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Unit D-2: Excessive deficit procedure (EDP) 1

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FINAL FINDINGS

EDP STANDARD DIALOGUE VISIT TO THE SLOVAK REPUBLIC

14–15 November 2017

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http://epp.eurostat.ec.europa.eu

Executive summary

An EDP standard dialogue visit to Slovakia took place on 14-15 November 2017 in order to review the implementation of the ESA 2010 methodology and to ensure that the provisions of the ESA 2010 Manual on government deficit and debt (MGDD) and the recent Eurostat decisions are implemented and appropriately recorded in the Slovak EDP notifications and Government Finance Statistics (GFS).

Eurostat reviewed and took note of the institutional arrangements in the context of EDP reporting and the data sources used for the compilation of GFS. The Slovak statistical office will reflect on the possibilities of establishing working meetings with the independent Council for Budget Responsibility in the framework of the EDP. Eurostat discussed the reporting of data according to Council Directive 2011/85 and some improvements were agreed. It was also agreed that the Slovak statistical office will review the EDP Inventory, correcting and updating some of its sections.

Eurostat congratulated the Slovak statistical authorities for the timely implementation of most of the action points agreed during the previous EDP dialogue visit that took place on 8-9 December 2015.

Eurostat required the clarification of some items reported in the October 2017 EDP notification. It was agreed that some technical improvements and further clarifications were needed in the reporting of financial derivatives and interest accrued. These will be implemented in future notifications. The accounting of EU flows was discussed in length during the meeting, and additional details to be provided by the Slovak statistical authorities were agreed.

As regards the delimitation of General Government, discussions took place on the sector classification of several institutional units, such as the public financial unit SZRB. The Slovak Statistical Office agreed to reclassify the Statutory Deposit Guarantee Fund and the Investment Guarantee Fund inside government. Eurostat and the Slovak statistical office decided to further reflect on the classification of the Slovak Investment Holding. Discussions were also held about the results of the market/non-market test for public companies.

The calculation of the super-dividend test was another matter covered during the meeting. It was clarified that when a dividend is paid to government by a company that owns, directly or indirectly, a number of subsidiaries, all of these subsidiaries should be included in the scope of the analysis.

Eurostat also reviewed the procedure applied for estimating Corporate Income Tax revenues for the April EDP notification. It was noted that some improvements are necessary in order to decrease the level of revisions that took place between April and October in recent EDP notifications.

Other issues discussed included concessions, capital injections, guarantees, military equipment expenditure, energy performance contracts and PPPs.

Eurostat welcomed the transparent, well-structured and comprehensive approach by the Slovak statistical authorities to the EDP related work. Eurostat appreciated also the documentation provided by the Slovak statistical authorities prior to and during the EDP dialogue visit.

INTRODUCTION

In accordance with article 11(1) of Council Regulation (EC) No 479/2009, as regards the quality of statistical data in the context of the Excessive Deficit Procedure (EDP), Eurostat carried out an EDP dialogue visit to the Slovak Republic on 14-15 November 2017.

The delegation of Eurostat was headed by Ms Lena Frej Ohlsson, Head of Eurostat Unit D2 - Excessive Deficit Procedure I. Eurostat was also represented by Mr Luca Ascoli and Mr Miguel Alonso. The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) participated in the meeting as observers. The Slovak authorities were represented by the National Statistical Institute, the Ministry of Finance and the Central Bank. Representatives from the Slovak Debt Agency (Ardal) and from the National Railways Company (ZSR) also participated in some parts of the meeting.

Eurostat carried out this EDP dialogue visit in order to review the implementation of ESA 2010 methodology and to ensure that provisions of the ESA 2010 Eurostat Manual on Government Deficit and Debt and Eurostat decisions are duly implemented in the Slovak EDP and GFS data.

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

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

1. STATISTICAL CAPACITY ISSUES

1.1. Institutional responsibilities in the framework of the reporting of data under the EDP and GFS compilation

Introduction

During the previous EDP dialogue visit, Eurostat noted the good co-operation among the institutions involved in the compilation of government finance statistics. Eurostat asked about any changes to the existing arrangements.

Discussion and methodological analysis

The Slovak statistical authorities confirmed that there were no major changes in the organisation of the co-operation among the institutions (National Statistical Institute, Ministry of Finance and National Central Bank) since the previous visit.

The Ministry of Finance is responsible for preparing the public accounts and the budgetary reporting. It obtains data from DataCentrum (which collects accounting statements from local government entities) and from the State Treasury, which collects data from all other entities within S.13. The Ministry of Finance is also responsible for the forecasts.

The National Statistical Institute (NSI) is responsible for the compilation of EDP tables and their transmission to Eurostat. The NSI is eligible to conduct surveys and receive administrative data as applicable. It also has access to source data from DataCentrum and from the State Treasury.

Roles and responsibilities in the field of EDP and GFS of the Ministry of Finance, the NSI, the National Central Bank, DataCentrum and the State Treasury are defined in a Memorandum of Understanding (MoU) signed in 2013. This MoU has recently been complemented by an agreement between the NSI and the Ministry of Finance with specific provisions related to the sharing of information. This development was presented as the formalisation of the existing practices, and follows a similar agreement signed between the Ministry of Finance and the National Central Bank. Information sharing agreements also exist between the NSI, DataCentrum and the State Treasury.

There is no formal co-operation agreement between the NSI and the National Court of Auditors. The NSI is informed about the discussions between the Ministry of Finance and the external auditors in charge of certifying the Consolidated Financial Statements of the Central Government. Since the external auditors only certify the accounts in December of year t+1, the NSI has put in place a working relation with the Ministry of Finance so that it becomes aware of preliminary significant findings already in advance of preparing the October EDP notification.

Eurostat enquired about the existing working relations between the NSI and the Council for Budgetary Responsibility (CBR). Although the CBR has access to source data from the State Treasury, it may also request and receive some data from the NSI. In addition, the CBR may ask for clarifications regarding specific transactions recorded under ESA 2010. The CBR is considered as one customer of the services of the NSI.

The NSI informed Eurostat that there have been no structural changes in the number and composition of the human resources devoted to the EDP and GFS since the last visit, and that they are considered adequate. Eurostat emphasized the importance of sufficient staffing in the area of EDP and GFS in order to ensure a good quality of the reported data.

Findings and conclusions

Eurostat took note of the well-established co-operation between the institutions involved in the reporting of government finance statistics. Eurostat considers that there may an opportunity for further collaborating with the Council of Budget Responsibility in the framework of the EDP reporting.

Action Point 1. The Slovak statistical authorities and the Ministry of Finance will reflect on the possibilities for establishing regular working meetings with the Council for Budget Responsibility in order to discuss significant matters affecting the figures of deficit and debt.

