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Directorate D: Government Finance Statistics (GFS) and quality
Unit D-2: Excessive deficit procedure (EDP) 1

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FINAL FINDINGS

EDP standard dialogue visit to Slovenia

14 - 15 June 2017

Executive summary

Eurostat carried out a standard EDP dialogue visit to Slovenia on 14-15 June 2017. The purpose of the visit was to review the existing institutional responsibilities for compiling EDP statistics, the implementation of ESA2010 methodology (especially the sector classification of certain units), the implementation of the accrual principle (particularly for the recording of EU funds), the recording of specific government transactions with focus on bad bank activities (BAMC), financial derivatives, Public-Private Partnerships (PPPs) and Energy Performance Contracts (EPCs). The visit would furthermore follow up on the action points resulting from the 2015 standard dialogue visit and on the open issues of the April 2017 EDP notification.

The institutional arrangements currently in place were reviewed. The discussion focussed on the Memorandum of Understanding between the main institutions involved in EDP reporting, in place since 2009, but supposed to be renewed before the end of 2017, including important changes related to EDP compilation responsibilities (from 2018 MoF will only be a data provider and no longer authorised producer of national statistics), on the necessary updates in the EDP Inventory related to interest on swaps, taxes (new taxes, time lags, gross recording), source data for compiling Maastricht debt and the list of government units (to maintain the public units in liquidation and inactive public units in the list). Eurostat welcomed the good cooperation between the Slovenian statistical authorities (SSA) and observed a strengthening of the role of the Statistical Office (SURs) in the EDP context.

Regarding the analysis of the EDP notification tables, the SSA agreed to review the structure of the EDP tables, as well as the reconciliation of stocks and flows of F.81 trade credits and advances.

The progress made by the SSA on the open action points from the EDP dialogue visits of 2015 was discussed, as well as some open issues from the April 2017 EDP notification. Special attention was given to the EU financial corrections and the possibility to present EU funds on a gross basis in the EDP tables and EDP questionnaire. Eurostat appreciated the progress made on recording the EU flows in government accounts, including the neutralisation of their impact in the net lending/net borrowing of general government. Furthermore, regarding the calculation of interest on currency swap, Eurostat recalled the ESA2010 rule that takes into account the amount before the swap and not after, as it was the case in Slovenia.

The discussion continued on the application of the ESA2010 sector classification rules. Eurostat recalled that all public units in liquidation should be classified inside S.13 and invited SURs to analyse the existence of such units and to reclassify where needed. Eurostat invited the SSA to analyse the sectorisation of indirect budgetary units, in particular in relation to the qualitative criteria as specified in ESA2010 and to monitor continuously the public corporations not included in S.13, particularly the entities without employees, in order to distinguish between holding companies and head offices, as well as to check whether these units can be considered as institutional units.

After bilateral discussions with Eurostat, Slovenia reclassified the Deposit Guarantee Fund and the National Bank Resolution Fund inside government for the April 2017 EDP notification. In the 2017 EDP mission, Eurostat requested SURS to provide a note listing the related recordings in ESA categories (financial instruments, revenue and expenditure) and the related amounts.

The sector classification of the public infrastructure company DARS was reviewed in the context of ESA2010 and concession rules. Eurostat presented its opinion regarding the actual sector classification of DARS in the European context and pointed out that the situation might be reassessed in the context of the entering into force of the planned revised rules and MGDD chapter on concessions.

Regarding the government interventions into financial institutions, the SSA confirmed the recording of BAMC (bad bank in Slovenia) activities in government accounts according to the Eurostat advice letter provided in May 2016. Furthermore, BAMC informed Eurostat about its plans to set up an SPV, jointly with the private sector, with the purpose of renovating and selling real estate, currently owned by BAMC. Eurostat invited SURS to send an official ex-ante request on the statistical recording as soon as the details of the project are available.

Regarding the implementation of the accrual principle, Eurostat verified the accrual adjustments for taxes and asked the SSA to provide a note comparing yearly cash and accrual figures for excise duties and import taxes, covering at least the last ten years. Eurostat also took note that SURS will start to report taxes on income and wealth, etc. (D.5) on a gross basis, for both stocks and flows, in the questionnaire table 5 and in EDP tables. In relation to the recording of military equipment expenditure, Eurostat invited SURS to cooperate with the Ministry of Defence in order to receive data on a delivery basis instead of an a cash basis.

The recordings related to the 2014 court decision on Ljubljanska Banka deposit holders were reviewed, as well the 2013 court decision on *"erased people"* (*persons removed from the register of permanent residents*). SURS will propose to Eurostat how to correct the data reported in 2013, as it has become evident that the estimation of a government expenditure of EUR 130 million, treated as a capital transfer and impacting the deficit via an increase in other accounts payable, was greatly overestimated.

As regards the recording of specific government transactions, Eurostat recalled the importance of monitoring non-performing loans (NPLs) in order to make sure that debt cancellations are correctly reported. SURS agreed to start recording debt cancellations for NPLs, including the interest accrued. The issue of recording capital injections and dividends in national accounts was also discussed and Eurostat welcomed the implementation of a monitoring system at local government level. As for the PPPs and concessions, the Slovenian MoF, together with SURS, will take further steps in order to compose a complete list of PPP projects and concessions and to ensure the correct classification in national accounts. In relation to EPCs, Eurostat explained the current rules and SURS agreed to include, for the first time, figures relating to such investments for year 2016. A draft contract was discussed during the meeting.

Eurostat appreciated the information provided by the SSA prior and during the EDP standard dialogue visit. Eurostat also thanked the SSA for their cooperation during the EDP visit and considers that the discussions were transparent and constructive.

Introduction

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the Excessive Deficit Procedure annexed to the Treaty on the Functioning of the EU, Eurostat carried out an EDP standard dialogue visit (SDV) to Slovenia on 14-15 June 2017.

The delegation of Eurostat was headed by Ms Lena Frej Ohlsson, Head of Unit D-2; Excessive Deficit Procedure (EDP) I. Eurostat was also represented by Mr Luca Ascoli – Head of unit D-1; EDP and Methodology and Ms Nicoleta Savu. Representatives of the European Central Bank (ECB) and DG ECFIN also participated in the meeting as observers. The SSA were represented by the Statistical Office of Republic of Slovenia (SURS), the Ministry of Finance (MoF) and the Bank of Slovenia (BS). Experts from the Bank Assets Management Company (BAMC – bad bank) and the Court of Auditors of the Republic of Slovenia also attended the meeting.

The previous Eurostat EDP dialogue visit to Slovenia took place on 7-8 September 2015.

Eurostat carried out the June 2017 EDP dialogue visit in order to review the implementation of ESA2010 methodology, especially as regards the sector classification of units and the implementation of the accrual principle and to clarify the recording of some specific government transactions and, in particular, to analyse the recording in the government accounts of EU Funds, BAMC operations and to follow up on the related action points resulting from the 2015 dialogue visit.

With regard to procedural arrangements, the Main conclusions and action points were sent to Slovenia for review on 21 June 2017. Then, within months, the Provisional findings would be sent to Slovenia for review. After this, the Final Findings would be sent to Slovenia and to the Economic and Financial Committee and published on the website of Eurostat.

Eurostat appreciated the timely information provided by the SSA prior to the EDP dialogue visit and added that the quality of the reported data improved between the last two EDP dialogue visits in 2015 and 2017. Slovenia's practice to consult Eurostat on specific issues in time and before the notification (in order to avoid last-minute revisions) was welcomed. Eurostat also thanked the SSA for the co-operation during the visit and considered that the discussions were transparent and constructive.

1. STATISTICAL CAPACITY ISSUES

1.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation

Introduction

The EDP tables are reported to Eurostat by the SURS.

In 2004, a “*Memorandum of Understanding in the field of macroeconomic and financial statistics*” (MoU) was established between the SURS, the MoF and the BS. In 2007 and 2009, the MoU was amended.

According to the 2009 MoU, the EDP report is prepared jointly by SURS, MoF and BS and forecasts or estimates, as well as debt data for the current year, are fully prepared by the MoF. General government non-financial accounts are compiled, published and transmitted to Eurostat by SURS using data provided by the MoF. Financial accounts are prepared by BS in line with ESA2010 methodology.

Since 2015, being aware of the delay in updating, the SSA have been debating a new draft MoU. This issue was included as an action point in the 2015 EDP dialogue visit (*AP 1: “The Slovenian Statistical Authorities will send to Eurostat the revised “Memorandum of Understanding in the field of macroeconomic and financial statistics” (MoU), expected to be signed before the end of the year. Deadline: When signed.”*). According to the progress report on pending action points of the 2015 EDP dialogue visit sent to Eurostat in the context of the request for clarification of the April 2017 EDP notification, the new MoU was envisaged to be signed before the summer of 2017. Eurostat did not receive any draft MoU as requested before the mission.

Discussion

Eurostat enquired about the cooperation between the institutions involved in EDP and any changes since the 2015 EDP dialogue visit, with relation to the division of responsibilities and the organisational structure.

Firstly, SURS presented its relatively new EDP team. After the retirement of the previous head of the national accounts section, five experts are now involved in the compilation of EDP and GFS data, which is two more persons compared with 2015. In the last two years, the MoF also involved one more expert in the EDP process and, when necessary, depending on the subject, the MoF requests the support and expertise from other departments. The BS kept same organisation, one permanent EDP contact and a number of back up colleagues.

Secondly, SURS confirmed that there have been no important changes in the institutional arrangements since the last EDP dialogue visit. However, SURS informed Eurostat that the new MoU is in the final stage for approval. It includes significant responsibility changes concerning the EDP process, mainly due to the implementation of the National Statistics Act amendments concerning authorised producers of national statistics in Slovenia. According to this act, that regulates the organisation and status of the national statistics and transposes in

Slovenia the European Code of Practice, starting from 2018 the MoF will only be a data provider and no longer an authorised producer. As a follow up, the MoF requested that the responsibility of compiling and notifying the EDP tables be changed in the new MoU, as the MoF should not have any responsibility on notified data according to their understanding of the new code of practice in place.

Further, during the meeting, the MoF argued that a dedicated department for EDP statistics never existed in the ministry and, as statistics should be independent of politics, SURS has to take all responsibilities for the EDP notification, including for example the interest expenditure calculation based on the ESA2010 methodology. Therefore, regarding the data on government deficit and debt sent to Eurostat, MoF would keep only the responsibility for forecasted data. The MoF will however provide detailed data concerning the notified period on specific transactions when requested by SURS. On the other hand, the MoF added that it would like to continue the actual institutional arrangements as described in the existing flow charts, to be part of the Slovenian permanent working group on EDP issues and, when necessary, to participate to its meetings and, as before, to have access to all the provisional and working EDP and ESA tables compiled by SURS and BS during the notification period, data which are necessary to the MoF for the projection of the MTOs figures in the context of the Stability and Growth Pact (SGP).

