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EUROSTAT

Directorate D: Government Finance Statistics (GFS)

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FINAL FINDINGS

EDP dialogue visit to Greece

22-23 September 2021 (Part I)

27 September 2021 (Part II)

Executive summary

Eurostat undertook an EDP standard dialogue visit to Greece on 22-23 September 2021. During the visit, it was agreed to continue the discussion on some issues on 27 September 2021. The purpose of this dialogue visit was to review the forthcoming October 2021 EDP notification and to discuss methodological issues and specific government transactions in the light of the implementation of the ESA 2010 methodology and the provisions of the Manual on Government Deficit and Debt.

As regards the forthcoming October 2021 EDP notification, the draft EDP tables were analysed, and the revisions as compared to the data reported in April 2021 were clarified.

With respect to the statistical implications of policy measures in the context of the COVID-19 pandemic, Eurostat inquired on recent changes affecting the original tax measures and the scheme for repayable advances and discussed how such changes could affect the data to be reported in October 2021. The reporting of the COVID-19 Guarantee Fund and the TEPIX Fund were discussed under the point for EU flows, given that both measures concern EU financial instruments. Eurostat also raised a few questions on the reporting of COVID-19 measures in Annex 8.

The sector classification of several units was discussed and it was agreed that the sector classification of the following entities needed to be followed-up: Larco, Pulic Power Corporation, Gaiaose, 5G Ventures and Phaistos Fund.

The table on interest recording was also discussed. Eurostat inquired on the reporting of bond exchange operations and expressed concern with the treatment of the premiums and discounts at repurchase. As regards the difference between interest paid and accrued by instrument, Eurostat stressed the need to have additional breakdowns.

The reporting of EU flows was discussed in detail and Eurostat expressed concern with the difficulty to monitor the reporting of EU funds in Greece. Eurostat inquired on the specific adjustments related to the COVID-19 measures financed from EU funds and on any possible updates to these figures. There was a long discussion to clarify the recording of EU financial instruments. Eurostat also inquired on the SURE loans and the RRF funds received from the EU in 2020 and 2021.

As regards specific transactions, Eurostat enquired about the securitisation operations undertaken under the Hellenic Asset Protection Scheme, Hercules. Eurostat asked to have further information of the Cairo securitisation, completed in 2020, and inquired on the new transactions carried out in 2021. The issue will continue to be closely monitored and a final decision on the statistical treatment of such transactions will be taken at the moment in which the new MGDD will be approved, at the end of 2022.

Eurostat asked about the Sale and Lease Back Organization being set-up to protect vulnerable debtors' primary residence from enforcement actions. Eurostat considered that this a borderline case and raised the attention of the Greek statistical authorities to some items that could point to government being the economic owner of the assets. The scheme however will not become operational before 2023. Eurostat concluded that further discussion is needed and that important information which is key for the statistical analysis is still missing.

As regards capital injections in the banking sector, the treatment of the share capital increase in Piraeus Bank, undertaken in 2021 Q2, was discussed. It was agreed that the injections concerning Alpha Bank and Attica Bank would be analysed at a later stage, in the context of the compilation procedure of 2021Q3 and Q4.

On infrastructure projects, Eurostat requested a detailed list of all concession contracts in place. In addition, Eurostat followed up on the Hellinikon project and agreed with the recording proposed by ELSTAT as a sale of shares in 2021Q2.

Eurostat followed up on the reporting in the table on derivatives and inquired on the possibility of reporting transactions in derivatives as assets or as liabilities depending on whether the derivative is an asset or liability, respectively, at the beginning (or at the end) of the year. Concerning the Auxiliary Pension Reform, the Ministry of Labour confirmed that the new law had been approved in early September and that the new system would enter into force in January 2022.

Eurostat appreciated the documentation provided by the Greek statistical authorities prior to the EDP dialogue visit. Eurostat also thanked the Greek statistical authorities for their cooperation during the visit and considered that the discussions were transparent and constructive.

Final findings

Introduction

In accordance with Article 11 of 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 establishing the European Community, Eurostat carried out an EDP standard dialogue visit to Greece, through videoconference, on 22-23 and 27 September 2021.

The delegation of Eurostat was headed by Mr Luca Ascoli, Director of Eurostat Directorate D 'Government Finance Statistics'. Eurostat was also represented by Ms Gita Bergere, Head of Unit D-2 Excessive Deficit Procedure (EDP) I, Mr Philippe de Rougemont, Ms Lourdes Prado, Mr Miguel Alonso and Mr Floris Jansen. The European Central Bank (ECB) and DG ECFIN were also represented, as observers.

The Greek statistical authorities were represented by the Hellenic Statistical Authority (ELSTAT), the General Accounting Office of the Ministry of Finance (GAO), the Public Debt Management Agency (PDMA) and the Bank of Greece (BoG). Representatives from the Ministry of Finance and the Ministry of Development and Investment participated in the discussion for some specific points, as well as representatives from the Special Secretariat for Private Debt Management (SSPDM) and the Ministry of Labour. The previous Eurostat EDP dialogue visit to Greece took place in 17-18 and 23 March 2021.

The overall purpose of this EDP dialogue visit was mainly to review the EDP arrangements in place and to ensure that the provisions of the European System of Accounts (ESA 2010), of Eurostat's Manual on Government Deficit and Debt (MGDD 2019), as well as of the Eurostat's decisions, are duly implemented as regards the production of the Greek EDP and Government Finance Statistics (GFS) data.

The visit aimed to review the existing institutional responsibilities as regards the compilation of EDP statistics and government accounts, to discuss the quality and exhaustiveness of data sources, to examine the reporting of EU flows and the statistical classification of some units and to review the recording of specific transactions. In particular, the measures introduced in the context of the COVID-19 crisis, the transactions carried out under the Hercules Asset Protection Scheme, the updated insolvency framework and the bank recapitalisations undertaken in 2021 were discussed.

With regard to procedural arrangements, the Main conclusions and action points (AP) would be sent to Greece for review. Then, within weeks, the Provisional findings would also be sent to Greece for review. After this, the Final Findings will be sent to Greece and the Economic and Financial Committee (EFC) and will be published on the website of Eurostat.

Eurostat appreciated the significant information provided by the Greek statistical authorities prior to the EDP dialogue visit and also thanked the Greek statistical authorities for the cooperation during the virtual meeting and considered that the discussions were transparent and constructive.

1 October 2021 EDP notification – analysis of the revisions of EDP tables, and associated data

1.1. Analysis of draft EDP tables, analytical information and questionnaire related to EDP

Introduction

Before the EDP dialogue visit, ELSTAT provided the detailed EDP tables 2A1, 3B1, as well as the tables for other central government bodies, public hospitals, local government and social security funds. In addition, it provided the usual tables with detailed information of the Treasury Sector Accounts, the Common Capital and ANFA/SMP transfers.

Discussion

Eurostat analysed the tables and raised several questions to get a full understanding of the revisions as compared to the data reported in April 2021.

Table 2A1

ELSTAT confirmed that the main revisions in table 2A1 for year 2020 concerned military deliveries (€-174 mn), adjustments for EU financial instruments managed by the Hellenic Development Bank (€-556 mn)¹, adjustments for LAGIE (€126 mn) and the correction for the AIA concession fee (€36 mn), which should start accruing in 2025.

Eurostat asked ELSTAT to confirm under which lines EU flows and EU financial instruments are reported in EDP tables 2A1 and 3B1. ELSTAT confirmed that the difference between claims submitted and cash received from claims submitted (€711 mn in 2020) is reported under adjustment lines F.2 and F8R.2 for other accounts receivable, respectively, in tables 2A1 and 3B1. The object of these adjustments is to impute revenue for the claims submitted and to eliminate the cash collected from claims, which is included in the working balance. ELSTAT also confirmed that advance payments received from the EU (€-478 mn in 2020) are neutralized in adjustment lines G1 and F8L.1 for other accounts payable, respectively, in tables 2A1 and 3B1. ELSTAT confirmed that the revenue imputed corresponding to claims submitted include claims for EU financial instruments. Eurostat recalled that claims for EU financial instruments should not be considered as revenue, but as financial assets. It concluded that additional adjustments may be needed to properly neutralize EU financial instruments. The reporting of EU financial instruments was discussed in detail under agenda item 2.3.3.

Eurostat raised the issue of the ANFA/SMP transfers received by the Greek government. Eurostat pointed out that Greece received €644.42 mn from the ESM intermediate account in early July 2021, but that the transfer was approved in June. Eurostat recalled that the D.74 revenue for Greece should be recorded in the second quarter of 2021 when the transfer was approved. It was agreed that the necessary adjustments would be included in the quarterly accounts for 2021 Q2 and Q3.

¹ This issue was discussed under the item for EU flows.

As regards other central government bodies, Eurostat inquired on the revision of €-162 mn undertaken in DAPPEP special account for year 2020. ELSTAT confirmed the amount and explained that the revision was due to updated information.

