates, as regards the new accounting plan as well as the recording of EU financial instruments. Also, the list of units, which is referring to the year 2015, could be updated. The Portuguese statistical authorities agreed to introduce relevant updates in the main text of the EDP Inventory. The Portuguese statistical authorities explained that an updated list of units is being published by INE on its website before each EDP notification; therefore, a link to the INE website showing the list of units could be inserted directly in the EDP Inventory.

Findings and conclusions

- (1) Eurostat took note of the progress regarding the implementation of the new accrual-based single accounting framework (SNC-AP) across the general government sector. INE and Banco de Portugal will provide to Eurostat the bridge table linking the New chart of accounts with the ESA 2010 categories.

Deadline: before the April 2019 EDP notification².

- (2) The Portuguese statistical authorities will review the 2016 version of the EDP inventory and update the list of units and the relevant parts of the main text, so that, up to date information could be published on Eurostat's website after the benchmark revision.

² The bridge table was provided on 29/03/2019. AP is closed.

Deadline: November 2019

- (3) In the context of the implementation of the single public accounting framework (SNC-AP), BdP will compile financial accounts on an entity by entity basis, or groupings of entities basis, as soon as source data becomes available (including based on existing reporting). On this basis, the Portuguese statistical authorities will evaluate the possibility to use this data source as the main source for financial accounts compilation, and inform Eurostat on their findings. Additionally, Eurostat encouraged the Portuguese statistical authorities to monitor the statistical discrepancy on a unit by unit basis or groupings of units basis.

Deadline: Progress report: October 2019 EDP notification

1.2.2. Progress on the work reducing statistical discrepancies

Introduction

The issue of the magnitude of statistical discrepancies as well as the explicit reporting of statistical discrepancy, showing the difference between B.9 and B.9f or not in ESA and EDP tables, has been repeatedly discussed with the Portuguese statistical authorities in the last and also, in previous EDP visits.

Discussion

Size of statistical discrepancies

Eurostat noted that, as regards the size of discrepancies reported in the EDP tables 3, it has decreased substantially in recent years. For the EDP reporting period, 2014-2017, in absolute terms, discrepancies were not exceeding 0.2% of GDP for all government sub-sectors. The Portuguese statistical authorities explained that the work undertaken on the analysis of the discrepancies has indeed given results. The BdP recalled that one of the factors contributing to higher discrepancies in the years 2014-2015 was the changeover to ESA2010, and the subsequent reclassification of a number of entities inside general government. During the analysis, BdP could devote time for better reflecting those changes in the financial accounts. In some cases, mistakes in data sources were identified and corrected, leading to revisions in the financial accounts.

One identified reason for a significant discrepancy was a mistake in the BoP data, regarding EU flows cash data. The Portuguese statistical authorities explained that all the EU associated flows are transiting through IGCP, which communicates the data to BOP division in the BdP. The Portuguese statistical authorities recalled that the BOP financial account includes within F.8 the difference between the IGCP cash amounts received from EU (data coming from IGCP) and the accrual EU revenue amounts (data coming from INE), the difference is being used for the computation of the general government data. It turned out that for the year 2016 the BoP information was erroneous. This has now been corrected. On Eurostat's question on how these flows are shown in the accounts of IGCP, the Portuguese statistical authorities replied that the entities balance sheet is small; IGCP manages the accounts/funds of the State and show them as off balance sheet amounts.

The Portuguese statistical authorities explained that the work on statistical discrepancies was a joint effort by INE and BdP. The analysis was not only focusing on B.9 and B.9f of general government, but was covering other sectors: S.14, S.12, also discrepancies with S.2 account were looked into. After the September 2019 benchmark revision, also discrepancies for the historical years are expected to decrease.

Reporting of statistical discrepancy in EDP tables 3 and ESA table 27

Eurostat recalled that two types of discrepancies could arise in EDP tables 3: 1) The difference between B.9, compiled from non-financial accounts, and B.9f stemming from financial transactions; and 2) the discrepancy arising from the imperfection in stock and flow reconciliations. Due to this, two separate lines are devoted to discrepancies in EDP tables 3: the line "*Difference between capital and financial accounts (B.9-B.9f)*" and the line "*Other statistical discrepancies (+/-)*". However, the Portuguese EDP tables 3 report both type of discrepancies together under the line devoted to other statistical discrepancies. Such reporting in EDP tables 3, in Eurostat's view, creates difficulties for the users, as it becomes impossible to correctly calculate implicit transactions in Maastricht debt, for instance.

Separately, F.8 reported in ESA table 27 differs from the F.8 shown in EDP tables 3, as the former also includes the B.9/B.9f discrepancy item. The Portuguese statistical authorities confirmed Eurostat's understanding that the difference between the EDP F.8 and ESA F.8 is equal to the difference between B.9/B.9f, and not to the total amount of discrepancy as reported in EDP tables 3. The so called "other statistical discrepancy", is not particularly relevant for ESA table 27.

The BdP explained that the reason why the line "*Difference between capital and financial accounts (B.9-B.9f)*" is left empty in EDP tables 3 is that, in Portugal, B.9 is equal to B.9f by convention.

Eurostat noted that current reporting adopted by Portugal leads to inconsistencies (F.8 pay as reported in EDP and in ESA, and the transactions in debt instruments) in between the two data sets. Eurostat considered that it would be appropriate for the Portuguese statistical authorities to provide further explanations to the users, e.g. by inserting a comment in the EDP tables 3 to the two lines impacted (F.8 payables and B.9/B.9f discrepancy) justifying the difference with ESA tables.

BdP explained that full alignment of B.9 and B.9f is their ultimate goal. Given the current close cooperation with INE, an improved and better aligned data sources, and a *de facto* small overall discrepancies, it is not necessarily appropriate to start publishing two different net borrowings. Eurostat was of the view that it is always better to show the existing discrepancy (even if it is small) rather than zero. It is not uncommon that users do not believe in zeros, as there is no such thing as perfect alignment. Eurostat thought that the current policy of not showing B.9/B.9f discrepancy explicitly may be instrumental to trigger unnecessary questions. BdP explained that this was not exactly their experience with users. Financial accounts users were expressing clear discontent on the observable imbalances in other subsectors (e.g. S.11 non-financial corporations sector). Eurostat agreed that users do not appreciate large discrepancies but noted that this was not the issue here (assuming good accounts).

BdP proposed to consult their main users on what way forward they would consider appropriate.

Findings and conclusions

- (4) Eurostat considers that the discrepancy between non-financial and financial accounts should be shown explicitly in the EDP tables 3, in order to be consistent with the reported flows of F.8 payable in EDP tables and to avoid distorting the *other statistical discrepancies*, as is currently the case. The current EDP reporting does not allow users to correctly compile the transactions in Maastricht debt. The Portuguese statistical authorities will reflect on this and inform Eurostat.

Deadline: Progress report: October 2019 EDP notification.

- (5) Eurostat took note that the statistical discrepancy is artificially eliminated in ESA Tables (table 25 versus table 27) by way of adding it to F.8pay. Eurostat invited the Portuguese statistical authorities either to align the F.8pay reported in ESA table 27 with the EDP tables, or introduce a comment in the EDP table 3 explaining to the users the difference in presentation. Eurostat welcomes the BdP initiative to consult their users on this issue.

Deadline: April 2019 EDP notification³.

2. Follow-up of the EDP dialogue visit of 9-10 November 2016

Introduction

Eurostat and the Portuguese statistical authorities discussed the follow up on the still open action points (AP) from the 9-10 November 2016 EDP visit, as well as the previous 2014 visit.

Discussion

Eurostat noted that most of the APs from the 2016 EDP visit were implemented. Eurostat appreciated the fact that the most of deadlines had been met and thanked the Portuguese statistical authorities for the well-structured and comprehensive notes on the follow up on action points.

