



EUROPEAN COMMISSION
EUROSTAT

Directorate C: National and European Accounts
Unit C-3: Public Finance



Luxembourg, 22 October 2008

- FINAL FINDINGS -

EDP dialogue visit to the Slovak Republic

10-11 March 2008

Executive summary

An EDP dialogue visit to the Slovak Republic took place on 10-11 March 2008 with the aim to analyse the October 2007 EDP notification (and discuss possible revisions for the forthcoming April 2008 EDP notification); to review the sectorisation of some units, particularly the unit dealing with the building of road infrastructure, hospitals and health insurance companies; 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 notification tables and national accounts.

Concerning the EDP tables, Eurostat focused mainly on reviewing the lines under the section "Other adjustments" of EDP Tables 2. Already in September 2007 Eurostat had suggested that details should be provided for "other accounts receivable" and "other accounts payable". The request of Eurostat was renewed in the EDP mission. Eurostat also suggested systematic cross-checking of EDP Table 3 figures with money and banking statistics.

Particular attention was given to the issue of sectorisation of some units: the National Motorway Company (NDS), hospitals, and the health insurance companies. In the Slovak Republic, the NSI is responsible for the delimitation of the government sector for national accounts purposes. The 50% criterion allowing to determine the market / non-market character of a unit is regularly applied. The MOF and NBS are consulted during the process. The most problematic issue in this context appeared to be the sectorisation of the NDS, a public unit in charge of building and maintaining the road infrastructure as well as selling vignettes. In the case of hospitals, Eurostat was not convinced that accounting choices made in respect of classifying hospitals are appropriate and asked a complete note to explain in detail how the classification of hospitals are done. Also the reclassification of private health insurance companies was recommended, except for the flows and stocks relating to compulsory health insurance schemes¹.

With regard to the change of the methodology for recording taxes and social contributions requested by the Slovak authorities and approved by Eurostat before the April 2007 EDP notification, Eurostat reviewed the time-adjusted cash method used by the Slovak authorities for the first time in April 2007. In this context, it was found that the new method involves some elements (relating mainly to corporate income tax and tax for self-employed persons) of revisions risks, because the data is only final at April n+2. Eurostat invited the Slovak authorities to study the flexibility provided by ESA 95 for recording such amounts in cash.

A mistake occurred in the calculation of accrual interest for 2006 in the context of the April 2007 EDP notification which led to an important revision of the data in October 2007. This correction worsened the deficit by around 0.33% of GDP.

As far as the compliance with the rules established by the MGDD are concerned, e.g. treatment of guarantees, debt assumptions, debt cancellations, debt write-offs, dividends, military expenditures, EU flows and other specific government transactions, no particular problem was pointed out by Eurostat, as the treatment of these operations seems to be in line

¹ Classification of private health insurance companies related to public compulsory health insurance scheme was discussed during the EDP mission. Both sides agreed that the Slovak statistical authorities would prepare material on recording of private health insurance companies in the system of the National Accounts of SR.

with the rules. Eurostat took note of the non-existence of public-private partnerships, sale and leaseback and securitisation operations involving government units in the Slovak Republic.

Eurostat highly appreciated the transparency of the statistical information provided by the Slovak authorities, reflected in the high volume and quality of the supporting documentation provided before and during the visit, as well as in the participation of experts on different fields not directly relating to government finance statistics during discussions on specific issues. Eurostat also appreciated the professional level of the staff involved in the compilation of government finance statistics.

Introduction

In accordance with article 8d of Council Regulation (EC) No 3605/93, as last amended by Council Regulation (EC) No 2103 of 12 December 2005 as regards the quality of statistical data in the context of the excessive deficit procedure, Eurostat carried out an EDP dialogue visit in the Slovak Republic on 10-11 March 2008.

The delegation of Eurostat was headed by Mr. Nørlund, Director of Directorate C, National and European Accounts. The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) participated also in the meeting as observers. The Slovak authorities were represented by the NSI, the MOF, the NBS and some other agencies which were present according to the points of the Agenda. The list of participants is in Annex 1.

The previous Eurostat EDP mission to the Slovak Republic took place on 5-7 September 2007.

The visit of the 10-11 March 2008 focused on 1) analysing the October 2007 EDP notification, also in view of the expected revisions in the forthcoming April 2008 EDP notification, 2) reviewing the change in method for the recording of accrual taxes, and assessing its reliability, 3) further clarifying the sectoral classification of some units (in particular of the National Motorway Company and hospitals), and 4) clarifying the treatment of accrued interest.

Eurostat appreciated the amount and the quality of information provided by the Slovak authorities prior to the mission. Eurostat expressed satisfaction for the professional presentation of the issues done by the Slovak authorities and congratulated them for the work that has been undertaken in the field of government finance statistics including EDP reporting.

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 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 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

Introduction

During the 2007 visit Eurostat took note of the existing arrangement for the compilation of statistics on general government sector: ESA95 tables compiled by the NSI, EDP figures compiled in co-operation between the NSI and MOF, and the IMF GFS 2001 data compiled by the MOF. While taking note of an improving cooperation between the NSI, MOF and NBS reported by the representatives of these institutions, Eurostat encouraged further cooperation.

Discussion and methodological analysis

The Slovak authorities shortly explained that in order to further emphasise co-ordination of EDP work, a meeting was held in January 2008, where the structure of co-operation between institutions was defined. This co-operation works in two different levels; there is a top level where directors meet regularly and a middle level, where meetings are held weekly at the level of head of directories level. This is the level at which practical issues relating to compilation EDP notification is discussed and solved.

Findings and conclusions

Eurostat took note of these existing arrangements for the compilation of EDP notification.

1.2 Data sources, EDP inventory

Data sources

Introduction

During the 2007 EDP visit Eurostat evaluated the situation with respect to data sources as very good, both in terms of classification, timeliness and coverage. The State Treasury is the provider of source data for central government, social security funds and budgetary organizations 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.

Eurostat took then note of the fact that the unified classification of operations enforced in 2005 and the centralisation of data reporting within the State Treasury enforced in 2004, had been instrumental to a noticeable improvement in timeliness and accuracy of the compiled government finance statistics and of EDP reporting.

Discussion and methodological analysis

The Slovak authorities informed Eurostat that situation has not changed from September 2007. They only added that the NSI will be given an online access to the State Treasury database.

Findings and conclusions

Eurostat took note of the current situation.

EDP Inventory

Introduction

In the 2007 EDP mission Eurostat noted that the EDP Inventory of the Slovak Republic is comprehensive and easy to read. Eurostat suggested some textual improvements and reminded that the information in the Inventory should be consistent with other information

(e.g. military expenditure) provided to Eurostat, such as the Questionnaire related to EDP Tables.