ELSTAT explained that the € 21 mn revision of the Hellenic Development Bank in 2020 was due to a downward revision of provisions for standardised guarantees, from €113 mn to €85 mn. ELSTAT confirmed that such provisions were revised downward following an increase in the amount co-funded from the EU, from €1,100 to €1,320. Eurostat asked whether ELSTAT had received an estimate for provisions for guarantee calls. ELSTAT confirmed that they had received a very rough estimate of around 5%, which would entail provisions for around 20/30 mn. ELSTAT explained that they would continue using the subsidy of guarantee fee (€250 mn) as a proxy of provisions for guarantee calls until they would receive more accurate information.

As compared to the data reported in April 2021, Eurostat took note that there were no changes for public hospitals and that changes to local government and social security funds data were not material.

Eurostat recalled that the recording of clawback/rebates related to pharmaceutical expenditures in the tables for social security funds and public hospitals had been changed in the April 2021 EDP Notification. The time of recording was changed from the moment when clawbacks/rebated accrued to the time when they were actually offset/cleared. ELSTAT confirmed that, following the change, they apply a cash recording and that amounts are included in the working balance as a reduction of other accounts payable. It was agreed that ELSTAT would continue providing both amounts related to clawbacks/rebates cashed and accrued as a memo item for information.

Findings and conclusions

- (1) Eurostat drew the attention of ELSTAT that the amount of EUR 644.42 mn received from the ESM in July 2021 in relation to ANFA/SMP transfers shall be recorded in 2021 Q2, as the transfer was actually approved at the end of June. This is in line with the provisions in Eurostat's clarification Note on the statistical treatment of ANFA/SMP transfers, published in March 2021.

Deadline: October 2021 EDP notification²

2. Methodological issues and recording of specific government transactions

2.1. Recording of government measures undertaken in the context of COVID-19

Prior to the technical discussion, Eurostat asked some general questions to clarify the content of the various excel files provided by the Greek Statistical Authorities with the COVID-19 measures. The Greek Authorities confirmed that the file with the quantification of COVID-19 measures is compiled by GAO and provides an estimation of the impact of the measures on a cash basis. They clarified that revisions of the 2020 data in this file should not lead to revisions of government B.9. ELSTAT explained that they provide two separate files with the information of the COVID-19 measures. One file shows the amounts obtained from the Public Investment Programme (PIP), which are included in the working balance. The second file shows the amounts

² This action point was implemented in the context of the October 2021 EDP notification. The action point is closed.

obtained directly from the State Budget. In both files, ELSTAT reports the measures in national accounts terms.

2.1.1. Changes in the recording since April 2021, including tax collectability and the recording of repayable advances

Taxes

Introduction

In 2020, in response to the COVID-19 outbreak, the Greek government introduced several measures concerning taxes, such as deferrals of tax payments and a reduction in the corporate income tax advance payments.

The Greek government had introduced five measures enabling taxpayers to defer their payments. Three measures concerned the deferral of taxes and social contributions. For these measures, Eurostat had recommended to introduce ad-hoc adjustments in EDP table 2A1 to impute revenue in 2020 for the amounts deferred that were expected to be collected in the coming years. The two other measures concerned deferrals related to debt settlement schemes. For these two measures concerning debt settlement schemes, instalments could be due until year 2030 and beyond and therefore, no adjustments were introduced in EDP table 2A1.

Under this item, Eurostat followed-up on the recording of tax measures and the estimations made by the Greek Statistical Authorities. In particular, Eurostat inquired on recent changes modifying the original tax measures and discussed how such changes could affect the estimations. Eurostat also inquired on the coefficient for tax collectability used in the ad-hoc adjustments introduced for some of the measures.

Discussion

Eurostat inquired on new tax measures recently approved that could affect the original measures introduced in 2020. For the taxes and social contributions deferred, Eurostat recalled that the original repayment period had been extended from 12-24 instalments to 24-48 instalments and that the Greek government was considering a further extension to 36-72 instalments. GAO confirmed the extension to 36 instalments without interest and to 72 instalments with interest and explained that a platform for entering deferral schemes would open in October. Taxpayers applying for deferrals would have to use the platform to report the amounts and the instalments chosen. Eurostat suggested that extensions of the settlement period should normally lead to revisions in the collectability rate. GAO explained that the first repayments would start on 31 January 2022 and confirmed that this information, together with that obtained from the new platform, could lead to changes in the collectability rate.

As regards measures related to debt settlement schemes, GAO explained that a new measure would allow overdue tax debt from April 2020 to July 2021 to enter the settlement schemes and be repaid at the end of the scheme. This would increase the amounts due until year 2030 and beyond. Eurostat confirmed that no adjustments were introduced in EDP table 2A1 for this type of measures and that, therefore, no revisions to the existing data or the recording applied would be necessary. DG ECFIN confirmed that the stock of overdue tax debt is significant, that the amounts are quite stable and that deferrals are not considered overdue debt. Eurostat confirmed that unpaid taxes should not be an issue for EDP, as the time of recording followed by ELSTAT is based on Time Adjusted Cash.

GAO explained that the following measures entailing changes to the Corporate Income Tax (CIT) had been introduced in May 2021:

- A permanent reduction in advance tax payments for individual entrepreneurs from 100% to 55% as of 2021;
- A permanent reduction in advance tax payments for companies from 100% to 80% as of 2022 (based on 2021 return), with a temporary reduction to 70% as of 2021 (based on 2020 return),
- A permanent reduction in the corporate tax rate from 24% to 22% from the 2021 tax year.

Eurostat recalled that advances on the CIT are recorded on a Time Adjusted Cash basis and no ad-hoc adjustments had been introduced in 2020. Therefore, it concluded that no revisions to the existing data or the recording applied would be necessary following the new legislation.

Following up on some actions points of the previous EDP visit, Eurostat then inquired on the 70% coefficient used for the ad-hoc adjustments introduced in 2020. To calculate such ad-hoc adjustments, GAO applied a coefficient of collectability of 70% to the estimation of the amounts deferred. The coefficient applied is the same for all the taxes/social contributions and it is not tax specific. Under normal circumstances, the coefficient of collectability applied is set at 80% of the total tax revenue. Due to the exceptional circumstances created by the pandemic, the coefficient was reduced by 10 percentage points to 70%.

The excel file provided by the Greek Statistical Authorities with the calculations of the collectability ratio by tax for the years 2019 and 2020 was analysed and discussed. Eurostat observed that, if applied to the sum of all taxes, the coefficient would be around 80%. However, the coefficient varied significantly if taxes would be considered individually. For some relevant taxes, the coefficient was well above 80%, while for others it was well below. For instance, collectability for VAT was 71.7% in 2019 and 65% in 2020. The collectability ratio for each tax was calculated in this file by comparing the amounts collected after tax refunds with the amounts assessed. Eurostat asked some questions to understand the calculation of the coefficient. GAO confirmed that amounts assessed referred to amounts before tax refunds. Eurostat concluded that the two items used to calculate the collectability ratio (amounts collected after tax refunds and amounts assessed before tax refunds) were not comparable and that the calculations should be updated to eliminate tax refunds.

GAO confirmed that the calculations for the ad-hoc adjustment introduced in 2020 were based on the collectability ratio of the year 2019. It explained that tax refunds in 2019 were around €5 bn, out of which around €2 bn corresponded to VAT.

Eurostat then focussed on the collectability ratio for VAT in 2019 (71.7%), obtained from dividing the amounts collected after tax refunds (€9.4 bn) by the amounts assessed (€13.1 bn). Eurostat remarked that the figure of 9.4 bn reported for the amounts collected after tax refunds (€9.4 bn) did not match with the corresponding VAT amounts reported in the file for monthly cash data (€10.2 bn). GAO explained that the reason for the mismatch was that the 10.2 bn referred to amounts collected in 2019 corresponding to assessments of year 2019 and previous years, while the 9.4 bn referred only to amounts collected and assessed in 2019. Eurostat took note of the explanation and observed that the collectability ratio for VAT would increase from 71.7% to around 86% if the €2bn tax refunds would be removed. It concluded that the 70% coefficient currently applied is a too cautious estimate.

According to the calculations provided by the Greek Statistical Authorities, the amounts deferred concerning VAT were estimated at 590 mn. Eurostat asked the Greek Statistical Authorities to

confirm the source data to estimate the payments deferred (to which the 70% collectability rate was applied). GAO clarified that these amounts are estimations of the cash that should have been collected without the deferral, that they do not include tax refunds and that they are not based on assessments.

Eurostat pointed out that the collectability coefficient applied by other Member States is tax specific and underlined the importance of having clear information on the basis for calculating the coefficient. It recalled that coefficients should normally be revised following changes in the measures.

Findings and conclusions

- (2) Eurostat took note that some of the measures introduced in 2020 in response to the COVID-19 pandemic have been changed in 2021. Eurostat recalled the general principle that:
 - (i) New information disclosed in year t+1 leading to higher expenditure in t as compared to the previous estimates, may lead to a revision of the past estimates for year t.
 - (ii) New legislation/decisions taken in t+1 entailing higher expenditure in t should lead to the recording of such expenditure at the time the legislation is enacted (t+1) and not to revision of the estimates for year t. See action point 5.

Deadline: Ongoing

- (3) To calculate the coefficient of tax collectability, amounts assessed were compared with amounts collected after tax refunds. These two data sets are thus not comparable, also because the amounts collected in subsequent years were not taken into account. The Greek Statistical Authorities will provide an updated table comparing amounts assessed with amounts collected before tax refunds and including amounts collected in subsequent years.