Four outstanding action points from the 2016 EDP visit were discussed under the following agenda points:

- 1.2.2. Progress on the work reducing statistical discrepancies (Action points 6 and AP 7 on statistical discrepancies)
- 4.3.3. Public Private Partnerships, concessions and EPCs (Action point 20 information on concession contracts)
- 4.2.3. EU flows (Action point 24 EU Financial instruments)

Eurostat noted that there were a few action points referring to the 2014 EDP visit still open:

Action point 26 (2014) – on accrued interest related to Saving and Treasury certificates. Eurostat noted that this issue is being discussed in the methodological task force and the EDPS working group. In the meantime, appropriate footnotes are added to Eurostat's Press Release and INEs press release on EDP figures. The Portuguese statistical authorities supported the change proposed by Eurostat but also stressed the importance of homogenous treatment of similar instruments across the Member States. The Portuguese statistical authorities explained that, once the MGDD text on this issue is agreed, and provided that a harmonized implementation of these rules across countries is insured, the implementation in Portuguese national accounts immediately will follow. Eurostat noted that this issue might be submitted for a CMFB consultation.

Two 2014 Action points remained open due to the fact that there were no new developments: AP 23 (on the restructuring of the water sector) and AP 34 (on concession contracts in the transport and water sectors). The Portuguese statistical authorities and Eurostat agreed that due to the fact that the above initiatives had been abandoned, these action points are considered as closed.

Findings and conclusions

³ Note on this issue was provided on 29/03/2019.

Eurostat took note of the situation.

3. Follow-up of the October 2018 EDP reporting – analysis of EDP tables

Introduction

Before the EDP visit, the Portuguese statistical authorities provided to Eurostat: (1) a detailed table on main revenue and expenditure items for large units or groups of units as reported under other central government bodies (OCGB) and other local government bodies (OLGB) in EDP tables 2; (2) a breakdown of EDP table 3 into table 3B1 (the State) and table 3B2 (OCGB); as well as (3) a table reconciling the State Direct Debt, the Maastricht debt of Central Government (face value) and debt at the ESA nominal value. The above tables were discussed under this agenda point.

Discussion

Revenue and expenditure of OCGB

Eurostat welcomed the delivery of such detailed breakdown of revenue/expenditure of OCGB and OLGB. Eurostat invited BdP to complete these tables with data on the financial accounts, so to identify the statistical discrepancy by unit/ group of units.

While analysing the detailed table on main revenue and expenditure of OCGB, Eurostat asked on the nature of taxes collected by some of the units/groupings. The Portuguese statistical authorities explained that, as regards the *Infraestruturas de Portugal*, it retains VAT on road tolls. Regarding tax collected by NPIs, these are gambling tax revenue. The Portuguese statistical authorities explained that entities labelled "market regulatory bodies" include regulators, for example, National civil aviation authority *Autoridade Nacional da Aviação Civil (ANAC)*, communication sector regulator *Autoridade Nacional de Comunicações (ANACOM)*, energy services regulator. These entities collect fees, which in national accounts are classified as taxes.

Eurostat enquired on what is included under the National Health Service, as the reported figure for D.1 was rather high. The Portuguese statistical authorities explained that the column labelled as NHS includes the National Health Service, non-incorporated hospitals and also small local units – health centres. NHS is paying to hospitals on the basis of programme contracts. These payments are classified in national accounts as D.7 and are consolidated within the sub-sector. The Portuguese statistical authorities explained that hospitals have accumulated arrears towards their suppliers. In the financial accounts, part of the arrears is recorded under F.81pay, and part as borrowing (trade credits subject to factoring).

Eurostat noted that some gross fixed capital formation (GFCF) is imputed under other corrections. The Portuguese statistical authorities explained that the column "other adjustments" refer to national accounts adjustments that are not available on a unit/grouping of units basis, and are done on the level of the OCGB. The figure reported under P.51g (1 billion EUR in 2017) refers *in fact* to R&D expenditure.

Eurostat noted that the overall figures for gross fixed capital formation are rather low for OCGB. The Portuguese statistical authorities confirmed that such low investment is a recent/post crisis years phenomena. To some extent, the collapse in investment in the current years is also explained by the new cycle of EU financing, as, usually, at the beginning of a new programme, the projects are just initiated and expenditure follows only

later. The Portuguese statistical authorities explained that, in the year 2018, some increase in investment was noticed, and this trend is expected to continue in 2019.

Breakdown of EDP table 3B in tables 3B1 and 3B2

Eurostat appreciated the efforts to compile EDP tables 3B1 and 3B2. BdP recalled that EDP table 3B is compiled on an aggregated basis, and the detailed split between 3B1 (the State) and 3B2 (OCGB) is not easily available.

Eurostat noted that significant consolidation flows are observable in F.2 and F.4A (especially in 2014). The Portuguese statistical authorities explained that, as regards F.2, these are mainly Special Certificates of Government Debt either short-term (CEDIC) or medium and long-term (CEDIM) that are held by the OCGB.

As regards significant consolidation flows for loans in 2014, the Portuguese statistical authorities explained that this represents a shift in the OCGB borrowing behaviour. A number of OCGB chose to repay banks loans and directly borrowed from government. This resulted in a substantial decrease in OCGBs' financial costs.

Eurostat enquired on the nature of 469 million reported in 2014 in EDP table 3B1 under "*Changes in sector classification (K.61)*". The Portuguese statistical authorities explained that this amount mainly reflects breaks in data sources regarding the deposits of government entities classified in OCGB. Eurostat noted that this adjustment line in EDP tables 3 is devoted to sector classification changes. In case there are break in data series, these should be shown either under other volume changes or inside other statistical discrepancies.

Debt reconciliation table

A table reconciling the direct debt of the State, the Maastricht debt of central government and the ESA nominal value of central government debt stock (so called "*EDP table 2 for debt*") that was provided by BdP before the EDP visit was discussed. Eurostat appreciated a lot the idea to explain and link the different concepts and was of the opinion that such reporting could usefully be introduced to other Member States.

The transition between the State debt concept and the Maastricht debt of budgetary central government includes adjustments in F.2, F.3 and F.4. As regards figures reported under F.2, Eurostat noted that CEDIM and CEDIC are consolidated. European Commission deposits are treated as F.2 L. The stock of saving certificates capitalized interest, currently excluded from the Maastricht debt (see agenda item 2 above Follow-up of the EDP dialogue visit of 9-10 November 2016), amounts to around 4.2 billion EUR. For securities, consolidation within the State sub-sector is around 5 billion EUR in recent years. The Portuguese statistical authorities explained that, given the fact that all IMF (foreign currency) debt was repaid in 2018, the valuation impact from hedging has decreased in 2017 and will move close to zero in 2018. Eurostat noted that loan debt assumptions were small over the period 2014-2016 and negligible in 2017. Eurostat understood that, starting from 2015, cash collaterals are already included in State direct debt, which explains that this adjustment line is empty from 2015 onwards. Eurostat asked the Portuguese statistical authorities to check whether there were some collaterals in a form of securities and if yes, what were the amounts.

Moving from Budgetary central government Maastricht debt to S.1311 Maastricht debt, F.3L and F.4L stemming from OCGB are added. Eurostat noted that the stock of debt securities issued by public corporations amounts to 10.5 billion EUR in 2017. The

Portuguese statistical authorities explained that debt securities held by civil servants pension scheme (S.1311) are consolidated (around 1.5 billion EUR). Under F.4L, adjustments relating to PPP debt and factoring without recourse granted by banks are added. The stock of consolidated loans of OCGB amounted to 6.2 billion in 2017.

A further reconciliation is carried out for the central government Maastricht debt (face value) and the central government debt at ESA 2010 nominal value.