Discussion and methodological analysis

The Inventory was not reviewed, because it had been reviewed in detail only half a year earlier, but the Slovak authorities informed that some of the annexes to the Inventory will be updated in 2008.

Findings and conclusions

Eurostat took note on the information provided.

2. Follow-up of the EDP visit of 5-7 September 2007

The follow-up actions of the previous visit were discussed according to the points of the agenda they belonged to.

3. Analysis of EDP Tables – follow-up of the October 2007 EDP reporting

Examination of the October 2007 EDP notification

Revision policy on actual data

Introduction

In the October 2007 EDP notification, the NSI reclassified the Slovak Television (STV) and the Slovak Radio (SRo) into the government sector. That change is only related to the years included in the notification tables (2003-2006). The NSI is currently working to extend the reclassification for the years 1995-2002 and the ESA table will be modified in that respect during the October 2008 EDP notification.

Discussion and methodological analysis

Eurostat asked if the Slovak authorities would already have preliminary results available for the forthcoming April 2008 EDP notification. The Slovak authorities informed Eurostat that as they had only some estimation available at this point of time, they would like not to provide these to Eurostat because of the preliminary nature of the data.

Eurostat also asked whether the Slovak authorities expect noticeable revisions for the 2004-2006 data in the April 2008 EDP notification. The Slovak authorities confirmed that they are working for introducing the reclassification of radio and television companies in the historical data (1995-2002) and that they don't expect big revisions to data in April 2008 notification.

Findings and conclusions

Eurostat took note on the information provided.

EDP Tables

Introduction

During the September 2007 EDP visit Eurostat recommended, with respect to EDP Tables 2A-2D, to report in them details on “other accounts receivable “and “other accounts payable”. That did not take place during the October 2007 EDP notification round even though the Slovak authorities provided a very detailed table for the September 2007 mission. Also during the September 2007 EDP mission Eurostat requested a systematic crosschecking of the figures reported in EDP Tables 3A-3E with Money and banking statistics (MBS). That had so far not taken place before the mission.

Discussion and methodological analysis

The Slovak authorities explained that because of time constrains they could not yet provide details on “other accounts receivable “and “other accounts payable”, but that they will do so in the future.

The crosschecking with Money and banking statistics was discussed very briefly since to this issue the NBS provided in advance a comprehensive progress note containing all relevant information. The progress note has explained step-by-step development of cooperation between the NBS and the NSI in the field of harmonisation of general government quarterly financial accounts with money and banking statistics (since the first recommendation of EDP mission in 2005 had been obtained) which is necessary condition that would allow the NBS to realize the systematic crosschecking of GG financial accounts in relation to the sector of financial corporations (S.12) with money and banking statistics. The cooperation significantly intensified in 2007 in respect of the forthcoming MUFA reporting obligation of the NBS to ECB. One of the important outcomes was a mutual agreement on application of identical bridge tables with ESA codes for financial instruments from reports of money and banking statistics at compilation of GG financial accounts in relation to the sector of financial corporations (S.12) as well as for compilation of MUFA. The NBS explained that the systematic crosschecking will be done at the occasion of compilation of quarterly financial accounts of monetary union of which first obligatory data transmission to the ECB will take place at the beginning of 2009.

Findings and conclusions

The Slovak authorities informed Eurostat that the first obligatory transmission of quarterly financial accounts of the monetary union to the ECB will take place at the beginning of 2009. The Slovak authorities agreed to provide details on other accounts receivable and payable of government from the April 2008 notification onwards.

4. Methodological issues and recording of specific government transactions

4.1 Delimitation of general government

National Motorway Company (Narodna diaľnicna spoločnosť - NDS)

Introduction

The issue of the sectorisation of the NDS was originally only briefly discussed during the EDP visit in 2005, given that the NDS accounts did not have yet any impact of government accounts and that financial reports of the NDS were not available yet. At that time, Eurostat had questioned the proposal of the Slovak statistical authorities to classify NDS outside government, as well as the autonomy of decision of this entity, based on its inability of (1) selling its assets, (2) determining its investment policy and (3) determining its pricing policy. During the September 2007 EDP visit the matter was discussed more profoundly and representatives of the NDS, including the Chief Financial Officer, were present during the discussions.

Discussion and methodological analysis

The National Motorway Company (NDS), established in 2005, is currently classified outside the general government sector, as a public non-financial corporation.

The main activity of the company is to build motorways. Other activities include maintenance of motorways and roads and some minor side activities. The maintenance of roads is made through contracts with regions and higher territorial units, against payments (50 million SKK in 2006).

The financing of NDS consist of: revenues from vignettes (1.8 billion SKK in 2006), funds received from the State budget (1.9 billion SKK), EU financing (7 billion SKK) and loans from financial markets (7.3 billion SKK). Current expenditure in 2006 amounted to 1.8 billion SKK and capital expenditure to 17 billion SKK. The financing from the State is set up by an agreement between the NDS and the Ministry of Transport, Posts and Telecommunications (the NDS is under the responsibility of the Ministry of Transport, Posts and Telecommunications) and consists for about half the total amount, of an investment grant (part of the co-financing) and for the remainder of maintenance contracts. The receipts and outlays of the NDS are predominantly constituted of capital operations, given the active programme of road construction. Sale of vignettes and maintenance contracts constitute a rather small part of total income. The NDS complied with the 50% rule criterion for market/nonmarket (80.79% for the year 2005, 76.77% for the year 2006) based on the above activities, but would fail the criteria if the building expenditures would be treated as costs; the Slovak authorities pointed out that capital expenditure are not to be taken into account, under ESA95, for the 50% rule criterion.

According to the law on priority infrastructure property, the NDS is the owner of motorways and speed roads. However these assets cannot be sold. The vignettes (stickers) are obligatory for entry on motorways and a vignette can be bought for 1 day, 1 week, 1 month or 1 year. The price for a one year vignette was in 2007 1100 SKK (about 40 Euro), which would seem unsustainably low in the long run. The government, and not NDS, decides on the price of the vignette, but increases in prices are proposed by the NDS. Starting from the year 2009, it is envisaged that electronic tolls could be progressively introduced.

During the 2007 EDP visit Eurostat noted that its recent guidance note on the classification of payments for the use of roads would imply that revenue from vignettes can be considered as sales for the 50% test, assuming that the low price of the annual vignette reflects a limited network of road availability (i.e. it is expected to rise in the future).

It was explained that the NDS cannot decide of its investment policy (where and when to build which motorway), as it is obliged to follow the government decisions in the context of the Slovak Republic commitments to the EU in the framework of the TEN (TransEuropean Network). Nevertheless, the NDS decides on the specifications of construction. The Board of the NDS consists of five executive board members, none of which is a representative of government or a former MOF employee. The NDS can act on its own, in line with the public procurement law, when organizing PPP projects for building infrastructure. Its autonomy remains very limited in its function of priority infrastructure property manager/owner: it cannot build without authorization, cannot sell, cannot contract out its priority infrastructure property under concessions, and cannot close roads.