Deadline: December 2021³

- (4) Concerning the treatment of tax deferrals granted in response to the COVID-19, Eurostat is of the view that:
 - (i) The present uniform estimate of 70% collectability used for all taxes and social contributions should ultimately be replaced by tax specific estimates based on the updated table to be provided under action point 3.
 - (ii) Changes in tax deferral measures shall modify the coefficient (for instance, if the number of instalments is extended, as it was the case in 2021) and might lead to a recording of expenditure at the moment the changes is decided to reduce the other accounts receivable existing at that time by way of a capital transfer.
 - (iii) The 70% coefficient currently applied seems somehow conservative, following the discussions carried out under the previous action point. As such, the impact of the modification in the coefficient foreseen in (ii) may be neglected at this stage, until a new evaluation is carried out.

³ ELSTAT provided an updated table on 3rd March 2022. The action point is closed.

Based on the above, more sophisticated estimations shall be provided to Eurostat and used for imputing revenue for tax deferrals.

Deadline: March 2022. Given that the 70% coefficient currently applied is rather conservative, no change is required for the October 2021 EDP Notification, despite the fact that measures recently introduced have extended the number of instalments⁴.

Repayable advances

Introduction

In 2020, the Greek government set up a scheme of repayable advances for companies affected by the COVID-19 pandemic. Companies could repay the amounts in 40 instalments, at a low interest rate and following a grace period ending in December 2021. Under certain conditions, debtors were allowed to repay the debt only partially. The issue was discussed in the previous EDP mission and it was agreed that ELSTAT would record the part unlikely to be repaid as a capital transfer (D.99) and the part expected to be repaid as loan assets (F.4). There were four rounds of repayable advances in 2020 and 3 rounds in 2021. The reimbursement rates set in legislation for tranches 1-3 were higher than those for tranches 4-7. In the April 2021 EDP Notification, the loan component was estimated at 58% for the first three rounds and at 31% for the fourth round. Therefore, out of €5,540 mn granted in 2020, €2,635 were recorded as loans and 2,905 as capital transfers.

Under this item, Eurostat asked the Greek Statistical Authorities (GSA) to provide information on the new legislation on repayable advances, which would modify the conditions and the reimbursement rates for the amounts granted in previous periods. The accounting implications of the new legislation were discussed. Furthermore, Eurostat asked the GSA to confirm the amounts that would be financed from EU funds and there was a discussion on the adjustments that would be needed to ensure fiscal neutrality for this part.

Discussion

The GSA explained that a first set of changes to the reimbursement rates was announced in April/May 2021 and that a second set of changes was announced in September 2021. They clarified that both set of measures would be legislated together at the end of September 2021 and that the changes would unify the conditions for all the tranches, lowering the percentages to be repaid.

GAO presented a file with an estimation of the impact of the new legislation and explained the calculations. Eurostat requested to receive the file after the mission. Concerning the amounts granted in 2020, GAO explained that, according to their calculations, the new law would reduce the amounts to be repaid from €2.6 bn to €1.2 bn.

ELSTAT asked whether such reduction in the amounts estimated to be repaid should be recorded as additional expenditure in 2020, revising the figures reported in the April 2021, or whether it should be recorded as expenditure in year 2021. Eurostat confirmed that the additional expenditure for the rounds granted in 2020 (tranches 1 to 4) should be recorded as a capital transfer in 2021 in the quarter when the new legislation will be enacted. Eurostat agreed to allow flexibility for changes in law referring to quarters within the same year. This would mean that

⁴ The GSA provided comments on 3 March 2022 and proposed to keep the 70% coefficient unchanged. This action point is outstanding.

for the tranches granted in 2021 (tranches 5-7), the amounts of previous quarters could be corrected.

The GSA explained that, in October 2021, the tax authorities would communicate to recipients the amounts owed for each tranche and that this could allow to have more precise information.

As regards the methodology underpinning the calculations, the amounts likely to be repaid (loan component) are calculated multiplying the percentage of beneficiaries concerned by the percentage of the amount to be repaid and applying the coefficient for collectability. The coefficient for collectability used in April 2021 was 70%. The GSA proposed to increase the collectability coefficient to 80%, given that the new legislation would considerably reduce the percentage of the amounts to be repaid. Eurostat agreed with the proposal.

Eurostat asked if the repayable advances would be co-funded from EU funds. The GSA confirmed that, out of the €5.5 bn of repayable advances granted in 2020, around € 900 mn would be funded from the EU. Eurostat asked the GAS to check the corresponding amount that had been claimed in 2020 and they confirmed that € 874 mn claims were submitted in 2020 for repayable advances. As regards the repayable advances granted in 2021, they confirmed that the amount to be funded from the EU would be around €810 mn.

Eurostat stated that the general rule of fiscal neutrality shall apply to both, the D.99 and the F.4 parts financed from EU funds. Eurostat recalled that the part recorded as D.99 is an expenditure and hence, the related claims submitted could be recorded as government revenue. On the contrary, the part recorded as F.4 is a financial transaction and hence a correction would be needed to neutralize the related claims submitted. This issue was further discussed under the point for EU funds (section 2.3.3). The adjustments to be included in EDP table 2A1 were also covered in that section (see action point 22).

Findings and conclusions

- (5) In relation with the repayable advances granted in response to the COVID-19 pandemic, tranches 1-4 were provided in 2020 and tranches 5-7 in 2021. Eurostat was informed that new legislation will be enacted in September 2021 which will unify tranches 1 to 7 and will lower the percentages to be repaid. In the April 2021 EDP Notification, EUR 2.6 bn were recorded as loans in 2020, corresponding to amounts estimated to be repaid for tranches 1-4. Following the new legislation, the amount to be repaid for tranches 1-4 will be reduced. Eurostat is of the view that the difference for tranches 1-4 should be recorded as a capital transfer in 2021 in the quarter when the new legislation will be enacted. For the tranches granted in 2021, the amounts of previous quarters can be corrected.

Deadline: October 2021 EDP Notification⁵

- (6) GAO will provide the table with the new calculations for the repayable advances scheme that was shown during the EDP Dialogue Visit.

Deadline: October 2021 EDP Notification⁶

⁵ This action point was implemented in the October 2021 EDP notification (for year 2020) and in the April 2022 EDP notification (for year 2021). The action point is closed.

⁶ This action point was implemented in the October 2021 EDP notification. The action point is closed.

- (7) Part of the repayable advances will be financed from EU funds. For such amounts financed from EU funds, the general rule of fiscal neutrality shall apply to both, the D.99 and the F.4 parts. The part recorded as D.99 is an expenditure (around half of the amounts) and hence, the related claims submitted (roughly half of the 873 million) can be recorded as government revenue. Contrarily, the part recorded as F.4 is a financial transaction and hence a correction is needed to neutralize the claims submitted. See action point 22 on EU funds.

Deadline: October 2021 EDP Notification⁷

2.1.2. Recording of the measures operated by the Hellenic Development Bank

Introduction

In the context of the COVID-19 measures, the Hellenic Development Bank (HDB) manages the COVID-19 Guarantee Fund, which is a guarantee scheme considered as standardised guarantees for statistical purposes and the TEPIX Fund, which is a loan facility scheme. Both schemes are co-financed from EU funds.

The recording of both schemes was discussed in the previous EDP Dialogue Visit. For this point, the GSA had provided a note with updated information. Eurostat took note of the new information and there was no discussion as regards the features of the schemes. Given that both schemes concern EU financial instruments, the adjustments to ensure fiscal neutrality were discussed under the item of EU flows (see point 2.3.3).

Findings and conclusions

Eurostat took note of the updated information provided in the note by the GSA.

As regards the COVID-19 Guarantee Fund, the amounts are co-funded by the EU at 100%. Eurostat took note that, following the third amendment, the amount co-funded had increased from 1,100 mn to 1,320 mn, and that the HDB had received 2,000 mn from the Public Investment Programme (PIP), out of which 1,780 mn in 2020 and 220 in the second quarter of 2021 (equal to the increase in EU financing).

Eurostat also took note that the increase in the EU funded part for the COVID-19 guarantee fund would lead to small revisions in the figures reported for 2020. In particular, 112 mn were recorded as D99p/F66L for the year 2020 for provisions for guarantee calls under the standardised guarantee scheme. Such expenditure corresponded to the part financed from national funds. Following the update of amounts financed from EU funds, the amount would be revised to 85 mn (and B.9 improved by 27 mn).

To calculate the D99p/F66L (national expenditure) it is necessary to have the percentages financed from national funds and from EU funds. With the updated information, the EU would finance 66% ($1,320/2,000=66\%$), and the national part would be 34%. Thus, the updated provisions for guarantee calls in October 2021 would be $85 \text{ mn} = 34\% * 250\text{mn}$. In April 2021,

⁷ This action point was implemented in the October 2021 EDP notification. The action point is closed.

the amount of 112 mn was obtained as follows $112 \text{ mn} = 45\% * 250 \text{ mn}$. In turn, the 45% percentage was obtained as follows: $1,100/2,000 = 55\%$ from the EU and 45% national part. The amount of 250mn corresponds to the subsidy of guarantee fee and is used as a proxy of provisions for guarantee calls in the absence of an accurate estimate.