Findings and conclusions

- (6) The Portuguese statistical authorities will correct the EDP tables 3 by removing specific amounts, currently classified under *changes in sector classification* (e.g. 469 million reported in 2014 in EDP table 3B1). As these amounts refer to breaks in source data, they are more appropriately shown under *other volume change* or under *other statistical discrepancies*.

Deadline: before the April 2019 EDP notification⁴.

- (7) The Portuguese statistical authorities will check whether there are some collateral received, on derivatives for example, in the form of securities rather than cash.

Deadline: before the April 2019 EDP notification⁵.

4. Methodological issues and recording of specific government transactions

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

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

Introduction

The practical aspects of the implementation of the 50% test were discussed with the Portuguese statistical authorities in the 2016 EDP visit. Eurostat enquired whether there had been any changes on how the 50% test was implemented.

Discussion

The Portuguese statistical authorities confirmed that there had been no changes on how the market/non-market test is applied and the descriptions in the EDP Inventory are up to date. All units are tested annually. The data from IES database is used as the main input. In some specific cases, additional information on subsidies is used, so that subsidies on production could be identified and eliminated from sales. The Portuguese statistical authorities explained that on the cost side, for some specific cases, CFC is calculated and used instead of depreciation derived from profit and loss. Otherwise, CFC is not adjusted by a coefficient. The specific cases in question are companies dealing with substantial assets or companies whose market/non-market test shows results close to 50%. Eurostat asked the Portuguese statistical authorities to send the exact formula used for applying the 50% test.

Findings and conclusions

- (8) The Portuguese statistical authorities will provide to Eurostat the formula used to assess the 50% test.

⁴ Further clarification was provided on 29/03/2019. AP is closed.

⁵ Information was provided on 29/03/2019. AP is closed.

Deadline: before the April 2019 EDP notification⁶.

4.1.2. Changes in sector classification since the last EDP dialogue visit

Introduction

Changes in sector classification since the 2016 EDP dialogue visit were discussed under this point of the agenda. A detailed table summarising the changes in sectorization, since the last EDP visit, indicating the main reason for reclassifications, was provided by the Portuguese statistical authorities before the EDP visit, and was used as an input for the discussion.

Discussion

Sector classification of TAP SGPS – Transportes Aéreos Portugueses, SGPS

TAP SGPS was classified inside general government in September 2014, following the implementation of the ESA2010 rules on holding companies. Following recent changes in company's ownership, the Portuguese statistical authorities thought that its sector classification could be reassessed.

The Portuguese statistical authorities introduced the case by recalling that the company was partly privatised in 2014, when a majority (61%) of shares was acquired by the private shareholder. This privatisation was, however, reverted, following a change in government, and the Portuguese State regained possession of 50% of company's shares. Currently, TAP SGPS ownership structure is as follows: 50% government (via Parpública), 45% private consortium - Atlantic Gateway SGPS, SA and 5% employees of the company.

The Portuguese statistical authorities did not remove TAP SGPS from the general government sector, as after the analysis of all the documentation (the sale agreement, the new statute of the corporation), INE was of the opinion that the control of the entity remained with general government. In addition to ownership, one of the indicators is the distribution of the voting rights. Due to dilution of employees' shares, government had *de facto* a majority of voting rights in the General Assembly. It is government who also assigns 6 out of 12 members of the board, including the president. INE considers that government has control of the main activity of this corporation.

A TAP SGPS representative explained that, in their view, TAP SGPS is privately controlled. The main concern raised in the renegotiation of the privatisation was related to governance of the company. It is considered that day to day business decisions are with the private partners; the strategic interests of Portuguese government should however be maintained.

Under the Shareholders agreement it is foreseen how the appointment of the 12 Members of the board, is done. Six members are appointed by the private sector and six by government (Parpública); all those Members are non-executive members. The Members of the Executive committee are appointed solely by the private party. The powers of the Executive committee are wide – they can decide on sale and purchase agreements, joint ventures, below a certain threshold. All the members of the boards of each of the entities in the TAP group are also appointed by the private party. Some decisions have to be taken by qualified majority, that is, by eight members out of 12. Neither Government, nor private investors have power to decide unilaterally. The Portuguese government has 5% of the economic rights, the private shareholder 90%.

⁶ Information was provided on 29/03/2019. AP is closed.

Eurostat asked what is foreseen in case of termination of this agreement. The TAP SGPS representative explained that in case of deadlock, the private shareholder has to sell out; in such a case, government has an obligation to repurchase their shares with a 20% mark-up.

The Portuguese statistical authorities added that, as regards the economic rights, the private partners are entitled for most of the rights, but there is no equilibrium as regards the liabilities. Parpública assumed the old debt of the corporation accumulated until 2015. The main reason why the Portuguese government proceeded with the re-negotiation of the deal was to regain control of the corporation. The Portuguese statistical authorities noted that the question is to what extent the holding, which is public in their view, could be classified outside government, in the sector where the majority companies of the group lies.

The TAP SGPS representative recalled that the Portuguese Civil Aviation Authority looked into the company's governance in 2017 to assess if the control of the company still remains European (i.e. controlled by European entities resident). It concluded that this was the case (as the company was predominantly controlled by Atlantic gateway). Eurostat considered that it would be useful to see the analysis conducted by the public aviation authority.

Eurostat agreed with the Portuguese statistical authorities that it is government who has the majority in the general assembly, mainly because of the dilution of the 5% employee shares. Government has 50%, the private partners 45%. In addition, in case (for some decisions) the simple majority is enough, the chairman (appointed by government) is deciding.

Eurostat noted that government clearly took control of past liabilities. The TAP SGPS representative remarked that, in addition to past liabilities, there are current liabilities as well. In case the company has difficulties to meet its obligations, then both shareholders will have to recapitalise in proportion to their shareholding. Also, there were some recapitalisations undertaken in the form of convertible bonds and shareholders loans. Eurostat thought that the recapitalisation was undertaken in other forms than shares for government not to lose control.

Eurostat noted that under the IFRS reporting, a decision has to be made on whether a company is public or private; in this respect it would be interesting to know if TAP is consolidated or not in the private partners IFRS reporting.

Eurostat explained that the mere existence of a qualified majority voting mechanism is *de facto* a veto right. In addition, whereas private shareholders have indeed an option to sell their shares, government has a right to nationalise the shares, with 20% mark up on a nominal price. The private partner has no such right to force government to sell its stake.

Eurostat concluded that, considering all the above aspects, the entity TAP SGPS is publicly controlled in terms of the ESA 2010 rules. Eurostat further noted that an entity belonging to the public sector in national accounts is not necessarily belonging to a public sector as defined by national Law (*Decree law No 133/2013*).

Eurostat then suggested that discussion should move to on whether TAP SGPS should be classified in government sector or not.

The Portuguese statistical authorities explained that, back in 2014 in the preparation of the ESA 2010 implementation, questions were raised on whether the holding is mainly serving the group. The holding is not exercising any managerial control over the subsidiaries. Since

privatisation, however, the border where TAP SGPS ends and where TAP SA begins is not easily defined. Eurostat considered that TAP SGPS had negative equity for some time, so it would be difficult to see it as a market producer on its own. In fact, it is used as a funding device for TAP. Such an ancillary unit should be classified together with TAP SA, notably by reference to ESA 2010 paragraph 20.24.

Eurostat noted that nothing, as regards sector classification, should change up to 2015. That is: TAP SGPS, being in substance a funding device designed to provide government support to TAP, should remain classified in S.1311.2.

Eurostat agreed with the Portuguese statistical authorities that the recording of TAP SGPS should be changed in the next benchmark revision due in September 2019, by recognising B.9 impact gradually over the years in government accounts (with a cumulated 1 billion B.9 impact, mainly through D.43 entries).

As regards interest payments after 2015 on the debt assumed by government, interest is to be accrued as government expenditure, and corresponding revenue is recognised if TAP SGPS actually settles the interest in question.

