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FINAL FINDINGS

EDP dialogue visit to the Slovak Republic

3 – 4 May 2012

Executive summary

An EDP dialogue visit to Slovakia took place on 3 – 4 May 2012.

Eurostat carried out this EDP dialogue visit with the aim to review the issues relating to EDP tables raised in the context of the April 2012 EDP notification assessment, in particular the issue of the recording of the VAT return to the PPP contractor for the part of the R1 speedway opened for users in 2011, to analyse the sector classification practices and to ensure that the provisions from the ESA95 Manual on government deficit and debt (MGDD) and the recent Eurostat decisions are implemented and that specific government transactions are appropriately recorded in the Slovak EDP notifications and national accounts.

First, Eurostat enquired about the institutional arrangements and division of responsibilities with respect to the reporting of data under EDP. Eurostat took note of the current organisation framework for EDP purposes involving the NSI, the MoF and the NCB and welcomed the well-functioning cooperation between these institutions. Eurostat also appreciated that all action points resulting from the 2011 EDP dialogue visit were completed on time. Furthermore Eurostat emphasized the importance of sufficient staffing in the area of EDP and Government finance statistics (GFS) in order to ensure a good quality of the reported data, in particular in the light of the recent European legislation, imposing new data requirements on Member States.

Second, Eurostat congratulated the Slovak statistical authorities for the recent improvements in data sources, in particular in relation to the availability of new quarterly reports for social security funds. With respect to labelling transmitted EDP data, Eurostat recommended to the Slovak statistical authorities to reconsider the labelling of the deficit and debt data in EDP Table 1, in order to better reflect the revision policy.

Concerning the EDP tables, after a thorough discussion, Eurostat and the Slovak statistical authorities agreed that the present recording of 174 million euro related to the VAT payment by Granvia¹ to government (and VAT return by government to Granvia classified as a loan granted – F.4) in 2011, in the context of the Public-Private-Partnership (PPP) for the R1 speedway, is not correct. Consequently, due to the new elements discussed during the meeting, the classification of the same PPP (currently off government balance sheet) might also be incorrect. The Slovak statistical authorities will therefore reassess the situation in view of these elements, and will provide to Eurostat their opinion on 1) the correct recording of the 174 million euro (see above) of the returned VAT reported for the year 2011 and 2) whether this PPP project should continue to be classified off government balance sheet.

¹ Granvia is the private partner in the Public-Private-Partnership (PPP) for the construction of the R1 speedway.

Eurostat analysed the process of decision taking with respect to the classification of units in the ESA95 sectors. Eurostat asked the Slovak statistical authorities for further information on the analysis undertaken when deciding about the nature of a capital injection (whether it is a financial or a nonfinancial transaction) and also asked for correcting mistakes made in the consolidation flows relating to the capital transfers reported in 2011. Eurostat took note of the recording of debt cancellations and debt assumptions, as well as of the recording of purchases of military equipment, government guarantees, dividends and super dividends and of the recording of EU funds. The Slovak statistical authorities confirmed to Eurostat that there have been no privatisation receipts and derivatives at the level of central government in recent years. The non-existence of securitisation and sale and lease back operations was noted as well. Eurostat was also informed about the treatment of the extension of the sale of UMTS licences which took place in 2011. Eurostat appreciated the good co-operation with the NSI team transmitting the ESA95 Tables.

Eurostat welcomed the openness and transparency demonstrated by the Slovak statistical authorities during the meeting, and the documentation provided prior to the visit.

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 dialogue visit to the Slovak Republic on 3-4 May 2012.

The delegation of Eurostat was headed by Ms. Lena Frej Ohlsson, Head of Eurostat Unit D-2 - Excessive Deficit Procedure I. The European Central Bank (ECB) also participated in the meeting as observer. The Slovak authorities were represented by the National Statistical Institute (NSI), the Ministry of Finance (MoF) and the Central Bank (CB). The Agency for the debt and liquidity management (ARDAL) also participated to a part of the discussion.