As regards the TEPIX Fund, the loan facility is co-financed by the EU at an average of 97.5%. Eurostat took note that, in 2020, the scheme received 768 mn from the PIP and granted loans for 589 mn and that it did not receive any amount from the PIP in 2021. It also took note that there would be no revisions in the amounts reported in April 2021.

2.1.3. Expenditure measures

Introduction

Prior to the EDP dialogue visit, the Greek statistical authorities provided a detailed breakdown of expenditure measures implemented in response to the COVID-19 outbreak, including the corresponding ESA codes for individual expenditure measures.

Findings and conclusions

There was no discussion on this point. Eurostat analysed the information provided by the GSA and took note that there were no significant changes as compared to the information provided in March 2021.

2.1.4. Reporting of COVID-19 measures in Annex 8

Introduction

Eurostat cross-checked the table of COVID-19 measures provided by GAO with the measures reported in Annex 8 and raised a number of questions.

Discussion

Eurostat recalled that table 8.2 on large operations should be filled in. Eurostat then focused on the analysis of table 8.1. Eurostat asked whether item 13 for subsidies other than furlough schemes (€4.2 bn) was reported on a cash or accrual basis. ELSTAT confirmed that it was reported on a cash basis. Eurostat asked ELSTAT to provide a breakdown of the amounts reported under items 27 (€1.9 bn) and 33 (€1.3 bn), concerning other financial assets and other financial liabilities, respectively. ELSTAT agreed to provide this information after the mission. Eurostat requested to clarify the reporting in this table of the reduction of CIT advance payments, amounting to €1.5 bn in 2020.

2.2. Delimitation of general government

2.2.1. Changes in sector delimitation of general government since the April 2021 EDP notification

Introduction

Prior to the EDP dialogue visit, ELSTAT provided a detailed note informing on the developments in the delimitation of general government since the April 2021 EDP notification. In particular, the note disclosed the list of units which would be reclassified in the general government sector in October 2021, as well as those units whose sector classification was under discussion. The note also covered the classification of subsidiaries of public entities and of units in liquidation and informed on units that were no longer considered public.

Findings and conclusions

There was no discussion on this point. Eurostat analysed the information provided by the GSA and took note that there were no significant changes as compared to the information provided in March 2021.

ELSTAT's note recalled that the following entities would be reclassified in general government in October 2021, with negligible effect: the Hellenic Space Center, the Natural Development and Climate Change Agency, the Greek D.R.G Institute, the Stavros Niarchos Foundation Cultural Center and Athens Anaplassis. Eurostat took note that the classification of some subsidiaries of public corporations was still pending, that some units in liquidation are included in general government and that some units have stopped being considered public in the Questionnaire on public corporations.

2.2.2. Sector classification of selected units, including GAIAOSE, Larco, Hellenic Energy Exchange and DEH SA

Under this point, Eurostat followed up on the sector classification of some units, most of which were discussed in the EDP mission of March 2021. Various notes provided by the GSA prior to the meeting were used as input.

Larco

Introduction

Larco is one of the world-largest nickel producer. It is classified in S.11, outside the general government sector. It is publicly controlled, as the Hellenic Republic Asset Development Fund (TAIPED) holds a 55% share of the company. It bears losses, it accumulates debts towards the Greek Public Power Corporation (PPC) and other suppliers and has not presented a balance sheet since 2014. In the past, the company benefited from a number of state aids in the form of subsidies or guarantees, which are incompatible with state aid rules and have to be paid back to the Greek government.

The company entered a special administration process as of 28 February 2020, with an appointed administrator whose task is to sell/privatise the whole unit or its parts. Proceeds will be used to

compensate the State for the subsidies provided to the company in the past. Larco is entitled to receive grants to cover the costs associated with the special administration regime and the operating costs to be able to continue its operation. In 2020, Larco received 35m, which were recorded as D.99 in the accounts of the State.

Under this point, Eurostat inquired on the statistical implications of the special administration process.

Discussion

Eurostat asked for the results of the market test for the year 2020. ELSTAT confirmed that the unit continued producing in 2020 and 2021 and agreed to provide the results of the test after the mission. It stressed that the results for the year 2020 should not be representative due to the COVID-19 pandemic. Eurostat agreed that 2020 was a special year and asked about the perspectives for 2021. Eurostat recalled the rules for public units in liquidation according to which an entity should be reclassified in the first year when it falls below the 50% test.

As regards the recovery of €136 mn of state aid, ELSTAT explained that Larco had not given back any amount to government and that no revenue had been recorded in government accounts so far.

Eurostat inquired on the breakdown of the liabilities of Larco by instrument. ELSTAT agreed to confirm the exact breakdown. It explained that most of its liabilities are payables towards suppliers and that the debt of the company after deducing the payables should be small (around €36 mn). ELSTAT confirmed that some of the payables are towards the Public Power Corporation (PPC). Eurostat asked if Larco was benefiting from the prepayments of government to PPC for future electricity bills, which could lead to re-routing. ELSTAT agreed to check this information. It also confirmed that, despite the arrears of Larco toward PPC, electricity was not discontinued for reasons of public interest (so not to affect the privatisation process).

Concerning the privatisation of the entity, Eurostat stressed that Larco could become an empty shell as a result of selling its infrastructure and mining rights. Eurostat suggested to closely monitor the privatisation of the entity to analyse the accounting consequences.

Findings and conclusions

- (8) Concerning the sector classification of Larco, ELSTAT will monitor the following points and will report back to Eurostat:
- The results of the quantitative market test for years 2020 and 2021
 - Information on the payables and the loans of Larco
 - A possible privatisation (by way of sale of assets), making Larco as a sort of empty shell
 - Is Larco benefitting from the prepayment of bills by government to PPC on behalf of public corporations? See action point 9.

*Deadline: Before March 2022 EDP Notification*⁸

⁸ This information was provided as input for the EDP mission of March 2022, where it was decided to reclassify the unit in S.13. The reclassification was implemented in the April 2022 EDP Notification. The action point is closed.

Public Power Corporation (PPC/DEH)

Introduction

PPC/DEH is the biggest electric power company in Greece. It is controlled by the Greek government, which owns 51,12% of the shares, and is classified in S.11 outside the government sector. It incurred huge losses in 2018 and 2019 and posted a small profit in 2020. It has liabilities for around 9 bn. The company benefits from a government guarantee and there are plans to privatize the entity. The results of the market/non-market test are well above the 50% threshold, however showing a declining trend over the last years (105%, 85% and 68% respectively for 2017, 2018 and 2019).

Moreover, the state makes advance payments to PPC. It prepays future bills of various public corporations and obtains a discount.

Under this point, Eurostat inquired on the results of the market test for the year 2020 and on the prepayments of the State on behalf of public corporations.

Discussion

Eurostat first inquired on the prepayments of the State to PPC for future electricity bills. In particular, it asked ELSTAT to provide information on the yearly amounts prepaid, the public corporations involved, and the recording followed in government accounts. It also requested to know whether the prepayments correspond to electricity already provided and not billed or whether they correspond to electricity to be provided in the future. The GSA agreed to provide this information after the mission. They confirmed that these payments are recorded as expenditure of the state in the data published by the BoG for the state borrowing cash requirements and that they are not recorded as state expenditure in the budget execution data published by GAO.

Eurostat analysed the results of the market test for year 2020 (102%) and asked if consumption of fixed capital was estimated to calculate the production costs or if, on the contrary, the depreciation of business accounts was used. It also asked the GSA to confirm if the prepayments from the state are treated as sales in the market test.

Eurostat asked the GSA to monitor some transactions mentioned in the media for 2021 concerning PPC, such as the set-up of an Energy Transition Fund and the provision of subsidies to consumers directly in the electricity bill. Eurostat suggested that re-routing might be necessary. The GSA agreed to check these transactions and their accounting treatment.

Findings and conclusions

- (9) Government is apparently prepaying electricity bills to PPC on behalf of public corporations, against a discount. ELSTAT will provide the following information:
- Amounts prepaid per year for the period 2017-2020 and until 2021 Q2
 - Do the prepayments correspond to electricity already provided? Or do they correspond to electricity to be provided in the future? If so, what is the time lag?
 - What are the public corporations involved?
 - What is the statistical treatment currently applied?

Deadline: October 2021 EDP Notification⁹

- (10) Regarding the sector classification of PPC, ELSTAT will:
- Provide an analytical table for the quantitative market test, further indicating whether the profit and loss amortisation is modified by using a multiplying coefficient, as a proxy of consumption of fixed capital (P.51c)
 - Confirm if the (pre)payments from the State are treated as sales in the market test
 - Monitor the possible future transactions related to public policy, such as the subsidy to be provided to electricity consumers

Deadline: Before March 2022 EDP Notification¹⁰

Gaiaose

Introduction

GAIIOSE is a public corporation 100% owned by the State. It is classified in S.11, outside the government sector. It presents significant profitability and the results of the market test are above 300% for all the years. GAIIOSE manages property on behalf of OSE, the Hellenic railway infrastructure operator (classified in S.13). It manages the stations and land and some rolling stock leasing, but not the rails, which OSE directly rents to Trainose. The assets that GAIIOSE manages remain on the balance sheet of OSE. Therefore, the market results obtained can be misleading, as there is no rental or capital consumption deriving from the assets. GAIIOSE also obtains revenue from managing its own assets and has recently entered into new activities such as production through renewable energy sources.

