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EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics (GFS) and quality

Luxembourg, 28 April 2014

FINAL FINDINGS

EDP standard dialogue visit to Slovenia

12-13 September 2013

Executive summary

An EDP standard dialogue visit to Slovenia took place on 12-13 September 2013 in order to review the implementation of the ESA95 methodology and to ensure that the provisions of the ESA95 Manual on government deficit and debt (MGDD) and the recent Eurostat decisions are implemented and appropriately recorded in the Slovenian EDP notifications and Government Finance Statistics (GFS).

Eurostat reviewed the institutional arrangements in the context of EDP reporting and the data sources used for the compilation of Government Finance Statistics. Eurostat took note of the existing institutional responsibilities in Slovenia and encouraged to continue the good cooperation in the future. It was agreed that the new EDP inventory would be finalised and sent to Eurostat including the missing parts and annexes.

As regards the analysis of the April 2013 EDP notification, the recording of Other accounts receivable/payable in EDP tables was discussed, focusing on a reconciliation of the data between the EDP tables 2 and 3. By the April 2014 EDP notification, the Slovenian statistical authorities will finalise the work on replacing the main data source for Other accounts receivable/payable and reconcile the data in EDP tables accordingly. In addition, statistical discrepancy remains high in some years and the Slovenian statistical authorities were encouraged to work further on its reduction, in parallel to the ongoing works on reconciliation of receivables/payables.

Eurostat reviewed the practical implementation of the market/non-market test and asked the Slovenian statistical authorities to reflect on the sector classification of specific government units in the light of new ESA 2010. The sector classification of the public infrastructure companies DARS and 'Slovenske železnice' was followed up from previous EDP standard dialogue visits. In the context of government interventions into financial institutions, the sector classification of the 'Bank Asset Management Company' (DUTB) and the recording of foreseen bank recapitalisations in national accounts were discussed. With respect to the Questionnaire on government controlled entities classified outside general government, Eurostat asked the Slovenian statistical authorities to send the updated questionnaire by the end of 2013.

Regarding the implementation of the accrual principle in the Slovenian government accounts, Eurostat reviewed the accrual recording of taxes, interest expenditure, EU grants and military expenditures. As agreed during the mission, the Slovenian national authorities will report value added tax on a time adjusted cash basis from the October 2013 EDP notification onwards. In addition, they will ensure that the latest data on corporate income tax will be already included in the April EDP notifications. As far as the recording of EU flows is concerned, the Slovenian statistical authorities will report to Eurostat on the recording of EU flows transferred from central government to local government.

Eurostat confirmed its preliminary opinion on the recording of conversion of hybrid instruments into equity of two Slovenian banks. The transaction is to be recorded as government expenditure, impacting the deficit in 2013.

Eurostat took note of the recording of guarantees in the Slovenian national accounts and the availability of detailed information on the guarantees provided by central and local government. As regards the reporting of central government claims, the Slovenian statistical authorities will complete data on claims against public corporations in the relevant table of the EDP related questionnaire. Furthermore, data on capital injections and earnings of public corporations will be reported in the October 2013 EDP notification.

The issue of recording of dividends in national accounts was also discussed. Eurostat asked the Slovenian statistical authorities to review the super dividend test and revise the data on super dividends accordingly.

As for the Public-Private Partnerships (PPPs), Eurostat took note that the information on individual contracts was not exhaustive and only delivered to the Statistical Office by the Ministry of Finance with long delays. In this regard, the Slovenian statistical authorities were asked to undertake steps to improve the current situation.

The recording of some other specific operations was also discussed such as sale and leaseback operations, securitisation, UMTS and emission permits. For all these issues, Eurostat took note of the provided explanations.

Eurostat thanked the Slovenian statistical authorities for their cooperation during this EDP standard dialogue visit, for the transparency demonstrated and for the information provided before and during the visit.

Final findings

Introduction

In accordance with article 11(1) of Council Regulation (EC) No 479/2009 as amended, as regards the quality of statistical data in the context of the Excessive Deficit Procedure (EDP), Eurostat carried out an EDP standard dialogue visit to Slovenia on 12-13 September 2013.

The delegation of Eurostat was headed by Ms Lena Frej Ohlsson, Head of Unit D-2 Statistics for Excessive Deficit Procedure I. Eurostat was also represented by Mr Luca Ascoli, Ms Simona Frank, Mr Luis Biedma, Ms Daniela Ilavska and Ms Carmela Zammit. Representatives of the Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers. The Slovenian statistical authorities were represented by the Statistical office of the Republic of Slovenia (SORS), the Ministry of Finance (MoF) and the Bank of Slovenia (BS).

The previous Eurostat EDP standard dialogue visit to Slovenia took place on 23-24 May 2011.

Eurostat carried out this EDP standard dialogue visit in order to review the implementation of ESA95 methodology and to assure that provisions of the ESA95 Eurostat Manual on Government Deficit and Debt and Eurostat decisions are duly implemented in the Slovenian EDP and Government Finance Statistics (GFS) data.

The main aims of the dialogue visit were:

- (1) to analyse the recording of other accounts receivable/payable in the EDP tables and to review the progress done in the reconciliation of other accounts receivable/payable between the EDP tables 2 and 3,
- (2) to discuss the reporting of statistical discrepancy,
- (3) to review the sector classification of specific units, in particular the Bank Asset Management Company (DUTB), the Slovenian government holding, DARS and Slovenske železnice,
- (4) to review the implementation of the accrual principle, notably the recording of taxes,
- (5) to review the recording of specific government transactions.

In relation to procedural arrangements, Eurostat explained the procedure, in accordance with article 13 of Regulation No 479/2009, indicating that within days the *Main conclusions and action points* would be sent to the Slovenian statistical authorities, who may provide comments. Within weeks, the *Provisional findings* would be sent to the Slovenian statistical authorities in draft form for their review. After amendments, the *Final findings* will be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

1. Statistical capacity issues

1.1. Institutional responsibilities in the framework of the reporting of data under the EDP and GFS compilation

Introduction

The cooperation between the Statistical Office of the Republic of Slovenia (SORS), the Ministry of Finance of the Republic of Slovenia (MoF) and Bank of Slovenia (BS) is established by the “*Memorandum of Understanding in the field of macroeconomic and financial statistics*” which was signed in 2004 and amended in 2007 and 2009.

The EDP tables are reported by the SORS. A permanent Working Group, consisting of the three national statistical authorities and chaired by the SORS, meets regularly in each reporting period. Compilation of non-financial government accounts is under the responsibility of the SORS, however, part of the data are delivered from the Ministry of Finance and the Bank of Slovenia. Financial accounts are compiled by the Bank of Slovenia according to the ESA95 methodology. The Ministry of Finance provides data for direct users of the central budget.

Discussion and methodological analysis

Eurostat informed the Slovenian statistical authorities that the issue of institutional responsibilities in the EDP and GFS reporting and cooperation with upstream data providers will be discussed in detail during the Upstream Dialogue Visit in November 2013. The Slovenian statistical authorities confirmed that no changes were carried out in the Memorandum of Understanding between the three statistical authorities since the latest EDP standard dialogue visit in 2011. The SORS explained that the Working Group meets on a regular basis and no official minutes are taken of the meetings, unless an important methodological issue is discussed.

Findings and conclusions

Eurostat took note of the existing institutional arrangements in the field of the EDP and GFS reporting.