Deadline progress report: April 2018 notification

1.2. Data sources and revision policy

Introduction

There have been no significant changes in the data sources used compared with the previous dialogue visit. The State Treasury continues to provide data for central government, social security funds and budgetary organisations of higher territorial units and their subsidised organisations included in local government. The DataCentrum is the provider of source data from the local government budgetary and subsidised organisations of municipalities, which are also included in local government.

Public accounts are reported on an accrual basis since the 2008 *Reform of Accounting for Public Administration*, including non-profit institutions but excluding Social Security Funds which report on a cash basis.

Discussion and methodological analysis

Eurostat enquired about the data sources used for Social Security Funds, more specifically for the two health insurance companies (*Dôvera* and *Union*) that, although being privately owned, provide public services that represent a significant part of their business. It was first clarified that EDP Table 2D includes the social insurance agency, the public health insurance company and the two public health insurance funds managed by private health insurance companies (HIC). It was then explained that *Union* voluntarily reports the accounting data corresponding to the provision of public services using the same format as public companies. This is however not the case for *Dôvera*, which prepares instead a monthly report to the Ministry of Finance with the relevant cash based figures and the adjustments needed to be compliant with accrual recording. The NSI considers that the information submitted by *Dôvera* is fit for purpose. More specifically and following an inquiry by Eurostat, the NSI confirmed that the report allows them to obtain the necessary information regarding transactions in fixed assets, financial assets and financial liabilities incurred by *Dôvera* on a monthly basis. The difference between the reporting sent by *Union* and *Dôvera* affects only the level of detail provided.

Revenues and expenditures corresponding to the public part of the two private health insurance companies (HIC) are added to the working balance of Table 2D (together with the revenues and expenditures of the Social Security fund and the public HIC). Eurostat had obtained from the website of the Ministry of Finance a report[1] detailing the transition from the working balance of the Health Insurance Companies on cash basis to the "Net lending/Net borrowing" according to ESA. It was noted that there was an arithmetical error in the report for year 2015, although there is no impact on the EDP Tables. The Ministry of Finance agreed to investigate the issue.

The discussion moved onto two significant adjustments that are recurrently done to the working balance reported in Table 2D:

a) *Purchase of services of private insurance companies*

It was explained that private HIC are allowed by law to get a defined percentage of their operating costs reimbursed by government every year. This reimbursement is reported in Table 2D as a negative entry under the adjustment *Purchase of services of private insurance companies*.

b) *Transfer from public part of health insurance companies to private part*

Back in 2008, the legal framework around private HIC was discussed by the government, including the possibility of forbidding the distribution of profits obtained in the provision of public services. At that time, *Dôvera* obtained a loan from a commercial bank in Slovakia. It is understood that this transaction was done in order to be able to upstream funds to its shareholder (i.e. to distribute dividends) if the prohibition discussed was finally passed into law. The prohibition however never came into effect. The balance of the loan as of the end of 2016 was EUR 93 m, out of which EUR 17 m were classified as short-term loans. The adjustment reported in table 2D *Transfer from public part of health insurance companies to private part* is related to this loan, since *Dôvera* uses the transfer to repay it.

Eurostat asked if the loan was part of the Maastricht debt, and the NSI replied negatively. Discussions followed on whether it should be or not. Against adding this loan to the Maastricht debt, it was noted that *Dôvera* was classified outside the General Government sector and the fact that the Slovak Government had reportedly not been in favour of *Dôvera* entering into this operation. In support of including the loan in the Maastricht debt, it was mentioned that there are qualitative factors that could sustain the case of classifying *Dôvera* inside General Government and the fact that General Government already accounts for the flow related to the loan. Eurostat will further reflect on this issue and ended by asking the NSI to ensure that the explanations given during the meeting are reflected in the EDP Inventory.

Regarding the revision policy, the Slovak Statistical authorities explained that in the general framework of national accounts, a benchmark revision takes place every five years, with the next one scheduled for 2019.

Eurostat took note of the timing of the publication of the following financial information:

1. The working balance of the State Budget that is reported in the EDP notification of April of year t+1, is discussed in the Parliament in June of year t+1.
2. The Aggregate Accounts of General Government are published by the Ministry of Finance on both ESA and cash basis and presented to the Parliament in November of year t+1.

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[1] So called "*Príloha ƒ. 3_Tabulky SZU_2015_EDPnot -elektronicka priloha*".

3. The Consolidated Accounts of the Central Government (i.e. State Budget, Extra-budgetary entities and Other Central Government entities not included in the Working Balance) are published by the Ministry of Finance in December of year t+1. These are reviewed by an external auditor (Deloitte for the year 2015).

For EDP purposes, the revision policy is driven by availability of data sources. Except for methodological changes, the data for year t is considered final in October t+2. Revisions between April t+2 and October t+2 are generally not significant; while those between April t+1 and October t+1 may be more substantial, typically caused by final cash figures replacing estimates of tax settlements.

Eurostat pointed out that the external auditors certify the working balance of year t in December of year t+1, therefore after the second EDP notification. The Ministry of Finance explained that meetings take place so that the external auditors report any significant preliminary findings that may affect the EDP figures before the winter notification.

Finally, Eurostat requested more information about the role of the National Court of Auditors in reviewing national accounts. It was explained that the Supreme Audit Office of the Slovak Republic assess the State Budget in advance of the spring notification. Eurostat took note and requested a copy of these reports.

Findings and conclusions

Action Point 2. The Ministry of Finance will review and update the financial information that is published in their webpage corresponding to the Health Insurance Companies for 2015, since the current version contains arithmetical errors.

Deadline: end of November 2017[2]

Action Point 3. Eurostat will further reflect on the classification of *Dôvera* and on the recording of the loan liability of *Dôvera* presently not included in Maastricht debt but for which payment instalments are adjusted in Table 2D.

Deadline: end of February 2018[3]

Action Point 4. The Ministry of Finance will send to Eurostat a link to the reports produced by the National Court of Auditors in relation to their review of budgetary accounts.

Deadline: end of November 2017[4]

[2] The published financial information was corrected by the end of November 2017, with the change labelled as a *technical revision*.

[3] Discussions continued at the time of drafting this report.

[4] A link to the report corresponding to the Annual Budgetary Account of 2016 was provided to Eurostat at the end of November 2017.

