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**- FINAL FINDINGS -**

**EDP dialogue visit to Slovenia**  
**23-24 May 2011**

## Executive summary

Eurostat undertook an EDP dialogue visit to Slovenia on 23-25 May 2011 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 for the 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 approach by the Slovenian authorities to EDP related work. Eurostat very much appreciated the 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 to continue the good cooperation in the future.

As far as the analysis of the April 2011 EDP notification is concerned, Eurostat examined in detail the tables of the EDP reporting, in particular the issue of the use of financial accounts in the EDP tables 3 and the method used for an accrual adjustment of Gross fixed capital formation (GFCF) and the possible use of Balance sheets of the State Budget. Also the tables in the *Questionnaire relating 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, such as DARS (Motorway Company) and the Slovenian Railways Company (Slovenske Železnice). The Slovenian Railways Company is being re-organised again and Eurostat asked the Slovenian statistical authorities to take a decision on the sector classification of the new units and on whether the debt guaranteed by government is to be considered as government debt.

As regards the 50 % test on the classification of Public units, Eurostat pointed out that a test on the classification of these units should be performed in line with the Eurostat rules, i.e. to check whether sales cover more than 50 % of production costs. The Slovenian statistical authorities were also asked to check the company INFRA, i.e. its sector classification as well as the classification of its debt guaranteed by government.

As far as the implementation of *EC regulation 2516/2000* is concerned, it was clarified that the method used for the recording of social contributions is the time adjusted cash method. It was also agreed that the coefficients reflecting amounts never to be collected for taxes on production and imports (VAT) will be re-checked.

For accrued interest, the Slovenian statistical authorities agreed to spread discounts on bonds issued in the EDP tables from 2007 onwards.

The issue of the recording of guarantees was also discussed and Eurostat asked the Slovenian statistical authorities to re-classify the debt of Novoles as government debt, through a debt assumption.

Eurostat welcomed the progress on completing the table on claims in the *Questionnaire relating to EDP tables* and it was decided that data on claims for indirect budgetary units will be provided from the October 2011 EDP notification onwards.

As regards the Public Private Partnership (PPPs), Eurostat encouraged the statistical office to co-operate closely with the Ministry of Finance on this issue and to provide to Eurostat a note on the nature of the contracts earmarked as PPPs.

Concerning the recording of EU flows, it was noted that the non-financial sectoral accounts for the general government do not fully exclude EU funds to non-government final beneficiaries and that several items of government revenue and expenditure are inflated, although there is no impact on the general government deficit. The Slovenian statistical authorities were asked to exclude from the government accounts all stocks and flows of EU funds, in case the final beneficiary is not government.

Some other issues were also discussed such as debt assumptions, military equipment expenditures, debt cancellations and debt write-offs and capital injections. It was noted that the recordings applied, seem to be in line with ESA95 rules.

# Final findings

## Introduction

In accordance with article 11(1) of Council Regulation (EC) No 479/2009 as amended, as regards the quality of statistical data in the context of the Excessive Deficit Procedure, Eurostat carried out an EDP dialogue visit to Slovenia on 23-24 May 2011.

The delegation of Eurostat was headed by Mr François Lequiller, Director of National and European Accounts. The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers. Slovenia was represented by the Statistical office of the Republic of Slovenia (SORS), the Bank of Slovenia (BS) and the Ministry of Finance (MoF).

Eurostat carried out this EDP dialogue visit in order to review the implementation of ESA95 methodology, and to assure that provisions of the ESA95 Eurostat Manual on Government Deficit and Debt and Eurostat decisions are duly implemented in the Slovenian EDP and Government Finance Statistics (GFS) data. In detail, the main aims of the dialogue visit were: to clarify the issues relating to EDP tables raised in the context of previous notifications, to review the implementation of ESA 95 methodology, such as sectorization of units (DARS, Slovenske železnice) and the accrual principle (taxes, interest, EU flows), and to review the recording of specific Government transactions.

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

## 1. Statistical organisational issues

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

#### *Introduction*

Eurostat enquired about the institutional arrangements and division of responsibilities in the framework of the reporting of data under the EDP and government finance statistics.

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

#### *Discussion and methodological analysis*

Eurostat took note of the existing institutional arrangements in place for the compilation of the EDP and government finance statistics. The EDP tables are transmitted to Eurostat by the Statistical office (SORS). The Bank of Slovenia (BS) and the Ministry of Finance (MoF)

provide data to SORS. The Slovenian statistical authorities informed Eurostat that the *Memorandum of Understanding in the field of macroeconomic and financial statistics* has been slightly changed since the last EDP dialogue visit, but the changes do not modify the substance of the arrangement and responsibilities in the framework of the reporting data under EDP and government finance statistics compilations. Eurostat asked to receive a copy of the new version of the Memorandum, which was provided at the end of the meeting.

Compiling of non-financial sector accounts falls within the obligation of SORS. For the purpose of implementing ESA 1995, the Bank of Slovenia (BS) provides for data of the rest-of-the-world sector and the Ministry of Finance (MoF) provides the general government sector data for the central budget, the Pension and Disability Insurance Institute, the Health Insurance Institute and municipalities. For the general government sector, the MoF prepares, in line with ESA95, estimates of accrual interest, data on spending on military equipment and transactions relevant for recalculating the deficit according to public finance statistics into the net lending/borrowing according to ESA 1995 (e.g. debt assumption, debt write-off, etc.).

Financial accounts are prepared by the BS according to ESA 1995 methodology. The MoF provides data for direct users of the central budget.

The overall responsibility over the public finance statistical data is with the SORS.

The Slovenian statistical authorities confirmed that the co-operation between the three institutions (the Statistical Office, the Bank of Slovenia and the Ministry of Finance) 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).

### *Findings and conclusions*

Eurostat took note that there were no substantial changes to the institutional arrangements and responsibilities, in the framework of the reporting of data under the EDP and government finance statistics compilation, since the last EDP dialogue visit. Eurostat welcomed the good co-operation between the three institutions.

**Action point 1:** Eurostat took note that new *Memorandum of understanding in the field of macroeconomic and financial statistics* has been signed and that a copy of this will be provided to Eurostat<sup>1</sup>.

## **1.2. Data sources, EDP inventory**

### *Introduction*

The EDP inventory is published on the website of Eurostat as well as nationally on the website of the Statistical office.

The two main data sources used for government finance statistics are:

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<sup>1</sup> The new *Memorandum* was provided to Eurostat at the end of the meeting.

- *Budgetary returns to the Ministry of Finance (MoF)*

This is 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 (AJPES)*

All direct and indirect budgetary bodies are obliged to report their annual financial statements to AJPES in the year following the reference period. These statements include 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 basis for the budgetary accounting of direct budgetary units is cash accounting. The MoF is considering a gradual transition to an accrual basis, though no decision on a timetable has been taken yet.

