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- FINAL FINDINGS -

EDP dialogue visit to Slovenia
26-27 June 2008

Executive summary

Eurostat undertook an EDP dialogue visit to Slovenia on 26-27 June 2008 as part of its regular visits to Member States and with the aim to assess the existing statistical capacity, to review the division of responsibilities concerning the compilation of EDP statistics and government accounts, to discuss the quality and exhaustiveness of primary data sources, to clarify the issues relating to EDP tables raised in the context of previous notifications, to review the progress achieved in implementing ESA 1995 methodology (in particular sectorisation of units and the implementation of Council Regulation 2516/2000) and to assure that provisions from the ESA 1995 Manual on Government deficit and debt and recent Eurostat decisions are duly implemented in the Slovenian EDP tables and national accounts.

In the meeting, Eurostat welcomed the transparent and well structured approach by the Slovenian authorities to EDP related work. Eurostat very much appreciated the amount and quality of information provided by the Slovenian statistical authorities prior to the EDP dialogue visit. Eurostat also expressed satisfaction for the transparent and comprehensive presentation of the issues by the Slovenian statistical authorities.

First, Eurostat discussed with the Slovenian statistical authorities the institutional arrangements and data sources for the compilation of Government Finance Statistics. Eurostat took note of the existing institutional responsibilities in Slovenia and encouraged them to continue the good cooperation in the future. The Slovenian statistical authorities will provide to Eurostat an updated version of the "Memorandum of Understanding in the field of macroeconomic and financial statistics". As far as data sources are concerned, Eurostat considers the general situation as good and transparent.

As far as the analysis of the April 2008 EDP notification is concerned, Eurostat examined in detail the tables of the EDP reporting, in particular, the issue of a rather high statistical discrepancy in 2007. The reasons will be further investigated by the Slovenian statistical authorities. The recording of military expenditure will be further investigated. It was concluded that the Slovenian statistical authorities will also provide historical debt data for 1999-2000. Also the tables in the "*questionnaire related to EDP tables*" were analysed.

Eurostat took note of sector classification policy in Slovenia and of the classification of the units in the public infrastructure sector, of hospitals and of public TV and radio. The Slovenian authorities agreed to re-analyse the issue of the classification of the Slovenian Dwelling Fund that is currently classified outside general government, to regularly check the 50 % rule for DARS and to provide additional information on the recent reorganisation of the Railways system in Slovenia. The Slovenian statistical authorities also agreed to re-classify the Public radio and TV Company inside general government.

As far as the implementation of *EC regulation 2516/2000* is concerned, Eurostat asked the Slovenian statistical authorities to re-analyse the coefficients used for the assessment of the amounts never to be collected for social contributions, which seem to be too small.

Concerning the recording of EU flows, Eurostat agreed that the Decision on the Treatment of transfers from the EU budget to the MS is basically being followed and there is no impact on government deficit / surplus. However in order to clarify the issue, a table on the amounts received from the EU and the amounts spent per year and by programme will be provided to Eurostat.

As concerns the Public Private Partnerships (PPP), the Slovenian statistical authorities informed Eurostat about the new law on PPPs and agreed to analyse two contracts and send their national analyses to Eurostat.

Regarding the Slovenian Restitution Fund, it was confirmed by Eurostat that the time of recording of the restitutions is when the claims were submitted to the court and that all possible further revisions of the estimated amounts will be recorded strictly on a cash basis.

Some other issues were also discussed such as guarantees, debt assumptions, debt cancellations and debt write-offs, capital injections and UMTS licences. It was noted that the recordings applied are in line with the decisions taken by Eurostat.

Finally, the inconsistency between the EDP table 3 and financial accounts data was discussed. The Slovenian statistical authorities are not using financial accounts data (responsibility of Bank of Slovenia) as a source of the EDP tables 3. The Government Finance Statistics Working Group is working on this issue and it was agreed that a detailed analysis of the differences will be prepared in order to find the explanations for the inconsistencies.

Final findings

Introduction

In accordance with article 8d of Council Regulation (EC) No 2103/2005 of 12 December 2005, amending Council Regulation (EC) No 3605/93 as regards the quality of statistical data in the context of the excessive deficit procedure, Eurostat carried out an EDP dialogue visit in Slovenia on 26-27 June 2008.

The delegation of Eurostat was headed by Mr. Luca Ascoli, Head of the Eurostat Public Finance Unit (C3). 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 authorities were represented by the Statistical Office of the Republic of Slovenia (SORS), the Ministry of Finance (MoF) and the Central Bank of Slovenia (Banka Slovenije - BS).

Eurostat carried out this EDP dialogue visit with the aim to assess the existing statistical capacity, to review the division of responsibilities concerning the compilation of EDP statistics and government accounts, to discuss the quality and exhaustiveness of primary data sources, to clarify the issues relating to EDP tables raised in the context of previous notifications, to review the progress achieved in implementing ESA 1995 methodology (sectorisation of units and the implementation of Council Regulation 2516/2000) and to assure that provisions from the ESA 1995 Manual on Government deficit and debt and recent Eurostat decisions are duly implemented in the Slovenian EDP tables and national accounts.

In relation to procedural arrangements, Eurostat explained the new procedure, in accordance with article 8 of Regulation 3605/1993 as amended, indicating that the *Main conclusions and action points* would be sent within days to the Slovenian statistical authorities, who may provide comments. Within weeks, the *Provisional findings* would be sent to the Dutch statistical authorities in draft form for their review. After adjustments, *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 reporting of data under the EDP and government statistics compilation

Introduction

Eurostat took note of the existing institutional arrangements in place in Slovenia for the compilation of the EDP and government finance statistics. The EDP tables are reported by the Statistical office (SORS). Data on deficit are compiled by SORS and the Ministry of Finance (MOF). Data on debt and forecasts of debt/deficit are the responsibility of MOF.