The NDS borrows without government guarantees. It is not clear what would happen in case of bankruptcy, given that assets were not re-sellable and it can be wondered whether the lenders had not figured out that a de facto guarantee existed in law. Eurostat suggested that this point may be enquired.

The NSI has been undertaking a detailed analysis of the NDS and the figures for net lending/net borrowing of NDS were provided in November 2007 (see table below).

Národná diaľničná spoločnosť, a.s.

Ukazovateľ		v mil.sk	
		Rok	
		2005	2006
B.9	Čisté pôžičky poskytnuté/prijaté	-5,230	-6,050

Two representatives of NDS in the meeting also informed Eurostat that NDS have been granted the right to independently decide the amounts for the payments for the use of roads since 1 January 2008. They also informed that NDS does not issue bonds or money market instruments but obtain their financing from the markets and that at the moment they have two bank loans from big consortiums. The representatives of NDS explained also that commercial banks are lending money to NDS because they can see the potential cash flow coming to the company if the toll system will be introduced into the Slovak highways.

Eurostat enquired if there are any plans to pay dividends. The NDS representatives told that there were no plans to pay dividends because the priority to the company is to maintain and build roads.

Findings and conclusions

Eurostat concluded that as far as the classification of the NDS (National Motorway Company) is concerned, the Slovak statistical authorities will provide to Eurostat a copy of the business plan of the company². Under the current accounting framework Eurostat considers that the sector classification of NDS might be considered appropriate. However Eurostat also recalled that the task force on major infrastructure investments is at present dealing with similar cases of classifications as the NDS one and that this might result in the adoption of new decisions and recommendations, although this decision will not be expected to be retroactive.

² The Slovak authorities provided the business plan of NDS at 31 March 2008.

Hospitals and health insurance corporations

Introduction

The question of the sectorization of hospitals was discussed during the September 2007 EDP visit, but at the time the NSI was not able to explain the system of financing in detail. Eurostat asked further information to be provided as soon as possible: "explaining the Slovak health care organization, detailing the financing of hospitals, and analysing their accounts, as well as a copy of the price list of services provided by hospitals". The issue of classification of health insurance companies arises also from the description of organisation of health care services in the Slovak Republic.

Description of the Slovakian case

A large majority of hospitals are currently classified outside the government sector. Both public and private hospitals exist in Slovakia, although it is a bit unclear to what extent the number and size of for profit private entities is significant.

It seemed that a price list exists for services provided, but that each hospital has contracts with various "health insurance companies", with varying prices for the "points". Health insurance companies, which compete for insuring households, reimburse hospitals for the services provided to patients according to the payment requests they receive. They are classified in the government sector. It seems that hospitals are not reimbursed according to the actual costs they have.

According to a note sent by Slovak authorities on 21 September 2007, payers of public health insurance premiums are defined in Act No 580/2004 on health insurance. They are:

1. employed persons;
2. self-employed persons;
3. employers;
4. the State – It seems the State pays on behalf of insured persons who are not employed or self-employed, where they do not have a taxable income higher than ½ of the total minimum wage in the relevant period;
5. persons who are neither employed nor self-employed and for whom the State does not pay insurance premiums ("voluntarily unemployed persons").

In 2006, the share of the State as payer of insurance premiums amounted to 29.9% of the total collected, while 70.1% was collected from other insurance-premium payers. Of the total volume of State budget funds under the Ministry of Health heading for 2007 (i.e. SKK 30 billion), the majority (i.e. SKK 27 billion) consists of premiums for State-insured persons.

Health care costs are covered by public health insurance funds under the terms of Act No 577/2004 on the scope of health care covered by public health insurance and on the reimbursement of health-related services, as amended. This Act lays down the scope of the health care covered by public health insurance, i.e. what health care is fully or partially covered by public health insurance and what is not, and the scope of reimbursement of health-related services.

Concerning the regulation of health care activity prices, under the government-adopted policy aimed at liberalising prices during 2006, the Slovak Ministry of Health gradually deregulated

the prices of health care activities and limited price regulation to activities where regulation is required in the public interest, and which are thus strategically important (such as emergency health services, medical first-aid services, blood preparations, tissue transplants etc.).

The method of payment and the amounts of reimbursement for activities with deregulated prices are the subject of contractual arrangements between the health insurance systems and health care providers, whether State or private. Each health insurer has its own price policy and may, under the Prices Act, make individual arrangements when awarding contracts with individual health care providers.

The payment method for outpatient health care activities in the form of a points system and the fixing of prices per point is one possible form of payment. For deregulated prices, this is not binding and is subject to agreement between the parties.

Government Regulation No 223/2005 lays down the Health Activities Catalogue, containing a detailed list of activities in the health system. Government Regulation No 226/2005 lays down the amount of reimbursement for health care paid by a health insurer to a provider of first-aid health care services, in which the prices and the activities listed in the annex and their score values are determined; the prices of other State activities (the price of one point) are determined by health insurers individually.

Health insurance corporations are classified inside government (S.1314), even though some are private.

In this case, there are two separate classification issues: First the sectorisation of health insurers within insurance companies (S.125) or instead social security funds (S.1314). Second, the sectorisation of hospitals.

Health insurance companies

Discussion and methodological analysis

The question at stake is the appropriate sectorisation of health insurance corporations: whether they are entities engaged in the management of a social security scheme or another type of social insurance (i.e. so called private schemes).

For this point of agenda also representatives from Ministry of Health were present. The Slovakian authorities explained that all health insurance companies are currently classified in the sector Social security institutions S.1314. In total there are six health insurance companies, of which two are public and four are private companies. According to the Slovak authorities every single person has to participate to the system and paid contributions are defined by the government, but individuals can choose to which health insurance company they want to participate. Government decides the level of contributions and also what kind of health care operations which are to be covered by the system.

The health insurance companies can negotiate with hospitals how much they pay for each point (each service can have a value of different amount of points) or operation. The system of points defines how health care facilities are compensated – price of the service. There exist also other systems for compensating health care providers, for example health care provider can negotiate for some kind of globally defined price with a health insurance company, have an invoice system etc.

Health insurance companies (private or public) may perhaps be seen as managing the social insurance scheme on behalf of government, and ESA95 might suggest recognizing that general government is the principal party in the arrangement.

ESA95 paragraph 1.38 states: *"The system's treatment of most transactions is straightforward; that is, the transactions are recorded in the same way as they appear to the institutional units involved. However, some transactions are rearranged in order to bring out the underlying economic relationships more clearly. Transactions can be rearranged in three ways: rerouting, partitioning and recognising the principal party to a transaction"*.