Eurostat thought that the proper recording of TAP SGPS in the forthcoming benchmark revision was a good opportunity to reconsider the recording of some old cases. The Portuguese statistical authorities were invited to consider introducing the D.43 recording for the Cahora Bassa case.

Changes in sector classification

Eurostat took note that all in all, 61 units were classified inside general government, since the 2016 EDP visit. Out of them, 31 were newly established units, the rest being reclassified mainly from the sector S.11. The main reasons for the re-classification inside government were public control criteria, also combined with the results of 50% test.

134 entities were removed from the list since the 2016 EDP visit. The majority of them referred to the sector S.1313 and a big number of those changes occurred due to dissolution or so called internalisation cases (when companies owned by the local government are absorbed by the municipality).

Another reason for reclassifications outside GG was the fulfilling of the 50% test.

Eurostat asked about the reasons for reclassifying outside government the entity *Banif Imobiliária, SA*. This entity was reclassified starting from the year 2017 (in the April 2018 EDP notification). *Banif Imobiliária, SA* was one of the entities belonging to *Oitante* defeasance structure (S.1311). The Portuguese statistical authorities explained that this is an entity managing real estate. Eurostat asked for more details on this entity, and notably on its ESA accounts for the last three years.

Other issues

Following up on the recent revision in COFOG of D.7exp GF06.01 (Social housing), Eurostat asked what was the sector classification of the social housing in Portugal. The Portuguese statistical authorities explained that social housing is inside government, however amounts are relatively small. Eurostat thought that in case the flow mentioned are payments towards households, then a D.6 recording would seem more appropriate, instead of D.7.

Eurostat also noted that, in the national accounts aggregates by industry, some amounts are reported for NACE category O under B.2n (operating surplus net). Eurostat recalled that following ESA 3.84, all NACE O activities are non-market. Accordingly, if the main activity is NACE O, the unit must be classified to general government, and B.2n must be nil.

The Portuguese statistical authorities intended to investigate the matter further. They were under the impression that both these issues relate to the same issue of the recording in national accounts of non-market rents. Rents are recorded in full, following market prices and then a transfer is shown as the difference between the market value and the actual value of the rent. The Portuguese statistical authorities intended to correct the recording in the next benchmark revision.

Findings and conclusions

- (9) Eurostat and the Portuguese statistical authorities agreed that TAP SGPS belongs to the public sector in national accounts, although it need not necessary be a public sector entity as defined by the *Decree law No 133/2013*. Eurostat agreed with the Portuguese statistical authorities that TAP SGPS, up to 2015, was in substance a funding device designed to provide government support to TAP (accumulating around one billion EUR of debt over the period of 12 years), to be classified inside general government. Upon privatisation, TAP SGPS then became a funding device of TAP group, to be considered in national accounts an artificial subsidiary/ ancillary unit, i.e. it is not considered an institutional unit but a part of TAP S.A. On this basis, in the next benchmark revision, the Portuguese statistical authorities will report all the non-financial and financial flows associated to the TAP SGPS debt up to 2015 in government accounts (with a cumulated 1 billion B.9 impact mainly through D.43 entries). From 2015 onwards, interest on the debt, taken over by Parpública, is to be accrued as government expenditure and corresponding revenue is recognised if TAP SGPS actually settles the interest in question.

Deadline: October 2019 EDP notification

- (10) Similarly to the TAP SGPS recording agreed above, the Portuguese statistical authorities will consider, in the context of the national accounts benchmark revision expected to be concluded before the October 2019 notification, the opportunity and adequacy to introduce the D.43 recording for the Cahora Bassa case.

Deadline: October 2019 EDP notification

- (11) The Portuguese statistical authorities will reconsider the way the subsidy component associated to low rents on social housing is currently recorded in national accounts. These will likely lead to the elimination of an anomalous net operating surplus under NACE O observed in ESA table 3 and to the reclassification of D.7 expenditure in COFOG class 6.01 (presumably to D.62).

Deadline: October 2019 EDP notification

- (12) The Portuguese statistical authorities will clarify further the nature of the Entity *Banif - Imobiliária, S.A.* and will provide to Eurostat its ESA expenditure, ESA revenue and, possibly, financial side, for the period 2015-2017.

Deadline: before the April 2019 EDP notification⁷.

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

Introduction

The Portuguese statistical authorities sent the *Questionnaire on government controlled entities classified outside the general government sector* in December 2018. The Questionnaire was used as an input for discussion.

Discussion

Eurostat took note that the list comprises 351 entities, of which 71 are classified in S.12. The Portuguese statistical authorities confirmed that all non-market NPIs controlled by government are classified in S.13.

Eurostat took note that Novo Banco was removed from the Public corporation list after its privatization and this was the main reason why there is a sharp drop in overall liabilities of public corporations, and in particular those classified in S.12. Eurostat suggested that this change could have been indicated in the *Metadata template for Eurostat data collection on contingent liabilities*.

From the 2017 data reported in the *Questionnaire on government controlled entities classified outside the general government sector*, Eurostat saw that the market non-market test results are easily fulfilled for the majority of cases. Only two entities were identified as having test results just above 50%. The Portuguese statistical authorities confirmed that these entities are being closely monitored.

Findings and conclusions

Eurostat took note of the situation.

4.2. Implementation of the accrual principle

4.2.1. Taxes and social contributions

Introduction

Prior to the EDP visit the Portuguese statistical authorities provided to Eurostat cash and accrued data for the main tax categories for the period 2015-2017. This data served as an input for the discussion.

Discussion

Eurostat observed that accrued tax revenue on VAT increased in 2017 as compared to 2016 by around 1 billion EUR. The increase seemed however less visible when comparing the months of January and February 2017 with 2016. The Portuguese statistical authorities explained that VAT growth shows general improvement in the economic situation, noting that the economy accelerated in the second half of the year.

⁷ Further details were provided on 29/03/2019. AP is closed.

Eurostat took note that the tax data is net of refunds and asked whether there has been any increase of refunds in January /February 2017. The Portuguese statistical authorities answered that, to their knowledge, it was not the case.

Eurostat asked whether separate monthly data on refunds was available. The Portuguese statistical authorities confirmed this. Eurostat asked for monthly gross cash data, on a tax by tax basis, and cash monthly data on refunds by taxes, to be provided for the period 2014-2018.

DGO informed Eurostat that, in March 2018, there was a change in VAT related to extra EU imports. From now on, VAT will be paid once the goods are sold. Before, import VAT was paid once the goods entered the country. Eurostat noted that this would result in a temporary deceleration of tax revenue as well as deceleration of refunds. Thus the middle of 2018 would result in less tax revenue.

Eurostat reflected further that the current VAT time lag was in principle taking into account the fact that the VAT on imports was paid at once at the border. In 2018, due to this change, about three months of revenue will therefore be missed. The Portuguese statistical authorities confirmed this understanding by adding that, indeed, after this change for example the January custom VAT will be paid either in March or in May.

Eurostat noted that the 2018 revenue without change in time adjustment would be lower. The method for tax recording is aimed at ensuring that the 2018 revenue includes all the transactions of the year 2018. The question that has to be asked is whether the change is permanent, or is a one off. The Portuguese statistical authorities confirmed that this change on import VAT will have an impact in one year only - 2018. Eurostat added that, assuming that the time adjustment was justified in the old system, after the change, there might be a need for a small adjustment in time lag.

Eurostat listed possible solutions to this situation. One option is to change nothing. In this case, however, there will be less tax revenue recorded in 2018 than required. Another option is to re-calculate the time adjustment so that the change would be taken into account. A third option would be to book an *ad hoc* (and somewhat artificial) accrual amount in F.8rec in 2018, and adapt the stock by other changes in volume.

