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**Unit D1: Excessive deficit procedure and methodology**

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# **FINAL FINDINGS**

**EDP Dialogue Visit to Austria**

**8-9 November 2017**

## Executive summary

Eurostat undertook an EDP dialogue visit to Austria on 8-9 November 2017. The purpose of the EDP dialogue visit was to review the compliance of the Austrian EDP and Government Finance Statistics ('GFS') data with the accounting rules of the European System of Accounts 2010 ('ESA 2010') and with the existing guidance set out in the ESA2010 Manual on Government Deficit and Debt ('MGDD').

Eurostat and the Austrian statistical authorities reviewed institutional arrangements, data sources and procedures in place for the compilation of EDP statistics. Eurostat took note of the close cooperation between STAT and the OeNB and STAT and the CoA. The cooperation between STAT and the OeNB is based on a formal agreement which is, in principle, limited in time but regularly renewed. The agreement is defining areas in which both institutions are inter alia seeing the need for intensive cooperation (e.g. reconciliation of register data, use of administrative data). Regarding the cooperation with the CoA, Eurostat welcomed the recent enhancement of the cooperation in the form of an informal agreement at the working level since it will also allow STAT to be informed on findings of any ongoing work of the regional Courts of Auditors of interest for EDP/GFS.

Eurostat reviewed the recording of the '0%-DM Prämienanleihe' in the Maastricht debt. During the term of the '0%-DM Prämienanleihe' no periodic interest payments were made by the Republic of Austria. All interest was paid when the bond matured. STAT recorded the bond with its face value (equal to the total par value) and not with the redemption value in the EDP debt figure and justified this, among other things, by the fact that (1) de facto a limitation for claims would exist, (2) only the issue value would be repaid in the event of bankruptcy of the Republic of Austria and (3) that the '0%-DM Prämienanleihe' could be considered as bond with capitalized interest allowing the use of the corresponding provision in the MGDD. Eurostat acknowledged that these arguments could justify the accounting carried out by STAT. However, Eurostat considered that the '0%-DM Prämienanleihe' does not differ significantly from a zero-coupon bond. In particular, Eurostat did not see the scope for using the MGDD derogation related to capitalized interest bonds in the case of the '0%-Prämienanleihe'. Eurostat therefore recommended that STAT should reflect on the recording of the '0%-Prämienanleihe' and should consider to revise the Maastricht debt over the term of the bond (i.e. to recognise in the Maastricht debt the redemption value from inception).

Eurostat took note of the arguments put forward by STAT for implementing the so called 'residual compilation', which describes the resulting secondary impact (i.e. the recording of entries in F.8) from the use of the s-b-s data source for the determination of F.3 liabilities (but not for the stock of F.3) and F.2/AF.2 assets. Eurostat appreciated the comprehensive explanation of the approach and the reasons for its use. Nevertheless, Eurostat was not convinced from using transaction data for F.3L from the s-b-s data source instead of source data, even if this does not lead to a change in the Maastricht debt figure. The 'residual compilation' is accompanied by artificial entries in F.8 and wrongly classified other economic flows. With regard to the use of the monetary and banking statistics data for F.2/AF.2 (asset side) instead of the direct data collected from the public accounts ('interface' data) Eurostat expressed less concerns. In view of the fact that the amounts in question are currently small, Eurostat asked STAT to re-examine the possible options of alternative use of the s-b-s database (e.g. using the information for other economic flows which is not available in the source data rather than the transactions particularly for F.3 liabilities or using also the stock data from the s-b-s- database).

With regard to the classification of units, the classification of the deposit guarantee schemes (DPSs), the investor compensation scheme and the classification of Austrian Development Bank (OeEB) were discussed in detail with the Austrian statistical authorities. STAT

informed Eurostat that the current system of five different protection schemes existing side by side will be changed from 1 January 2019 onwards. From then on, in principle, only a single deposit guarantee scheme is provided. However, exceptions are possible under certain conditions. Eurostat pointed out that the five DPSs plus the new unique DPS should be considered as non-market producers and therefore classified in the government sector. Eurostat clarified that the contributions to the new unique DPS cannot be considered as insurance premiums paid in accordance with the individual risk of a bank. They are compulsory payments without receiving an equivalent service of the DPS, which ultimately means that they are unrequited payments. In addition, decision-making autonomy was considered to be substantially restricted. Furthermore, Eurostat considers that the five existing DPSs should be classified in the government sector, since they actually have the features of a statutory DPS.

As regards the investor compensation scheme (AeW), Eurostat pointed out that the specific characteristics of compulsory membership and compulsory contributions indicate that the AeW cannot be seen as being active in a competitive environment and that, therefore, the contributions cannot be considered insurance premiums (at best they can only be regarded as insurance premiums for nonmarket insurance). STAT will reanalyse the fees collected by AeW, in particular, whether they could be considered as market sales, instead of a tax or payment for nonmarket output. On this basis, the classification of the AeW should be reassessed.

With respect to the classification of the Austrian Development Bank (Österreichische Entwicklungsbank - OeEB), Eurostat took note of the specific circumstances of the creation of the OeEB and its parent the Österreichische Kontrollbank, which is also Austria's Export Credit Agency (i.e. it manages as agent of the Austrian government the export credit and guarantee scheme). The Austrian statistical authorities consider both the Österreichische Kontrollbank and its subsidiary, the OeEB, as private entities which would preclude a classification to the government sector. Eurostat took note of this view but considered that the classification of both entities needs to be reassessed since some issues identified during the discussion would support the view that the two entities are de facto publicly controlled (despite the fact that they are in private ownership). STAT will, therefore, reflect on the appropriate sector classification of the Austrian Development Bank (OeEB) by carrying out a closer examination of the following aspects: the governance and mandate/activity of the OeEB, projects and country risks for which it benefits from a full government guarantee and the fact that OeEB is financed through the OeKB market borrowing, which itself seems to benefit from a government guarantee. STAT will also analyse possible consequences from the analyses of these elements for the classification of the Österreichische Kontrollbank. STAT will furthermore enquire whether the funding of the technical assistance by the OeEB from 2017 onwards will affect the classification of the OeEB or at least would require rerouting.

In the context of the classification of specific entities, the use of the 80% criterion by STAT was also discussed. STAT considered that extra-budgetary units, whose sales with other government entities accounted for more than 80% of the total sales, are ancillary units of government. The 80% criterion is, however, not strictly applied. For some industries such as IT providers or providers of real estate services, the 80% criterion is decisive for the sector classification of the entity, whereas for other industries like energy providers the criterion is not considered as meaningful. Eurostat provisionally agreed that the 80% criterion could be an appropriate approach in order to be able to identify ancillary units of the government, since a pure 100% ratio could always be easily not respected by generating some small sales.

Eurostat recalled that the analysis of PPP projects should follow the structure of the new PPP guide, which means that the analysis should follow all the issues covered in the different chapters of the PPP guide. For each individual provision of the contract, it shall be indicated whether the provision is seen of very high, high, or moderate importance for the statistical

treatment of the PPP contract. STAT will adapt the analysis of PPP projects to the structure provided by the PPP guide.

Eurostat took note that, currently, neither the central government nor the state governments are involved in EPC projects. For EPC projects carried out by local governments, STAT applies a recording similar to an operating lease recording. However, Eurostat understands also that STAT is only in possession of very limited EPC information. Eurostat asked therefore STAT to carry out a stocktaking exercise on EPC contracts and, in particular, to cover the following elements: existence of factoring agreements (without recourse), duration of the contracts and the recording of these contracts in public and ESA accounts.

Eurostat took note that social housing plays an important role in ensuring the provision of affordable and adequate living space in Austria and that it is mainly provided via non-profit institutions (particularly cooperatives and companies) and public companies. STAT was asked to provide the legal acts relevant for the activities of these non-profit residential building operators, as well as the statutes of one of these operators. In this context, STAT will also provide information on whether such cooperatives are able to terminate their activities and how, and to whom, the residual value is distributed.

With regard to financial derivatives, Eurostat took note that, in Austria, only interest rate swaps and currency swaps are used and that cancellation payments for swaps have not occurred in the most recent years. Concerning the availability of data on financial derivatives, it was understood that, for the central government, complete information on all types of financial derivatives is available, but for the state and local governments the current chart of accounts does not provide specific accounting items for financial derivatives and therefore no actual/planned figures on derivatives have to be budgeted. Nevertheless, the existing statistical system allows the collection of relevant data by other reporting mechanisms (e.g. electronic data interface). However, there are some units that do not report data on financial derivatives, since they are not foreseen in the chart of accounts. STAT will send the additional form used for the collection of data on financial derivatives to all local government capitals and will report the outcome to Eurostat

Eurostat took the EDP Dialogue Visit as an opportunity to ask whether STAT has received all the necessary data in the meantime, in order to duly report the respective financial derivatives in the EDP/GFS data sets. STAT confirmed that now all transactions in financial derivatives as well as the related stocks are available and included in the EDP/GFS data sets from 2012 onwards. STAT will report to Eurostat the amounts involved and the type of derivatives which were used by Salzburg, as well as their recording in the GFS and EDP tables for the period concerned.

# EDP Dialogue Visit to Austria

8-9 November 2017

## Final findings

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 on the Functioning of the European Union, Eurostat carried out an EDP Dialogue Visit to Austria on 8-9 November 2017. The agenda agreed for the meeting is annexed to the report (Annex 1).

Eurostat was represented by *Mr Luca Ascoli, Head of Unit D-1 [Excessive Deficit Procedure and Methodology]*, heading Eurostat's delegation, *Mr Philippe de Rougemont [Eurostat Unit D1]*, *Ms Luiza Munteanu [Eurostat Unit D1]* and *Mr Thomas Forster [Eurostat Unit D1]*. The European Central Bank ('ECB') participated in the meeting as an observer.

The Austrian authorities were represented by Statistics Austria ('STAT'), The Ministry of Finance ('MoF') the Oesterreichische Nationalbank ('OeNB') and the Austrian Treasury ('OeBFA'). A list of the meeting's attendees is annexed to the report (Annex 2).

The purpose of the EDP Dialogue Visit was to review the compliance of the Austrian EDP and Government Finance Statistics (GFS) data with the accounting rules of the European System of Accounts ESA 2010 and with the existing guidance set out in the ESA 2010 Manual on Government Deficit and Debt (MGDD).

Specifically, the mission addressed some issues discussed and or identified for the first time during the April 2017 notification, in particular, the recording of the '0%-Deutsche-Mark-Prämienanleihe 1986-2016', the use of the security by security data base for the recording of F.3 debt instruments and the general sector classification procedure as well as the classification of specific entities, notably the Deposit Protection Schemes, the Investor Compensation Scheme, the Österreichische Entwicklungsbank ('OeEB') and linked to that, the Österreichische Kontrollbank (OeKB). In addition to the classification of specific entities, the established procedure for collecting data for PPPs and their classification (i.e. on balance or off government balance sheet) on the basis of the risk assessment to be carried out was reviewed. In this context, also the use of Energy Performance Contracts ('EPCs') in Austria, the availability of related data and the current recording of such contracts in the national accounts data of Austria was discussed. Another focus was on the organisation of social housing in Austria, in particular, the involvement of government (e.g. via grants, loans, paying housing assistance, selection of eligible tenants, or owner of public housing corporations) and the role and tasks of private entities in this specific area.

Capital injections, distributions, guarantees and the institutional and quality assurance measures for collecting, compiling and reporting the Austrian EDP data as well as the current situation regarding the reconciliation of balance sheet data, profit and loss accounts and cash flow accounts for the core central government entity ('Bund') were also briefly discussed.

Owing to time constraints, several agenda items could not be reviewed in detail on 8-9 November 2017. These items were covered in a videoconference held on 21 November 2017. Those issues are fully integrated in the main part of this report without making a specific reference to the videoconference.

With regard to procedural arrangements, Eurostat indicated that shortly after the meeting the main conclusions and action points would be sent to the Austrian authorities for their comments. Within weeks, a more comprehensive description of findings from the EDP dialogue visit would be sent to the Austrian authorities for comments. Once the report will

have been agreed between Eurostat and the Austrian authorities, the final findings will also be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat appreciated the intensive discussions, the openness and transparency of the Austrian authorities during the meeting as well as the sound preparation of the documentation provided before the dialogue visit.

## 1. Review of institutional arrangements, EDP data sources and procedures

### 1.1. Governance and co-operation

#### *Introduction*

The cooperation and exchange of relevant data between STAT and the OeNB is formalised by a cooperation framework agreement. Although the agreement is limited in time, since it is to apply until the end of 2017, it is expected that it is going to be extended<sup>1</sup>. The agreement is defining areas in which both institutions are inter alia seeing the need for intensive cooperation, for instance, the reconciliation of register data, the use of administrative data, the coordination of revisions, the information strategy or ensuring common positions regarding new legal provisions.

An agreement between the Court of Auditors (CoA) and Statistics Austria was signed in November 2015. The agreement should provide the basis for a closer cooperation between the CoA and Statistics Austria and provides, inter alia, the creation of a steering committee. This committee consists of two members (one from the CoA and one from STAT), meets at least annually and has the task to specify the main areas of the cooperation as well as to evaluate the objectives and the cooperation processes.

The Austrian statistical authorities have also set up a dedicated working group ('Arbeitsgruppe Maastricht') consisting of STAT, the OeNB, the MoF and OeBFA<sup>2</sup>. The aim of the working group is to provide methodological advice in the field of public finance statistics (national level) as well as on the field of GFS and EDP statistics (European level). The working group meets twice a year and protocols are generated but not published.

#### *Discussion*

Eurostat enquired more about the cooperation with the CoA since the agreement is relatively new. STAT explained that the agreement is to be considered as a starting point for a more formalised cooperation with the CoA. The effective impact is therefore not comparable with the OeNB agreement. Furthermore, it is important to mention that the current agreement is strongly influenced by legal restrictions. However, STAT emphasized that the new management of the CoA is very open and very much in favour to intensify the cooperation. This is shown in practice, for example, by the fact that the CoA always informs STAT when they are confronted with EDP related issues in their work. Conversely, STAT informs the CoA when they observe that EDP issues and legal provisions limit the possibilities to analyse the issue in more detail. In such cases, the CoA could analyse the issue based on its specific legal mandate and in some circumstances this could even lead to an audit.

Moreover, there is a close cooperation between the CoA and STAT in the context of the Austrian Stability Pact. According to the Stability Pact, STAT is obliged to write a report regarding the ESA- and Maastricht indicators government deficit/surplus, government debt and government guarantees by individual state governments and totals of local governments by state government. The results are compared with threshold values set in the Austrian Stability Pact. In case of a situation where federal government, individual state governments or totals of local government do not meet the threshold value, STAT has to explicitly mention this in the related report and the CoA has to carry out then an additional audit. However, STAT emphasized also that the lack of national accounts and, in particular, EDP knowledge at the CoA is an obstacle for an enhanced cooperation. To improve and consolidate the EDP knowledge at the CoA is therefore the most important task for the near future.

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<sup>1</sup> On 2 January 2018 the cooperation framework agreement has been extended to 2022.

<sup>2</sup> Since 2018 delegates of the CoA participate, too.

Eurostat in the end asked about the cooperation between STAT and the Regional Courts of Auditors (RCoA). STAT explained that this is in the first place an organisational issue between the CoA and RCoA and that in principle the CoA is responsible for streamlining the process between those institutions. In this context, Eurostat enquired whether there is a direct cooperation between STAT and the RCoA or whether it is more indirect via the CoA. STAT explained that it receives, in general, the information via the CoA and not directly from RCoA. But there is a consensus that STAT should be informed about the outcome of the audits that the RCoAs have carried out and STAT is always involved if the outcome is deemed to be important for EDP purposes.

### *Findings and conclusions*

Eurostat took note of the formal cooperation agreement between STAT and the Federal Court of Audit signed in November 2015. Eurostat welcomed the recent enhancement in the cooperation between STAT and the Federal Court of Auditors, in the form of an informal agreement at the working level and of the regular participation of auditors to the Maastricht Statistics Working Group. Eurostat understands that the informal agreement will also permit STAT to be informed on findings of any ongoing work of the regional Courts of Auditors of interest for EDP/GFS. In addition, this informal agreement foresees that STAT may flag issues to the attention of the Federal Court of Auditors.

## **1.2. Quality and risk management of EDP/GFS processes**

Eurostat reviewed shortly the quality and risk management of EDP/GFS processes.

### *Discussion*

The Austrian statistical authorities confirmed that no major changes of the quality and risk management system had been introduced since the last EDP Dialogue Visit in 2014. The quality management system implemented by STAT is, in principle, a TQM based systems that is following the EFQM approach. The quality policy is universally applied to all working areas, i.e. there is no specific quality policy for EDP statistics. However, there are clear responsibilities for managing the quality of EDP statistics. The responsibilities are overall defined in workplace descriptions and concrete working processes by the respective project leaders. For the quality reporting, a standardized documentation system for projects is used. Eurostat enquired whether STAT carries out specific audits in the domain of EDP statistics. It was explained that series of audits have been launched since 2015 and that usually three key products are audited per year. However, EDP statistics has not been part of the annual audit plans so far. Regarding the risk management, it was explained that an internal risk management unit is established and that an internal questionnaire for the identification and assessment of risks within processes at operational level exists. The information collected via the questionnaire may be used for a possible quality audit of EDP processes.

### *Findings and conclusions*

Eurostat took note of the explanations of STAT concerning the quality and risk management systems in place. Eurostat encouraged STAT to continue with the audits and to consider whether EDP statistics could be included in an updated audit plan. In the meanwhile, STAT will inform Eurostat about major developments and improvements of the quality and risk management system.



**Action point 1<sup>3</sup>:** STAT will provide an update of the questionnaire on the national quality management system in relation to EDP statistics (last version available 2012): ***Deadline April 2018 EDP notification<sup>4</sup>***

**1.3.** Sources and data compilation methods (progress in use of direct data sources for compilation of EDP/ GFS statistics)

### *Introduction*

Under this agenda point, Eurostat enquired about the current status and/or recent developments regarding the implementation and the availability of new data sources. Eurostat also thanked Statistics Austria for the brief note on new developments in the field of data sources provided as background information before the EDP Dialogue Visit.

### *Discussion*

STAT explained that the main development in the field of data sources concerned the new 'Voranschlags- und Rechnungsabschlussverordnung 2015 - VRV 2015'. Broadly speaking, the VRV 2015 regulates the requirements in terms of the form and content of the accounts of the state and local governments and of their enterprises and establishments without legal personality. Based on the reform of the federal budget system carried out in 2013 and the commitment to a complete and unique presentation of the financial situation at the meeting of the 'Landesfinanzreferentenkonferenz' on 11 October 2013, it was decided to develop a new 'Voranschlags- und Rechnungsabschlussverordnung', which was announced on 19 October 2015.

The VRV 2015 is the result of the mutual understanding of state and local governments to implement a new double entry accounting system which consists of a profit and loss statement, a cash flow statement and a balance sheet. It will replace the VRV 1997 which was, in principle, showing the estimates of the expenditure and revenue (both classified by functions and by economic objectives) for the following budget year. Later on, a comparative calculation provided information on the execution of the budget, i.e. the actual cash in- and outflows. The VRV 2015 is compulsory for state governments and local governments (with more than 10,000 inhabitants) from the financial year 2019 onwards and for smaller local governments from the financial year 2020 onwards<sup>5</sup>. However, two state governments (Styria for the financial year 2015 and Salzburg for the financial year 2018) have already implemented the new VRV 2015. STAT explained further that, in the context of the implementation of the VRV 2015, around 100 amendments were proposed which, in particular, concerned the chart of accounts and the assignments of specific issues to a designated account.

STAT stated that it has no direct access to the public accounts data, but that the actual data are transmitted from the bookkeeping systems of the government entities via an electronic data interface. The legal basis for the data interface is the 'Gebärungsstatistikverordnung 2014' which obliges the government entities to transmit information from their accounts to STAT. Currently, the data has to be transmitted on the basis of the VRV 1997 chart of accounts. This means, for example, that for the different government entities, different information is

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<sup>3</sup> Compared to the report: 'Main conclusions and action points' (of December 2017), the numbering of the follow-up actions has been amended to follow the sequence in the agenda for the 2017 EDP dialogue visit.

<sup>4</sup> Accomplished.

<sup>5</sup> According to an amendment to the VRV 2015 published in January 2018, the VRV 2015 is compulsory for all state and local governments from the financial year 2020 onwards.

collected depending on the prevailing accounting system used by the reporting entities. The 'Bund' provides its data in accordance with the federal budget law, which is prescribing the form and structure of the central government budget, whereas the state and local governments have to provide their data on the basis of the VRV 1997. The data collection for the social security entities is based on the their financial reporting standards, which are specifically customized to their requirements and for all other entities the data collection is based on a wide range of different accounting systems (e.g. same system as the parent entity, profit and loss accounts, or simple cash flow accounts).

STAT stated, however, that it is able to adjust the data interface in order to collect, for example, balance sheet information or information from the profit and loss accounts according to §4 (1) of the 'Gebarungstatistikverordnung 2014'. Such information is collected from all government units on an annual basis. Noting, however, that the VRV 2015 is not fully implemented so far, the actual availability regarding the structure and content of the source data is behind the theoretical possibilities for collecting data offered by the 'Gebarungstatistikverordnung 2014'. STAT, furthermore, underlined that there exists the possibility to ask the data providers for further information, splits and breakdowns, via the data interface, even if this information is originally not foreseen in the VRV 2015 chart of accounts. However, this requires a decision of the so-called 'VR-Komitee' an expert group consisting of the Association of the Austrian Towns and Cities, the Association of the Austrian Municipalities, the Liaison Office of the Federal Provinces, the Federal MoF and STAT.

Eurostat enquired, in particular, about the availability of balance sheet information for the general government core units. Statistics Austria explained that there are two record types ('Satzarten'): one for liabilities and one for assets. The VRV 2015 foresees for these two record types a standardized classification, which provides information on the type of unit and the type of instrument. Overall, balance sheet information is provided from all units of the general government sector.

In this context, Eurostat also asked whether the new VRV 2015 is able to deliver sufficient information on transfers between governments, payables and receivables and EU flows, since in these areas the data situation is not fully satisfactory, as the last transmissions of EDP and GFS data have shown. STAT states that the VRV 2015 is quite detailed, but that it still will not allow a strict separation of the recorded flows in line with the classical sector distinction in national accounts. This affects, in particular, the consolidation of other current transfers and capital transfers within the general government sector, which occasionally leads to the recording of negative miscellaneous current transfer from private households or private non-profit institutions in the government accounts. Eurostat noted that a possible way to address this problem is to adjust the data interface through the insertion of voluntary reporting items.<sup>6</sup>

STAT added that a similar situation exists for capital injections. The current version of the new VRV 2015 does not allow distinguishing whether the recipient of the capital injection is a public corporation, a private corporation or a government unit. Therefore the correct application of the capital injection test is a challenging area as well as the reclassification of the cash flow from a transaction in equity into a capital transfer, if it takes place between two government units.

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<sup>6</sup> STAT was actively involved in the process for amending the VRV 2015. In several meetings with the representatives of the MoF, the state and the local governments, STAT stressed repeatedly the importance of more detailed information on transfers between governments, payables and receivables and EU flows. But as these data needs were not taken into account in the amendments to the VRV 2015, another possibility for STAT to gather the information needed is the integration of this information into the data interface that will be substantially revised parallel to the implementation of the VRV 2015. The representatives of both the state and the local governments have agreed to this solution.

Regarding the issue of EU flows (approximately Euro 1.5 bn), STAT mentioned that the available data on EU flows for the central government sub-sector are considered as almost comprehensive, since in addition to detailed central government core budget information, some information on EU flows is also available for a limited number of other central government entities (e.g. from the Austrian Federal Railways or the entity which operates the 'Brennertunnel') as well as from extra-budgetary entities. This allows a sufficiently accurate neutralisation of the impact of the EU flows on the central government accounts. However, as far as the state and local government sub-sector is concerned, the situation is different. The currently applicable VRV 1997 does not provide sufficiently detailed information neither to identify the relevant EU flows nor on the final beneficiaries of the EU flows (i.e. inside/outside the general government sector). The impact of the EU flows is therefore neutralised only on a limited basis, if at all.