*Discussion and methodological analysis*

The Slovenian statistical authorities explained that the *Bulletin of government finance* (cash based government finance statistics), including general government budget accounts with detailed information on revenue and expenditure of the State budget, local government budgets and Social Security funds (Pension and Health Fund), is updated on a monthly basis and it is available on the website of the MoF<sup>2</sup>.

Eurostat enquired about any changes in data sources compared with the situation during the last EDP dialogue visit. The Slovenian statistical authorities explained that financial accounts are now being used as a source of data in the EDP tables 3 for the financial instruments, in line with the action point 16 of the 2008 EDP dialogue visit. This issue was discussed in more detail under item 3 (EDP tables 3) of this report.

In this context, Eurostat asked the Slovenian statistical authorities to provide an updated version of the EDP inventory, including all changes and recent developments in the government accounts.

As a complementary information to the main data sources, the *Statistical survey on gross fixed capital formation (GFCF)* is used. The issue of GFCF was discussed under item 3 (EDP tables 3) of this report.

Eurostat then enquired about the findings of the Court of Auditors (CA) and in particular whether their findings are incorporated into the national accounts (NA). SORS confirmed that CA reports are regularly checked and if relevant, their findings are incorporated into national accounts. Nevertheless it was stressed that the CA is not auditing the accounts from the point of view of NA and recommendations of the CA are mainly not relevant for NA. It was confirmed that the working balances of each sub-sector are being audited.

The MoF informed Eurostat that a new *law on Public Finance* is expected to be adopted by the end of 2011. The new law will not bring substantial changes for the Budget reporting and it is not planned to switch to accrual accounting in the coming years. The accounts of indirect budgetary units are however already available on cash and accrual basis.

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<sup>2</sup> [http://www.mf.gov.si/en/areas\\_of\\_work/public\\_finances/bulletin\\_of\\_government\\_finance/](http://www.mf.gov.si/en/areas_of_work/public_finances/bulletin_of_government_finance/).

## Revision policy between the April and October EDP reportings

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 instead (based on preliminary outturns, information on recent developments and data from previous years).

The Slovenian statistical authorities further explained that estimations are mainly done for the big units (such as hospitals, universities), while for the small units (such as local communities), no estimations are done. The impact on net borrowing / net lending (B.9) for these units is almost negligible. In the *October EDP notification*, the preliminary outturn data for the year n-1, used in the April EDP notification, are 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.

Eurostat commented on the rather big fluctuations of the B.9 of the *Company of Slovenia for management* (other central government unit) and noted that no estimation is being made for this unit in April EDP notifications. The Slovenian statistical authorities explained that at the time of April EDP reporting, data is not available and no estimations are calculated as the amounts are rather small. It was agreed that, in the future April EDP notifications, the Slovenian statistical authorities would estimate data on B.9 of the *Company of Slovenia for management*, based on preliminary data.

### *Findings and conclusions*

Eurostat took note on the explanations as regards data sources.

**Action point 2:** The Slovenian statistical authorities informed Eurostat that by the time of the April notification they do not have data on net borrowing / net lending (B.9) of the *Company of Slovenia for management*. It was agreed however that from April 2012 onwards, estimations (based on preliminary data) of the B.9 of this company will be used.

**Action point 3:** The Slovenian statistical authorities agreed to update the current version of the *EDP consolidated inventory of sources and methods*, taking into account the most recent developments in government accounts, by September 2011<sup>3</sup>.

## **2. Follow-up of the EDP dialogue visit of 26-27 June 2008**

### *Introduction*

Eurostat noted that a majority of action points have been implemented by the Slovenian statistical authorities, or information on their progress has been received.

### *Discussion and conclusions*

The three pending action points will be further discussed under different items of this report:

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<sup>3</sup> A new version of the *EDP consolidated inventory of sources and methods* was sent on 15 September 2011.

- Action point 5: The Slovenian statistical authorities agreed to investigate the reasons for the relatively high statistical discrepancy in central government.
- Action point 16: 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 the EDP tables 3 and for the 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. The action point 16 was mainly implemented.
- Action point 17: The Slovenian statistical authorities agreed to provide additional information on the reorganisation of the whole system of the Slovenian Railways

The action points 5 and 16 were discussed in more detail under item 3, and the action point 17 under item 4.1.2 of this report.

### **3. Follow-up of the April 2011 EDP reporting – analysis of EDP tables**

#### *Introduction*

Eurostat analysed the EDP tables and the questionnaire relating to the notification tables, as reported in the April 2011 EDP notification.

All revisions on deficit and debt were explained and documented in the questionnaire relating to the EDP notification tables.

#### *Discussion and methodological analysis*

##### EDP tables 2

The working balance in table 2A reflects the execution of the State budget as voted by Parliament. The working balance in table 2C is the deficit/surplus of local government (municipalities) budget on a cash basis. The working balance in table 2D is the deficit/surplus of the Health Insurance Fund and Pension Fund on a cash basis. The working balances are published in the Bulletin of government finance, which is publicly available on the website of the MoF. Neither loans, nor equities are included in the working balance.

The issue of Repayment of Russian kliring debt was discussed. During the April 2011 EDP notification, Eurostat asked the Slovenian statistical authorities to revise the government deficit figures due to the incorrect recording of the repayment of Russian debt. Part of Russian kliring debt was repaid in kind (with ship Triglav), which was not recorded in line with ESA95 in the government accounts. The ship Triglav was received from the Russian government, in the context of debt repayment, and should have had a negative impact on government deficit [as it had to be recorded in ESA95 accounts as government expenditure (acquisition of a non-financial asset) financed by the receipts from repayment of the claim (the latter recorded as financial transaction and not as revenue)]. The Slovenian statistical authorities revised the EDP notification tables accordingly. The Slovenian statistical authorities explained that it was an opinion of the Court of Auditors that this event has to be recorded as an expenditure and revenue with neutral impact on government deficit. As the EDP tables have to be reported in line with the ESA95, this recording was corrected in the April 2011 EDP notification. The Slovenian statistical authorities explained that this revision



has not been yet implemented in the Stability and Convergence programme. DG ECFIN took note of this information.

Next, the table on Reconciliation of cash flows (F.2) and ESA95 based balance for the State budget, sent to Eurostat prior the meeting, was discussed. The Slovenian statistical authorities reported to have some problems to complete this table, in particular for data on Currency and deposits (F.2). The main issue was to choose the source of data, as in the EDP table 2A the MoF's data is used as a data source, while the EDP table 3 uses monetary and banking statistics (financial accounts). The Slovenian statistical authorities asked to have more time to review and complete this table. It was agreed that the Slovenian statistical authorities will review the *Table on reconciliation of cash flows and ESA95 and EDP Table 3 B for the State budget* by the end of 2011.

The issue of Current taxes on income; wealth etc (D.5) was discussed in more detail under item 4.2.1 of this document.