The Portuguese statistical authorities will consider these options. They also explained that data availability was an issue: while VAT on imports could be previously separated from other VAT tax revenue, after this change data is reported for all the VAT together.

DTAs

Eurostat noted that, following information from INE, the first year when DTAs were used and converted was 2017. The Portuguese statistical authorities explained that, according to the Law, at the moment of DTA conversion into payable tax credit, the State is entitled to a security – convertible bond, which later on could be converted into shares. Due to this feature, only few corporations applied for this regime.

In 2017, the only financial institution that used the DTAs was Novo Banco. However, due to a privatisation agreement, a private investor acquired 75% of shares and this percentage could not be diluted. Thus, government could not acquire shares upon the DTA conversion. After the fiscal inspection was conducted and the amount validated, the full amount (154 million EUR) was recorded as D.9 in Portuguese national accounts. The Portuguese statistical authorities explained that another 100 million EUR will be booked in 2018, as some further DTAs were used by Novo Banco.

Eurostat asked how DTA conversion would be recorded in "normal circumstances", when there would be no limitation for government to increase its shareholding. The Portuguese

statistical authorities explained that government acquires conversion rights for a value higher than the DTA: the amount of DTA plus ten percent. Also special conditions under which the conversion of DTA into payable tax credit could be exercised should be met by an entity, for example: have negative net income. The conversion rights themselves are recorded source data as F.5, as they are negotiable. In national accounts, further analysis should be done. The claim acquired by government is of a low value, so it is likely to be booked as D.9 and in general it is not expected to record a F.5, at least for the full value.

Other issues

Eurostat recalled the old case of fiscal claims securitisation undertaken in 2003. The flow of cash (of around 2 billion EUR) given by the non-resident bank was recorded as tax at a time. The Portuguese statistical authorities noted that the time period expired for the private entity to collect the amounts: the non-resident financial institution has by now liquidated all the claims.

Eurostat clarified that when the operation occurred (2003) it had been recorded as tax, as no specific rules existed at that time. The rules were clarified thereafter, with the 2007 Eurostat decision on securitisations: securitisation of fiscal claims, being non-transferable assets, cannot be recognised as sale and should be recorded as borrowing. However, by gentlemen agreement, no re-tropolation was required at this time. ESA 2010 has confirmed this rule and accordingly the new statistics provided in 2014 should have been revised. The Portuguese statistical authorities should consider changing the recording in order to align with ESA 2010. Eurostat suggested doing macro adjustment in the accounts for historical years.

Findings and conclusions

- (13) The Portuguese statistical authorities will provide to Eurostat monthly VAT tax data on a gross basis and monthly data on VAT tax refunds, for the period 2014 -2017.

Deadline: before the April 2019 EDP notification⁸.

- (14) The Portuguese statistical authorities will consider whether the change in the VAT system for imports should result in any ad hoc adjustment to B.9 or any structural changes in the accrual recording of VAT tax (i.e. change in the time lag used for adjusting cash data).

Deadline: before the April 2019 EDP notification⁹.

- (15) The Portuguese statistical authorities will consider changing the recording of the fiscal receivables securitisation undertaken in 2003, currently recorded as revenue on a cash basis rather than as borrowing, as required by ESA 2010, in the context of the national accounts benchmark revision expected to be concluded before the October 2019 notification.

Deadline: the October 2019 EDP notification

4.2.2. Interest and consolidation of interest

Introduction

⁸ Detailed tax data was received on 29/03/2019. The issue was further discussed in the context of the April 2019 EDP notification.

⁹ A note on this issue was received on 29/03/2019.

Prior to the EDP visit, the Portuguese statistical authorities provided to Eurostat an updated questionnaire on the recording of interest. This table was used as an input for the discussion.

Discussion

Eurostat explained that the table on the recording of interest was created to verify the consistency of EDP table 3B (and more precisely table 3B1 in many instances). This table is also allowing observing the transit from face value to ESA nominal value of debt, consistently with the specific table on debt, compiled at the initiative of the Portuguese statistical authorities.

Eurostat noted that the coverage of the provided table, as indicated in the footnote, is only 90% of debt and enquired about instruments not included. The Portuguese statistical authorities explained that filling in the table was a time consuming exercise, so the choice was made to exclude other loans due to non-materiality.

Eurostat observed that, in 2017 as compared to 2016, the stock of accrued coupon increased slightly. To some extent this increase is explained by the increase in coupon sold.

Eurostat asked whether there has been repurchases of debt in recent years. The Portuguese statistical authorities explained that, generally, Portugal is implementing active debt management aiming at smoothing the redemption profile. In 2017, repurchased debt, including exchange offer, was around 3.3 billion EUR (this mainly refers to bonds; amounts of T-bills were small); in 2018, 600 million EUR of bonds were repurchased.

Eurostat observed that in the EDP table 3B, under the line "*Redemption/repurchase of debt above (+)/below(-) nominal value*", 313 million EUR is reported for 2017 and it refers to redemption with a premium. The Portuguese statistical authorities clarified that this amount refers to the whole 3.3 billion of bonds, including both bonds bought back and exchanged. The Portuguese statistical authorities explained that the maturity of repurchased bonds in 2017 varied from 2017 to 2020, and was on average 2 years. The two year bond rate in 2017 was close to zero. Eurostat commented that, as the premium observed at repurchase is around 9% the annual coupon must have been around 4.5%. Therefore the 313 million of redemption a premium seems plausible.

The Portuguese statistical authorities noted that the repurchased bonds (3.3 billion) were issued at around 5% discount. Eurostat concluded that, given this, the 25 million of discount repurchased, as reported under item 15 in the table on interest, seems to be correct.

From the table on interest, it seems that bonds repurchased in 2017 had coupons accrued of 81 million EUR (this amount corresponds to around half of yearly coupon payment). Eurostat asked under which EDP table line 3 this amount is included: is it reported in the line "*Difference between interest (D.41) accrued (-) and paid (+)*"?

The Portuguese statistical authorities informed Eurostat that newly issued bonds in 2017 were around 15 billion EUR. Eurostat noted that the 302 million reported under item 5 in the table on interest recording are plausible (given an average yield at issuance of 4%). Eurostat recalled that, as confirmed in the 2016 EDP visit, coupons sold is not entering the working balance of EDP table 2A, and asked where these are included in EDP table 3B.

Eurostat also asked the Portuguese statistical authorities how the prepaid margins on EFSF loans are reported in EDP tables 3. And how this is reflected in the table on interest recording (under which line these amounts are included).

Eurostat compared the difference between debt at face value and debt at ESA nominal value, as reported in the table on interest and in the debt reconciliation table, specially prepared by the BdP (see agenda item 3 above). The gap between these differences was around 0.3 billion in 2014 increasing to 2.3 billion in 2017. Part of this is due to the fact that

not all debt instruments were included in the table on the recording of interest. However, the remaining difference could be due to different treatment of discounts and premiums in both tables. Eurostat indicated that premiums/discounts should be included under accrued interest in the debt reconciliation table. The Portuguese statistical authorities will investigate this issue further and adapt their table on debt reconciliation accordingly.

Findings and conclusions

- (16) The Portuguese statistical authorities will review the table on the recording of interest, and its consistency with the EDP tables, along the lines discussed during the meeting. In particular, the Portuguese statistical authorities will verify where the flows associated to the coupon bought back and coupon sold are included in EDP table 3B, in particular, whether they are reported in the line *redemption/repurchase of debt above/below nominal value* or, as is more appropriate, in the line *difference between interest accrued and paid*.

Deadline: before the October 2019 EDP notification.

- (17) The Portuguese statistical authorities will adapt the useful table reconciling State debt with the Maastricht debt and the debt at ESA nominal value of central government, by taking into account the effect of premiums and discounts (so to ensure consistency with the table on the recording of interest). BdP is invited to make a presentation in the EDPS WG on this very useful reconciliation table.