Financial accounts data are the responsibility of the Bank of Slovenia (BS).

In 2004, a “*Memorandum of Understanding in the field of macroeconomic and financial statistics*” has been established between the Statistical Office (SORS), the Ministry of Finance (MOF) and the Bank of Slovenia (BS).

Discussion and methodological analysis

The Slovenian statistical authorities confirmed that co-operation between the three institutions functions well. An informal Government Finance Statistics Working Group meets several times per year, while formal meetings are usually organised once or twice per year (before the EDP notifications).

The Slovenian statistical authorities also informed Eurostat that the *Memorandum of Understanding in the field of macroeconomic and financial statistics* has been changed since the last EDP dialogue visit. The main change is that the responsibility for the financial accounts is now with the Bank of Slovenia. Data from the Bank of Slovenia are still not being used as a source for EDP tables 3. As a consequence rather high differences can be observed between the EDP table 3 and Financial accounts data (ESA tables 6 and 27) for some financial transactions. This issue is discussed in detail under *item 4.1*.

Eurostat stressed that the Statistical Office should increase its involvement and knowledge in financial accounts.

According to the Memorandum of Understanding, the Ministry of Finance is responsible for debt and planned data on debt / deficit and for the rest of the EDP tables MoF only provides relevant data.

The MoF provided, during the meeting, the *Bulletin of government finance* (cash based government finance statistics), including general government budget accounts with detailed information on revenues and expenditure of the State budget, local government budgets and Social Security funds (Pension and Health Fund). The Bulletin is updated on a monthly basis and it is available on the website of the MoF. Eurostat welcomed this element of transparency.

Findings and conclusions

Eurostat congratulated Slovenia for the good co-operation between the three institutions.

Action point 1: *The Slovenian statistical authorities agreed to provide to Eurostat the "Memorandum of Understanding in the field of macroeconomic and financial statistics" between the Statistical Office, the Ministry of Finance and the Bank of Slovenia, which has been updated since the last EDP dialogue visit.*

1.2. Data sources, EDP inventory

Introduction

The consolidated version of the EDP inventory completed by SORS provides a description of the data sources and methods used for EDP data compilation. An updated version of the Slovenian EDP inventory was published in Eurostat's website on 28 September 2007.

SORS confirmed that the EDP Consolidated Inventory of sources and methods has not been published yet nationally.

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

Discussion and methodological analysis

Two main data sources are used for government finance statistics:

- Budgetary returns to the Ministry of Finance

Available for the bodies (direct budgetary units) forming part of Central Government, Social Security funds (Pension and Health Fund) and Local Government on a cash basis. This data is available on a monthly basis.

- Annual Reports to the Agency for Public and Legal records (AJ PES)

All budgetary and non-budgetary bodies are obliged to report their annual financial statements to the Agency for Public and Legal records in the year following the reference period. These statements include profit and loss accounts and are available for indirect budgetary units on a cash and accrual basis. This data is available on annual basis at the end of March (t+1).

The Slovenian statistical authorities explained that Budget reporting is consistent with the financial statements, but it is more detailed and available sooner.

Revision policy between the April and October EDP reporting

The Slovenian statistical authorities explained the main differences between data reported in the April and October EDP notifications. In the *April EDP notification*, actual (preliminary) data is available for all the budgetary units. For all other units in central and local government, actual data is not available in April and estimations are being used (based on preliminary outturns, information on recent developments and data from previous years).

Estimations are mainly calculated for the big units (such as hospitals, universities, etc) while for the small units (such as local communities) no estimations is being made. The impact on B.9 for these units is almost negligible.

In the *October EDP notification*, preliminary outturn data for the year n-1, used in the April EDP notification, is revised with final data for the budgetary units. For all other units in the central and local government, estimates for the year n-1, used in the April EDP notification, are revised with data from financial statements.

As a complementary information to the above mentioned data sources, the *Statistical survey on gross fixed capital formation (GFCF)* is used. The basic source for GFCF data is available only on a cash basis. In the April EDP notification, GFCF data is reported on a cash basis (except for the Capital Fund and Slovenian Restitution Fund) and it is replaced with the accrual GFCF data from the survey in the October EDP notification.

Findings and conclusions

Eurostat thanked the Slovenian statistical authorities for providing the complete version of the EDP inventory and encouraged the national publication of the Inventory in Slovenian.

Eurostat considers the general situation, as far as data sources are concerned, as good and transparent.

Action point 2: Eurostat invited the Slovenian statistical authorities to publish the EDP inventory on their website.

2. Follow-up of the April 2008 EDP reporting – analysis of EDP tables

Introduction

Eurostat analysed the EDP tables and the questionnaire related to the notification tables, as reported in the April 2008 EDP notification.

During the January 2008 FAWG, Member States were asked to notify on 27 March, i.e. a few days earlier than the legal deadline of 31 March, as Eurostat has been asked that time to anticipate the publication of data to 18 April 2008. Slovenia sent the EDP tables and the questionnaire related to the notification tables as requested.

In addition, the Slovenian statistical authorities participated in the Pilot exercise of the EDP related questionnaire in the context of the April 2008 EDP notification.

Regarding the reporting of the EDP historical data, Eurostat noted that Slovenia is one of the few countries not providing historical data for debt from 1995 onwards, but only from 2001 onwards.