Eurostat mentioned that is not unusual for MoF not to be a statistical producer, which is in line with ethics but not a general rule in national statistics. In order to support the bilateral relation of the MoF with ECFIN on Stability and Growth Pact (SGP) issues, Eurostat recommended that final/available GFS data are to be taken into account (available after the closing date of the notification period, usually 3 or 4 days before the Eurostat news release in April and October). This would avoid revisions of the SGP figures from one version to another during the Eurostat assessment period and therefore also unnecessary work for consistency and data alignments at the level of the MoF.

To conclude, Eurostat recalled that a good cooperation between the three institutions involved in the EDP process is crucial for high quality data and that the roles of the three institutions should be formalised in the new MoU based on the actual working arrangements and that the leadership of SURS should be recognised, including its role as authority responsible for EDP reporting.

Findings and conclusions

- (1) SURS will send to Eurostat the revised “*Memorandum of Understanding in the field of macroeconomic and financial statistics*” (MoU) on EDP, currently being finalised.

Deadline: When available.

1.2. Data sources and revision policy, EDP inventory

a) Data sources

Introduction

The use of the data sources as described in the MoU and in the EDP Inventory¹ was reviewed under this point of the agenda.

Discussion

Eurostat asked the SSA to clarify changes in data sources since the last EDP dialogue visit. SURS confirmed that no changes have occurred since 2015 and the main data sources for compiling EDP were presented.

According to the MoU and the EDP Inventory, the main data sources used by SURS for compiling the EDP tables are the cash budgets (provided to SURS in excel format by the MoF at end of February at the latest), the data on the main direct budgetary units (provided to SURS by the Agency for Public Records and Related Services (AJPES) at, or near, the middle of March), the annual financial statements (accrual basis) for public units and companies (provided to SURS by the AJPES at the end of April) and the Whole Government Accounts (WGA: the balance sheet on accrual basis of all government units, except companies provided to SURS and BS by the MoF at end of June/July due to the end of April deadline of the reporting units).

As a weakness, SURS pointed out that some data sources are not available for the first EDP notification (the WGA and the profit and the loss accounts of companies classified in S.13). Further, SURS explained that, due to the fact that almost all basic data sources are only available for the second EDP notification, the data for the first EDP notification are collected mostly by the MoF (central, local and social security cash budgets) and partially by SURS, directly from the major companies reclassified in S.13 (preliminary data). SURS did not use estimations for all other government bodies for which no data were available in April, as evidence showed no significant impact in the previous years. At this stage, Eurostat reviewed together with SURS the data compiled in the EDP questionnaire table 3 regarding data sources and the calculation of net lending/net borrowing of other government bodies (OGB). SURS clarified that, in April, B.9 of OGB is mainly cash based and only in October, when WGA is available, the related F.8 is added in the calculation of B.9. Taking in consideration the materiality and the fact that “L” is not a pattern for those data, Eurostat considered a zero recording as acceptable in the April notification. A zero recording was also acceptable for B.9 of a group of companies reclassified in the local subsector, as evidence showed that revisions were not significant from the April to the October reporting.

Regarding the compilation of the Other accounts receivable/Other accounts payable (F.8) related to the entities included in the working balance of the EDP tables 2 (direct budgetary units), one month time adjusted cash was used in the April EDP notification and WGA data in the October EDP notification respectively.

¹ Please see the Slovenian EDP Inventory published in December 2015 on Eurostat website: <http://ec.europa.eu/eurostat/documents/1015035/7110762/SI-EDP-Inventory-201512.pdf>

For calculating gross fixed capital formation (GFCF), SURS reconfirmed that the survey on investments was the main data source and, because of the late availability of these data (n+1 at end December), in the first EDP reporting, one month time lag method was used and in the second EDP reporting a mix approach (WGA and survey) was used to calculate the accrual adjustment related to GFCF. Generally, no significant revisions were needed due to updated source data. Exceptionally, last year the WGA data for the local subsector presented large differences, sometimes explained by unit reclassifications inside or outside the S.13 sector.

SURS pointed out that timeliness improved considerably also this year and that the statistical discrepancies decreased in EDP tables due to both the comparative use of data sources (WGA, financial accounts collected by BS survey) and the good cooperation with the BS and the MoF. The experts of the permanent working group meet regularly and there is also constant communication not only during the notification period (daily exchange of e-mails and telephone conferences), but also during ad-hoc meetings on methodological improvements and future work plans (weekly).

Eurostat recommended the SSA to work together in order to have the WGA data available already for the April EDP notification reports, so that they could be used for the compilation of non-financial and financial accounts. SURS explained that this is still not feasible. At the same time, Eurostat reiterated the action point 5 of the 2015 EDP dialogue visit concerning Eurostat recommendation to develop the WGA structure according to EDP and GFS needs (*AP 5: "Eurostat invited the Slovenian Statistical Authorities to investigate the possibility of inclusion of further details on receivables in Whole Government Accounts (WGA) and to send to Eurostat a note on the result. Deadline: October 2016 EDP notification."*).

SURS explained that, due to the reorganisation of the EDP/GFS unit, the analysis of the WGA structure is still pending. However, discussions with the MoF were started regarding the possibility of further details of other accounts receivable. A possible modification to the structure is foreseen for 2017-2018. Eurostat encouraged the SSA to continue to work together on the WGA and to inform Eurostat on progress.

Eurostat asked the MoF about the approval of the new accounting law mentioned in the 2013 and 2015 EDP dialogue visits (action point 4 of the 2015 EDP dialogue visit: *"The Slovenian Statistical Authorities will send to Eurostat the new law on public accounting, expected to be adopted before the end of the year. Deadline: When adopted"*) and of its consequences for the EDP reporting, especially as regards the availability of data for the April notification. The MoF replied that the law was not approved yet and even if it is planned for the end of 2017, this may be too optimistic. The MoF clarified that the draft law does not contain a description regarding the shift to accrual recording for indirect budgetary units, but only for direct budgetary units.

Eurostat took note of the plan to take a step by step approach to shift public accounting from cash to accrual recording, starting with the direct budgetary units.

Findings and conclusions

- (2) Eurostat took note that a new accounting law is under finalisation, for expected adoption by the end of 2017. The law will enable a gradual shift from cash to accrual recording for all government units.

Deadline: to be sent to Eurostat once approved.

b) Revision policy between the April and October EDP reporting

Introduction

In Slovenia, for each EDP reporting, data for the last four years are open to revision. Major revisions with an impact on B.9 and B.9f are made in September, because some data sources are available only for the second EDP notification. September revisions include possible methodological changes, improvements in data sources, reclassification of units and correction of errors. As general government gross debt data are completely available already in the first EDP notification, later revisions are not necessary.

According to the ESA2010 Inventory, government accounts data must be consistent in the EDP and ESA2010 tables and, before being transmitted to Eurostat, the data must be published nationally. Due to the fact that reclassification of units affects the GDP level and considering that GDP in Slovenia is revised and published once per year in August (for the last four years), the reclassification of units is done only in the second EDP notification (October) in order to have consistent data in EDP and national accounts.

In the context of the April 2017 EDP request for clarification and progress report on the pending action points of the last EDP dialogue visit, SURS informed Eurostat that the next benchmark revision was envisaged presumably in 2018.² AP 3 of the last EDP dialogue visit: "*Eurostat recalled that, as a general rule, data in relation to reclassification of units should be revised backwards for the whole time series and not only for the last four years covered by the EDP reporting. Eurostat invites the Slovenian Statistical Authorities to investigate the possibility to include missing backward data in the next benchmark revision.*"

Discussion

SURS confirmed the revision policy regarding the April and October EDP notifications as described in the EDP 2010 Inventory. In the April EDP notifications, preliminary data are available for all direct budgetary units. For other units in central and local government, estimations are being used instead. They are based on preliminary outturns, information on recent developments and data from previous years and concern mainly the large units (such as hospitals, universities, major companies). For small units (such as local communities), no estimations are made because the impact on net borrowing/ net lending is negligible. In the October EDP notifications, the preliminary outturn data for the year n-1 used in the April EDP notification are revised with final data for the direct budgetary units. For all other units

² In the meantime (November 2017), SURS has informed Eurostat that the benchmark revision will take place in 2019 and not 2018.

in the central, local and social security subsectors of government, estimates for the year n-1, used in the April EDP notification, are revised in October with data from financial statements.

Eurostat took note that the EDP revision policy regarding the four years notified, did not change in Slovenia since the last EDP dialogue visit and stressed the importance of having consistent full time series. It was highlighted that, at European level, the next benchmark revision is foreseen in 2019, as foreseen in the revision policy agreed by the DMES in 2016. It was advised that Member States implement at the same time backwards revisions on a five years basis.

SURS confirmed to be aware of the Member States decision to coordinate the backwards revisions at European level starting with 2019 and informed Eurostat that the next benchmark revision for national accounts in Slovenia (including EDP, GFS, GNI and GDP) was planned already for 2018², but the impact of this update (AP 3) is expected to be rather small. SURS ensured that the European revision policy would be followed in the future.

Findings and conclusions

Eurostat recommended updating full time series backwards, with priority for the EDP years, when revisions occurred, but at the same time to coordinate with the revisions policy at European level, especially starting from 2019 in order to apply a harmonised policy across the EU.

c) EDP inventory

Introduction

The EDP Inventory was updated according to ESA2010 and is published on the SURS and Eurostat websites since December 2015.

Discussion

Eurostat asked SURS to harmonise the EDP Inventory with the upcoming MoU taking into consideration that the published version of the Inventory is not fully consistent with the actual working arrangements.

Eurostat asked the SSA to include in the Inventory some missing issues identified during this EDP mission and to update the text and annexes where necessary, including the annex 1 on GG units and to provide to Eurostat the annex 5 on Maastricht debt compilation.

Eurostat recalled that the Inventory should be updated for any major changes in the future.

Findings and conclusions

- (3) SURS will update the EDP Inventory taking into account the recent changes due to the revised MoU on EDP as well as the issues identified in the meeting such as: recording of interest on swaps, recording of taxes and data sources for compiling Maastricht debt. SURS will also update the list of government units and the annexes, where relevant.

Deadline: end of 2017³.

1.3. Compliance with Council Directive no. 2011/85

Introduction

The national collection and the publication of data requested by the Council Directive 2011/85/ of 8 November 2011, *on requirements for budgetary frameworks of the Member States*, were discussed.

Discussion

Eurostat noted that the compulsory indicators required by the directive were nationally published since January 2015. The SSA clarified that during 2015-2016, the monthly fiscal cash data on budgetary revenues and expenditures by subsectors were published by the MoF on its website and that the annual data on contingent liabilities were published by SURS on its website. Starting from January 2017, SURS and the MoF agreed that both sets of data regarding the Directive 85/2011, the fiscal data and the data on contingent liabilities, would be published by MoF on its website⁴ and related responsibilities to be formalised in the upcoming MoU. Eurostat welcomed the initiative of the SSA to publish in one place all data related to the Directive 85/2011 as recommended also in the EDPS WG last year.