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

In detail, the main aims of the dialogue visit were: a) to review the issues relating to EDP tables raised in the context of the April 2012 EDP notification assessment, in particular the issue of the recording of the VAT return to the PPP contractor for the part of the R1 speedway handed over in 2011; b) to analyse the sector classification practices and c) to review the treatment of specific government transactions.

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

Eurostat welcomed the openness and transparency demonstrated by the Slovak statistical authorities during the meeting and the documentation provided before the EDP dialogue visit.

0. Follow-up of the EDP dialogue visit of 28 February – 1 March 2011

Introduction

All action points from the previous visit were completed in due time.

Discussion and methodological analysis

There were some minor issues needing further clarifications and those were discussed under the appropriate points of the agenda (e.g. a new method for estimates of final settlements of income taxes for year T-1).

Findings and conclusions

1. Eurostat congratulated the Slovak statistical authorities for implementing all the action points agreed during the previous EDP dialogue visit (28 February – 1 March 2011).

1. Statistical capacity issues

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

Introduction

During the previous EDP dialogue visit, Eurostat noted the good co-operation among the institutions involved in the compilation of the government finance statistics. Eurostat asked about changes in the existing arrangements. Eurostat also recalled the decrease in staff in the NSI, which had been mentioned during the 2011 EDP dialogue visit.

Discussion and methodological analysis

The Slovak statistical authorities confirmed that there were no changes in the organisation of the co-operation among the institutions – NSI, MoF and NCB. The two levels model of co-operation is well functioning: the director general level of co-operation is more formalised and establishes a kind of framework, while the technical level of co-operation is less formalised and presents regular meetings of compilers, as well as ad-hoc meetings to discuss particular issues. Written conclusions are prepared after each meeting.

The NSI also mentioned that the NCB organises, once a year, a three days meeting to discuss all statistical problems, including EDP issues.

A framework agreement (a sort of Memorandum of understanding) on co-operation among the institutions exists. This document specifies the co-operation, as well as data exchange between the involved institutions. The annexes to this agreement are more specific about the co-operation between the NSI and the MoF and between the NSI and the NCB.

As far as the EDP data compilation and transmission is concerned, the NSI compiles data for years T-4, T-3 and T- 2 and the MoF is in charge of the year T-1 and forecasts of the year T. The issues concerning the recording of transactions in year T-1 are discussed with the NSI and the NCB. Overall responsibility for the EDP tables compilation and their transmission to Eurostat is with the NSI. The NSI is also responsible for the transmission of ESA95 Tables.

Eurostat enquired about what happens in case there are different views between the MoF and the NSI on the treatment of a transaction occurring in year T-1. The NSI confirmed that such problems are discussed and that the main criteria are the ESA95 rules.

With respect to the number of the NSI personnel involved in the GFS issues, the NSI indicated that the outgoing experts in 2010 were not fully replaced; there were some replacements but, due to the austerity measures, the number of staff did not actually increase. No extra staff has been recruited so far and no additional resources are expected in the near future. There are currently six experts covering all statistical requirements relating to the general government sector.

Eurostat recalled that this statistical field should be considered as a priority and that the number and expertise of staff involved has to ensure the provision of data of good quality, taking also into account the new requirements and increased burden imposed on Member States resulting from the new legislation on governance, adopted in 2011.

The NSI responded that despite of a relatively low number of staff, all effort is made in order to provide high quality of the data sent to Eurostat.

Findings and conclusions

2. Eurostat took note of the well functioning cooperation between the institutions involved in the reporting of government finance statistics – the NSI, the MoF and the NCB. The NSI will send copies of formal agreements on co-operation between these institutions to Eurostat. *Deadline: 15 June 2012*²
3. Eurostat emphasized the importance of sufficient staffing in the area of EDP and GFS in order to ensure a good quality of the reported data, and in particular in the light of the recent European legislation, imposing new data requirements on Member States.

1.2. Data sources and compilation practices

Introduction

The State Treasury is the provider of data for central government, social security funds and budgetary organisations of higher territorial units and their subsidised organisations included in local government. The Data Centrum is the source data provider for the local government budgetary and subsidised organisations of municipalities, which are also included in local government.