1.3. Compliance with Council Directive 2011/85[5]

1.3.1. *Publication of cash-based fiscal data*

Introduction

The Council Directive in its Article 3(2), Chapter II on accounting and statistics requires the publication of:
(a) cash-based fiscal data (or the equivalent figure from public accounting if cash-based data are not available) at the following frequencies:
- monthly for central government, state government and social security sub-sectors, before the end of the following month, and
- quarterly for the local government sub-sector, before the end of the following quarter;
(b) a detailed reconciliation table showing the methodology of transition between cash-based data (or the equivalent figures from public accounting if cash-based data are not available) and data based on the ESA 95 standard.

Discussion and methodological analysis

In Slovakia, data are published by the Ministry of Finance[6] and cover the total revenue/inflows and total expenditure/outflows on a cash basis for the central government (including central budgetary and semi-budgetary organizations, social security funds, state funds, National Property Fund of SR, Slovak Land Fund, Slovak Consolidation Agency, Nations´ Memory Institute Slovak Republic, Health Care Surveillance Authority, Slovak National Centre for Human Rights, Radio and Television of Slovakia, Audit Surveillance Authority and public universities, Press agency of SR, Audiovisual fund, Danubiana, Council for Budget Responsibility, Railway Infrastructure Company) and local government (including local semi-budgetary and non-profit organizations).

It was explained that source data are the actual financial statements of the central government and the local governments units, and that the publication is:

- monthly for subsectors such as central government and social security funds, preliminary data by the end of next month, final data within six weeks after the end of the reference period;
- quarterly for local government, until the end of the following quarter.

Eurostat explained that when comparing cash-basis data published by the Ministry of Finance with the working balances that had been reported in Table 2 of the EDP notification, some differences were found for central government (2015), local government (2015 and 2016) and social security funds (2015 and 2016). The Ministry of Finance indicated that differences may have been caused by that fact that the databases used in preparing these reports are different, and that the numerical codes of units in each one of them may differ, somehow changing the scope of the figures reported. The Ministry of Finance acknowledged that more work was required to find out the reasons for these differences and to solve the problem.

Eurostat finally recalled that the transactions by codes of budgetary classification are transformed by a bridge table into ESA 2010 categories. This table used to be available

[5] OJ L 306, 23.11.2011, p. 41–47.

[6] http://www.mfsr.sk/en/Default.aspx?CatID=689

in the website of the NSI but it is no longer accessible. Eurostat requested the re-publication of this table.

Findings and conclusions

Action Point 5. In compliance with Council Directive 2011/85, the Slovak statistical authorities and the Ministry of Finance will investigate the differences identified between the working balances for central government, local government and social security funds that are published by the Ministry of Finance and those reported in the EDP tables.

Deadline: end of December 2017[7]

1.3.2. *Publication of data on contingent liabilities*

Introduction

The Council Directive in its Article 14(3), Chapter VI on transparency of General Government finances requires:
For all sub-sectors of General Government, Member States shall publish relevant information on contingent liabilities with potentially large impacts on public budgets, including government guarantees, non-performing loans, and liabilities stemming from the operation of public corporations, including the extent thereof. Member States shall also publish information on the participation of General Government in the capital of private and public corporations in respect of economically significant amounts.

Discussion and methodological analysis

Eurostat issues a press release on an annual basis showing the figures pertaining to this section of the Directive for all Member State. Eurostat raised some questions about the data reported by the Slovak statistical authorities. The first one refers to the reporting of non-performing loans to Eurostat by the NSI as L, while the Ministry of Finance publishes some figures regarding this category. The NSI indicated that they considered that the figures reported by the Ministry of Finance may correspond to imputed provisions on certain loans, rather than the national accounts concept of non-performing loans. Further investigation on this matter was agreed.

The second point referred to the fact that data received from the NSI regarding off-balance sheet PPPs were not matching with that published by the Ministry of Finance[8]. The NSI agreed to review the numbers and come back with an explanation.

The NSI finally explained that some differences can be observed between the information on liabilities of public corporations published nationally, and the figures that can be calculated from the Questionnaire on Public corporations reported to Eurostat and the number of units. These differences were explained in the previous dialogue visit and are due to the fact that the Ministry of Finance uses only the accounting statements data. The data of the NSI present figures for AF.2+AF.3+AF.4 while the Ministry of Finance presents the total value of liabilities of public corporations. In addition, the scope of units presented by the Ministry of Finance covers all corporations with any participation by the

[7] Data published by the Ministry of Finance was corrected and amended by the end of December 2017 to include some units that had not reported their financial statements at the date of the original publication.

[8] http://www.finance.gov.sk/en/Default.aspx?CatID=706

government. This means that there are not only public corporations (from a national accounts perspective), but also private ones and corporations under foreign control. The value of liabilities is apportioned in line with the share of government ownership. The NSI includes into the public corporations questionnaire only public units.

Findings and conclusions

Action Point 6. In compliance with Council Directive 2011/85, the Slovak statistical authorities will check whether data reported by the Ministry of Finance on the stock of non-performing loans corresponds instead to the value of imputed provisions on such loans and, if not, introduce this data in the related Eurostat questionnaire.

Deadline: end of December 2017[9]

Action Point 7. In compliance with Council Directive 2011/85, the Slovak statistical authorities will ensure that data submitted to Eurostat regarding off-balance sheet PPPs is aligned with that published by the Ministry of Finance.

Deadline: end of December 2017[8]

1.4. EDP Inventory

The EDP Inventory was last updated following the previous dialogue visit. During the current discussion, a number of sections that were inaccurate or out of date were identified.

Findings and conclusions

Action Point 8. The Slovak statistical authorities will review the EDP Inventory, updating at least the following sections:

a) Reflect the recent information sharing agreement signed with the Ministry of Finance;

b) Describe the working arrangements that are in place with the external auditors that certify the Consolidated Financial Statements of the Central Government;

c) The criteria followed in the recording of interest (e.g. definition of the source data, correction of erroneous statements and explanation of what is the purpose of each adjustment made in the EDP tables);

d) The description given on the provision of guarantees;

e) The process followed to reclassify institutional units following the performance of the market/non-market test;

f) The current status of the project to change the recording of VAT refunds;

g) The classification and recording of transactions of the Health Insurance Companies;

h) The role of the different certifying authorities in the management of EU funds;

Deadline: end of February 2018[10]

[9] On 22 December 2017, the Slovak statistical authorities submitted data to Eurostat on Contingent Liabilities and Potential Obligations that solved the issue.