Discussion and methodological analysis

During the meeting the Slovenian statistical authorities provided to Eurostat the detailed Excel tables on the balance of revenues and expenditure of the state budget, local government budgets and Social Security Funds (Pension and Health Fund).

EDP table 2A

The working balance in the table 2A reflects the execution of the State budget as voted by Parliament. The working balance is published in the Balance of revenues and expenditure of the state budget (state budget surplus / deficit).

The Slovenian statistical authorities confirmed that neither loans nor equities are included in the working balance; therefore there is no entry for these items. However in the public budget, repayments of loans for military equipment are shown instead of actual purchases. Therefore, the Slovenians make a correction for the difference between the two amounts and record this under “other financial transactions” in table 2A. The source of data for this correction is the Ministry of Defence. From 2008 onwards this correction will not be needed anymore and actual purchases of military equipment will be included in the working balance.

Eurostat further investigated the recording of military expenditure and the Slovenian statistical authorities confirmed that the time of recording is the date of payment (cash data), which is however close to the time of delivery. SORS agreed to check with the Ministry of Defence the time difference between payments and deliveries and agreed to amend appropriately EDP table 2 and Table VI of the EDP related questionnaire.

The adjustments in table 2A, as reported under "other adjustments", are explained in the EDP inventory.

EDP table 2C

The working balance in table 2C is the deficit/surplus of local government (municipalities) budget on a cash basis.

EDP table 2D

The working balance in table 2D is the deficit/surplus of Health Insurance Fund and Pension Fund on a cash basis and is published in the Balance of revenues and expenditure of the Pension and Health Fund.

The Slovenian statistical authorities explained that the Capital Fund has two functions, (1) to provide funds to the Pension Insurance fund (classified inside general government) and (2) to manage five private pension schemes of the "second pillar". The Capital fund is an institutional unit classified inside general government, but the five private pension schemes that it manages are classified outside general government.

Net borrowing / lending (B.9) of the Capital Fund is included in *Adjustments for subsector delimitation*.

EDP table 3

In the April 2008 EDP notification, Eurostat noted that the statistical discrepancy for the central government (table 3B) exceeded 0.2 % of GDP in the period 2004-2007. In 2007, the statistical discrepancy amounted to -0.62 % of GDP. At the same time there was also a decrease of debt in 2006 / 2007 which could not be explained. Eurostat enquired whether a reason for such a high statistical discrepancy has been detected.

The Slovenian statistical authorities explained that the reasons have not been found yet, though they suspected that such a high statistical discrepancy arises from the debt (bonds) of the Slovenian Restitution Fund. They agreed to further investigate the issue. However, the Slovenian statistical authorities stated that this problem can not be solved until the October 2008 EDP notification.

EDP historical data

Eurostat recalled that Slovenia is one of the few countries not providing historical data for debt from 1995-2000 and enquired when this data could be delivered to Eurostat.

The Slovenian statistical authorities explained that the complete database on debt exists from 2000 onwards and that they are not in a position to provide historical data on debt before

1999, because of the use of a different accounting system. Quarterly debt data can not be used as it is not consolidated.

Eurostat took note that it would be difficult to provide the historical data on debt for the years 1995-1998 and the Slovenian statistical authorities agreed to work on 1999-2000 data.

Pilot EDP related questionnaire

Eurostat thanked the Slovenian statistical authorities for participating in this pilot exercise in the context of the April 2008 EDP notification. The Slovenian statistical authorities reported that the questionnaire itself is not so demanding. However, it would be difficult to have it ready for the first (April) EDP notification, while in October this data could be provided.

The only problem related to the filling of the Table 8 and it was agreed that SORS will contact the Ministry of Finance in the context of the October 2008 EDP notification.

Findings and conclusions

Eurostat thanked the Slovenian statistical authorities for sending the EDP notification tables and the questionnaire related to the notification tables on 28 March 2008, ahead of the legal deadline.

Action point 3: *In the context of future EDP notifications, the Slovenian statistical authorities agreed to provide Eurostat with detailed Excel tables on the balance of revenues and expenditure of the state budget, local government budgets and the Pension and Health Fund.*

Action point 4: *The Slovenian statistical authorities agreed to amend EDP table 2 and Table VI of the EDP related questionnaire in order to record appropriately "Other accounts receivables / payables related to the acquisition of the military expenditure".*

Action point 5: *The Slovenian statistical authorities agreed to investigate the reasons for the relatively high statistical discrepancy in central government.*

Action point 6: *Eurostat invited the Slovenian statistical authorities to provide historical data for debt for the years 1995-2000. While noting that it would be extremely difficult to provide this data for the period 1995-1998, the Slovenian statistical authorities agreed to perform some additional work on the years 1999-2000 after the October 2008 notification.*

Action point 7: *Eurostat thanked the Slovenian statistical authorities for having participated in the "Pilot EDP related questionnaire" in the context of the April 2008 notification. The only problem related to the filling of the Table 8 and in this respect the Slovenian statistical authorities agreed to contact the Ministry of Finance in the context of the October 2008 EDP notification.*

3. Methodological issues and recording of specific government transactions

3.1. Delimitation of general government, application of 50% rule in national accounts

3.1.1. Changes in sectorisation since last EDP visit in February 2006

Introduction

In the context of the EDP dialogue visit, the Slovenian statistical authorities provided an explanatory note on the practical implementation of the 50% rule in national accounts.

The register of units is maintained by the Agency for Public and Legal Records (AJPES). This Agency has the prime responsibility for classification of units, though in practice there is a working group which considers the classification of difficult cases and it is composed of the Agency, Ministry of Finance, Statistical Office and Bank of Slovenia.