Deadline: May 2019¹⁰

- (18) The Portuguese statistical authorities will verify how the prepaid margins on EFSF loans are reported in EDP tables 3 and in the table on the recording of interest.

Deadline: before the April 2019 EDP notification¹¹.

4.2.3. EU flows

Introduction

The recording of the EU Financial instruments (FI) that are managed primarily by the *Agência para a Competitividade e Inovação, I.P* (IAPMEI) was discussed with the Portuguese statistical authorities in the 2016 EDP visit. Following up on this discussion, the issue of the recording of EU FI was reopened and re-discussed in the Methodological task force and the EDPS WG. A draft new MGDD chapter on this issue has been prepared, ready for approval.

Discussion

The Portuguese statistical authorities explained that, as regards the current programming period (2014-2020), the rules for neutrality of EU FI are fully ensured in Portuguese national accounts. But this was not the case for the 2007-2013 programme.

The treatment of non-reimbursable flows between IAPMEI and the EU will have to be revisited in the context of the next benchmark revision. The Portuguese statistical authorities explained that, in their view, the money related to EU FI entering the Portuguese economy

¹⁰ BdP presented the Transition table from the State debt to Maastricht debt table in the June 2019 EDPS WG meeting (item B.1).

¹¹ Information provided on 29/03/2019. AP is closed.

are deemed to be non-reimbursable; so, there should be an impact shown either in S.11 or S.12.

The Portuguese statistical authorities explained that, as regards the previous programming period, the accumulated positive impact on B.9 is around 3.4 billion (accumulated funds received from the EU), out of this amount, 800 million refer to loans that were not recovered and were not recorded as expenditure. Thus, in the benchmark revision the change in IAPMEI managed FI would negatively affect the B.9 over the period 2006-2014 (for a total 3.4 billion).

Eurostat stressed that the neutrality of EU flows for government sector should be ensured and invited the Portuguese statistical authorities to consider whether to ensure the neutrality of FI via recognition of F.8 (the MGDD draft chapter) or, as an implementation modality of the new MGDD, to recognise a notional unit outside the perimeter of government, or record directly D.9 flows to the sector S.11 or S.12. The Portuguese statistical authorities will inform Eurostat on their decision.

Findings and conclusions

- (19) As regards the recording of the EU FI the Portuguese statistical authorities will decide on either implementing the forthcoming MGDD chapter or recognising (as an implementation modality) a notional unit in, or direct D.9 flows to, the sector S.11 or S.12. Eurostat took note that, for the period 2006 – 2014, the B.9 will be degraded by 3.4 billion EUR cumulatively.

Deadline: the October 2019 EDP notification.

4.2.4. Gross Fixed Capital Formation

Introduction

Prior to the EDP visit, the Portuguese statistical authorities provided to Eurostat a note on accrual accounting. The information of this note in combination with the EDP Inventory description, was used as an input for the discussion.

Discussion

Eurostat noted that as regards GFCF, for the year 2017 the central government subsector accounted for 46% of total GFCF of general government (1.6 billion EUR). Out of this amount, investment undertaken directly by the State amounted to 161 million EUR, the rest was undertaken by the OCGB. Local government investment amounted to 53% (1.8 billion EUR) of the total.

The Portuguese statistical authorities explained that as regards GFCF, for the entities that are following accrual accounting, the data source is a table on changes in assets (an integral part of the financial statements of the unit). The accounts for year t-1 become available in June /July of year t, thus this information is used in the second EDP notification (data for year t-1, reported in October of year t). Thus for the first EDP notification (data for the year t-1 as reported in April t) for the entities following accrual accounting provisional data from the quarterly financial statements is used.

For the entities that have cash basis data, investment is calculated using a payables survey. Starting from the second EDP notification (data for year t-1, reported in October of year t), the 100% of GFCF is recorded on an accrual basis. The Portuguese statistical authorities explained that, in their view, the accrual for P.51 is accurate.

The Portuguese statistical authorities explained that, with the implementation of the new accounting plan (SNC-AP), the situation will improve further, as the financial statements (including the table on change in assets) will become available on a quarterly basis. Currently, quarterly information is received from a few big corporations.

Eurostat asked questions on the split of F.8 rec/pay as reported in the Questionnaire tables 4.

The Portuguese statistical authorities explained that the accrual adjustments for the State and for the OCGB are aggregated under *trade credits – Central government* (lines 12a and 27a of Questionnaire table 4.1.2.). Eurostat asked whether it would be possible to provide further split under items for intermediate consumption, transfers (current and capital) and GFCF. In a same way, further splits could be provided in the table 4.1.1 for receivables.

The Portuguese statistical authorities clarified that, as regards Questionnaire table 4.2.2 (other accounts payable as reported in EDP table 2A), the accrual adjustment (including investment) of the State is included within the line 6a "*Payments of arrears*". Further splits by national accounts categories are available. The amounts are small however.

Eurostat asked for further details on item 28a in Questionnaire table 4.1.2. "*transfer of pension entitlements*". The Portuguese statistical authorities explained that, when pension obligations were transferred in the past, the transaction was typically balanced. The amounts reported in Questionnaire table 4.1.2. represent a prepayment of pension obligation (F.89) and the D.75 flows are calculated using pensions actually paid (D.61). Imputed interest (D.41) on payable is also recorded. Eurostat took note of the explanation.

Findings and conclusions

- (20) As regards the reporting of payables in the Questionnaire table 4.1.2, the Portuguese statistical authorities will disaggregate the F.8 pay currently included in the items 12 trade credits, and will show the F.8 by NA categories in items 8-11 of table 4.1.2. as discussed in the meeting (similarly for receivables).

Deadline: before the October 2019 EDP notification.

4.3. Recording of specific government transactions

4.3.1. Government transactions in the context of the financial crisis

Eurostat appreciated the fact that, prior to the EDP visit, the Portuguese statistical authorities provided a note on the recording of defeasance structures, classified inside government and a *Supplementary table for reporting government interventions to support financial institutions* with details on entity by entity basis.

– Novo Banco

Introduction

Novo Banco is a so called "good bank" created in August 2014 during the resolution process of *Banco Espírito Santo S.A.* The Portuguese government (through the National Resolution fund – NRF, classified in S.13) owned the bank 100%. Just after its creation, Novo Banco needed further government support: the Resolution Fund injected 4.9 billion EUR with the aim to privatise the bank. As the privatisation did not occur at that time, in national accounts, the 2014 capital injection was treated as D.9 for its full amount. The Portuguese

authorities eventually privatised the bank at the end of 2017. After two consecutive capital injections undertaken by the buyer (S.2), NRF ownership fell to 25%.

Discussion

The Portuguese statistical authorities recalled that the sale agreement together with restructuring plan of the bank, submitted to the EC (DG COMP), foresaw some measures aimed at ensuring the viability of the bank and/or keeping the required capital adequacy levels.

One of these measures was a so called Contingent Capital Mechanism (CCM), which established protection (up to 3,89 billion EUR) for the buyer against losses on certain financial assets in certain circumstances.

Eurostat recalled that, after bilateral discussions during the April 2018 EDP notification, the CCM was included in Questionnaire table 9.1 as government guarantee. The Portuguese statistical authorities explained that they had hesitated to record in the table the full amount as guarantee, because it is a ceiling amount, and it is unclear which part of it will be called.

Eurostat noted that CCM was activated by Novo Banco in December 2017. The Portuguese statistical authorities explained that payments in relation to CCM are not automatic. The exact amount of the CCM activation can be determined only after the 2017 accounts are audited and after the evaluation of an independent body. The amount for 2017 was indeed verified and confirmed in 2018, and accordingly D.9 pay for the 792 million EUR was recorded in the 2nd quarter of 2018.