Statistics Austria indicated that there is currently an amendment procedure to the VRV 2015 and that Statistics Austria is actively involved in this process, stressing several times that the identification of EU flows is quite important. However, one must also bear in mind that there are different and often contradictory data needs of different stakeholder groups and the final implementation of data requests in the chart of accounts have to bring together these needs without overstraining the reporting entities. Nevertheless, STAT considers that with the implementation of the VRV2015, measurable improvements will be achieved. In this context, STAT also argued that for the greater part of the EU flows, the flows received from the Agricultural Guidance and Guarantee Fund (around Euro 1 bn), it is considered that beneficiaries are outside the general government sector and that these flows are accounted accordingly. The remaining EU flows (around Euro 0.5 bn) also most likely benefiting non-government entities, are partially neutralised (at the level of the central government subsector) so that the impact of the EU flows which are not neutralised may be limited to the general government net lending/net borrowing.

Eurostat also enquired about the accounting concept underlying the VRV 1997 and further changes in the data collection process since last EDP Dialogue Visit. STAT explained that the VRV 1997 provides both data on due to be paid basis ('Soll') and a due for payment basis ('Ist'). The 'Soll' and 'Ist' data are mostly identical. The working balance is mostly on a due to be paid ('Soll') basis and it includes only small amounts of payables and receivables.

As regards further changes in the data collection process, STAT mentioned that a change in the data collection process for other non-key units has taken place from the reporting year 2015 onwards. The new data collection process is based on a web questionnaire which allows the transfer of the requested data directly from the financial statements according to the Austrian commercial law. The new web questionnaire is sent out to all other government units for all government sub-sectors and its results are relevant for the compilation of both the financial and non-financial ESA 2010 accounts. Statistics Austria emphasized that no impact on the compilation of the EDP data should emerge, since it is mainly a change of the data collection method. Nevertheless, STAT now is in a better position to meet demands from both financial and non-financial ESA 2010 sequence of accounts as the web questionnaire asks for all relevant profit and loss and balance sheet accounts. Eurostat further asked on the general availability of data for financial derivatives. STAT explained that the aforementioned other non-key units have to provide information on derivatives from both the balance sheet (stock of assets and liabilities) and the profit and loss statement (income and expense accounts). State and local government core entities have to provide data on the basis of the VRV 1997 chart of accounts, which does not originally cover specific information for derivatives. However, STAT also added that it is still possible to collect data on financial derivatives with the above-mentioned data interface, of which the legal basis is the 'Gebarungstatistikverordnung 2014'. The provision of data is facultative but most of the entities provide information on derivatives. For the central government core units and, in

particular, for the defeasance structure entities, complete information on derivatives is available. The same applies for the entities belonging to the social security funds sub-sector, but up to now no such contracts have been concluded by these entities. Therefore, STAT is of the view that there may be some gaps in the coverage, but that all in all meaningful and very extensive information of financial derivatives is available, allowing an effective assessment of the issue. Furthermore, all necessary steps have been undertaken to close the existing gaps and, with the implementation of the VRV 2015, the provision of data on financial derivatives (stocks and flows) is also obligatory in the budgets of the state and local government entities which could then be reported to STAT via the data interface.

With reference to the implementation of the VRV 2015, STAT raised also the issue of the working balance. The new VRV 2015 will result in a widespread availability of accrual data for the state and local governments (for the central government and social security fund sub-sector they are already available) and, therefore, one could consider changing the working balance from due to be paid basis to a pure accrual basis. Eurostat replied that there is no need to take a decision on this issue at this point in time since the first data on the basis of the VRV 2015 will not be available before the fiscal year 2020. Based on the experience with the EDP notifications gained so far, Eurostat has a clear preference for keeping the due to be paid basis in the working balance. A changeover to an accrual working balance would immediately result in a reduced information value of the EDP tables 2 A to D and would limit the analyses and quality assessment of Eurostat. This could only be compensated via the provision of additional information and, in particular, by way of detailed cash flow and profit and loss statements.

### *Findings and conclusions*

Eurostat took note of a new VRV 2015 chart of accounts, replacing the 1997 VRV, which will implement a double entry accounting system for source data on the state and local government level – thereby potentially improving the STAT collection of data through its data interface. Eurostat took also note of its staged implementation over the 2015/2020 period. Eurostat further understands that the VRV 2015 will result in a considerable improvement in the availability of source data but that there will be nevertheless a number of substantial data needs not yet sufficiently addressed in the VRV 2015 – if at all. In particular, information on intergovernmental transfers, EU flows, detailed other accounts payables and receivables, and the distinction of public corporations from private corporations is not detailed enough to fully support STAT's data needs. However, STAT is planning to incorporate these details into the new data interface being implemented parallel to VRV 2015 from the financial year 2020 onwards. The provision of data would then be obligatory.

**Action point 2<sup>7</sup>:** Eurostat took note that the VRV 2015 is currently subject to amendments. Given the above, Eurostat strongly encourages STAT to take this opportunity to convince relevant counterparts (chart of accounts designers) to take on board the requirements stemming from EDP/GFS needs. Eurostat recommends that the said designers do the utmost to accommodate those needs: **Deadline End of June 2018.**

Eurostat took note that the state and local government working balances reflect the “Soll” (interpreted to mean a "due to be paid" basis) reporting rather than the “IST” (pure cash) reporting – which, as a result, entails few adjustments requirements for OAP/OAR in EDP table 2B and 2C. Eurostat recommends that the working balance remains on a “Soll” basis until the VRV 2015 implementation.

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<sup>7</sup> Accomplished.

**Action point 3:** STAT will reflect on the appropriate working balance to select after the VRV 2015 implementation: accrual working balance or cash: **Deadline End of September 2021.**

**1.3.1.** Specific issue of the use of the s-b-s data source for transactions in F.3L and the related adjustment carried out in F.8L.

#### *Introduction*

Eurostat reviewed the use of the security by security (s-b-s) data source for the calculation of transactions in F.3 liabilities, instead of using the source data collected from the reporting units. In practice, the use of the s-b-s data base is also referred to 'residual compilation', which de facto describes the resulting secondary impact of the use of the s-b-s data source. The residual compilation has been implemented by STAT in order to deal better with some weaknesses of the direct data and, in particular, of the insufficient information regarding the split of changes in stocks into transactions and other changes in volume for F.3 liabilities. Additionally, information on counterparts is often not complete in the source data. As a result a residual compilation was implemented where transactions in F.3L from the direct data were adjusted to the transactions reported in the s-b-s database. Transactions in F.8 L are recorded as counter entries, so that the B.9f remains unchanged by this procedure. The EDP debt levels of the government subsectors are also unaffected by the residual compilation due to 'imputed' other changes in volume.

STAT is using a similar approach (i.e. a residual compilation) for the calculation of certain financial assets (F.22, F.29 and F.89). The reason for this is that the distinction between F.22, F.29 and F.89 is considered not to be straightforward in the source data (in particular the source data does not always distinguish between F.29 and F.8). Therefore, the data for deposits provided by the money and banking statistics (where the banks report the amounts deposited in their accounts by government units) of the OeNB is used to improve the quality of transactions in F.2 financial assets. The calculations are very similar to calculations carried out for transactions in F.3 liabilities, i.e. adjusting the source data for F.2 to the values reported in OeNBs money and banking statistics and allocating the remaining amount to F.89. Once more, the counter entries in F.89 ensure that the B.9f remains unchanged and that the B.9f is only reflecting the result of the direct data.

#### *Discussion*

STAT Austria explained in more detail the reasons for applying the residual compilation for F.3 liabilities. The main problems that have been observed in the source data and which impacted the data quality are that some units report debt securities under the category loans, exchange rate effects are not updated regularly, issuances and redemptions are sometimes reported with a significant time lag, counterpart information and information on exchange rate movements are not available, misreporting of transactions (F.4 instead of F.3), market values are not available and information on short-term debt securities for extra-budgetary units are also not available. Moreover, the use of the s-b-s data source allows to better deal with the fact that for the April EDP notification, no final data for extra-budgetary units are available. The s-b-s database provides here an important point of reference for the estimations of STAT.

STAT also pointed out that the s-b-s database provides information on all debt securities (available for each debt security by ISIN) including, in particular, information on stocks, transactions, exchange rate effects, other changes in volume, duration etc. According to the experience of STAT, the information in the s-b-s data source provides clearly more details and is more comprehensive than the information collected via the source data survey. In addition, the s-b-s data source is used for the calculation of F.3 transactions in liabilities for

all other national accounts sectors. Overall, the residual compilation is applied to approximately 20% of the debt securities. For the debt securities of the central government core unit (the 'Bund'), the residual compilation has been replaced by substantially improved source data. STAT further remarked that the use of the s-b-s data source has also other advantages, for instance, the harmonisation of the financial accounts (use of the same data source for all sectors), a better split between transactions and other change in volume and a reduced reporting burden for the reporting entities. The real only disadvantage can only be seen in the fact that there is no objective economic justification for the necessary counter entries in F.8.

Eurostat took note of the arguments put forward by STAT for using the s-b-s information for compiling F.3 liabilities, but not AF.3 liabilities. Eurostat remained unconvinced by this asymmetric use of the s-b-s data base, which leads to artificial entries in F.8 in EDP Tables 3C and 3D and which leads to either artificial or wrongly classified other economic flows. In this context, Eurostat also enquired on the recording of securities lending and repo transactions in the s-b-s data base. The Austrian Statistical Authorities explained that the Republic of Austria does not have securities lending business and therefore this is not treated in the data base. However, in general, data on repos and securities lending have to be transmitted separately, which allows the recording of these transactions in line with the ESA 2010 rules.

With regard to the use of the monetary and banking statistics data for F.2/AF.2 (asset side) instead of the direct data collected from the public accounts ('interface' data) Eurostat expressed less concerns. Nevertheless, the residual compilation has resulted in a large Euro 2 bn adjustment to F.8 for 2016 which should be further analysed and, in particular, on whether the identification of the counterparts is of sufficient quality. In this context, Eurostat took note that, according to the OeNB, banks can correctly identify the sector of depositors as the OeNB established a standardised exchange of master data with reporting banks and that the OeNB considers that, according to ESA 2010, deposits can only be coded AF.2 if held at MFIs.

#### *Findings and conclusions*

**Action point 4<sup>8</sup>:** Taking good note that the amounts in question are currently small, Eurostat requires STAT to re-examine the possible options of alternative use of the s-b-s database that were mentioned during the meeting: using the other economic flows implicit in s-b-s (rather than the transactions) allowing capturing exchange rate effects, or using the stock data from s-b-s (which could be justified if instruments are misclassified within the debt statement or if accounting time lags occur at the end of the year): **Deadline End of May 2018.**

**Action point 5<sup>9</sup>:** Based on the outcome of this re-examination, Eurostat and STAT will decide on the need to bilaterally consult with the OeNB on the characteristic of the s-b-s data base (e.g. treatment of securities lending, repos, cross border transactions etc.). STAT will compare the s-b-s database with the Treasury debt securities database reported for the Bund to provide evidence on the overall quality of the s-b-s database: **Deadline End of July 2018.**

**Action point 6<sup>10</sup>:** Eurostat recommended the Austrian Statistical Authorities to reflect on whether some AF.2 could be recognised as liabilities of units other than MFIs: **Deadline October 2018 EDP notification.**

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<sup>8</sup> Accomplished.

<sup>9</sup> The completion of this action point is in progress.

<sup>10</sup> Accomplished.

### 1.3.2. Financial derivatives

This agenda point and, in particular, the issue of the availability of sufficient information on financial derivatives for the individual groups of government entities, was discussed in the context of agenda point '1.3 Sources and data compilation methods'. Before the meeting, STAT provided a table with information on the market value of the stocks and transactions in financial derivatives both in assets and liabilities as well as on the amount of financial derivatives reported in the working balance. The table also showed that in Austria only two types of financial instruments are used: interest rate swaps and currency swaps. Currency swaps are only used to hedge short-term and long-term debt securities, mainly versus the US-Dollar. Financial derivatives in the form of options, forwards or forex swaps are not used and cancellation payments for swaps have not occurred in the most recent years.

Eurostat intended to review the background information provided for discussion under the agenda point during the forthcoming EDP data assessment rounds.

### 1.3.3. Use of public accounts data and of counterpart information

#### *Introduction*

The compilation of EDP/GFS data mainly relies on direct information provided by the reporting entities. In cases of a data mismatch, for example, the expenditure reported in the core government entity does not correspond to the revenue reported by the receiving entity and STAT carries out further analyses in order to find the reason for the difference. However, for the compilation of the financial accounts for the government sector, the information provided by the monetary and banking statistics is essential, particularly for the recording of transactions in financial instruments (see also section 1.3.1.). The use of transaction data from the monetary and banking statistics is seen as more meaningful than simple compiling transactions on the basis of the change in stocks. A further aspect is that some reporting entities have difficulties to distinguish certain financial instruments.

#### *Discussion*

STAT explained that the available source data do not always allow a clear identification of the financial instrument or of the counterpart sector involved. For example, currently it is not possible to allocate each item of the VRV 1997 chart of accounts to a specific ESA 2010 financial instrument. In such a situation, it is considered appropriate to use indirect data sources like the monetary and banking statistics to solve such data issues. STAT mentioned that a more concrete example of this is the problem to distinguish transactions in F.2 and F.8 (asset side) in the accounts of the central government core unit (see also the related discussion in section 1.3.1.). In this context, the particular advantage of the monetary and banking statistics is used, i.e. the monetary and banking statistics classify deposits in line with the ESA 2010 criteria and assures that the deposits are held at a monetary financial institution (MFI). A second advantage is that the banks are using the list of general government entities for the statistical classification of the deposit holder, which assures an accurate identification of the correct ESA 2010 counterpart sector (i.e. general government and its sub-sectors). STAT emphasised that, in their view and based on their experience, the counterpart information provided by the monetary and banking statistics could be seen as almost 100 percent correct.

Eurostat enquired whether there could be a problem with distinguishing the correct counterpart and, in particular, government should only record transactions and stocks in currency and deposits if the counterpart is the central bank or another deposit taking

corporation. STAT confirmed that both transactions in F.2 (asset) as well as the stocks for F.2 (assets) are only recorded in the government accounts when the counterpart is either the central bank or another deposit taking corporation so that there is no overlap with other financial intermediaries.

Eurostat mentioned an issue with the use of the monetary and banking statistics for the recording of transactions in F.2 instead of direct source data observed in the notification of the EDP data. The use of the counterpart information resulted in a large entry in other accounts receivable (F.8) for the amount of around Euro 2 bn and, in particular, the transaction in F.8 should be justified by a corresponding transaction. In this context, Eurostat also thought that it should be considered whether the Euro 2 bn has to be classified as a loan asset (F.4) instead of another accounts receivable (F.8).

### *Findings and conclusions*

**Action point 7<sup>11</sup>:** STAT will enquire on the reasons for the EUR 2 bn difference and will consider the need to classify the amount in question in AF.2 or in AF.4 as an alternative to charging the AF.8 position for this amount, if applicable: **Deadline October 2018 EDP notification.**

#### **1.3.4. Bridge tables**

Statistics Austria provided a complete set (for all government sub-sectors) of bridge tables before the EDP Dialogue Visit. Eurostat appreciated the provision of bridge tables and, in particular, the first provision of the bridge tables for the social security funds sub-sector. Due to the large number and the very high level of detail provided in the bridge tables, Eurostat decided that the bridge tables should be first analysed internally. Eurostat will come back to STAT only in the case of further questions or uncertainties.

#### **1.4. Revision policy**

##### *Introduction*

The revision policy for government sector data is integrated with the general revision policy for national accounts which should, in general, ensure the consistency across all national accounts datasets. The regular revisions of government sector data are made biannually and usually cover two years, while the major (benchmark) revisions are carried out from time to time and cover the years back to 1995.

Revisions are made regardless of whether there is an impact on deficit and/or debt or not. For the main units of central, state and local governments, which are the 'Bund', the 'Länder' and the 'Gemeinden', quarterly accounts are available at t+85 days according to the ESA 2010 transmission programme. These data are the basis for the April t+1 EDP/ESA data transmissions<sup>12</sup>. For extra-budgetary units, data are estimated using various sources (for instance the counterpart information of the "mother" main unit).

The EDP/ESA data transmissions in October t+1 are based on the data collection on the basis of the "Gebarungstatistikverordnung" which obliges all government units to provide public accounts data to STAT until the end of May t+1. Thus, the data transmitted in the October t+1 EDP/ESA notifications could be seen, in principle, as final. However, for various reasons, not

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<sup>11</sup> Accomplished.

<sup>12</sup> Quarterly nonfinancial data for government are provided to Eurostat on a voluntary basis. They are currently not part of the ESA transmission programme.



all units are able to send at May t+1 a comprehensive data set to STAT, which means some revisions are still necessary for the April t+2 EDP/ESA notifications.

### *Discussion*

Statistics Austria indicated that they have reviewed their revision policy due to intermittent coherence issues observed between the quarterly and annual data for the general government sector. In order to avoid such problems in the future STAT considers, in the context of the first notification, to simply add up the four quarters in order to compile the annual data without carrying out any revisions, unless major events occur. This would ensure in March full consistency between GFS data and the sector accounts. Smaller revisions (in the lower double-digit millions) stemming from routine revisions (updated source data) will be only implemented for the October notification.

Eurostat reminded STAT that the expected revision foreseen for EDP data is 4 years for each notification (i.e. April and October), and expects that the revision policy is flexible enough to meet this basic requirement. Eurostat emphasized that, in particular, precise GFS and EDP figures for the most current reporting year are crucial. For the other reporting years, the necessary revisions should also be included. Nonetheless, for the April EDP notification a simplified approach may be used, such as the policy proposed by STAT.

Eurostat explained that it is aware of the fact that some data revisions may have no significant impact on GFS and EDP data, which may allow for a delayed implementation in the course of the October EDP notification. However, Eurostat stressed that a break in the time series should be clearly avoided, except when the amounts involved are small – such that significant revisions should not be postponed to October EDP notification, either stemming from a request of Eurostat or from new source data or from the identification of errors.

Eurostat also noted that the revision policy of STAT has allowed some deviations between the main aggregates and the supply and use tables or regional accounts in the past, in a manner that it would be conceivable that the main aggregates would be revised for a longer time period than the usual two years of routine revision in case of EDP/GFS revision, without waiting for major (benchmark) revisions.

### *Findings and conclusions*

It was agreed that Statistics Austria should take into account the aspects which were mentioned by Eurostat. Eurostat also recommended that Statistics Austria should inform Eurostat on its further reflections before a final decision on the future revision policy is taken.<sup>13</sup>

## **1.5. EDP Inventory**

### *Introduction*

Statistics Austria has provided an ESA 2010 draft version of the EDP Inventory on 30 June 2016 and a revised version (taking into account the comments made by Eurostat) on 6 June 2017. The revised version has reached a status which would allow its publication on the Eurostat website. Statistics Austria provided, together with the EDP Inventory, the list of entities classified to the general government sector (including the breakdown by subsector). It

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<sup>13</sup> Statistics Austria informed Eurostat that it has finally decided to maintain the current revision policy after reconsidering all elements concerning a possible change of the revision policy.

is foreseen to publish the EDP Inventory on the Eurostat website after the EDP Dialogue Visit. This should allow for potential updates due to the discussion in the context of the EDP Dialogue Visit.

#### *Discussion*

Eurostat appreciated the provision of the new ESA 2010 EDP Inventory and especially welcomed the substantial adjustments and additions to the first draft of the EDP Inventory as well as the good cooperation during the preparation of the document. Statistics Austria agreed to implement as quickly as possible necessary additions to the current version of the EDP Inventory after the EDP Dialogue Visit - to the extent necessary – in order to allow a quick publication.

#### *Findings and conclusions*

**Action point 8 (ex- 24)<sup>14</sup>:** Eurostat will publish the EDP Inventory on its website. STAT will, later on, update the EDP Inventory in the course of 2018, taking into account the discussions of the EDP visit and following the closure of the action points: **Deadline Mid of February 2018.**

## **2. Follow-up of prior EDP visits (the 2016 technical visit)**

#### *Introduction*

Eurostat undertook a technical visit to Austria on 25-27 January 2016 and an EDP Dialogue Visit on 7-8 July 2014. Discussions at these visits closed with the formulation of a number of follow-up actions. The technical visit particularly concerned the articulation of the cash flow, the profit and loss accounts and the balance sheets, their consistency and the way STAT could make use of them for its EDP/GFS compilation.

#### *Discussion*

Eurostat reviewed, together with the Austrian statistical authorities, the state of completion of the action points from the technical visit in 2016. Eurostat enquired, in particular, on the current status of the use of IPSAS-like information available for the 'Bund' for EDP/GFS compilation. It was explained that the F.8 adjustments in EDP Table 2 A are now (nearly) fully derived from the comparison between the cash flow statement (Finanzierungsrechnung) from the 'Bund' and the profit and loss accounts (Ergebnisrechnung), which covers the totality of the nonfinancial transactions.

STAT also indicated that the reconciliation between those F.8 adjustments and the relevant stock position of the 'Bund' balance sheet is carried out, for the nonfinancial side, as requested by the 2016 technical mission, although through a manual process. Concerning the financial side, Eurostat enquired on the reconciliation of the cash flow statement with the change in stock positions of the balance sheet (loans granted, equity purchase, loan borrowing, loan incurred, bond issued etc.). STAT emphasized that this issue concerns particularly the reconciliation of cash flow statement and the balance sheet. It was explained that progress has been made in the reconciliation work, but that a full reconciliation like in the case of the nonfinancial transactions (cash flow statement and profit and loss statement) has not been achieved so far. The reconciliation is based on comparison of the cash in- and outflows with

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<sup>14</sup> Accomplished.

the change in stock of the related balance sheet positions. The main problem is that the balance sheet positions consist of a variety of sub-items which have to be compared with the related cash flows. It was also explained that the reconciliation of the cash flow account and the balance sheet is not carried out for currency and deposits (F.2), securities (F.3) and loans (F.4).

Separately, Eurostat mentioned that other accounts payable and other accounts receivable in EDP T2A need not to be the same as in table 3B, given that there may be cash in transit or receivables and payables related to financial assets and liabilities, a consideration which is important for reducing the discrepancy between capital and financial accounts. In this context, Eurostat further enquired on the extent of the other suspense accounts or transit accounts that may exist on top and aside of the other accounts payable and receivable. STAT emphasized that the suspense accounts are on an accrual basis. In its suspense accounts, government has usually to record a grant (revenue/expenditure). There should be no entry in other accounts payable and receivable according to the Budgeting and Accounts Regulation (Voranschlags- und Rechnungsabschlussverordnung - VRV). STAT further mentioned that they will reflect this issue in the VRV manual in order to avoid any misunderstandings regarding the application of the VRV. Eurostat clarified that if a flow (revenue or expenditure) recognised in the suspense accounts comes/goes to an entity outside the government perimeter, the net lending/net borrowing (B.9) should be kept stable. However, if there are some gaps between the in- and outflows and if these gaps are only related to time of recording issues, then the B.9 should be changed. In such a case, a homogenous recording across the government subsectors should be ensured.

Eurostat also asked STAT whether they could 'split' EDP Table 3 B in two sub tables: an EDP Table 3 B1 and an EDP Table 3 B2. EDP Table 3 B1 should only contain the transactions of the central government core entity, the 'Bund', whereas EDP Table 3 B2 should contain the transactions of all other entities that were allocated to the central government subsector including the defeasance structures. The compilation of EDP Table 3 B1 would allow analysing whether there is still a problem with the reconciliation of the cash flow statement and the balance sheet (change of stock data). If the discrepancies disappear or if it turns out that they are only small this would indicate that the reconciliation work was successful and that the action point could be seen as accomplished. Statistics Austria thought that, based on a first assessment, the compilation of an EDP Table 3 B1 should be possible.

For other follow-up actions of the 2016 technical visit, implementation or progress was noted. In particular, the action points related to the development of a strategy for a systematically correct recording of the structural funds in the state government and local government subsector and the determination of the counterparts of some EU flows to ascertain their correct neutralisation are still in progress. The main problem is that the existing budget classification does not allow to follow all EU flows, since they are often classified according to their relevant function and not according to the origin of the funds (i.e. type of EU funds). For more information on this issue see section 1.3. and section 5.8.