Regarding the requirements on fiscal data, Eurostat took note that only data of direct budgetary units, municipalities, the Health Insurance Institute and the Pension and Disability Insurance Institute were included in the published tables. Eurostat enquired about plans to include all general government units as the coverage is still not complete. The MoF informed that the new Public Finance Act planned to be signed by end of 2017, contains provisions regarding the development of an IT system in order to have, by 2020, the capacity to collect monthly cash data also for the indirect budgetary units and public companies currently not included in the database.

Eurostat noted that, on the MoF dedicated website section, the part missing in 2015 regarding the methodological reconciliation table between cash and accrual data for all general government subsectors was now included. Eurostat proposed to include some further details on the adjustments, if possible.

Regarding the contingent liabilities, Eurostat took note that data published nationally were consistent with the data sent to Eurostat at the end of 2016 in the framework of the Enhanced Economic Governance package (the “six pack”) and included annual data on government guarantees concerning the 2011-2015 period. Local government guarantees were also added,

³ SURS has provided to Eurostat on 29 December 2017 a partial updated version of EDP Inventory and the list of government units, considered as preliminary as additional changes are still needed.

⁴ Please see the link:

http://www.mf.gov.si/en/areas_of_work/general_government_finance/public_finances/budgetary_frameworks/

as well as non-performing loans of S.1311 for 2013-2015 period (majority bad bank NPLs), S.1313 and S.1314 reporting zeroes values for NPLs, and regarding off-balance PPPs data were reported as "not available" for the local government and zero values for 2013-2015 for central government and social security subsectors. SURS confirmed that investigations did not show any PPP in the S.1311 and S.1314 government subsectors. This issue was further discussed later.

Findings and conclusions

- (4) In relation to Council Directive 2011/85, the MoF informed that Slovenia will be able to provide, thanks to the new Public Finance Act, if it will be adopted in the Parliament, full coverage on a cash basis of data for all institutional units in general government sector with exception of public corporation which will be based on accrual accounting, not later than 2020.

2. FOLLOW UP OF THE PREVIOUS EDP DIALOGUE VISIT

Introduction

In the final findings of the EDP standard dialogue visit to Slovenia, of 7-8 September 2015, 34 action points were included. Most action points have been implemented in the context of the 2015-2017 EDP notifications and the outstanding issues have been discussed during this mission and are almost all closed.

Discussion

Eurostat informed that the pending action points of the 2015 EDP dialogue visit would be discussed under relevant items of the agenda. The action points were:

AP 1: "The Slovenian Statistical Authorities will send to Eurostat the revised "Memorandum of Understanding in the field of macroeconomic and financial statistics" (MoU), expected to be signed before the end of the year. Deadline: When signed."

AP 3: "Eurostat recalled that, as a general rule, data in relation to reclassification of units should be revised backwards for the whole time series and not only for the last four years covered by the EDP reporting. Eurostat invites the Slovenian Statistical Authorities to investigate the possibility to include missing backward data in the next benchmark revision."

AP 4: "The Slovenian Statistical Authorities will send to Eurostat the new law on public accounting, expected to be adopted before the end of the year. Deadline: When adopted."

AP 5: "Eurostat invited the Slovenian Statistical Authorities to investigate the possibility of inclusion of further details on receivables in Whole Government Accounts (WGA) and to send to Eurostat a note on the result. Deadline: October 2016 EDP notification."

AP 12: "In relation to the recording of EU funds, Eurostat took note that the EU funds are currently neutralized on net basis on central government level and invites the Slovenian Statistical Authorities to investigate the possibilities to record on gross basis. Deadline: Progress report April 2016 EDP notification."

AP 13: "Eurostat took note that EU grants are currently recorded on cash basis on local government level and invites the Slovenian Statistical Authorities to investigate the possibilities to make the accrual correction in line with the rules on the recording of EU grants in the Manual on Government Deficit and Debt. Deadline: Progress report April 2016 EDP notification."

AP 15: "Eurostat recalled that in the case of reimbursement of funds to the EU, the financial correction should be recorded at the time of the decisions agreed by the Commission. Deadline: October 2015 EDP notification)."

AP 29: "Eurostat recalled the importance of monitoring non-performing loans in order to make sure that debt cancellations are correctly reported."

AP 32: "The MOF will investigate whether an updated list of Public Private Partnerships (PPPs) in Slovenia is available and will assess, in cooperation with SURS, whether some of the projects meet the national accounts definition of PPPs and whether they are correctly classified. Deadline: End December 2015."

AP 33: "The Slovenian Statistical Authorities will investigate whether national permits have been auctioned in Slovenia by Government and recorded according to the MGDD rules (government revenue recognised when the permits are used and not when the sale took place). Deadline: April 2016 EDP notification."

Eurostat thanked the SSA for regularly providing a progress report on the follow up of the action points of the 2015 EDP dialogue visit and not only in the context of the EDP notifications but also in the period in between, asking for Eurostat's advice and agreement on the follow-up of specific issues. Eurostat has provided and published two letters of advice, one in 2016 related to the recording of bad bank (BAMC) activities⁵ and another one related to the sector classification of the DSU company⁶.

Eurostat asked the SSA about changes regarding the audit and internal control for EDP matters (AP 9 of the 2015 EDP dialogue visit). SURS reconfirmed that the related audit process in place is applied to all macroeconomic statistics (GFS/EDP data are cross-checked with data from other national accounts areas, such as COFOG, sector accounts and ROW). The process is regulated by the National Statistics Act and Regulation (EC) No. 223/2009 and contains specific rules for quality management, information security and data management systems. Regarding data quality, SURS approved the adoption of the Code of Practice, which is consistent with the United Nations Fundamental Principles of Official Statistics in the Region of the Economic Commission for Europe and with national and EU statistical

⁵ Please see Eurostat advice letter on recording BAMC activities in government accounts (May 2016): <http://ec.europa.eu/eurostat/documents/1015035/7142247/Advice-2016-SI-Statistical-treatment-BAMC-and-its-operations.pdf>

⁶ Please see Eurostat advice letter on DSU sector classification (May 2017): <http://ec.europa.eu/eurostat/documents/1015035/7878213/Advice-2017-SI-Sector-classification-of-DSU-company.pdf>

legislation. As a step forward, SURS added that a pilot project for one year (April 2017–April 2018) for setting up an internal audit system is currently ongoing for the entire office.

Eurostat took note of the pilot project on internal control and audit at SURS level.

Findings and conclusions

Eurostat thanked the SSA for the progress on follow up of the action points of the 2015 dialogue visit, particularly regarding the recording of EU funds and BAMC activities in the government accounts, which demanded a lot of work and coordination efforts from SURS, MoF, BS and also from BAMC. Eurostat encouraged the new EDP team to continue the cooperation.

3. ANALYSIS OF EDP TABLES – FOLLOW UP OF THE APRIL 2017 EDP NOTIFICATION

Introduction

The SSA sent the first notification for 2017 including EDP tables and the questionnaire relating to the EDP to Eurostat on 31 March 2017. The EDP notification tables were reported with full internal consistency. During the assessment period, the SURS sent 6 revised notification tables. Three EDP requests for clarification were exchanged with SURS. The SURS press release⁷ on deficit and debt is published at the same day as EDP tables are sent to Eurostat (31 March 2017) and the whole set of EDP tables is published on the SURS website⁸ only after Eurostat sent the closing remarks to Slovenia (20 April 2017).

The excessive deficit procedure for Slovenia was closed in the spring of 2016 as Slovenia started reporting from 2015 deficits below the 3% of GDP threshold. However the general government debt is above the threshold of 60% of GDP.

In the April 2017 EDP notification, the increase of deficit by -0.1 pp in 2013, -0.3 pp in 2014 and -0.2 pp in 2015, was mainly due to the corrected recording of interests on swaps according to ESA2010 (2013-2015) and to the availability of updated source data for EU financial corrections (2013-2014). No revision of debt was recorded in the April 2017 EDP notification.

The closing remarks of the April 2017 EDP notification included four main issues to be followed up: the monitoring of the BAMC activities (for new facts as well as for methodological treatment), the recording of flows and stocks of the EU funds and related financial corrections in the EDP tables and EDP questionnaire (including presentation of a net/gross approach and consolidated/nonconsolidated accounts), the correct recording of swap operations' impact on EDP data (related to the interest calculation according to ESA2010 rules) and the follow up of the action points of the 2015 EDP dialogue visit having as

⁷ Please see the link: <http://www.stat.si/StatWeb/en/News/Index/6594>

⁸ Please see the link: <http://www.stat.si/StatWeb/en/News/Index/6630>

deadline the April 2017 EDP notification. These were discussed under the related agenda items.

Discussion

Eurostat welcomed the good cooperation during the latest EDP notification period.

Eurostat pointed out that it would like to discuss the structure of EDP tables 2, the reconciliation of other accounts receivable/other accounts payable (F.8) in the EDP tables 2 and 3 and of trade credits and advances (F.81) flows and stocks in the EDP tables 2, 3 and 4. It was agreed that the issues would be followed up immediately after the EDP mission, in an informal technical meeting in Luxembourg at the occasion of the EDPS WG in July 2017.

Eurostat explained that the issue related to the structure of EDP tables 2 was raised because, even if the structure of the adjustments between the first line (working balance) and last line (net lending/net borrowing) of the EDP tables 2 does not impact the B.9 of government, being a presentation of the transition between the public accounts budget balance and government surplus/deficit according to ESA 2010, firstly, in the actual structure the issues are not well grouped being difficult to find the impact of same issue and, secondly, the financial and non-financial adjustments should be recorded appropriately under a specific section, so Eurostat can assess the quality of the data as described in the instructions for compiling the EDP tables. Eurostat explained the content of different sections of the EDP tables 2A, 2C and 2D and asked about the appropriate inclusion of items into Financial transactions included in the working balance, Non-financial transactions not included in the working balance, Other accounts receivable (+), Other accounts payable (-), Net lending (+)/ Net borrowing (-) of other central government bodies and Other adjustments (+/-). SURS agreed that the actual structure has to be revised in the October 2017 EDP notification.

Furthermore, Eurostat recommended to consider updating and completing the content (detailed F.81 and F.89 by subsectors and by group of units) of the EDP questionnaire table 4 as the data are available (provided in the EDP notifications, in 2016 and 2017). SURS agreed to look for possible options of showing F.81 and F.89 by group of units for each subsector in the questionnaire table 4 in the next EDP notifications.

Regarding the reconciliation of F.81 stock and flows in the EDP tables 2, 3 and 4, Eurostat asked SURS to provide an excel table including related data reconciliations together with an explanatory note.