1.2. Data sources and EDP inventory

Introduction

The basis for the accounting of budgetary units is cash accounting. The Ministry of Finance is considering a gradual transition to an accrual basis, though, so far, no decision on the timetable has been taken.

The Slovenian EDP inventory was last updated in September 2011 and it is published on the SORS website. A first draft of the EDP inventory approved by the CMFB in June 2012 was provided by the SORS to Eurostat in July 2013.

Discussion and methodological analysis

The Slovenian statistical authorities clarified that the following data sources are used for the GFS and EDP data compilation:

i) Budget reporting to the Ministry of Finance

On a monthly basis, the central budget, the municipality budgets and the Pension and Health Funds, report to the Ministry of Finance on current cash and capital transactions, including financial transactions. Data are provided to the SORS on a quarterly basis. There is usually no difference in the figures reported between the two notifications.

ii) Annual financial statements to the Agency for Public and Legal Records (AJPES)

All direct and indirect budgetary bodies are obliged to report their annual financial statements to AJPES in the year following the reference period. These statements include balance sheets and profit and loss statements and are available to the SORS by the end of April (T+4 months).

iii) Balance sheets data (Premoženjske bilance) to the Ministry of Finance

Since 2005, the Ministry of Finance collects data in a detailed balance sheet 'Premoženjske bilance' from all government units. Data are available to the Slovenian statistical authorities by the end of June for the previous year and are used for the second EDP notification in October.

Concerning the data on Gross Fixed Capital Formation (GFCF), the SORS explained that preliminary data are available from cash data sources (except for the Capital Fund and the Slovenian Restitution Fund) and later on replaced by accrual data coming from the survey on GFCF. The coverage of the survey is around 90% and no significant revisions are observed when final data are available.

Eurostat enquired about the data sources used in the April EDP notifications for the units for which final data are available before October EDP notifications, in particular other central and local government bodies. The SORS clarified that for sizeable other central and local government bodies, preliminary accounting statements are used, whereas for small units, no data are available and no estimates are done. However, amounts are negligible and do not change over years.

The Slovenian statistical authorities also informed Eurostat that no transition to IPSAS accounting standards was expected in the near future. As mentioned by the Ministry of Finance, a new accounting law was being discussed, considering the extension in the deadline for data reporting from government units to the Ministry of Finance to the end of March. Accordingly, the subsequent change in reporting deadlines could have an impact on data availability to the SORS before the April EDP notification. However, as noted by the SORS, the surveys undertaken by the Bank of Slovenia could be used in this case as an alternative data source.

Eurostat thanked to the Slovenian statistical authorities for providing a first draft of the new EDP inventory and encouraged them to send the updated version by the end of October 2013, including the missing parts and incorporated comments of Eurostat.

Findings and conclusions

1. The Slovenian statistical authorities will send to Eurostat the second draft of the EDP inventory, including the remaining missing parts and annexes and incorporated comments of Eurostat.

Deadline for comments of Eurostat: 20 September 2013¹

Deadline for the revised version of the EDP inventory: end of October 2013²

2. Follow-up of the EDP standard dialogue visit of 23-24 May 2011

Introduction

Eurostat noted that all but one action points from the latest EDP standard dialogue visit in 2011 have been completed by the Slovenian statistical authorities.

Discussion and methodological analysis

One action point had still not been implemented from the EDP dialogue mission in 2011:

Action point 27: The Slovenian statistical authorities agreed to exclude from the government accounts all stocks and flows of EU funds, in case the final beneficiary is not government, by the October 2011 EDP notification.

Prior the mission, the Slovenian statistical authorities provided the amounts of EU flows to be excluded from government accounts in line with action point 27, for the period 2004-2012. Eurostat took note that relevant data on EU funds were available and would be excluded from government accounts in the October 2013 EDP notification.

Findings and conclusions

2. The Slovenian statistical authorities will exclude from government accounts, all stocks and flows of EU grants relating to cases where the final beneficiary is a non-government unit. *Deadline: October 2013 EDP notification³*

3. Analysis of EDP tables - follow-up of the April 2013 EDP reporting

Introduction

Eurostat analysed the EDP tables and the Questionnaire relating to the EDP tables, as reported in the April 2013 EDP notification. The EDP tables and EDP related questionnaire were reported by the SORS and were fully consistent. Revisions of data between the April 2013 and October 2012 EDP notifications were mainly related to updated data on taxes and social contributions.

¹ The action point was completed on 17 September 2013.

² The action point was completed on 2 December 2013.

³ The action point was completed in the October 2013 EDP notification.

The main issue discussed under this agenda item was the reconciliation of Other accounts receivable/payable (F.7) between the EDP tables 2 and 3. In the October 2009 EDP notification, the Working Group decided that for the financial instruments Currency and deposits (F.2), Securities other than shares (F.3) and Shares and other equity (F.5), financial accounts data will be used, whereas data from the Ministry of Finance (public accounts) would be used for receivables/payables. With the use of different data sources for EDP tables 2 and 3, the statistical discrepancy increased. In the October 2012 EDP notification, the SORS started to use, as a data source, financial accounts compiled by the Bank of Slovenia also for receivables/payables. The main reason was to reduce the statistical discrepancy and to calculate the F.7 instrument in line with the financial accounts in the EDP tables 3. A new data source balance sheets 'Premoženjske bilance' was used for the compilation of receivables/payables in the EDP tables 3 as well as for the transition of the cash deficit to accrual net lending/net borrowing (B.9) figures in the EDP tables 2. Despite the steps undertaken to reconcile the F.7 instrument between EDP tables 2 and 3, high statistical discrepancies still remain in the EDP tables, the highest noted in 2008.

Discussion and methodological analysis

Concerning the issue of reconciliation of Other accounts receivable/payable in EDP tables, the SORS clarified that the work on replacing the source data was still in progress and could be finalized by March 2014. The Slovenian statistical authorities planned to revise data back to 2008 and to send the revised time series in the April 2014 EDP notification. The SORS expected that, with this revision, the statistical discrepancy would be reduced. The issue was further discussed by individual subsectors and by type of units.

Central government subsector (S.1311)

The Slovenian statistical authorities clarified that the central budget was still a problem and that the statistical discrepancy remained high. Work on reconciliation of F.7 data between 'Premoženjske bilance' and financial accounts was still in progress and B.9 of direct budgetary units could be still revised in the October 2013 EDP notification. During the process of reconciliation of F.7 between the financial accounts compiled by the Bank of Slovenia and the data from the new data source 'Premoženjske bilance', an inconsistency in the consolidation of financial instruments, impacting B.9, was revealed, mainly related to the Single Treasure Account (STA)⁴. Transactions in this account seemed to be included in the EDP table 3B, however, they were not allocated by groups of units due to unavailable counterpart information. It was explained that the inclusion of STA would not have an impact on B.9, since it was already included in the EDP table 2A as interest flows.

Eurostat enquired about the situation for other central government bodies. In case of the Slovenian Restitution Fund, the SORS confirmed that B.9 was correct and no statistical discrepancy was included in F.7. However, F.3 instrument (Securities other than shares) was additionally adjusted, assuming that data sources were less accurate for this instrument than for the other financial instruments. The same adjustment was applied also for the Capital Fund (S.1314). Eurostat considered this method of elimination of the statistical discrepancy as incorrect and asked the Slovenian statistical authorities to clarify the rationale of this approach in a note. Concerning the public service providers, agencies (e. g. hospitals,

⁴ All budgetary units with surpluses are obliged to transfer and deposit these amounts in the STA, which are then used as loans to other public units or used as deposits in banks. Transactions at the level of local government are negligible.

universities) and public corporations, the Slovenian statistical authorities reported that problems relating to the reconciliation of data sources were solved and other accounts payable/receivable will be consistent between EDP table 2 and 3 in the context of the October 2013 EDP notification.