For all follow-up actions of the 2014 EDP Dialogue Visit the action points were considered to have been accomplished or in progress insofar as they have a structural component. The Austrian statistical authorities confirmed that they shared Eurostat's views concerning the state of completion of the follow-up actions from the technical visit 2016 and the EDP Dialogue Visits 2014.

### *Findings and conclusions*

Eurostat and the Austrian statistical authorities agreed that a majority of the follow-up actions from the technical visits had been completed and that the completion of the remaining action

points was advanced. However, it was also noted that some work regarding the reconciliation of the cash flow statement and balance sheet is still necessary in the area of financial transactions.

**Action point 9<sup>15</sup> (ex- 11):** STAT will write a note on status of the reconciliation work carried out on the financial side (cash flow statement and balance sheet positions) and on the existence of suspense accounts or transit accounts: **Deadline End of May 2018.**

**Action point 10<sup>16</sup> (ex- 12):** STAT will report to Eurostat the amounts concerned (stocks), as observed in the Bund balance sheet: **Deadline End of May 2018.**

**Action point 11 (ex- 13)<sup>17</sup>:** Eurostat recommended STAT to produce a Table 3B1 for the Bund, which would mostly derive from the requested reconciliation exercise mentioned above (exercise already agreed in the technical mission of January 2016): **Deadline October 2018 EDP notification.**

### **3. Review of the 2016 EDP reporting and of related data compilation issues**

#### **3.1. The recording of the '0%-DM-Prämienanleihe 86-16' in the EDP data**

##### *Introduction*

In the 2017 April EDP notification Eurostat took note of a specific Austrian bond called '0%-DM Prämienanleihe' which was fully repaid on 28 May 2016<sup>18</sup>. The '0%-DM Prämienanleihe' was a non-interest bearing bond issued on 28 May 1986. This means that during the term of the bond, no periodic interest payments were made. The entire interest was paid at the maturity of the bond. The prospectus of the '0%-DM Prämienanleihe' stipulated that the issue price of the bond is German mark 385 million (= Euro 196.8 million) which was also referred to as the 'Gesamtnennbetrag' (total par value). At the date of maturity, the creditors received German mark 1,000 for each bond with a par amount of German mark 192.50 and German mark 100,000 for each bond with a par value of German mark 19,250. The total cash outflow at the date of maturity was Euro 1,022.6 million, of which Euro 196.8 was related to the nominal amount and Euro 825.7 million to the interest. In the case that the bond would have been terminated prematurely, the redemption price is equal to the issue value plus the accrued interest up to the termination date. The '0%-DM Prämienanleihe' is therefore not really distinguishable from a fixed-interest bond, even though no fixed interest rate is specified in the prospectus.

STAT recorded the interest on an accrual basis in national accounts using a simplified calculation in order to determine the annual interest expenditures. The bond itself was always recorded with its face value in the EDP debt figure which is, according to Statistics Austria, equal to Euro 196.8 million. The interest accrued over the life of the bond had no impact on the EDP debt figure. At the date of maturity (i.e. in 2016) the difference between the interest paid in 2016 (Euro 825.7 million) and actually accrued in 2016 (Euro 22.7 million) was recorded in the respective adjustment lines for the difference of interest paid and accrued in the EDP Tables 2A, 3A and 3B. Moreover, the interest that was accrued over time was shown in the EDP Table 4 under the item 'difference between the issue value recognized in the EDP debt figure and the present value of the government debt'.

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<sup>15</sup> Accomplished.

<sup>16</sup> Accomplished.

<sup>17</sup> Accomplished.

<sup>18</sup> This specific bond was explicitly mentioned in EDP Table 4.

## *Discussion*

Eurostat enquired on the reasons for which the Austrian statistical authorities consider that the '0%-Prämienanleihe' has features that would materially differentiate it from a zero-coupon bond and recalled that the face value of zero-coupon bills or bonds is the redemption amount, according to ESA2010 (para 4.45, 5.90(d) and 6.53). The Austrian statistical authorities pointed to Eurostat that, in the hypothetical case of bankruptcy of the government, only the issue value of the '0%-Prämienanleihe' would be redeemed – as indicated in the confidential 'global note' held by creditors –, in contrast to what would happen to zero-coupon bonds.

The Austrian statistical authorities also pointed out that the notion of 'capital claim' was well established in Austria, which manifested itself for instance by the fact that, when creditors forget to collect, their claims become void after 30 years for the capital claim and after only 6 years for coupon claims. Eurostat noted that distinguishing (in this specific context of 'collection') coupons from principal could make sense when coupons are detachable, in so far as the coupons can materially be separated (then, one could meaningfully also separate the collection dates), but this is not the case for the '0%-Prämienanleihe'.

Moreover, the likelihood that a substantial number of creditors would not be in a position to claim their interest because of exceptional circumstance, seems to be very small and should therefore not be a decisive factor for the determination of the face value of the bond. Eurostat further pointed out that the paragraphs 2 and 9 of the prospectus provide a repayment schedule that includes accrued interest in case of early repayment at the initiative of the creditor (e.g. if the Republic of Austria would be defaulting on its obligations). In general, Eurostat tended to consider the points mentioned as not convincing enough to justify such a difference of treatment between the '0%-Prämienanleihe' and a zero-coupon bond. Eurostat questioned, in particular, the solidity of the argument raised, for instance in case of challenge in Court, and noted that a similar uncertainty existed regarding the treatment of zero coupons in case of bankruptcy. Eurostat nonetheless acknowledged that this differentiation may have legitimately justified the choice of recording originally been made by STAT.

STAT also referred to the provisions of the MGDD Chapter VIII.2.2. and, in particular paragraph 6, which provides that for capitalised interest bonds, the face value is the issue value and that this value differs from the redemption value. In the view of the Austrian statistical authorities, the '0%-Prämienanleihe' is to be considered as such a capitalized interest bond. Eurostat questioned whether the reference is valid, since ESA 2010 5.96 (which refers to fixed interest rate debt securities) does not explicitly mention bonds with capitalised interest, which may indicate that the related MGDD provision is obsolete. Moreover, the MGDD does not provide any definition of what exactly constitutes these bonds and what would make the economic difference between a zero-coupon bond and a bond with capitalized interest. For a capitalized fixed-rate bond, the actual interest payments to be made during the lifetime of the bond are well-known at inception. Therefore, the redemption price is also known at inception like in the case of a zero-coupon bond.

Overall, Eurostat did not see the scope for using the MGDD derogation related to capitalized bonds in the case of the '0%-Prämienanleihe'. Eurostat considered, at this stage, that the '0%-Prämienanleihe' issued in 1986 has no significant feature that would materially differentiate it from a zero-coupon bond (defined to be in ESA 2010 para 5.96(c) as "single-payment debt securities with no coupon payments"). Eurostat also mentioned that this issue had been discussed at the EDPS WG of June 2016 (item C.7 section 4.1).

### *Findings and conclusion*

**Action point 12<sup>19</sup> (ex- 32):** The Austrian authorities will provide Eurostat with a copy of the 'global note' of the '0%-Prämienanleihe'. In addition, it will write a note providing the exact legal references underpinning the arguments put forward during the meeting: **Deadline End of February 2018.**

**Action point 13<sup>20</sup> (ex- 33):** On this basis STAT will reflect on the appropriate recording of '0%-Prämienanleihe' and will, accordingly, revise the Maastricht debt by EUR 826 million over 1986 to 2015: **Deadline April 2018 EDP notification.**

**Action point 14<sup>21</sup> (ex- 34):** Eurostat will examine the possibility of inserting a question on this specific case in the face value questionnaire being currently prepared on interest bearing deposits: **Deadline End of February 2018.**

## **3.2. Consolidation of interest and current/capital transfers with the general government**

### *Introduction*

The issue of data sources used for consolidation both within subsectors and between subsectors was discussed on several occasions in the past, notably in the technical visit in 2016 but also in the context of EDP notifications. Eurostat recalled the seriousness of the issue, notably given that the working balances of the different units and subsectors involved were not on the same accounting basis. It was noted, that while intra-subsector imbalances were not visible in data transmitted to Eurostat, for transmitted data negative receivables were frequently observed from sectors other than S.13 mainly for current but also for capital transfers.

### *Discussion*

The Austrian statistical authorities shortly repeated that the consolidation is based on a two-step approach: In the first step, the intra-sector imbalances are removed. In the second step, intra-subsector imbalances are removed by moving a flow to a different counterpart – keeping the B.9 of the units unchanged. At the general government level, the imbalances in intra-flows are not resolved. In the case of D.73, amounts are shifted from D.73 to D.75. Each flow D.73/D.92 is treated separately.

Eurostat mentioned that the consolidation of D.7 and D.9 transactions is currently not satisfactory, especially as it occasionally result in negative D.75 recording. Statistics Austria agreed with the view of Eurostat and mentioned that they constantly strive for improvement. It was pointed out that, recently, an agreement with delegates of the state and local governments was reached aimed at improving the voluntary provision of data via the data interface which is used to collect the source data from the reporting entities. Eurostat further argued that an appropriate consolidation may require a change in the apparent B.9 of the reporting units concerned, as a result of a consistency exercise (i.e. taking into account the heterogeneity of the source data from the time of recording point of view). STAT added that they succeeded in identifying transfers to Vienna (local government subsector) which were shown as transfers to the state governments and thus affecting the outcome of the consolidation. Such analysis will be further carried out and it could be assumed that it would

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<sup>19</sup> Accomplished.

<sup>20</sup> Accomplished.

<sup>21</sup> Completion of the action point is in progress.

result in an improvement of the consolidation. Nevertheless, STAT agreed that it make sense to rethink the current approach of keeping the B.9 of the reporting units unchanged.

### *Findings and conclusions*

**Action point 15<sup>22</sup> (ex- 14):** In order to address this, Eurostat took note that, as a first step, an agreement has been reached with the delegates from both the state governments and municipalities, to improve the data availability on intergovernmental transfers and liabilities as well as EU flows via the data interface. To achieve this, the data interface has been extended to include voluntary items. However, as a preferred way forward, Eurostat recommended Statistics Austria to ask the concerned parties to examine the necessary amendments to VRV 2015 to this effect: **Deadline End of June 2018.**

Eurostat noted that the apparent consistency problem may alternatively merely reflect the treatment of transfers transiting through various intermediaries and benefitting nongovernment units – this alternative explanation would then justify the current approach followed by Statistics Austria of keeping the B.9 of the units unchanged.

**Action point 16 (ex- 15):** Statistics Austria will enquire (1) on the accounting rules applicable in this later case in the VRV 1997 (e.g. use of 'Voranschlagsunwirksame Gebarung'), (2) on the possible heterogeneity of the recording practice by local accountants, and (3) on the materiality of such cases. Statistics Austria will inform Eurostat: **Deadline End of December 2018.**

**Action point 17<sup>23</sup> (ex- 16):** Taking into account amendments (if any) to VRV 2015 tackling this issue, STAT will recommend that the compilation Handbook of the VRV 2015 contains appropriate guidance on this issue to local accountants (with examples): **Deadline End of May 2019.**

## **3.3. EDP notification tables**

### **3.3.1. Working balance of EDP tables 2**

This agenda point was not specifically discussed during the EDP Dialogue Visit. The question of which accounting basis (accrual or due to be paid) should be presented in the working balance after the implementation of the VRV 2015, was discussed under section 1.3.

### **3.3.2. Unexplained other adjustments in EDP tables 2**

This agenda point was not specifically discussed during the EDP Dialogue Visit.

### **3.3.3. Adjustments relating to consolidation**

This agenda point was discussed under section 3.2 Consolidation of interest and current/capital transfers with the general government.

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<sup>22</sup> Accomplished.

<sup>23</sup> The completion of this action point is in progress.

### 3.3.4. Statistical discrepancies in EDP tables 3

This agenda point was not specifically discussed during the EDP Dialogue Visit. However, Eurostat noted the high statistical discrepancy reported in the EDP data for 2015. The difference between the capital and financial accounts for 2015 was around Euro 1.2 bn, i.e. about three times as high as in the other years of the EDP reporting period. The difference occurred mainly at the central (Euro 0.7 bn) and local government level (Euro 0.5 bn). Some related issues were also discussed in the context of section 2. Follow-up of prior EDP visits.

#### *Findings and conclusions*

**Action point 18<sup>24</sup> (ex- 21):** STAT will investigate the origin of the high statistical discrepancy in 2015, particularly in the central and local government and will provide an initial assessment note by the April 2018 EDP notification and a note on the final outcome by the October 2018 EDP notification: **April 2018 EDP notification and October 2018 notification.**

### 3.3.5. Other accounts receivable/ payable, including trade credits

This agenda point was primarily discussed in the context of section 1.3.1. Specific issue of the use of the s-b-s data source for transactions in F.3L and the related adjustments carried out in F.8L and section 2. Follow-up of prior EDP visits.

### 3.4. Questionnaire relating to the EDP notification tables

In the process of the changeover to ESA 2010, the contents of the EDP questionnaire were reviewed and a number of modifications were introduced. The Austrian statistical authorities followed the schedule agreed between Eurostat and the Member States for implementing the resultant changes – if relevant for them.

Following the clarifications with Eurostat in the course of the biannual EDP data assessment, the Austrian statistical authorities improved the consistency of the questionnaire tables, in particular for table 7 and table 10.1. Eurostat welcomed these improvements.

The discussion concentrated mainly on the correct or complete reporting of zero, 'M' or 'L' entries in the questionnaire tables. Eurostat also appreciated the progress made in the reporting of other accounts payable and other accounts receivable in questionnaire table 4. Some aspects of the questionnaire tables were specifically addressed under the related sections, for example, in section 4.2.3., Gross fixed capital formation, including military expenditure, and in section 5.3., Guarantees and other potential obligations or section 5.8. EU flows.

#### *Findings and conclusions*

Eurostat encouraged further efforts to improve completeness of the questionnaire.

**Action point 19<sup>25</sup> (ex- 17):** STAT will report 'zeros' or 'M' (not applicable) instead of 'L' (not available) in a number of tables (Tables 7, 9.2, 9.3, 9.4, 12, 13), as discussed in the meeting: **Deadline April 2018 EDP notification.**

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<sup>24</sup> Accomplished.

<sup>25</sup> Accomplished.



### 3.5. Supplementary table on government interventions to support financial institutions

#### *Introduction*

Eurostat thanked the Austrian statistical authorities for the provision of a very detailed supplementary table on government interventions benefitting financial institutions which also contained Part 3, with details of the transactions carried out. STAT also provided for each public defeasance structure (i.e. KA Finanz AG, HETA Asset Resolution AG including the Kärntner Ausgleichzahlungs-Fonds and immigon portfolio abbau ag) a separate EDP Table 3 B. Eurostat appreciated very much the provision of the new information since it provided very useful aspects for the analyses.

#### *Discussion*

STAT shortly explained that the main impacts shown in the supplementary table were related to the classification of KA Finanz AG to the general government sector in 2009, the classification of HETA Asset Resolution AG in the general government sector in 2014, the classification of immigon portfolio abbau ag in the general government sector in 2015, the merger of KA Finanz AG with KA (neu) in 2015 and the HETA debt restructuring operation carried out in 2016. In this context, Eurostat asked how the take-over of the assets and liabilities had been accounted for in the government accounts. In principle, the impact of the classification of defeasance structure entities inside general government could either be recognised by another change in volume or by recording transactions. Eurostat explained that different approaches have been adopted in the Member States - some using the other change in volume approach while others choosing the transaction approach. If the transaction approach was used, the impact on general government net lending/net borrowing (B.9) was determined by the difference between the market value (or an estimate for the market value) and the price actually paid by the government. In case that the other change in volume approach has been used the counterpart entry is another accounts payable in the government accounts and another accounts receivable in the accounts of the entity that is to be reclassified. The gap between the payable and receivable indicates the amount that the government is willing to cover. As soon as the entity is classified in the general government sector, the other accounts payables and receivable disappear by consolidation. Statistics Austria explained that they used the other change in volume approach when they reclassified defeasance structures in the general government sector. It was further explained that the entities that have been reclassified in the general government sector were not reclassified with negative net assets.

Eurostat took a closer look at the supplementary table provided and noted that the total accumulated expenditure reported amounted to approximately Euro 19 bn, the reported net lending/net borrowing (B.9) over the period 2008 to 2016 amounted to around Euro 13 bn and the net change in assets (stock of assets – stock of liabilities) amounted to around Euro 4 bn in 2016. Eurostat thought that this could indicate either an error in the data or the existence of substantial holding gains that have been acquired. The table provides that equity has been sold gradually over time and it seems that there have been no holdings gains realized. STAT confirmed that the capital injection in the amount of Euro 4.7 bn carried out in 2009 was linked to injections into good banks and that they did not recognize any holding gain on the equity side. In fact, the equity was repaid with the same amount that the entities received originally.

Eurostat also noted that, for the debt securities, the change in the stock over the period 2008 to 2016 (derived from the data provided in Part 2) corresponds to the transaction data reported in Part 3. However, the change in debt securities calculated from the stock data (Part 2)

should be identical with the transaction data for debt securities and indirect liabilities as provided in Part 3 (e1 + f). This would indicate that the B.9f provided in Part 3, which is identical with the B.9 derived from the nonfinancial accounts (Part 1), does not fully match with the transactions reported in Part 3.

Eurostat further thought that the observed gap between the reported accumulated B.9 and the net asset value reported for the year 2016 may come from the valuation of the loans at the time when they were transferred to government. The loans can either be valued at purchase cost or valued at face value. STAT mentioned that they valued the loans at face value. Eurostat considered that, in this case one could think that in Part 3 the change in line (f) should be seen as change of line (e1) plus line (e2) and that the change in line (Ef) in Part 2 should be identical with the change of line (e1) and line (f) in Part 3. Thus, Eurostat recommended reconciling the B.9 impact calculated on the basis of nonfinancial transactions (Part 1) with the B.9f impact resulting from financial transactions. Eurostat also thought that a solution would also be to move the indirect liabilities which were reported in line (e1) to the line (g) in Part 3, and that payables - if any - should disappear by another change in volume.

Based on these considerations, Eurostat thought that the gap between the accumulated B.9 impact for the period 2008 to 2016 and the net asset value for the year 2016 may most likely be the result from the valuation of the loans at face value. Eurostat further explained that there are currently discussions in EDPS WG on whether loans, in the context of defeasance structures, should be valued at face value or at acquisition costs at the time of their transfer to / or purchase by the government.

Eurostat further enquired where the liabilities (the bonds issued in 2016) of the Kärntner Ausgleichszahlungs-Fonds were reported in Part 2 of the supplementary table. It was explained that the debt of this entity was reported under the item other liabilities of general government entities (line Eg) and has been valued at face value.

### *Findings and conclusions*

Based on the discussions, Eurostat took note that the current template of the supplementary table on government interventions to support financial institutions could be usefully adapted to better fit the specific case of Austria.

**Action point 20<sup>26</sup> (ex- 22):** Eurostat will, with the support of the Austrian statisticians, adapt this template to make it more effective and user friendly: **Deadline End of June 2018.**

Eurostat noted that the apparent contradiction between the deficit impacts cumulated since 2008 and the net assets impact observed at the end of 2016, as reported in the supplementary table, is largely influenced by the face value recording of loan assets of defeasance structures.

**Action point 21<sup>27</sup> (ex- 23):** The Austrian Statistical authorities are invited to reflect on the appropriateness of face valuation of those loans held by defeasance structures – also taking into account ongoing discussions in the EDPS WG on this subject: **Deadline End of June 2018.**

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<sup>26</sup> The completion of this follow-up action is in progress. STAT provided a proposal for amending the template on 18 January 2018.

<sup>27</sup> Accomplished.

## 4. Methodological issues

Under this agenda point, both the general classification procedure of public entities (i.e. the qualitative criteria, the 50%-test and holding-test) and the classification of selected public entities were discussed with the Austrian statistical authorities.

### 4.1. Sector delimitation

#### 4.1.1. Practical aspects of sector classification

##### 4.1.1.1. The use of the 80% criteria

###### *Introduction*

In the context of the implementation of ESA 2010, STAT asked all Austrian municipalities (via a separate survey) to provide specific information about their extra-budgetary units. In the framework of the questionnaire, STAT asked also about the sales that an extra-budgetary entity achieved with government. The aim was to identify extra-budgetary entities whose activities constitute an ancillary activity either of the government entity to which it belongs or to other entities that are part of the government sector. By rule of thumb, STAT considered extra-budgetary units whose sales with other government entities accounted for more than 80% of the total sales as ancillary units of government, i.e. as non-market entities to be classified within the general government sector. The rule of thumb is, however, not to be considered as a strict numerical rule (such as, for example, the 50% sales to cost ratio used in the context of the market/non-market test). For some industries such as IT providers or providers of real estate services (holding government buildings and leasing them to administrations) the 80%-criterion provides a final decision regarding the existence of an ancillary entity, whereas in other cases like energy providers the test alone is considered as not particularly meaningful.

###### *Discussion*

Eurostat took note that STAT uses a 80% quantitative criterion (hereinafter 80%-test) in order to identify ancillary units of government as well as a statistical and resource-saving approach to implement the other qualitative criteria established by ESA2010 para 20.25-20.26.

Eurostat remarked that ESA 20.24 seemingly envisages ancillary units to be potentially able to provide services to more than one institutional unit (not only to the parent, but to the daughter companies as well). The concept of ancillary unit may, thus, perhaps apply when 'clients' are a group of local government entities. Eurostat agreed, in particular, with the interpretation of STAT that a unit should not only be seen as an ancillary unit if it sells all of its output to only one unit or to a couple of units belonging to the same group or sector. Even if some minor output is sold to other entities, the entity is heavily reliant on its parent and/or its group members and thus it is questionable whether such an entity is really having decision-making autonomy. In this regard, it seems reasonable to set the limit for the share of sales from activities with government relative to a unit's total sales below 100%, such as 80%.

Eurostat enquired about the practical implementation of 80%-test and, in particular on whether it is regularly applied (e.g. annual basis), the type and number of entities that are classified in the nonfinancial corporations sector and the financial corporations sector (to the extent that it is applicable) when at a certain point the sales to government entities will fall below the threshold and whether a similar approach is implemented for financial corporations for which the 80%-test is not useful or applicable. STAT explained that the 80%-test has not been implemented on a regular basis so far. The existing corporate law did not require the corporations to split their revenues in those generated with government units and others.

Thus, the 80%-test has been carried out only once for all extra-budgetary units, in the context of the special survey launched in 2012. If, on that basis, an extra-budgetary entity was regarded as ancillary unit, it was allocated to the general government sector. A regular review of this decision did not take place, unless STAT has been directly asked (e.g. by experts or by the entity concerned) to re-examine the original decision. Therefore, no ancillary units have been reclassified from the government sector to the nonfinancial corporations or financial corporations sector in the period 2013 to 2016.

Eurostat understood that STAT favours the principle of stability in terms of sector composition and asked about the procedure for newly created extra-budgetary units. STAT explained that the necessary split of the sales is not available for these units either, however, the share of sales that those units will most likely generate with general government entities is estimated and based on that the 'spirit' of the 80%-test is applied. STAT further stated that the data situation will be substantially improved with regard to new extra-budgetary entities. From 2018 onwards, a new reporting line will be added to the questionnaire 'Meldung neuer Einheiten' (reporting of new entities). The questionnaire is obligatory for all general government units which have to report the foundation of a new extra-budgetary unit within two months after inception. In the modified questionnaire, the reporting entities also have to provide the amount of revenues that will be generated with general government units. Eurostat enquired about the general quality of the data collected via the questionnaire. It was explained that the data are, in general, of good quality but that also some quality issues exist. In such cases further analyses is carried out in order to improve the data situation.

Eurostat enquired whether STAT is aware of entities which are mainly or exclusively pooling financial services for government entities and which should therefore also be considered as ancillary entities. STAT indicated that units listed on the MFI list are, in general, presumed to be outside government. But there are also cases where, in the past, some MFIs have been classified inside the general government sector when a more precise analysis showed that the entities did not carry out financial intermediation activities (e.g. bad banks). Eurostat remarked that neither the 50%-criteria nor the 80%-test could be compiled for the majority of the entities classified in the financial corporations sector, but it would be possible to look at the main client of these entities. If the main clients are only government entities, this would be a strong indicator for considering the financial entity in question as an ancillary entity.