Eurostat requested further information on this entity to determine if it is an ancillary unit providing services to government.

Discussion

ELSTAT expressed a strong opinion that the entity should remain outside the government sector, based on its autonomy of decision and the extraordinary results of the market test, well above 500% in the last years. ELSTAT also confirmed that the approval of ministers is needed for some decisions.

The expert providing technical assistance to Greece mentioned that the results of the market test could decrease if the consumption of fixed capital for the assets managed by GAIIOSE that are owned by OSE is included in the costs. He also mentioned that the result could decrease further if some items which are rents rather than rentals are removed from the sales.

Eurostat tried to clarify the ownership of the assets managed by GAIIOSE. The financial statements of the year 2020 confirmed that most of the turnover of the entity originates from managing assets owned by OSE and that the turnover originated from managing its own assets represent only a minor part. According to the financial statements of 2020, GAIIOSE had a turnover of €19 mn. Out of this amount, 14 mn were obtained from renting rolling stock owned

⁹ This information was provided on the 22 November 2021. The action point is closed.

¹⁰ This information was provided as input for the EDP mission of March 2022, where the classification of the entity was discussed again. Eurostat agreed with its sector classification in S.11. The action point is closed.

by OSE, 5 mn were obtained from renting real estate owned by GAIAOSE and 0.4 mn were obtained from the production of renewable energy.

Eurostat confirmed that most of the turnover of the entity is obtained from administering assets which are owned by OSE. It was clarified that the rolling stock administered by GAIAOSE is owned by OSE, that the rolling stock is leased to Trainose (which is a private corporation classified in S.11) and that Trainose pays a lease to GAIAOSE. Eurostat expressed its view that GAIAOSE seems to be an artificial subsidiary providing ancillary services to OSE. It recalled that OSE rents its rails directly to Trainose unlike the rolling stock, for which there is a lease arrangement between GAIAOSE and Trainose.

As an example of revenue obtained from real estate owned by GAIAOSE, ELSTAT mentioned the Thriasio project. It is a concession contract between GAIAOSE (on behalf of the Greek State) and the private sector for the development of a freight centre near Piraeus Port. ELSTAT confirmed that the assets (land) object of the lease would be owned by GAIAOSE. ELSTAT explained that the project was planned since 2003 and that it was delayed for many years due to trouble with DG COMP. ELSTAT confirmed that the tender was launched in 2019, but that it was not yet signed and that the duration of the concession contract would be 37 years.

Eurostat asked ELSTAT to clarify the state of play of the Thriasio project. It referred to the Enhanced Surveillance Reports by the European Commission, which systematically mention that the project has been co-financed with EU funds and that the EC has started the procedures for recovering EU structural funds. The latter is due to the fact that the concession contract for the private freight centre has not been activated and the project is severely delayed. Eurostat agreed to make a specific request with clear questions after the mission. In particular, Eurostat will ask if any amounts have been spent and claimed on this project.

Eurostat concluded that the sector classification of this entity is still open and considered that GAIAOSE seems an artificial subsidiary providing ancillary services to OSE.

Findings and conclusions

- (11) The sector classification of GAIAOSE remains an open issue. According to Eurostat, it seems an ancillary unit basically providing services to OSE, which is classified in general government. ELSTAT will provide the following information:
- Statute of the entity
 - Law specifying the activities that it carries out on behalf of the state
 - Information on the projects Thriasio 1 and 2
 - Details of its revenue and expenditure and the analytical table for the quantitative market test
 - An analysis of the company's assets, clarifying which of the company's revenues are obtained from them and which are obtained from providing services based on the assets of other units. This analysis should explain the main relations of GAIAOSE with TrainOSE (now private), OSE and the State.

Deadline: Before March 2022 EDP Notification¹¹

¹¹ This information was provided as input for the EDP mission of March 2022, where the classification of the unit was discussed again. Eurostat considers that Gaiaose may present some characteristics of an ancillary unit. The action point is closed, but the classification of this unit is still open.

SPV for Kasteli/New Heraklion Airport

Introduction

The concession for the construction of Kasteli Airport was discussed in the EDP Dialogue Visit of March 2021. It was agreed to treat the assets built as on balance sheet of government. There was no conclusion on the sector classification of the SPV, as the analysis of the governance was inconclusive. In June 2021, ELSTAT provided a note concluding that the SPV should be classified as a private corporation, outside general government. On 15 July, Eurostat provided its view that the SPV is controlled by government and should be classified in the general government sector.

Under this item, Eurostat followed up on the sector classification of the SPV.

Discussion

ELSTAT reinstated its view that the SPV is controlled by the private sector because private shareholders hold 54% of the shares.

The expert providing technical assistance to Greece considered that the SPV is a typical joint venture between government and the private sector and that government does not have exclusive veto rights.

Eurostat recalled that there are two private shareholders that have shares of 32.46% and 21.64% of the total, respectively, and that government, with 45.9% of the shares, is the shareholder with the biggest share. Eurostat considered that government has special veto rights. Although private shareholders have a share of 54.1% in the SPV, government's position is such that no decision can be made without the approval of the government. This is however not always the case for the private shareholders. In many cases, a decision can be taken even if not approved by one of the private shareholders.

Eurostat reinstated its view that the SPV is controlled by government, based on a number of reasons such as government being the shareholder with the biggest share, the existence of veto rights for government and the fact that the SPV is created for the specific reason of the airport concession. Eurostat acknowledged that the effect of the reclassification of the SPV in government would not be material, given that the assets object of the concession are already treated as government gross fixed capital formation and the corresponding debt has been imputed to government.

Findings and conclusions

- (12) Eurostat's preliminary view is that the SPV created for the Kasteli airport concession is controlled by government, as de facto government holds veto rights in relation to any major decision to be taken by the unit, and should in principle be classified in the general government sector, notably given the specificity of this concession and the fact that the only client of the SPV is government. This would not however substantially change the effect on B.9 or debt, given that the assets built are already treated as government assets.

5G Ventures and Phaistos Fund

Introduction

ELSTAT requested to discuss the sector classification of 5G Ventures, a newly created public entity.

5G Ventures S.A. was established in 2020 as a subsidiary of the Hellenic Corporation of Assets and Participations (HCAP), which owns 100% of the share capital and is classified in S.13. The sole purpose of 5G Ventures is the establishment and management of Phaistos Fund. 5G Ventures will charge the Fund a 2% service fee annually.

Phaistos Fund is a Venture Capital and its purpose is to invest in 5G infrastructure in Greece. The Greek state will be the anchor investor of the Fund and it is expected that private investors will participate as well. The Greek State will invest into the Fund 25% of the revenues that it will collect from the tender for granting rights for the use of radio frequencies. The projected internal rate of return of Phaistos Fund is expected to be about 14%-16% per year.

Discussion

ELSTAT proposed to classify 5G Ventures S.A. as a financial auxiliary (S.126) and Phaistos Fund as a non-MMF investment fund (S.124).

Eurostat asked if Phaistos Fund had been already created and whether it had received any amount. ELSTAT confirmed that the Fund had not been created by the second quarter of 2021. Eurostat asked whether there had been a tender procedure to select 5G Ventures as the manager of Phaistos Fund. ELSTAT replied that 5G Ventures had been established as the manager of the Fund by Law, without a tender procedure. Eurostat inquired on the calculation of the 2% service fee to be paid by Phaistos Fund to 5G Ventures and ELSTAT agreed to investigate the issue.

Eurostat considered that further information was necessary to conclude on the sector classification of the two entities. As an example, it remains to be seen if private investors would participate in Phaistos Fund.

Findings and conclusions

- (13) The sector classification of 5G Ventures and of Phaistos Fund is an open issue. ELSTAT shall monitor the following and report to Eurostat:
- Creation of the fund and amounts received
 - Have private investors participated in the fund under the same conditions?
 - Will there be any government guarantee to the fund?
 - Was there a tender procedure to select 5G Ventures as the manager of the fund?
 - How was the 2% service fee, to be paid by the fund to 5G Ventures, calculated?

Deadline: Before March 2022 EDP Notification¹²

¹² This information was provided as input for the EDP mission of March 2022, where the classification of the entity and its fund were discussed again. The action point is closed. ELSTAT will take a final decision on the sector classification of these entities once they start operating.

Hellenic Energy Exchange

Introduction

The Hellenic Energy Exchange S.A. (HEEx) was created in 2018 as a spin-off from the electricity market branch of LAGIE S.A. HEEx was designated as the Nominated Electricity Market Operator (NEMO) and operates the Greek day-ahead market, while working on the creation of an intraday electricity market and an energy derivatives market. HEEx is also responsible for organizing and operating the Greek gas and environmental markets.

ELSTAT had initially classified this entity in S.13. Prior to the EDP dialogue visit, the GSA provided a note arguing that the entity should be reclassified as a financial auxiliary (S.126).

Findings and conclusions

There was no discussion on this point. Eurostat analysed the information provided by the GSA and took note of their view to reclassify the entity in S.126.