Eurostat recalled ESA2010 paragraphs 20.256 and 20.245 provisions: when there is high likelihood that the guarantee will be called, such guarantees are recorded as if called at inception or an estimation of the expected loss is made. Eurostat asked why these paragraphs were not applied here. The Portuguese statistical authorities explained that, at that stage, it was difficult to assess the likelihood of a call; in addition, the amounts that might be called in future are also difficult to define. A double mechanism is needed for the activation for this guarantee: on the one hand, it depends on losses incurred on the insured assets portfolio; and, on another hand, it also depends on the actual realised capital ratio of the Bank, as compared to minimum capital requirements.

Separately, the Portuguese statistical authorities also noted that the MGDD clearly identifies that, in case of guarantees on financial assets, a call is recorded as capital transfer at time it takes place.

The Portuguese statistical authorities were of the opinion that due to the fact that the CCM has only a ceiling established, the so called three call rule would be also difficult to apply.

Eurostat asked whether there were any indications on the further activation of the CCM. The Portuguese statistical authorities explained that there were some indications that additional activation might take place in 2019 with reference to the accounts of 2018. More will be known in March-April 2019, when non-audited accounts will become available.

Eurostat considered that taken into account all of the features of the CCM described above and all the uncertainty of possible future calls, the approach followed by the Portuguese statistical authorities, to record D.9 at the time of cash call was acceptable.

Findings and conclusions

Eurostat took note of the recording of the Novo Banco Contingent Capital Mechanism.

– Follow-up of previous government interventions

Banco Privado Português (BPP) guarantee

Introduction

In 2008, the BPP started facing financial difficulties as, due to the turmoil in financial markets, it became difficult to ensure adequate liquidity levels. 6 major Portuguese banks agreed to provide a 450 million EUR loan to BPP on condition that this loan was guaranteed by the Portuguese State. The State entered into a contract with BPP that foresaw that, in case a guarantee is called, the State will become a creditor of the BPP; bank's assets were also pledged for the repayment to the State. The BPP was eventually put into liquidation in 2010, and the 6 Banks called on the government guarantee. The State paid 450 million EUR to the 6 Banks and filled claims against the BPP collateral.

In 2011, INE discussed this issue with Eurostat and an advice was given that "*at the time of the call of the debt guarantee granted to BPP (May 2010), a capital transfer to the benefit of the creditor financial institutions (expenditure) is recorded immediately in the accounts of government for 450 million EUR. Afterwards, possibly over a significant number of years, any amount recovered from the pledged assets is recorded as a capital transfer (revenue).*"

Discussion

Eurostat recalled that, in 2017, 72.7 million EUR were recovered from BPP and, in Portuguese national accounts, it was treated as D.9 revenue. The Portuguese statistical authorities added that, in 2018, further recoveries occurred for 166.3 million EUR.

Eurostat asked the Portuguese statistical authorities whether the 2010 DG COMP decision, which de facto changed the initial favourable 2009 decision (the government operation was deemed as compatible with the state aid rules), was analysed in order to see whether it would have an impact on the current recording of BPP guarantee recoveries. In 2010, DG COMP indeed reversed its opinion and ruled that the BPP guarantee in fact constituted illegal State aid and, as such, had to be recovered from the BPP. Eurostat noted that it seems that this Commission decision was then contested in the General Court of the EU, which, eventually ruled, in December 2014, that the 2010 Commission Decision is valid.

Eurostat enquired whether the new ESA 2010 rules would not favour recording a claim in 2010 in full or in part, following paragraph 20.233 – a recording favoured by INE.

The Portuguese statistical authorities explained that, in their view, the above developments in the BPP case as regards its adherence to state aid rules, are not decisive for the statistical analysis. 2011 Eurostat advice has been followed and the rules on the recording of guarantees applied. The Portuguese statistical authorities explained that so far the following recoveries were recorded as D.9 rev: 13 million EUR until 2014; 72.7 million EUR in 2017 and 166.3 million EUR in the third quarter of 2018.

Findings and conclusions

Eurostat took note of the situation.

4.3.2. Capital injections in public corporations, dividends, privatization

Introduction

Prior to the EDP visit the Portuguese statistical authorities provided to Eurostat a table listing companies that paid dividends and their associated profits over 2015-2017.

Discussion

As regards capital injections, Eurostat took note that, in the period 2014-2017, the biggest part of capital injections to units outside government was undertaken as public support to banks. The amounts of capital injections undertaken by government to S.11 units were small. Injections undertaken by regional and local governments were negligible in the period 2014-2017. In recent years, the vast majority of capital injections were recorded in national accounts as D.9 in Portugal.

ANFA/SMP payments to Greece

Eurostat asked about the treatment in national accounts of the so called ANFA and SMP payments, that is the payments of gains arising from holding of Greek government bonds by National central banks of euro area countries. The Portuguese statistical authorities explained that, in the past, only ANFA payments were applicable to Portugal, as programme country. The Portuguese statistical authorities confirmed that in 2014 69.1 million was paid, in 2015– 98.6 million. No payments were made in 2016 and 2017; also no payment was made in 2018. Payments are expected to restart in June 2019: 44 million EUR are foreseen in the budget (22.4 million relating to SMP and 21.75 million to ANFA).

Findings and conclusions

Eurostat took note of the situation.

4.3.3. Public Private Partnerships, concessions and EPCs

Introduction

Before the visit, the Portuguese statistical authorities sent to Eurostat lists of existing PPP projects and concessions. All in all, there were 26 PPPs reported, out of them 3 are classified on government balance sheet.

Discussion

Eurostat took note that the majority of PPPs in Portugal started in 2011 or earlier years, there are no new recent projects. Eurostat understood that the main data source for central government PPPs is UTAP – *Unidade Técnica de Acompanhamento de Projetos* (Ministry of Finance). For the PPP's in Açores, the information is received from the Regional Government of Açores through the regional statistical office. Eurostat asked about the situation with PPPs in the Madeira region and in municipalities. The Portuguese statistical authorities confirmed that there are no PPP projects in Madeira. For Municipalities, the situation is constantly monitored. INE follows annual DGAL reports, and, so far, no PPPs were identified; only service contracts are observed in municipalities.

Eurostat saw that, in the list of concession contracts, there were a number of contracts starting in 2017. Eurostat asked whether any of these contracts included GFCF to be carried out. The Portuguese statistical authorities explained that no, these contracts were the outcome of the decision on reversing the centralisation of water system. The corporations which were merged by the previous government now were split again. The contracts had to be re-signed due to the changes in companies' names.

Eurostat asked about the recording in national accounts of the Lisbon Oceanarium concession. The Portuguese statistical authorities recalled that the concession agreement with Oceanário de Lisboa was signed in 2015. It was a 30-year public service concession contract which granted rights over the exploitation and management of the Oceanarium's activity. The contract foresaw a 10 million EUR upfront payment and an annual payment,

consisting of a fixed (1.3 million EUR) and a variable component (5% of the turnover). A month later, the Oceanário de Lisboa shares were sold to private investor.

The Portuguese statistical authorities explained that considering that the concession took place in the context of privatisation, both the upfront payment and the annual fixed component were treated in national accounts as financial transactions. The total value of the sale was 49 million EUR, of which 10 million were received upfront. In financial accounts 39 million were booked as sale in F.5 with a counterpart in F.8A, which is gradually decreasing over 30 years. The annual variable component (5% of the turnover: tickets and other commercial revenues), is recorded as market output (P.11), given that the amount is not fixed in advance.

The Portuguese statistical authorities confirmed that EPCs do not exist in Portugal.

Findings and conclusions

Eurostat took note of the situation.

4.3.4. Financial derivatives

Introduction

The usage of derivatives by government units and the adherence to the rules for hedged debt were discussed under this point of the agenda.

Discussion

The Portuguese statistical authorities confirmed that the Treasury uses derivatives only for hedging purposes. Currently, the vast majority of foreign currency debt is hedged; however in 2014-2015 only 40% of IMF debt was hedged. Cross currency swaps are used.