As stated by the Slovenian statistical authorities, from the October 2013 EDP notification onwards, 'Premoženjske bilance' would be used as a final data source as it provides more detailed information on other accounts receivable/payable. 'Premoženjske bilance' are transmitted by all general government units to the Ministry of Finance by the end of June each year.

The issue of differences in Currency and deposits (F.2) between public accounts and financial accounts was discussed. The Bank of Slovenia confirmed that data on F.2 from 'Premoženjske bilance' were regularly crosschecked with money and banking statistics and that no or small discrepancies were observed.

Local government subsector (S.1313)

The Slovenian statistical authorities confirmed that work on allocation of F.7 to EDP table 2 was still in progress and expected to send the corrected data in the April 2014 EDP notification. The main problem seemed to be unavailability of data on accrual adjustments for local budgets, in particular on Market output (P.11), Other taxes on production (D.29) and Miscellaneous current transfers (D.75). As one of the possible reasons for statistical discrepancy, inconsistent data on F.2 was identified. Eurostat asked the Slovenian statistical authorities to analyse this issue and report back to Eurostat before the April 2014 EDP notification.

Social security funds (S.1314)

The Slovenian statistical authorities reported that reconciliation works for social security funds were almost completed and that B.9 of the units classified in this subsector was considered to be correct. Similarly to the case of the Slovenian Restitution Fund, Eurostat considered the allocation of the discrepancy in F.3 instrument of the Capital Fund as inappropriate, and asked the Slovenian statistical authorities to provide a rationale behind this approach.

Findings and conclusions

3. The Slovenian statistical authorities will provide detailed progress reports on the steps undertaken and foreseen, as regards the improvement of quality of Other accounts receivable/payable (F.7) by subsectors. The second report will also include figures and reconciliation tables for F.7 for the period 2008-2012.

Deadline for the first report: October 2013 EDP notification⁵

Deadline for the second report: end of February 2014⁶

⁵ The action point was completed in the October 2013 EDP notification.

⁶ The action point was completed on 1 April 2014.

4. The Slovenian statistical authorities will analyse the remaining unexplained Other accounts receivable/payable (F.7), as reported in the EDP related questionnaire for central government for 2008-2012, and ensure that no statistical discrepancy is included in F.7. *Deadline: April 2014 EDP notification*⁷
5. The Slovenian statistical authorities will send to Eurostat a progress report on the reporting of the State Treasury Account in the EDP tables and on the recording of consolidation in the EDP tables 3A-3E for 2008-2012. *Deadline: end of February 2014*⁸
6. The Slovenian statistical authorities will send to Eurostat a note on the rationale for including the statistical discrepancy in Securities other than shares (F.3) in the case of the Capital Fund and the Slovenian Restitution Fund. *Deadline: October 2013 EDP notification*⁹
7. The Slovenian statistical authorities will analyse the remaining unexplained Other accounts receivable/payable (F.7), as reported in the EDP related questionnaire for local government for 2008-2012, and ensure that no statistical discrepancy is included in F.7. *Deadline: April 2014 EDP notification*¹⁰

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government

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

Introduction

The business register is maintained by the Agency for Public and Legal Records (AJ PES). The AJ PES is responsible for the primary classification of units at the time of registration. The following monitoring and potential reclassification of units are carried out by the 'Commission for solving controversial cases' (Commission) which is composed of the SORS, Bank of Slovenia, Ministry of Finance and AJ PES. A database of all units (including general government by sub-sectors) is publicly available on the AJ PES website.

Discussion and methodological analysis

The Slovenian statistical authorities explained that the first decision on the sector classification of a new unit is taken by the AJ PES and is based on the legal forms as the accounting statements are not yet available. However, as soon as the accounting statements are available, a checking of the 50% criterion and further monitoring of sector classification of the unit is performed by the Commission. The 50% rule is calculated for each indirect unit and each public corporation once a year, using data from financial statements. If the unit does not comply with the 50% test in consecutive years (usually 3 years), a decision on the unit reclassification is taken by the Commission, taking into account also qualitative information.

⁷ The action point was completed on 1 April 2014. Further progress is still expected concerning the data for 2011.

⁸ The action point was completed on 1 April 2014.

⁹ The action point was completed in the April 2014 EDP notification.

¹⁰ The action point was completed on 1 April 2014.

In this context, the sector classification of the AJPES, which is currently treated as a non-market unit and classified in the central government subsector (S.1311), was discussed. The AJPES was set up in 2002 and took over from government activities in the field of data collection, maintaining of business register, statistical research and other commercial activities. In 2012, less than 50% of the revenue came from government. In the future, AJPES plans to extend market activities provided to the private sector. Since the market/non-market test showed results above 50% for recent years, it was foreseen to reclassify the unit to the non-financial corporation sector (S.11), if the unit would comply with the rule also in 2013. Upon Eurostat enquiry, the SORS clarified that although part of the revenues come from market activities, it is still government which decides on the scope of agency activities and salaries of the officials employed by the Agency. The Slovenian statistical authorities recalled that around 10% of the units classified in the non-financial corporation sector are similar in nature to the AJPES. In the specific cases of public pharmacies, facilities for aged persons, dormitories and other units, part of the funding is provided by government and salaries of the staff are included in the budget. However, these units function on a market basis and compete with private units. Eurostat stressed the need to reflect on the sector classification of these units in the light of ESA 2010 and asked, in this context, the Slovenian statistical authorities to provide an updated Questionnaire on the possible impact on government deficit and debt due to re-classification of units, after the analysis of public ownership in the context of the ESA 2010 implementation.

Prior to the visit, the Slovenian statistical authorities reported on the changes in sector classification of government units since the previous EDP standard dialogue visit in 2011. The changes mainly included a split of the railway company 'Slovenske železnice' into four units (two of them were classified inside the general government) and the reclassification of 'Posebna družba za podjetniško svetovanje' (PDP) and 16 public corporations inside the general government sector. Other government units were liquidated or merged (in case of some ministries). Since the PDP was included in the Questionnaire on government controlled entities with results of the market/non-market test below 50%, the Slovenian statistical authorities were asked to clarify why this unit was not classified in the general government sector. It was explained that PDP was established by the Slovenian Restitution Fund, Capital Fund and 'Družba Slovenije za upravljanje' (DSU) in 2010 in order to manage the companies' portfolio, including distressed companies. On this basis, the company provided capital injections to loss-making companies in 2010 (3.2 million EUR) and in 2011 (0.5 million EUR). It was also mentioned that, due to impairment of assets, significant losses were reported by the PDP in recent years. Finally, the Slovenian statistical authorities informed that the PDP was already reclassified to the general government sector from 2010 onwards, when it had been established.

Eurostat further enquired about the case of 'Rimske Terme', which was included in the Questionnaire on government controlled entities and did not comply with the 50% test. The Slovenian statistical authorities explained that no transfers were provided by government and that the company was currently in a liquidation process. It was also clarified that, although the government share is minor (3.8%), the major shareholder is a public corporation, and therefore, the company is public and it was included in the Questionnaire on government controlled entities.