Eurostat asked about revisions of EDP tables in the October 2017 EDP notification. SURS informed that small revisions of up to 0.1% of GDP, will be done for all the notified years as part of the routine revision and issues discovered during the EDP dialogue visit in June 2017.

Eurostat appreciated the work done in order to decrease the statistical discrepancy, particularly the close cooperation between SURS and the BS (using in the April report indirect data sources from the BS decreased the level of the October revisions) and recommended to further investigate the remaining inconsistencies.

Findings and conclusions

- (5) Eurostat and SURS will analyse the structure of EDP tables 2 in general, as well as the reconciliation of stocks and flows of F.81 (trade credit and advances).

*Deadline: October 2017 EDP notification.*⁹

4. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS

4.1. Delimitation of general government, application of the 50% rule in NA

4.1.1. Changes in sector classification since the 2015 dialogue visit

Introduction

SURS provided before the EDP mission the list of general government units by subsectors at the end of 2014 and 2016 and the list of removed/new units from/in S13 between 2014 and 2016, by subsectors. The total number of units in S.13 at the end of 2016 was 2551, 12 units more than at the end of 2014 (63 new units and 51 removed units).

The sectorisation practices and the current list of general government units were discussed.

Discussion

SURS reconfirmed the information, described in the EDP Inventory, that the delimitation of the general government sector is updated annually by SURS after consultation within an expert group composed of representatives of SURS, MoF, BS and AJPES. The sector classification of new units is assigned by AJPES at the time of registration in the Business Register of Slovenia and is based mainly on the legal organisational form, the main activity code and the type of ownership. SURS calculates once per year the 50% market/non-market test for each public corporation using the available annual accounting statements and the expert group decides on the potential reclassification of a unit, considering the results for three consecutive years and also qualitative information. This is fully in line with the ESA2010 and MGDD rules.

Eurostat enquired about the existence and the publication of a complete list of public units. SURS clarified that such a list is available at AJPES that also updates it.

Regarding the units reclassified during 2014-2016, Eurostat asked clarifications, in particular, for the entities removed from the S.13 list. SURS explained that the main reason was the results of the 50% market/non-market test. Furthermore, SURS informed Eurostat that the general government list provided for 2016 does not include units which became inactive and units entering in liquidation, as they are seen as non-operational units for which financial statements are not available. However, SURS mentioned that those entities are still in the

⁹ Issue closed. A technical meeting took place in July at Eurostat's premises. Eurostat agreed with SURS proposal to include the related structural revisions in the October 2017 EDP notification for the years covered by the notification and in April 2018 for the years included in the historical tables.

Business Register list and that their debt is still recorded in the general government debt as related data is included in the S.13 data collected from the banking system. Eurostat recommended to SURS to maintain such entities in the list of government units until they have disappeared.

Eurostat recalled the ESA2010 rules on public units in liquidation according to which public units in liquidation classified in S.11, should be reclassified into the government sector, impacting therefore the government B.9 and government debt. Eurostat explained that these units may still have some production activity and that experience showed that the 50% market/non-market test is not fulfilled anymore. In the Slovenian case, data provided in the questionnaire on public corporations regarding public units in liquidation, confirmed this statement. In theory, those units should become part of government, therefore their debt would also be part of government debt and in case of a government guarantee call, no imputation for a capital transfer (D.9) would be needed because the unit would be reclassified inside government (due to consolidation). SURS confirmed that it has information on public units in liquidation and agreed to reclassify such entities in S.13 in the October 2017 EDP notification.

Eurostat therefore recommended to SURS to update the list of government units and the annex 1 of the EDP Inventory by the end of 2017, re-including the inactive units and the public units in liquidation.

Eurostat furthermore welcomed the progress made by SURS regarding the update of the S.13 list of units in the light of ESA2010 and asked SURS to confirm that qualitative criteria have been considered for the sectorisation of the public entities, as described in the ESA2010 and MGDD. SURS explained that dedicated meetings are organised twice per year with the other SSA in order to analyse the government control on public corporations and that internal rules established by SURS and agreed with Eurostat in the 2013 EDP dialogue visit, are used for classifying by group the indirect budgetary units in S.13 or in S.11. SURS clarified that at the level of the Slovenian government, budgetary units are divided according to the degree of financing in direct users (100% government financed and all classified inside S.13) and indirect users (public institutions having their own activities and their own set of accounts, entities being self-financed or financed partially from the central and local budgets) that are classified at group level in S.11 (pharmacies, homes for students, homes for elderly and market regulatory bodies), in S.13 (firefighting entities, nurseries, primary schools, secondary schools, universities, hospitals, health centres, institutions for disabled, centres for social work, music schools, theatres, libraries, archives, museums, galleries) or individually, in S.11/S.13 depending of the results of the market non/market test.

Eurostat took note of the clarifications concerning the sector classification of the indirect budgetary units, which were set up in the context of ESA95, and asked SURS to review their internal rules according to the qualitative criteria described in ESA2010. Eurostat also specified that the 50% test should be applied also to the units that according to the qualitative criteria have to be classified outside S.13 (for example the pharmacies).

Additionally, Eurostat recommended to SURS to analyse separately the entities without employees in order to check if they are really institutional units according to the ESA2010 definition or if they have to be merged with the controlling unit.

Findings and conclusions

- (6) Eurostat recalled that, in line with the MGDD chapter I.2.4.4 on public units in liquidation, all public units in liquidation should be classified inside S.13, SURS was asked to analyse the existence of such units and reclassify where needed.

Deadline: October 2017 EDP notification.¹⁰

- (7) Furthermore, in relation to public units in liquidation and inactive public units which have been excluded from the list of government units, SURS was asked to maintain such units in the list. Eurostat did however take note that the debt of those units is still being included in government debt.¹¹

- (8) Eurostat invited SURS to analyse the sectorisation of indirect budgetary units, in particular in relation to the qualitative criteria as specified in ESA2010 and the ongoing discussion in the MGDD task-force. SURSs will also look into entities having zero employees in order to distinguish between holding companies and head offices, as well as to check whether these units can be considered as institutional units in the first place.

Deadline: October 2017 EDP notification.¹²

4.1.2. Government controlled entities classified outside general government

Introduction

The questionnaire on government controlled entities classified outside government for 2015 was provided in December 2016. Data for 2016 were not available before the EDP dialogue visit.

Discussion

The questionnaire on government controlled entities classified outside government relates to 2015 and includes 592 units in total, 562 entities classified in S.11 and 31 units classified in S.12.

Eurostat asked for clarification about certain companies included in the questionnaire and, in particular, about companies reported as not complying with the 50% test for two years in a

¹⁰ Action point implemented in the October 2017 EDP notification.

¹¹ SURS provided to Eurostat on 29 December 2017 an updated list of government units.

¹² Eurostat agreed that the sectorisation of indirect budgetary units will be followed up after the October 2017 EDP notification.

row, companies showing unusual results, the ones where no information was reported and the companies complying with the 50% test but for which substantial losses were observed. Eurostat also asked SURS for explanations on units without employees included in the questionnaire and, more concretely, to explain the autonomy of decision of a unit without any employees.

SURS explained that units were reclassified inside S.13 only if the 50% test failed for at least three years in a row and that the cases where the results are around 50% are closely monitored. Regarding the unusual results (very high for some years), SURS clarified that the figures are correct and are related to a company involved in real estate transactions.

Regarding the units included in the questionnaire but for which the test results are missing, SURS explained that is related to a group of pharmacies and ensured that the calculation will be done immediately as soon as the data will become available. According to some estimations, the results are above 50%. Regarding one unit without employees, SURS explained that its activity is based on a contract and that further investigation is needed concerning the counterpart of the contract in order to know if it is a holding that should be reclassified inside S.13. Regarding the other units without employees and very small liabilities, SURS also agreed to check if those are holdings or not and reclassify them accordingly. Eurostat requested to investigate also the cases where liabilities are too small in relation to the number of employees. Regarding the companies with big losses, SURS explained that it could be related to a revaluation problem and agreed to verify if the 50% test was correctly done and to look into the balance sheet of the companies to check if companies paid dividends and if yes, to find the reason considering the losses.

Findings and conclusions

Eurostat recommended to SURS to continue to monitor the result of the 50% test and to review the indicators taken into consideration and, if necessary, to consult Eurostat on the appropriate calculation of the 50% test.

4.1.3. Sector classification of specific entities

Introduction

During this agenda item, the discussions focussed on the Property Management and Consultancy (Družba za Svetovanje in Upravljanje - hereinafter DSU) and on the Motorway Company in the Republic of Slovenia (Družba za Avtoceste v Republiki Sloveniji - hereinafter DARS) companies.

During 2017, Eurostat was consulted by SURS on the sector classification of the DSU. An advice letter was provided to Slovenia and published on the Eurostat website in May 2017 (Eurostat' view on maintaining the DSU sector classification in S.13)⁶.

The sector classification of DARS, a public Motorway Company, classified in the non-financial corporation sector (S.11), had been discussed with the SSA in previous EDP dialogue visits and in bilateral meetings. In autumn 2016, a draft law including new guarantees by government to DARS was sent to Eurostat for the analysis of the possible

impact on the current sector classification, together with some small amendments to the concession contract. At that moment, SURS confirmed that the law was only a draft. Eurostat recalled the ESA 2010 rules governing the concession contract and the need to redo the analysis concerning the sector classification of the assets or of the company in case of significant changes in the concession contract or any related legal act affecting the actual activity of DARS, in the context of the concession contract.

Discussion

DARS operates through a concession contract, and its main revenues are vignettes and tolls, which in national accounts are treated as sales. Since the 2010 amendments to the DARS law, the company constructs motorways in its own name and on its own account within the scope of the concession in place since 2004 and concluded for a maximum term of 50 years. It has been agreed in the 2011 EDP visit, that DARS seemed to be the real economic owner of the infrastructure. The result of the 50% test was made available as part of the questionnaire on government controlled units classified outside general government.

Eurostat invited the SSA to inform about the status of the draft law on government guarantees, to clarify whether there have been any changes in the way the company operates, its governance structure and composition, and whether the company had faced any difficulties to redeem its debt and if some new investments are planned.

The SSA informed that the DARS situation did not change since the last EDP dialogue visit in 2015, that the few amendments to the concession contract were not bringing any substantial changes and confirmed that the law on the government guarantee is only a draft, that was not yet approved by the Parliament and that no guarantee has been called until now. Regarding investments, SURS mentioned that two projects financed by the EIB are in the pipeline (electronic tools, tunnel) but no additional government guarantee were foreseen. SURS added that DARS has autonomy of decision on everyday activities even if it is owned 100% by government. It is a profitable company that complies with the 50% rule in order to be classified as a market producer in S.11. The government guarantees amounted to EUR 2.8 billion in 2016.