2. Follow-up of the previous EDP dialogue visit (8-9 December 2015)

Introduction

All the action points agreed in the previous EDP dialogue visit have been implemented by the Slovak statistical authorities, with the following exceptions:

AP 9 *- The Slovak statistical authorities will keep Eurostat informed on the progress made to calculate VAT refunds based on VAT tax returns instead of the current methodology based on time adjusted VAT cash data.*

AP 12 *- Eurostat recalls to the Slovak statistical authorities that, as regards interest accrued by government in the context of foreign loans to third countries, only the interest expected to be received should be included as government revenue.*

Findings and conclusions

Eurostat congratulated the Slovak statistical authorities for implementing most of the action points agreed during the previous dialogue visit and proceeded to discuss the status of the two pending items.

Regarding the first point (AP 9), the Ministry of Finance had concluded that the added value of changing the process did not exceed the cost of implementation. Therefore, the project was cancelled for the time being. Eurostat took note and requested to update the EDP Inventory with this information.

The discussion then moved to the situation regarding interest accrued from loans given to third countries that have been outstanding for a long time (AP 12). The NSI explained that discussions with these countries are still ongoing and that they consider that both the principal and interest are recoverable. The NSI confirmed that they will continue to monitor the recoverability of these loans. Eurostat took note of the explanations and considers that no further action point is needed, provided that the amounts are negligible (below 0.01% of the GDP).

3. Analysis of the EDP tables – Follow-up of the October 2017 EDP notification

Introduction

Under this point of the agenda, Eurostat asked for some improvements that could be implemented in future notifications regarding the presentation and level of information disclosed in the EDP tables and in the EDP Questionnaire related tables.

Discussion and methodological analysis

Eurostat started by asking whether the Slovak tax authority had liabilities or only receivables. Following the answer by the Ministry of Finance that there were also liabilities, e.g. related to VAT tax refunds, Eurostat requested Table 5 of the EDP Questionnaire related tables ("*Taxes and social contributions*") to be reported on a gross basis, i.e. reporting assets and liabilities separately rather than the current presentation which only includes net assets.

[10] By the end of February 2018, Eurostat had received the draft updated sections of the EDP Inventory.

Eurostat also inquired why the figures for trade credits and advances (AF.81 L) that are reported in EDP Table 4 are generally so stable. The Slovak statistical authorities confirmed the accuracy of the data and could not find any specific reason or issue behind the low variation across different years. Eurostat took note.

The discussion followed onto an adjustment that was done for 2016 to the working balance reported by the State Financial Assets (inside extra-budgetary entities in Table 2A), due to "capital transfer of bearer deposits". It was explained that, following a regulatory change in the withdrawing of saving accounts, some long-outstanding balances were transferred to the government. Eurostat explained that the transfer of those balances should be treated as other changes in volume rather than impacting the working balance and that this had been the case in similar circumstances with other Member States. It was also recalled that a transaction is an economic flow representing an interaction between institutional units by mutual agreement, thus with the absence of the mutual agreement, the transfer should have no impact on the Maastricht deficit.

There were also a number of methodological issues discussed that may affect the reporting in EDP Tables, especially regarding interest and financial derivatives. These are presented in the following section.

Findings and conclusions

Action Point 9. The Slovak statistical authorities will investigate the possibility of reporting taxes in Table 5 of the EDP related questionnaire on a gross basis (i.e. presenting assets and liabilities separately).

Deadline progress report: April 2018 notification

Action Point 10. The Slovak statistical authorities will correct the capital transfer of bearer deposits amounting to 26 m euro registered for 2016, and record it as *other changes in volume*.

Deadline: April 2018 notification

4. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS

4.1. Delimitation of General Government

4.1.1. *Sector classification of specific units*

Introduction

Under this agenda item Eurostat inquired about the units that had been reclassified outside the government sector since the last visit. The discussion then focused on the sector classification of some specific units.

Discussion and methodological analysis

Ten companies had been reclassified outside the General Government sector since the last dialogue visit, all of them having liabilities much below 0.01% of GDP. The reclassified entities were public hospitals (one), schools (six) and semi-budgetary organizations (three). Eurostat requested to be provided with an explanatory note on the reasons for these reclassifications.

Eurostat pointed out that the schools have been reclassified from General Government to the non-profit institutions sector. Following a clarification from the NSI that the reclassified schools are privately owned, but receive subsidies from the government (based on a fee per pupil), Eurostat recalled that when an institutional unit obtains a majority of its financing from the government, then it has to be reclassified into S.13 (if it is a non-market unit) or S.11 (if it is a market unit). The NSI will follow up on this point.

Regarding the remaining units reclassified outside General Government, Eurostat requested further analysis on assessing some qualitative criteria in order to confirm that these entities are properly classified outside S.13.

Some specific units were then discussed:

SZRB

The Slovak State Guarantee and Development Bank (*Štátna Záručná a Rozvojová Banka* - SZRB) is a public financial unit that specialises in lending to small and medium enterprises. It takes risks on its assets and liabilities and does not need government approval to provide loans, nor to incur in liabilities. It can enter new business areas and generally competes with commercial banks. The management of the company is selected by the only shareholder, but members are independent from government with previous relevant experience in the banking sector. Following some discussions held during the last dialogue visit, Eurostat shared the view that the unit could be classified in sector S.12. During the current discussions, Eurostat indicated that SZRB is the Slovak national promotional bank in the context of the European Fund for Strategic Investment (EFSI) and as such, it may join investment platforms at national or international level, or set up special purpose vehicles. These operations may create some accounting challenges that would need to be assessed, including whether or not to re-route some of them through General Government.

Finally, it was discussed if SRZB was open for deposits to the general public and therefore whether it should be classified in S.12201 –as it is the case- or not. It was agreed to further reflect on this matter.

Slovak Investment Holding (SIH)

This company was created on 2013 as a subsidiary of SZRB. The funds of SIH are managed by SZRB Asset Management a.s. (SZRBAM), also a subsidiary of SZRB, which acts as the national coordinator and advisory body for the implementation of the Investment Plan for Europe.

SIH is in charge of implementing financial resources from EFSI in the programming period 2014-2020. Financing to the beneficiaries is provided using instruments with a revolving character in form of guarantees, loans and equity, which are implemented mainly by financial intermediaries. In that framework, SIH is allocated with 3 % of the EFSI funds from the operational programs of five different government ministries.

SZRB AM receives a fee to cover the costs for provided services as well as profit. At the end of the implementation period after the closing of positions of the SIH (individual funds and programs), the liquidation balance will be the revenue of the State Budget. While SIH is clearly controlled by government, which would lead to its classification in the government sector, according to the NSI, the fact that it manages EU flows which should be neutralised in government accounts will mean that all transactions of SIH will have to be excluded from government accounts and for this reason the unit has been classified in sector S.12.

A discussion was held regarding the classification of SIH and focusing on its responsibilities in the framework of EFSI. Eurostat stressed the importance of ensuring a consistent treatment of this type of entities across different Member States. The discussion was not conclusive and the need for further analysis was agreed.