### EDP table 3

The Slovenian statistical authorities confirmed that the split of loans (F.4) and shares and other equity (F.5) is not available (increase and reduction) before the year 2009 due to the change of data source. The current data source for this breakdown is a new statistical survey. In this context, Eurostat asked the Slovenian statistical authorities to use, for years preceding 2009, a sign "L" for relevant lines, as the actual increase and reduction of loans / shares is not available.

Data sources of the EDP tables 3 were discussed as a follow-up from the previous EDP dialogue visit (Action point 16). As from the October 2009 EDP notification onwards, the data source of the EDP table 3 are the financial accounts for the following financial instruments: Currency and deposits (F.2), Securities other than shares (F.3), Loans (F.4) and Shares and other equity (F.5). As regards the data source for Other accounts receivable / payable (F.7), non-financial accounts of the Ministry of Finance are still used. The main reason is due to the reporting of taxes. Eurostat stressed that as a consequence of using different data sources for F.7, there are rather big differences between EDP table 3 and ESA table 27. Eurostat encouraged the Slovenian statistical authorities to solve this issue as soon as possible. The Slovenian statistical authorities stated that there is no impact on government deficit and confirmed that there is an existing Working Group, which is already working on this issue, i.e. to be able to use financial accounts as a source of data also for F.7.

Eurostat enquired where F.7 of Other central government bodies is included. It was explained that F.7 is included in the B.9 of these units (in EDP table 2) and it is not included in the F.7 in EDP tables 3. Eurostat asked the Slovenian statistical authorities to include *Other accounts receivable / payable (F.7)* of Other central government bodies in the appropriate rows of EDP tables 3. It was agreed that this will most probably improve (decrease) the statistical discrepancy, which is still high for the year 2008. The Working Group is also working on this issue and pointed out that the statistical discrepancy for the other years was already reduced.

The basic source for *Gross fixed capital formation (GFCF)* data is available only on a cash basis. In the April EDP notification, GFCF data is reported on a cash basis, which is adjusted by a 2 months time lag. In the October EDP notification, it is replaced with the accrual GFCF data from a statistical survey. Eurostat asked the Slovenian statistical authorities to reconsider

whether the time adjustment is appropriate for accrual recording. Eurostat also pointed out that it is recommended to use integrated administrative data sources over surveys, such as Profit and loss accounts or other financial statement reporting of revenue and expenditure and Balance sheets of the budget (which is also audited) and proposed to SORS to further cooperate with the MoF and discuss the accrual figures obtained from the statistical survey and the possibility of using the Balance sheets for the calculation of Other accounts receivable / payable relating to the GFCF. SORS and the MoF should further analyse the Balance sheets of the State Budget in a view of a possible use of non-financial and financial accounts. Eurostat also asked the MoF to provide the official Balance sheets for the last two years. The Slovenian statistical authorities agreed to provide a note to Eurostat, presenting the new proposed method for an accrual adjustment of GFCF.

Eurostat observed that the Slovenian statistical authorities do not report any data on Trade credits in EDP table 4 and asked whether the pay time lag of 2 months, is actually not a Trade credit. The Slovenian statistical authorities said that the payment period is normally 30 days (for direct budgetary units 30 days and for indirect budgetary units at the most 30 days). It was agreed that in the context of analysing the balance sheets of the State Budget, the row on Trade credits in the EDP table 4 will be completed.

The Slovenian statistical authorities provided prior the meeting a table on Reconciliation of transactions in Other accounts receivable / payable (F.7) as reported in EDP tables 2 and 3. Eurostat enquired about the adjustment of Financial leasing in Other accounts payable. The Slovenian statistical authorities explained that it is related to "Gross fixed capital formation" (P.51) and confirmed that the financial leasing is already included in the government debt (loans – F.4). Eurostat said that this adjustment should not be included under F.7, and asked the Slovenian statistical authorities to exclude the adjustment of "Gross fixed capital formation relating to Financial leasing" in EDP Tables 2 and 3 from Other accounts payable. An imputation in P.51, linked to Financial leasing in EDP Table 2, is to be reported under Other adjustments.

The issue of the Special Treasury Accounts (Enotni zakladni račun – EZR) was discussed. Eurostat doubted whether the financial claims and liabilities of EZR are correctly recorded as Short-term loans (F.4) and thought it might be more appropriate to record them under Cash and deposits (F.2). The Slovenian statistical authorities explained that all budgetary units with surpluses are obliged to transfer and deposit these amounts in the EZR, which are then used as loans to other public units or as deposits in banks. All financial claims and liabilities of EZR are according to the Ministry of Finance's interpretation, shown as short-term loans in the financial accounts. Eurostat asked the Slovenian statistical authorities to provide a note on the classification of transactions of the *Special Treasury accounts*, including amounts involved. It was stressed that the issue of the classification of the transactions of EZR is more of a conceptual nature, as there is no impact on government debt.

#### *Findings and conclusions*

**Action point 4:** The Statistical office, in close co-operation with the Ministry of Finance, will analyse the *Balance sheets of the State budget*, in view of the possible use of non-financial and financial accounts. A note on this issue is to be provided to Eurostat by the end of August 2011<sup>4</sup>.

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<sup>4</sup> A short note on this issue was sent on 15 September 2011.

**Action point 5:** In the context of the action point 4, the EDP table 4 row on *Trade credits* will be completed<sup>5</sup>.

**Action point 6:** The Ministry of Finance agreed to provide to Eurostat the official *Balance sheets of the State Budget* for years 2009-2010<sup>6</sup>.

**Action point 7:** The Slovenian statistical authorities agreed to include *Other accounts receivable / payable (F.7)* of Other central government bodies in the appropriate rows of EDP tables 3, by the time of October 2011 EDP notification<sup>7</sup>.

**Action point 8:** Regarding the reporting of *Gross fixed capital formation (P.51)*, the Slovenian statistical authorities agreed to provide a note to Eurostat, presenting the new proposed method for an accrual adjustment of P.51, before the end of September 2011<sup>8</sup>.

**Action point 9:** The adjustment of *Gross fixed capital formation (P.51) relating to Financial leasing* will be excluded in the EDP Tables 2 and 3 from Other accounts payable. An imputation in P.51, linked to Financial leasing in the EDP Table 2, will be reported under Other adjustments, by the time of the October 2011 EDP notification<sup>9</sup>.

**Action point 10:** Eurostat considers that the *ship Trigalv* received by government from the Russian government, in the context of a debt repayment by Russia, should be considered as a Slovenian government expenditure, having a negative impact on net borrowing / net lending (B.9), and not as government revenue<sup>10</sup>.

**Action point 11:** The Slovenian statistical authorities agreed to review the *Table on reconciliation of cash flows and ESA95 and EDP Table 3 B for the State budget* by the end of 2011<sup>11</sup>.