Hellinikon - Agios Kosmas

Introduction

The unit was established in 2018 by the Greek state in the context of the privatization of Hellinikon S.A. Its purpose is to manage, maintain and operate the area of Hellinikon - Agios Kosmas Metropolitan Pole and the exclusive collection and management of the fees. ELSTAT considered that Hellinikon Agios Kosmas is not an institutional unit and should be classified to sector S.13. because it is under public control.

Findings and conclusions

There was no discussion on this point. Eurostat analysed the information provided by the GSA and took note of their intention to classify the entity in the government sector.

2.3. Implementation of the accrual principle

2.3.1. Taxes and social contributions

The issues related to taxes and social contributions were discussed under the agenda point 2.1.1 on the COVID-19 measures.

2.3.2. Interest and consolidation of interest

Introduction

Under this agenda point, Eurostat inquired on the table on interest recording and on the reporting of bond exchange operations. PDMA has been quite active in bond repurchase and reselling in the period 2017-2021. The bond exchanges undertaken in 2020 and in January 2021 were

discussed in the previous EDP visit. There were no new bond exchanges between January and September 2021.

Discussion

Table on interest recording

Eurostat analysed the table on interest recording filled in by PDMA and raised a number of questions. Eurostat first asked about the coverage of the table and PDMA clarified that it covers budgetary central government (the State). Eurostat recalled that the cell for the coverage should be filled in and stressed that the table on interest should reconcile with EDP table 3B1. ELSTAT clarified that some differences between the table on interest and EDP table 3B1 are explained by debt imputed in EDP table 3B1, for example for the motorway concessions reclassified in government (around €5 bn). Eurostat pointed out that the sign should be changed in line 17 of the interest table to follow the sign convention.

Eurostat then focussed on the reporting of bond exchanges in the table on interest recording. As regards the PSI bond exchange undertaken in 2017, Eurostat remarked that it was reported differently in the table on interest than in EDP table 3B1. Eurostat asked PDMA to change the reporting of this bond exchange in the table on interest to align it with EDP table 3B1. PDMA confirmed that the 2017 bond exchange did not concern the totality of the PSI bonds (it concerned 25.5 bn out of 29.6 bn).

Eurostat then focussed on the reporting of the bonds exchanges undertaken in 2020. According to PDMA, the bond exchanges of 2020 consisted of bond buybacks followed by bond reissuances. Eurostat explained that in such case, appropriate entries should be recorded in lines 8 and 15 for the year 2020 for substantial amounts. Eurostat pointed out that line 15 concerning premiums/discounts repurchased, was equal for the year 2020 to the line for repurchases above/below nominal value in EDP table 3B1. Eurostat explained that this should not be the case and clarified that the lines in both tables could show similar amounts only if the bond repurchased was recently issued or if the changes in yield to maturity would be minor.

Eurostat then identified a problem in the lines for premiums and discounts at issuance (lines 8-11 in the table on interest). Eurostat explained that these lines should be equal to the corresponding lines in EDP table 3B1 and pointed out that this was not the case for the 2020 operations. Eurostat concluded that line 7 in the table on interest did not add up correctly due to the mistake in lines 8-11.

Eurostat observed that there were no amounts reported for coupon sold and coupon bought back for the year 2020. Eurostat asked PDMA to correct the relevant lines in the table on interest to properly report the coupons sold and bought back related to the bond exchanges undertaken in year 2020.

Finally, Eurostat asked PDMA to correct the lines for premiums. In the version of the table on interest analysed by Eurostat, there were amortisation of premiums reported without reporting the corresponding premiums at issuance.

Accounting of interest expenditure

Interest for the State is compiled by PDMA. The difference between interest paid and accrued is mainly explained by EFSF loans with grace period until 2032 and by the bond exchange operations.

Eurostat expressed its difficulty to monitor the reporting of interest expenditure, in particular, given the repeated bond exchanges for large amounts. Eurostat stressed that the breakdown of the difference between interest paid and accrued by instrument does not provide enough details and requested to receive specific calculations by security and additional breakdowns.

Eurostat also expressed concern with the treatment of the premiums and discounts at repurchase followed by the GSA. The bond exchange operations of 2017 were non-cash and consisted of repurchases at premium followed by reissuances at discount. Eurostat recalled that, in this operation, the discount at repurchase was netted with the premium at issuance and, therefore, the discount on newly issued bonds was not accrued to D.41. According to Eurostat, in cases of buyback and reissue, there should be an impact on the interest accrued. It invited the GSA to reflect on the recording followed for the 2017 bond exchange and consider whether the discount at issuance should be accrued to interest expenditure. As regards the bond exchanges of 2020, they were partly cash and partly non-cash and consisted of repurchases at discount followed by reissuances at premium. Eurostat inquired on the treatment applied for the 2020 transaction, whether the 2017 exception was also applied in this case. Eurostat suggested that, also in this case, the premium should be accrued to D.41 and considered the issue as still open.

Eurostat asked about the different accounting of premiums/discounts of bonds and T-bills in the source data. GAO confirmed that, for bonds, flows of premiums at issuance and discounts at redemption do not enter the working balance, whereas for T-bills, premiums and discounts at issuance enter the working balance. Eurostat considered strange that discounts for T-bills at issuance entered the working balance and asked whether the discount at issuance was paid to a specific account. GAO agreed to check and to provide a note clarifying the issue. In addition, Eurostat asked the GSA to include a footnote in EDP Table 3 in each Notification to recall that premiums/discounts on T-bills are included in the line Difference between interest (D.41) accrued (-) and paid (+) instead of the line Issuances above (-)/ below (+) nominal value.

Findings and conclusions

- (14) PDMA will make the following changes to the table on interest recording:
 - (i) Clarify that the coverage is the State (budgetary central government), except the imputed debt (mainly related to motorways). Except for this amount, the table on interest should then strictly reconcile with EDP table 3B1.
 - (ii) The sign convention should be followed. Hence, the sign should be changed in line 17 of the table.
 - (iii) The 2017 PSI bond exchange should be reported in line with EDP table 3B1
 - (iv) Line 15 for premiums/discounts repurchased should normally differ from the figures in EDP table 3B (which reflects the difference between purchase value and face value). This should be checked.
 - (v) Line 8/9 should be equal to the amounts reported in EDP table 3B, which is not the case. Hence, line 7 does not add up.

- (vi) Given that PDMA considers that the trilateral bond swaps organised by the State should be seen as repurchases and resales by the State, appropriate entries should be recorded in lines 8 and 15 (for substantial amounts)
- (vii) Similarly, there should be amounts for coupons sold and coupons bought back in 2020 to adequately reflect (1) the new issuances of 30 year bonds carried out in December 2020, (2) the coupon existing on bonds repurchased and resold (for identical/matching amounts)
- (viii) It is inconsistent to show amortisation of premiums if there is no premium at issuance. This should be corrected.

Deadline: Before March 2022 EDP Notification¹³

- (15) Eurostat expressed its difficulty to monitor the reporting of interest expenditure, in particular, given the repeated bond exchanges for large amounts. PDMA will provide the specific calculations, as well as additional breakdowns for the usual table on the difference between interest accrued and paid, instrument by instrument.

Deadline: Before each EDP Notification from March 2022¹⁴

- (16) Eurostat also expressed concerns on the treatment of repurchases with premium/discount followed by reissues. The 2017 transaction was non-cash and the discount/premium on newly issued bonds was not to be accrued to D.41 (being netted with discount/premium on repurchases). The transaction of 2020 is however partly cash and partly non-cash. It remains to be decided whether to accrue the discount/premium to D.41 or whether to continue with the 2017 exception.

Deadline: October 2021 EDP Notification¹⁵

- (17) Premiums and discounts on T-bills enter the working balance. GAO will confirm how this works for the discounts and whether discounts at issuance are paid to a specific account (possibly held at Bank of Greece). In addition, a footnote will be included in EDP table 3 in each EDP Notification to recall that the difference between interest accrued and paid includes discounts on T-bills (on a net basis).

Deadline: October 2021 EDP Notification¹⁶

2.3.3. EU flows

Methodology for the general recording of EU flows

Introduction

¹³ Eurostat received an updated table on interest on 16 March 2022. The action point is closed.

¹⁴ This action point is outstanding. PDMA has agreed to provide this information by October 2022.

¹⁵ For bonds that are repurchased and reissued at identical/matching amounts, PDMA continued applying the 2017 exception. It did not accrue the discount/premium on newly issued bonds to D.41, but netted it with discount/premium on repurchases. The action point is closed.

¹⁶ This action point was implemented in the October 2021 EDP notification. The action point is closed.

In Greece, revenue from the EU is recorded based on the claims submitted. Eurostat has systematically expressed concern about this recording, as EU transactions may not be neutral for large amounts. Following the incurrence in 2020 of significant expenditure related to Covid-19 measures, it became evident that the current method poses a problem. Only half of the amount spent was claimed in 2020, therefore the current method would lead to the recording of large amounts of revenue from the EU in future years, with a big gap from 2020 when the expenditure took place. As a quick and temporary solution, in the April 2021 EDP Notification, Eurostat had asked the Greek authorities to include specific ad-hoc adjustments for the year 2020. The adjustments introduced in EDP table 2A1 (adjustments H.84 and H.85) intended to record the EU revenue at the time the expenditure was incurred.