Deposit Protection Fund

The Deposit Protection Fund is currently classified in S.12 and the contributions by banks re-routed as taxes. The NSI indicated that the fund is not controlled by government but by the participating banks. Eurostat recalled the CMFB opinion of January 2017 where it was expressed that the Hellenic deposit and Investment Guarantee Fund (TEKE) should be classified in the General Government sector. Eurostat considers that this opinion is also applicable to the Slovak case. It further pointed out that Slovakia is currently the only Member State not following this CMFB consultation. The NSI indicated its intention to reclassifying the Deposit Protection Fund (and also the Investment Guarantee Fund, see below) inside S.13 for all years during the benchmark revision, due in 2019. Eurostat accepted this proposal, provided that in the April 2018 notification the reclassification was done for the years 2015, 2016 and 2017.

In addition to the Deposit Protection Fund, Slovakia has in place the so called **Investment Guarantee Fund**, which is fed by contributions paid by securities traders.

Findings and conclusions

Action Point 11. The Slovak statistical authorities will review the reasons for the reclassification of ten units outside S.13 since the last EDP dialogue visit, including an analysis of the qualitative factors.

Deadline: end of January 2018[11]

Action Point 12. The Slovak statistical authorities will reclassify the Statutory Deposit Guarantee Fund and the Investment Guarantee Fund inside government for the years 2015 to 2017. The reclassification of the backward years will be done in the framework of the next benchmark revision.

Deadline: April 2018 notification for years 2015 to 2017 and benchmark revision 2019 for the backward years.

Action Point 13. The Slovak statistical authorities and Eurostat will jointly reflect on the classification of the Slovak Investment Holding, analysing similar cases in other Member States.

Deadline: end of February 2018[12]

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[11] The Slovak statistical authorities submitted this analysis on 31 January 2018.

[12] The Slovak statistical authorities submitted their analysis on 1 March 2018. At the time of issuing this report, Eurostat was reviewing it.

Action Point 14. The Slovak statistical authorities will establish a system of monitoring all the operations undertaken by *Slovenská Záručná a Rozvojová Banka* (SZRB) in order to identify possible operations to be re-routed through government accounts.

Deadline: end of March 2018

Action Point 15. The Slovak statistical authorities will reflect on whether the classification of *Slovenská Záručná a Rozvojová Banka* (SZRB) as a Monetary Financial Institution is appropriate, since the entity is not open to the public for deposit accounts.

Deadline: end of December 2017[13]

4.1.2. *Government controlled entities classified outside General Government*

Eurostat reviewed the Questionnaire on government controlled units classified outside General Government provided in advance of the meeting.

The NSI explained that the market/non-market test is performed on an annual basis. Eurostat inquired about three cases where the test had failed in a number of years during the period 2013-2016. The NSI clarified that the list is reviewed on an annual basis, but the reclassification occurs when an entity fails the market/non-market test for three years in a row, and it is effectively done in the year following the third consecutive failure. The same procedure is applied when an entity goes above the 50 % test result in a particular year. In any case, the annual review also includes qualitative factors (i.e. in some cases it is not needed to wait for three years in a row). Eurostat requested these explanations to be reflected in the EDP Inventory.

Eurostat reminded that the criteria of waiting for having three consecutive years above or below the 50 % test result before taking a decision does not always have to be followed. For example, if a unit is three years below, but close to, the 50 % result and it is showing a rising pattern, then the unit could be kept outside S.13. On the other hand, units in liquidation should be reclassified inside S.13 as soon as they enter into the liquidation process.

When reviewing the list of public entities classified outside S.13, it was noted that there were at least six units in liquidation. In addition, there were inactive entities (some of them for more than three years), entities below the 50 % market test result for more than three years in a row and entities with no sales reported. Eurostat indicated that all of these entities should be analysed and probably will have to be reclassified inside S.13.

Finally, it was also noted that those entities for which no figures were reported should be reclassified inside S.13, because the burden of the proof should be put on proving that the market/non market test is above 50 %, in order for such units to be classified outside S.13.

Findings and conclusions

[13] The Slovak statistical authorities clarified, in their written response of 8 December 2017 to Eurostat's Main Conclusions and Actions Points, that SZRB is in fact open to the general public for depositing funds. Consequently, the current classification is appropriate.

Action Point 16. The Slovak statistical authorities will investigate possible cases for reclassification of units inside government, with special attention to the following situations:

a) Units that have failed the 50 % test for three or four years in a row;

b) Units for which no data is available;

c) Units that report no sales;

d) Units that are bankrupt or inactive.

Deadline: end of January 2018[14]

4.2. Implementation of the accrual principle

4.2.1. *Accrual taxes and social contributions*

Introduction

Eurostat had expressed in the past some concerns on the size of revisions for accrual taxes between the April and October notifications.

Discussion and methodological analysis

Slovakia uses the time adjusted cash method to record most of the taxes (i.e., personal income tax, corporate income tax, special levy on enterprises in regulated sector, value added tax, excise duties, road tax, social contributions and health insurance companies). For the remaining ones, the pure cash method is used as they involve small amounts and very irregular payment schedules. During the last four years, Eurostat has observed recurrent revisions between the EDP notifications of April and October which are mainly due to changes in the revenue reported from corporate income tax (revision of -0.3 % of GDP for 2016, +0.2 % for 2015, +0.2 % for 2014 and +0.3 % for 2013).

The corporate income tax in Slovakia is first paid through advances, the amount and frequency of which is based on the last known tax liability. In case of a difference between the sum of advance payments during the year and the tax liability declared, the overpayment or underpayment has to be settled within 40 days after the tax return has been filed.

Tax returns can be submitted until September of the following year. Tax accrued calculated for the April notification includes cash data on advances, amendments and other payments (e.g. fines). However, very little is known on the settlements. Information is improved for the October notification (eight months are known, comprising around 90% of all tax settlements) and figures become final in the April notification of the following year (t+2).

The Slovak statistical authorities provided a detailed explanation of how unknown tax settlements are forecasted and approved by the independent members of the tax committee (in February, June and September).

The first forecast, which is used in the EDP notification of April t+1, is based on actual data from business profits for the first three quarters of the previous year and also in a

[14] On 31 January 2018, the Slovak statistical authorities confirmed Eurostat that units falling into any of the cases a) to d) had been reclassified into sector S.13 as of 1 January 2018.

survey of corporate profits that is prepared by the NSI. This forecast only includes non-financial corporations and considers all companies with more than 20 employees (which represent 80 % of the economy's added value) and a sample of those below. The forecast can be amended to include recent changes in the legislation if applicable.