According to paragraph 1.41: *"When a unit carries out a transaction on behalf of another unit, the transaction is recorded exclusively in the accounts of the principal. As a rule, one should not go beyond this principle and try, for instance, to allocate taxes or subsidies to ultimate payers or ultimate beneficiaries under the adoption of assumptions"*.

Thus, the health insurance companies would only perform an intermediary function as far as compulsory health insurance is concerned. An option would be to record revenues from compulsory health insurance contributions and health insurance benefits as well as associated assets and liabilities in the accounts of general government, and to record other flows relating to operating activities (compensation of employees, fees collected etc.) outside general government – at least for the private entities.

Consequently, the health insurance companies (at least the private owned companies) would be classified in the corporation sector assuming that they fulfil ESA95 criterion for market producers, except for the flows and stocks relating to compulsory social security scheme.

Findings and conclusions

The Slovak authorities informed Eurostat that four out of the six existing Health insurance companies are private companies classified inside general government. Eurostat found it difficult to accept that private insurance companies are classified inside the general government sector. Eurostat considered that rules on sector classification of units should be applied and recommended the Slovak authorities to reclassify these companies outside general government in the fiscal data to be reported in the April 2008 notification, except for the flows and stocks relating to compulsory health insurance scheme.

Hospitals

Discussion and methodological analysis

The issue discussed was whether the public hospitals should be classified inside or outside the general government sector. When defining what can be considered as sales in the case of hospitals, the Manual on general government deficit and debt says at paragraph 5.5:

Eurostat 1999 "Survey on the sector classification of public hospitals and homes for elderly in ESA95" revealed important differences among Member States concerning the way the payments are made by the general government to public hospitals:

i) according to their costs;

- ii) according to a negotiation (global budget) between general government and each hospital. These negotiations focus on several factors (final output, maintenance of building, investment in technical equipment, payments for compensation of employees);*
- iii) according to a system of pricing applied only to public hospitals;*
- iv) according to a system of pricing applied to both public and private hospitals.*
Only payments made under iv) can be considered as sales.

The Slovaks consider that the existence of private producers guarantees that prices are economically significant. Only payments subject to the same price system, applied to both public and private hospitals, can be regarded as sales. The market nature of the environment arises from the fact that the Slovak legislation governing health care provision does not mention different conditions for private and "State" facilities.

There is a question whether a theoretical application to private providers or the existence of a few private hospitals is sufficient in the context of criteria iv). One might interpret iv) as establishing a criteria where a sufficiently large number of private hospitals using the common price lists is required to prove that the price list is indeed economically significant.

Private hospitals focusing on high standard (and costly) services cannot be deemed as good terms of comparison. By the same token, an arrangement where private hospitals engage in certain types of medical acts, shunning costly heavy intervention, might put a question mark if they are genuine comparators.

The Slovak authorities tried to explain the existing hospital system, but the subject turned out to be a bit problematic because even after the discussion it was unclear how many hospitals there are in Slovakia and in which sectors they are classified. It seems that the majority of hospitals are owned by general government (either by central or local government or also by higher territorial units), but it was unclear how many private hospitals there are in the Slovak Republic. According to the explanations provided during the meeting, it seems that 23 hospitals are classified in the sector "Non-profit institutions serving households" S.15 and it was unclear why these hospitals have been classified into this sector in the first place. According to the explanations provided by the Slovak authorities, hospitals are financed by the reimbursements based on their contracts with health insurance companies. A majority of hospitals are making losses, even if they are not given financial transfers from the Ministry of Health. Hospitals just build up debt and report it to Ministry of Health, which in its turn forward this information to government. It was unclear if the hospitals receive transfers from regions and municipalities.

Findings and conclusions

Eurostat is not convinced that the accounting choices made in respect of classifying hospitals are appropriate. There are at present doubts on to which sectors units are classified in national accounts. There are also doubts on whether the classification is done correctly, based on the explanations provided during the meeting. Eurostat found also difficult to understand why some hospitals seem to be classified in the sector S.15. It was also not fully clear how revenues are classified for the purpose of the market and non-market test (50%). The Slovak authorities are to send, in the context of the April 2008 notification³, a complete note on these issues, listing entities by categories and specifying where they are classified in national

³ 31st March 2008 Slovak authorities sent a short note on the recording of hospitals in the system of national accounts.

accounts currently and on what basis, and how they will be classified in the fiscal data of the April 2008 notification and in future notifications and on what basis the decisions will be taken. The note should also contain precise information on whether there are private hospitals in the Slovak Republic and on their number, the way in which they are financed, their precise activities and indications of their profitability or of the extents of their losses.

Semibudgetary organisations

Introduction

Before the September 2007 EDP visit Eurostat was informed that the NSI was in the process of assessing the 50% rule for the semibudgetary organisations. For the purposes of the 2008 EDP visit the NSI was asked if the preliminary results were available. The NSI provided a working document for assessing the 50 % rule and changes in the sector classification have taken effect from 1 January 2008.

Discussion and methodological analysis

The results of the reclassification exercise were discussed, according to the file provided prior to the mission. It seemed that 47 units were reclassified to the general government sector (S.13) and 30 units were reclassified to non-financial corporation sector (S.11). Eurostat wondered why units will be reclassified only from the beginning of 2008 and why these changes are not implemented in earlier years, especially because many of reclassified units seemed to be, for the whole period under review, either above or below the 50 % rule. When asked, the Slovak authorities said that the impact of reclassifying backwards these units would be very small because the units themselves are very small.

Findings and conclusions

The Slovak authorities presented to Eurostat the results of the application of the 50% rule to semi-budgetary organisations. Eurostat, while congratulating the Slovak authorities for the work undertaken, considered that the reclassification of some units inside government or outside government, should be undertaken not only from 2008 (to be shown in the EDP notification of 2009) but from 2004 onwards, as data seems to be now fully available for such years^{4,5}.

Slovak Television (STV) - update

Introduction

Based on the discussion during the September 2007 EDP visit, the STV (together with the Slovak Radio- SRo) was classified inside the government sector in the October 2007 EDP notification.

⁴ A note/description on the matter was provided by the Slovak authorities on 26.3.2008.

⁵ The Slovak authorities stated on 26 March 2008: "The last assessment of the 50% rule was applied on data for 2004 - 2006. As a result 51 units was reclassified into S.13 and 30 units outside S.13. This change was introduced in Register of Organizations as of 1st January 2008. The 50% rule had been applied for previous years as well. SOSR supplied the detailed description of the application of the 50% rule to Eurostat as a background document for the previous EDP missions (mission in 2007 and 2005)."