### *Findings and conclusions*

Eurostat provisionally agreed that such an approach (80%-test) can be appropriate. Eurostat agreed with STAT that the qualitative criteria targeted by ESA 20.24-20.26 should not be taken literally, as a pure 100% ratio can always be easily circumvented by generating some small sales.

#### **4.1.1.2. The use of the qualitative criteria mentioned in ESA2010**

##### *Introduction*

With the implementation of ESA 2010, the leading role of the quantitative market/non-market test for deciding whether a government controlled public corporation should be allocated to the general government sector or not was supplemented by the so called qualitative criteria. With these criteria it is analysed how the public producer is actually operating on the market, i.e. is it competing with other producers in order to obtain contracts and is it dependent on just one client or, if there are also other clients, whether the sales to them are sufficiently large to consider the entity as a market producer.

## *Discussion*

Eurostat enquired whether and how the qualitative criteria have been actually implemented in the sector classification process of public corporations. STAT explained that public non-market producers are generally identified via the quantitative market/non-market test. However, STAT is aware of the issue that some legal entities which would pass the 50%-test should nonetheless be classified in the general government sector since they are considered to be ancillary units. STAT explained that such entities are identified on the basis of the 80% criterion (see section '4.1.1.1 The use of the 80% criteria') and that this criteria is used for the practical implementation of the qualitative criteria mentioned in ESA 2010.

## *Findings and conclusions*

Eurostat took note of this and thought that the issue has been sufficiently assessed and discussed in section 4.1.1.1.

### **4.1.1.3. The application of the market/non-market test (50%-test)**

Eurostat enquired about the compilation of the quantitative 50%-test, and in particular on how the consumption of fixed capital is determined. STAT explained that the depreciation is directly taken from the business accounting systems of the respective entities without any further adjustment. Eurostat recalled that the calculation of the depreciation according to the prevailing business accounting standards does not match with the ESA 2010 standard for the calculation of the consumption of fixed capital. Not taking into account the impact of increasing prices for fixed assets for calculating the depreciation is, in particular, a critical issue when an upward trend of prices exists or very capital intensive entities are subjected to the 50%-test and the outcome of the test is just slightly above 50%. Despite agreeing with the concerns of Eurostat, STAT has doubts that the perpetual inventory method, which is generally recommended in ESA 2010, could be applied on an entity level. Eurostat explained that there have been attempts in some Member States to compensate for the missing adjustment of the value of the stock of fixed assets to current prices, by applying a multiplier to the depreciation figures taken from the business accounts data of the entities. STAT countered that there is no justification for applying such a general multiplier which does not take into account further specifics like the different areas in which an entity is active, different amortisation periods or different technologies. Eurostat took note of the concerns of STAT, but noted, that, for example, the use of a price index would be a simple method to adjust the depreciation figures from the business accounts in order to approximate better the consumption of fixed capital in national accounts.

## *Findings and conclusions*

**Action point 22<sup>28</sup> (ex- 35):** Eurostat recommended Statistics Austria to reflect on the need to adjust the depreciation figure used for the 50%-test at least for specific entities, for example, infrastructure units etc. (see also ASFINAG below): ***Deadline end of May 2018.***

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<sup>28</sup> Accomplished.

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

##### *Introduction*

STAT replied in a timely manner to the Eurostat questionnaire on government controlled entities. The questionnaire on government controlled entities complements the list of the general government units and allows Eurostat to verify whether the classification of specific entities is correct. The questionnaire also allows for cross comparisons with other information provided by the Member States, for example, a comparison with the list of entities that are under liquidation, or it allows analysing in which industries public enterprises are predominantly active in one country or compared to other countries, or if the allocation to a different NACE category seems to be in conflict with ESA provisions (e.g. entities classified to NACE category 'O' are considered to provide only non-market services). In addition, the questionnaire allows the identification of entities which are acting close to the borderline between market production and non-market production (50% ratio) and which may be close to the threshold for a reclassification. Thus, potential impacts on EDP/GFS data can be detected early. Finally, the questionnaire on government controlled market producers provides the debt data for the debt indicator according to the Directive 2011/85 EU. This agenda point was used to analyze the aforementioned aspects together with STAT.

##### *Discussion*

Eurostat thanked the Austrian authorities for providing the latest version of the questionnaire on government controlled entities classified outside the government sector. Eurostat identified some public entities on the questionnaire to which the NACE category 'O' has been assigned and asked STAT for the reasons. Eurostat mentioned that ESA 2010 3.84 should be interpreted as meaning that only non-market producers could obtain NACE category 'O'. STAT indicated that many of the corporations classified outside general government with a NACE 'O' activity were in fact quasi-corporations (such as water boards, etc.), which had been erroneously allocated the NACE of their parent. STAT noted that these quasi-corporations were not reported in the business register. Eurostat wondered what NACE had been allocated to these quasi-corporations for the compilation of national accounts.

Eurostat also noted that for many units the number of employees was zero. This would either indicate an error in the data collection or it would question whether the entity could be considered as an institutional unit. STAT explained that a possible reason could be that the questionnaire uses a very specific definition of an employee and that, for example, this would not include the managing directors of a limited liability company. There may also be some head offices for which zero employees were reported. Eurostat considered that it would be strange if a limited liability company would have only managing director without further staff. The same would apply for head offices. Head offices are expected to provide management activities for their subsidiaries. Basically, in such cases it is doubtful whether the entity could be considered as an institutional unit.

In this context, Eurostat also inquired about the Österreichische Industrieholding Aktiengesellschaft (ÖIAG), the Austrian state holding, which was the subject of a series of discussions in the past: ÖIAG managed the investments of the Republic of Austria in partially or entirely owned companies. STAT explained that the ÖIAG was turned into a limited liability company called Österreichische Bundes- und Industriebeteiligungs holding (ÖBIB), which will be permitted to make new acquisitions and which will report directly to the MoF. ÖBIB was classified to the central government subsector following the change of the legal form in 2015.

Finally, Eurostat asked about the existence of public corporations or SPVs which were established abroad. STAT explained that foreign entities are usually not covered by the list of public corporations. However, it thought that there are currently no such entities. Eurostat took note that STAT is not aware of any government sponsored SPV established abroad and recalled that, irrespective of their residency, the activities of such SPV should be reflected in government accounts.

#### *Findings and conclusions*

**Action point 23<sup>29</sup> (ex- 37):** STAT will clarify the NACE codes used for national accounts purposes for these quasi-corporations: **Deadline End of June 2018.**

**Action point 24<sup>30</sup> (ex- 38):** STAT will examine the public corporations classified outside the general government sector with a NACE 'O' activity and will either change the NACE activity (e.g. as in the case of quasi-corporations) or reclassify the units inside general government: **Deadline October 2018 EDP notification.**

**Action point 25<sup>31</sup> (ex- 39):** STAT will analyse the public corporations classified outside the general government sector for which no employees have been registered in the questionnaire of public corporations. STAT will include in its analysis the reasons for the zero entries for the number of employees (e.g. units in liquidation, holding company) and will reclassify these entities to the general government sector where appropriate. Eurostat noted that an institutional unit generally required staff to be able to meaningfully test the autonomy of decision: **Deadline October 2018 EDP notification.**

**Action point 26<sup>32</sup> (ex- 41):** STAT will inform Eurostat if they could identify a government sponsored SPV established abroad: **Deadline End of August 2018.**

#### **4.1.3. Sector classification of specific entities**

##### *Public units in liquidation*

###### *Introduction*

As background information for the discussion on public units in liquidation and inactive public units, Eurostat requested a note on the recording of public units in liquidation and inactive units (financial and nonfinancial units), including a list of those entities (if any) with results of the market /nonmarket test for 2013 to 2016.

###### *Discussion*

Eurostat thanked STAT for the brief note on the treatment of public units in liquidation and the list with 41 inactive units or units in liquidation, including a short description of the reasons of the inactivity of the unit. STAT explained that they indicate in column C in the 'List of general government and government controlled units according to ESA', which will be published at least once a year, if there is an inactive unit on the list. STAT further mentioned that the liquidation of a unit is, in general, carried out very quickly so that no long lasting liquidation cases exist which would trigger the MGGD rules regarding units in liquidation. In

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<sup>29</sup> Accomplished.

<sup>30</sup> Accomplished.

<sup>31</sup> Accomplished.

<sup>32</sup> Accomplished.

order to identify inactive units or units in liquidation, regular checks with the business register are undertaken. Eurostat enquired whether it is possible that a unit is inactive but not in liquidation and whether there are units in liquidation with high levels of debt. STAT explained that, if an entity is technically in liquidation, the business register labels the entity as inactive. The debt levels of such units are usually small. There are currently no units in liquidation where the outstanding debt exceeds the amount of Euro 1 million. In this context, Eurostat asked about a specific entity, the EVN Projektmanagement GmbH, with a significant amount of debt (around Euro 700 million) which was listed both on the list of entities in liquidation as well as on the annual questionnaire on government controlled entities classified outside general government. Eurostat noted that if this entity is actually in liquidation, the corresponding debt should be included in the government debt. Furthermore, Eurostat enquired whether it would be possible to indicate whether the entity in liquidation is an MFI, as well as to provide the 4-digit NACE code instead the 2-digit NACE code. STAT agreed to check why the EVN Projektmanagement GmbH is listed twice and whether it is possible to amend the list in the future.

### *Findings and conclusions*

Eurostat took note of the fact that entities are liquidated very quickly so that no unit in liquidation or dormant, with significant assets or liabilities, remains in the nonfinancial corporations sector.

**Action point 27<sup>33</sup> (ex- 36)** STAT will inform on the EVN Projektmanagement GmbH that had around Euro 700 million of debt listed in the list of public units in liquidation as well as in the questionnaire of public corporations. STAT will continue monitoring the issue, and reclassify units in liquidation within government following the MGDD 2016 chapter: **Deadline End of March 2018.**

#### **4.1.3.1. Deposit Guarantee Schemes and Anlegerentschädigung**

##### *Deposit Guarantee Schemes*

##### *Introduction*

The deposit protection and compensation of investors is based on the Deposit Guarantee and Investor Compensation Act [Einlagensicherungs- und Anlegerentschädigungsgesetz - ESAEG] in Austria. The ESAEG transfers the provisions of the Directive 2014/49/EU on deposit guarantee schemes as well as adjustments regarding the implementation of Directive 97/9/EG on investor-compensation schemes in national law. The aim of the deposit protection schemes is to protect depositors against the insolvency of credit institutions. Deposits are uniformly covered up to an amount of Euro 100.000. Each credit institution which has its location in Austria and which accepts deposits is obliged by §8 (1-3) ESAEG to join a protection scheme, otherwise the license of the credit institution is removed. A special feature is that each of the trade associations registered in the Federal Banking and Insurance section at the Austrian Economic Chamber (Wirtschaftskammer Österreich) maintains its own deposit protection scheme. At present, five different deposit protection schemes coexist in Austria: Einlagensicherung der Banken & Bankiers GesmbH (Austrian Bankers' Association), Sparkassen-Haftungs AG (Savings Banks Association), Österreichische Raiffeisen Einlagensicherung eGen (Rural Credit Cooperatives Association), Volksbank Einlagensicherung eG (Credit Cooperatives' Association) and Hypo-Haftungs-GesmbH (Regional Mortgage Banks Association). In addition to deposit guarantee schemes, several

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<sup>33</sup> Accomplished. The EVN Projektmanagement GmbH was liquidated in May 2016.



trade associations established a liability network providing for reciprocal liability of all members of the network for the liabilities of a single member. This liability is in excess of the statutory guaranteed amount of €100,000 and, therefore, offers additional security.

The current system will be changed from 1 January 2019 onwards. The ESAEG will provide for a single protection scheme (the Einlagensicherung AUSTRIA GmbH) instead of five schemes from different trade associations, as it is currently the case. However, the ESAEG allows also exceptions for those banking sectors which establish their own institutional system, provided that such a system has a market share of at least 15% of the guaranteed deposits of the Austrian banking sector. Currently it is expected that the deposit protection schemes of at least the Austrian Bankers' Association, the Credit Cooperatives' Association and the Regional Mortgage Banks Association will join the new single protection scheme and accordingly will disappear.

In the context of the implementation of the Directive 2014/49/EU into national law in August 2015 the trade associations were obliged to set up deposit protection funds through annual contributions to be paid in advance, rather than retrospectively, as under the previous legislation. These advance payments should guarantee the fund's ability to protect depositors against the consequences of the insolvency of a credit institution. The target of volume of each of the funds is 0.8 % of the covered deposits of the respective trade association to be reached in 2024.

In case that the resources of the individual deposit protection funds of the trading associations are not sufficient to compensate depositors, additional funds provided by the other deposit protection funds can be used and, if there is still a lack of resources, the missing amounts could be generated via borrowing. In such a case, all other deposit protection schemes have to contribute to the repayment of the loans in relation to their size (pro rata basis). The Federal Minister of Finance may grant a guarantee for the borrowing. The five existing deposit protection schemes and their funds are currently allocated to financial corporations sector.

### *Discussion*

Eurostat notes that each of the 5 trading associations of the banking sector has its own deposit protection system (DPS) in place in Austria. In case that one of these five DPS is not able to compensate all depositors, the other DPSs are obliged to provide the missing funds. If there is still a financial gap, the affected DPS could issue bonds that could benefit from a government guarantee. While the Austrian authorities remarked that such a guarantee was not automatic and would need legislation to be passed by Austrian parliament, Eurostat wondered who would be able to give a guarantee (e.g. the central bank, the private banks, etc.), in case of large rescue, and to what extent the notion of government necessarily having to step in was not presumed by market players. This is even more the case since the EU legislation imposes ever shorter pay-out deadlines: 7 days by 2022 against many months 20 years ago. The representative of the MoF argued that there are other provisions in place in the banking area like the orderly resolution of a bank, the possibility of restructuring a bank or a bail-in of private investors. Thus, what measures may ultimately have to be taken is crucially dependent on the specific situation of the bank. The representative of the MoF further argued that the granting of a guarantee could probably be in conflict with the EU State aid and competition rules, which also argue against an automatic government guarantee for the benefit of the DPS.

Eurostat enquired about the resolution mechanism and the power of the DPS in the resolution process. It was explained that the DPS does not have any resolution power. The sole task of the DPSs is to check what is cheaper, i.e. the resolution or the compensation of the depositors. However, a DPS could also provide funds in order to allow the resolution of a bank. Furthermore, the representative of the MoF noted that the DPSs do not have government

powers and that they can only act on the basis of private law. They cannot force banks to merge and are not involved in banking restructuring.

Eurostat noticed that any bank has the obligation to participate (mandatory membership) in one of the 5 DPS according to its status. Each of the 5 DPS is obliged to establish a deposit protection fund which should have at least funds in the amount of 0.8% of the covered deposits of the affiliated member banks. The funds are raised through compulsory contributions which have to comply with the relevant guidelines and principles of the Austrian law (Austrian Deposit Protection and Investor Compensation Act - ESAEG). STAT considered that cases of activation of the DPS have been rare in the past 20/30 years with a couple of calls remaining contained within each DPS concerned. STAT confirmed that, from 1st January 2019 onwards a unique statutory DPS will be created at the Austrian Economic Chamber, which itself is classified inside central government. The assets of the DPS which will not make use of the statutory exemption will be transferred to the unique DPS (the Einlagensicherung AUSTRIA GmbH).

Eurostat understands that institutions of the type of 'Sparkassen', 'Raiffeisenbanken' or 'Volksbanken' are generally not isolated institutions, but belong to cooperation and mutual support networks. These networks are established on a voluntary basis mainly at the state government level and are complementary to protection systems (for example: the DPS). The aim of these networks, called Institutional Protection Scheme (IPS), is to support membership banks that run into financial difficulties and to benefit from some exemptions/derogations of the Capital Requirements Regulation (CRR). The joint support serves both to protect the creditors and the operability and continuity of the individual bank. The IPS provides a broader security of the participating banks and enables smaller banks to be restructured within the system. It provides also liquidity to banks in financial difficulties. The IPS is supervised by the Financial Market Authority (an entity classified inside government) mainly to ensure that the IPS meets the requirements of the CRR. The main element of an IPS is the mutual support arrangement in which the participating banks are entering on a voluntary basis.

Eurostat also understands that, in principle, the five existing DPS are going to be merged into one unique entity. However, the legal provisions allow the trading associations of the banking sector to maintain their own IPS under certain conditions. The main requirement is that these so called institutional protection schemes will comprise at least 15% of the covered deposits in Austria. The representative of the MoF explained that, currently, only the Savings Banks Association and the Rural Credit Cooperatives Association seem to comply with this condition. STAT explained that the existing 5 deposit protection funds are allocated to the financial corporations sector, since they are seen as institutional arrangements. For the new unique DPS which will be established at the Austrian Economic Chamber the treatment of the resulting flows and stocks has not been reviewed until now.

### *Findings and conclusions*

Eurostat summed up that the five DPSs currently existing in Austria plus the new unique DPS which will be established on 1 January 2019 are to be considered as non-market producers. The contributions which a bank has to pay are not linked to the individual risk of the bank, they are compulsory and the *ESAEG* regulates the tasks of the DPSs in way that their autonomy of decision is considerably restricted. Furthermore, the DPSs are under close supervision of the Financial Market Authority (a government entity) and government is acting as a guarantor in emergency cases.

**Action point 28 (ex- 47):** STAT will classify the unique statutory DPS which will be created at the WKO on 1st January 2019 inside general government, being a Statutory Protection

Funds established in the context of Directive 2014/49/EU: ***Deadline: April 2019 EDP notification***

**Action point 29<sup>34</sup> (ex- 48):** In addition, Eurostat considers that the 5 DPS created in the context of the transition of the Directive 2014/49/EU into the ESAEG should also be classified in government. These DPS have the characteristics of a statutory DPS (i.e. compulsory membership, compulsory contributions and the obligation to set up a fund) and they are established on the basis of the aforementioned Directive. The fact that those entities are obliged to support each other, reinforces the notion that they should be classified to government – given the financial solidarity that these links create: ***Deadline: April 2018 EDP notification***

### *Anlegerentschädigung (Investor compensation scheme)*

#### *Introduction*

Eurostat took note of the existence of the Anlegerentschädigung von Wertpapierfirmen GmbH (AeW). In the event that an investment firm is no longer able to pay back funds that it owes to investors in connection with investment business or to return securities or financial instruments that belong to investors and which the investment firm holds in custody or manages for the investors, the AeW has to compensate the investors within a limit of Euro 20.000. For claims from other than natural persons, a further ten percent retention exists. This specific protection scheme is applicable to independent investment firms. In general, an investment firm shall never be the debtor of its clients and therefore shall not take money or other financial instruments from its clients. Thus, a compensation case only occurs if an investment firm does not act in line with its concession and legal provisions. The AeW is managing a fund which allows it to compensate the investors in a compensation case. The existing funds are rather small since the AeW is only liable for cases in which an investment firm acts illegally. Claims resulting from unsound investment advice or if the issuer of the securities become insolvent are not protected. According to the Supervision of Securities Act (Wertpapieraufsichtsgesetz) investment firms have to join the AeW otherwise they will lose their concession. Furthermore, the Act provides a framework for the contributions to be paid to the AeW by the investment firms. The contributions are compiled as a certain percentage of the annual turnover achieved based on the number of customers of the respective investment firm. The AeW has the legal form of a limited liability corporation and is currently classified to the non-profit institutions sector serving households.

#### *Discussion*

Eurostat enquired about a major compensation event that occurred in 2016. STAT explained that a court decision obliged the AeW to pay compensation in relation to a scheme whereby the investment firm was in fact associated with the debt issuer it was advising clients to invest in. The court decision also stipulated that, in this case, the financial authority (the Bund) was liable, since it failed its supervision tasks. In order to pay out the compensation, the AeW ran into debt that was guaranteed by government. As it was clear that the debt burden was too high for the AeW reserves (Euro 5 mn) and the government had to bear a significant part of the compensation (Euro 153 mn), the related debt (around Euro 147 mn) was assumed by the government (recorded as a capital transfer in EDP/GFS data).

Eurostat took note that the 2016 emergency rescue by the Bund was carried out in specific circumstances, which may not necessarily conclusively prove that government acts de facto as last resort provider of funds to AeW. STAT added that the shareholders (Gesellschafter) are

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<sup>34</sup> Accomplished.

financial service providers and that the shareholders elect the executive board (Geschäftsführung) as well as the advisory committee (Beirat). Members of the advisory committee can only be shareholders and the committee can give directives to the executive board. STAT, therefore, considers that the AeW is not directly controlled by government. At the same time, STAT recognizes the fact that AeW could also be considered as a government unit since the Austrian Securities Supervision Act 2007 (Wertpapieraufsichtsgesetz) clearly provides that a compensation scheme in the form of a 'Haftungsgesellschaft' operating as a legal person has to be created (see § 75 (2) of the Securities Supervision Act). The Act further states that an investment firm has to belong to a compensation scheme, otherwise it will lose its concession and it defines the regular and special contributions to be paid by an investment firm. However, STAT has the view that the contributions received by AeW can be seen as a payment for a kind of insurance service provided directly to its members. The contributions are higher for such investment firms which have a larger number of customers and a higher business volume and, thus, will probably have higher damages (i.e. they have a higher risk level).

Eurostat remarked that an in-depth analyses of the risks associated with the participants of the scheme has not been carried out, the compilation of the contributions is not dependent on past losses in order to calculate the probability of damage events and it seems difficult to foresee the frequency and size of future damages. Thus, it seems questionable whether the requested contributions are based on risk-sensitive pricing and could therefore be seen as a kind of insurance premium. Eurostat also recalled the specific characteristics of compulsory membership and compulsory contributions, indicating that the AeW cannot be seen as being active in a competitive environment, which also raises doubts on the fact that the contributions should be considered as insurance premiums but - if at all – only as insurance premiums for nonmarket insurance.

#### *Findings and conclusions*

**Action point 30<sup>35</sup> (ex- 49):** STAT will analyse the fees collected by AeW, in particular whether they have the character of market sales, instead of a tax or of a payment for nonmarket output. On this basis STAT will review the current classification of AeW and will provide a note to Eurostat: ***Deadline End of March 2018***

#### **4.1.3.2. Public holdings**

##### *Introduction*

The identification of holding companies and head offices and their allocation either to the financial sector or to the nonfinancial sector is based on a decision tree developed by the OeNB and STAT, taking into account the ESA 2010 provisions and the result of an ECB-Eurostat-OECD Task Force mandated to develop a practicable and harmonised method to distinguish holding companies from head offices. In order to assess whether an entity should be considered as holding company or as head office, the following elements are analysed by STAT: the total volume of holdings held as percentage of the total volume of the whole balance sheet and the number of employees. In unclear cases, also the turnover, the status of the mother company and the number of equity stakes is taken into consideration. The 'test' to distinguish holding companies from head offices is integrated in the STAT-business register. A head office is recognised if (1) the equity holdings amount to 80% of the total assets of the analysed entity, (2) the entity is employing more than three employees and (3) the annual turnover exceeds Euro 500.000. In case that criterion two and three are not unambiguous, a

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<sup>35</sup> Accomplished.

priority is given to the number of employees. In cases where an entity has 'zero' employees and 'zero' turnover, it is assumed that the entity is only an auxiliary entity that belongs to the sector of its mother company, unless the mother company is a private household, an NPISHs or a private foundation. In the latter cases, the entity is considered to be an institutional unit. It is also assumed that the entity is an auxiliary if it has only one equity stake and is therefore allocated to the sector of its mother company. The aforementioned exceptions apply also for this specific case.

### *Discussion*

Eurostat took note of the criteria used by STAT to distinguish public holdings from head offices and that, based on these criteria, 36 entities have been classified inside general government in Austria, allocated either to NACE 64 (19 cases) or to NACE 70 (16 cases). In addition, 212 Head offices have been identified, whereby 98 have been classified to the financial corporations sector and 114 have been classified to the nonfinancial corporations sector.

In this context, Eurostat questioned whether the relation of equity holdings to the total amount of assets is a suitable criterion for deciding whether an entity could be considered as a head office or not. The use of this criterion may probably lead to an underestimation of public holding companies. Eurostat emphasized that the decisive factor is whether the entity provides services to its holdings or not. If there is no or only negligible service, the entity should be considered as a holding company. The proportion of shares to total assets seems not to be a meaningful indicator in this respect.