An exhaustive list of all general government units by sub-sectors is available in the EDP inventory.

Discussion and methodological analysis

The Slovenian statistical authorities explained that for the analysis of 50 % rule *market sales (or transfers from government) as a % of the total output by cost approach* is being used.

The Slovenian statistical authorities confirmed that there were only some small re-classifications since the last EDP dialogue visit.

During the meeting an updated exhaustive list of all general government units by sub-sector was provided to Eurostat. The general government sector in Slovenia is comprised of around 2700 units. Central government has around 540 units, local government around 2200 and social security funds 3 units.

The Slovenian statistical authorities also provided a list of all public units which are classified outside general government (around 140 units) and the list of all public units in Slovenia (i.e. general government sector and public units classified outside general government). The public market units classified outside the general government sector are, among others, pharmacies (around 27 units), homes for elderly (around 55 units) and homes for students (around 20 units).

The Slovenian statistical authorities indicated that a database of all units (including general government by sub-sectors) is available publicly on the website of AJPES (Business Register).

Eurostat also enquired about the classification of the Slovenian Dwelling Fund (SDF), which is currently classified outside general government (in the *Non-financial corporation sector*). The Fund is a public financial and real estate fund, established to finance and implement the National Housing Programme, promote housing construction, renovation and maintenance of the apartments (i.e. the main activity is buying and selling flats).

The Slovenian statistical authorities explained that the 50 % test has not been undertaken for this unit. Eurostat underlined that the market / non-market test should be performed in order to see whether this unit complies with the 50 % rule to be classified outside general government. The Slovenian statistical authorities considered that this unit is to be classified outside general government due to the big fluctuations from deficit to surplus and opposite (depending whether the Fund is selling or buying the flats). If the Fund makes a profit, it can not be distributed (no dividend is being paid).

The Slovenian statistical authorities also explained that the director of the Fund is nominated by government, the salary system of the employees is the same as for the public employees and that financial plan of the Fund has to be approved by government. In fact, legally it is an extrabudgetary fund.

On the basis of the above, Eurostat asked the Slovenian statistical authorities to perform the market / non-market test for the years 2004-2007 and to prepare an accounting analysis on whether the actual classification of the Dwelling Fund outside general government is justified.

The Slovenian statistical authorities also explained that the Fund received two capital injections in the past, which were treated as financial transactions, i.e. 12.5 million euro in 2006 and 12.5 million euro in 2007 (about 0.04 % of GDP). Eurostat questioned whether this is the correct recording according to ESA95 and asked the Slovenian statistical authorities to re-analyse the issue of recording.

During the meeting the Slovenian statistical authorities provided to Eurostat the profit and loss accounts and the Statute of the Dwelling Fund

Findings and conclusions

Eurostat took note of the way sectorisation of units in the government sector is undertaken in Slovenia and welcomed the transparency of the system.

Action point 8: *Concerning the Dwelling Fund, the Slovenian statistical authorities agreed to:*

- *perform the market / non-market test for the years 2004-2007;*
- *prepare an accounting analysis on whether the actual classification of the Dwelling Fund outside general government is justified and*
- *reflect on whether the capital injections received by the Dwelling Fund in 2006 and 2007, recorded as financial transactions, were correctly recorded according to ESA95 rules.*

3.1.2. Public infrastructure companies (in general)

Introduction

The Slovenian statistical authorities provided, prior to the EDP dialogue visit, a note on DARS (Motorway company) classification, including profit and loss accounts and balance sheet of the company, and accounts of the Railways company (Slovenske železnice).

DARS is a joint-stock company. The company was established in 1993. In accordance with the decisions of the National Assembly of the Republic of Slovenia, DARS is in charge of

financial engineering, preparing, organising and managing construction and maintenance of the motorway network and is responsible for the management of motorways in Slovenia. Currently it is classified in the *Non-financial Corporation sector* (S.11) and it is 100 % owned by state. The main revenue of DARS is motorway tolls.

Railway Company (Slovenske železnice) has been restructured into four units (passenger operations, freight operations, infrastructure and holding company), all of which were classified outside general government. There was also an Agency for Railways which made significant grants for infrastructure. The Slovenian statistical authorities decided to treat the Railway Company as a single unit for national accounts purposes.

Discussion and methodological analysis

DARS and its compliance with the 50 % test was discussed. The Slovenian statistical authorities presented the introduction of the vignettes for cars for 6 months and 1 year, which replaced tolls on 1 July 2008.

In accordance with the amendment of the Public Roads Act, use of vignettes is obligatory for all vehicles with the permissible maximum weight of 3,500 kg (passenger cars) on motorways and expressways in Slovenia as of 1 July 2008. With the introduction of the toll-collection system with vignettes in the second half of 2008, only half-yearly vignettes were put on sale, while purchase of yearly vignettes for 2009 will be possible not later than the beginning of December 2008.

According to the explanations of the Slovenian statistical authorities the vignettes will represent about 50 % of the total revenue from tolls (i.e. from passenger cars). Other road transport will remain in the toll system.

Eurostat recalled that according to the *Eurostat Guidance on accounting rules for EDP on the Classification of payments for the use of roads*, the vignette will be treated as a tax and not as a sale of service: "*Payments for the use of roads will generally be classified as a sale of a service in the case of tolls. They will also be classified as a sale of a service in the case of vignettes whenever users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time.*"

Eurostat's opinion is that, in the case of DARS, the second condition, i.e. to have a sufficient choice of choosing a determined length of time, is not being fulfilled.