² This Action point was completed on 15 June 2012.

Discussion and methodological analysis

The NSI has an online access to the State Treasury database. For the T-1 data, the MoF as well as the NSI have the same data sources (this is described in an annex to the framework agreement on co-operation).

In the document provided prior to this visit, the NSI indicated that, in addition to the existing reports, a new report for social security funds (e.g. availability of interim balance sheets and interim profit and loss accounts) and higher territorial units, provided on a quarterly basis, is now available for the compilers.

Besides the administrative sources, for special purposes of the EDP compilation, complementary data sources are exploited, in order to feed the Questionnaire related to the EDP notification tables. These sources are in a form of tables which are sent by the National reporting Division of the MoF to the units within the MoF, responsible for specific issues (capital injections, debt assumptions, guarantees, etc.). The units send their answers directly to the NSI (these templates are part of the Slovak EDP Inventory).

Eurostat also reminded that a bridge table showing the link between the national budgetary classification and the ESA95 items will have to be published, according to the new European legislation. The NSI confirmed that such a bridge table exists, is regularly reviewed and amended in accordance with the changes in the budgetary classification and can be published in line with the legal requirements.

Findings and conclusions

4. Eurostat congratulated the Slovak statistical authorities for the recent improvements in data sources, in particular in relation to the availability of new quarterly reports for social security funds.

2. Analysis of the EDP tables – Follow-up of the April 2012 EDP notifications

Introduction

During the April 2012 EDP notification assessment, Eurostat identified and indicated to the NSI several issues for further discussion during the EDP dialogue visit.

EDP Table 1

Discussion and methodological analysis

Eurostat noted that only data for T-4 are labelled as final, while data for T-3, T-2 and T-1 are labelled as half-finalised. Eurostat considered this a bit confusing knowing that data availability for the compilation of the year T-1 for April EDP notifications is t+3 months and they are further revised in October EDP notifications. The figures provided for T-2, and in particular for T-3 are usually not further revised.

The NSI confirmed Eurostat's view but added that the GDP figures are often revised for the whole requested time series and that there exists the possibility to revise the deficit and debt data for years T-3 and T-2. The NSI did not find appropriate to label the T-3 figures as final, if there is a risk that these data would need a revision.

Findings and conclusions

5. Eurostat recommends to the Slovak statistical authorities to reconsider the labelling of the deficit and debt data in EDP Table 1 (in particular for year T-3), in order to better reflect the revision policy. The data for the years T-3 to T-1 have been labelled half-finalised due to possible revisions of GDP, which does not reflect the actual status of the deficit and debt data for those years. *Deadline: October 2012 EDP notification*

EDP Table 2A

Discussion and methodological analysis

Eurostat introduced the point by asking about the economic background of the significant improvement of the cash working balance for 2011, as compared to the previous years. The MoF representatives justified it by less expenditure (e.g. saving on co-financing) and more revenues (e.g. non-tax revenue) as compared to the previous year. The Slovak statistical authorities confirmed that this working balance has to be approved by the Parliament.

Secondly, Eurostat asked about the pattern of the difference between interest accrued and paid, which has been reported always as negative in the recent years. The source data for the accrual interest calculation comes from ARDAL. Its representatives indicated several factors influencing the figures – the high deficit of the State budget, interest rates as well as the growing debt and relating costs. They confirmed that the negative trend is correct. They also confirmed that the interest on zero-coupon bonds is, in national accounts, recorded over the life of the instrument.

In relation to the government debt, the ECB was interested in whether an issuance of bonds in the portfolio of the MoF has taken place again in 2012, as in the year 2011 (already discussed during the 2011 EDP visit). The ARDAL representatives indicated that such an operation was foreseen for 2012.

The third issue discussed was the figure reported in the line "reclassification of a nonfinancial transaction to financial transaction" under the part "Other adjustments". The Slovak statistical authorities explained that this is a line to exclude coupon sold and superdividends.