Following the Eurostat enquiry, the Slovenian statistical authorities agreed to analyse government control in non-profit institutions serving households (S.15) and to include them in the Questionnaire on government controlled entities, if relevant.

Findings and conclusions

8. The Slovenian statistical authorities will provide Eurostat with a list of currently planned reclassifications of government units, as agreed by the expert working group. *Deadline: end of November 2013*¹¹
9. The Slovenian statistical authorities will analyse possible reclassifications of units in the context of ESA 2010 and provide Eurostat with an updated version of the Questionnaire on possible impact on government deficit and debt from the implementation of ESA 2010, if necessary. *Deadline: end of December 2013*¹²
10. The Slovenian statistical authorities will send an updated Questionnaire on government controlled entities classified outside general government after the analysis of public ownership as well as including the government controlled units classified in S.15. *Deadline: end of December 2013*¹³

4.1.2. Public infrastructure companies

Introduction

Under this agenda point, the issue of the motorway company 'Družba za avtoceste v RS' (DARS) and the railway company 'Slovenske železnice' was discussed.

DARS is a joint-stock company established in 1993. In 1994, the Republic of Slovenia transferred the management of all existing motorways, as well as relevant infrastructure and plants, to DARS. Currently, it is classified in the non-financial corporation sector (S.11) and it is 100 % owned by the state. The main revenue of the company are vignettes and tolls. DARS is in charge of financial engineering, preparing, organising and managing construction and maintenance of the motorway network and is also responsible for the management of motorways in Slovenia.

According to the new law effective since 2010, DARS constructs motorways in its own name and on its own account within the scope of the concession agreement signed with government. The concession contract for the construction of a motorway section is concluded for a term that enables the repayment of all obligations arising from loans or debt securities, raised or issued for the construction of the specified motorway section, for a maximum of 50 years. For the period of the duration of the Concession agreement, the government establishes in favour of DARS a right of superficies on land, where DARS will perform construction works. Since 2012, a compensation for the right of superficies is paid by DARS. At termination of the right of superficies, the government, as the owner of the land, does not pay any compensation to the owner of the right of superficies. The financing sources for these tasks are vignettes and tolls and other marketing sources of motorways, borrowings and other sources. In 2012, government guarantees on debt of DARS amounted to 2.8 billion EUR. No guarantees have been called until now.

¹¹ The action point was completed on 29 November 2013.

¹² The action point was completed on 10 January 2014.

¹³ The action point was completed on 10 January 2014.

In 2011, the railway company 'Slovenske železnice' (SŽ) was restructured into four units which are owned by government. The sector classification of SŽ was discussed in the latest EDP mission in 2011, however, the final decision on the classification was taken in 2012, after the reorganization was completed and information was available. Accordingly, the Slovenian statistical authorities informed Eurostat that based on the market/non-market test, 'SŽ Passenger Transport' and 'SŽ Infrastructure' were classified in the general government sector (S.13) and 'SŽ Cargo Transport' and 'SŽ Holding' were classified in the non-financial corporations sector (S.11).

Discussion and methodological analysis

Eurostat enquired about the ownership and recording of assets which are managed by DARS. The Slovenian statistical authorities explained that, before 2010, DARS accounts did not include the gross fixed capital consumption. However, since 2010 onwards, after adoption of the new law, all constructed motorways infrastructure is included on the balance sheets of DARS, as well as all financial liabilities to banks and liabilities that refer to loans and issued bonds. DARS, as a concessionaire, is the economic owner of the infrastructure, however, government is the owner from a legal point of view. Therefore, at the end of the concession contract, motorways will be transferred back to government. It is also government which decides on prices of vignettes and tolls. It was also mentioned that there was a proposal being currently discussed to introduce an electronic toll collection instead of vignettes for passenger car transport.

The Slovenian statistical authorities informed Eurostat, that in the following years DARS could face the problem to service its debt and that new loans with a government guarantee would be needed to refinance the current debt. It was clarified that DARS annually needed about 60 million EUR to pay interest from loans and the plan to introduce electronic tolls would partly solve the problem. Upon Eurostat's enquiry, the SORS confirmed that DARS complied with the 50% rule and that no change was expected with respect to ESA 2010. The Slovenian statistical authorities also informed Eurostat about the on-going discussions on the government plan to privatize DARS. Eurostat will review the issue in the context of the ESA 2010.

Regarding the railway company 'Slovenske železnice' (SŽ), the Slovenian statistical authorities confirmed the sector classification of 'SŽ Cargo Transport' as a market unit classified in the non-financial corporation sector and the classification of 'SŽ Infrastructure' in general government. With regard to the results of the market/non-market test for recent years, it was noted that 'SŽ Passenger Transport' could comply with the 50% rule in the following years and accordingly, it could be reclassified to the non-financial corporation sector. Furthermore, the Slovenian statistical authorities informed Eurostat about the plan to privatize the company in the future. Eurostat further enquired about 'SŽ Holding'. It was explained that the company is an unusual big holding having around one thousand employees. It manages the whole system of railway companies. It was also mentioned that the holding company received funds from other three railway companies, but no financing from government. The holding company also borrows on the financial market in order to provide financing to 'SŽ Passenger Transport'. Eurostat concluded that the holding company seemed to be a market unit, however, the sector classification of the company was to be continuously monitored by the Slovenian statistical authorities.

Findings and conclusions

11. The Slovenian statistical authorities will send to Eurostat a copy of the concession contract between the motorway company DARS and government. *Deadline: end of September 2013*¹⁴
12. The Slovenian statistical authorities will further follow up on the sector classification of the railway companies 'SŽ Passenger Transport' and 'Slovenske železnice Holding'.

4.1.3. Družba za upravljanje terjatev bank – DUTB (Bank Asset Management Company)

Introduction

Pursuant to the law on 'Measures of the Republic of Slovenia to strengthen bank stability', the Bank Asset Management Company (Družba za upravljanje terjatev bank – DUTB) and the Bank Stability Fund (BSF) were established in order to strengthen the stability of banks and the stability of the financial system as a whole. The DUTB and the BSF are established for the period until 31 December 2017. In order to finance the purchases of 'bad claims' from banks, the DUTB may issue bonds or other financial instruments which are guaranteed by the State and take up loans with a state guarantee.

Discussion and methodological analysis

The DUTB is a joint-stock company fully owned by the State. The State holds the subsidiary responsibility for all liabilities of the DUTB. For the purposes of the stabilisation measures under the law, the DUTB establishes and manages the BSF. The bodies of the DUTB are the Assembly and the Management Board. The tasks and competences of the Assembly of the DUTB are implemented by the State as the sole shareholder. The Slovenian statistical authorities confirmed that the DUTB was to be classified inside the general government sector (S.1311) as it is a 100 % government-owned entity with no autonomy of decision.

Under this agenda point, also operations related to financial rescue of banks were discussed. The Slovenian banking system comprises of 19 banks and 3 saving banks. Ten banks were under majority domestic ownership and 11 banks under majority foreign ownership. 'Nova Ljubljanska banka' (NLB), 'Nova KBM' (NKBM) and Abanka are the largest banks under majority state ownership. The Slovenian statistical authorities stated that ten banks were currently undergoing external stress tests, out of which two banks were in a liquidation process. Due to delays in procedural arrangements, the transfer of bad claims to the DUTB was postponed towards the end of 2013.