However, even with the introduction of the vignettes in the second half of 2008, DARS will apparently still comply with the 50 % rule and remain classified outside general government. As regards the following years (2009 onwards) Eurostat recommended to the Slovenian statistical authorities to closely monitor DARS in order to check whether it would still comply with the 50 % rule in the future.

Concerning the Railway Company, the Slovenian statistical authorities explained that in the middle of 2007 the whole system of Railways was changed and the function of financing was transferred from the Agency for Railways (classified within general government) to the Ministry for Transport. Also the system of independent units within Slovenske železnice is replaced with the system of only one unit.

Eurostat enquired further about the reorganisation of the Slovenian Railways in 2007, and in particular on why the function of financing was transferred from the Agency for Railways to the Ministry of Transport and whether this reorganisation has been approved by the European Commission (DG Transport). The Slovenian statistical authorities agreed to contact the Ministry for transport and to provide Eurostat with more detailed information on the reorganisation.

Findings and conclusions

Eurostat concluded that according to the recent *Eurostat Guidance note on accounting rules for EDP on the Classification of payments for the use of roads*, the revenue from vignettes for DARS will have to be treated as a tax.

Action point 9: *Eurostat recommended to the Slovenian statistical authorities to perform regularly the market / non-market tests for DARS from now onwards in order to check whether the corporation would still comply with the 50 % rule in the future.*

Action point 10: *The Slovenian statistical authorities agreed to provide additional information on the reorganisation of the whole system of the Slovenian Railways.*

3.1.3. Public utility companies, public hospitals, public TV, radio

Introduction

In the context of the EDP dialogue visit, the Slovenian statistical authorities provided the accounts of Public radio and TV company (RTV) and the accounts of the public hospitals.

All public hospitals and public universities are included within the general government sector.

Public utility companies (water, heating) are classified outside the general government sector and are classified in the *Non financial corporation sector* (S.11).

RTV is at present classified as a market producer in the *Non financial corporation sector* (S.11). The public RTV services are financed from several sources: RTV licence fee, commercial revenues, finances of the state budgets and from sponsorship and from other sources in compliance with the law and the articles of association.

RTV licence fee payers are all those having a radio or television receiver on the territory of the Republic of Slovenia where technical conditions for the reception of at least one programme of RTV Slovenia are assured. It is considered that each electricity payer owns a receiver and is thus subject to the payment of RTV licence fee, unless a person gives a declaration, as stipulated by the law. There are more than 600,000 active RTV licence fee payers. The RTV license fee is treated as a sale of service and not as a tax.

Discussion and methodological analysis

The Slovenian statistical authorities informed Eurostat that it is considered that each household which would dispose of an electrical appliance is subject to the payment of the

RTV licence fee whether they own a receiver or not, unless a person gives a declaration, as stipulated by the law.

Eurostat recalled the ongoing discussions at the FAWG on the Guidance note on Radio and TV licences, where Eurostat recommends that according to the *prevalent arrangements in the EU for TV licence / fees collection, payments for TV and radio licences / fees would generally be recorded as taxes in national accounts, as holders cannot be deemed to make a deliberate purchase to identified suppliers.*

Eurostat also noted that in some Member States, fees collected by public TV are already classified as tax revenues instead of sales.

In such circumstances, Eurostat's opinion was that most likely such a fee would have to be re-classified as a tax, as a RTV license fee seemed not to be linked to the provided service. In this context Eurostat invited the Slovenian statistical authorities to perform the market / non-market test for the RTV. The Slovenian statistical authorities agreed with the Eurostat analysis, but proposed that the re-classification of the RTV takes place in 2009 due to the lack of the human resources, as in any case the impact of the re-classification will be very small for deficit (B.9) and debt.

Findings and conclusions

Eurostat took note on the classification of public hospitals, public universities and public utility companies.

Action point 10: *Eurostat's opinion on the classification of RTV (based on ESA95) was that most likely the licence fee would have to be re-classified as a tax and invited the Slovenian statistical authorities to perform the market / non-market test for RTV. The Slovenian statistical authorities agreed with the Eurostat analysis, but proposed that the re-classification of the RTV takes place in 2009.*

3.2. Implementation of accrual principle

3.2.1. Accrual taxes and social contributions

Introduction

The Slovenian statistical authorities use *Assessment and Declaration method* for VAT, Taxes and duties on imports excluding VAT, Excise duties and Social contributions; *Time adjustment method* for Corporate profit tax and *Cash receipts* for all other taxes.

Eurostat further enquired about the Assessment and Declaration method, particularly on the calculation of the amounts unlikely to be collected. The Slovenian statistical authorities provided, prior to the EDP dialogue visit, a table on the amounts of taxes and social contributions unlikely to be collected for the period 2004-2007 (assessed data) and the same table with cash data was provided during the meeting.

Discussion and methodological analysis

On the basis of data provided by the Slovenian statistical authorities, Eurostat noted that coefficients of the amounts unlikely to be collected seemed very low for taxes and social contributions.

The Slovenian statistical authorities explained that the estimation of the coefficients for uncollectible amounts was undertaken in the Statistical Office in co-operation with the Tax authorities and Custom Office.

The estimation of the amounts unlikely to be collected is based on:

- unpaid claims (claims that are at least 5 years old);
- write-offs by the tax administration (tax office has to keep data for unpaid taxes at least 10 years before it can be decided to write them off);
- bad claims.

The estimation of the amounts unlikely to be collected was undertaken only once, in 2005, taking into account a time span of 5 years.