Previously the STV was classified outside the government sector. The main financing comes from the TV licence fees paid by households (“concessionary fees”) and from sales of advertisement spots. During the visit, Eurostat noted that to the extent that the fees are paid by each household possessing a TV set, regardless whether they intend to watch the public TV or not, it was difficult to recognize a voluntary purchase of a service by consumers. Eurostat noted that the issue was under review in Europe, and that some national accountants had already reclassified these amounts as taxes (IE, UK). The NSI expressed also the opinion that the revenue from the fees should be treated as a tax.

Discussion and methodological analysis

The Slovak authorities were asked if the proportion of sales to costs was studied during the reclassification process. They confirmed that it was done and the ratio was below 50 %. Eurostat explained that similar kind of reclassifications decisions were made also in other Member States.

Findings and conclusions

Eurostat took note of the public radio and television (STV and SRo) reclassified inside general government. The Slovak authorities informed that the data from 1995 to 2002 will be revised before the end of the year (the data for 2003-2006 had already been revised in the October 2007 EDP notification).

4.2 Accrual data

4.2.1 Source data and methods for accruals

Introduction

The press reported in November 2007 that approximately 1.2 million pensioners were supposed to receive a "Christmas bonus" for a total of 1.6 billion SKK (0.09% of GDP), but the government hadn't decided if that could be paid in December 2007 or only in January 2008. The government had not given its approval to the state insurer Socialna Poistovna to pay it out, because it was unsure if the bonus would jeopardise the entry into the Euro zone at 2009 because of its negative effect on the deficit.

Discussion and methodological analysis

The Slovak authorities explained that the "Christmas bonus" was finally paid to the pensioners in December 2007 and it is recorded in the 2007 figures. Eurostat found the provided explanation satisfactory.

Findings and conclusions

Eurostat took note on the information provided.

4.2.2 Accrual taxes and social contributions

Accrual taxes and social contributions

Introduction

In line with the Regulation 2516/2000 and the Code of best practice and following a formal approval from Eurostat, the Slovak Republic changed the methodology for recording taxes and social contributions for the April 2007 EDP notification, using a time-adjusted cash method instead of the assessment method hitherto employed. During the September 2007 EDP visit it was explained that the reason for the change in method was that the method of assessment based on calculation of coefficient was costly and prone to errors.

The Slovak Republic is currently using the so-called "simple time-adjusted cash method", which only takes into account the administrative time lags between the accrual moment and the "due for payment date" (i.e. neglecting the further delays arising from the delinquency of claims in arrears). For the calculation of the corporate and personal income taxes, the current method in use shifts the final settlements backwards, in the year of economic activity, which implies an estimate for the first notification of April.

According to the note provided by the Slovak authorities for the purposes of this mission, the status of the data during April notifications is the following:

- Personal income tax from dependent activity, social contributions and exercise duties – final data are available
- Value added tax - semi-final data are available
- Corporate income tax and personal income tax from self-employment – only estimates of data pertaining to final settlement are available. According to the note the problem was the same also for the "coefficient method" which was in use before.

According to the note, revisions between the April and October 2007 notifications have been mainly in three items:

- Personal income tax from self-employment (- SKK 0.6 billion),
- Corporate income tax and (+ SKK 1.3 billion)
- Social insurance contributions (+ SKK 1.0 billion).

Differences in Corporate income tax and Personal Income Tax from self-employment result from the fact that they are only estimates during April notification (as mentioned above). The problem with Social Insurance contributions is different.

The problem stems from the existence of fully-funded pension pillar (second pillar) which, according to Eurostat's methodology classified outside the general government sector. It was discovered in the year 2007 that the monthly cash data on social insurance (within the GG sector) are higher than they should be. This is because the Social Insurance Agency (SIA), which is responsible for collecting and sending contributions to the second pillar (outside the GG sector), records its monthly cash data in an incorrect way. The Social Insurance Agency (SIA) records contributions sent into the second pillar, not contributions received for the second pillar. As there is a time lag between receiving and sending money into the second pillar, on a yearly basis social insurance revenue is overvalued.

In February 2007 the Social Insurance Agency was asked to provide detailed data, based on cash received. Based on these data, accrual social contributions for 2005 were revised in April 2007. Similarly, in October 2007, accrual contributions for 2006 were revised downwards (-SKK 1.0 billion). According to the note prepared by the Slovak authorities SIA will provide correct data at the end of February 2008 for the April 2008 EDP notification, therefore it is not expected to have such revision as in the October 2007 EDP notification.

During the September 2007 EDP visit Eurostat requested the estimates of the taxes calculated using the “assessment method” for the year 2006, in order to compare them with the results of the time-adjusted cash method. The comparison showed that the effect in 2006 was 0.1 % of GDP - the new method slightly lowers the tax revenue. The Slovak authorities provided also, for the purposes of 2008 EDP mission, their latest estimates for general government tax revenue in 2007. Those estimates were preliminary.

Discussion and methodological analysis

It was confirmed by the Slovak authorities during the discussion that the current time-adjusted cash method contains some instability in recording taxes till April N+2, because for Corporate income tax and Personal Income Tax from self-employment data available are only estimates. Eurostat reminded that the system already allows for flexibility in the recording of such amounts as cash, as specified in ESA 95 par. 4.82 and this could provide a way to avoid significant revisions of data in successive EDP notification. Representatives of the Ministry of Finance didn't find this a very good approach and said that from their point of view accuracy of data would be lost.

For Social insurance contributions it was explained that Social Insurance Agency will provide detailed data on 15 March (for the April notification) which will then be verified. By using this detailed data, hopefully revisions such as these in October 2007 will be avoided, but it was also noted that this item might contain revision risks as well.

Findings and conclusions

Eurostat congratulated the Slovak authorities for the work they have done in the recording of taxes and social contributions. But it was recalled that important revisions in data seem to occur until the n+2 April EDP notification for corporate income tax and for personal income tax from self-employment (including employees that are treated as self employed for tax purposes), due to the method of shifting the final settlement backwards in the year in which the economic activity took place. In this context, Eurostat recalled that the system already allows for flexibility in the recording of such amounts as cash, as specified in ESA 95 par. 4.82 and strongly invited the Slovak statistical authorities to consider this way of recording the final settlement for such taxes as a way to eliminate possible important revisions of data in successive notifications.⁶

⁶ The Slovak authorities provided a note concerning the current method for the recording of taxes and social contributions on 26.3.2008.

Tobacco taxes

Introduction

During the 2007 EDP visit the Slovak authorities explained that there had been a change in tobacco tax rates in 2006 which led to a marked movement of anticipated imports and purchases at the end of 2005, which was instrumental to the shift of about four months of tobacco taxes from 2006 to 2005 (4 billion SKK).