Eurostat further enquired whether STAT is aware of a government organised special purpose vehicle that is located abroad. Statistics Austria indicated that they were not aware of such an entity. Eurostat further asked whether a major government controlled holding corporation exists in Austria. Statistics Austria explained that the Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB) is a major holding company which has been classified to the central government sector since 2015. The ÖBIB's three listed holding make up approximately 20% of the market capitalisation of the Austrian Traded Index. ÖBIB originated from the former Österreichische Industrieholding AG (ÖIAG) which was a stock company under Austrian law. The ÖIAG was recognised as public head office in national accounts but with the creation of the ÖBIB, the successor company, the head office functions have significantly decreased (see also section 4.1.2). Eurostat noted that in case the reclassification of the ÖBIB has been recorded in the other change in volume accounts, claims against public corporations should occur in EDP questionnaire table 8 as a result of the reclassification. Eurostat further enquired whether the so called 'Rechtsträgerfinanzierung' was provided to the ÖBIB and whether the relevant amounts were consolidated when the ÖBIB was classified to the central government. Statistics Austria explained that the ÖIAG had some debt with credit institutions (MFIs) when it was reclassified and that this has led to an entry in the line 'changes in sector classification (K.61)' in EDP table 3 B. The relevant amount is approximately Euro 200 million.

### *Findings and conclusions*

**Action point 31<sup>36</sup> (ex- 40):** Austria will examine the appropriateness of the equity holding test currently in place: ***Deadline End of May 2018***

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<sup>36</sup> Accomplished (the appropriateness of the equity holding test has been carefully examined; the results have been provided to Eurostat on 1 June 2018).

### 4.1.3.3. ASFINAG

#### *Introduction*

Under this agenda point, Eurostat and the Statistical Authorities reviewed the sector classification of the public corporation 'ASFINAG' which is responsible for planning, financing, building, maintaining and operating motorways and expressways in Austria. ASFINAG was credited with an "usus fructus" related to the construction outputs, for a duration of 50 years, in order to provide ASFINAG's balance sheet with corresponding suitable assets.

The 'usus fructus' is basically a concession, i.e. a temporary right of using the motorways and expressways and receive the tolls (but not to set tolls) without having legal ownership of the property. However, due to the 'usus fructus', the economic ownership (i.e. risk and rewards) with the motorways and expressways lies with ASFINAG and, as a result, they are recorded on its balance sheet in national accounts, while in the business accounts of ASFINAG only the non-depreciable 'usus fructus' (intangible asset) is recorded.

The ASFINAG projects are, in general, part of the Ministry of Transport's long-term infrastructure plan. ASFINAG is currently classified in the nonfinancial corporations sector in national accounts. Eurostat pointed out that ASFINAG has a unique position in Europe regarding its sector classification and that this may be a reason that there is a keener interest in setting-up ASFINAG-like models (for motorway infrastructure financed through tolls) in recent years in some EU Member States, probably being also encouraged through presentations of the ASFINAG model around Europe by the OeNB.

ASFINAG is 100% owned by the Republic of Austria. The 1982 Act creating the company was updated several times, but mainly to broaden the company's scope of activity. ASFINAG benefits from an unconditional and irrevocable guarantee of the Republic of Austria related to a Euro 12 billion debt programme, which enables ASFINAG to seek funding under favourable conditions in the capital markets.

#### *Discussion*

Eurostat enquired on the involvement of ASFINAG regarding the collection of fines on vignettes (if there are vehicles using ASFINAG roads without vignette) as it appeared that ASFINAG was entrusted with quasi-police powers by the central government on the exemption of vignette decided or granted by the central government without compensation to ASFINAG (for security or emergency vehicles, in the context of international agreements, or for social motives). Furthermore, Eurostat expressed concerns regarding the determination of the vignette price by government (which may prevent to consider the price 'economically significant' – also given the context of monopoly situation held by a public corporation).

STAT noted that one could hardly speak of quasi-police powers if ASFINAG is asking for a substitute payment ('Ersatzmaut') or a penalty if a user of the motorway did not pay in time or not at all or if the driver evades a control check. Such substitute payments are also demanded in other areas like public transport or common shops. It is not a specific feature of public corporations and, in particular, not a specific feature of ASFINAG.

Eurostat acknowledged that the 'usus fructus' arrangement could be considered as a concession arrangement. However, it enquired on whether ASFINAG should be considered to be the operator of one unique concession or not, raising the attention of STAT to footnote 202 of the MGDD 2016 section VI.3.1.5.1, which prescribes that public entities whose activity is overwhelmingly to manage one concession should be classified inside government. Eurostat

reasoned that it was likely that the agreement concerns a unique concession, given that each vignette opens access to all motorways and expressways in Austria.

In this context, Eurostat enquired whether the classification of the vignette as a sale of service was aligned with the 2008 Guidance note. Further to this, one issue concerned determining whether the sale of service is market or non-market. STAT countered that, according to their view, nothing substantial has been changed in ESA 2010 (in comparison to ESA 95) which would require a reassessment of the current classification of ASFINAG. Furthermore, the assumption that the vignette opens access to all motorways and expressways may go probably too far and the proceeds from the sale of the vignette can be considered as sales on the basis of the 2008 Guidance note on the "Classification of payments for the use of roads".

Eurostat took note of the view of STAT but emphasized that there is a need to examine the market/non-market character of ASFINAG, taking into account the new ESA 2010 wording (in particular ESA 2010 3.26 and 20.21) that was previously not part of ESA 95. Eurostat also draw the attention of STAT to the fact that ASFINAG currently records the 'usus fructus' as an intangible asset on its balance sheet, which is bridged for national accounts purposes to fixed assets. This specific treatment should be further analysed regarding its implication for the 50%-test.

Eurostat flagged also the need to analyse whether a lease and leaseback model should be used for the ASFINAG treatment in national accounts, which has been recommended in recent cases where government was assuming the risks of the assets (see the 'Bund' guarantee on ASFINAG borrowing).

#### *Findings and conclusion*

STAT agreed with Eurostat that ASFINAG could be seen as borderline case still under discussion, in particular having in mind the rules of ESA 2010. There are also various views of the European NSIs regarding the appropriate classification of ASFINAG-like entities and therefore further analyses should be carried out.

**Action point 32 (ex- 8):** Eurostat will examine the appropriate follow-up: EDPS WG and a possible CMFB consultation, notably in the context of the forthcoming review of the concession chapter in the MGDD: **Deadline End of February 2018.**

**Action point 33<sup>37</sup> (ex- 9):** STAT will report to Eurostat the results of the 50%-test of ASFINAG, taking into account the appropriate amount for depreciation. STAT will confirm who the recipient of the fines imposed on ASFINAG roads is. **Deadline End of June 2018.**

**Action point 34<sup>38</sup> (ex- 10):** STAT will re-examine the sectorisation of ASFINAG on the basis of the arguments expressed above and will provide a note to Eurostat: **Deadline April 2018 EDP notification.**

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<sup>37</sup> Accomplished.

<sup>38</sup> Accomplished.

## 4.2. Time of recording

### 4.2.1. Taxes and social contributions

#### *Introduction*

The time of recording of taxes and social contributions has been discussed on a regular basis during the past EDP Dialogue Visits. Statistics Austria usually applies either a pure cash recording or, where necessary, a simple time-adjusted cash method in order to ensure compliance with the ESA accrual principle. Taxes for which the time-adjusted cash method is used are notably the value added tax (2 months), the tax on mineral oil (2 months), the duty on vehicles based on fuel consumption (2 months) and the tax on tobacco (2 months). There are also some taxes for which original accrual data are available or a more advance method for compiling accrual data is used. These concerns, in particular, the under-compensation of the value added tax, the taxes and duties on imports or the sugar levy. The employers' and households' actual social contributions are based on assessment and declaration data.

Eurostat appreciated the updated questionnaire on taxes and social contributions provided for the EDP Dialogue Visit.

#### *Discussion*

STAT explained that there have been no changes in the recording of social contributions in the recent years. For the taxes it was mentioned that, in principle, also no substantial changes have taken place. However, the legal act regarding the so called 'stability fee' has been amended in 2016. The fee, in the order of Euro 0.5 bn a year prior to 2016, is to be reduced by four-fifths (4/5) thereafter because of the amendment of the law. The law foresees also a special one-off payment, which is calculated on the basis of the balance sheet size for the year 2015. It was further explained that even if the one-off payment is calculated only once, the law established that the actual tax liability arises by 25% in each year of the period 2017 to 2020. But the law allows the banks to pay the whole amount in the form of a one-off payment in the year 2017, i.e. before de facto the actual tax liability arose. This would result in a cash inflow in the central government accounts of around Euro 1 bn if all entities would make use of this option. STAT added that one-off payments were made in the first quarter of 2017 and that these payments were recorded on a pure cash basis in EDP/GFS data.

Eurostat considered that while two recording possibilities may appear possible (one-off in 2017, or spreading the amounts over 4 years), the recording should be the same for all banks, irrespective of the option chosen by each bank. Eurostat's first impression was that the provisions of the legal act would probably preclude the recording of an one-off tax revenue in 2017 for the whole amount of the stability fee. Instead, the tax revenue should probably accrue over the period 2017 to 2020 (i.e. each year around Euro 250 million).

With regard to the time or recording of social contributions, Eurostat took note that social contributions are valued using the assessed amounts appropriately adjusted for amounts not expected to be collected, the latter being estimated based on write-downs observed in the public accounts (accounting post 2.20.011). STAT explained that the related flows are relatively stable across years with about Euro 200 million per year. Eurostat noted that with the implementation of ESA 2010, Austria reports social contributions net in GFS, with no entry in D.995 (this being a change compared to Austrian ESA 1995 data).

Eurostat further enquired on the accounting implications of the change of the taxation of broadcasting, telecommunication and electronically supplied services which has taken place in 2015. Since then, these services are now to be taxed in the country where the customer



belongs. Thus, VAT revenues should accrue to the Member State in which the goods or services are consumed and not where they are produced. This means that new flows will occur between Member States' tax authorities from 2015 onwards. The net flows are from the countries where the producers of such services have their location, usually in countries with a low VAT for such services to countries where the consumer of the services are located.

Eurostat explained further that so-called Mini-One-Stop-Shops (MOSS) have been created in the Member States that allow the domestic producers to notify their sales to other EU member states and to pay all the related taxes to the MOSS. According to ESA 2010 1.78 and 4.118, the VAT collected on these specific services and collected via the MOSS should not be recorded in the government accounts of the collecting country but of the receiving country.

There is also a transition period, from 2015 to 2018, in which the collecting country may keep all or the major part of the collected VAT, but the part that will be kept will get smaller and smaller over the transition period. It is recommended that, even in the transition period, the whole amount of the VAT should be recorded in the accounts of the receiving countries (not the collecting country) and the receiving country would then recording a matching transfer (D.74 - current international corporation) in the amount withheld to the collecting country.

Eurostat asked STAT whether this proposed recording had been already implemented in the Austrian EDP/GFS data. STAT explained that the related amounts are currently included on a net basis in the cash data for the total VAT. There is no information on the actual VAT flows related to these specific electronic services. Eurostat enquired on the recording of these VAT flows in the budget of the 'Bund'. It was thought that the related amounts are recorded in the transit accounts since the 'Bund' is not the final beneficiary.

With reference to the accounting treatment proposed by Eurostat, STAT indicated that one option would be to keep the current recording, in view of the amounts involved, since the issue has been only discussed and agreed in the GFS TF but, at least not explicitly, in the EDPS WG and even not in the NAWG. Eurostat mentioned that the NAWG will be consulted in the coming months to guarantee a broader support for the proposed accounting treatment. It was also emphasized that the proposed recording seems to reflect best the substance of the whole arrangement, in particular, the interaction between VAT and the private consumption.

### *Findings and conclusions*

**Action point 35<sup>39</sup> (ex- 42):** STAT will review its current recording of the stability fee and will also reflect on the more appropriate recording of the one-off proceeds. STAT will write a note on this to the attention of Eurostat: **April 2018 EDP notification.**

**Action point 36<sup>40</sup> (ex- 43):** STAT will enquire on how the 'Bund' records the VAT electronic services collected in Austria (as a host country), and passed over to other countries: **End of June 2018.**

**Action point 37<sup>41</sup> (ex- 44):** Concerning the transition period of 2015-2018 for VAT collected for electronic services (as well as broadcasting and telecommunication), STAT will record the VAT received from the so called 'one-stop-shop' on a gross basis, together with a current transfer expenditure to the rest of the world for the amounts retained by the host countries: **October 2018 EDP notification.**

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<sup>39</sup> Accomplished.

<sup>40</sup> Accomplished.

<sup>41</sup> Accomplished.

## 4.2.2. Interest

### *Introduction*

Eurostat thanked Statistics Austria for the additional information provided for the EDP Dialogue Visit and, in particular, for the breakdown of the stocks of coupons, the stock of discounts and premiums as well as the amortization of discounts and premiums.

For the central government subsector, STAT has information on interest on an instrument by instrument basis on a quarterly basis since the first quarter of 2015 onwards. The actual calculation of interest on an accrual basis is, however, carried out by the OeBFA using the debtor approach as requested by ESA 2010.

For the state and local government subsectors, interest expenditure is included in the closed accounts of the reporting entities either already on an accrual basis or on a cash basis. However, the chart of accounts currently used by the state and local governments does not provide sound information on the difference between interest paid and accrued in order to calculate the related adjustment item in EDP Tables 2 B and C and EDP Tables 3 C and D. This will change with the implementation of the new VRV 2015 chart of accounts from 2020 onwards.

However, the debt of the local government subsector consists mainly of loans (more than 90%). Thus, it could be expected that even if the necessary information would be available, only minor adjustments would occur. For the state governments, some adjustments are provided in EDP Table 2 B but these are related to loans with premium (discount) and where the premium (discount) is recorded as a non-financial transaction in the accounts of the concerned government entities in the year of borrowing and higher (lower) interest payments in the following years.

For the social security funds subsectors, the accounting system in place is on an accrual basis. Thus, no accrual adjustments have to be implemented in EDP Table 2 D. For EDP Table 3 E the accrual adjustment is currently not available, but with the implementation of the new data interface it is expected that the gap could be closed. The expected accrual adjustments are, however, expected to be small since the debt of the social security funds subsector consists solely of short-term loans with a maturity of one to three days.

### *Discussion*

Eurostat first clarified whether its understanding that the figures provided in the additional table are not comparable with the data provided in EDP Table 3 B is correct and, in particular, because of the defeasance structures. STAT confirmed that the additional table only includes the OeBFA data and that the financing (issued bonds and other liabilities to banks and customers) of the defeasance structures is not included.

Subsequently, the consistency of the table was briefly discussed. Eurostat noted that the table was only partially filled, which was probably due to first use and unfamiliar structure of the table. Eurostat then briefly explained the key relationships between the individual items, and noted in particular that the interest expenditure recorded in EDP/GFS data should be sum of item 3 (coupon accrued) and item 12 (amortization) of the additional table on the recording of interest. Item 1 should be identical with the stock of coupons, which means that the stock for the previous years should be provided and recognized in the compilation for the stock figure of the current year. In addition, the amortization of premiums and discounts (item 12) should be identical with the amortization of premiums / discounts to be provided in item 18. It was agreed that OeBFA will recompile the data and provide an updated table on the recording of interest on the basis of the further explanations provided by Eurostat.

Eurostat mentioned that it has recently observed that a Member State carried out substantial secondary market transactions in its own securities, for example, to ensure that buy and sell orders can be executed at fair market prices. Thus, the Member State repurchased and resold a significant volume of its bonds. However, contrary to the relevant ESA 2010 provisions, the incurred premiums and discounts which occur when securities were bought back were not treated as holding gains or holding losses but as interest expenditure spread over the remaining lifetime of the security. Eurostat enquired whether the OeBFA is carrying out similar transactions. OeBFA stated that such transactions (bond repurchases, and potential subsequent resales) are not carried by it. However, OeBFA added that in the case that such a transaction would be carried out, an analogous approach would be chosen (as implied by the current compilation algorithm) to the procedure just mentioned, i.e. distributing the premium/discount realised at repurchase over the remaining maturity of the security concerned. Eurostat thought that this approach has some merits and, in particular, it avoids possible accounting incentives/disincentives for government due to ESA 2010 accounting rules in times of falling/increasing interest rates. However, such a recording would deviate from national accounts recording, although a reflection on the issue was being instigated by Eurostat in the EDPS WG.

Eurostat briefly enquired on the existence of coupons sold (Stückzinsen). The issue concerns the settlement of accrued interest between the buyer and seller of a bond between the actual interest payment dates and the resulting adjustments in EDP/GFS data. Statistics Austria explained that the issue of coupons sold exist in Austria and that the necessary adjustment is carried out in EDP Table 2 A in the line 'Difference between interest paid (+) and accrued (D41) (-)' and in EDP Table 3 in the line 'Difference between interest (EDP D.41) accrued (-) and paid (+)'.

Eurostat finally asked how the interest on a bond issued and swapped is recorded. Statistics Austria explained that interest is recorded in line with the ESA 2010 rules which mean that it is recorded before swap. All flows of interest payments resulting from swap arrangements and Forward Rate Agreements, if any, are recorded in the financial accounts.

### *Findings and conclusions*

**Action point 38<sup>42</sup> (ex- 31):** OeBFA will improve the reporting of the table on interest, for the years 2013 to 2016, as discussed during the meeting, identifying coupons sold and reporting the stock of coupons as well as the stock of premium/discount accrued to date (by year end): **Deadline End of February 2018.**

#### **4.2.3. Gross capital formation (GCF), including military expenditure**

At Eurostat's request, STAT recalled briefly the sources used for compilation of the data on gross capital formation (GCF). STAT explained that, for the calculation of the gross capital formation, data from the public accounts are used. The chart of accounts of all public authorities is very detailed and is providing information, for example, for road construction, purchase of vehicles, aircrafts, ships and other water vehicles etc. For GCF of the military there is a specific subsection in the budget which allows identifying GCF in military expenditure and, in addition to this, some more detailed information is directly provided by the Ministry of Finance and/or the Ministry of Defence. Revenues from the sale of used equipment are deducted from the expenditures for the acquisition of property, plant and equipment.

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<sup>42</sup> Accomplished.

For the "Eurofighter", a specific accrual adjustment was implemented on the basis of the aforementioned direct information provided by the Ministry of Defence and the Ministry of Finance. Apart from this specific case, the necessary accrual adjustments for military equipment are based on a comparison of the income statement ('Ergebnisrechnung') with the cash flow statement ('Finanzierungsrechnung'). In this context, Eurostat pointed out that in EDP Questionnaire Table 7, the stocks of other accounts receivable/payable is currently not fully in line with the reported flows of other accounts receivable/payable. STAT explained that they will check the figures after the meeting and correct them if necessary.

#### *Findings and conclusions*

Statistics Austria confirmed that the accrual adjustment for military expenditure comes from the comparison of the Ergebnis- and Finanzierungsrechnung.

**Action point 39<sup>43</sup> (ex- 45):** STAT will adapt the EDP Inventory chapter 6.3.3 as appropriate (the existing reference: "cash payments are a good proxy for delivery" except for the Eurofighters): **Deadline End of January 2018.**

**Action point 40<sup>44</sup> (ex- 46):** STAT will include the stocks of receivable/payable for military equipment reported in EDP questionnaire table 7, based on the balance sheet of the Bund, so to ensure consistency with the reported flows: **Deadline April 2018 EDP notification**

#### **4.2.4. Other (social benefits, compensation of employees, subsidies, financial transactions)**

This agenda point was not discussed owing to time constraints. Eurostat intended to review these aspects, if necessary, during the forthcoming EDP data assessment rounds.

## **5. Specific government transactions**

### **5.1. Re-arranged transactions (Österreichische Entwicklungsbank)**

#### *Introduction*

Eurostat explained that the Investment Plan for Europe foresees also an effective involvement of National Promotional Banks (NPBs) and that it has been recently noted that some Member States that do not have an NPB yet are considering setting one up. Eurostat is currently undertaking an overview on the current plans regarding the setting up of an NPB or the involvement of an already existing NPB in the context of the Investment Plan for Europe initiative in the Member States. For this reason Eurostat intensified its monitoring of the sector classification of already existing NPB in the Member States.

#### *Discussion*

STAT explained that there are currently three entities which are acting in the development field, i.e. providing promotion, support and special financing schemes for companies often coupled with a specific sector focus (e.g. tourism, renewable energy, energy efficiency etc.) or a specific geographic focus (Austria, Africa, Eastern Europe etc.). These three entities are the Austria Wirtschaftsservice Gesellschaft mbH, the Austrian Bank for Tourism Development and the Österreichische Entwicklungsbank AG (Austrian Development Bank).

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<sup>43</sup> Accomplished.

<sup>44</sup> Accomplished.

The Austrian Wirtschaftsservice Gesellschaft mbH is acting as the Austrian federal promotional bank. The entity is 100% owned by the 'Bund' and renders its services as part of its public mandate. Clients are the federal ministries, federal states, public authorities and advocacy groups. The Austrian Wirtschaftsservice Gesellschaft mbH is classified to the central government subsector in national accounts.

The Austrian Bank for Tourism Development is owned by the UniCredit Bank Austria AG, the Raiffeisen ÖHT Beteiligungs GmbH and the Erste Bank der österreichischen Sparkassen AG and all of them are considered as not controlled by government. The Austrian Bank for Tourism Development is specialized in financing and promotion of investments in the field of tourism. The promotion portfolio encompasses grants, low-interest ERP loans, the provision of guarantees (assumption of liabilities) for small and medium-sized enterprises of the tourism and recreation sector and it combines interest subsidies which are provided by the 'Bund' with capital market funds, in order to offer loans below the usual market conditions. It offers also consulting services primarily in the field of investment and financing and it acts as trusty for the funds which are provided in the framework of the European Recovery Programme. A part of the activities of the Austrian Bank for Tourism Development is backed by a counter-guarantee of the 'Bund'. Besides the government promotion portfolio for which Austrian Bank for Tourism Development acts as a kind of settlement agency (the related business is fully included in the federal government accounts), it develops specific promotional activities under its own responsibility and provides the necessary banking services to implement them. The Austrian Bank for Tourism is classified to the financial corporations sector.

The Österreichische Entwicklungsbank AG (OeEB) provides financing for sustainable investments of private companies or banks in developing countries and emerging markets based on guarantees of the Republic of Austria. OeEB provides loans at close to market conditions, takes equity participations in companies (which may also include banks although until now this has not happened) and funds with equity capital and provides technical assistance (called Advisory Programmes) to enhance the developmental impact of their projects. According to the Export Guarantees Act (Section 9; Federal Gazette I No. 32 of 2008 / EGA) OeEB was founded in March 2008 as the official development bank of the Republic of Austria with a public mandate. The OeEB is a wholly-owned subsidiary of Austria's export credit agency, the Österreichische Kontrollbank AG (OeKB), which in turn is owned by commercial banks. The major owners of OeKB are the UniCredit Bank Austria AG, Erste Group Bank AG and Raiffeisen Bank International AG which are holding together more than 50% of the equity. By means of MoF's guarantees according to EGA, the OeEB can refinance its financing transactions within the export financing scheme of OeKB. Although the on-lending from OeKB to OeEB is not guaranteed, a kind of implicit guarantee exists since all liabilities of OeKB are covered by the government.

Eurostat focused on the activities and sector classification of the OeEB and its mother company the OeKB. In this context, Eurostat enquired whether the OeKB was obliged to set up the OeEB. The Austrian Statistical Authorities explained that the OeEB was founded because a gap in the area of providing support to developing countries and emerging markets was identified. It was decided to make use of the already existing Public Private Partnership with the OeKB.

Eurostat took note that the Austrian Development Agency differed from the OeEB in so far as the former mainly distributes grants, while the latter is engaged in loans or equity projects funding. The Austrian Statistical Authorities emphasized that there was no obligation for the OeKB to set up the OeEB, as it was a common decision. Furthermore, OeEB is deciding on its own on whether it provides a loan or not. However, the loans are usually guaranteed by the government, unless the business is carried out on its own accounts. The own account business of OeEB is not submitted to the MoF advisory committees. Eurostat understands that this part of business is currently comparatively small (around Euro 10 million compared to the balance

sheet total of around Euro 800 mn in 2016) even though it is intended to increase in the future and it is outside the guarantee of the Treasury.