Eurostat commented that coefficients should take into account past data and future expectations and noted that the Regulation (EC) No 2516/2000 on taxes and social contributions of 7 November 2000 says that, "*... the coefficients reflecting assessed and declared amounts unlikely to be collected shall be estimated on the basis of past experience and current expectations*".

Eurostat further enquired on the method of calculation of unpaid claims. The Statistical Office explained that the information on unpaid claims by the year of origin is not available before 2005. From 2006 onwards this information is available on a monthly basis.

Eurostat also observed that cash data on taxes are lower than the assessed tax data for all the years (2004-2007) and recalled that the Regulation (EC) No 2516/2000 on taxes and social contributions of 7 November 2000 states the general principles of tax and social contributions recording in national accounts: "*(...), the impact on general government net lending/borrowing of taxes and social contributions recorded in the system on an accrual basis shall be equivalent over a reasonable amount of time to the corresponding amounts actually received*".

The Slovenian statistical authorities agreed that the coefficients reflecting assessed and declared amounts unlikely to be collected might be too low and agreed to re-analyse the issue. The estimated impact on deficit should not be higher than 0.15 % of GDP.

The Slovenian statistical authorities informed Eurostat that the method used for the recording of Current taxes on income, wealth, etc (D.5) has been changed. A special time adjustment method is used instead of Assessment and Declaration method (and estimating the amounts assessed but unlikely collected). This time adjustment method takes into account additional payments according to the tax audits. An updated version of the Questionnaire on the methods used for recording taxes and social contributions will be sent to Eurostat.

Eurostat also noted that no data on Stocks of Other accounts receivables related to taxes in the Table I of the EDP related questionnaire is available. In the April 2008 EDP notification data

on Stocks of Other accounts receivables related to social contributions were transmitted to Eurostat for the first time. The Slovenian statistical authorities agreed to provide the missing data and stated that it might be difficult to provide data on VAT.

Findings and conclusions

Action point 11: *Concerning the issue of taxes and social contributions, Eurostat pointed out to some possible shortcomings in the methods used for the recording of taxes, based on assessments and coefficients. More precisely, the coefficients used for the assessment of the amounts unlikely to be collected seem to be too small. The Slovenian statistical authorities agreed to re-analyse the issue and provide Eurostat with their conclusions as soon as possible.*

Action point 12: *The Slovenian statistical authorities agreed to update the Questionnaire on the methods used for recording taxes and social contributions due to the fact that the method for recording of Current taxes on income, wealth, etc (D.5) has been changed.*

Action point 13: *The Slovenian statistical authorities also agreed to fill data on Stocks of Other accounts receivables related to taxes in the Table I of the EDP related questionnaire.*

3.3 Recording of specific government transactions

3.3.1. EU flows

Introduction

Eurostat enquired about the treatment of the funds received from the EU in national accounts. The Slovenian statistical authorities provided, prior to the EDP dialogue visit, a short description of the recording of EU funds in national accounts and recording in the EDP tables.

Discussion and methodological analysis

The Slovenian statistical authorities explained that a cash basis is being used for all EU flows, except for agricultural funds. The agricultural funds do not enter the budget and are recorded on an accrual basis.

The Slovenian statistical authorities explained that financial advances (as in the case of the Structural Funds) of EU flows are deposited in a special account at the Bank of Slovenia with no impact on the budget, i.e. working balance. The time of recording of the revenue and expenditure is at the time when the final beneficiary makes the expenditure; i.e. the neutralisation is undertaken on the expenditure side and there is no impact on government deficit / surplus.

It was further clarified that in the case of the Schengen facilities, initial payments from the EU to Slovenia were already made in 2005 and 2006 and were deposited in the special account of the Bank of Slovenia. Slovenia actually used this money only in 2007 and in that year these amounts were booked in the budget as expenditure and as revenue.

The Slovenian statistical authorities also explained that in the Table II of the EDP related questionnaire, only EU own funds are included in *Other accounts payable* and in *Other accounts receivable* only agriculture funds.

The Slovenian statistical authorities make no adjustments in EDP table 3 as recommended by the Eurostat decision on the *Treatment of transfers from the EU budget to the MS* (under other accounts / receivables). This is due to the fact that the financial accounts are the responsibility of the Bank of Slovenia and are not used as a source of data for EDP table 3. Therefore financial advances deposited on a special account at the Bank of Slovenia are not shown in the EDP table 3.

Eurostat took note that this way of recording of EU funds is functioning due to the fact that financial accounts are not used as a source for EDP table 3. Eurostat stressed that when financial accounts data will be used for EDP tables 3, the Slovenian statistical authorities will have to change this approach. In that case, deposits from the EU will be entered in *Currency and deposits (F.2)* in the EDP table 3, which should be neutralised by *Other accounts receivables / payables (F.7)* as stated in the above mentioned Eurostat Decision. In this case EDP table 2A and the Table II of the EDP related questionnaire should also be amended.

Eurostat agreed that the *Decision on the Treatment of transfers from the EU budget to the MS* is basically being followed, but not fully in the case of financial advances.

Findings and conclusions

Action point 14: *Concerning the recording of EU flows, Eurostat noted that the rules on the recording of EU grants basically seem to be followed (neutralisation on the expenditure side) and there is no impact on government deficit / surplus. In order to clarify the issue, the Slovenian statistical authorities agreed to provide Eurostat with a table on the amounts received from the EU and the amounts spent per year and by programme for the years 2004-2007.*

3.3.2. Guarantees

Introduction

The issue of the recording of guarantees was discussed with the Slovenian statistical authorities during the 2005 and 2006 EDP dialogue visits. Eurostat advised that repeated calls on a guarantee over three successive years should lead (in the third year) to the entirety of the remaining guarantee being treated as if called. This treatment is being applied by the Slovenian authorities.