**Action point 12:** The Slovenian statistical authorities agreed to provide a note on the classification of transactions of the *Special Treasury accounts*, by the October 2011 EDP notification<sup>12</sup>.

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<sup>5</sup> The EDP table 4 row on *Trade credits* was partially completed for the October 2011 EDP notification

<sup>6</sup> The official *Balance sheets of the State Budget* were sent on 15 September 2011.

<sup>7</sup> This was included for the October 2011 EDP notification.

<sup>8</sup> A short note was sent on 26 September 2011.

<sup>9</sup> This was done for the October 2011 EDP notification.

<sup>10</sup> This was already done for the April 2011 EDP notification.

<sup>11</sup> This action point has not been finalised yet.

<sup>12</sup> This was done for the October 2011 EDP notification.

## **4. Methodological issues and recording of specific government transactions**

### **4.1. Delimitation of general government, application of market / non market rule in national accounts**

#### **4.1.1. Changes in sectorisation since the last EDP dialogue visit in June 2008**

##### *Introduction*

The register of units is maintained by the Agency for Public and Legal Records (AJPES). This Agency has the primary responsibility for classification of units, though in practice there is a working group which considers the classification of difficult cases. It is composed of the Agency, the Ministry of Finance, the Statistical Office and the Bank of Slovenia. A database of all units (including general government by sub-sectors) is available publicly on the website of AJPES.

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

##### *Discussion and methodological analysis*

As regards the sector classification of units, the Slovenian statistical authorities explained that there were no substantial changes since the last EDP dialogue visit.

Prior to 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.

Eurostat reminded the Slovenian statistical authorities that they have not replied yet to the *Questionnaire on the impact of the market / non-market test in ESA2010 terms*. The Slovenian statistical authorities agreed to send it as soon as possible, and commented that there would most probably be no or negligible impact on government deficit and debt.

Eurostat further enquired about the ongoing work to establish the list of Public corporations. As explained by the Slovenian statistical authorities, it would not be a problem to identify public corporations, but it is more difficult to determine if public corporations are controlled by central or local government. Once a list of public corporations is prepared, all data, such as net borrowing / lending, capital investment and total debt, are available.

All institutional units are registered in the Business register of Slovenia. The code for institutional sectors in the Slovenian Business register contains 5-digit codes per unit, and in order to be able to obtain a list on public corporations directly from the Business register, the last digit would need to be developed.

Public non-financial and financial corporations consist of public (market) service providers, agencies and public companies. The sector classification of public service providers and agencies is checked every year by the Statistical office. As regard companies (joint-stock and limited liability companies), the "50 % rule" is usually not being used and these companies are by default classified in the Non-financial (S.11) or Financial corporations (S.12) sector.

Eurostat stressed that the "50 % rule" is to be made on all public corporations, including those having a commercial legal status. However, some companies are classified, on the basis of qualitative information, in the general government sector (such as the Capital Fund and the Slovenian Restitution Fund).

The Slovenian statistical authorities explained that as a proxy for the "50 % test" for Public companies, subsidies as a percentage of total revenue is used. Eurostat said that in this respect the rules are not fully respected and that according to the "50 % rule", it should be checked whether sales cover more than 50 % of production costs. Eurostat agreed with the Slovenian statistical authorities that most probably the final impact is negligible, but stressed that the method used is not correct and that the Slovenian authorities should perform the 50 % test in line with the ESA95 Manual on Government Deficit and Debt, for all Public companies. The Slovenian statistical authorities agreed that individual accounts of public companies would be checked and that they will perform the test on classification of all Public companies before the October 2011 EDP notification.

#### *Findings and conclusions*

Eurostat took note of the way sectorisation of units in the government sector is undertaken in Slovenia, and concluded that the method used to test classification of Public units is not correct and should be changed.

**Action point 16:** The Slovenian statistical authorities will provide to Eurostat the *Questionnaire on market / non-market test according to ESA2010* as soon as possible<sup>13</sup>.

**Action point 17:** The Slovenian statistical authorities will perform, before the October 2011 EDP notification, a *test on the classification of all Public units*, for all sub-sectors, and report to Eurostat<sup>14</sup>.

### **4.1.2. Public infrastructure companies**

#### *Introduction*

The Slovenian statistical authorities provided, prior to the EDP dialogue visit, a note on the 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 decision 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 also 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 the state. The main revenue of DARS are vignettes and tolls.

The new law on DARS entered into force in 2010, according to which DARS took over the complete financing of the construction and reconstruction of motorways and expressways. This new act enforces two significant novelties: firstly, the construction of motorways and

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<sup>13</sup> The reply was sent on 26 May 2011.

<sup>14</sup> The report on the progress was sent for the October 2011 EDP notification.

expressways will be implemented according to concession agreements; secondly, it establishes the right of superficies on land, where the motorways and expressways are constructed. DARS or any other concessionaire will construct and reconstruct motorways and expressways on their own account and these works shall no longer be financed from public funds. The government's financial obligation still applies for spatial planning, integration in the environment and acquiring land for the requirements of motorway or expressway construction.

The Railway Company (Slovenske železnice - SŽ) has been restructured in 2003 into four units (passenger operations, freight operations, infrastructure and holding company), all of which were classified outside general government. An Agency for Railways, classified inside the government sector, made significant grants for infrastructure. The Slovenian statistical authorities decided to treat the Railway Company as a single unit for national accounts purposes. In 2007, the Railway company was re-organised again as a single enterprise.

#### *Discussion and methodological analysis*

The Slovenian statistical authorities presented the new law on **DARS**, that entered into force in 2010. The main change is that DARS, according to the new law, constructs motorways in its own name and on its own account within the scope of the concession. The concession contract for the construction of a motorway section is concluded for a term that enables the repayment of all obligations arising from loans or debt securities, raised or issued for the construction of the specified motorway section, for a maximum of 50 years. For the period of the duration of the Concession agreement, the government establishes in favour of DARS a right of superficies on land, where DARS will perform construction works. The right of superficies is gratuitous. At termination of the right of superficies, the government as the owner of the land does not pay any compensation to the owner of the right of superficies. The financing sources for these tasks are tolls and other marketing sources of motorways, borrowings and other sources.

Until 2009, DARS prepared three sets of balance sheets, i.e. the balance sheet of DARS, the balance sheet of government's assets and the consolidated balance sheet. By adopting the new law, from 2010 onwards DARS prepares uniform financial statements. From 2010 onwards, all constructed motorways infrastructure is included on the balance sheets of DARS, as well as all financial liabilities to banks and liabilities that refer to loans and issued bonds.

Before 2010, DARS accounts did not show the consumption of the gross fixed capital consumption. The statistical office stressed that for the purposes of national accounts, the depreciation was already incorporated in DARS accounts before 2010. Consequently, from the national accounts point of view, there are no changes.