The Slovenian statistical authorities also informed Eurostat that around 1 billion EUR was included in the budget forecast for 2013, with the purpose to be provided to two banks in liquidation (Probanka and Factor banka) in order to finalize the winding down procedure. The amount of 1.2 billion EUR was foreseen to be provided by government as a capital injection to the three largest banks NLB, NKBM and Abanka in 2013¹⁵.

¹⁴ A copy of the concession agreement was provided to Eurostat during the meeting.

¹⁵ In December 2013, Slovenian government provided capital injections to NLB bank for an amount of 1551 million EUR, to NKBM bank for an amount of 870 million EUR, to Abanka for an amount of 348

It was also mentioned by the Slovenian statistical authorities that government intended to allow for private ownership in the DUTB and, in this context, to amend the Act on Strengthening the Banking Stability. Eurostat asked the Slovenian statistical authorities to provide more information when the final decision is available.

Furthermore, the issue of valuation and transfer of bad assets from banks to the DUTB was discussed. The Slovenian statistical authorities explained that stress tests and setting up the market value would be performed by independent international experts. As a result, problematic assets would be transferred to the DUTB and, in exchange, banks would receive bonds with a government guarantee. Eurostat stressed that, according to applicable MGDD rules, valuation of bad assets was an important aspect and the difference between transfer price and “market price” of bad assets could have an impact on the deficit.

Findings and conclusions

13. The Slovenian statistical authorities will provide a note on the Bank Asset Management Company (DUTB) and on the statistical implications, when the final decision will be taken.
15. The Slovenian statistical authorities will provide Eurostat with a note on the accounting consequences of government interventions into financial institutions, once they have taken place.¹⁶

4.1.4. Slovenski državni holding (Slovenian Sovereign Holding)

Introduction

In 2012, an act on the Slovenian government holding ‘Slovenski državni holding’ (SSH) was adopted with the main aim of concentrating the management of state strategic and portfolio investments and state-owned real estate within one body – SSH. Although the SSH has not been created yet, it is planned to be organised in the form of a joint-stock company, with the government performing the function of the General Assembly. Nine members of its supervisory board should be elected by the Parliament and the management board should be composed of three members.

Discussion and methodological analysis

The Slovenian statistical authorities clarified that the holding company was supposed to replace four existing institutions by absorbing the Slovenian Restitution Fund (SRF) and the DSU fund (Company for management and consultancy, classified in S.1311) and by abolishing the Capital Assets Management Agency (AUKN) and the restructuring company PDP¹⁷. State assets would be transferred at fair value. It was also stressed that the Capital Fund (S.1314) would remain a separate legal entity within the holding and would contribute with 50 million EUR to the pension purse every year. The insurer ‘Modra zavarovalnica’, which manages public employees' pension funds, will remain a part of the Capital Fund.

million EUR. Capital injections provided to the two banks in liquidation amounted to 269 million EUR to Factor banka and 176 million to Probanka.

¹⁶ The recording of the bank recapitalisations in 2013 was clarified in the exchange of emails in January–February 2014 and it was confirmed in the April 2014 EDP notification.

¹⁷ Financial holding company owned by Capital Fund, SRF and DSU. The unit was discussed under agenda point 4.1.1.

The Slovenian statistical authorities explained that although the SSH had not been established yet, AUKN and PDP had already been abolished. Moreover, government had proposed substantial changes that could have an impact on the scope of the SSH activities. The Slovenian statistical authorities informed Eurostat that, under the current conditions, the SSH would be classified in the general government sector.

Findings and conclusions

14. The Slovenian statistical authorities will provide a note on the Slovenian Sovereign Holding, upon amendment of the law.¹⁸

4.2. Implementation of accrual principle

4.2.1. Accrual taxes and social contributions

Introduction

The Slovenian statistical authorities use the *assessment and declaration method* for accrual recording of the VAT (D.2) and Excise duties (D.2). The Corporate income tax (D.5), Personal income tax (D.5) and Social contributions (D.611) are recorded on an accrual basis using the *time adjusted cash*. All other taxes are recorded on a cash basis.

Discussion and methodological analysis

Data on VAT are collected by the Tax Administration Office and data on Excise duties are collected by the Customs Administration Office. The SORS compiles data for EDP and ESA purposes. An estimation of the amounts unlikely to be collected is based mainly on write-offs. The coefficients were revised several times in the past. During the clarification in the April 2013 EDP notification, Eurostat considered the coefficients low and the current method as not fully reflecting the reality. Therefore, the SORS agreed to change the assessment and declarations method to time adjusted cash for the recording of VAT in the October 2013 EDP notification.

Prior the mission, the Slovenian statistical authorities provided the revised VAT figures for 2009-2012 which were compiled using cash, time adjusted by one month. After Eurostat enquired about the 'one month time lag', the SORS clarified that the analysis made on 40 days' time lag showed volatile figures for the additional 10 days. As the Slovenian statistical authorities beforehand informed Eurostat (Government Finance Statistics department) that time series prior to 2009 would not be revised, Eurostat asked about the reasons. The Slovenian statistical authorities explained that the data on VAT up to 2008, compiled according to the assessment and declaration method, were balanced and of a good quality. However, legislative changes and the economic crisis after 2008 caused frequent revisions of VAT figures and resulted in a change of method.

Regarding the customs duties and excise duties, the assessment and declaration method will still be used. The amount of the duties is around 2 million EUR per year.

For accrual recording of corporate income tax and personal income tax, a method of time adjusted cash is used. Data are collected by the Ministry of Finance and accrual data for the EDP reporting are compiled by the SORS. Concerning the personal income tax, a time lag of

¹⁸ The action point has not yet been completed.

one month is used for monthly prepayments and three months' time lag for annual settlements. Since final data are available at T+13 months, an estimate is used for the April EDP notification. However, revisions in the following EDP notifications are limited.

In case of the corporate income tax, final settlements for the year T-1 are deducted from cash data for the current year T and final settlements for the year T are added. The Slovenian Ministry of Finance explained that the deadline for taxpayers to submit tax returns is the end of March and therefore, the first data on corporate income tax are not available before 10th of April. Eurostat stressed that the most updated data have to be included already in the April EDP reporting, if available. In this context, a close cooperation between the SORS and the Ministry of Finance is expected. It was also mentioned by the Ministry of Finance that, due to frequent changes in legislation, it was difficult to estimate the data for the corporate income tax for the current year. For 2014, no substantial changes are expected. Eurostat encouraged the Slovenian statistical authorities to reflect in advance on such changes in the EDP reporting, in order to avoid potential significant revisions.

Data on social contributions are collected by the Ministry of Finance from different data sources, i. e. central budget, pension budget and health budget. For the EDP and ESA reporting, accrual data are compiled by the SORS. The Slovenian statistical authorities explained that a one month time lag is used for the adjustment. In addition, amounts of social contributions unlikely to be collected are added to both government revenues and government expenditures, with no impact on B.9 of general government. As stated by the SORS, the main purpose was to reduce inconsistencies between the general government and other sectors. An estimated amount of adjustment was about 20 million EUR per year. Eurostat asked the Slovenian statistical authorities to remove the adjustment for amounts unlikely to be collected and to properly apply the method of time adjusted cash, in order to report data on an accrual basis for the recording of social contributions.