Eurostat further enquired about an operation, named as "exclusion of VAT payments to Granvia – PPP Projects" reported under the part "Other adjustments" in 2011 (174 mill euro, 0.25% of GDP). The first exchange of information about this operation had taken place already during the April 2012 assessment of the EDP data.

The issue relates to the handing over of the R1 speedway constructed as a PPP project. This project started in 2009 and was, based on information provided by the Slovak statistical authorities to Eurostat, classified off balance sheet.

The R1 speedway was handed over in October 2011 and, according to the contract and the national law, the private partner (Granvia) paid to government the VAT on the terminated work (174 mill euro). In the accounts of the State, income (VAT) and an increase in cash (F.2 assets) was recorded on the side of government and expenditure (VAT paid, counterbalanced by the decrease in cash) was recorded in the accounts of Granvia. The government however returned the amount of this VAT to Granvia (expenditure and a decrease in cash of the State recorded). The government provided a "loan" to Granvia of the same amount of the VAT (increase in loans granted by the State F.4 recorded), which should be reimbursed to the government by way of yearly payments during the duration of the contract (30 years). These payments will decrease the unitary payments of the State (6 mill euro each year).

Eurostat questioned whether these arrangements were indicated in the contract. The Slovak statistical authorities explained that the contract contains a clause on the way the VAT would be paid (article 25.9 of the contract). Eurostat had doubts whether this element would not mean that a part of the construction risk should not be transferred to government. Besides, Eurostat wanted to know what justifies the recording of a loan to the constructor – whether there has been any loan agreement between the Slovak government and the constructor, whether this agreement had been mentioned in the PPP contract and also what were the conditions of such a loan (interest rate, duration, etc.).

The Slovak statistical authorities admitted that there is no such loan contract and that this operation should probably not have been recorded as a loan provided by government to the constructor. According to them, perhaps the recording of F.7 receivable would be more appropriate. On the other hand, the Slovak statistical authorities did not agree with the view that this VAT return changes the proportion of risks between government and the private partner.

Eurostat insisted on the fact that the element of the government paying the VAT "on behalf" or "for" the private partner is rather confusing and has an impact on the risk evaluation of this project. Eurostat also recalled that this kind of changes or amendments to the contract, or new elements occurring, should have been communicated to Eurostat beforehand. Eurostat also suggested that the item could be rather labelled as "Adjustment for VAT payments to Granvia – PPP Projects" in EDP Table 2A.

Findings and conclusions

6. Eurostat and the Slovak statistical authorities agreed that the present recording of 174 million euro related to the VAT payment by Granvia to government (and VAT return by government to Granvia classified as a loan) in 2011, in the context of the Public-Private-Partnership (PPP) for the R1 speedway, is not correct. Consequently, due to the new elements discussed during the meeting, the classification of the same PPP (currently off government balance sheet) might also be incorrect. The Slovak statistical authorities will therefore reassess the situation in view of these elements, and will provide to Eurostat their opinion on 1) the correct recording of the 174 million euro (see above) of the returned VAT reported for the year 2011 and 2) whether this PPP project should continue to be classified off government balance sheet. *Deadline: 31 May 2012*³

³ This action point was completed on 31 May 2012. Eurostat expressed its view by email on 21 June 2012. Eurostat agreed that the PPP project could still continue to be recorded off government balance sheet. Eurostat also agreed that the amount of 174 mill euro of the returned VAT will be recorded as F.7 receivable.

EDP Tables 3

Discussion and methodological analysis

Eurostat asked about the differences between F.7 reported in EDP table 2A and 3B and also between the figures reported in EDP table 3B and Table 4 of the Questionnaire related to the EDP Tables for year 2011. These differences were explained as a) monthly payments for the use of the R1 speedway for November and December 2011 and b) by the figure reporting EU funds, which is showed in a separate line in EDP Table 2A.

When discussing EDP Table 3E, Eurostat noted that an increase in shares was reported under the line F.7 "Other accounts receivable" in 2009. The Slovak authorities were not able to explain this increase on the spot and needed to check their records.