DARS is profitable and complies with the 50 % rule, to be classified as a market producer (about 70 %). The present motorway construction is almost finished and therefore no big investments are foreseen in the future. DARS foresees electronic collection from trucks in the future and vignettes will be still used for passenger cars.

Eurostat enquired about the government guarantees, and in particular to confirm that no guarantees were called. It was confirmed by the Slovenian statistical authorities that none of the guarantees has been called so far. The total amount of government guarantees amounts to

about 3 billion euro. The Ministry of Finance explained that no more guarantees will be given to DARS by government, as it would be too risky.

It was re-assured by the Slovenian statistical authorities that the only capital transfers that DARS receives from government, are cohesion funds from the EU. Those are however, according to Eurostat rules, neutralised in government accounts.

In this context, the latest Report of Court of auditors (CA) was also discussed, which also drew attention to the incorrect recording of assets and liabilities in the books of DARS, before the introduction of the new law on DARS.

Eurostat agreed that with the new law, DARS seems to be a real concessionaire as it is the economic owner of the infrastructure and all liabilities are in its accounts. Eurostat however recommended to the Slovenian statistical authorities to monitor DARS, in particular if any of the guarantees would be called, and to monitor the compliance with the 50 % rule.

As the 2010 DARS accounts were not available at that time of the EDP dialogue visit, Eurostat stressed that the accounts of DARS should be examined.

Eurostat further enquired about the public company **INFRA**, which was also mentioned in the latest report of the Court of Auditors. The main activity of INFRA is the construction of water power plants on the river Sava. This company is performing some activities on behalf of government, i.e. the construction of electricity water plants. The CA concluded that the debt of INFRA, that was raised for this purpose, and which is guaranteed by government should be part of government debt (be included in the balance sheet of government). The government is apparently also repaying the debt, which was raised for the investment performed on behalf of government. The CA also asked the Ministry of Finance for corrective measures as regards the law on concessions, and to prepare the instructions for the ministries and public companies on the appropriate recording of assets and liabilities in such cases.

The Slovenian statistical authorities confirmed that the findings of the CA are correct. The new *Act on concessions* is currently being in the procedure. The main issue in the case of INFRA, is the recording of debt (33 million euro or 0.09 % of GDP) and not the sector classification of the unit as the unit complies with the "50 % rule". The debt is legally owned by INFRA, which is paying the interests of the loan. Eurostat asked the Slovenian statistical authorities to further investigate this issue, in particular if government is repaying this debt, and to report back to Eurostat. The Slovenian statistical authorities confirmed that as this debt is guaranteed by government, it is reported in Table 9 of the Questionnaire relating to the EDP tables.

As it was already mentioned, the Statistical office is using a proxy for the calculation of the 50 % rule test, i.e. the percentage of subsidies in total revenue instead of the percentage of sales in total costs. Eurostat recommended to the Slovenian statistical authorities to re-check whether INFRA is a market producer according to Eurostat rules. The Slovenian statistical authorities agreed to prepare a note on INFRA, in particular on the sector classification and the classification of debt guaranteed by government.

Concerning the **Railway Company (Slovenske železnice – SŽ)**, the Slovenian statistical authorities explained that the whole system of Railways is in the process of being reorganised again. The 2007 re-organisation, resulting in creation of one single unit, was not approved by

DG TREN. The new restructuring foresees an establishment of three units (passenger operations, freight operations and infrastructure), to be excluded from the existing company (SŽ). The Agency for Railways does not exist anymore. It was stressed that the re-organisation has not taken place yet, although the new *Act on Slovenian Railways* was already adopted in December 2010. The new act foresees that the re-organisation should be undertaken within eight months after enactment, at the latest. During the meeting the new law on Slovenian Railways was provided to Eurostat.

The Slovenian statistical authorities explained that rather big investments are planned in the railway infrastructure as the construction of highways is almost finished. It is foreseen that a significant part of the railway infrastructure would be financed by the EU funds.

Eurostat further enquired whether the Slovenian Railways still fulfil the "50 % test" in order to be classified as a market producer outside general government. The statistical office presented the accounts of the SŽ as a single company that showed that sales do not cover production costs in the last three years and are just below 50 %. The unit *Passenger operations* and *Infrastructure* were below 50 % while the unit *Cargo operations* was above 50 %. The 2011 accounts will most probably show profit again for the single unit.

Eurostat stressed that SŽ did not comply with the 50 % rule for the last three years, which would under normal circumstances mean that the unit should be re-classified inside the general government sector. However, before taking the final decision on the classification of SŽ, also the reorganisation has to be taken into account. The consequences of the reorganisation would most probably result in that some units would comply with 50 % test, and some not.

The Slovenian statistical authorities also said that with the new reorganisation, infrastructure might be taken over by government. The important issue is the allocation of the debt between units and how much debt would be taken over by government (the debt of SŽ amounts to about 1 % of GDP). The part of the debt of SŽ is also guaranteed by government (259 millions). No guarantee has been called yet, but it is uncertain whether the SŽ will be able to pay its debt in the future.

Based on the above arguments, Eurostat proposed to the Slovenian statistical authorities that, as soon as a detailed plan concerning the *restructuring of Slovenian Railways (Slovenske Železnice)*, and the allocation of the assets and liabilities of the present company is adopted, the Slovenian statistical authorities should take a decision on the sector classification of the new units and on whether the debt guaranteed by government will be considered as government debt, and report to Eurostat by the October 2011 EDP notification.

Furthermore the Slovenian statistical authorities informed Eurostat that in 2011, government will most probably recognise 134 million euro of liabilities of the *Slovenian Railways* (linked to unjustified reduction of capital). This debt was not recognised in the past, and in order to correct it, government prepared a special law<sup>15</sup>.

Eurostat recommended that this amount is to be recorded, at the moment of approval of Parliament, as a capital transfer with an impact on net borrowing / net lending (B.9) in 2011, and through an increase of Other accounts payable (without an impact on Maastricht debt).

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<sup>15</sup> The law was adopted in May 2011.



## *Findings and conclusions*

**Action point 18:** As soon as a detailed plan concerning the *restructuring of Slovenian Railways (Slovenske Železnice)* and the allocation of the assets and liabilities of the present company is adopted, the Slovenian statistical authorities will take a decision on the sector classification of the new units and on whether the debt guaranteed by government will be considered as government debt, and report to Eurostat by the October 2011 EDP notification<sup>16</sup>.

**Action point 19:** The Slovenian statistical authorities informed Eurostat, that in 2011, government recognised 134 million euro of liabilities of *Slovenian Railways (Slovenske Železnice)*. As a consequence, Eurostat recommends that this amount is to be recorded as a capital transfer with an impact on net borrowing / net lending (B.9) in 2011, and through an increase of Other accounts payable (without an impact on Maastricht debt)<sup>17</sup>.