Findings and conclusions

16. The Slovenian statistical authorities will report value added tax (VAT) on a time adjusted cash basis from the October 2013 EDP notification onwards, using a one month time lag. The table 5 in the EDP related questionnaire will be revised accordingly. *Deadline: October 2013 EDP notification*¹⁹
17. The Slovenian statistical authorities will ensure the inclusion of the latest data on corporate income tax already in the April EDP notifications. In this context, a close cooperation between national authorities is expected.
18. The Slovenian statistical authorities will report Other accounts receivable/payable (F.7) related to corporate income tax (D.5) in the table 5 of the EDP related questionnaire on a net basis. *Deadline: October 2013 EDP notification*²⁰

4.2.2. Accrued interest

Introduction

Interest is recorded in the state budget on a cash basis and the adjustment to accrual value is calculated according to individual contracts, taking the valuation of the instrument and the

¹⁹ The action point was completed in the October 2013 EDP notification.

²⁰ The action point was completed in the October 2013 EDP notification.

interest rate as provided by the Ministry of Finance into account. Interest for other government bodies (public service providers and agencies, Slovenian Restitution Fund, Capital Fund, public corporations) is recorded on an accrual basis. For local government, the debt instruments are bank loans and interest is adjusted to accrual interest recording according to the average quarterly interest rates as provided by the Bank of Slovenia.

Discussion and methodological analysis

Eurostat enquired about the recording of inflation indexed bonds which were issued by the Slovenian Restitution Fund to compensate the private property which was confiscated after the Second World War. As explained by the Slovenian statistical authorities, accrual interest is imputed by the SORS for each bond in the period when the interest is due. In the EDP tables, the adjustment is included in the calculation of net lending/net borrowing of the Slovenian Restitution Fund.

The recording of swap operations which took place in October 2012, was also discussed. The Slovenian statistical authorities explained that the central budget borrowed on the US market in USD. As for the recording in the EDP tables, the related transactions were included in the working balance and stock-flow adjustments.

The Slovenian statistical authorities informed Eurostat about the planned revision of accrual interest in the October 2013 EDP notification. The adjustment for accrual interest in the EDP table 2A for the years 2011-2012 would be recalculated for each instrument. The impact of the revision for 2012 would be about 21 million EUR. In the EDP table 3A, the revision would relate to a separate reporting of issuances above/below nominal value from the adjustment for accrual interest.

Findings and conclusions

Eurostat took note of these explanations.

4.2.3. EU flows

Introduction

EU funds are deposited in a special bank account at the Bank of Slovenia. In the central budget, an adjustment on the revenue side is recorded in the year when the final beneficiary incurs expenditure and, therefore, there is no impact on government deficit/surplus in the EDP table 2. In the EDP table 3, the adjustment in Other accounts payable (F.7) is recorded in order to neutralize the impact of the deposits from the EU which are included in Currency and deposits (F.2). The adjustment in F.7L is recorded on a net basis, i. e. the difference between payables and receivables related to the deposits from the EU.

Discussion and methodological analysis

The Slovenian statistical authorities confirmed that EU flows are recorded on a cash basis and that the neutralisation for EU flows is recorded at the time of real expenditure. In the EDP table 2, an adjustment related to difference between cash and accrual payment to EU for own resources is recorded. Eurostat further enquired about the recording of transfers of EU funds from the central budget to local government units and in particular, about the time of recording in the account of the final beneficiary. The Slovenian statistical authorities

committed to investigate the issue and inform Eurostat about the recording and amounts of transfers.

Eurostat further enquired about potential cases of the EU funds which were not reimbursed by the EU, following the European Commission decision on financial corrections. It was explained that, at the time of the final decision, government expenditure is to be recorded to Institutions and bodies of the EU as a counterpart (S.212). The Slovenian statistical authorities said that they were not aware of such cases. Eurostat took note of the explanation and asked the Slovenian statistical authorities to monitor if such cases would happen in the future.

Under this agenda point, the Slovenian statistical authorities informed Eurostat about the recording of domestic agricultural subsidies. Due to delayed payments, final data on subsidies are available to the SORS at T+12 months, thus implying frequent revisions of data in national accounts. Eurostat took note of the explanations and agreed with the proposal of the Slovenian statistical authorities to exceptionally record in national accounts the domestic agricultural subsidies on a cash basis.

Findings and conclusions

19. The Slovenian statistical authorities will investigate on the amounts and time of recording of EU flows transferred from central government to local government, in order to ensure a correct recording in the EDP tables. *Deadline: April 2014 EDP notification*²¹
20. The Slovenian statistical authorities will investigate and report to Eurostat on any decisions by the EU on corrections for EU grants, when applicable, in order to ensure a correct recording in the EDP tables.
21. Eurostat took note that, due to the long delays in the availability of data on national agricultural subsidies, amounts could exceptionally be recorded on a cash basis, instead of accrual.

4.2.4. Military equipment expenditures

Introduction

The time of recording of military expenditure is the date of payment (cash data), which is according to the Slovenian statistical authorities close to the time of delivery. The time lag of the payment for intermediate consumption is one month, which has in most cases only a negligible impact.

Discussion and methodological analysis

The Slovenian statistical authorities confirmed the above mentioned recording of military expenditures in national accounts and informed Eurostat that since 2014, the Ministry of Defence would provide to the SORS accrual data on expenditures related to military equipment.

²¹ The action point has not yet been completed.

A possible impact of changes under ESA 2010 was discussed. In this context, the Slovenian statistical authorities explained that the Ministry of Defence agreed to provide the relevant data on intermediate consumption and that expenditures will be re-allocated to particular years. Over the period, total impact would be zero.

Findings and conclusions

22. Eurostat took note that the recording of military expenditures was at present on a pure cash basis. However, cash payments were close to the time of delivery and the amounts involved were small.

4.3. Recording of specific government transactions

4.3.1. Specific government transactions in the context of the global economic crisis

Introduction

In 2012, two Slovenian banks issued hybrid instruments in loan/bond format to comply with the requirements of the Core Tier 1 ratio. In both cases, government participated by providing the funds. In the beginning of 2013, hybrid instruments were converted into equity. Based on the information provided by the Slovenian statistical authorities at the time of ex-ante advice, Eurostat conditionally agreed that there was no impact on the deficit in 2012 and that the conversion was to be recorded as government expenditure in 2013.

Discussion and methodological analysis

In 2012, the bank 'Nova Ljubljanska banka' (NLB) issued a hybrid instrument in loan/bond format, in line with the minimal requirements featured in the EBA Buffer Convertible Capital Securities Term Sheet, in order to have it included in the calculation of the Core Tier 1 ratio. The government invested in the instrument a part of its deposits in the bank (320 million EUR). In 2013, the hybrid loan was converted into equity.

By the end of 2012, based on the Hybrid Loan Facility Agreement, government provided 100 million EUR to 'Nova KBM' (NKBM) in a form of hybrid loan facility. In March 2013, it was decided by the NKBM to increase the share capital by converting the hybrid loan into equity in order to comply with the requirements for the Core Tier I capital ratio.

Before the April 2013 EDP notification, the Slovenian authorities informed Eurostat that in the letters sent by the banks NLB and NKBM to government, it was stated that this conversion was mandatory due to the EBA requirements, as regards the Tier I capital ratio at the date of 31.12.2012. The request for conversion was sent by both banks at the beginning of 2013 and the actual conversion of the hybrid loan into equity took place in the first quarter of 2013 (NLB) and second quarter of 2013 (NKBM). Eurostat's opinion was that, until the actual conversion of hybrid loan into equity took place, the hybrid loan (Coco) was still considered as a debt instrument. Based on the information provided by the Slovenian statistical authorities, Eurostat recommended to the SORS that the capital transfer was to be recorded in 2013, and not in 2012.