A similar kind of development has taken place also during 2007. According to the note provided for this EDP visit, a stockpiling of cigarettes usually occurs, when tobacco excise tax rates are about to rise. In the last months before the actual change of rates, cigarette producers (motivated by the effort to sustain their position on the market after rate change) increased their stocks of excised cigarettes. In the case of the stockpiling in 2007, new rates became effective on 1.1.2008. The actual stockpiling took place in the last four months of 2007 with respective excise tax equal to an amount of 9,5 mil SKK (0.5% of GDP).

Discussion and methodological analysis

Eurostat requested that the revenue from the stock piling of cigarettes will be recorded as general government revenue in 2007 (in a similar manner what was done in 2005). The Slovak authorities stated that it will be recorded in the fourth quarter of 2007 and that it is a one-off measure having an impact of 0.5% of GDP.

Findings and conclusions

As far as tobacco taxes are concerned, the Slovak authorities informed Eurostat that due to a recent change in tobacco tax rates, stockpiling of cigarettes took place in the last months of 2007. This led to extra revenue of excise tax amount in the last months of 2007 equal to around 9.5 bio. SKK (about 0.5% of GDP), which will be recorded as government revenue for 2007 following a cash recording of such amounts. While pointing out that this will most likely determine a fall in government income deriving from excise tax during 2008, Eurostat found the method of cash recording of such amounts correct.

4.2.3 Calculation of accrual interest, consolidated interest

Introduction

The issue concerns both Table 1, with interest expenditure profiles, Table 2A, with the difference between interest accrued and paid, and table 3B, with the treatment of discounts/premiums as well as difference between interest accrued and paid.

There was a substantial revision between the April 2007 and the October 2007 notifications for accrual interest for 2005 and 2006 that led to a substantial exchange as well as to further modifications of data by the Slovak authorities.

It can be noted that the 2005 interest expenditure was revised upwards, back to the October 2006 level, with a counterpart entry in interest received, thus being a consolidation issue.

Upon the 1st delivery of the October notification, Eurostat said that interest expenditure patterns were implausible (compared to debt and interest rate patterns): with substantial falls between years 2004-2005 and increases between 2005 and 2006.

This led to a revision of the data provided by SK, with a sharp reduction in the 2006 interest expenditure, but without impact on the deficit, as revenue were also revised sharply downwards.

Eurostat asked a special note for explaining the reasons for these revisions. The Slovak authorities gave the following explanations, which Eurostat considered as not fully convincing:

"In April 2007 notification we recorded positive impact of accrual interest 2,5 bn SKK based on the data sources available at that time. In October 2007 notification the time adjustment was updated to negative impact of 2,9 bn SKK, i. e. difference between April and October is 5,4bn SKK.

Change in figure on Table 3B in item "Difference between cash and accrual interest" resulted from the statements obtained after April 2007 notification. Based on the statements, we updated time adjustment of interest and eliminated interest liabilities to the State Treasury due to the fact that in April 2007 notification the positive impact of interest liabilities on deficit was not offset by the same change of stocks of receivables in the State Treasury (the receivables of the Treasury were not recorded in public accounts). That was the reason why we had to eliminate the positive impact of 2,254 bn SKK in October 2007 notification (consolidation cannot influence deficit).

The correct calculation of interest is the following:

<i>mio SKK</i>				
<i>Stock of</i>	<i>Interest liabilities total</i>	<i>Liabilities on bonds discount</i>	<i>Interest liabilities to the State Treasury</i>	<i>Consolidated liabilities total</i>
<i>31.12.2005</i>	<i>15 936</i>	<i>3 181</i>	<i>2 319</i>	<i>16 798</i>
<i>31.12.2006</i>	<i>14 389</i>	<i>5 383</i>	<i>65</i>	<i>19 707</i>
<i>Change of stocks</i>	<i>-1 547</i>	<i>2 202</i>	<i>-2 254</i>	<i>2 909</i>

Impact on deficit 2006: - 2909 mio SKK

Updated impact on deficit in 2006: -2909 - 2507 (April 2007) = -5416 mio SKK (0,33 % of GDP)

In order to eliminate possible mistakes in calculation of time adjusted interest, we use two data sources. The first one is accounting data on change of stocks of interest liabilities. Data received from ARDAL, the second source of information, enables to get time adjusted interest flows by particular loans and bonds issued. The potential differences are examined and resolved."

Discussion and methodological analysis

Eurostat inquired why these revisions took place, if this resulted from a data source problem or just from a mistake and how revisions of this magnitude could be avoided in the future.

The Slovak authorities explained that this was an exceptional event and there is no reason to expect anything similar to take place in the future. To prevent this kind of mistakes to be happening in the future the Slovak authorities has started to use two different data sources to be able to crosscheck the data relating to interest and big differences are now not expected between the data to be reported in April and October 2008.

Findings and conclusions

The Slovak authorities stated that the mistakes introduced for the calculation of accrual interest in the April 2007 notification, which resulted in an important revision of data in October 2007, will not be repeated anymore as now new data sources will be available by the time of the April notification.

4.3 Recording of specific government transactions

All sub themes for this point of agenda were discussed in depth during the September 2007 visit and treatments in these specific matters seemed to be in line with the recommendations of Eurostat. The purpose of visit was thus more to ask if any operations have taken place in 2007 and planned actions for 2008.

a) Guarantees

Introduction

A unit dealing with guarantees has been established in the MOF. This unit follows and analyses all guarantees provided by the State. It should be noted that starting from 2003, the State does not provide any guarantee anymore (but some guarantees, very limited, are still provided by the National Property Fund – FNM in the context of privatisations).

During the 2007 visit, Eurostat took note of the prudent recording in relation to guarantees where a debt assumption is recognized (counterbalanced by a capital transfer) before a first call is made for the guarantees labelled as “risky”, as well as where a large lump sum repayments by a debtor took place. Eurostat noted the existing situation where guarantees are not currently used as a policy instrument in the Slovak Republic and there the outstanding amount of guarantees is falling rapidly.

Discussion and methodological analysis

The NSI informed that no new guarantees were provided in 2007 and they are not expected to be provided during 2008.

Findings and conclusions

Eurostat took note on the information provided.

b) EU flows

Introduction

During the September 2007 EDP visit, the representatives of the MOF unit in charge of funds between the Slovak republic and the EU clarified that the funds received from the EU are recorded in the extra-budgetary accounts (which functions as bank accounts at the State Treasury), and these are thereafter transferred to appropriate chapters of line ministries.

Each program has its own ("bank") account at the State Treasury. When cash is received from the EU, this is recorded in the extra-budgetary accounts, leaving the working balance of the State unaffected. On transfer of funds from the EU, the Treasury bank account at the Central bank increases together with the Treasury "liabilities" against those extra-budgetary accounts.