Eurostat took note that there have been no substantial changes in the legal acts concerning the DARS activities and that no guarantee call occurred since the last EDP dialogue visit in 2015. Regarding the compliance with the 50% rule, Eurostat mentioned that quantitative criteria are not sufficient for deciding on the classification of a company. Eurostat recalled that according to the new specific rules on concessions in the ESA2010 regulation and MGDD, DARS would have to be reclassified in the government sector, because the company has a unique activity and participates in only one concession contract with government. However, due to the fact that DARS' concession contract dates back to 2004 and also taking into consideration the ongoing discussion in the MGDD task force on concession rules, Eurostat did not ask SURS to change immediately the sector classification but to follow-up on the issue in the context of the new rules and new chapter on concessions.

MoF enquired if the new guide will impact DARS sectorisation even if there have been no changes from DARS side. Eurostat confirmed that the new rules on concession are to be

applied to contracts signed after the publication of the new guide and therefore a potential/future second new concession contract will have to be checked according to the new rules. At the same time, Eurostat pointed out that it is the rules on concessions that will be reviewed, not the rules on sector classification.

SURS agreed that the sector classification of DARS has to be reconsidered in the context of potential substantial changes to its activities, governance, government guarantees and borrowing according to the forthcoming new rules on concession contracts.

Findings and conclusions

- (9) Concerning the classification of the company DARS, the situation might be reassessed in the context of the entering into force of the planned revised rules and MGDD chapter on concessions.

4.1.4. Resolution funds (NRF_SRF and NBRF) and deposit guarantee fund (DGF)

Introduction

In the April 2017 EDP notification Slovenia reclassified the NBRF and DGF from S.12 into S.13 based on discussions with Eurostat during 2016-2017 (closing remark of the October 2016 EDP notification). Regarding NRF_SRF, it was concluded that it is only a bank account used for transiting the contributions to the SRF.

Discussion

Eurostat asked SURS to describe the recording (ESA2010 categories of revenues and expenditures and related financial instruments) in national accounts for the NBRF, NRF_SRF and DGF and, in particular, to indicate if the bank resolution contribution was recorded as an EU tax or a national tax, following the Eurostat clarification note on the appropriate treatment.

SURS said that they are awaiting the CMFB opinion in order to decide on the appropriate recording of the bank resolution contribution. Regarding the recording in national accounts of the resolution funds and deposit guarantee fund, SURS said that data and information will be collected and sent to Eurostat for the October 2017 EDP notification.

Findings and conclusions

- (10) In relation to the reclassification inside government of the Deposit Guarantee Fund and the National Bank Resolution Fund, SURS will send to Eurostat a note including the recording in ESA categories (financial instruments, revenue and expenditure) and the related amounts.

*Deadline: October 2017 EDP notification.*¹³

4.1.5. Re-routed transactions

Introduction

For the April 2017 EDP notification, data concerning the activities carried out by the SID bank (Slovenia Export Bank) on behalf of government were included in table 13 of the EDP related questionnaire, but only for the year exceeding the 0.05% of GDP threshold.

Discussion

Eurostat recommended SURS to compile data for all years in the EDP questionnaire table 13 even if only one year was above the threshold. SURS agreed and confirmed that the related data will be included in the October 2017 EDP notification.

Eurostat asked SURS if they investigated other cases than SID. SURS confirmed that no other rerouting case is recorded in the government accounts.

Findings and conclusions

SURS will continue to investigate if it is necessary to reroute potential further transactions made on behalf of the government.

4.2. Implementation of accrual principle

4.2.1. Taxes and social contributions

Introduction

The general recording of taxes and social contributions, as described in the EDP Inventory, was clarified, as well as the classification of the contributions to the Deposit Guarantee Fund and the accrual recording of Emission Trading Allowances. Taxes and social contributions are recorded in the EDP tables 2 and in EDP questionnaire table 5 on a net basis.

Discussion

SURS made a short presentation of the main taxes and social contributions and their accrual calculation. The SSA confirmed that the only changes relating to the recording of taxes and social contributions since the last EDP visit, are the contributions to the Deposit Guarantee Fund, recorded as D.29 Other taxes on production, and the emission trading allowances for which the recording was changed from cash to accrual. Additionally, SURS confirmed that data are available to start recording taxes on income and wealth (D.5) on a gross basis.

¹³ Action point closed. Data provided by SURS to Eurostat by email on 4 October 2017.

SURS said that the main data sources for recording taxes and social contributions are the monthly budget data of the central budget, the Pension Fund, the Health Fund and the local government budgets. The data set is provided by the MoF and is on cash basis.

SURS confirmed that the method used for VAT is time adjusted cash with a month time lag and that it was decided to use time adjusted cash because it was difficult to estimate the coefficient of correction for accrual amounts to be recorded. Eurostat asked if any analysis was done recently to compare the VAT cash data with the accrual data in the long run. The SURS explained that such an analysis was done in the past for a five year period and that the figures showed that the accrued figures were higher (5%-7%) than the cash receipts and the difference was considered as taxes which would never be paid. Eurostat recommended to repeat the exercise, using the monthly data, in order to see if there is some deviant result and stressed that several aspects have to be taken in consideration, such as the deadlines of taxes to be paid (volatility).

Regarding the accrual recording of social security contributions, SURS confirmed that a time adjusted cash method is used.

Concerning personal income tax (PIT) and corporate income tax (CIT), SURS explained that data are on accrual basis and are provided by the Tax Administration Office for the previous year on 31 March (PIT) and on 10 April (CIT), and that final data are received by SURS two years later (PIT). This is the reason why revisions for CIT are included during the request for clarification period of the first notification of the year t-1 (due to the fact that companies have a deadline for reporting their financial statements by 31 March) and revisions for PIT in the second notification. Eurostat confirmed to be aware of these revisions related to CIT and that it was previously agreed that related revisions could be included during the request for clarification period.

SURS mentioned that data on accrual basis (assessed amounts are recorded entirely as revenue, the amounts of taxes unlikely to be collected are recorded as capital transfer payable) are used for some other taxes, such as excise and import duties. Coefficients for the estimation of taxes accrued but unlikely to be collected are negligible and are based on unpaid and written off amounts in the previous periods. These data are provided by the Customs Administration. Eurostat asked SURS to provide, for the next EDP notification, the calculation related to these two taxes using accrual data and cash data for at least ten years, in order to verify if the current recording in the government accounts are correct or underestimated/overestimated. SURS agreed to send the calculation in the October 2017 EDP notification.

Findings and conclusions

- (11) SURS will send to Eurostat a note comparing yearly cash and accrual figures for excise duties and import taxes, covering at least the last ten years.

*Deadline: October 2017 EDP notification.*¹⁴

- (12) Eurostat took note that SURS will report current taxes on import, wealth, etc. (D.5) on a gross basis, for both stocks and flows, as reported in questionnaire table 5 and in EDP tables.

*Deadline: October 2017 notification onwards.*¹⁵

4.2.2. Interest

Introduction

During the April 2017 EDP notification, Eurostat discovered that interest on currency swaps was not calculated according to ESA2010 and that the impact of the correction on B.9 was substantial taking into consideration the appreciation of the USD in the previous years.

Before the mission, Eurostat requested SURS to send detailed data on debt swapped and to update the questionnaire on cash and on accrual flows of interest expenditure and revenue by instrument for the period 2013-2016. These documents were the basis for discussion. According to the EDP Inventory and the findings of the 2015 EDP mission, the MoF compiles the accrued interest in the EDP tables.

Discussion

Eurostat recalled the ESA2010 rules to be applied to the recording of interest on currency swaps, that is using the interest calculated before the swap for the B.9 impact. Representatives of the MoF expressed their disagreement with the spirit of these rules and made references to the management of the cash liquidity as a reason for swap contracts and to the cash collateral existent in the swap contracts. Eurostat explained that accounting standards used by the Treasury and by National accountants are different, also due to the fact that the purposes are different. To give another example, Eurostat added that the stock of swapped debt in the ESA tables should have to consider the interest calculated using the market exchange rate. Eurostat also noted that no Slovenian representatives had participated to the task forces on the revision of the ESA or the MGDD, including the discussions related to the calculation of interest on swap. Eurostat explained that the rule was changed with the introduction of ESA2010, especially for avoiding the manipulation of the deficit by entering into swap contracts and this is why the decision taken was to use the interest calculated before the swap. Eurostat agreed that the cash collateral, currently recorded as F.2 on the asset or liability side, could be further analysed in future MGDD task forces, as the recording could be different, depending on the nature of the contract, and the compensation could be only at a certain moment or

¹⁴ Eurostat agreed to follow up this action point after the October 2017 EDP notification as clarification and data are needed from the MoF.

¹⁵ Action point implemented in the October 2017 EDP notification, however Eurostat recommended to SSA to consider to record also other taxes on a gross basis.

continuously. SURS informed Eurostat that in the future meetings of working groups, task forces and other dedicated expert meetings, participation from the SSA will be ensured.

In the context of the April 2017 EDP clarification procedure, it was discovered that the recording of interest related to bonds issued in USA markets and denominated in USD were recorded after a currency swap, whereas they should have been recorded before. The figures were therefore revised for the period 2013-2016 with negative effect on S.1311 B.9 for an amount of EUR -5.4 million (2013), EUR -47.5 million (2014), EUR -126.0 million (2015) and EUR -92.3 million (2016). Eurostat analysed the detailed data provided by SURS before the mission as recorded in the April 2017 EDP notification and noticed that interest was calculated before the swap, according to ESA2010 rules, but using the exchange rate at the end of the year and not the year average as should be the case. The differences were however quite small and SURS agreed to include the related corrections in the October 2017 EDP notification under the specific section in EDP table 2.

The MoF informed Eurostat that, according to the new arrangements in place regarding responsibilities on compiling EDP tables, it is no longer responsible for the calculation of interest in the EDP tables, but only for providing to SURS the data necessary for the calculation in the structure requested by SURS. Eurostat took note that the MoF will provide to SURS all necessary data, in order for SURS to calculate from now on the accrued interest in the EDP tables 1, 2 and 3. Eurostat asked SURS to update the EDP inventory with this information as well as the description in different sections related to calculation of the interest on currency swaps, the debt and financial derivatives.

Findings and conclusions

- (13) Eurostat considers that, as far as the calculation of interest on debt swapped on forex is concerned, the interest should be calculated as the average of the interest during the year and not taking the value at the end of the year. SURS will revise the reported interest data accordingly.

*Deadline: October 2017 EDP notification.*¹⁶

- (14) In relation to the recording of interest on swapped debt, as specified in ESA 2010, Eurostat will analyse the current rules, including the treatment of swap collaterals, in the MGDD task-force.

4.2.3. EU flows

Introduction

Eurostat verified the recording of EU funds, especially the flows and stock presentation (net/gross, consolidated/non-consolidated) and the recording in the EDP tables (Annex 1 and

¹⁶ Action point implemented in the October 2017 EDP notification.

Annex 3), the financial corrections and the review of the calculation of neutralisation of the EU funds in the government accounts (AP12, AP13, AP14 and AP 15 of the 2015 EDP dialogue visit).