Under this item, Eurostat analysed the “triangle table”, which compares yearly data for submission of claims with the actual payments received from the EU. Eurostat inquired on specific adjustments undertaken in April 2021 in relation to the Covid-19 measures financed from EU funds and on any possible updates to these figures. Eurostat also requested to clarify the recording of EU financial instruments, given that part of the measures introduced following the COVID-19 pandemic concern EU financial instruments.

Discussion

Eurostat expressed concern with the difficulty to monitor the reporting of EU funds in Greece. According to Eurostat, the introduction of co-financed COVID-19 measures, some of which EU financial instruments, have further complicated the reporting of EU funds.

DG ECFIN recalled that, in Greece, all amounts that will be claimed to the EU must go through the Public Investment Programme (PIP) and not directly through the State Budget.

Revisions to the data reported in April 2021

Eurostat asked the GSA to confirm the amounts related to EU funds to be reported in the October 2021 EDP Notification. Eurostat started by requesting the following data for year 2020:

- The amount of Covid-19 expenditure financed from the Public Investment Programme (PIP)
- The Covid-19 expenditure financed from the PIP and eligible for EU financing
- The Covid-19 expenditure financed from the PIP, eligible for EU financing and claimed in 2020
- The amounts claimed to the EU in 2020 related to EU financial instruments (Covid-19 Guarantee Fund, TEPIX II Fund and other) as well as those related to repayable advances (which are not financial instruments, but are assimilated).
- The amounts claimed so far in 2021 in relation to Covid-19 expenditure incurred in 2020 and in 2021, specifying for each year the amount corresponding to EU financial instruments.

The Ministry of Development and Investment agreed to confirm the above information after the mission, in an action point. Eurostat then recalled the following ad-hoc adjustments that had been introduced in April 2021 for the year 2020 in EDP table 2A1 to report properly the Covid-19 measures co-financed with EU funds:

- An adjustment of 1,370 mn was included in line H.84 to impute revenue to match the Covid-19 expenditure incurred in 2020 and eligible for EU financing which was not claimed in 2020 (as it was expected to be claimed until 2024).
- An adjustment of -712 mn was included in line H.85 to eliminate amounts claimed (and therefore recorded as revenue) related to the Covid-19 Guarantee Fund, which concerns EU financial instruments.

Eurostat asked if the Greek Authorities intended to revise the above ad-hoc adjustments in October 2021. As regards the 1,370 mn of revenue imputed in line H.84, the Greek Statistical Authorities explained that the amount should be revised downwards in October 2021. They agreed to confirm in an action point if the updated amount should be 490 mn.

Concerning the -712 mn adjustment included in line H.85 to eliminate amounts recorded as revenue related to EU financial instruments (Covid-19 Guarantee Fund), ELSTAT explained that it should be revised to -740, following the update of losses for guarantee calls. Eurostat recalled that such provisions for guarantee calls related to standardised guarantees are national expenditure not covered from EU funds and therefore, should not be considered in this adjustment line. Accordingly, Eurostat confirmed that line H.85 should be revised from -712 mn to -825 mn, the latter corresponding to claims submitted in 2020 (recorded as revenue) concerning EU financial instruments.

The Greek authorities explained that it would be necessary to add a similar adjustment (line H.86) to eliminate revenue (claims submitted) related to the TEPIX II Fund, which concerns also EU financial instruments. According to ELSTAT, the amount to be eliminated should be 528 mn. Eurostat expressed doubts on the exact amount to be included in this line and asked ELSTAT to confirm whether it should be 528 mn (corresponding to loans actually extended to SMEs), 684 mn (corresponding to the total of loans signed, but not necessarily disbursed) or rather 756 mn (corresponding to the claims submitted for the total of TEPIX loans). ELSTAT explained that this adjustment had not been included in April 2021 because, at that time, ELSTAT did not have the information that the major part of TEPIX II claims of 2020 were related to Covid-19.

Adjustments related to EU financial instruments

Eurostat expressed doubts on the need to include in EDP table 2A1 adjustments H.85 and H.86 related to EU financial instruments and asked ELSTAT to clarify the reporting of EU financial instruments. In Greece, EU financial instruments are managed by the Hellenic Development Bank (HDB) and mainly concern guarantees and loans to enterprises. The amounts related to EU financial instruments were not sizeable before 2020, but skyrocketed following the introduction of Covid-19 measures, notably the Covid-19 Guarantee Fund and the TEPIX II Fund (both managed by the HDB).

ELSTAT recalled that the HDB is classified in general government, in the subsector of other central government units (S.1311.2). Eurostat inquired on the flows between the state and the HDB and the way they are reported in GFS. ELSTAT recalled that the HDB is funded exclusively from state transfers from the Public Investment Programme (PIP). The state transfers to the HDB include amounts that will be covered from national funds as well as amounts that will be financed from EU funds. ELSTAT clarified that, in GFS, the total outflow from the PIP is recorded as D.9 expenditure of the state, whereas the HDB records D.9 revenue only for the part to be covered from national funds. The part to be covered by EU funds is recorded as other

accounts payable (F.8L) of the HDB. Eurostat noted that, in the consolidated government accounts, this recording implies booking D.9 expenditure (corresponding to the EU part) at the time the state transfers funds to the HDB. Eurostat expressed its concern with this recording, which would not be in line with the rules for EU flows.

Eurostat also expressed concern with the recording of EU financial instruments granted by the HDB. ELSTAT explained that, when the HDB grants loans to SMEs, the cash outflow is recorded as a decrease in cash (-F.2), matched by an increase in loan assets (F.4) for the national part and a decrease in loan liabilities (-F.8) for the part financed by the EU. According to Eurostat, the current reporting of F.4 and F.8 would be incorrect and should be changed from net to gross; the full amount should be reported as loan assets of the HDB and the F.8 should be corrected accordingly.

ELSTAT confirmed that amounts related to EU financial instruments are included in the claims submitted to the EU (recorded as government revenue) and are reported in the triangle table. For this reason, it had proposed to include the ad-hoc adjustments H.85 and H.86 in EDP table 2A1 (to neutralise such revenue from claims submitted). ELSTAT confirmed that these adjustments were introduced for the first time in the year 2020 for the Covid-19 financial instruments and that no adjustments existed for the financial instruments in place before the Covid-19 measures. Eurostat asked ELSTAT to confirm the figure for the claims submitted in 2020 related to the COVID-19 Guarantee Fund and the TEPIX II Fund, as well as those related to other possible financial instruments.

Eurostat recalled the general principle for EU financial instruments that all amounts should be recorded in government accounts as other accounts payable and receivable, without impacting the non-financial accounts (except for interest on loans). Eurostat could not conclude whether adjustments H.85 and H.86 should be kept or dropped and considered that the reporting of EU financial instruments needed further clarification. Eurostat asked ELSTAT to provide detailed T-accounts for all the subsectors involved and, as memo-items, to add the corresponding entries in EDP tables 2A and 3B.

Adjustments related to repayable advances

As part of the Covid-19 measures, the Greek government had granted EUR 5,540 mn of business financing in the form of repayable advances. EUR 4,450 mn were provided from the State Budget and EUR 998 from the PIP. The Greek Statistical Authorities confirmed that, out of the 998 mn provided from the PIP, EUR 900 mn were eligible for EU financing and that 874 mn had been submitted for reimbursement to the EU in 2020 (and recorded as EU revenue).

Eurostat asked if the RAS qualified as EU financial instruments. The Greek authorities clarified that the RAS are not EU financial instruments. They explained that potential amounts to be recovered by the State would neither have to be given back to the EU, nor re-used in a revolving way.

Eurostat recalled the statistical treatment that had been applied for RAS, which was to partition the transaction and record part as a capital transfer and part as a loan asset. Eurostat clarified that, in line with the rules for EU funds, no EU revenue should be booked for the part recorded as a loan asset (as is it not government expenditure). It therefore concluded that it would be necessary to include a new adjustment in EDP table 2A1 to eliminate the corresponding claims submitted.

Findings and conclusions

- (18) The Ministry of Development and Investment will confirm the following information:
- (i) The amount of COVID-19 related expenditure financed from the Public Investment Programme (PIP) in 2020 was EUR 4,506 mn. Out of this amount, EUR 3,427 mn are eligible for financing from the NSRF.
 - (ii) Out of the COVID-19 expenditure undertaken in 2020 and eligible for NSRF, EUR 2,937 mn were claimed in 2020. This amount includes EUR 825 mn for the COVID-19 Guarantee Fund, EUR 684 mn for TEPIX II and EUR 873 mn for repayable advances, which are financial instruments or assimilated.
 - (iii) The COVID-19 related expenditure undertaken in 2020 and eligible for NSRF which has not been claimed in 2020 amounts to EUR 490 mn. Out of this amount, EUR 128 mn have been claimed in 2021 and EUR 362 mn will be claimed until 2024. The EUR 128 mn claimed in 2021 include EUR 75 mn related to financial instruments.

Deadline: 30 September 2021¹⁷

- (19) In April 2021, in consultation with Eurostat, ELSTAT introduced the adjustment H.84 in EDP table 2A1 to impute EU revenue for COVID-19 related expenditure incurred in 2020 eligible for EU financing but not yet claimed. Following the information provided in the previous action point, the amount of EUR 1,370 mn introduced in April in line H.84 will be revised to EUR 490 mn (a correction of -880 million).