The Slovak Institute of Financial Policy[15] identified some potential shortcuts in the forecast methodology, some of which relate to the use of the survey prepared by the NSI. Eurostat highlighted two of them:

1. One can observe the growth of profit due to a loss reduction (and companies with losses do not pay corporate income tax);
2. The tax base is modified by carry-forward of losses. This fact is crucial in periods when significant amount of corporations "switch" from loss to profit. This "switch" is fully incorporated in the growth of profit. However, tax revenue is lower due to employment of carry-forward losses from previous tax periods.

For 2016, the survey of the NSI estimated a corporate profit growth of 6.6 %, but once the actual tax declarations started to arrive at the tax authority, it became clear that this estimation was inaccurate. A review of the tax settlements submitted by 138,140 corporations until June 2016 showed in fact a decrease in profits of 4.4 % for 2016. It is not clear what caused this discrepancy, but it led to a revision of the figures reported for 2016 between the April and October 2017 notification of -0.3 % of GDP.

Eurostat indicated that the accuracy of the forecasts of tax revenues used in the April notification has to be enhanced. The NSI and the Ministry of Finance agreed in launching an internal discussion on how to improve data available for the April notification, such as using a bigger sample of actual tax declarations received by March or adding more detail to the data in order to solve the shortcomings identified by the Institute of Financial Policy.

Findings and conclusions

Action Point 17. The Slovak statistical authorities and the Ministry of Finance will reflect on ways to improve the Corporate Income Tax data used for the April EDP notification in order to reduce later revisions, including addressing the shortcomings identified by the Institute of Financial Policy.

Deadline: April 2018 notification.

4.2.2. *Accrued interest*

Introduction

The reporting of interests paid and accrued in tables 2 and 3 of the EDP notification was discussed.

Discussion and methodological analysis

The NSI explained the source data used for reporting interests in the EDP tables and agreed with Eurostat in that the EDP Inventory had to be updated to reflect the information provided. Eurostat then indicated that the EDP Inventory states that the

[15] http://www.finance.gov.sk/en/Default.aspx?CatID=740

"v*alue of accrued interest is the same for EDP Tables 2A and 3B"* and explained that this is not correct because EDP Table 2A includes adjustments to both interest receivable and interest payable whereas the Table 3 item is concerned only with interest payable. The NSI agreed with Eurostat and will correct the EDP Inventory.

Eurostat continued by noticing that from 2015 the State Debt Agency had been removed from the Working Balance of central budgetary government and put in the extra-budgetary accounts, which has an impact on the presentation of interests in Table 2. The NSI confirmed this observation and agreed to update the EDP Inventory accordingly.

Eurostat then asked what is included from 2015 in the adjustment to EDP Table 2 called "interest paid + and accrued –" (since it had just been confirmed that the State Debt Agency is reported at the level of extra-budgetary accounts). The NSI explained that this corresponds to interests from foreign debt receivables, which are not managed by the Agency.

Eurostat requested the NSI to further explain the reason for the adjustment in Table 2A called "exclusion of accrued interest" (from 2015 reported at the level of extra-budgetary accounts). The NSI explained that it relates to bonds issued by the State and is meant as a part of interest (coupon) that needs to be added to the value of a bond before it is sold to an investor in order to ensure that the current owner receives all due benefits from holding the bond up to this point. It is considered that this amount should be excluded from property income according MGDD II.4.3.4, and should be treated as a financial transaction. Eurostat took note of the explanation and requested the EDP Inventory to be updated accordingly.

Finally, Eurostat indicated that the adjustment in Table 2A due to the difference between *interest receivables accrued* and *interests received* had a matching entry in Table 3. As it was already explained earlier in the meeting, interest adjustments in Table 3 only affect to interest payable. The NSI had not an immediate explanation for this point and will come back to Eurostat following further analysis.

Findings and conclusions

Action Point 18. The Slovak statistical authorities will prepare a note explaining the different adjustments reported in the EDP tables that are related to the recording of interest.

Deadline: end of February 2018[16]

4.2.3. *EU flows*

Introduction

There have not been any recording issues in the past related to EU flows in Slovakia, although the matter was discussed in detail during the meeting given its significance in the Slovak economy and also due to some revisions that occurred between the April and October EDP notifications in previous years due to updates in the figure of financial corrections on EU funds.

Discussion and methodological analysis

[16] Eurostat received the note on 28 February 2018.

The Ministry of Finance explained that EU Funds are received and paid in Slovakia by three certifying authorities which are in charge of distributing the funds to the different Ministries that then act as paying agents towards the final beneficiaries. The revenues and expenditures of the certifying authorities do not affect the net lending / net borrowing of the General Government, because they are not part of the government sector. Revenues and expenditures related to EU funds affect the balance of the State Budget when they are transferred to the ministries (revenue) or to the final beneficiaries (expenditure).

The Ministry of Finance explained that the source data for EU cash revenues and expenditures included in the working balance of the State Budget is a summary statement called *Fin 1-12* of central budgetary organizations. Source data on receivables and liabilities towards the EU and on financial corrections is obtained from an information system called ISUF, used by a section of European and International Affairs in accounting of EU funds. The unit in charge of accounting for payments related to the agricultural sector uses a different information system. All source data is based on a system of budgetary classification that allows the identification of revenues and expenditures financed by the EU at the level of operational program.

Adjustments are done to the working balance of the State Budget in order to eliminate the impact of EU funds. This is done by means of an entry called "*increase/decrease of receivables against EU*". If revenues from the EU for a defined period are lower than the expenditures, then the adjustment will reduce the cash deficit of the State Budget (and vice-versa). The entry also includes financial corrections to EU funds.

Change in receivables against the EU = EU revenue – EU Expenditure – Financial correction

Adjustments are also done to eliminate the assets and liabilities towards the EU that are recorded at the State Budget level. The Ministry of Finance explained that the balance sheet of General Government includes an asset (AF.2) that corresponds to the account of the certifying authorities. Since this should not be an asset of the General Government, an adjustment is recorded each period in the financial account to reflect a liability of General Government towards the EU in the same amount that the change in assets (AF.2) of the certifying authorities.

Finally, it was explained that when the final beneficiary is a government unit, then the related flows are part of the net lending / net borrowing of the General Government.

Eurostat took note of the explanations given and requested the EDP Inventory to be updated accordingly. It further proposed to perform a reconciliation at the level of the different certifying authorities in such a way that the accounts receivable and payable towards the EU at the end of each period would be explained by the movement of funds that went through the State Budget. A schematic reconciliation was discussed, successfully matching the figures for 2013, 2014 and 2016. However, the movement in the stock of payables towards the EU for 2015 presented some discrepancies that could not be clarified during the meeting.