By the time of the meeting, no considerable progress was made regarding the gross recording of the EU Funds (AP 12: *"In relation to the recording of EU funds, Eurostat took note that the EU funds are currently neutralized on net basis on central government level and invites the Slovenian Statistical Authorities to investigate the possibilities to record on gross basis"*).¹⁷

The EU fund recording at the local level concerning consolidation, neutralisation and accrual recording (AP 13: *"Eurostat took note that EU grants are currently recorded on cash basis on local government level and invites the Slovenian Statistical Authorities to investigate the possibilities to make the accrual correction in line with the rules on the recording of EU grants in the Manual on Government Deficit and Debt. Deadline: Progress report April 2016 EDP notification"*) was also discussed during the meeting.

Discussion

In the October 2016 EDP notification, SURS recorded the EU financial corrections only for year 2015, using provisional data from the MoF. In the April 2017 EDP notification, financial corrections related to 2013-2016 were recorded in the government accounts and 2015 data were revised, as SURS received new data from the MoF. According to the correspondence between Eurostat and SURS, the data concerning the EU financial corrections were taken from the national audit reports which were published one year later after the concerned expenditures were made. The financial corrections in the government accounts were made one year after the expenditure and SURS confirmed that the report was approved in the year when the audit was carried out. SURS recorded the financial corrections as a decrease on the expenditure side.

Eurostat welcomed the work done concerning the recording of the EU funds and particularly the recording of the EU financial corrections (AP 15: *"Eurostat recalled that in the case of reimbursement of funds to the EU, the financial correction should be recorded at the time of the decisions agreed by the Commission"*).

Before April 2017, the net flows of neutralisation were included in the transaction relating to other accounts receivable and in the stock of other accounts payable to the EU.

The SSA informed that since the last EDP visit, the cooperation between the three institutions has increased in order to investigate the possibility to record on a gross basis the EU Funds (separate assets and liabilities) which had proven successful. SURS informed that it found some mistakes in the net recording that lead to a negative stock in the past, as for example some claims that were sent at a late stage and that were initially not taken into consideration

¹⁷ However, in the October 2017 EDP notification, SURS has started to present the EU funds on a gross basis in the EDP tables and in the EDP related questionnaire.

in the neutralisation. Eurostat took note of the clarification and provisionally agreed with SURS' proposal to revise the neutralisation in the October 2017 EDP notification. SURS informed Eurostat that in the October 2017 EDP notification, EU flows will be recorded on a gross basis in the EDP tables and EDP related questionnaire.¹⁷ Eurostat welcomed the progress made.

Additionally, SURS informed Eurostat about a new issue concerning interest received on EU funds that were not considered as government revenue and therefore not taken into consideration in the calculation of the neutralisation. Eurostat asked SURS to send all data and explanations by email together with the update of the excel file, including all the calculation for the neutralisation.

Additionally, the MoF explained that there are no prepayments included in the working balance and that there are special rules for the municipalities concerning EU funds, according to which they could receive the money from the central budget only one day before they have to pay the subcontractor. Therefore, there is no inconsistency in the consolidation between central and local EU flows recording. Eurostat took note of these clarifications.

Findings and conclusions

- (15) SURS will revise the data reported for EU funds for the whole reporting period due to late submission of claims to the EU of projects, previously considered as national government expenditure.

*Deadline: October 2017 EDP notification.*¹⁸

4.2.4. Military expenditure

Introduction

Data source issues and some aspects of the recording of military expenditure were clarified.

Discussion

SURS explained that military expenditure had been decreasing in recent years due to the financial crisis. Currently, the time of recording of military expenditure is the date of payment (cash data). The SSA explained that there is an agreement with the Ministry of Defence that, starting from the year 2015, data should be available according to deliveries. Due to the complexity of this issue and the extent of the revisions to the reporting system which the Ministry of Defence needed to perform, these data were not yet available. However, as the Ministry for Defence is a direct budgetary unit, cash data of intermediate consumption and GFCF are adjusted with the WGA in the same way as for all direct budgetary units within the central budget. Eurostat took note that the accrual adjustments for military expenditure were included in the WGA source data, as agreed in the 2015 EDP dialogue visit.

¹⁸ Action point implemented in the October 2017 EDP notification.

Eurostat asked SURS to confirm the information available in the EDP Inventory, that the date of payment is still close to the time of delivery and that the payment time lag is still one month. SURS confirmed.

SURS informed Eurostat, that in 2018, military expenditure is planned to increase due to the NATO membership (+2%) and participation in the Common European Defence Fund.

Findings and conclusions

(16) In relation to the recording of military equipment expenditure, Eurostat invited SURS to cooperate with the Ministry of Defence in order to receive data on a delivery basis and not anymore on a cash basis. Progress report.

Deadline: April 2018 EDP notification.

4.2.5. Court decisions

Introduction

The statistical recording of the Court decision of 2014 to compensate the deposit holders of the Ljubljanska Banka (LB) was agreed with the SSA in March 2015. In the April 2015 EDP notification, an amount of EUR 257 million was included as government expenditure (as D.9) in the year 2014. As regards the related interest flows, it was agreed to record it as government expenditure in the year it is paid (cash).

During the 2017 EDP dialogue visit, SURS asked Eurostat to revise the recording related to a case of a court decision in 2013 (on the so called "erased people" case) due to the availability of final data on compensations to the removed persons from the administrative registers after Slovenia declared its independence.

Discussion

SURS explained that, following Eurostat's advice of March 2015, SURS recorded in 2014, as a one off, the amount of EUR 257 million. SURS further explained that in 2015 there were no interest payments and that in 2016 an amount of EUR 34.9 million of interest expenditure was paid. The same recording will be followed with the future payments of interest. The financial adjustments related to the capital transfer imputed in 2014 are not included in the transitional item in the EDP table 2A because the payments were made from the balance B of the central budget concerning the financial transactions, and therefore not included in the working balance (balance A of the central budget) in the EDP table 2A.

Eurostat took note of SURS' explanation and confirmed that, from a statistical point of view, the recording is correct in the EDP tables and asked the MoF about the reason for payments made from the balance B and not from the balance A of the central budget. The MoF mentioned that, in their public accounting, the payments to the deposit holders have been considered as financial transactions and that, at the same time, claims were recorded in the public accounts, for administrative reasons, as the case could be further brought to court. SURS added that no claims were recorded yet in the government accounts, as information

were not yet available about the procedure which was started for recovering the claims from the other countries involved. Eurostat recommended SURS to follow the issue and to inform Eurostat on further developments.

SURS informed furthermore Eurostat about additional details regarding the 2013 court decision on "erased people". At the time of the court decision, the amount of claims was estimated at EUR 129.6 million which was recorded as a capital transfer (D.99 pay) in 2013. The capital transfer recorded in 2013 is however considered as largely overestimated because, according to the latest data provided by the MoF, the total amount of final claims (resulting from the court decisions) amounted to only EUR 25.9 million. The law on the compensation of persons who have been removed from the registry of permanent residents, allowed claims to be submitted by 18 June 2017. However, according to this law, additional claims will be possible also after that date for those beneficiaries who submitted an application for permanent residency or citizenship of the Republic of Slovenia but have not yet received a final decision. They will still be able to file a claim once they receive permanent residence or citizenship of the Republic of Slovenia, but related additional amounts should be very small compared to the estimated EUR 129.6 million. Based on the information above, SURS asked for Eurostat's opinion and for the correct way of recording according to ESA2010.

Eurostat took note of SURS' additional information and presented the options that could be followed, taking into consideration available data (court decision principle, principle of certainty of amounts are certain, etc.). Eurostat pointed out that the choice would depend on a fundamental issue i.e. if the additional details represent a new event or simply a new information. In the case of a new event, a revenue may be booked at the time of the new event while in case of new information, as it seems to be the case here, the 2013 estimation could be corrected, as it turned out to be greatly overestimated. As a third option, cash payments could be recorded each year. The third option is only to be used when it is very difficult to know the amounts. Eurostat asked SURS to send their recording proposals as soon as complete information is available from the MoF.

SURS agreed with Eurostat that the case looked like a case of new information and that the 2013 estimation was wrong. Therefore SURS will send their proposal for correcting the figure of the capital transfer in 2013 with the total of claims submitted until the deadline, which is considered as a very good estimation of the final amount.

Findings and conclusions

- (17) In relation to the recording of so called erased persons, SURS will propose to Eurostat how to correct the data reported in 2013, as it has become evident that the estimation of a government expenditure of 130 million euro, treated as a capital transfer and impacting the deficit via an increase in other accounts payable, was greatly overestimated.

*Deadline: October 2017 notification.*¹⁹

4.3. Recording of specific government transactions

4.3.1. Government intervention to support financial institutions

Introduction

The Bank Asset Management Company - BAMC ("*Druzba za upravljanje terjatev bank*") is a public non-market corporation, 100% state owned, and included in the government sector (S.1311) since its creation in 2013 as a government defeasance structure. This company was set up for the restructuration of banks after the financial crisis. It operates through the management of bank claims. In order to finance the purchases of "bad claims" from banks, the BAMC may issue bonds or other financial instruments which are guaranteed by the State and take over loans with guarantees of the State. Since the 2015 EDP dialogue visit, the BAMC and its operations were intensively discussed between Eurostat and the SSA representatives and it was included in the closing remarks of all the EDP notifications as an issue to be monitored continuously.

BAMC had, at the end of 2013, taken over the so called bad loans from two banks; Nova Ljubljanska Banka (NLB) and Nova Kreditna Banka Maribor (NKBM) for a transaction value/market value of EUR 1,011.6 million and a nominal value of EUR 3,290.2 million. BAMC financed the purchase of these bad loans by issuing bonds with a government guarantee for an amount of EUR 1,011.6 million. In the last quarter of 2014, BAMC also took over bad loans from four other banks (Probanka, Faktor Bank, Banka Celje and Abanka), with a nominal value of EUR 1,716.5 million. The transaction value/market value for these loans was EUR 584.4 million. In all cases, SURS has reported in the financial accounts (balance sheet and transactions) only the transaction value.

Starting from 2014, BAMC got involved in specific operations: conversions of non-performing loans (NPLs) to equity and to real estate swaps, proceeds of the real estate collateral obtained in auction (please see the Eurostat advice letter of May 2016 on BAMC operations for related recording in government accounts²⁰), but also NPLs sale and bank recapitalisations. In the beginning of 2016 two other banks, Faktor Bank and Probanka, were merged in the BAMC. Eurostat was consulted about the related recording in the government accounts and recommended SURS to follow the same approach as in the previous four cases

¹⁹ Action point implemented in the October 2017 EDP notification. As evidence showed that the estimation in 2013 was too high, Eurostat agreed with SURS proposal to revise the capital transfer in 2013 from EUR 130 mill to EUR 26 mill and to record any additional claims submitted to the court after the deadline as expenditure, impacting B.9 in the year of the related further court decision.