Findings and conclusions

7. The Slovak statistical authorities will provide an explanation on why an increase in shares was recorded as F.7 "Other accounts receivable" in EDP table 3E for the year 2009. *Deadline: 15 June 2012⁴*

EDP table 4

Discussion and methodological analysis

Eurostat recalled the history and the logic of this Table, which is not legally binding, but nevertheless provides very useful information. Eurostat explained that in the part "Amounts outstanding in the government debt from the financing of public undertakings", the case, when a public corporation cannot borrow on its own, but asks the government to borrow on its behalf, must be reported. Such borrowing should also be included in EDP Table 1, in the reporting on the government debt.

Findings and conclusions

8. The Slovak statistical authorities will verify and confirm that there was no borrowing of government on behalf of public corporations, and correct EDP Table 4, if necessary. *Deadline: October 2012 EDP notification*

⁴ This Action point was completed on 15 June 2012.

Other issues related to the EDP tables identified during the April 2012 EDP notification assessment

Discussion and methodological analysis

Significant discrepancies between B.9 and B.9f at the level of individual units

During the April 2012 EDP notification assessment, Eurostat asked Member States whether they have identified significant discrepancies between B.9 and B.9f at the level of individual units. The Slovak statistical authorities sent a table with a quantification of these discrepancies. During the EDP dialogue visit, they explained that these discrepancies are mainly due to different data sources used for the compilation of financial and nonfinancial accounts. They also indicated that, when investigating this issue, an error was identified in the B.9 of some central budgetary organisations (in 2011) which will have to be corrected, and which will decrease discrepancy.

9. The Slovak statistical authorities will correct the B.9, as reported in EDP table 2A, of some central budgetary organisations for the year 2011. Through this correction, also the statistical discrepancy between B.9 and B.9f of these units will decrease. *Deadline: October 2012 EDP notification*
10. In view of decreasing the statistical discrepancies for the central budgetary organisations, the Slovak statistical authorities will monitor closely the differences between B.9 and B.9f for the identified groups of units. *Deadline: Continuous*

Treatment of capital injections in multilateral development banks

Another issue monitored by Eurostat during the April 2012 EDP assessment period, was the treatment of capital injections in multilateral development banks. The Slovak statistical authorities agreed to provide the answer for the EDP dialogue visit. During the visit they informed Eurostat that the current treatment of such injections is not in line with the requirements set up in the Chapter VI.6 of the MGDD, and that they will need to correct it.

Findings and conclusions

11. The Slovak statistical authorities will reclassify the capital injections into multilateral development banks (IDA⁵), for the year 2011, from financial transaction to non-financial transaction, in line with the new rules in the ESA95 Manual on Government Deficit and Debt. *Deadline: October 2012 EDP notification.*

⁵ IDA – International Development Agency

Capital transfers reported in ESA95 Table 2

During the April 2012 EDP assessment, Eurostat identified a significant fall in capital transfers payable in 2011, as compared to the previous years. The Slovak statistical authorities justified it, mainly, as a consequence of austerity measures, introduced by the government. Nevertheless, a further investigation of the issue revealed, that a mistake in consolidation flows occurred, without an impact on B.9.

Findings and conclusions

12. The Slovak statistical authorities will correct and retransmit ESA95 table 2 for the recording of capital transfers in 2011, identified prior to the visit. *Deadline: 15 June 2012⁶.*

3. Methodological issues and recording of specific government transactions

3.1 Delimitation of general government

Introduction

The NSI is the institution deciding about classification issues. The Slovak statistical authorities sent a pilot EDP Inventory, where they completed the part on the general government delimitation. A document further explaining the classification issues was provided prior to this visit.

Discussion and methodological analysis

The NSI confirmed that, in line with the Action point 7 of the previous visit, the analysis and possible reclassifications of units are now made on an annual basis. The latest of such analysis and reclassifications were undertaken in December 2011.