The Austrian Authorities also pointed out that OeEB and OeKB were exposed to operational risks, liquidity risks, interest risks etc. Eurostat thought that those risks were globally small compared to the credit risk, in particular in developing countries, or were to some extent mitigated by financing guarantees. Eurostat noted that the remuneration of those risks taken by the private partner took the form of dividends and of the advantages drawn by the partners from having this special arrangement with the State of Austria.

The Austrian Statistical Authorities underlined that OeKB runs its financing scheme on its own behalf applying pure commercial and market principles. Eurostat further understood that the OeEB had been established in close cooperation with the OeKB, given the latter expertise in export insurance.

The Austrian Statistical Authorities indicated also that the hypothetical termination (even if they considered this as highly unlikely) of the partnership between OeKB and government in relation to OeEB would imply the termination of the Export insurance arrangement too. In this context, it was explained that OeKB had legally separated its credit insurance activity (commercial activity, which is located within a dedicated subsidiary) from the export insurance activity carried out on behalf of government (located within OeKB itself).

Regarding the issue of the sector classification of the OeEB, the Austrian Statistical Authorities draw the attention of Eurostat, in particular, to the fact that that OeEB is a subsidiary of a private entity (OeKB) which would preclude government control and therefore the classification of the OeEB to the government sector. In addition, it was mentioned that the OeEB is a profitable entity which also pays dividends to its mother company. Eurostat acknowledged this argument but explicitly emphasised that the ownership criterion is just one of several criteria which have to be assessed in order to decide whether government control exists or not. Moreover, whether the shareholders receive dividends is not important for assessing whether government control exists. The ownership criterion does not prevent in itself a classification inside government if there are other aspects which indicate sufficiently clearly and unambiguously that public control exists. In particular, in view of the elements discussed above, the organic link with the export insurance activity as well as considering the circumstances under which the OeEB was established (e.g. the de facto creation by the Export Promotion Act, the use of the existing Public Private Partnership, the OeKB, as mother company also mentioned in the law) may be seen as sufficient to indicate public control over OeEB (i.e. ability to determine the general corporate policy) even if government does not owns an equity interest.

### *Findings and conclusions*

Eurostat took note of the specific circumstances of the creation of the OeEB and the OeKB (i.e. the specific OeEB related provisions in the Austrian Export Promotion Act) as well as of the particular links between these two units. Eurostat took note of the view of the Austrian Statistical Authorities, that they consider the OeEB as well as the OeKB as private entities which would preclude a classification to the government sector. Nevertheless, in Eurostat's view, the sector classification of these entities needs to be further analysed since, during the discussions, certain aspects were identified suggesting that the two entities are de facto publicly controlled.

**Action point 41<sup>45</sup> (ex- 20):** STAT will inform Eurostat on the state of play concerning the national promotional bank in the context of the Junker plan: **Deadline End of February 2018.**

**Action point 42<sup>46</sup> (ex- 27):** STAT will reflect on the appropriate sector classification of the Austrian Development Bank (OeEB) and write a note to Eurostat taking more particularly into account (a) the OeEB governance (e.g. the composition of the 8 members of the "economy and development board"), (b) the mandate/activity of OeEB (e.g. "providing solutions not offered by commercial banks"), (c) the very high project and country risks for which OeEB receives a full 100% guarantee (which covers a great majority of the assets) against adequate risk premia (d) the fact that OeEB funding is raised either directly with the Treasury (about 1/10) or is guaranteed by the Treasury (about 9/10), albeit indirectly: Oesterreichische Kontrollbank (OeKB) advances to OeEB are themselves financed through OeKB market borrowing that benefit from Treasury guarantees: **Deadline End of March 2018.**

**Action point 43<sup>47</sup> (ex- 28):** STAT will examine the consequences of the aforementioned issues for the classification of OeKB in national accounts: **Deadline October 2018 EDP notification.**

**Action point 44<sup>48</sup> (ex- 29):** Assuming that OeEB or OeKB would remain classified outside government, STAT will examine the need for rerouting certain OeEB or OeKB operations through government accounts, in close consultation with entities concerned (see action points above): **Deadline April 2018 EDP notification.**

**Action point 45<sup>49</sup> (ex- 30):** STAT will enquire whether the funding of the technical assistance by the OeEB from 2017 onwards will affect the classification of the OeEB or at least would require rerouting and provide a note of this analyse to Eurostat: **Deadline April 2018 EDP notification.**

## **5.2. Government operations relating to the financial crisis, including progress in unwinding of financial positions of government defeasance structures**

### **5.2.1. The debt restructuring of HETA Resolution AG in 2016**

#### *Introduction*

In March 2017 STAT informed Eurostat about a major debt restructuring operation which concerned the HETA Resolution AG (HETA) and which was carried out in 2016. The origin of the debt restructuring operation was a decision imposed by the Austrian Financial Market Authority (FMA). In its decision of 10 April 2016, the FMA imposed a haircut for nearly all HETA liabilities. However, liabilities towards commercial or trade creditors, employees, secured liabilities and liabilities arising from trustee relationships were not affected by the bail-in decision. The haircut was 100% for all subordinated debt and 53.98% for all other

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<sup>45</sup> Accomplished.

<sup>46</sup> Accomplished.

<sup>47</sup> Accomplished.

<sup>48</sup> STAT has sent a brief analysis of the business segments of the OeEB on 26 July 2018 and has answered all follow-up questions of Eurostat on 28 September 2018. STAT considers that there is no need for rearrangement of any OeEB or OeKB operations according to the ESA-/MGDD-rules currently in place. Eurostat is further analysing the issue, inter alia, because of the intended revision of the relevant chapter in the MGDD and the impacts that may result from this.

<sup>49</sup> Accomplished.

eligible debt. In addition, all interest that would have accrued after 1<sup>st</sup> March 2015 was also cut (100%), and the due-to-be-paid date for all eligible liabilities was set to 31 December 2023. In a nutshell, the decision resulted in (1) setting HETA's subordinated debt to zero, (2) setting all other debt to 46.02% of its original value and (3) all interest that accrued after the 1<sup>st</sup> March as was also cut (i.e. only interest accrued before 1<sup>st</sup> March 2015 is still in existence).

However, a significant part of these liabilities (debt securities and loans) were guaranteed by the government (Euro 10.8 bn plus accrued interest by state government of Carinthia, and Euro 1 bn by the 'Bund'). The bail-in also covered liabilities in the amount of around Euro 2.7 bn vis-à-vis the Bayern LB (a German bank owned by the state government of Bavaria) without a guarantee. There was also a special guarantee-like agreement between the 'Bund' and the state government of Bavaria, which covered around Euro 1.2 bn of the total amount of Euro 2.7 bn.

In addition, the Austrian government (i.e. the state government of Carinthia and the 'Bund') submitted an offer of compromise to the creditors of those HETA liabilities that were guaranteed by the state of Carinthia in October 2016. The offer was accepted by a large majority of creditors (representing 98.7% of the outstanding debt). As a consequence, a government SPE - the so-called Kärntner Ausgleichszahlungs-Fonds (KAF) - took over the HETA liabilities (debt securities and loans, nominal value before the haircut: Euro 10.8 bn + accrued interest). In exchange, the creditors received assets with a market value of Euro 9.2 bn (at the time of issuance). These assets were predominantly zero-coupon bonds issued by KAF and guaranteed by the 'Bund'. Only a very small fraction of the creditors took one of the other two options, viz. cash or a promissory note (loan) of the Bund (Euro 0.07 bn). The issuance of the new zero-coupon bonds was accompanied by a buyback programme. KAF started with the repurchase in the 4th quarter 2016 and had already repurchased bonds with a market value of around Euro 1.8 bn by the end of 2016.

The main focus of this agenda point was to examine whether the initial recording of the complex 2016 restructuring operation (bail-in and debt repurchase) that STAT chose, after a brief exchange with Eurostat during the April 2017 'request for clarification', was appropriate or may need re-examination.

### *Discussion*

STAT first explained that HETA was classified in the government sector in 2014. At this time the total liabilities of HETA amounted to Euro 12 bn, of which Euro 10 bn were protected by a guarantee. The bail-in imposed of the FMA was necessary, otherwise the state government of Carinthia would have gone bankrupt. As a result of the bail-in, the Bayern LB lost just over half of its claim (i.e. around Euro 1.5 bn). The remaining amount of Euro 1.2 bn was covered by a guarantee-like arrangement. Accordingly, the debt which was covered by the state government guarantee was effectively concerned by the haircut decision imposed by the FMA. The actual impact of the bail-in decision was recorded as other change in volume in the EDP/GFS statistics resulting in corresponding decrease of the general government gross debt. In EDP Table 3 B, the impact is shown in the adjustment line 'Other volume changes in financial liabilities (K.3, K.4, K.5)' for the year 2016.

It was argued that the corresponding amount could also be recorded as capital transfer revenue in the government accounts with a positive impact on general government net lending/net borrowing. Eurostat noted that there is currently a discussion in the EDPS WG regarding the interpretation of some provisions of the 2009 guidance note on the "The statistical recording of public interventions to support financial institutions and financial markets during the financial crisis". The discussion revolves around the question on how to deal with a situation where it becomes later on apparent that the loss that has been initially recognized is incorrect, i.e. the actual loss is either higher or lower. Some members of the



EDPS WG proposed in the discussion to correct in such a situation the initial amount by recording a capital transfer revenue at the time of the creation of the defeasance structure (not at the time of actual transaction. This may be a possible recording also for the present case. However, the discussions are still ongoing. Eurostat also stated that one could also think about whether to apply the guidance for the recording of impacts resulting from Court decisions, i.e. interpreting the decision of the FMA as a kind of Court decision. However, especially here, it is important to keep in mind that the main aim of the FMA is to wind-down HETA (a defeasance structure) in an orderly manner, for example, with a participation of the debtors via a bail-in. The decision of the FMA, however, should neither be seen as providing a kind of compensation to HETA nor the reversal of a transaction which was previously carried by HETA. Both, the issue of compensation and the reversal of a transaction are, however, crucial preconditions for the application of the guidance on Court decisions. Against this background, Eurostat appreciated the recording of another flow in the other change in volume accounts instead of recording capital transfer revenue with an impact on general government net lending/net borrowing.

Eurostat asked the Austrian authorities to specify the amounts (nominal value, face value and market value) which were concerned from the debt restructuring operation in order to ensure a common understanding. The Austrian authorities explained that KAF offered the creditors of HETA to exchange the claims that they held until the end of 2015 into new zero-coupon bonds. This concerns an amount of Euro 10.9 bn (including accrued interest). The related face value was Euro 10.8 bn and was included in the EDP debt figure. The face value of the new zero-coupons bond (issued by KAF) was Euro 10.3 bn and the related market value at the time of issuance was Euro 9.2 bn. STAT clarified that KAF, a kind of a special purpose vehicle sponsored by the state government of Carinthia, had in fact been created to absorb the net losses and was classified in central government – because the Treasury was de facto principally exposed to the risks and rewards of the KAF portfolio.

It was further explained that the part of HETA's debt which was backed by the guarantee of the 'Bund' was not part of the debt restructuring operation. The guarantee was called in 2015 and therefore the creditor for this amount is the 'Bund'. The debt restructuring operation (Euro 10.9 mn including accrued interest) concerned also subordinated debt in the amount of Euro 900 mn which was reduced to about Euro 450 mn due to the decision of the FMA. Thus the actual amount of debt that was exchanged into the new zero coupon bonds (with a face value of Euro 10.3 bn) was around Euro 10.4 bn. Overall, the debt restructuring operation resulted in a disappearance of EDP debt in the amount of Euro 10.8 bn and an appearance of new EDP debt in the amount of Euro 10.3 bn. The difference of Euro 0.5 bn is currently only recognised in the bottom line of EDP Table 3 B.

Eurostat noted that there are two possible treatments for the amount of Euro 0.5 bn. First, it is possible to imagine a scenario in which the creditors of HETA voluntarily participate in the debt exchange and that they considered that the market value of both instruments is equal. Thus there would be de facto no gap between the value of the claims and no need for an entry in one of the adjustment lines in EDP Table 3 B. Secondly, it could be considered that the exchange was not balanced and, for the difference, one could consider to record a financial derivative which would allow to record in the future, revenues in the government accounts. However, both Eurostat and STAT thought that this option should be seen as purely theoretical rather than an actual accounting possibility.

STAT added that it recorded in the adjustment line 'Issuances above(-)/below(+) nominal value' of EDP Table 3 B an amount of around Euro 1.1 bn which is related to the issuance of the new zero-coupons bonds in the amount of Euro 10.3 bn with a face value of Euro 9.2 bn, and in the adjustment line 'Redemptions/repurchase of debt above(+)/below(-)' the amounts which are related to the exchange of the debt instruments (i.e. KAF has taken over debt securities in the amount of Euro 10.7 for which the creditors of HETA received new zero-

coupon bonds with a face value of Euro 9.2 bn) and the repurchase of the newly issued zero coupon bonds (repurchase of debt below face value).

Regarding the repurchase of the zero-coupon bonds by KAF, Eurostat pointed out that if the debt is repurchased with a premium or discount it should not affect the general government net lending/net borrowing but it is to be considered as another change in volume in EDP debt figure with an entry in the adjustment line 'Redemptions/repurchase of debt above (+)/below (-)' as mentioned above.

Finally, STAT addressed the issue of the interest cancellation which was part of the bail-in decision imposed by FMA. The interest was accrued in the accounts of HETA but in EDP Table 3 B the EDP debt is recorded without accrued interest. However, no cash payment was made. It was decided to record the cancellation of interest as another flow in the other changes in volume accounts in order to reduce the value of the ESA liabilities. Eurostat considered that, in principle, two recording options can be applied: First, the interest expenditure recorded in 2015 and 2016 is to be corrected ex-post. Second, a capital transfer revenue is to be recorded for the same amount in the year 2016. Eurostat expressed that, in its view, the interest expenditure should be revised backwards instead of recording a capital transfer or another flow.

### *Findings and conclusions*

Eurostat noted that the recording of the transaction carried out in the context of the HETA debt restructuring was prudent overall: recording a disappearance of debt by other change in volume, rather than through revenue recognition. Eurostat agreed with STAT that the treatment of the cancellation of interest should ideally be consistent with the treatment of the cancellation of the principal. Eurostat also indicated the need to take into account the ongoing work in the EDPS WG, and in particular a new interpretation of the intention of the 2009 guidance note. In addition, Eurostat thought that the reduction in Maastricht debt relating to Bayern LB (as well as the interest accrued) may need to be treated differently than the reduction in Maastricht debt stemming from the voluntary exchange of claims with the creditors.

**Action point 46 (ex- 25):** STAT will examine the opportunity of revising backwards the capital transfer expenditure recorded at the moment of HETA reclassification in 2014 (restatement of accounts), owing to the 2016 restructuring – which would be interpreted as demonstrating an overstatement of loss at inception: **Deadline October 2019 EDP notification (in the context of the benchmark revision).**

### **5.2.2.** The impact of the interim distribution payments on deficit (if any) and debt

#### *Introduction*

In the 3rd quarter 2017, a so called interim distribution has been carried by HETA. In the context of the interim distribution, an amount of approximately EUR 5.8 bn was paid out to the creditors of eligible liabilities or deposited for certain claims which are still disputed by HETA. The main focus of this agenda point was to examine whether the interim distribution had an impact on the EDP debt figure and, if yes, how big this impact was.

#### *Discussion*

STAT explained that HETA made use of the possibility to carry out an interim distribution prior to the maturity of the liabilities, and therefore decided to distribute part of its available liquidity to the creditors earlier than originally expected. In principle, all creditors of eligible

liabilities with the exception of those creditors of subordinated liabilities were able to participate in the interim distribution. In total, around Euro 5.8 bn of liabilities were redeemed prematurely by HETA. In the view of STAT, the whole transaction is to be recorded only in the financial accounts. There would be no impact on general government net lending / net borrowing.

Around two third of the interim distribution (Euro 4 bn) was paid directly to KAF, which holds most of the debt of HETA. Around Euro 2 bn were deposited in an escrow account maintained at the OeNB. The mentioned escrow account was set up because of a claim in the amount of Euro 2.7 bn which the Bayern LB has against HETA, of which the Bayern LB expects an actual cash payment of approximately Euro 1.8 bn (i.e. 64% of the outstanding total debt according to the decision of the FMA). The establishment of an escrow account became necessary due to a decision of the FMA.

It was also explained that there was a credit-like arrangement between the government of Austria and the state government of Bavaria which was introduced in 2015 with the aim to secure claims of the Bayern LB against HETA. If HETA repays its debt to Bayern LB, Bavaria is obliged to repay the amount received by Austria capped at Euro 1.23 bn.

STAT considered therefore that the impact of the HETA interim distribution is limited to a reduction in government HETA assets and a reduction in government liabilities by way of financial transactions. There are no nonfinancial transactions involved, and thus there should be no impact on government net lending/net borrowing in 2017. Government debt will decrease, though not necessarily immediately and for the same amount, because the major part of the interim distribution goes to the Kärntner Ausgleichszahlungs-Fonds (KAF), which will only indirectly have an impact on debt of KAF's main creditor, i.e. the Bund. STAT added that they will carry out a more detailed analysis when the data from the units concerned will be available.

Eurostat agreed on the basis of the explanations provided that the so called interim distribution of approximately EUR 5.8 bn distribution, carried out in the 3rd quarter 2017, is most likely a net lending / net borrowing neutral event.

#### *Findings and conclusions*

**Action point 47<sup>50</sup> (ex- 26):** STAT will monitor the statistical impact of the event, and notably the classification of the escrow account: **Deadline April 2018 EDP notification.**

### **5.2.3. Follow-up of the merge of KA Finanz with a part of Kommunalkredit Austria AG**

#### *Introduction*

Due to the collapse of the interbank business in the context of the financial crises the 'Kommunalkredit AG' (a private bank owned by the Österreichische Volksbanken Aktiengesellschaft and Dexia Crédit Local) threatened insolvency in 2008. To avert the impending bankruptcy the Republic of Austria decided to acquire the shares from the Österreichischen Volksbanken AG and Dexia Crédit Local. In 2009 the activities of Kommunalkredit AG were divided into strategic and non-strategic parts and on this basis a split in two legally independent entities, the Kommunalkredit AG (new) and the KA Finanz AG, was carried out. The Kommunalkredit AG received the strategic business segment which was considered to be profitable and should ensure the entity a sustainable development. KA Finanz AG received the non-strategic business operations which were considered to be very risky and most likely generating substantial losses, and thus it was decided to wind down the

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<sup>50</sup> Accomplished.

entity in an orderly manner. STAT classified the Kommunalkredit AG (new) to the financial corporations sector and the KA Finanz AG to the general government sector.

On 11 August 2014 the 'Finanzmarktbeihilfung Aktiengesellschaft des Bundes (FIMBAG)' – a central government entity - announced that it would start the sale process for a partial sale of the Kommunalkredit AG (new) and on 13 March 2015 FIMBAG announced that it would sell its shares (99.78%) of Kommunalkredit AG (new) to a consortium consisting of 'Interritus Limited' (an UK entity) and 'Trinity Investments Limited' (an Irish entity). The purchase agreement foresaw that Kommunalkredit AG (new) is to be split in two parts. The first part which was transferred into the newly created entity ('KA Neu') consisted of the whole company organisation including all subsidiaries. Overall, this affected assets in the amount of Euro 4.3 bn, including loans and securities in the amount of Euro 3.5 bn. The remaining part of the Kommunalkredit AG (new), with a balance sheet total of Euro 7 bn, was merged with the KA Finanz AG (the government defeasance structure).

### *Discussion*

Eurostat enquired on the valuation of the remaining part of Kommunalkredit AG (new) that was transferred to the existing defeasance structure. The Ministry of Finance explained that the net asset value of the remaining portfolio transferred to KA Finanz AG was positive but very small. An independent auditor provided two scenarios for the value of the net assets. In both scenarios the net assets were valued at less than Euro 10 million. STAT also mentioned that the low net value of the transferred assets clearly shows that after the merger the net value of the defeasance structure did not change substantially. Against this background, a reassessment of the previous classification decision seems not necessary at this stage.

### *Findings and conclusions*

Eurostat agreed with STAT that it seems that the merger of KA Finanz AG and Kommunalkredit AG (new) does not substantially impact the quality of the assets and that, therefore, KA Finanz AG should be further classified in the general government sector.

#### **5.2.4. Follow-up immigon portfolioabbau ag**

Immigon portfolioabbau ag (Immigon) is a wind-down company which emerged from the split up of Österreichische Volksbanken AG (VBAG) on July 2015. Immigon has the task to ensure the orderly and active disposal of its assets as quickly as possible. For these activities, Immigon does not need a banking license and is not subject to minimum regulatory capital requirements. Immigon is classified in the central government subsector in national accounts. At the end of June 2017, the total balance sheet of Immigon was approximately Euro 2.2 bn. Under this agenda point, Eurostat wanted to know if there were any new events in the course of the wind-down process and if the wind-down was on schedule.

STAT explained that there were no new events and that the wind-down of Immigon is proceeding according to the plan. It is assumed that the liquidation of Immigon will start in 2019 following a tender by a liquidator. The completion of the formal and legal liquidation will most likely occur much later. Eurostat took note of the remarks from STAT and asked to be informed about new events or changes in the wind-down schedule.

### 5.3. Guarantees and other potential obligations of government

#### *Introduction*

Eurostat thanked the Austrian authorities for the background information provided. Eurostat received a detailed table on guarantees (Annex II) with different breakdowns, for example, a split by recipients (public/private), guarantees by type of object (assets/liabilities), guarantee cash calls, write-off of claims and repayment of guarantee cash calls.

Guarantee cash calls are treated as the acquisition of a loan asset and recoverability is regularly assessed in the public accounts. Repayments of guarantee cash calls are treated as repayment of loan receivable, i.e. with no impact on government net lending / net borrowing.

#### *Discussion*

STAT shortly explained that the stock of guarantees provided in the additional table and the stock of guarantees reported in EDP Questionnaire Table 9.1 is not identical, since in Table 9.1 guarantees are not distinguished according to whether they relate to assets or liabilities. However, especially in the area of export guarantees granted by the central government, both type of guarantees occur, and even exist sometimes simultaneously for the same export business. Since it can be essentially ruled out that a cash call for both guarantees took place, these kind of double coverage is only considered once when reporting the total stock of guarantees in EDP Questionnaire Table 9.1.

According to the Austrian Enterprise Code (UGB) a guarantee results in the recognition of a loan in the accounts of the entity if a guarantee is likely to be called at the closing date. A claim is recognised after a guarantee call if there are contractual agreements establishing recourse claims. The recording of the guarantee calls in ESA accounts follows these rules in the case of extrabudgetary units.

For the Bund, guarantee calls are analysed case by case by STAT. Bund does not record all guarantee calls in the same way. For example, guarantee calls in the case of government guarantees for export financing system (Ausfuhrförderungsförderungsgesetz AFFG) are recorded in the accounts of the Bund and in ESA accounts as expense/ expenditure and no claim is recognized. Another example are export guarantees in the context of Ausfuhrförderungsgesetz AusFG. Guarantee calls in this context are recorded by both the Bund and in ESA accounts as calls with a claim (the Bund recording follows the UGB rules in this case). For the state governments, per default, a D.9 is recorded in ESA accounts as soon as a guarantee is called.

Eurostat took note that the stock of (loan) assets is around Euro 1.1 bn (relatively stable in the last four years) and results exclusively from guarantee cash calls in the context of the government guarantee scheme for exports. It was explained that the default probability of these loan assets is regularly assessed and, based on the outcome of the assessment, an expense (provision) is recorded in public accounts (profit and loss accounts). Subsequently, in the balance sheet, the loan is written-down to its lower value.

The Austrian statistical authorities explained that, for loans, often only a symbolic value of Euro 1 is recognised in the public accounts. If it is clear that it is unlikely that the loan will be repaid the loan is written-off. STAT thought that a capital transfer is recorded at the time the loans are written-down and that the valuation of these loans in ESA is therefore on a written-down basis. Eurostat noted that, according to ESA, the value of loans should be the gross value, although discussions are currently taking place on whether for the specific case of loans acquired by defeasance structures, a recording on written-down basis should be applied.