Findings and conclusions

Action Point 19. The Slovak statistical authorities and the Ministry of Finance will reconcile the inflow and outflow of EU Funds in the different certifying authorities with the inflow and outflow of funds in the State Budget. The reconciliation will allow verifying the movement of Accounts Receivable and Accounts Payable towards the EU for the period 2013 to 2016.

Deadline: end of February 2018[17]

4.2.4. *Military equipment expenditures*

Introduction

The Slovak statistical authorities confirmed that the Ministry of Defence (MoD) returns regularly to the NSI a Questionnaire on purchases of military equipment and that there are no specific issues regarding the recording of military expenditure. The structure of the Questionnaire is similar to Eurostat`s Questionnaire related to the EDP notification Tables.

Discussion and methodological analysis

Eurostat inquired whether the existing questionnaire filled by the Ministry of Defence is appropriate for obtaining the necessary data on the delivery of the acquisitions that are planned according to the White Paper on the Defence of the Slovak Republic, such as vehicles, transport aircrafts, multirole helicopters, radar equipment and fighter aircrafts. The Slovak statistical authorities confirmed this extent.

Findings and conclusions

Eurostat took note of this information.

4.3. Recording of specific government transactions

4.3.1. *Guarantees*

Introduction

Prior to the visit, the Slovak statistical authorities provided a detailed list of one-off government guarantees, including stocks, guarantee calls and repayments.

Discussion and methodological analysis

At the moment of the visit, there were only government guarantees towards the State Guarantee and Development Bank (Štátna Záručná a Rozvojová Banka - SZRB). From these, only one specific type was called during the period 2013-2016 and relate to the guarantee for loan for social contributions – the so called “odvodový úver”, a scheme to support employment in SMEs. The program provider is the Ministry of Finance and the financial agent is the SZRB. The total volume of loans for social contributions is limited.

There were no guarantees provided by the Local Government or standardised guarantees.

Eurostat took note of the information provided and noted that although the EDP Inventory states that the "last guarantee was granted to SZRB in 2004", EDP questionnaire related table 9.1 does in fact report new guarantees for 2014, 2015 and 2016.

[17] At the moment of drafting this report, the Slovak statistical authorities were still preparing the reconciliation.

Findings and conclusions

Eurostat took note and requested the EDP Inventory to be updated.

4.3.2. *Debt assumptions, debt cancellations and debt write-offs*

Introduction

The Slovak statistical authorities provided Eurostat with a detail of the debt cancellations performed for the period 2013-2016 in advance of the visit.

Findings and conclusions

Eurostat took note of the information and requested more details about one operation of debt settlement that took place during 2016, some of which could not be provided during the meeting.

Action Point 20. The Slovak statistical authorities will provide a brief explanation of the Foreign Exchange Rate applied in the settlement of the debt registered during 2016.

Deadline: end of November 2017[18]

4.3.3. *Capital injections in public corporations*

Introduction

The data on capital injections by government for the years 2013-2016, submitted by the Slovak statistical authorities before the visit, was reviewed. Eurostat took note that for some small amounts mainly related to local government (Higher Territorial Units) the counterpart information has not been made available. The Slovak statistical authorities commented that the information is available, but that it would be too cumbersome to identify the counterparts for all transactions.

Findings and conclusions

Eurostat took note of the explanation.

4.3.4. *Dividends, super dividends*

Introduction

Dividends received from publicly controlled companies are an important source of government revenues in Slovakia, and the restructuration of the company SPP and its daughter companies that took place between 2013 and 2014 has posed some statistical challenges. During the previous dialogue visit it was agreed that the Slovak statistical authorities would investigate the need to perform the super-dividend test to daughter companies in case they observe unusual levels of dividends paid by them to mother companies.

Discussion and methodological analysis

[18] At the end of November 2017, the Slovak statistical authorities indicated that this information was considered confidential and would not be shared with Eurostat.

Eurostat explained that although the super-dividend reported for the October 2017 notification was correct, this was not the case in the April notification. The main reason is that one of the subsidiaries of SPP had distributed a dividend that was significantly above its profit and that came from a revaluation of its assets. This should have been reflected in the calculation of the super-dividend paid by SPP to the Slovak government, but in the April 2017 notification the calculation was only done at the level of the parent company. Following some exchanges of information between Eurostat, the Slovak statistical authorities and the Ministry of Finance, a new calculation of the super-dividend test for SPP was implemented in the October 2017 notification.

A discussion followed on how to calculate the super-dividend test. Eurostat reminded that the test should ensure the identification of proceeds coming from revaluation of assets or other reserves, reversal of provisions and exceptional sales of assets. It also stressed that dividends are recorded to the period when they are decided by the owners of the corporation (and not to the period when they are paid).

The dialogue then moved to the scope of the test, and in particular to what level of subsidiaries the analysis should be performed. Eurostat indicated that all subsidiaries need to be included, and although acknowledging the difficulties that this may entail in some cases, it reminded that for the analysis of the dividend paid by SPP, there were some factors that highlighted the need to include its subsidiaries in the calculation, namely the fact that the dividend distributed by one subsidiary was 1.4 billion euro (four times its profit for the period) or that the parent company was a holding with very limited operating activity.

Findings and conclusions

Action Point 21. When calculating the super-dividend test, the Slovak statistical authorities will include all companies within the *Slovenský Plynárenský Priemysel* (SPP) group. Similarly, they will include other existing holdings where subsidiaries have distributed significant amounts of dividends, e.g. *Východoslovenská Energetika Holding (VSE Holding)*.

Deadline: April 2018 notification

4.3.5. *Financial derivatives*

Introduction

The Slovak statistical authorities and the Slovak Debt Agency (ARDAL) explained the existing cross-currency swap agreements. The reporting implications in the EDP Tables were discussed.

Discussion and methodological analysis

The NSI explained that in Slovakia, ARDAL is responsible for issuing the debt in the name of the Ministry of Finance and also for its day-to-day management. In 2012 ARDAL entered into derivative contracts for the first time, in particular into long-term cross-currency interest rate swaps.

ARDAL confirmed that, as of December 2016, there were 12 swap contracts in place, issued in 2012, 2013 and 2014, relating to USD, CHF, JPY and NOK for a total face value of EUR 10,175 m. Terms and conditions of these swap contracts match with the terms and conditions of the respective government bonds issuances as for value dates, maturities, amounts and currencies. All swaps were executed at market prices and are also linked to collateral. The discussion continued on the implications of these transactions in the EDP Tables, and in particular regarding:

1. Interest

Eurostat reminded that, as it was discussed in the EDP Task Force of May 2017, interest on hedged debts had to be reported before swap. Since the interest reported in the working balance in Slovakia is calculated after swap, an adjustment is needed in EDP Table 2. The NSI confirmed that this adjustment is done and referred to the entry "*net settlements under swap contracts*".