In the context of the EDP dialogue visit, the Slovenian statistical authorities provided tables including the list of guarantees called, their repayment and stocks by company in 2004-2007.

Discussion and methodological analysis

The Slovenian statistical authorities confirmed that this treatment of guarantees is still being applied and stated that in the period 2004-2007 there were no cases of repeated calls on a guarantee over three successive years.

Findings and conclusions

Eurostat took note of the provided explanations.

3.3.3. Military equipment expenditures

This item was discussed under item 2, *Follow-up of the April 2008 EDP reporting – analysis of EDP tables* (see also action point 4)

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

Introduction

The Slovenian statistical authorities provided, prior to the EDP dialogue visit, data on debt cancellations for 2004-2007.

In the period 2004-2007, there were only three cases of debt assumptions and no debt cancellations or debt write-offs:

- In 2004 by the central budget from the Slovenian Railway Company, 4 614 million SIT;
- In 2005 by the central budget from social security funds, 45 750 million SIT;
- In 2007 by the central budget from the Agency for Railway Transport, 26 461 million SIT.

Discussion and methodological analysis

The Slovenian statistical authorities explained that the debt assumptions in 2005 and 2007 had no effect on government deficit due to consolidation within general government.

Findings and conclusions

Eurostat took note of the provided explanations.

3.3.5. Capital injections in public corporations, dividends, privatization

Introduction

The issue of capital injections was discussed with the Slovenian statistical authorities during the 2005 and 2006 EDP dialogue visits, in particular the conversion of claims into equity.

The capital (equity) injections in loss making public enterprises in the period 1995-2004 were reclassified as capital transfers.

The Slovenian authorities provided, prior the EDP dialogue visit, tables on capital injections by beneficiary and treatment in national accounts (1996-2004). In recent years there was only one equity injection, i.e. in 2007 in Nova Ljubljanska Banka d.d. for the amount of 35.4 million EUR (0.1 % of GDP).

Discussion and methodological analysis

The Slovenian statistical authorities explained that there were also equity injections in the Slovenian Dwelling Fund in 2006 and 2007 (see item 3.1.1 and action point 8). The Slovenian statistical authorities clarified that these equity injections were not reported in the Table Vb of the EDP related questionnaire because they are below the threshold of 0.05 % of GDP, as required by this table.

Findings and conclusions

Eurostat took note of the provided explanations. Capital injections into the Slovenian Dwelling Fund will be investigated under Action point 8.

3.3.6 Public Private Partnerships (PPP)

Introduction

In 2007 a new law on PPPs was established according to which all PPP operations must be registered at the Ministry of Finance (MF).

Discussion and methodological analysis

The list of PPPs is already available at the Statistical Office. The Slovenian statistical authorities explained that there are two PPP projects at the local government level which will be analysed by the Statistical Office.

Findings and conclusions

Action point 15: The Slovenian statistical authorities agreed to analyse the two Public Private Partnerships (PPP) which were registered at the Ministry of Finance. The documentation on the PPPs, including the national analysis of these contracts and the original contract, will be sent to Eurostat, when available.

3.7. Treatment of non-returned banknotes and coins in the context of the cash changeover to the euro

Introduction

Eurostat briefly presented the *Eurostat decision on treatment of non-returned banknotes and coins in the context of the changeover to the euro*.

Discussion and methodological analysis

The Slovenian statistical authorities confirmed that they are aware of this decision and explained that coins and banknotes can still be returned to the Bank of Slovenia and therefore this decision is still not applicable in Slovenia.

Findings and conclusions

Eurostat took note of the provided explanations.

3.3.8. Others: Sale and leaseback operations, securitisation, Swaps, UMTS, Carbon trading rights, Payments for the use of roads

Introduction

According to the Slovenian statistical authorities there are no sale and leaseback operations, no securitisation operations, no swaps and no recording of carbon allowances in the national accounts.

Discussion and methodological analysis

The Slovenian statistical authorities confirmed that there are no sale and leaseback operations, securitisation operations, swaps and carbon trading rights operations.

As regards carbon trading rights, it was explained that most probably in 2009 government will have to purchase them, because it seems that pollution is above the threshold.

An UMTS licence was sold in Slovenia in 2001; for 120 million euro (first generation) and 12 million euro (second generation). The Slovenian statistical authorities confirmed that the treatment of UMTS licenses is in line with *Eurostat decision on the allocation of Mobile Phone Licences (UMTS) of 14 July 2000*.

Findings and conclusions

Eurostat took note of the provided explanations.

3.4 Slovenian Restitution Fund (SRF)

Introduction

The Slovenian Restitution fund handles compensations by government for private property confiscated after 1945. The issue was already discussed during *2005 EDP dialogue visit in Slovenia*. The time of recording was decided to be at the time when the claims were submitted to the court by the former property owners.

So far, government issued 3 issues of bonds (SOS-2E in 1995; RS-21 and RS-39 in 2001), which were shown as capital transfer (D.9) in national accounts. The capital transfer was recorded in the year when the claims had to be registered at the court (i.e. in 1995 and 2001). Prior to the meeting, the Slovenian statistical authorities provided to Eurostat a description of the current treatment of SRF together with actual data of the SRF model.