The funds are then transferred to line ministries. They enter the working balance at that time as well as when they are spent. The chart of accounts however identifies these operations, which can be excluded from the compilation of expenditure and revenue. As a consequence, no timing difference exists between revenue and expenditure for measuring the reported government deficit, neither when the beneficiary unit is a government unit nor when it is a non-government unit.

The extra-budgetary accounts cash balances are excluded from EDP Table 3B, i.e. they are deducted from the item currency and deposits (and do not appear under accounts receivable/payable). On the other hand, payable/receivables links pertaining to the line ministries operations (generally pre-financing only) are recorded in EDP Tables 2A and 3B.

During the 2007 EDP visit Eurostat took note of the recording methods in place in the Slovak Republic for the transfers with the EU budget, and found them to be in line with its rules.

Discussion and methodological analysis

During the discussion there was some confusion on why the data especially provided for this mission for EU flows were different from the data provided in the EDP related questionnaire during the normal notification reporting. It appeared that this was due to methodological difficulties to identify properly all the flows relating EU flows.

Findings and conclusions

As far as the EU flows are concerned, the Slovak authorities stated that there have been some methodological problems in the recording of the appropriate flows. It seemed also that the figures provided in a table for the benefit of the EDP mission, were not fully consistent with the information provided in the EDP notification questionnaire. At present it seems that the amount of receivables from the EU to Slovakia is equal approximately to more than 7 bio SKK. The Slovak authorities will investigate on the matter and will provide a written answer to Eurostat in this respect before the April 2008 notification.⁷

⁷ A note was provided by the Slovak authorities on 18.3.2008.

c) Military equipment expenditures

Introduction

During the 2007 September visit, Eurostat enquired about the compliance with the rules on the treatment of military expenditure.

The NSI informed that the data source for recording military expenditures is a questionnaire of the NSI sent to the Ministry of Defence. The questionnaire is sent once a year with the return requested before the April EDP reporting. During the last mission, the NSI confirmed the existence of purchases of heavy military equipment built over several years. Eurostat appreciated the way expenditure on military equipment are monitored and took note of its recording, which is in line with its ruling.

Discussion and methodological analysis

The NSI stated that information on military expenditure for 2007 was not available yet.

Findings and conclusions

Eurostat took note on the information provided.

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

Introduction

The rules for the treatment of debt assumptions, debt cancellations and debt write-offs are set in the ESA95 Manual on government and debt. In addition, Eurostat issued a paper on the treatment of the specific cases of foreign claims restructuring operations.

During the 2007 EDP visit, Eurostat enquired on whether the Slovak Republic had implemented the rules for the treatment of foreign claims cancellation or restructuring, notably with respect to its recent advice relating to non-standard schemes (use of third parties, repurchase by the debtor, disposal at a discount, transfer to public corporations). It should be reminded that the origin of these Eurostat advices had been the analysis of practical examples discussed with the Slovak and Czech authorities during previous meetings in 2005. It was confirmed that the NSI complies with Eurostat's advice. The Slovak authorities confirmed that, in cases of sale of claims to a third party (banks), a capital transfer was recorded for the amount of the difference between the nominal/original value of the claim and the price for which the claim is sold.

Discussion and methodological analysis

A table for foreign claims for 2007 was provided and it was also stated that there was no debt assumptions, debt cancellations and debt write-offs in 2007 and that no actions of that kind were expected in 2008.

Findings and conclusions

Eurostat took note on the information provided.

e) Capital injections in public corporations, dividends, privatization

Introduction

The FNM (National Property Fund – Fond narodneho majetku) was established at the beginning of the 90s with the aim of managing privatisations. The FNM is included in the general government sector. Its net borrowing / net lending are reported in EDP Table 2A under the item “Net borrowing or net lending of other central government bodies”. Currently, its role has extended to manage permanent equity ownerships of the State, along with managing still opened privatisation agreements. This permanent ownership concerns profitable companies, the so called natural monopolies (Slovak gas company, Slovak Electricity, etc.). The share of companies under the management of the FNM that show losses is negligible. The FNM co-operates with the line ministries in charge of these companies. The FNM transfers the proceeds of privatisation to the State financial assets and does not use them for its own purposes.

According to the FNM there is no practice of capital injections in non-profitable companies. Cases of capital injections may arise, after partial privatisation, along with the privatising partner. The FNM indicated that privatization proceeds are recorded on a gross basis, separately from privatisation costs (banking fees, etc.). The privatisation proceeds thus appear as financial transactions, while privatisation costs appear as government expenditure, as appropriate under ESA 1995.

Discussion and methodological analysis

For capital injections Eurostat asked why Slovakia reported only zeros for Equity injections in Table Va of the questionnaire related to EDP tables. The Slovak authorities replied that they thought that some equity injections in the past years took place but that this will need to be confirmed from their data sources and information will be provided to Eurostat on this matter.

Findings and conclusions

On the issue of capital injections, based on the available information it was not possible in the past to split acquisitions of equity into equity injections and other acquisitions of equity. The Slovak authorities will provide Eurostat before the April 2008 notification with a list of capital injections treated as financial transactions undertaken in the last four years: by year, by operation and by amount.⁸

f) Public Private Partnership (PPP)

Introduction

During the 2007 September EDP visit, Eurostat was informed of the non existence of PPPs or of concessions involving the building of assets in the Slovak Republic at the time.

At that time, the MOF pointed out that it is required by Slovak law that PPP assets must be reported in the balance sheets of government. Eurostat noted that it would have no major

⁸ A list of capital injections was provided by the Slovak authorities on 26.3.2008.

objections against following the same rule in national accounts, i.e. including by convention all PPP assets on the balance sheet of government (rather than on the private partner balance sheet in case of sufficient transfer of risk), as it seemed a good prudent approach.

According to the information provided by the NSI, the Slovak Republic has not agreed on any PPP up to now. There is a PPP project in central government in advanced stage of preparation that is dealing with the construction of selected motorways in Slovakia. The coordination and executive body is ensured by a team set up by the Ministry of Transport, Post and Telecommunication which is responsible for the preparation and pursuance of the PPP project. Its activity also aims at project control and monitoring. The members of the team are representatives of the Ministry of Transport, Ministry of Finance, National Motorway Company and Slovak Road Administration.

Discussion and methodological analysis

The Slovak authorities confirmed that there are future plans for PPP projects in the area of constructing motorways in Slovakia; it would include one big project which would be split in three parts and they would be executed together with the National Motorway Company (NDS). The Ministry of Transportation will be the contracting part with the consortium of companies. The total amount over the life of the project will be around 100 billion SKK.

Findings and conclusions

The Slovak statistical authorities informed Eurostat that the infrastructure which will be built in the context of PPP in the future will be on the balance sheet of government. Eurostat found this recording as appropriate for prudential reasons.⁹

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

Introduction

Swaps: During the 2007 EDP visit, in the context of the review of the treatment of the swap operations, Eurostat asked for an explanation on a foreign exchange operation described in the documentation sent by the Slovak authorities before the visit.