The Portuguese statistical authorities asked whether it would not be more appropriate to report in EDP table 2A an adjustment on interest on swaps under "*Other financial transactions/ of which: net settlements under swap contracts*" rather than under "*other adjustments*", as it is currently the case. Eurostat agreed with this view. The Portuguese statistical authorities will implement this in the next EDP notification.

In EDP table 3B the flows associated to derivatives are mostly reported under assets. BdP explained that they will consider gross reporting of derivatives in the benchmark revision. Eurostat drew the attention of the Portuguese statistical authorities that in case cash flows cannot be easily split whether it refers to an asset or to a liability, then some modelling should be introduced.

The Portuguese statistical authorities recalled that the borrowing from the IMF occurred in 2011 to 2014. The repayments of the IMF debt took place as follows: in 2015 – 8.5 billion in 2016 – 4.5 billion, in 2017 – 10 billion and in 2018 – 5.5 billion.

Eurostat examined the data as reported in the EDP table 3B in the line "*Appreciation/depreciation in foreign currency debt*". Between the borrowing data and the redemption data, the USD appreciated significantly, by around 20%. The IMF borrowing being in SDR, given that 10 billion had been repaid in 2017, roughly a 1 billion in swap unwinding gain was expected to be observed, which was the case. The 2016 figure under *Appreciation/depreciation in foreign currency debt* seemed a bit small, though. Given that in 2017 the USD depreciated, similar amount was expected in 2016 (twice the volume and half of the gain).

Eurostat recalled that, in EDP tables 3, the unwinding of swaps result in recording transactions in derivatives with matching entry under *Appreciation/depreciation in foreign currency debt*. Following the analysis above, Eurostat thought that the flows under derivatives were expected to be higher.

BdP explained that derivatives in EDP table 3 include also swaps of some public corporations, and this is the reason why the unwinding of hedging swap effect is compensated. At some point in time, IGCP cancelled some positive value swaps and repaid partly some SOEs swaps that were loss making. Eurostat remarked that this operation should then be observable in EDP tables 3B1 3B2. In addition, the net transaction in derivatives should not be impacted.

BdP agreed to provide a further split of the *line Appreciation/depreciation in foreign currency debt*, and also detailing the following: the streams of interest payments on swaps, IMF debt repayments, unwinding of swaps relating to IMF hedging, swap cancellations, and flows related to SOEs.

The Portuguese statistical authorities asked for a clarification by Eurostat regarding the statistical implications of the region of Madeira decision not to pay interest on swaps. In EDP table 2C and non-financial accounts, these flows are not shown: should something be reported in EDP table 3D? Eurostat clarified that nothing should be booked, neither in financial nor in non-financial accounts, as regards late payments of interest on swaps, as the latter are de facto included in the valuation of the swap (AF7).

Findings and conclusions

- (21) The Portuguese statistical authorities will move, in EDP table 2A, the adjustment on swaps to other financial transactions.

Deadline: the April 2019 EDP notification¹².

- (22) The Portuguese statistical authorities will provide Eurostat with further details on the EDP table 3B line *Appreciation/depreciation in foreign currency debt*, as well as *financial derivatives*. The detail will include, among other, data on the IMF debt repayments, the associated unwinding of swaps amounts, the stream of interest payments on swaps, and swap cancellation flows regarding SOEs.

Deadline: before the April 2019 EDP notification¹³.

4.3.5. Guarantees

Eurostat appreciated the detailed table on guarantees provided by the Portuguese statistical authorities before the EDP visit. No further questions were raised.

4.3.6. Debt assumptions, debt cancellations and debt write-offs

Introduction

Before the EDP visit the Portuguese statistical authorities provided to Eurostat a table listing all debt assumptions of S.1311 and S.1313, as well as debt cancellations.

Discussion

The Portuguese statistical authorities drew the attention of Eurostat to the recently discovered case of a municipality assuming the debt of a privately owned corporation that

¹² Implemented in the April 2019 EDP notification. AP is closed.

¹³ Information provided on 29/03/2019.

was managing public infrastructure. There could be more similar cases, when companies that are partially owned by S.1313 (e.g. 49% local government and 51% private) are awarded some construction contracts and then enter into liquidation or internalization with the municipality. The Portuguese statistical authorities will monitor construction projects of municipalities more closely. However, due to the large number of entities (the sole municipalities are 308), there might be some difficulties in timely collecting all the necessary information.

Findings and conclusions

Eurostat took note of the situation.

4.3.7. UMTS and LTE

Introduction

The situation with the sale of UMTS and/or LTE was discussed.

Discussion

Eurostat took note that, as indicated in the note of the Portuguese statistical authorities, there were no recent sales of the UMTS and LTE licences.

The Portuguese statistical authorities confirmed that the sale that occurred in 2011 currently was recorded as Acquisitions less disposals of intangible non-produced assets following the existing rules. The recording will be revised in the benchmark revision and rent will be recorded in national accounts following the [2017 guidance note](#).

Findings and conclusions

Eurostat took note.

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

Eurostat took note of the information provided in the detailed table on government disposals of non-financial assets.

4.3.9. Others: military expenditure, securitisation, and pension issues

No issues were identified under this agenda point.

4.4. Important issues for year 2018 relevant for the April 2019 EDP Notification

No new issues were identified.

5. Other issues

5.1. ESA2010 Transmission Programme relating to the GFS tables

GFS related questions were asked under parts *1.2.2. Progress on the work reducing statistical discrepancies* and *4.1.2. Changes in sector classification since the last EDP dialogue visit*.

List of participants

INE

Carlos Coimbra
Pedro Oliveira
Rute Dourado
Maria Manuel Pinho
Diana Gapo

Banco de Portugal

Filipa Lima
José Sérgio Branco
Filipe Morais
Jorge Correia da Cunha
Cláudia Braz

Ministry of Finance

Patrícia Semião
Lara Wemans
Ana Celestino

IGCP (some points of the agenda)

Ana Rangel

Eurostat

Luca Ascoli
Gita Bergere
Philippe de Rougemont
Rasa Jurkoniene

DG ECFIN

Stefan Bohner

ECB

Robert Gadsby

Draft Agenda

1. Statistical capacity issues

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

1.1.1. *Institutional cooperation and EDP processes*

1.1.2. *Quality management framework*

1.1.3. *Audit and internal control arrangements*

1.2. Data sources and revision policy

1.2.1. *Changes in data sources and revision policy*

1.2.2. *Progress on the work reducing statistical discrepancies*

2. Follow-up of the EDP dialogue visit of 9-10 November 2016

3. Follow-up of the October 2018 EDP reporting – analysis of EDP tables

4. Methodological issues and recording of specific government transactions

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

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

4.1.2. *Changes in sector classification since the last EDP dialogue visit*

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

4.2. Implementation of the accrual principle

4.2.1. *Taxes and social contributions*

4.2.2. *Interest and consolidation of interest*

4.2.3. *EU flows*

4.2.3. *Gross Fixed Capital Formation*

4.3. Recording of specific government transactions

4.3.1. *Government transactions in the context of the financial crisis*

– *Novo banco*

– *Follow-up of previous government interventions*

4.3.2. *Capital injections in public corporations, dividends, privatization*

4.3.3. *Public Private Partnerships, concessions and EPCs*

4.3.4. *Financial derivatives*

4.3.5. *Guarantees*

4.3.6. *Debt assumptions, debt cancellations and debt write-offs*

4.3.7. *UMTS and LTE*

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

4.3.9. *Others: military expenditure, securitisation, and pension issues*

4.4. Important issues for year 2018 relevant for the April 2019 EDP Notification

5. Other issues

5.1. ESA2010 Transmission Programme relating to the GFS tables

5.2. Any other business