**Action point 20:** As far as the *classification of INFRA* is concerned, the Slovenian statistical authorities agreed to check the 50 % rule and report back to Eurostat by the end of June 2011<sup>18</sup>.

### **4.1.3. Slovenska izvozna in razvojna banka (SID) – Slovenian export and development Bank**

#### *Introduction*

SID Bank operates as an export-credit bank and as an authorized Slovene export-credit agency, which provides non-marketable insurance and Interest Rate Equalization Programme (IREP) on behalf of and for the account of the Republic of Slovenia.

SID Bank acts in its own name and for its own account in relation to its financial operations (raising funds on international capital markets and loan programs which are offered through commercial banks).

At the end of 2006, the company acquired the license of the Bank of Slovenia and was transformed into a specialized bank for promotion of export and development.

In 2008, the General Meeting of Shareholders adopted a Decree on the transfer of minority shareholders' shares to the majority shareholder (the Republic of Slovenia). The Republic of Slovenia has thus become the sole shareholder of SID Bank, consequently fulfilling the condition for the Slovene Export and Development Bank Act. The SID bank is classified in the Financial corporation sector.

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<sup>16</sup> The Slovenian Railways company was re-organised into four units in September 2011. The decision on the classification of the new units will be implemented in the April 2012 notification.

<sup>17</sup> This was done for the October 2011 EDP notification (included in 2011 planned data).

<sup>18</sup> This was reported to Eurostat on 28 June 2011.

### *Discussion and methodological analysis*

The activities, which SID is performing on behalf of government, were discussed in more detail. In line with the Temporary framework adopted by the European Commission, two guarantee schemes (for natural persons and for financing the core business of the borrowers, mainly for financing of the new investments and finalizing due investments, financing of the working capital or rescheduling of short-term loans into mid-term or long-term loans) were introduced in 2009, and both are operated by SID Bank in the name and for the account of the Republic of Slovenia. These guarantee schemes amount to about 329,4 million euro.

The guarantee fee is paid directly to the budget and the whole amount is transferred as a provision to SID for providing services upon the guarantees schemes.

Since 1992, SID Bank (until the end of 2006 as Slovene Export Corporation) has been the authorized institution for export credit insurance. These activities are performed on behalf and for the account of the Republic of Slovenia, separately from any of its other business, on the basis of a special agency contract. Export credit insurance policies cover non-marketable commercial and/or non-commercial risks. Business transactions of SID on behalf, and for, the account of the Republic of Slovenia, are shown separately in the Financial statements.

It was also said that SID bank's liabilities are guaranteed by government for the amount of 1 billion euro (about 3 % of GDP). The bank has always been profitable and it is classified in the Financial corporation sector.

### *Findings and conclusions*

Eurostat took note of the organisation of the Slovenian export and development Bank.

## **4.2. Implementation of the accrual principle**

### **4.2.1. Accrual taxes and social contributions**

#### *Introduction*

The Slovenian statistical authorities use the *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.

#### *Discussion and methodological analysis*

The Slovenian statistical authorities provided to Eurostat data on total amounts from assessment and declarations, cash received and amounts of taxes and social contributions never to be collected for Taxes on products and Social contributions.

When analysing data on Social contributions, Eurostat questioned the reasons to use a time adjustment of one month, if the Assessment and Declaration method is being used. After a short discussion, it was clarified that the method actually used is not Assessment and Declaration, but time adjusted cash data of one month.

As regards the method used for Taxes on products (Vat and Excise duties), it was confirmed that the method used is based on Assessment and Declarations. The amounts are adjusted by coefficients reflecting assessed and declared amounts never to be collected and are recorded as a capital transfer, expenditure impacting net borrowing / lending (B.9).

The estimation of the amounts unlikely to be collected is based mainly on write-offs.

The current coefficients are based on the years 2004-2008 and are not revised every year. Eurostat enquired whether exceptional circumstances such as the financial crisis are taken into account. The Slovenian statistical authorities explained that short-term implications are not taken into account. Eurostat suggested that the coefficients should be adjusted to special circumstances and that the crisis in 2009 would need to be reflected in the year 2009, and not in the subsequent years.

The Slovenian statistical authorities agreed to prepare a note on the calculation of the coefficients reflecting amounts never to be collected for *Taxes on production and imports (VAT)*, and to investigate a possible methodology to reflect current economic developments in the calculation.

Then Corporate profit taxes were discussed. Data on corporate profit taxes were substantially revised for the years 2008 and 2009. This revision occurred due to the estimates of final settlement for corporate income tax. Eurostat said that such high revision of tax receivables (about 0.5% of GDP), was rather worrying as regards to the stability of data reported for the EDP notification.

The Slovenian statistical authorities explained that the final settlements of *corporate profit income tax* for year  $t$  are done in the year  $t+1$ , and are, for the purposes of national accounts, reallocated to the year  $t$ . It is estimated that prepayments would be equal to final payments. Final data is available in  $t+17$  months. In the case of taxes on *household income*, a time-lag of one month is used for monthly prepayments and 3 months for annual settlements. Final data is available in  $t+15$  months. The biggest revisions were noted for the corporate profit taxes, while the revisions of household taxes are not noteworthy. Therefore the discussion focused on corporate profit taxes.

The substantial revisions in the last two years were mainly due to the exceptional circumstances (economic crisis) and due to the fact that the tax rate was reduced more than expected. Consequently the prepayments were too big. The Slovenian statistical authorities stressed that this was a rather extraordinary situation. Data on profit taxes is compiled by the Ministry of Finance. For the pre-payments, a model is used, based on assumptions of economic situation (macroeconomic projections prepared by the Institute of macroeconomic analysis and development).

As this model overestimated the prepayments, the Statistical office used as complementary information to the macro-economic model used, data from the Quarterly survey on profit of companies (operating surplus of corporations), which are available in March. This method resulted in prepayments being almost equal to final payments. Eurostat welcomed this progress and asked to base future estimations of *Final settlements related to Corporation income taxes*, not only on the basis of macro-economic models, but also to use complementary information based on prepayments and operating surplus of corporations, as it was already done for the April 2011 EDP notification.

## *Findings and conclusions*

Eurostat took note that social contributions use the method of time adjusted cash data of one month.

**Action point 13:** The Slovenian statistical authorities agreed to prepare a note on the calculation of the coefficients reflecting amounts never to be collected for *Taxes on production and imports (VAT)* and to investigate a possible methodology to reflect current economic developments in the calculation<sup>19</sup>.

**Action point 14:** The Slovenian statistical authorities agreed to provide an updated version of the *Questionnaire on Taxes and social contributions* by September 2011<sup>20</sup>.

**Action point 15:** Eurostat took note that the Slovenian statistical authorities will base future estimations of *Final settlements related to Corporation income taxes*, not only on the basis of macro-economic models, but will also use complementary information based on prepayments and operating surplus of corporations, as it was already done for the April 2011 EDP notification.