²⁰ Eurostat advice letter on BAMC activities has been published on 3 May 2016, <http://ec.europa.eu/eurostat/documents/1015035/7142247/Advice-2016-SI-Statistical-treatment-BAMC-and-its-operations.pdf>. As the requested final data were only available in April 2016, this led to a revision of BAMC related operations for 2014-2015 in the April 2016 EDP notification.

and asked SURS to monitor their debt linked to the two loans given by government to them in the past. In the beginning of 2017, SURS informed Eurostat that the two loans of Faktor Bank and Probanka had been fully reimbursed to government at the end of 2016. Also at the end of 2016, BAMC was recapitalised with EUR 50 million by the government in order to increase its capital adequacy. SURS asked Eurostat's view in January 2017. Eurostat agreed in February 2017 with SURS' proposal to record the BAMC recapitalisation of EUR 50 million without any impact on B.9, as BAMC is part of S.13, the impact being neutralised by consolidation.

Before the 2017 EDP dialogue visit, Eurostat asked SURS to provide an updated note on BAMC including updated data for 2013-2016 and planned operations for 2017.

Discussion

Eurostat asked how the cooperation between SURS and BAMC works on the provision of data. SURS informed that cooperation is now good and that data are sent by BAMC to SURS periodically and in a specific format agreed by both institutions. BAMC mentioned that data are confidential and that it was initially difficult to find a way to share them with SURS. However, for statistical reasons and for the appropriate calculation of the BAMC activities, BAMC continues to provide to SURS all the necessary data and information. Eurostat took note of these clarifications and recommended that the SSA continue their good cooperation on this important issue.

Eurostat asked if the BAMC data will be revised in the October 2017 EDP notification. SURS mentioned that no revisions are envisaged.

Eurostat asked SURS about NPLs data in the books of BAMC at the end of 2016. SURS mentioned that a total stock of EUR 2.375 billion in nominal value of NPLs are recorded in the government accounts, against a transfer value of approximately EUR 0.6 billion, as maximum.

Eurostat also asked if there are other cases of banks in trouble or if there are other government interventions to support financial institutions that were not mentioned before. The SSA confirmed that no other cases occurred nor were likely to occur.

Further in the meeting, the BAMC representatives presented a new operation planned for 2017 and related to BAMC, more precisely the creation of a new subsidiary company (100% owned by BAMC). In this new established company, the real estate in the BAMC portfolio will be used as a contribution in kind. BAMC expects that there will be no impact on its financial statements but only changes in the asset type, i.e. from non-financial assets to financial (equity). For the purpose of creating “a joint venture”, new potential investors will be sought in the market. BAMC will have an ownership in this joint venture by less than 50%. The main purpose of this newly established enterprise will be the development of real estate projects with expected positive impact (i.e. profitable investment). The project will be financed with financial contributions of other owners (not BAMC). At a later stage, bank loans will be used for financing. There are no financial contributions envisaged from BAMC.. Equity investment (joint venture) will be recorded by the same methodology as other equities

investments. Option of withdrawal of BAMC from the ownership will be regulated by a contract. SURS asked Eurostat's view on the sector classification of this entity.

Eurostat took note of the plan to establish this joint venture and asked SURS to send an official request including details (if possible a draft of the statutes), their analysis and proposals.

Findings and conclusions

(18) Eurostat was informed about the plans of the BAMC to set up an SPV, jointly with the private sector, with the purpose of renovating and selling real estate, currently owned by the BAMC. Eurostat invited SURS to send an official ex-ante request on the statistical recording to Eurostat as soon as the details of the project are available.

4.3.2. Guarantees

Introduction

The SSA provided a list of guarantees by beneficiary for the period 2013-2016. This information was used as an input for the discussion.

Discussion

From the list of government guarantees by beneficiary, it seems that during the period 2013-2016 the biggest recipients were DARS, SID bank, Termal Electric company (*Termoelektrarna*), Slovenian Restitution company (*Slovenska Odskodninska*), foreign borrowers - *EFSF (crisis)* and the railway company (*Slovenske železnice*).

Guarantees called are booked as capital transfer expenditure. Repayments by debtors are booked as capital transfer revenue. Guarantees being systematically called three years in a row are recorded as debt assumptions in national accounts for the full amount of the debt liability.

Eurostat recalled that, in the case of debt assumptions having a government guarantee, the stock of guarantees should decrease at the moment of the debt assumption by the government and for the debt assumed, at the moment of the reimbursement, as recordings to be included in the EDP questionnaire tables 9. Eurostat also mentioned that table 9.1 has to be consistent with table 9.2. SURS explained that the data included in table 9.2 are referring to a debt assumption of the INFRA company. Eurostat asked about the data on guarantees at the local government level and SURS confirmed that these data are now included in the EDP questionnaire table 9.1.

Eurostat asked SURS to confirm that the debt assumptions described in the document sent before the mission referred to debt assumption without government guarantee, as those figures were not visible in the EDP questionnaire tables 9. SURS confirmed that the debt assumption of SR Passenger and SR Cargo were not a result of government guarantee calls.

Eurostat recommended to SURS to provide the data on contingent liabilities under the Directive 85/2011, consistent with the data reported in the EDP tables, including the questionnaire.

Findings and conclusions

(19) SURS will correct the data reported in questionnaire tables 9.1 and 9.2 in order to report consistent data on guarantees between the two tables.

*Deadline: October 2017 notification.*²¹

4.3.3. Debt assumptions, debt cancellations, debt write-offs and government claims

Introduction

Before the mission, SURS provided an updated list of government claims, stocks and transactions for the period 2013-2016.

Discussion

Eurostat asked SURS to confirm that there were no debt assumptions, debt cancellations, write-offs and sale of claims.

Regarding debt assumptions, SURS explained that, in 2010, government recognised claims to SR Passenger transport for an amount of EUR 43 million (non-financial transaction D.99) and this was paid off in 4 years (2012-2015) for an amount of 10.8 million each year (recorded in the EDP table 2A, section Other financial transactions, Detail 2 - Payments for claims of Slovenian Railways). In 2011, government recognised claims for a total amount of EUR 134 million of which EUR 119 million to SR Cargo transport (S.11) and EUR 15 million to SR Passenger transport (S.1311). Repayments started in 2014 and claims will be paid off in ten years by equal amounts each year (recorded in the EDP table Table 2A, section Other financial transactions, Detail 2 - Payments for claims of Slovenian Railways).

SURS mentioned that the data published (Directive no. 2011/85) under NPLs included BAMC and that the residual referred to other NPLs. Regarding the action point 29 of the 2015 EDP dialogue visit (AP 29: "*Eurostat recalled the importance of monitoring non-performing loans in order to make sure that debt cancellations are correctly reported*"), concerning old NPLs, SURS provided the following information before the mission: data concerning the NPLs stocks (without BAMC) and debt cancellation, including interest accrued. SURS informed Eurostat that related debt cancellations will be included in the EDP/GFS reporting in September 2017. Eurostat took note of this commitment and recalled the ESA2010 rules in the case of NPLs with a very low probability to be recovered and recommended SURS to monitor these loans. Should no repayment occur, a capital transfer should be imputed, impacting B.9.

²¹ Action point closed in the October 2017 EDP notification.

Findings and conclusions

(20) Eurostat and SURS agreed that SURS will start recording debt cancellations for non-performing loans (NPLs), including the interest accrued, on these NPLs.

*Deadline: October 2017 EDP notification.*²²

4.3.4. Capital injections in public corporations

Introduction

Before the visit, updated information on capital injections by subsectors and beneficiary and the treatment in national accounts for the period 2013-2016, was provided to Eurostat.

Discussion

During the discussions, SURS explained that in the period analysed, there were no changes regarding bank recapitalisations since the last dialogue visit in 2015. Regarding capital injections in public corporations in 2016 there were two capital injections (D.99) made by the S.1311 subsector: Adria Airways (S.11) for an amount of EUR 3.1 million and Polzela (S.11) for an amount of EUR 1.5 million. In 2015, government recapitalised one public corporation (Polzela, who had previously received other capital injections), for an amount of EUR 0.9 million. At local government level, a system of monitoring and testing the capital injections and dividends was established since the last visit. This was implemented for the biggest municipalities, but the capital injections observed were very small. SURS confirmed that the capital injection test was applied on a case by case basis for the central and local government.

Findings and conclusions

Eurostat took note of SURS' explanations and recommended to continuously monitor the capital injections into public corporations in order to record the capital transfer and/or the acquisition of the equity shares of the government correctly.

4.3.5. Dividends, super-dividends

Introduction

Before the EDP visit, the SSA provided to Eurostat the list of dividends paid to government by individual company and their profit for 2013-2016, accompanied by a note on the treatment of super-dividends.

Discussion

²² Action point closed. Eurostat recommended to SURS to continue to monitor the NPLs for all the government subsectors.

Eurostat recalled the general rules to be applied in the case of dividends and asked SURS to confirm whether these rules were followed.

SURS confirmed the application of the super-dividend test at the central and local government level and for the Bank of Slovenia as well.

SURS enquired about the calculation of the super-dividend test for a case where a company paid dividends in one year relating to several years, and if the profit from all relating years could be taken into account in the calculation. Eurostat mentioned that dividends should be calculated based on the profit of the previous year and not taking into account amounts kept in the reserves or treated as retained earnings (paragraph 3 of the MGDD section III.8.1 Payments by public corporations to government and paragraph 7 of the MGDD section III.5.2.1 Dividends and super-dividends: definitions).

Findings and conclusions

(21) Eurostat recalled the rules for the recording of super-dividends, implying that the dividend should be calculated based on the profit of the previous year and not taking into account amounts kept in the reserves or as retained earnings.

*Deadline: continuous.*²³

4.3.6. Public Private Partnerships (and concessions)

Introduction

By legislation, all PPP operations must be registered at the MoF. A special department has been established at the MOF in order to monitor and report on the PPPs. The list of PPP projects available at SURS includes two cases of PPPs reported on government balance sheet, as shown in the EDP related questionnaire.

Before the mission, Eurostat asked the list of the Slovenian PPPs and SURS' analysis on their classification.

Discussion

SURS informed Eurostat that in the statistical survey on GFCF that they carried out in 2017, an additional set of questions covering PPPs was included. The reporting units are direct budgetary units on central and local government level (around 230 units). The reporting is in progress, the first reminder for non-reporting was sent out on 22.5.2017. SURS has manually processed the responses to the survey - about 150 units - and found out that the majority of units does not have PPPs. However, some units reported PPPs and, as SURS understood, those PPPs are shown outside general government accounts: five units reported EPCs (as PPP) in the 2013-2015 period (contractual values between EUR 0.1–0.5 million); three units

²³ SURS reviewed the calculation and explained that the revision included in the October 2017 EDP notification related only to one local unit, for which the rule was misinterpreted.

reported PPPs related to investments in open broadband network of electric communication (for 2 units in 2008), contractual values between EUR 1.6–2.5 million; three units reported PPPs related to investments in boiler rooms (2013 and 2014), contractual values between EUR 0.03–1 million, three units reported PPPs related to investment in kindergartens/school (in 2009, 2010, 2014), contractual values between EUR 1.8–3,7 million. SURS also added that so far no progress was made with the data that should be collected by the MoF. The MoF commented that, at the ministry level, for the moment, the list was not updated because no new information was received.