During the meeting, the Slovenian statistical authorities confirmed that the conversion of the hybrid instruments into equity took place in 2013 and included also accrued interest. Following this information, Eurostat confirmed its preliminary opinion on the recording of the transaction in national accounts as a capital transfer in 2013.

Under this agenda point, Eurostat also enquired about the guarantee schemes that were introduced in 2009 and in particular on the guarantee schemes for banks (2 billion EUR) and for enterprises (185 million EUR) which were both operated by the Slovenian Export Bank (SID) in the name and on the account of government. The Slovenian statistical authorities clarified that these schemes were more related to the business crisis than to the financial crisis. In 2011 and 2012, some negligible amounts of guarantee calls were recorded. Eurostat concluded that both schemes were not to be included in the Supplementary tables for the financial crisis.

Findings and conclusions

23. Eurostat confirmed that the conversion into equity of the hybrid loan provided to the banks NLB and NKBM was to be recorded in 2013, and not in 2012. This would increase the government deficit by 420 mill euro in 2013.

4.3.2. Slovenian Restitution Fund (SRF)

Introduction

The issue was discussed in the previous EDP dialogue visits in Slovenia. The Slovenian Restitution Fund handles compensation by government for the confiscated private property after 1945. So far, government issued 3 series of bonds (SOS-2E in 1995; RS-21 and RS-39 in 2001), which were shown as capital transfers (D.9) in national accounts. The capital transfers were recorded in the year when the claims had to be registered at the Court (i.e. in 1995 and 2001). Additional revisions of the agreed amounts are to be recorded on a cash basis.

Discussion and methodological analysis

The Slovenian statistical authorities reported no changes in the SRF model since the previous EDP standard dialogue visit. Concerning the revision of the agreed amounts of compensations, it was confirmed that additional payments amounting to 8 million EUR were recorded on a cash basis as government expenditure and Other accounts payable (F.7) as a counterpart. Furthermore, it is foreseen that restitutions via SOS-2E bonds will be finished in 2017.

The Slovenian statistical authorities also confirmed the recording of compensations of the amounts which households invested in the TELEKOM (Telecommunication Company) infrastructure in the past. Reimbursement is not paid by the SRF anymore, but directly by the State budget. As the SRF is included in the central government sub-sector, there is no difference for B.9.

Findings and conclusions

Eurostat took note of the explanations.

4.3.3. Guarantees

Introduction

Government guarantees are provided at central and local government levels. Information on the government guarantees provided to beneficiaries by field of activity and type of beneficiary is publicly available on the website of the Ministry of Finance. In the EDP tables, the impact of guarantee calls is reported as net, i. e. guarantees calls minus repayments. Accrued interest is included in accrual adjustment for interest flows.

Discussion and methodological analysis

Prior the mission, the Slovenian statistical authorities provided a list of guarantees by beneficiary for the period 2009-2012. The predominant part concerns the public infrastructure companies DARS, 'Slovenske železnice' and the Slovenian Export Bank. It was confirmed that data on individual guarantees provided by the central and local governments are delivered to the SORS by the Ministry of Finance for all government schemes and that the data are exhaustive. In particular, the SORS receives information on the guarantee stocks, guarantee calls, repayments of guarantees called, provisions, relevant interest and new guarantees provided by government.

The Slovenian statistical authorities informed Eurostat about three existing guarantee schemes run by government, i. e. for unincorporated persons, banks and enterprises. Since 2010, guarantee calls mainly related to the guarantees provided in the context of financial crisis and involved small amounts of calls within a deposit guarantee scheme. Concerning the standard guarantees, guarantee calls are negligible at both central and local government levels in recent years.

Findings and conclusions

Eurostat took note of the explanations.

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

Introduction

Central government claims are mainly provided by the 'Enotni zakladni račun' (Single Treasury Account) and by extra budgetary funds (e. g. Slovenian ECO Fund, Slovenian Dwellings Fund, Slovenian Regional and Rural Development Fund). At the local government level, amounts are negligible. Most of the government claims are related to the loans provided to Greece, to other government subsectors and to non-government sectors (non-financial corporation sector and households). Stock-flow data are available by general government subsectors and by receiving subsectors, including intra-government lending, from the data base of the Bank of Slovenia which compiles financial accounts for general government.

Discussion and methodological analysis

Eurostat noted that no data were reported for 'Claims against public corporations' in the table 8²² of the EDP related questionnaire and enquired whether the data were available. The Slovenian statistical authorities confirmed that the claims against public corporations were included in the item 'Other claims' and agreed to report them separately in the April 2014 EDP notification.

In 2010 and 2011, government assumed claims of the Slovenian Restitution Fund (S.1311) and of two railway companies. The debt assumption of 335 million EUR for the Slovenian Restitution Fund was related to the payments for the Telecom company. The transaction was recorded as a capital transfer payable by government and consolidated within central government. In 2011, claims of 'SŽ Passenger Transport' for an amount of 15 million EUR (classified in S.1311) and claims of 'SŽ Cargo' for an amount of 119.4 million EUR (classified in S.11) were recognized by government. As a follow-up of the previous EDP standard dialogue visit in 2011, the Slovenian statistical authorities clarified that the claims were not linked to unpaid subsidies by government and were established by an auditing process. According to the available information, claims will be paid in the period 2012-2016. The debt assumption was recorded as a capital transfer payable by government in 2011. The transaction relating to 'SŽ Passenger Transport' classified inside the central government, was consolidated.

Eurostat further enquired about other possible cases of debt cancellations, debt write-offs and sales of claims. The Slovenian statistical authorities confirmed that no such cases were relevant.

Findings and conclusions

24. The Slovenian statistical authorities will complete the table 8.1 in the EDP related questionnaire by splitting the data currently reported under 'Other claims' into 'Claims against public corporations' and 'Other claims'. *Deadline: April 2014 EDP notification*²³

4.3.5. Capital injections in public corporations, dividends, privatization

Introduction

In central government, the main data source for capital injections is budget reporting. Individual data are available to the SORS upon request from the Ministry of Finance and they are cross-checked with the data from the financial statements. The capital injection test is applied for individual transactions. At the local government level, capital injections are negligible.

For the central budget, revenue from dividends is included in the working balance. When applying the super dividend test, individual data are available to the SORS from the Ministry of Finance. In 2012, three cases of super dividends were recorded. At the local government level, the super dividend test is not applied.

²² Reconciliation of stocks and flows of central government claims S.1311 (ESA95 accounts)

²³ The action point was completed in the April 2014 EDP notification.

Budget reporting is the main data source for privatization receipts in the central budget. Privatization proceeds are not included in the working balance. In 2009, a privatization agency ‘Posebna družba za podjetniško svetovanje’ (PDP) was created by the Capital Fund, the Slovenian Restitution Fund and DSU. Privatization receipts at the local government level are negligible.

Discussion and methodological analysis

The Slovenian statistical authorities explained that capital injections are mainly provided by the central budget and other government bodies, in particular the Slovenian Restitution Fund, the Capital Fund and some government agencies (DSU, PDP). The SORS confirmed that an exhaustive list of capital injections was available and individual information was received directly from the units concerned. It was further clarified that the capital injection to a loss-making public corporation is treated as a capital transfer. In the case of repeated capital injections into a loss-making corporation, the Slovenian statistical authorities follow up on a sector classification of the corporation.