Description of the SRF model

At the same time as the bonds are recorded as capital transfer, they are also recorded in Other accounts payable and from that year on an “imputed” interest is calculated for each bond,

which replace so called “delayed” interest (paid backwards in the year when bonds were finally confirmed by court) in the profit/loss accounts. The stock of Other accounts payable is then reduced each year for the bonds which were issued and confirmed by the court in that year.

Discussion and methodological analysis

The Slovenian statistical authorities explained that the amounts of capital transfer in 1995 (bonds SOS-2E) were revised once due to the underestimation of valuation of the claims. At the time of the calculation of the estimations, the exact figures were not available. These amounts are now considered solid and final and all possible revisions shall be recorded strictly on a cash basis.

Also the estimated amounts of RS-39 bonds from 2001 were revised in 2007. As already stated above, all new RS-39 bonds from 2007 onwards will be recorded on a cash basis.

Eurostat stressed that the time of recording can be at the time of the court decision in the cases when the established amounts are solid and accurate. If this is not the case that the time of recording should be on a cash basis. In the case of the SRF model, Eurostat agreed with the Slovenian statistical authorities to record capital transfers in 1995 and 2001, i.e. at the time when the claims were submitted to the court and that any revision of these amounts should be recorded on a cash basis.

The recent proposal of government for additional claims and repayments due to the damages from the Second World War was also discussed. It was estimated that these compensation claims could amount to about 600 million EUR (i.e. 1.7 % of GDP). The Slovenian statistical authorities explained that the proposal has been withdrawn from the procedure in the government. These claims were already registered after the Second World War (in the late 1940`s) and still have to be approved by the Parliament. Thus the time of recording would be at the time of the approval of the law by the Parliament.

In 2007, according to the court decision, government has to refund to households the amounts which they invested in the past in the TELEKOM (Telecommunication Company) infrastructure. This was done through the Slovenian Restitution Fund. The repayments to households were recorded as capital transfers (D.9); 44 million EUR in 2007 and 80 million EUR in 2008.

Findings and conclusions

Eurostat took note of the provided explanations.

Concerning the Slovenian Restitution Fund (SRF) it was confirmed by Eurostat that the time of recording of the restitutions is when the claims were submitted to the court. It was also agreed that all possible further revisions of the estimated amounts will be recorded strictly on a cash basis.

4. Other issues

4.1. ESA95 Transmission Programme (tables 2, 6, 7, 9, 11, 25, 27 and 28)

Introduction

The Financial Accounts data have not been used to date in the EDP notifications, i.e. EDP table 3. Financial accounts data are the responsibility of the Bank of Slovenia. As a consequence, there are rather big differences between EDP table 3 and ESA table 6 and 27 for financial transactions (for some instruments around 1 % of GDP).

The Statistical office reported that the first priority of the Government Finance Statistics Working Group (WG) is to solve these inconsistencies. The WG compared and analysed data sources of the Bank of Slovenia (used in financial accounts) and data sources used in the EDP reporting by main units, subsectors and financial instruments.

Slovenia has a derogation for the transmission of annual financial accounts (ESA 6) for the period 1995-2001. Quarterly financial accounts (QFAGG) data is available from 2004Q1, while according to the *Regulation No 501/2004*, data from 1998Q4 (stocks) and from 1999Q1 (transactions) should be delivered.

Discussion and methodological analysis

Eurostat stressed the importance of eliminating the inconsistencies between EDP data and Financial accounts data and welcomed the ongoing work in the WG.

The Bank of Slovenia explained that, after comparing sources between EDP data and financial accounts data, the WG reached a conclusion that for items *Currency and deposits* (F.2), *Securities other than shares* (F.3) and *Shares and other equity* (F.5) financial accounts data can be used. The WG did not reach a conclusion for *Other accounts payable/receivable* (F.7), because SORS does not have data on stocks on taxes and therefore comparison between sources was not possible. It would be possible nevertheless to combine different data sources, i.e. financial accounts data would be used for the above mentioned instruments and Ministry of Finance data would be used for Other accounts receivable/payable.

The Slovenian statistical authorities consider that Financial accounts data are a better source for instruments such as F.2, F.3 and F.5.

The Ministry of Finance uses direct sources for the compilation of EDP table 3. The Bank of Slovenia explained that they are also using direct sources, but (complementary to these sources) other data sources are also being used, such as banking statistics. The Bank of Slovenia uses two sources of data or in some cases even three sources of data (for securities).

The Slovenian statistical authorities also reported that data on debt in the local government has been already improved with data from the Bank of Slovenia (i.e. financial accounts data).

Eurostat proposed to the Slovenian statistical authorities to further analyse in detail the differences between the different data sources and report back to Eurostat.

Eurostat also underlined that the Regulation No 501/2004 requires longer time series than are currently provided by the Slovenian statistical authorities. The Slovenian statistical authorities took note of this issue.

Findings and conclusions

The Slovenian statistical authorities are not using the financial accounts data as a source of the EDP table 3. As a consequence, big differences are observed between EDP data (source of data is the Ministry of Finance) and financial accounts for the general government (responsibility of the Central Bank).

Action point 15: *The Slovenian statistical authorities agreed to prepare a note which will provide the following information:*

- *detailed explanation on the sources of data being used for EDP tables 3 and for financial accounts;*
- *preparation of EDP table 3 filled in with the financial accounts and with data from the Ministry of Finance in order to observe the differences by instruments;*
- *detailed analysis of the differences in order to find the explanations for the inconsistencies.*

Annex 1: List of participants of the EDP dialogue visit to Slovenia 26-27 June 2008

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Mrs. Saša Finc

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Mr. Stane Vencelj
Mrs. Eva Križnik

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Mr. Uroš Geršak
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