The NBS representative described a sequence of foreign exchange swap operations between ARDAL and the Central Bank (for an amount of 840 million euro) that were undertaken in 2005 and 2006. This swap involved a total net gain / proceeds of 2 billion SKK (0.12 % of GDP) in favour of the State. The operation, as recorded by the Slovak authorities at the moment, improves the EDP deficit in 2006 for the amounts received in 2006 (the amounts relating to 2005 were recorded differently and did not improve the deficit of 2005). The MOF indicated that this recording seemed incorrect. Eurostat agreed that the results of the swap should be neutral from both the points of view of ESA and EDP.

⁹ The Slovak authorities stated on 26 March 2008: "In the conclusion it is stated that "the infrastructure which will be built in the context of PPP in the future will be on the balance sheet of government". We agree with the statement provided that the treatment in public accounts is concerned.

However, for the purposes of EDP tables, EDP questionnaire and ESA95 national accounts compilation these PPP assets (roads built within the PPP projects) will be excluded from the balance sheet of government. Then, the acquisition of assets in relevant years of construction will not have impact on general government deficit (in accordance with the Eurostat decision on treatment of PPP of February 11, 2004)."

Eurostat explained how this operation should be treated. The result on a foreign exchange swap comprises one element that reflects the interest rate differential and another element that reflects a holding gains/losses arising from the difference between the expected and the actual exchange rate. In national accounts, these amounts when settled must enter the category Financial derivatives (F.34). Under EDP, the latter amount – by far the biggest – is unquestionably a holding gain and cannot enter the EDP correction lines for "*streams of interest payments on swaps and FRAs*", while the former amount seems also not to enter this line.

Eurostat requested to correct the treatment of the foreign exchange swap before the October 2007 EDP notification (this correction will have a negative impact on the 2006 deficit of less than 0.1% of GDP). That correction was done in the connection of October 2007 notification.

Swap cancellations, Off-market swaps, Options: The Slovak authorities indicated in the clarification round in April 2007 that no such operations exist in Slovakia.

Discussion and methodological analysis

The Slovak authorities said that in 2007 there has been a very small amount of derivatives and they confirmed that no swap cancellations, off-market swaps and option has occurred in Slovakia, and that FOREX swaps are not included in the revenues of government – they are treated as financial transactions.

Findings and conclusions

Eurostat took note on the information provided.

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

Introduction

During the 2007 visit the Slovak authorities confirmed the non-existence of sale and leaseback operations and of securitisations operations.

UMTS licences: During the September 2007 visit, Eurostat enquired whether any UMTS licence was sold in the Slovak Republic and how such an operation was treated in the national accounts.

According to the information provided by the NSI, a sale of mobile phone licence took place in 2006 and is recorded in the working balance of general government. The amount paid for the sale of the mobile phone licence is fixed and will not be changed. In national accounts, it was recorded as a sale of non-financial asset.

Carbon trading rights: During the September 2007 visit, Eurostat enquired on the existence of trading of CO2 allowances.

The NSI informed that there is no plan for government trading in CO2 allowances for the moment. It was also noted that a national allocation program has been adopted for the years

2005-2007, but the Slovak Republic has made an appeal in court, for not having received sufficient amount of allowances from the EU.

Discussion and methodological analysis

The Slovak authorities confirmed the non-existence of sale and leaseback operations and of securitisations operation. For UMTS no new licence has been provided. There is some kind of system in place for the allocation of carbon trading rights at Ministry of Environment, but the Slovak authorities could not provide any detailed information on the issue.

Findings and conclusions

Eurostat took note on the information provided.

5. Other issues

5.1 ESA95 Transmission Programme

Introduction

No particular issue was raised by Eurostat relating to ESA95 Transmission Programme.

Discussion and methodological analysis

The Slovak authorities informed that they are changing to the new format of transmission step by step.

Findings and conclusions

Eurostat took note on the information provided.

5.2 Consistency between EDP Tables and ESA95 Tables

Introduction

No particular issue was raised during the October 2007 EDP assessment in respect to the consistency between EDP Tables and ESA95 Tables.

Discussion and methodological analysis

The Slovak authorities informed that full consistency can only be secured in October 2008 between EDP and all related ESA tables. This is because there have been some problems of personnel capacity in the national accounts unit of the NSI.

Findings and conclusions

Eurostat took note on the information provided.

Annex 1: List of participants

Name	Institution	
Laurs Nørlund	Eurostat	Director of National and European Accounts
Luca Ascoli	Eurostat	Head of Unit C.3 - Public Finance
Mira Lehmoskoski	Eurostat	Unit C.3 - Public Finance – desk officer for SK
João Nogueira Martins	DG ECFIN	
Remigio Echeverria	ECB	
Dagmar Lojschova	ECB	
František Bernadič	SO SR	Director General of the National Accounts and Prices Section
Alena Illiřová	SO SR	Director of Accumulation Accounts Department
Pavol Baláž	SO SR	Advisor of the president of SO SR
Albert Antolík	SO SR	Current Accounts Department
Milada Belanová	SO SR	Accumulation Accounts Department
Katarína Hrádeková	SO SR	Current Accounts Department
Margita Kupková	SO SR	Macro Data and Quarterly National Data Department
Mária Luhová	SO SR	Current Accounts Department
Denisa Szucsová	SO SR	Accumulation Accounts Department
Stanislava Štecová	SO SR	Accumulation Accounts Department
František Palko	MoF SR	State secretary of the MoF SR
Katarína Kaszasová	MoF SR	Director General of the National Reporting Section
Miriám Majorová	MoF SR	Director of Legislation and State Summary Reporting Department
Pavol Beňo	MoF SR	Head of Statistical Standards Implementation Unit
Dana Czikóová	MoF SR	Statistical Standards Implementation Unit
Dana Ilavská	MoF SR	Statistical Standards Implementation Unit
Viktor Novyzedlák	MoF SR	Director of Tax Revenues and Fiscal Analyses Department
Jana Kolesárová	MoF SR	Director of PPP Project Department
Ján Podhorský	MoF SR	European and International Affairs Section
Jana Jirsáková	NBS	Head of Public Finance Analysis Section
Zuzana Ďurčenková	NBS	Public Finance Analysis Section
Karin Haganová	NBS	Financial Accounts Analysis Section
Igor Thám	NDS, a.s.	Advisor of the director general of Finances and Loan
Viera Dojčárová	NDS, a.s.	Director of Economics Department
Janka Hasilová	NDS, a.s.	Head of Finance Unit
Iveta Klimová	MoH SR	Director General of Financing Department
Peter Salon	MoH SR	Director of Insurance and Pricing Division