Eurostat noted that, in the Slovak contributions to the new pilot EDP Inventory, it is written that the regional statistical offices are those who do the classification analysis of newly established units. The NSI confirmed that this is the practice, that the regional statistical offices have knowledge and, based on the ESA95 rules, are able to do this job. In case of doubt, they contact the national accounts department of the central NSI. Indeed, the national accounts department double checks the correct classification, in particular by a way of re-running the 50% test. The Slovak statistical authorities also confirmed that all the three institutions – the NSI, the MoF and the NCB, use the same list of units classified in general government. Eurostat asked what happens in the case when it is discovered that a unit was wrongly classified from the moment of its creation – whether it is reclassified backward or only from the moment when a mistake is identified. The NSI stated that if such a case occurs, the unit in question is reclassified to the appropriate sector backwards and the list of general government units is amended.

⁶ This Action point was completed on 15 June 2012.

Eurostat examined the results of the 50% rule of some public corporations (Railways, Cargo, National Motorway Company). The NSI confirmed that these are closely monitored. With this respect, Eurostat asked whether the Slovak statistical authorities expect any problems in the filling of a newly introduced Questionnaire on public corporations. The NSI, the institution responsible for this Questionnaire, does not expect any difficulties.

Eurostat also checked whether there is no other SPV⁷ (except for Slovenska Konsolidacna) that should be classified inside the government sector. The Slovak statistical authorities indicated that they are only aware about this one.

Based on information provided by DG ECFIN, the Slovak government would envisage the reclassification of a unit called "Fond pre ochranu vkladov" (Deposit guarantee fund) from the financial corporations sector into general government. Eurostat asked whether such a reclassification has already taken place. The Slovak statistical authorities replied that they were not aware of such initiative, and even in the case this was true, the NSI classifies units based on the rules set up in the ESA95 and a decision of government does not influence the work of the NSI in this respect.

Findings and conclusions

13. Eurostat took note of the sector delimitation practices of the Slovak statistical authorities.

3.2 Compilation practices

3.2.1 Accrual taxes and social contributions

Introduction

The Slovak statisticians use a time adjusted cash method with a time lag of 1 or 2 months for the calculation of taxes and social contributions.

Following up a major revision of data on accrual taxes for 2009 in the October 2010 EDP notifications⁸, Eurostat insisted, during the previous visit, on the fact that the data compilers (MoF) should try to exploit other sources and methods (not only a model combining tax elasticity and macroeconomic development) in order to improve this estimate. The Slovak statistical authorities proposed to use an indicator of the profitability of corporations, which Eurostat accepted.

⁷ SPV – Special Purpose Vehicle

⁸ Revision of 0.52% of GDP as compared to the April 2010 EDP notification

Discussion and methodological analysis

Eurostat enquired about the revisions (very minor) of accrual taxes for 2010 between three consecutive EDP notifications (April 2011 – October 2011 and April 2012). These were due to the fact that a new model of estimates of the final settlement was used. The MoF explained that for the April 2011 EDP notifications, three types of taxes are estimated – the personal income tax, the corporate income tax and the VAT, because the final data is not yet available. For the October 2011 EDP notification, a significant part of the revisions was due to the corporate income tax revision (31 mill euro) and this tax was further revised also for the April 2012 EDP notification (by 6 mill euro). The MoF indicated that the April 2012 data on accrual taxes are final, and that they come from administrative sources.

The Slovak statistical authorities indicated that the new model of estimates, taking into account also the indicator of profitability of corporations, captures better the actual economic cycle. The MoF confirmed that the former model of estimates has been abolished.

As the new indicator has, by now, been used only for two estimates, better conclusions on its effectiveness could be only made in 2-3 years. This issue will be discussed again at the next EDP dialogue visit.

Findings and conclusions

14. Eurostat took note of the use of the new methods for estimates of the final settlement of the corporation income tax.

3.2.2 Calculation of accrual interest, consolidated interest

Introduction

No issues with respect to the accrual interest recording have been detected in the past. The accrual interest is calculated at the MoF on a security by security basis, based on data from ARDAL. A short note with a table on the calculation of accrual interest was provided for this visit.