Eurostat commended SURS for introducing in the GFCF survey questions about PPPs and asked to analyse the results together with the MoF and, if appropriate, to record them on government balance sheet as soon data become available.

Eurostat asked SURS if the mentioned cases are really PPPs according to ESA2010, if the list provided is complete and if analysis is performed to assess if the PPPs are to be recorded on government balance sheet or not. SURS replied that they are working on these aspects. The MoF added that the Slovenian law on PPPs, in place since 2006, included a definition of PPPs that referred to privatisation and public procurement and that according to that definition, in Slovenia, any form of cooperation between government and the private sector, could be called a PPP. The MoF informed that, in 2009, ministries and municipalities provided some data in the context of the 2006 law, but the MoF's opinion is that most of the PPPs discovered are in fact concessions and this could be attributed to the fact that the persons answering do not really understand the difference between PPPs and concession according to ESA2010, as they applied the 2006 law mentioned before, that also does not foresee any penalty for not sending related data and information. The MoF informed that, in 2016, a new exercise was conducted and, according to their data, there are no PPP cases in the central government and in the local government subsector there are some contracts that need to be analysed. The MoF is also working on a new law on PPPs that will include ESA2010 rules and the 2016 guide issued by Eurostat and EIB (EPEC).

Further, Eurostat asked about the list of concessions. SURS informed Eurostat that the MoF just provided to SURS some data and information (3.080 lines including information regarding units involved, values of projects), however not complete, as some municipalities did not send their data.

Eurostat took note of SURS' clarification and recalled the concession rules according to ESA2010, mentioning also the fact that Eurostat is working on a guide on concession similar to the PPP guide, and explained what counts when analysing a concession: government guarantees, government financing, if government ensures a minimum level of revenues or profits to the private partner (private partner should be also at risk), the concept of risk and rewards (if there is a maximum level of profit, the private partner should be allowed to receive any level of profit).

Eurostat enquired if the new law on PPPs includes also concessions and what kind of info will be collected. The MoF replied that the draft included only references and questions on PPPs, but this could be developed.

Findings and conclusions

(22) Eurostat asked SURS to take further steps in cooperation with the MoF in order to have complete list of PPP projects and concessions and to ensure the correct classification in national accounts. Progress report.

*Deadline: October 2017 EDP notification.*²⁴

4.3.7. Others: financial derivatives, emission trading permits, privatisation, sale and leaseback operations, UMTS, tax credits, securitisation, energy performance contracts

Introduction

Before the mission, Eurostat asked SURS to provide a note on the other current (2013-2016) and future (if any) specific government transactions: financial derivatives, emission trading permits, privatisations, sale and leaseback operations, UMTS, tax credits and securitisations and energy performance contracts.

Discussion

Financial derivatives

The use of financial derivatives and their recording in national accounts were briefly discussed under this point and also under point 4.2.2. Interest.

Eurostat recalled the Guidelines for completing the general government deficit and debt notification under the Excessive Deficit Procedure (sent by Eurostat on 21 March 2017 to the EDPS WG members) and asked the SSA if they followed the rules as described in the section Net incurrence (-) of liabilities in financial derivatives (F.71). BS confirmed the recording of financial derivatives according to the guideline.

Eurostat asked if there are other cases of debt swapped than the one discussed in the April EDP notification concerning the USD. BS informed that there are no other cases.

Eurostat took note of clarifications and asked SURS to update the section on financial derivatives and debt (currency swap) of the EDP Inventory.

Emission trading permits

In Slovenia, trading in emission permits via general government (central budget) did not exist before 2013. According to law, payments are collected by SID Bank and transferred monthly to the central budget. 50% of the total payments are used by the Fund of Climate Changes. SURS explained that in the April 2016 EDP notification, for the first time, they included accrual adjustments to the recording of Emission Trading Allowances (ETA) in GG accounts.

²⁴ Eurostat agreed to postpone the implementation of this action point in the April 2018 EDP notification.

These revenues were recorded as D.29 Other taxes on production from the fourth quarter of 2012 when Slovenia started with the sales of ETA at the European Energy Exchange (EEX).

Eurostat took note of these clarifications.

Privatisations

SURS informed that, in the period 2013–2016, three privatisation cases larger than 0.01 % of GDP were recorded in the government accounts. In 2014 the company Aerodrom Ljubljana (Ljubljana Airport) was sold for an amount of EUR 152 million as well as the company Fotona for an amount of EUR 13 million. In 2015, one large operation was carried out, concerning Nova Kreditna Banka Maribor (NKBM), for an amount of EUR 250 million. There were no large operations in 2013 and 2015. The privatisation of Nova Ljubljanska Banka (NLB) was planned for 2017, but the deadline was prolonged according to the current information.

Eurostat took note of this information.

UMTS

Regarding the sale of UMTS licenses in Slovenia, licenses were sold in 2001 (EUR 124 million), in 2002 (EUR 2 million) and in 2006 (EUR 13 million). These transactions were shown in national accounts as sales of non-produced non-financial assets (K2). In 2014, central government sold radio frequencies for providing mobile communication services (EUR 149 million, of which EUR 57 million applicable in the first quarter of 2016 and recorded as financial transaction included in the working balance of 2014). SURS confirmed that this licence is transferable under the approval of the Agency for communication networks and services of the Republic of Slovenia.

With the new Guidance Note on Mobile Phone Licences, exploration rights and other licences, published by Eurostat on 27 March 2017, all transaction signed in 2016 or before should be recorded as D.45 rents in the April 2018 EDP notification. Currently the sale of mobile phone licences is recorded as K.2 and SURS will revise the recording in the April 2018 EDP notification.

Additionally, SURS informed Eurostat that, recently, it came to their knowledge that there was an additional sale of mobile phone licences in 2016 for an amount of EUR 6.5 million. Payment to the central budget was made in 2016 and that is also the moment at which the frequencies started to be used. SURS will further investigate the case when all information becomes available; these transactions will be recorded as D.45 rent in the April 2018 EDP notification.

Energy performance contracts (EPCs)

SURS mentioned that no EPCs were included in the EDP notification. As already explained, in the context of the April 2017 EDP notification, SURS is still in the process of collecting all information and contracts for all levels of government. At this point in time, EPCs have not taken a significant dimension in Slovenia, but according to the information received from the

ministries, higher values are expected in the coming years. At the beginning of June 2017, SURS provided to Eurostat a letter from the Ministry of Infrastructure and an EPC draft contract ("*Concession Agreement Esco*"). During the meeting, SURS asked Eurostat's view on the sector classification of such a contract.

Eurostat expressed a provisional opinion based on ESA2010 rules and the actual guidance note on EPCs, during the June 2017 EDP dialogue visit to Slovenia. The first point raised by Eurostat was related to the terminology used for the EPC contract ("*concession*"). The MoF explained that the name was given according to the national law on PPPs in place since 2006. In order to be considered as a concession, Eurostat said that the contract has to be checked in relation to its source of payment. Eurostat furthermore asked the MoF if the investment complies with the 50% rule in line with MGDD VI.4.2.2 para 17 ("*the refurbishment corresponds to more than 50% of the value of the asset*") in order for the contract to be considered as a PPP). The MoF confirmed that, according to available data coming from an independent valuation, the contract could be considered as a PPP contract. The second point was the small amount involved (only EUR 1 million). The MoF added that another planned EPC contract at local level (Ljubljana) is for an investment of EUR 50 million, which is relatively high as percentage of GDP (0.12%). The third point raised by Eurostat was the fact that information on financing was missing in the contract and that that as well would need to be analysed for a full assessment of risks and rewards. In the fourth point, Eurostat referred to the moderate effect of the level of government financing as the project will be financed also from EU grants, which are not taken into consideration when calculating the government financing. The fifth point concerned the risks and rewards between government and the ESCO unit. The MoF explained the financial flows between the government and the ESCO unit. The sixth point concerned the articles 32 and 37 of the draft contract which could influence the classification of the assets installed in government buildings as gross fixed capital formation of government, in case the contract would comply with the conditions for being considered as a PPP. The two contractual features specified in the contract that would directly qualify the PPP to be on government balance sheet were the article 32 "Termination of the Concession Agreement" paragraph 8 ("*If the Concession Agreement is rescinded by the Concession Provider due to the culpability of the Concession Operator in the phase of implementing measures to improve energy efficiency, the Concession Provider shall be obliged to pay the Concession Operator compensation based on the costs of equity financing incurred by the Concession Operator prior to termination*") and the article 37 "Modified circumstances" paragraph 4 ("*The Contractual Parties shall, if necessary, meet to negotiate the required changes to the substance of this Agreement for the purpose of establishing a contractual balance due to the occurrence of the modified circumstance*").

The MoF asked Eurostat to provide by email the articles of the EPC draft that would classify the contract directly on government balance sheet.

Additionally, Eurostat mentioned that the issue has been under discussion for a certain period in the MGDD task force and in dedicated expert meetings. A guidance note on the recording of EPC contracts would be published very soon. Eurostat also gave some examples of EPC contracts in other countries.

Sale and leaseback operations, tax credits and securitisations

According to the SSA, no operations relating to sale and leaseback, tax credits and securitisations have taken place in Slovenia.

Findings and conclusions

(23) In relation to energy performance contracts (EPCs), Eurostat explained the current rules and the recent discussion in the ad-hoc methodological TF and the EDPS WG. SURS will include, for the first time, figures relating to such investments in year 2016. The impact is however very small.

*Deadline: October 2017 EDP notification.*²⁵

(24) In relation to the recording of UMTS, SURS informed Eurostat that they will implement the new guidance for the first time in the April 2018 notification, revising data for all years.

*Deadline: April 2018 EDP notification.*²⁶

5. ANY OTHER BUSINESS

No further issues were discussed.

²⁵ Eurostat agreed in the context of the October 2017 EDP notification to postpone the implementation of this action point to the April 2018 EDP notification.

²⁶ Eurostat agreed with the SURS proposal (November 2017) to record the UMTS transactions as D.45 rent in the April 2018 EDP notification for the period 2014-2017 and the backward years to be revised within the 2019 benchmark revision.

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Eurostat EDP dialogue visit to Slovenia

14-15 June 2017

Agenda

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1.2. Data sources and revision policy, EDP inventory

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5. ANY OTHER BUSINESS

5.1. ESA 2010 Transmission Programme, transmission of GFS data

5.2. Any other business