

## **Explanatory notes to the April 2009 reporting of government deficit and debt levels for the excessive deficit procedure**

### ***PPP***

PPP connected with the renovations of the schools in Tallinn has been classified inside the general government sector. The effect of the project on the net lending/net borrowing was 656 million kroons in 2008 (632 million in gross capital formation and 24 million in interests). Overall effect of the whole project is estimated to be 2 944 million kroons as indicated also in table VII of the questionnaire related to EDP tables.

### ***EDP Inventory***

We intend to update the current EDP Inventory by the next notification. ~~In~~At the end of September the revised time series of General Government financial statistics, based on full accrual source data will be published as well as the updated Inventory. Thank you for the editing proposals, these will be taken into account.

### ***EU transfers***

During the mission in September 2007 an issue was raised about recording prepayments in the context of EU transfers. It has become clear now that in accrual data of General Government Accounts such prepayments are recorded only in balance sheets and recorded in revenues and expenditures only after reports of actual expenditures are approved by EU.

After further investigation it ~~was cleared~~appeared that the bridge between cash revenues (and expenditures) and accrual revenues/expenditures includes data on assets and liabilities towards EU and also towards final beneficiaries. Therefore, for accurate recording it is necessary to include both types of assets and liabilities.

Up until now both types of assets have been included into calculations of financial transactions. Due to the lack of knowledge about specific accounting relations made in the General Government Accounts by State Treasury, assets and liabilities connected with final beneficiaries were not included into EDP questionnaire table 2. Only assets and liabilities connected directly with EU were recorded there.

Besides that, it has been difficult to estimate changes caused by EU funds in the EDP main table 2A since the line "Receivables from EU" does actually include also some receivables from other foreign aid programmes (part of the foreign aid from other sources are recorded under other line". The same holds for payables. Although quite detailed reports concerning the cash revenues have become available, - for cash expenditures this information is not very good – the overall amount of expenditure about each foundation/source is available, but there is no information about articles under what those expenditures are recorded).

Some corrections have been made both in EDP main table 2A and also in questionnaire table 2. In table 2A under the lines "Accrual adjustment for EU grants" only changes connected with the specific EU funds are recorded. Changes connected with all the rest of the foreign aid are recorded under the heading "Other accrual adjustments".

### ***Financial turmoil***

There have been no interventions in relation to the financial turmoil in Estonia, therefore there is no need to fill out the questionnaire on that matter.