Upon Eurostat’s enquiry, the Slovenian statistical authorities explained that when applying the capital injection test in the local government subsector, a threshold is used. For the capital injections above 1 million EUR, individual information from financial statements of the beneficiary is checked and the capital injection test is applied. It was also mentioned that, in recent years, capital injections in local government were mainly provided to infrastructure companies and treated as equity injections (F.5). Eurostat took note of the explanation.

Concerning the data reporting in the table 10²⁴ of the EDP related questionnaire, Eurostat noted that no data are reported for the items ‘Equity injections into public corporations’ and ‘Earnings of public corporations’. In addition, the Slovenian statistical authorities have not completed data on ‘Largest losses of loss making corporations’ in the table 10.2. The Slovenian statistical authorities agreed to investigate on the data availability and complete the table 10 in the October 2013 EDP notification.

Furthermore, the recording of dividends and the performance of the super dividend test was discussed. As clarified by the Slovenian statistical authorities, the withdrawal of income from public corporations is compared with the ‘profit after tax’ indicated in the corporation’s financial statements. In 2012, three cases of exceptional withdrawal of equity (Telekom Slovenije d.d., Gen Energija d.o.o. and Elektro Slovenija) were identified and recorded as super dividends. Upon Eurostat’s enquiry, the Slovenian statistical authorities confirmed that revaluation proceeds might be included in the profit after tax. Eurostat stressed that according to the MGDD rules, revenues from sale of assets and revaluation proceeds were not to be included in the distributable income and asked the Slovenian statistical authorities to correct the super dividend test accordingly.

Eurostat also noted that data on ‘Super dividends’ in the table 10.1 and ‘Distributions by large operations’ in the table 10.2 were not provided in the EDP related questionnaire. In this regard, Eurostat asked the Slovenian statistical authorities to complete the missing data in the October 2013 EDP notification.

²⁴ Capital injections, super dividends and privatization

In the EDP related questionnaire, the Slovenian statistical authorities report dividends paid by the Bank of Slovenia in recent years. It was clarified that according to the law, the Bank of Slovenia is obliged to divert 25% of its previous year's surplus to the central budget. Capital gains are not included in the surplus and have to be deposited in a special reserve fund. In 2013, government decided to increase the payment from the Bank of Slovenia to government to 75% of the profit for 2012 (around 130 million EUR). The Slovenian statistical authorities explained that the super dividend test would be applied, however, the dividend was expected to be recorded as property income for its full amount.

Eurostat enquired about the availability of data on privatization for local government units. The Slovenian statistical authorities confirmed that amounts of privatization revenue were rather small and mostly related to privatization of dwellings. Data are collected from budget reporting. Prior to the mission, the Slovenian statistical authorities provided to Eurostat a list of public corporations to be privatized according to the government decision. In the meeting, it was stressed that the list was not final and would still be re-discussed by government and approved by the Parliament accordingly.

Findings and conclusions

25. The Slovenian statistical authorities will complete the tables 10.1 and 10.2 of the EDP related questionnaire with the data on capital injections in public corporations by general government and central government, as well as with the data on the largest losses of public corporations and super dividends, currently reported as L or not reported at all. *Deadline: October 2013 EDP notification*²⁵

26. The Slovenian statistical authorities will ensure that exceptional sales of assets and revaluation effects should not be included, when performing the super dividend test. *Deadline: October 2013 EDP notification*²⁶

4.3.6. Public Private Partnerships (PPPs)

Introduction

Public-Private Partnerships were introduced by a law in 2007. The law describes different types of partnerships between the public and private sector. According to the legislation, all PPP contracts have to be registered at the Ministry of Finance. A special department was established in the Ministry in order to monitor and report on the PPPs. The list of PPP projects is available to the SORS. In the EDP related questionnaire, two cases of PPPs are reported which are recorded as on-balance sheet PPPs, however, only one of them has features of a PPP, as defined by the MGDD.

Discussion and methodological analysis

The Slovenian statistical authorities stated that in the central register, there are about 8000 contracts registered under various forms, including concessions, licenses and permits. Due to long delays in collection of information, the register cannot be fully used by the SORS. In addition, information is not available for all projects due to the absence of penalty provisions for non-reporting in the law. Instead, information on possible partnerships between

²⁵ The action point has not yet been completed.

²⁶ The action point was completed on 21 January 2014.

government and the private sector are collected from the press. Eurostat took note that as a source of information, the SORS monitored the media and no exhaustive database of PPPs existed. In this regard, Eurostat recommended to the Slovenian statistical authorities to use a database of the European PPP Expertise Centre (EPEC) which gathers information on PPPs in Member States.

Findings and conclusions

27. Eurostat took note that no exhaustive information on PPPs was currently available at national level and invited the SORS in cooperation with the Ministry of Finance to undertake steps to improve the current situation.

4.3.7. Others: Sale and leaseback operations, Securitisation, Swaps, UMTS, Carbon trading rights

Introduction

According to the Slovenian statistical authorities, no operations relating to sale and leaseback and securitisation have taken place in Slovenia. Concerning UMTS, a sale of non-produced non-financial assets was recorded in 2001, 2002 and 2006. In 2013, transactions in emission permits will be recorded in government accounts for the first time.

Discussion and methodological analysis

The Slovenian statistical authorities explained that transactions related to emission permits would be recorded in government accounts since 2013 onwards. According to the legislation, revenue from sale of emission permits will be collected by the Slovenian Export Bank (SID) and transferred to the central budget. The expected revenue of 17 million EUR will be included in the working balance in EDP tables 2 and recorded as 'Acquisitions less disposals of non-financial non-produced assets' (K.2) in national accounts.

Findings and conclusions

Eurostat took note of the explanations.

5. Other issues

5.1. Implementation of ESA 2010

Introduction

In the October 2014 EDP notification, Member States have to transmit the EDP notification tables and EDP related questionnaire in line with the ESA 2010 methodology. The approach is to be applied to national accounts transmitted to Eurostat according to the ESA Transmission Programme after 31 August 2014. All data transmitted before this date, have to be provided on an ESA95 basis. In case Member States will move to the ESA 2010 reporting before the official deadline, these Member States should ensure that they continue to be in a position to transmit ESA95-based data to Eurostat before 1 September 2014.

Discussion and methodological analysis

Eurostat enquired about the progress in the ESA 2010 implementation. The Slovenian statistical authorities explained that works were on-going and they planned to publish ESA 2010-based data revised back to 1995, in May 2014. Transmission of the EDP data according to the ESA 2010 methodology will follow in the official EDP notification in October 2014.

Findings and conclusions

Eurostat took note of the provided explanations.

Annex 1:

List of participants of the EDP standard dialogue visit to Slovenia on 12-13 September 2013

Eurostat

Ms Lena Frej Ohlsson
Mr Luca Ascoli
Ms Simona Frank
Mr Luis Biedma
Ms Daniela Ilavska
Ms Carmela Zammit

DG ECFIN

Mr Mitja Košmrl

ECB

Mr Henri Maurer

Statistical Office of the Republic of Slovenia

Ms Mojca Škrlec
Mr Andrej Flajs
Ms Saša Strnad
Ms Marjana Klinar
Mr Peter Štemberger

Ministry of Finance

Mr Stane Vencelj
Ms Eva Križnik
Ms Katarina Koler
Ms Ivana Šprah

Bank of Slovenia

Ms Saša Kovačič
Mr Uroš Geršak
Ms Staša Farčnik
Ms Andreja Strojjan-Kastelec
Ms Mojca Roter