Eurostat indicated that there is also an associated impact on EDP Table 3, because the payment of interest (after swap) will be reflected there as an input, decreasing AF.2 asset. However, since B.9 has already been corrected in Table 2 to reflect interest before swap, if nothing was further adjusted in Table 3, there would be an impact in the Maastricht debt equal to the difference between interest before and after swap. An entry is therefore required in EDP Table 3 ("*Net acquisition (+) of financial assets/Financial derivatives (F.71)"* equal to the entry reported in Table 2. The NSI agreed to include this adjustment in the EDP notification of April 2018.

Eurostat also noted that the NSI had in a first submission of the October 2017 notification reported significant amounts in the line "*Appreciation (+)/depreciation (-) of foreign-currency debt*" for years 2014, 2015 and 2016. This error was corrected in a second submission. Eurostat requested further information about the calculation behind the figures erroneously reported and inquired why the error had not affected 2013.

2. Bond redemption

Eurostat explained that, in principle, the redemption of a bond issued in foreign currency hedged with instruments such as the ones contracted by ARDAL, has no impact on EDP Table 2, given the basis of recording the working balance in Slovakia.

However, Eurostat pointed out that if no further adjustment was reported in EDP Table 3, then the unhedged Maastricht debt would experience a reduction equal to the face value of the bond redeemed, converted to euros using the actual foreign exchange rate at the date of the redemption. This would be incorrect because the Maastricht debt related to hedged foreign currency is to be reported at face value applying the exchange rate agreed in the contract of the derivative. Eurostat reminded that an additional entry is therefore needed in EDP Table 3, in the line *"Appreciation (+)/ depreciation (-) of foreign-currency debt"* for the difference between the debt converted to euros using the actual foreign exchange rate and the debt converted using the rate agreed in the swap contract.

The NSI explained that only one bond had been redeemed during the period 2013-2016 and it occurred in 2016. It confirmed that, following consultations held with Eurostat in the framework of the October 2017 EDP notification, the adjustment in EDP Table 3 had been done.

3. Collateral

The Slovak Debt Agency confirmed that the existing swap agreements stipulate the existence of symmetric collaterals (which can give rise to an asset or a liability to each party). They have to be deposited in cash on a monthly basis in the Ministry of Finance account at the State Treasury. The balance of such account, when the collateral is in favour of the government, is included in the Maastricht debt. The calculation method for the deposited amounts is defined in the agreements. Cash collaterals are reported in AF2L/F2L. Eurostat took note of the explanations.[19]

Findings and conclusions

Action Point 22. The Slovak statistical authorities will adjust the difference between interests calculated before and after swap in EDP Table 3 for all years.

They will also provide an explanation on the error corrected during the October 2017 notification pertaining some amounts that had been reported as "appreciation/ depreciation of foreign currency debt" in T3B and that were related to debt issued in foreign currency but hedged with cross-currency swaps. The explanation will indicate why the error occurred for the period 2014-2016 but not for 2013.

Deadline: April 2018 notification

4.3.6. *Concessions*

Introduction

Representatives from the Slovak National Railways company (ZSR) debriefed the project for establishing a concession regarding a Multimodal Transportation Terminal situated in the Žilina region, a construction financed from public resources and which is going to be operated by an entity from the private sector in the framework of a long-term concession contract.

Discussion and methodological analysis

The main characteristics of the contract were presented and Eurostat reminded some of the aspects that will influence the accounting treatment. In particular, it recalled that when government finances the majority of the construction costs, the concession asset should be recorded in the balance sheet of government. In this case, any revenue obtained by the concessionaire during the operating phase (net of management fees) should be re-routed to government, as the concessionaire acts “on behalf” of government. This analysis can also be applied if improvements are made to the existing assets under concession.

Eurostat recalled then that if new assets would be built under the concession contract, then the accounting treatment will be defined depending on who bears the associated risks. If it is the private operator, then the new assets can be recorded in its balance sheet during the period of the concession. Some of the aspects that help identifying who bears the risk were discussed, such as the financing terms (e.g., the existence of guarantees or advantageous interest rates offered by government), the assurances of a level of minimum profitability, the clauses of *force majeure*, the time period granted in the concession, insurance conditions or penalties defined in case of breach of contract. The Slovak statistical authorities took note of Eurostat's comments.

Findings and conclusions

[19] This issue was later discussed during the EDP SWG meeting that was held in December 2017. Some Member States explained that they report liabilities associated to this type of collateral as AF.41 (instead of AF.29). Eurostat will further reflect about this in the framework of the EDP SWG and invites the Slovak statistical authorities to participate in the process.

Action Point 23. The Slovak statistical authorities will contemplate the accounting implications of the guidance presented by Eurostat in the framework of a new concession contract. The Slovak statistical authorities will consider the option of submitting an ex-ante consultation to Eurostat on the matter.

Deadline for Eurostat, should the Slovak statistical office decide to submit an ex-ante consultation: two months after the reception of the documents from the Slovak statistical authorities.

4.4. Others: privatizations, sale and leaseback operations, energy performance contracts, public-private partnerships (PPPs), UMTS and Court decisions

Introduction

Eurostat enquired on privatizations, sale and leaseback operations and securitisations, energy performance contracts (EPC), UMTS, PPPs and Court decisions.

Discussion and methodological analysis

As regards to privatizations, the Slovak statistical authorities were not aware of any process that had to be discussed during the meeting.

The Slovak statistical authorities confirmed that the government has not entered into any sale and leaseback operation or securitisation.

As regards UMTS, no new contracts have been signed since the last methodological visit. Four licenses were allocated in a tender in 2014 for the period 2014-2026/28 and recorded as a sale of assets. It was confirmed that this accounting treatment will be revised (i.e. to be recorded as rent as stated in Eurostat Guidance Note issued on 27 March 2017) at the next benchmark revision.

The Slovak statistical authorities have no knowledge of signed EPC contracts. Some guidance regarding the statistical implications of these types of contracts is being prepared in Slovakia and changes are planned in the reporting mechanism in order to capture their characteristics once they start to be signed.

Eurostat took note about the coming publication of a tender to operate a prison facility under a public-private partnership.

The Slovak statistical authorities informed Eurostat that they were not aware of any significant Court decision that had to be discussed in the meeting.

Findings and conclusions

Eurostat took note of the explanations provided.

Annex

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