### **4.2.2 Accrued interest**

#### *Introduction*

Interest is recorded in the state budget on cash basis. Cash data on interest payable are adjusted to accrual values in the central and local government sub-sectors. Adjustment to accrual value is done according to individual contracts, taking into account valuation of the instrument and interest rate by the Ministry of Finance. For local government, accrual value of interest payable, is estimated for bank loans using actual (quarterly) interest rates according to data of the Bank of Slovenia and debt figures of loans (short and long term).

#### *Discussion and methodological analysis*

The Slovenian statistical authorities confirmed that interest is calculated for each individual contract for the State Budget. As regards the local government, estimations are made because such detailed information is not available, and the amounts are rather small. It was confirmed that local governments are not allowed to issue bonds.

The spread of discount and premiums over the life of the instrument has not yet been included in the EDP tables, and the Slovenian statistical authorities agreed to spread discounts on bonds issued in the EDP tables from 2007 onwards by the October 2011 EDP notification.

As regards bonds issued by the Slovenian Restitution Fund (SRF), accrual interest is estimated (imputed) by the Statistical Office for each bond in the period when interest is due. This interest is not shown separately in EDP table 2A but included in the calculation of net lending/net borrowing of the Slovenian Restitution Fund, reported under "Net borrowing / lending (B.9) of Other Central government bodies".

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<sup>19</sup> This was done on 26 September 2011.

<sup>20</sup> A new version of the Questionnaire was sent on 26 September 2011.

## *Findings and conclusions*

**Action point 21:** The Slovenian statistical authorities will *spread discounts on bonds issued* in the EDP tables from 2007 onwards by the October 2011 EDP notification<sup>21</sup>.

### **4.3 Recording of specific government transactions**

#### **4.3.1 Specific government transactions in the context of the global economic crisis**

##### *Introduction*

In 2009, two guarantee schemes were introduced; i.e. for banks (2 billion euro) and enterprises (185 million euro). Both schemes are operated by the Slovenian export and development bank (SID) in the name, and for the account of government. Both schemes were approved by DG Competition.

##### *Discussion and methodological analysis*

The Slovenian export and development bank (SID) was discussed in more detail under item 4.1.3 of this document. The Slovenian statistical authorities explained that some guarantees were called from these schemes for an amount of 3.9 million euro, of which 0.1 million euro were repaid. The guarantee calls were recorded in the government accounts as a capital transfer.

##### *Findings and conclusions*

Eurostat took note of these explanations.

#### **4.2.2 Slovenian Restitution Fund (SRF)**

##### *Introduction*

The issue was discussed during the *2005 and 2008 EDP dialogue visits in Slovenia*. The Restitution fund handles compensation by government for the confiscated private property after 1945. So far, government issued 3 series of bonds (SOS-2E in 1995; RS-21 and RS-39 in 2001), which were shown as capital transfers (D.9) in national accounts. The capital transfers were recorded in the year when the claims had to be registered at the court (i.e. in 1995 and 2001).

##### *Discussion and methodological analysis*

Eurostat stressed during the last EDP dialogue visit that any revision of the agreed amounts should be recorded on a cash basis. The Slovenian statistical authorities confirmed that this has been the case from 2008 onwards.

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<sup>21</sup> This was done for the October 2011 EDP notification.

As regards the refunding of amounts to households, which invested in the past in the TELEKOM (Telecommunication Company) infrastructure, it was explained that this will not be paid anymore by the SRF, but directly by the State budget. As the SRF is included in the central government sub-sector, there is no impact on B.9.

#### *Findings and conclusions*

Eurostat took note of these explanations.

### **4.3.3 Guarantees**

#### *Introduction*

The issue of the recording of guarantees was discussed with the Slovenian statistical authorities during the last 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 2007-2010.

#### *Discussion and methodological analysis*

Eurostat noted that there were more than three repeated calls for the company *Novoles* and enquired whether the rule on repeated calls was applied in this case. The Slovenian statistical authorities explained that in the case of *Novoles* this rule was not applied, as the government is paying only the principal of the loan while the interest is still being paid by *Novoles*. Eurostat said that the debt of *Novoles* should be re-classified as government debt, through a debt assumption, due to the fact that government is repaying the principal of the loan. The statistical authorities agreed to re-classify it by the time of the October 2011 EDP notification. It was noted that the amounts involved are rather small.

Furthermore, the Slovenian statistical authorities enquired if there should be a distinction in the treatment of guarantees called in case the company is in liquidation or in bankruptcy. Eurostat said that there should be no distinction and it should be recorded in line with the rules on guarantees. Repeated calls on guarantees over three successive years should always lead in the third year to the entirety of the remaining guarantee being treated as if called. If the company repays a part or the whole debt, then this is treated as a revenue of the government.

#### *Findings and conclusions*

**Action point 22:** The Slovenian statistical authorities agreed to *re-classify the debt of Novoles* as government debt, through a debt assumption in 2010 or 2011, due to the fact that government is repaying the principal of the loan, by the October 2011 EDP notification<sup>22</sup>.

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<sup>22</sup> This was done for the October 2011 EDP notification (included in planned 2011 data).

#### **4.3.4 Military equipment expenditures**

##### *Introduction*

The time of recording of military expenditure is the date of payment (cash data), which is, according to the Slovenian statistical authorities, close to the time of delivery.

##### *Discussion and methodological analysis*

Eurostat asked the Slovenian statistical authorities to confirm that the date of payment is still close to the time of delivery. The Slovenian statistical authorities explained that the time lag of payment for intermediate consumption is one month, which has in most cases only negligible impact. Eurostat however asked the Slovenian statistical authorities to check this.

It was also agreed that the Table 7.1 of the Questionnaire relating to the EDP notification tables is to be corrected in order to include the ship Triglav received in 2010 from the Russian government in the context of a debt repayment (as discussed under item 3 of this report).

##### *Findings and conclusions*

Eurostat took note that the time of recording of military expenditure is the date of payment (cash data), which according to the Slovenian statistical authorities is close to the time of delivery.

**Action point 23:** Eurostat invited the Slovenian statistical authorities to amend *Table 7.1 on Military equipment of the Questionnaire relating to the EDP notification Tables*, in order to include the ship Triglav received in 2010 from the Russian government<sup>23</sup>.

#### **4.3.5 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.

Slovenia does not provide data on the outstanding stock of claims in the Table 8 of the Questionnaire relating to EDP tables.

##### *Discussion and methodological analysis*

The Statistical office informed Eurostat that the Ministry of Finance agreed to provide relevant data on claims for direct budgetary units. The Slovenian statistical authorities agreed to provide data for *Table 8 on Central government claims of the Questionnaire relating to the EDP notification Table*.

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<sup>23</sup> This was done for the October 2011 EDP notification.