Discussion and methodological analysis

For this April 2012 EDP notification the Slovak statistical authorities completed the Action point 16 from the previous visit and reported on interest accrued for Local government (2011 data) for the first time. As expected, the figure is rather minor (1 mill euro).

No particular discussion took place at this point.

Findings and conclusions

15. Eurostat congratulated the Slovak statistical authorities for the calculation of accrual interest for local government.

3.3 Recording of specific government transactions

a) EU flows

Introduction

During the previous visits, the Slovak statistical authorities confirmed that the cash received from the European Commission is recorded in the extra-budgetary accounts and the working balance of the State is not affected. The timing difference between revenues and expenditure is reported under other accounts receivable / other accounts payable (F.7).

Discussion and methodological analysis

The Slovak statistical authorities sent, prior to this visit, a short note confirming the treatment of the EU flows.

No particular discussion took place at this point.

Findings and conclusions

16. Based on the information provided by the Slovak authorities, Eurostat took note that the guidance on the treatment of EU flows provided by the MGGD is followed.

b) Military equipment expenditures

Introduction

The basis for recording the purchases of military equipment in national accounts is cash. In the case of late payment or prepayment, the cash is paid within one year of delivery.

Discussion and methodological analysis

The Slovak statistical authorities confirmed that the Ministry of Defence (MoD) returns regularly to the NSI a Questionnaire on purchases of military equipment. The structure of the Questionnaire is similar to Eurostat's Questionnaire related to the EDP notification Tables. The latest return of this Questionnaire was provided to Eurostat during the visit.

Findings and conclusions

17. Eurostat took note of this practice.

c) Guarantees

Introduction

At the last EDP dialogue visit in 2011, the Slovak statistical authorities had informed Eurostat that the general policy of the recent governments was to not provide any guarantee. If a case of a new guarantee occurs, this has to be approved by the Parliament.

Discussion and methodological analysis

The Slovak statistical authorities confirmed that the information provided during the previous visit was still valid. No further discussion on this issue took place.

Findings and conclusions

18. Eurostat took note of this situation.

d) Debt assumptions, debt cancellations, debt write-offs and foreign claims

Introduction

The Slovak statistical authorities provided a table on debt assumptions in the years 2006-2011, as well as on stock of government claims, prior to the visit.

Discussion and methodological analysis

Eurostat could not reconcile some of the figures in this table with the latest version of Table 8⁹ of the Questionnaire related to the EDP notification tables. The Slovak statistical authorities provided a new version of Table 8 of the Questionnaire during the visit.

Eurostat noted that, during the April 2012 EDP notification assessment, Table 8 had been revised four times and asked who compiles it. The Slovak statistical authorities explained that the NSI is the compiler, based on the data provided by the MoF. Eurostat stressed that such frequent revisions of figures within a short time undermine the reliability of the data provided. The NSI replied that this was the final version, and that all the confusion was due to the fact that they tried to reconcile the figures from the MoF data sources, with those from financial accounts, in a rather short time.

Eurostat asked about the economic background of some of the figures. The Slovak statistical authorities could not reply to some of them and promised to come back in writing.

Findings and conclusions

19. The Slovak statistical authorities will send to Eurostat a short note explaining the figures reported in Table 8 of the Questionnaire related to the EDP tables, which were provided during the visit. *Deadline: 15 June 2012*¹⁰

⁹ Central government claims, debt cancellations.

¹⁰ This Action point was completed on 15 June 2012.

e) Capital injections in public corporations, dividends, privatization

e.1) Capital injections in public corporations

Introduction

During the April 2012 EDP assessment, Eurostat questioned the significant fall in capital transfers (capital transfers into corporations) in 2011, as compared to 2010 (but also in 2010 as compared to 2009), which was reported in Table 10.1. of the Questionnaire related to the EDP notification tables. A list of capital injections provided in 2006-2011 and their treatment as financial or nonfinancial transactions, was provided prior to the visit.

Discussion and methodological analysis

The Slovak statistical authorities explained that, when preparing data for this visit, they realised a mistake in the 2011 figures relating to the consolidation flows. They confirmed that this does not affect the B.9 figures (see also part 2 of this report). They said that they would further investigate also the figures for the years starting from 2008.