STAT drew the attention of Eurostat to an issue which they observed when compiling the data for guarantees on assets for the additional table on guarantees. STAT explained that, in EDP Questionnaire Table 9.3, only guarantee cash calls for guarantees on liabilities were provided so far. Guarantee cash calls related to guaranteed assets and, in particular, those guarantees provided to the 'Österreichische Kontrollbank AG' have not been reported so far. This will be changed in the upcoming April 2018 EDP notification. In addition, the small differences (less than Euro 10 mn) for the item guarantee cash calls would be corrected too.

Eurostat asked about the substantial amounts which were reported under the item capital transfer receivable and other revenue, in the additional table on guarantees. STAT explained that these amounts refer to the guarantee fees (other revenue) received by the government. Eurostat also mentioned that EDP Questionnaire Table 8.1 and the additional table on guarantees provide different figure for the item repayment of government claims for the year 2016. STAT took note of this and agreed to correct the figure in EDP Questionnaire Table 8.1 - if necessary.

Eurostat took note that in some cases (e.g. Grazer Unternehmensfinanzierungs GmbH, Münze Österreich) the debt guaranteed by government, as indicated in the additional table, is higher than the actual liabilities of the concerned entities. It was explained that the Münze Österreich represents a specific case, since the guarantee reported concerns the obligation of the Münze Österreich to take back coins issued (collector coins and Euro coins). If the Münze Österreich does not have enough funds to take back the coins, the 'Bund' has to provide the necessary funds. The government guarantee became necessary because the Münze Österreich was no longer allowed to make provisions for this task (the existing amounts were paid off to the OeNB).

Eurostat enquired about the 'Grazer Unternehmensfinanzierungs GmbH (GUF)' an entity listed in the additional table on guarantees. The table shows liabilities for the GUF of around Euro 400 mn while, at the same time, for the item debt guaranteed by government, an amount of around Euro 800 mn was provided for the year 2016. The Austrian statistical authorities explained that the amount provided under the item debt guaranteed by government was related to the maximum amount of the guarantee that could be provided by government and not to the amount of debt actually drawn down by GUF (around Euro 400 mn).

Eurostat took note that GUF is owned by the GBG Gebäude- und Baumanagement Graz GmbH (100%) and the latter is owned by the city of Graz (99.5%) and the Holding Graz Kommunale Dienstleistungen (0.5%). GUF is currently classified in the captive financial institutions and money lenders subsector (S.127), seemingly providing mostly financial services (loans) to the companies of the 'Holding Graz' but also, to a smaller extent to the city of Graz and to some of its extra-budgetary entities. The GBG is classified inside the local government, whereas the Holding Graz is classified as head office outside government. STAT pointed out that the classification of GUF was internally discussed very intensively and it was concluded that the entity should be classified in the financial corporations sector. Eurostat noted that it could be well considered that GUF could also be seen as an auxiliary of the city of Graz (its parent) with the sole task to provide financing to its parent or to the other companies of its parent.

Furthermore, Eurostat enquired about Eurofima, a public company with an outstanding debt of around Euro 17 bn at the end of the year 2016. The company benefits from a government guarantee in the amount of Euro 400 mn. The Austrian statistical authorities explained that Eurofima is a supranational organization located in Basel, Switzerland. Eurofima was established on the basis of an international treaty signed by 25 European countries. Eurofima has the task to support the development of rail transportation in Europe and to finance railway equipment for its members. Eurofima raises funds in the international capital markets, typically in the form of public bond issuances. The issuance volume of Eurofima is relatively stable, averaging CHF 1.5 bn per year. Eurofima lend out funds to railway companies, while

holding title of the rolling stock until the companies have fully repaid the equipment. The Member States explicitly guarantee all of the obligations of their respective railway company (which is the 'ÖBB Holding', in the case of Austria). Thus, the Euro 400mn corresponds to 'ÖBB Holding' borrowing through Eurofima.

#### *Findings and conclusions*

**Action point 48<sup>51</sup> (ex- 50):** STAT will enquire on the opportunity to book a capital transfer at time of call in a number of circumstances, rather than an acquisition of an asset. STAT will provide a note to Eurostat on its findings, including the criteria for deciding when the claims are written-down and later on written-off (and the B.9 impact): **Deadline End of May 2018.**

**Action point 49<sup>52</sup> (ex- 51):** STAT will confirm that the valuation of loans and the associated capital transfer follow the written-down value. STAT will, accordingly, add a footnote in the comment section of questionnaire table 9.1 indicating that item 17 is de facto based on the write-downs recorded in public accounts: **Deadline April 2018 EDP notification.**

**Action point 50<sup>53</sup> (ex- 52):** STAT will include, in questionnaire table 9.1, the guarantee cash calls which are related to certain guaranteed assets of the Österreichische Kontrollbank AG (OeKB): **Deadline April 2018 EDP notification.**

**Action point 51<sup>54</sup> (ex- 53):** STAT will review the different figures for the item repayment of claims of original debtors provided in additional table on guarantees (Annex II) and questionnaire table 8.1 and table 9.1 and, where appropriate, correct them: **Deadline April 2018 EDP notification.**

**Action point 52<sup>55</sup> (ex- 54):** STAT will reassess the classification of GUF, taking into account that it could be seen as an ancillary unit of the city of Graz, and will share its analyses with Eurostat. In this context, STAT will also examine whether similar units exist in other cities, how they are classified in national accounts and on what basis the classification decision has been taken: **Deadline End of June 2018.**

#### **5.4. Debt assumptions, debt cancellations and debt write-offs**

This agenda point was only briefly discussed owing to time constraints. STAT informed Eurostat that, in general, the available information is not sufficiently detailed to distinguish between debt cancellations and debt write-offs. For the state government sub-level, the Budget and Closed Accounts Regulation ('Voranschlags- und Rechnungsabschlussverordnung – VRV') provides one accounting item ('Post' 7299) that concerns debt cancellations. In general, state government entities report only very small amounts under this accounting item. An exemption is, however, the state government of Upper Austria (Oberösterreich) which reports under this accounting item noticeable debt cancellations to quasi-corporations of the municipalities of Upper Austria. For local governments the VRV does not provide such an account (and STAT is not aware of debt cancellations at the local government sector).

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<sup>51</sup> Accomplished.

<sup>52</sup> Accomplished. STAT clarified in the context of the 2018 EDP notification that the valuation of loans, in fact, follows the written-off value.

<sup>53</sup> Accomplished.

<sup>54</sup> Accomplished.

<sup>55</sup> Accomplished. STAT reclassified GUF to S.1313. In addition, it was confirmed that no other units of this kind exist in Austria.

STAT added that these amounts have not been recognised in EDP Questionnaire Table 8 so far. However, EDP Questionnaire Table 8 will be updated in the course of the upcoming EDP notification. For the local governments, the information on debt cancellations is still not sufficient, but STAT assumes that debt cancellations are rather rare and when they take place it concerns generally smaller amounts.

Eurostat took note of the explanations of STAT and proposed to discuss the issue in the context of the amendment of the VRV 2015, which would be a good opportunity to integrate the necessary accounting items in order to improve the data situation on debt cancellations and debt write-offs, in particular for the local government sub-level.

## **5.5. Capital injections into public corporations**

### *Introduction*

Eurostat briefly reviewed with the Austrian statistical authorities the recording of capital injections in EDP/GFS data. Eurostat understood that all capital injections of the core federal government entity, the 'Bund', including the operations undertaken in the context of the financial crises, were scrutinised for their compliance with the ESA 2010 rules, including the supplementary MGDD provisions, specifications and interpretations. For the state and local government sub-sectors, the analysis of capital injection is, however, limited to larger transactions similar to the analysis of super-dividends (see section 5.6 below). Eurostat took also note of the revised recording of investment grants into quasi-corporations as a consequence of the updated section of the MGDD.

### *Discussion*

Eurostat took note of the explanations of STAT that the capital injections recorded in the budget (source data) do generally not allow to identify the counterpart entities, i.e. it is not possible to identify whether the entity in which government invested funds is a government entity, a public corporation classified in the nonfinancial corporations or in the financial corporations sector or a private corporation, which is a precondition for the correct application of the super-dividend test. Furthermore, Eurostat noted that the situation on the state and local government sector did not change since the last EDP Dialogue Visit. The analysis of capital injections is still far from a systematic approach, but is carried out on an ad-hoc basis where only large transactions in equity as reported in the public accounts are subject to a further analysis. However, STAT tends to apply a very cautious approach for these transactions and usually record a capital transfer instead of an acquisition of equity.

The generally very cautious approach is also reflected in the fact that STAT records all injections into quasi-corporations regardless of whether they are referred to as acquisition of equity or investment grant as capital transfers, impacting general government net lending/net borrowing. In addition, the EDP Questionnaire Table 10.1 and Table 10.2 provide that, in the reporting period 2013 to 2016 only capital injections into the ESM and the EIB were recorded as an acquisition of equity. All other capital injections were recorded as government expenditure.

Eurostat further enquired on whether it is possible to increase the completeness of EDP Questionnaire Table 10.2 and, in particular, section 5, which requires information on public corporations with large losses. STAT agreed to check this.



### *Findings and conclusions*

Eurostat is aware of the fact that STAT applies, in general, a cautious approach when it comes to the recording of capital injections in national accounts. Nevertheless, in Eurostat's opinion, further efforts were necessary to ensure full compliance with the MGDD guidance on capital injections to public corporations at state and local government sub-levels.

**Action point 53<sup>56</sup> (ex- 18):** Eurostat recommends that amendments be considered to VRV 2015, in order to solve this structural issue, so to facilitate capital injections monitoring and a correct implementation of the capital injection test: **End of June 2018.**

**Action point 54<sup>57</sup> (ex- 19):** STAT will fill section 5 of Table 10.2 on large losses of public corporations: **Deadline April 2018 EDP notification.**

## **5.6. Dividends and super-dividends**

### *Introduction*

Eurostat took note that dividends received by government are included in the closed accounts of the government units. All large distributions were scrutinised for their compliance with the ESA 2010 rules for super-dividends and, in particular, with the so-called superdividend test explained in the MGDD. Eurostat also closely followed the recording of distributions from quasi-corporations. Eurostat recognizes that big distributions are analysed in detail and for such transactions, the super-dividend test is applied but there is no system in place which allows verifying the compliance to the superdividend test of distributions of public corporations to their owners, for all government subsectors, at transaction level.

### *Discussion*

STAT explained briefly that it is currently only testing larger distributions that are identified as peaks in time series. Dividends that accrue on a normal basis are not considered to be super-dividends by default. The related amounts are fully recorded as government revenue. Eurostat took note of the approach currently applied by STAT and mentioned that further efforts are needed to ensure full compliance with the MGDD guidance on distributions from public corporations at all government levels, but especially at the state and local government level. Eurostat also thanked the Austrian authorities for the provision of the detailed table on distributions before the EDP Dialogue Visit. After analysing the data on super-dividends, Eurostat asked to which year the reported profit of the companies relates exactly, i.e. year when the distribution has taken place or the year which is preceding the distribution. In this context Eurostat recalled that, for the superdividend test, the distributions of the current year have to be compared with the operating profit (after amortization) or entrepreneurial income of the previous year. There is, for example, no possibility for using an average over time. After this clarification, Eurostat referred to the additional table on distributions, notably to the entries provided for the entity 'Verbund'. Eurostat suspected that the super-dividend test was not correctly applied for this entity. Based on the figures for the operating profit shown in the table and a simple comparison with the actual dividend payments, one would expect that a super-dividend should be recognised for the years 2014 and 2016. STAT pledged to check the data again and, if necessary, to correct the corresponding figures.

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<sup>56</sup> In January 2018, the amended VRV 2015 was published. Further amendments in the near future are not planned. However, STAT will gather more information via the data interface (see part 1.3).

<sup>57</sup> Accomplished.

In this context, Eurostat took also note of the large (around Euro 400 mn per year) and stable amounts of distributions reported for quasi-corporations. STAT clarified that the reported distributions are in fact representing the surplus of these entities which is already recognised in the public accounts of the government units (the parent units) but not in the related ESA 2010 accounts. Those entities do not have specific bank accounts, so that there is no actual (internal) cash payment made to government by these quasi-corporations. Thus, these distributions are de facto imputed distributions (determined on the basis of the accounts of these entities) reflecting the B.9 of these entities. Eurostat noted that the distributions of these entities would have been recorded as reinvested earnings if they would be foreign instead of domestic entities. STAT confirmed that losses of these entities lead to entries either as capital transfers or other subsidies on production.

Eurostat further enquired on how the consumption of fixed capital of the quasi-corporations is measured. STAT explained that amortization could not individually be identified for quasi-corporations. The amortization is compiled on an aggregated level by using the perpetual inventory method and then allocated to the relevant entities or subsectors.

Eurostat enquired on the recording of a payment in the amount of Euro 143 mn which was made by the 'Grazer Unternehmensfinanzierungs GmbH (GUF) in 2015. In the accounts of GUF this payment was reported as dividend payment but there is neither a corresponding entry in the EDP Questionnaire Tables 10.1 and 10.2 nor in the additional table on distributions provided before the EDP Dialogue Visit. STAT confirmed that there was a payment of Euro 143 mn but the amount was not recorded as a revenue of GBG Gebäude- und Baumanagement Graz GmbH (its parent) nor in the accounts of the city of Graz (the parent of the Gebäude- und Baumanagement Graz GmbH). Therefore, there was no adjustment in national accounts necessary and consequently no corresponding entries in the mentioned tables. The transaction is only shown as equity withdrawal (transaction in F.5) despite the fact the annual report of GUF calls the payment a dividend payment.

#### *Findings and conclusions*

**Action point 55<sup>58</sup>:** STAT will verify if this rule is applied. STAT will examine the distributions compared to the distributable income, notably reported for the entity called "Verbund", and will record the distributions in excess of the operating profits for the relevant years as withdrawal of equity (superdividend): **Deadline April 2018 EDP notification.**

**Action point 56<sup>59</sup>:** STAT will report to Eurostat the detailed ESA accounts of quasi-corporations, including B.9 and the change in net worth (B10.1) net of consumption of fixed capital of these entities (or alternatively, the B10.1 before consumption of fixed capital if the latter could not be identified): **Deadline End of July 2018.**

**Action point 57<sup>60</sup>:** STAT will provide the equity position of government in the 7942 quasi corporations in existence or an estimate thereof: **Deadline End of July 2018.**

**Action point 58<sup>61</sup>:** STAT will examine whether the amount of Euro 143 mn has been recorded as transaction in equity (F.5) in the GFS data for 2015: **Deadline End of February 2018.**

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<sup>58</sup> Accomplished.

<sup>59</sup> Accomplished.

<sup>60</sup> The completion of this action point is in progress. However, Eurostat understands that as long as STAT has to rely on data from VRV 1997, there will not be enough information in order to provide the equity position.

<sup>61</sup> Accomplished.

## 5.7. PPPs, EPCs and concessions

Under this agenda point, Eurostat and the Austrian statistical authorities discussed the approach to the sector classification of PPP assets, EPC assets and assets that were newly built or structures which were substantially expanded within a concession agreement.

### *Public Private Partnerships*

#### *Introduction*

Overall, the approach followed by STAT in analysing PPPs can be described as a three step approach which should allow them to identify PPP projects on the respective government subsectors and to decide on the sector classification of these projects.

The first step is exclusively for the local government entities and is intended to identify PPP contracts at the local government level. This first step is based on an electronic data interface where the reporting entities have to indicate whether they have entered in a PPP contract and, if yes, they are obliged to provide the name of the concerned PPP. The electronic data interface collects information on an annual basis.

The second step of the PPP data collection/analyses is a PPP questionnaire with which STAT asks for figures and details regarding the PPP projects. The identification and analysis of PPP projects carried out by the central government, the state governments and the social security funds starts with this specific questionnaire since the number of units is considerably lower than on the local government level (manageable without an electronic data interface). After a PPP has been identified at the local government level (via the electronic data interface) the questionnaire is sent to the responsible local government entity.

The PPP questionnaire consists of four parts. Part one is related to the construction phase and asks for information on the start/end of the construction period, the investment expenditure and the investment expenditure carried out until the end of the year and the investment carried out during the year. Part two collects information in connection with the operating period (e.g. start/end of the operating period, user payments of the current year, the sum of user payments made so far, existence of one-off payments etc.). Part three asks about the different risk categories, i.e. construction risk, demand and availability risk, the existence of other risks and government guarantees. In part four, general information about the project itself is collected (e.g. project type, project partners, contact persons). The information of the questionnaire allows STAT a first assessment of the PPP project.

The third step consists of the direct contact with the reporting entities to clarify qualitative details regarding the data collected through the questionnaire.

#### *Discussion*

STAT shortly explained the three step approach and the structure of the questionnaire sent out to the reporting entities and added that, for the state governments, the questionnaire is part of the so called 'Kontrolltabelle' and therefore automatically transmitted to STAT. For the social security funds it was explained that the questionnaire is used in a survey which is conducted by the 'Hauptverband der österreichischen Sozialversicherungsträger', which transmits the questionnaire to the individual social security funds. The outcome of the questionnaire is then transmitted to STAT.

Eurostat enquired more on the questionnaire itself and, in particular, on when the questionnaire was developed by STAT and since when it is sent out and whether the

questionnaire was updated in the course of the publication of the new PPP guide (A Guide to the Statistical Treatment of PPPs) which was published on 29 September 2016.

Eurostat had the impression that the PPP questionnaire does not take into account the most recent guidance on PPPs provided by the PPP guide. STAT was unsure as to whether the PPP questionnaire that was being discussed was the last version in use to collect information on PPPs and therefore replied that they will check this and the other issues and report back to Eurostat.

Eurostat took also note of the explanations from STAT that, in addition to the information provided via the data interface and the PPP questionnaire, further information can be requested to clarify some qualitative details of the contract, and that, if necessary, an analysis of the contractual elements relevant for the risk assessment is carried out. Eurostat emphasized that a detailed and thorough analysis of the PPP contract and its annexes is essential for a sound recording of a PPP project. In this context, Eurostat considers that the questionnaire is limited to the identification of PPP projects and does not provide sufficient information for a sound classification decision. In particular, an analysis of the significance of the issues that influence the statistical treatment (i.e. whether an issue is of moderate, high or very high importance) is missing, as well as a final assessment regarding the classification of the PPP based on the importance of the identified issues.

Eurostat further asked on the availability of information for existing PPPs. It was explained that, for existing off-balance PPPs, a table which very closely resembles EDP Questionnaire table 11 is sent out to the official contact person for the concerned PPP project. STAT emphasized in this context that, for off-balance PPPs, the follow-up is more related to data updates than to a reassessment of contractual elements, since contract amendments or contract changes are the exception rather than the rule. However, the contact persons are always asked whether the PPP contract has been modified.

#### *Findings and conclusions*

**Action point 59<sup>62</sup> (ex- 63):** STAT will inform Eurostat on the last update of the PPP questionnaire currently used: **Deadline End of February 2018.**

**Action point 60<sup>63</sup> (ex- 64):** STAT will adapt the analysis of PPP projects to the structure/information of the new PPP guide. The analysis should follow all the issues covered in the different chapters of the PPP guide, notably indicating whether each individual contractual provision is seen of very high, high, or moderate importance for the statistical treatment of the PPP contract being examined: **Deadline End of August 2018.**

**Action point 61<sup>64</sup> (ex- 65):** STAT will apply the guidance provided by the PPP guide for all PPP projects signed after September 2016: **Deadline End of August 2018.**

**Action point 62<sup>65</sup> (ex- 66):** As an application of this, STAT will provide a detailed analysis of the PPP project 'Stammersdorf', using the provisions and structure of the new PPP guide: **Deadline End of August 2018.**

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<sup>62</sup> Accomplished.

<sup>63</sup> Accomplished.

<sup>64</sup> Accomplished.

<sup>65</sup> Accomplished.

### *Energy Performance Contracts (EPCs)*

STAT explained that, currently, neither the central government nor the state governments are involved in EPC projects. For EPC projects carried out by local governments, STAT applies an operating lease like recording. However, Eurostat understands also that STAT is only in the possession of very rudimentary EPC information. There exists no information on factoring operations in the context of EPCs or on the length of EPC contracts. Eurostat considers both aspects as important for the decision to record an EPC on- or off-balance sheet.

### *Findings and conclusions*

**Action point 63 (ex- 67):** STAT will launch a stocktaking exercise on EPC contracts in Austria including information on whether the EPC contracts are combined with factoring operations (without recourse), the duration of the contracts and the recording of these contracts in the public and ESA accounts (B.9 and debt impact): **Deadline End of December 2018.**

**Action point 64 (ex- 68):** STAT will improve the availability of data for EPCs, either by adapting the chart of accounts/the electronic data interface or by using a separate questionnaire (as in the case of PPPs), in order to ensure a sound treatment of EPCs in GFS accounts: **Deadline April 2019 EDP notification.**

### *Concessions*

Eurostat enquired whether government entities, aside from ASFINAG, make use of concession arrangements, whereby a private operator develops, operates and maintains an infrastructure asset such as a road, bridge, tunnel, airport, energy distribution network, prison or hospital, i.e. in particular those concessions which require an expenditure of gross fixed capital formation of the private entity.

STAT explained that there is no specific statistical survey in place with which information on concessions is collected. However, it is assumed that concessions which require substantial capital expenditure are very rare in Austria - if such arrangements exist at all. Concessions are usually issued to operate casinos ('Spielbankkonzessionen') or to operate a pharmacy.

Eurostat took note of the explanations of STAT and clarified that such licences are primarily issued in order to restrict the number of casinos or pharmacies or to assure that the license holder has specific qualifications. Such licences or permits are often colloquially called concessions but they are not really so. STAT repeated that information on concessions or licences and permits are not part of the regular statistical surveys and that they are therefore not in position to provide detailed information on this issue. This would require further analysis.

### *Findings and conclusions*

**Action point 65<sup>66</sup> (ex- 69):** STAT will report to Eurostat the different types of concessions currently existing in Austria, notably indicating whether the concession includes the provision of a fixed asset by the concession holder. Additionally, it shall be stated whether the concession holder has to pay concession fees at inception (lump sum payment) or gradually over the duration of the concessions. STAT will also indicate how lump sum payments for concessions, if any, are currently recorded in the GFS data: **Deadline End of June 2018**

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<sup>66</sup> Accomplished.

## 5.8. EU flows

### *Introduction*

STAT briefly explained the current situation regarding the data availability on EU flows and the resulting difficulties in applying the related MGDD provision on neutralizing the resulting B.9 impact.

### *Discussion*

STAT explained that the organisational responsibility for the calculation of the revenues related to the EU Funds is with the EDP/GFS team and not with the Balance of Payment unit. It was further clarified that, for the central government subsector, all cash inflows and outflows which are related to the different EU Funds (EAGF, ESF, ERDF and ESF) are available in the working balance of the main unit, the 'Bund', and can be classified in other accounts receivable in the EDP/GFS data. The split between beneficiaries outside government and inside government is mainly based on the data for the 'Bund' ('Finanzierungsrechnung') but also data of other units are used if available. For example, for the ÖBB and the 'Brennertunnel' (both central government entities) some information on EU flows is available. For funds which are provided by the agricultural fund, it is considered – following national accounts rules – that all beneficiaries are outside government: the associated expenditure and revenue should not be reflected in the EDP/GFS data. There is also some information available from extra-budgetary units, which allows the split between beneficiaries. Beyond this information, no specific data or accounting information is available to determine the beneficiaries (there is no specific algorithm or key system in place), and accordingly no flows from EU Funds are recorded (and no correction for time of recording is carried out). Statistics Austria considers that flows from EU Funds that are missed on the central government sub-level are fairly small.

For the state and local government sub-sector the availability of data on EU Funds is still patchy and does not allow a systematic identification of all flows from and to the EU Funds in the working balance of these government entities. Based on the information provided in the EDP Questionnaire Table 6, Eurostat roughly quantified the potential risk resulting from the insufficient data availability. According to Table 6 around Euro 1.5 bn are recorded as revenues coming from EU Funds of which around Euro 1 bn is related to the agricultural fund and Euro 0.5 bn to other EU Funds. Eurostat considered that the latter will probably mostly benefit non-government units (aside amounts provided to the ÖBB and the 'Brennertunnel') which may show that the actual risk for EDP/GFS data is altogether limited.