### *Findings and conclusions*

Eurostat took note of the provided explanations.

**Action point 24:** The Slovenian statistical authorities agreed to provide data for *Table 8 on Central government claims of the Questionnaire relating to the EDP notification Tables*, by the October 2011 EDP notification<sup>24</sup>.

## **4.3.6 Capital injections in public corporations, dividends, privatization**

### *Introduction*

The Slovenian statistical authorities provided, prior the EDP dialogue visit, tables on capital injections by beneficiary and treatment in national accounts (2007-2010) for the central government sub-sector. Individual capital injections data at unit level are not available for the local government sub-sector.

### *Discussion and methodological analysis*

The Slovenian statistical authorities explained that all capital (equity) injections in loss making public enterprises are reclassified as capital transfers.

The Slovenian statistical authorities confirmed that the recapitalisation of *Nova Ljubljanska banka (NLB)* in 2011 was, in national accounts, recorded as capital transfer with an impact on government deficit.

### *Findings and conclusions*

Eurostat took note of the provided explanations.

## **4.3.7 Public Private Partnerships (PPPs)**

### *Introduction*

Public-Private Partnerships were introduced by a law on PPPs in 2006. The law describes different types of contract between government and private sector. The department for PPPs at the Ministry of Finance is in charge of monitoring the implementation of legislation and to prepare reports on PPPs.

### *Discussion and methodological analysis*

The Slovenian statistical authorities said that many of the registered PPPs do not refer to PPPs in EDP terms, but include rather different types of cooperation between government and the private sector, such as concessions and different agreements with government. The SORS

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<sup>24</sup> This was partly done for the October 2011 EDP notification.



explained that information on certain contracts between government and the private sector is taken from the media, and that those contracts are then analysed in more detail, if necessary.

Eurostat stressed that a more efficient system should be established in order to identify and follow-up PPPs. Eurostat encouraged the statistical office to closely co-operate with the Ministry of Finance and to provide to Eurostat a note on the nature of the contracts earmarked as Public-Private Partnerships.

In the Questionnaire relating to EDP notification tables, two PPP projects are reported. The Slovenian statistical authorities explained that both are classified on the balance sheet of government and that all risks are borne by government. Eurostat noted that there was a mistake in the questionnaire and asked the Slovenian statistical authorities to correct the error.

The statistical office also added that one of the projects reported in the Questionnaire does not seem to have the features of a PPP project in EDP terms.

#### *Findings and conclusions*

**Action point 25:** As regards the Public-Private Partnerships (PPPs), the Slovenian statistical authorities will correct *Table 11 of the Questionnaire relating to the EDP notification Tables* on the risk borne by government, by the October 2011 EDP notification<sup>25</sup>.

**Action point 26:** The statistical office, in close co-operation with the Ministry of Finance, agreed to provide to Eurostat a note on the nature of the contracts earmarked as *Public-Private Partnerships* (PPPs) by September 2011<sup>26</sup>.

### **4.3.8 EU flows**

#### *Introduction*

The financial advances of EU flows are deposited in a special account at the Bank of Slovenia with no impact on the budget, i.e. the 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.

#### *Discussion and methodological analysis*

The Slovenian statistical authorities explained that there are no changes in the recording of EU funds in national accounts. Payments to EU for own resources together with the VAT contribution, as well as agricultural subsidies on the revenue side, are excluded from government accounts.

The SORS explained that non-financial sectoral accounts for the general government do not fully exclude EU funds to non-government final beneficiaries. This means that several items of government revenue (other current transfers receivable, capital transfers receivable) and

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<sup>25</sup> This was corrected for the October 2011 EDP notification.

<sup>26</sup> A short note was provided on 26 September 2011.

expenditure (subsidies, capital transfers payable and gross fixed capital formation) are inflated, although there is no impact on the general government deficit.

The SORS said that work has already started in order to exclude from government accounts all EU funds passing through government to non-government units of other institutional sectors. The Ministry of Finance explained that, for the purposes of the 2011 Stability programme, all EU funds passing the budget (intended to non-government units) have been already excluded.

Eurostat asked the Slovenian statistical authorities to exclude from the government accounts all stocks and flows of *EU funds*, in case the final beneficiary is not government, by the October 2011 EDP notification.

Eurostat also asked the Slovenian statistical authorities to provide Eurostat with an updated version of the *Survey on EU funds*.

#### *Findings and conclusions*

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

**Action point 28:** The Slovenian statistical authorities agreed to provide Eurostat with an updated version of the *Survey on EU funds* by October 2011<sup>28</sup>.

#### **4.3.9 Others: Sale and leaseback operations, securitisation, Swaps, UMTS, Carbon trading rights**

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

Eurostat took note of the provided explanations.

#### **4. Other issues**

##### *Introduction*

The ESA95 Transmission Programme (tables 2, 6, 7, 9, 11, 25, 27 and 28) was discussed under this item of agenda.

##### *Discussion and methodological analysis*

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<sup>27</sup> This action point has not been finalised yet. The MoF and SORS are working closely together to solve this issue (there is no impact on government deficit; changes will be relevant for the ESA table 2).

<sup>28</sup> As soon as the Action point 27 is finalised, the updated version of the survey will be sent to Eurostat.

As regards ESA tables 2 and 11, the Slovenian statistical authorities explained that consolidation of Property income (D.4) is now available also for years 2000-2001 and will be transmitted to Eurostat.

The Slovenian statistical authorities explained that a derogation for COFOG level I data for the back time series will be asked. However, as regards the future transmission programme of ESA table 9 on the breakdown to self-employed and non-employed by various types of social contributions, no derogation will be requested.

Slovenia has an unlimited derogation for data prior 1999, and confirmed that this derogation request will also be carried over to ESA2010 transmission programme.

#### *Findings and conclusions*

Eurostat took note of the provided explanations.

## **Annex 1: List of participants of the EDP dialogue visit to Slovenia 23-24 May 2011**

### **List of participants**

#### **Eurostat:**

Mr. François Lequiller  
Mr. Luca Ascoli  
Mr. Denis Besnard  
Ms. Viera Karolova  
Ms. Simona Frank  
Mr. Keith Hayes

#### **DG ECFIN:**

Mr. Mitja Košmrl

#### **ECB:**

Mr. Henri Maurer

#### **Slovenian statistical authorities:**

##### **Ministry of Finance**

Mr. Stane Vencelj  
Ms. Eva Križnik  
Ms. Katarina Koler  
Ms. Miranda Groff-Ferjančič  
Mr. Matej Čepeljnik  
Ms. Monika Pintar Mesarič  
Ms. Ivana Šprah

##### **Bank of Slovenia**

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

##### **Statistical Office**

Ms. Karmen Hren  
Mr. Andrej Flajs  
Ms. Marjana Klinar  
Mr. Peter Štemberger  
Ms. Mojca Škrlec