Eurostat asked about the criteria used to decide whether a capital injection is a capital transfer or a financial transaction. The Slovak statistical authorities indicated that the purpose of the expenditure is analysed on a unit by unit and transaction by transaction basis. There exists a bridge table to identify what is a capital transfer and what is not, and special attention is given to the injection provided to some particular units (railways, hospitals, etc.).

Eurostat was interested in what criteria are used when a capital injection is split in two parts – capital transfer and injection in equity. The Slovak authorities promised to provide a written answer.

Findings and conclusions

20. The Slovak statistical authorities will monitor the recording of capital injections in general, and verify on what basis capital transfers were reported in Table 10.1 of the Questionnaire related to the EDP tables in the past, and how it is currently done. In this context, the Slovak statistical authorities will also correct table 10.1 related to some identified capital injections (see also action point 12). *Deadline: October 2012 EDP notification.*
21. The Slovak statistical authorities will investigate, and report to Eurostat, on the practice used to split capital injections into capital transfers and injections in equity for the three entities identified in table 10.2 of the Questionnaire related to the EDP tables. *Deadline: 15 June 2012¹¹*

¹¹ This Action point was completed on 15 June 2012.

e.2) Dividends

Introduction

The Slovak statistical authorities provided a list of dividends and superdividends for the years 2006-2011 prior to this visit.

Discussion and methodological analysis

No particular discussion took place on this point.

Findings and conclusions

22. Eurostat took note of the current situation.

e.3) Privatisation

Introduction

The Slovak statistical authorities provided a list of the sale of shares for the years 2006-2011. During the previous visits, they indicated that there had been no privatisations since 2008.

Discussion and methodological analysis

The Slovak statistical authorities confirmed that there had been no privatisations at the central government level. There was some sale of shares reported by local government.

Findings and conclusions

23. Eurostat took note of the current situation.

f) Public Private Partnerships (PPPs)

The issue of PPPs was discussed in detail under the point 2. Analysis of the EDP tables – Follow-up of the April 2012 EDP notifications.

Eurostat noted that the Table 11 of the Questionnaire related to the EDP notification tables was not correctly filled in.

Findings and conclusions

24. The Slovak authorities will complete Table 11¹² of the Questionnaire related to the EDP notification tables, to make information consistent with the R1 speedway contract.
Deadline: October 2012 EDP notification

¹² Public Private Partnership

g) Derivatives: Swap cancellations, Off-market swaps, Options

Introduction

A short note on derivatives was provided prior to the visit. According to information provided during the April 2012 EDP notification assessment, there was a small stock of derivatives reported by the local government in 2011.

Discussion and methodological analysis

According to the NCB representatives, there have been no derivatives in the recent years at the central government level, but there will be one in 2012. The NCB has no information about swap cancellations. Commercial banks report few options for local government.

Findings and conclusions

25. Eurostat took note of this situation.

h) Other: Sale and leaseback operations, Securitisation, UMTS, Carbon trading rights

Introduction

The Slovak statistical authorities reported that there has been no Sale and leaseback operation, no Securitisation, and no sale of carbon trading rights since 2008. On the other hand, there has been an extension of the sale of the UMTS licences which took place in 2011 (160 mill euro).

Discussion and methodological analysis

The Slovak statistical authorities indicated that the extension of the sale of the UMTS licences was treated as a revenue. Eurostat underlined that, despite the fact that this is an extension of an existing sale, the sale contract should be reviewed and the treatment of this operation adapted to the new conditions, if necessary.

Findings and conclusions

26. The Slovak Statistical authorities will verify the recording consequences of the extended sale of UMTS licences, reported for the year 2011, and based on the new contract.
Deadline: October 2012 EDP notification

4. Any other business

The GFS team of the unit D.1 (GFS methodology, data collection and dissemination) did not signal any particular issue for discussion. Eurostat appreciated the good co-operation with the NSI staff as for the ESA95 Tables transmission.

Annex

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