STAT noted that there is a clear possibility to improve the data situation with the implementation of the new Budget and Closed Accounts Regulation 2015 (VRV 2015) which will be amended in the course of 2017/2018. The importance of identifying the in- and outflows related EU Funds was already communicated to the relevant body and the actual implementation of the specific data needs is under discussion.

Eurostat enquired what would happen if the responsible body for the VRV 2015 amendment would decide against an appropriate adjustment. It was explained that they would prefer that the EU flows would be reflected in the 2015 chart of accounts (VRV 2015), but that it would not be a big issue if that would not be the case. There would be also the possibility to adjust the data interface which is used to collect the data from the reporting units. In such a case the reporting units have to extract the data on EU flows from their accounting system which is possible but it is more complex and ultimately less transparent compared to an implementation in the VRV 2015.

Regarding the social security funds subsector it was mentioned that these entities do not record flows from EU Funds in their working balance and therefore no adjustment is to be made.

### *Findings and conclusions*

**Action point 66<sup>67</sup> (ex- 59):** Eurostat took note of the possibility to gather some information on EU flows via the new data interface, which will be implemented from 2021 onwards. However, to ensure a sustainable improvement of the data situation, Eurostat recommends STAT to ask the concerned parties to take into consideration the need for necessary amendments to the VRV 2015: **Deadline End of June 2018.**

## **5.9. Financial derivatives**

Under this agenda point, Eurostat and the Austrian statistical authorities discussed the availability of source data for financial derivatives and, in particular, for the state and local governments.

### **5.9.1. Follow-up of the Salzburg case**

#### *Introduction*

On 9 October 2013 the Austrian CoA published a report on the financial situation of the government of Salzburg which pointed to a series of irregularities in the compilation, monitoring and reporting of financial transaction in Salzburg, having taken place over several years. In particular, transactions with financial derivatives and the related financing were not correctly reported in the accounts of the state government of Salzburg. By circumventing the provisions set out in the VRV, receivables and liabilities of billions of Euro were recorded in a way that they did not become subject to the decision-making process of the state government and were not correctly reported in the EDP/GFS data transmitted to Eurostat. The state government of Salzburg entered into a large number of derivative transactions, including exchange and off-exchange option transactions on securities, other options, swaps, Forward Rate Agreements, interest rate swaps (including range accruals), cross currency swaps and knock-in/knock-out swaps. The data situation regarding these financial derivatives was difficult and STAT only gradually received detailed information on those financial derivatives from the state government of Salzburg.

#### *Discussion*

Eurostat took the EDP Dialogue Visit as an opportunity to ask whether STAT has received all the necessary data in the meantime in order to duly report the respective financial derivatives in the EDP/GFS data sets. STAT confirmed that now all transactions in financial derivatives as well as the related stocks are available and included in the EDP/GFS data sets from 2012 onwards. For previous years, the data situation is not sufficient and does not allow providing a complete picture for all transactions and stocks in financial derivatives in the state government of Salzburg.

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<sup>67</sup> Accomplished.

## *Findings and conclusions*

**Action point 67<sup>68</sup> (ex- 60):** STAT will report to Eurostat the amounts involved and the type of derivatives which were used by Salzburg, as well as their recording in the GFS and EDP tables for the period concerned: **Deadline End of May 2018.**

### **5.9.2. Availability of source data for the state and local government sub-sector**

#### *Introduction*

The central government (via OeBFA) issues securities other than shares in foreign currency and uses cross-currency swaps to hedge foreign currency exposure from the underlying note. This is the case for its own borrowing, as well as for borrowing on behalf of other subsectors ('Rechtsträgerfinanzierung'). In addition, the central government (via OeBFA) uses interest rate swaps. For the state governments, information on derivatives is currently only provided by Burgenland, Lower Austria (Niederösterreich) and Salzburg. At the state government level also, only cross currency swaps as well as interest rate swaps are used as at the central government level. The amounts reported in EDP Table 2 B are comparatively small (in the EDP reporting period 2013 to 2016 the amounts were substantially below Euro 24 million). The use of financial derivatives on the local government level seems to be rather rare. Both EDP Table 2 C (nil for the EDP reporting period 2013 to 2015 and Euro 30 million for 2016) and EDP Table 3 D (Net incurrence (-) of liabilities in financial derivatives (F.71) was less than Euro 3 million in the years 2013 to 2015) are providing very small amounts for financial derivatives. Only for 2016 a slightly higher amount was reported in EDP Table 3 D due to a single transaction in one local government.

#### *Discussion*

Eurostat enquired on the overall availability of data on financial derivatives. It was understood that, for the central government, complete information on all types of financial derivatives is available via OeBFA, but for the state and local governments the situations seems to be different, due to fact that the VRV 1997 chart of accounts did not foresee specific accounting items for financial derivatives and therefore no actual/plan figures on derivatives have to be budgeted in the state and local governments. STAT confirmed that the VRV 1997 did not explicitly foresee accounting items for financial derivatives, but that the existing statistical system allows the collection of relevant data by other reporting mechanisms (e.g. electronic data interface). Nevertheless, it was confirmed that some units do not report data on financial derivatives, since they are not considered in the chart of accounts. All in all, STAT thought that around 90% of the amounts concerning financial derivatives are reported (including a sizeable number of negative reporting).

Regarding the electronic data interface, STAT explained that this is actually the main reporting channel for financial derivatives with which the reporting entities fulfil their public finance statistics and EDP reporting obligations. The data interface allows the collection of certain data on a voluntary basis, even if they are not included in the chart of accounts. There exists a further reporting channel for entities which cannot report via the data interface. The data interface requests information on the type of financial derivatives used, the corresponding cash flows and market values as well as the ISIN-numbers - if available. If these entities indicate that they use derivatives but do not report actual figures on them, a separate form (reporting request) is sent to these entities. Extra-budgetary units can report financial derivatives via a specific questionnaire designed for this type of entities. State government entities, as well as Vienna, are primarily using the separate form for reporting

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<sup>68</sup> Accomplished.



their financial derivatives. For reasons of limited resources, the form is not commonly used for local government entities (except for Vienna) for reporting derivative positions.

Eurostat further asked whether there are derivative contracts with units abroad. STAT considered that some derivative contracts with entities abroad may exist, but this cannot be easily determined since the information is not directly available. However, OeBFA should be in a position to provide information on the counterpart. It was further explained that OeBFA concludes also derivative contracts in order to hedge borrowing on behalf of entities belonging to other subsectors. Until 2015, this was only the case for the state governments, but since then it is also possible for local governments. The concerned derivatives are subject to consolidation.

Eurostat also enquired whether Statistics Austria is aware of so-called toxic debt, particularly on the local government level in Austria. Eurostat explained that toxic debt is referred to situations where lump sum payments have to be made in order to redeem or renegotiate a stream of interest payments on complex contracts and those payments turned out to be significantly higher than anticipated, i.e. at the time when the contract was concluded. STAT explained that they are pretty sure that there are no toxic debt issues - neither at the state nor at the local government level.

### *Findings and conclusions*

**Action point 68 (ex- 61):** STAT will send the additional form used for the collection of data on financial derivatives to all local government capitals (notably to the city of Graz), and will report the outcome to Eurostat: **Deadline End of November 2018.**

**Action point 69<sup>69</sup> (ex- 62):** STAT will report to Eurostat the financial derivative contracts which OeBFA has concluded with state and local government entities in the past and whether these contracts are subject to consolidation (indicating the relevant amounts) in EDP table 3A and ESA table 27: **Deadline End of May 2018.**

## **5.10. Other (pension schemes, emission trading permits, privatisation, UMTS, tax credits)**

### **5.10.1. Transfer of pension obligations from Bank Austria to the social security subsector**

#### *Introduction*

In December 2015, UniCredit Bank Austria AG (fully owned by UniCredit an Italian bank) and the Employees' Council, made an agreement to the effect that for almost all of the employees who have rights to future pension benefits (essentially the active employees covered by the bank's own pension scheme – around 3000 employees) the bank's own pension system (provision-based pension system) is terminated and the rights to future pension benefits will consequently be transferred to the state scheme under the Austrian General Social Insurance Act.

The employees concerned will receive compensation, in the form of one-off lump-sum payments, for any disadvantages resulting from this transfer. In addition, UniCredit Bank Austria has to make a payment, defined by law, to the state scheme (a PAYG system classified inside social security funds sub-sector) under the Austrian General Social Insurance Act for the transfer of the rights to future pension benefits. The amount of this payment was based on the legal situation applicable as at 31 December 2015.

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<sup>69</sup> Accomplished.

The agreement with the Employees' Council was signed with legal effect in December 2015 and terminated the bank's own pension system for the employees concerned upon expiry of 29 February 2016. The employees concerned are automatically, by operation of law, taken over by the state scheme under the Austrian General Social Insurance Act. At 1 March 2016 all active "Bank Austria ASVG" employees who did not retire in 2016 were transferred to the state scheme under the Austrian General Social Insurance Act (Allgemeines Sozialversicherungsgesetz). The rights to future pension benefits were transferred to the Austrian state social insurance scheme as of 29 February 2016.

In the context of the transfer, Bank Austria has to pay an amount of around Euro 0.8 bn euro to the Austrian state social insurance scheme as compensation for taking over the around 3300 employees with the related pension obligations. Originally the payment to the Austrian state social insurance scheme was estimated at around Euro 0.3 bn since there was a specific provision in the law which provided that for each 'contribution month' (Beitragsmonat) only 7 percent of the last salary earned (instead of the usual 22.8 percent) has to be transferred to the state social insurance scheme.

However, the Austrian legislator subsequently passed an amendment to the Austrian General Social Insurance Act on 13 April 2016 which became effective retroactively, so that the above-mentioned transfers were covered by the amendment. In effect, the amendment puts the transfer to the ASVG scheme on a separate legal basis and, in particular, increases the amount to be transferred to the Austrian state pension system. UniCredit Bank Austria AG adjusted the liability accordingly and recognized an amount of Euro 0.8 bn instead of Euro 0.3 bn.

On the other hand, UniCredit Bank Austria AG provided in its annual report for 2015 that the pension related provisions are to be reduced by an amount of Euro 2.0 bn (calculated on the basis of the IFRS standard) due to the envisaged transfer of the obligations. The difference (Euro 2.0 bn euro versus Euro 0.8 bn) is quite substantial and could indicate that the transfer of the pension obligations is not balanced. However, since the pension payments from the Austrian state social insurance scheme are lower compared to Bank Austria's scheme, Bank Austria also directly compensates its employees for the loss. This compensation may be substantial and it is also included in the aforementioned Euro 2.0 bn.

### *Discussion*

STAT explained that there is no other case where a company wants to transfer pension obligations from its own scheme to the government pension scheme. The UniCredit Bank Austria AG transfer was preceded by a legislation amendment, increasing the compensation payment to the public pension insurance from 7.1% to 22.8 % of the taxable base for each contribution month (equal to the contribution rate in the social insurance pension system). The official letter ('rechtsgültiger Bescheid') sent by ASVG was issued covering the lump-sum compensation calculated in accordance with the new legislation amendment. This was objected by Bank Austria, arguing that the legal raise from 7.1% to 22.8% was not compatible with the Austrian Constitution for reasons of legitimate expectations and legal certainty. Nonetheless, UniCredit Bank Austria AG transferred the amount of Euro 0.8 bn to the ASVG in the course of the 1st quarter 2017. In the EDP/GFS data the transfer has been registered as balanced, i.e. for the cash inflow (lump sum) another accounts payable (F.89) was recorded so that no impact on government net lending / net borrowing (B.9) occurred at inception. However, because of the aforementioned legal proceedings, the ASVG returned the cash payment in the 2<sup>nd</sup> quarter 2017. Thus, currently, no transaction is recorded in the context of the intended transfer of pension obligations in national accounts

STAT further noted that the around 3000 employees will continue to be part of the UniCredit Bank Austria AG pension scheme for the time being. The scheme has to pay out all pensions

to employees that retire until a clear legal status of the compensation amount is established and the lump-sum is transferred. Currently it is not clear whether the transaction can be considered balanced or whether there will be an implicit element of a gift (a capital transfer). This depends on whether the lump sum payment of around Euro 0.8 bn will compensate for the present value of accrued-to-date entitlements of future ASVG pension benefits of the transferred employees. STAT also mentioned that, even if the legal dispute on the applicable percentage rate has been clarified by the Supreme court, it is not expected that the employees will be transferred to the ASVG very soon since there is another issue under dispute. Therefore, the actual transfer of the pension obligations to the social security fund is not expected before 2019.

Eurostat took note of the explanations of STAT and, in particular, on the fact that currently the concerned employees are still covered by the UniCredit Bank Austria AG pension scheme and that the ASVG had paid back the lump sum initially received. Eurostat agreed with STAT that the ASVG calculations should be used, in order to determine whether the concerned transfer of pension obligations should be considered as balanced or not. Until that information becomes available, actuarial calculations on the model for ADL pension entitlements used for ESA table 29 may give a first assessment of the possible impact.

### *Findings and conclusions*

**Action point 70<sup>70</sup>:** STAT will inform Eurostat when the concerned employees of Bank Austria will actually be transferred to the social security fund and will indicate whether the transfer is balanced or not (i.e. whether the required lump sum payment of Euro 0.8 bn is a sufficient compensation for the assumed pension obligations): **Deadline: April 2019 EDP notification.**

## **6. Any other business**

### **6.1. Implementation of Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States**

This agenda point was not specifically discussed during the EDP Dialogue Visit. However, some issues related to the Directive 2011/85/EU were discussed under other agenda points. For example, Directive issues related to guarantees were discussed in section 5.3.

### **6.2. GFS data**

This agenda point was not specifically discussed during the EDP Dialogue Visit.

### **6.3. Major upcoming government operations**

STAT provided a brief summary of major government operations impacting the government deficit and debt figures in 2016 and 2017 or which are planned for 2018. For the year 2016, in particular, the tax reform 2015/2016 was mentioned. The impact of the tax reform measures is estimated at around Euro 5 bn - equivalent to approximately 1.5% of GDP, and concerns mainly the relief of wage and income tax and the reimbursement of social security contribution. The financing of the reform is mainly done by strict measures against tax and

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<sup>70</sup> The completion of this action point is in progress.

social fraud, by cutting tax expenditures, increasing tax rates on some non-labour income and by a reduction of public administrative costs and state subsidies.

Further events with impact on the government accounts are the refugee crises, the sale of a part of the Kommunalkredit AG (new) and the merger of the remaining part with the KA Finanz AG and the HETA bail-in and debt restructuring in 2016. Some of these issues were discussed in separate sections (see above) so that the issues were not addressed again.

## 6.4. Other

### *Social Housing*

#### *Introduction*

Eurostat and the Austrian Statistical Authorities discussed the system of social housing in Austria and, in particular, the different forms of housing provision, the funding through the different official schemes (e.g. subsidies, investment grants loans) and the influence of government regarding the selection of the beneficiaries of the social housing activities in Austria. As background information for the discussion, Eurostat had requested a brief description of the government activities in the area of social housing, in particular, the involvement of public corporations and the involvement of government in GFCF.

#### *Discussion*

STAT explained that the Austrian social housing system ('Wohnbauförderung') is part of the responsibilities of the state governments, implying that there are nine different systems of social housing policies in Austria. The most important instrument of social housing policy in all states is the provision of low interest housing loans. Most of these loans (90% according to MoF) are provided for new buildings while only about 10% of loans are granted for the reconstruction of old buildings. Furthermore, transfers for construction costs are paid but these concerns only limited amounts.

The social housing system is mainly based on the close interaction of non-profit residential building operators ('gemeinnützige Wohnbauträger'), housing promotion ('Wohnbauförderung') and to a smaller extent on direct payments to low-income households in the form of housing allowances or other similar financial assistance. Housing promotion is mainly achieved through concessional loans annuity or interest subsidies to private households (allowing them to purchase or renovate residential buildings) granted by central or state governments.

STAT further explained that non-profit residential building operators are special entities which are providing housing for lower than market rents, on the basis of the Limit Profit Housing Act (Wohnungsgemeinnützigkeitgesetz). These entities, a kind of cooperatives, are frequently owned by private households and often classified to the non-profit serving households sector in national accounts. Moreover, insurance companies, banks or other companies may join such cooperatives. New members have to contribute a certain amount (i.e. acquiring a share) when they join the cooperative but they usually do not receive any dividend payments on their shareholdings. If a member leaves the cooperative, the contribution made at inception is usually not fully paid back. The main financing source of these cooperatives is the income generated from renting their buildings/apartments. However, they can also rely on investment grants, concessional loans or interest subsidies granted by government.

Eurostat wondered whether government provides land free of charge to these special entities and whether they have to comply with specific conditions in order to obtain financial support from the government. STAT emphasized that government land is, in general, not provided for

free but at preferential prices (below the usual market prices). If government funds are used, usually the cooperatives have to respect certain conditions, for example, to build a certain number of apartments for people with a specific social status or to accept specific rental control for a determined period.

Eurostat also enquired whether it is possible that these special entities or cooperatives can sell their buildings on the market or whether it is restricted. It was explained that the cooperatives could sell their buildings/apartments also on the free market (there is no restriction to sell only to members of the cooperative) on the basis of current market prices. Regarding the rental contracts, Eurostat took note that, while there are certain lists of potential tenants who are preferred tenants for social reasons, the cooperatives have the sole decision right with which tenants they conclude a contract. In addition, the preferred tenants are only a fraction of all tenants.

The financing of social housing is, in general, carried out through non-earmarked funds but there exists one exemption which is the so called 'Wohnförderungsbeitrag'. This specific contribution is linked to the social security contributions and amounts to 1% of the social security contributions basis (equally paid by employers and employees). The state governments are receiving funds to finance social housing in the context of the general fiscal redistribution of revenue between the different levels of government. According to estimations of the MoF, about three quarters of the total expenditure for social housing are financed through revenues collected by the main unit 'Bund' and then redistributed to the state governments. STAT estimates that social housing holds an important share (30%) in residential assets in Austria.

#### *Findings and conclusions*

Eurostat took note that social housing plays an important role in ensuring the provision of affordable and adequate living space for the population in Austria. There are different entities which are engaged in providing social housing, however, they are mainly non-profit institutions (particularly cooperatives and companies) and public companies. Eurostat wants to understand the framework in which these non-profit institutions operate better, particularly with regard to the use of profits that these entities are generating, the membership conditions and the conditions that have to be fulfilled in order to get access to the government support schemes.

**Action point 71<sup>71</sup>:** STAT will provide to Eurostat the legal acts relevant for the activities of these non-profit residential building operators as well as the statutes of one of these operators: **Deadline End of February 2018.**

**Action point 72<sup>72</sup>:** STAT will inform Eurostat on the conditions to be met by the non-profit residential building operators in order to receive government support in the form of investment grants, concessional loans or interest subsidies. In this context, STAT will also provide information on whether such cooperatives are able to terminate their activities and how, and to whom, the residual value is distributed: **Deadline End of August 2018.**

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<sup>71</sup> Accomplished.

<sup>72</sup> Accomplished.

## **Annex 1 - Agenda for the 2017 EDP Dialogue Visit to Austria**

### **EDP Dialogue Visit to Austria**

- 1. Review of institutional arrangements, EDP data sources and procedures**
  - 1.1. Governance and co-operation
  - 1.2. Quality and risk management of EDP/ GFS processes
  - 1.3. Sources and data compilation methods (progress in the use of direct data sources for compilation of EDP/ GFS statistics)
    - 1.3.1. Specific issue of the use of the s-b-s data source for transactions in F.3L and the related adjustment carried out in F.8L.
    - 1.3.2. Financial Derivatives
    - 1.3.3. Use of public accounts data and of counterpart information
    - 1.3.4. Bridge tables
    - 1.3.5. Estimations, imputations and re-balancing procedure
  - 1.4. Revision policy
  - 1.5. EDP Inventory
- 2. Follow-up of prior EDP visits (the 2016 technical visit)**
- 3. Review of the 2016 EDP reporting and of related data compilation issues**
  - 3.1. The recording of the '0%-DM-Prämienanleihe 86-16' in the EDP data.
  - 3.2. Consolidation of interest and current/capital transfers with the general government
  - 3.3. EDP notification tables
    - 3.3.1. Working balance of EDP tables 2
    - 3.3.2. Unexplained other adjustments in EDP tables 2
    - 3.3.3. Adjustments relating to consolidation
    - 3.3.4. Statistical discrepancies in EDP tables 3
    - 3.3.5. Other accounts receivable/ payable, including trade credits
  - 3.4. Questionnaire relating to the EDP notification tables
  - 3.5. Supplementary table on government interventions to support financial institutions
- 4. Methodological issues**
  - 4.1. Sector delimitation
    - 4.1.1. Practical aspects of sector classification
      - 4.1.1.1. The use of the 80% criteria
      - 4.1.1.2. The use of the qualitative criteria mentioned in ESA2010
    - 4.1.2. Questionnaire on government controlled entities classified outside the government sector
    - 4.1.3. Sector classification of specific entities
      - 4.1.3.1. Deposit Guarantee Schemes
      - 4.1.3.2. Public holdings
      - 4.1.3.3. ASFINAG
  - 4.2. Time of recording
    - 4.2.1. Taxes and social contributions
    - 4.2.2. Interest
    - 4.2.3. Gross capital formation (GCF), including military expenditure

4.2.4. Other (social benefits, compensation of employees, subsidies, financial transactions)

## **5. Specific government transactions**

- 5.1. Re-arranged transactions (Österreichische Entwicklungsbank)
- 5.2. Government operations relating to the financial crisis, including progress in unwinding of financial positions of government defeasance structures
  - 5.2.1. The debt restructuring of HETA Resolution AG in 2016
  - 5.2.2. The impact of the interim distribution payments on deficit (if any) and debt
  - 5.2.3. Follow-up of the merge of KA Finanz with a part of Kommunalkredit Austria AG
  - 5.2.4. Follow-up Immigon Portfolioabbau AG
- 5.3. Guarantees and other potential obligations of government
- 5.4. Debt assumptions, debt cancellations and debt write-offs
- 5.5. Capital injections into public corporations
- 5.6. Dividends and super-dividends
- 5.7. PPPs, EPCs and concessions
- 5.8. EU flows
- 5.9. Financial derivatives
  - 5.9.1. Follow-up of the Salzburg case
  - 5.9.2. Availability of source data for the state and local government sub-sector
- 5.10. Other (pension schemes, emission trading permits, privatisation, UMTS, tax credits)
  - 5.10.1. Transfer of pension obligations from Bank Austria to the social security sub-sector

## **6. Any other business**

- 6.1. Implementation of Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States
- 6.2. GFS data
- 6.3. Major upcoming government operations
- 6.4. Other

## Annex 2 - List of participants

No.	Name	Institution
1	Konrad Pesendorfer	Statistics Austria
2	Ursula Havel	Statistics Austria
3	Walter Stübler	Statistics Austria
4	Karl Schwarz	Statistics Austria
5	Cornelia Lamm	Statistics Austria
6	Nadine Schmid-Greifeneder	Statistics Austria
7	Nora Prean	Statistics Austria
8	Johannes Schimmerl	Statistics Austria
9	Hermine Chromy	Statistics Austria
10	Claudia Hofer	Statistics Austria
11	Andrea Paukowitsch	Statistics Austria
12	Lukas Dörfler	Statistics Austria
13	Marcel Kalmar	Statistics Austria
14	Gerald Wimmer	Central Bank of Austria
15	Lukas Reiss	Central Bank of Austria
16	Michael Andreasch	Central Bank of Austria
17	Astrid Schellner	Central Bank of Austria
18	Alfred Lejsek	Austrian Ministry of Finance
19	Stefan Rossmannith	Austrian Ministry of Finance
20	Regina Reitböck	Austrian Ministry of Finance
21	Martina Schützenhöfer	Austrian Ministry of Finance
22	Bernd Schicklgruber	Austrian Ministry of Finance
23	Johann Kinast	Austrian Ministry of Finance
24	Christoph Kreutler	Austrian Ministry of Finance
25	Markus Rupek	Austrian Ministry of Finance
26	Franz Mayr	Austrian Ministry of Finance
27	Markus Stix	Austrian Treasury
28	Luca Ascoli	Eurostat
29	Philippe de Rougemont	Eurostat
30	Luiza Munteanu	Eurostat
31	Thomas Forster	Eurostat
32	Henri Maurer	European Central Bank