Deadline: October 2021 EDP Notification¹⁸

- (20) In April 2021, ELSTAT introduced the adjustment H.85 in EDP table 2A1 to neutralize revenue related to claims submitted for EU financial instruments EUR. An adjustment of EUR -712 mn was introduced in April for the COVID-19 guarantee Fund and was calculated as follows: EUR 825 mn of claims submitted in 2020 – EUR 113 mn of losses for guarantee calls booked as D.99. In the draft EDP tables provided by ELSTAT before this EDP dialogue visit, the EUR -712 mn was replaced by EUR -740 mn, following the updated of losses for guarantee calls. (i) ELSTAT will clarify whether the adjustment H.85 is necessary or should be dropped. (ii) In case the adjustment is kept, it should be increased to EUR -825 mn, because the losses recorded as D.99 should not be deducted, as these are borne by the national budget and are not covered from EU funds.

Deadline: October 2021 EDP Notification¹⁹

- (21) In the draft EDP tables provided by ELSTAT before this EDP dialogue visit, ELSTAT introduced the adjustment H.86 in EDP table 2A1 to neutralize revenue related to claims

¹⁷ This action point was implemented in the October 2021 EDP notification. The action point is closed.

¹⁸ This action point was implemented in the October 2021 EDP notification. The action point is closed.

¹⁹ This action point was implemented in the October 2021 EDP notification. Adjustment H.85 was kept and revised to -825 mn. It neutralises the revenue for the claims submitted in relation to the Covid-19 Guarantee Fund. Two new adjustments were added: H.88 and H.89. Adjustment H.88 corrects the expenditure recorded for the transfers from the PIP to the HDB expected to be financed from the EU. Adjustment H.89 neutralises the revenue for the claims submitted in relation to other EU financial instruments not related to Covid-19 measures. The action point is closed.

submitted for EU financial instruments EUR. An adjustment of EUR -528 mn was introduced for the TEPIX II Fund, corresponding to the amounts claimed in 2020 for COVID-19 loans granted. This adjustment had not been included in April 2021 because, at that time, ELSTAT did not have the information that the major part of TEPIX II claims of 2020 were related to COVID-19. ELSTAT will clarify whether the adjustment H.86 is necessary or should be dropped. Also, ELSTAT will clarify if the amount to be neutralized should be 528 mn (loans actually extended to SMEs), 684 mn (total of loans signed, but not necessarily disbursed) or 756 mn (claims submitted for the total of TEPIX loans).

Deadline: October 2021 EDP Notification²⁰

- (22) In 2020, the Greek government granted EUR 5,540 mn of business financing in the form of repayable advances. EUR 4,450 mn were provided from the State Budget and EUR 998 from the PIP. Out of the latter, EUR 900 mn are eligible for EU financing and 874 mn have been submitted for reimbursement to the EU in 2020 (and recorded as EU revenue). In the April 2021 EDP Notification, EUR 2,905 (52.4%) were recorded as capital transfers and EUR 2,635 (47.6%) as loans. Eurostat is of the view that the claims sent to the EU related to the amounts recorded as loans should be neutralized and not treated as S.13 revenue. ELSTAT will introduce an adjustment line in EDP table 2A1 (H.87) designed to adjust the existing adjustment line for EU claims/revenue, for the part corresponding to loans. In 2020, this amount is estimated as $47.6\% * 874 = - 416$ mn.

Deadline: October 2021 EDP Notification²¹

- (23) ELSTAT will provide detailed T-accounts to illustrate the current reporting of EU financial instruments. (i) The T-accounts should cover the following sectors: State (S.1311.1), Hellenic Development Bank (S.1311.2), consolidated S.13, S.11 (assuming financial instruments granted to SMEs) and the Rest of the World (S.2). (ii) T-accounts should be provided for each of the following steps:
1. PIP transfers amounts to the HDB
 2. HDB grants loans to SMEs
 3. Government submits claims to the EU
 4. The EU reimburses claims
 5. SMEs repay loans to HDB
 6. HDB writes off loans
- (iii) For each of the six steps, the following information should be provided as memo-items: entries in the working balance, entries in the adjustment lines of EDP Table 2A1, and entries in the adjustment lines of EDP Table 3B1.

Deadline: October 2021 EDP Notification²²

²⁰ This action point was implemented in the October 2021 EDP notification. Adjustment H.86 was kept and revised to -750 mn. It neutralises the revenue for the claims submitted in relation to the Covid-19 Guarantee Fund. Two new adjustments were added: H.88 and H.89. Adjustment H.88 corrects the expenditure recorded for the transfers from the PIP to the HDB expected to be financed from the EU. Adjustment H.89 neutralises the revenue for the claims submitted in relation to other EU financial instruments not related to Covid-19 measures. The action point is closed.

²¹ This action point was implemented in the October 2021 EDP notification. Adjustment H.87 was introduced, for an amount of -419 mn. The action point is closed.

²² This action point was implemented in the October 2021 EDP notification. The action point is closed.

- (24) ELSTAT should also clarify where/how adjustments for EU financial instruments are included/shown in EDP table 3B. In addition, ELSTAT will provide the amounts for financial instruments submitted as claims to the EU for the period 2017-2020.

Deadline: October 2021 EDP Notification²³

- (25) Eurostat will analyse the information to be provided by the Greek Statistical Authorities as regards the current reporting of EU financial instruments and will provide its feedback.

Deadline: February 2022²⁴

Recording of amounts received under SURE and the RRF

Introduction

Eurostat inquired on the SURE loans and the RRF funds received from the EU in 2020 and 2021.

Discussion

The Hellenic Republic received SURE loans from the EU in 2020 and 2021 for a total amount of €5,265 mn in nominal terms. The cash inflow (5,309 mn) was higher than the nominal value of the loans and Eurostat asked about the statistical treatment of the premiums. The Greek Statistical Authorities explained that the cash inflow for SURE loans is not included in the working balance. They confirmed that, in the October 2021 EDP Notification, the premiums would be treated as negative interest expenditure and would be spread over the life of the loan. This would lead to a revision of adjustment line H.81 in EDP table 2A1, from 21 to 1 mn. The Greek statistical authorities proposed to record the amounts in Q4 for practical reasons, given the small size of the amounts. Eurostat agreed with this proposal.

In August 2021, Greece had received €4 bn from RRF funds, corresponding to a 13% prefinancing of the total amount expected to be received (€30.5 bn). Eurostat asked for the split of the amount received between grants and loans. ELSTAT explained that, out of the €4 bn received, 2.3 bn corresponded to grants and 1.6 bn to loans. It confirmed that in 2020 there had not been any expenditure financed from RRF funds and that, in 2021, the expenditure to be financed from RRF funds would be €72 mn. Eurostat inquired on how the RRF funds would be managed and the Greek Statistical Authorities explained that a special unit under the Ministry of Finance had been created to coordinate and manage RRF funds.

Findings and conclusions

Eurostat took note of the information provided by the Greek Statistical Authorities.

²³ This action point was implemented in the October 2021 EDP notification. The action point is closed.

²⁴ This action point is in progress.

2.4. Recording of specific government transactions

2.4.1. Government transactions in the context of the financial crisis

Hellenic Asset Protection Scheme (Hercules I, Hercules II)

Introduction

Eurostat enquired about the securitisation operations of non-performing loans (NPLs) undertaken under the Hercules Asset Protection Scheme. The first operation under Hercules was completed in June 2020 and concerned the securitisation of €7.5 bn of NPLs held by Eurobank. It involved a government guarantee of € 2,409 mn on the senior debt issued by the Cairo SPVs. In addition, the following securitisation operations had been completed under Hercules by September 2021:

- €10.8 bn NPLs of Alpha Bank, with a government guarantee of €3,763 mn on the senior tranche issued by the SPVs Galaxy II, Galaxy IV and Orion X;
- €6.8 bn NPLs of Piraeus Bank, with a government guarantee of €2,392 mn on the senior tranche issued by the SPVs Vega I, II, III and Phoenix.
- €7 bn of NPLs of Piraeus Bank, with a government guarantee of €2,450 mn on the senior tranche issued by the SPV Sunrise I.

The Eurobank “Cairo” securitisation, was discussed in the previous EDP DV of March 2021, where Eurostat had expressed significant concerns mostly related to the fact that the market value of the mezzanine and the junior bonds was very small compared to the guaranteed amount and in fact close to zero. Eurostat had specifically enquired, in this context, whether DoValue would otherwise earn any fees or other interest (under the umbrella of this arrangement) and by what means shareholders would be distributed the main stake in the Mezzanine Tranche (56 million, through a Cyprus Subsidiary, and whether the latter was quoted). Eurostat had also enquired on whether the rating of the senior tranche was before or after the guarantee and whether explanatory documentation by the rating agency could be made available to Eurostat.

A number of those questions had been raised by Eurostat during a videoconference that took place in September 2020, where Eurostat already raised concerns on this operation.

After the EDP DV of March 2021, there remained important issues to be clarified on this transaction. Eurostat asked for further information to be provided to have a full understanding of the Cairo operation. Eurostat also inquired at that time on the other subsequent operations that were undertaken in 2021.

In all the transactions reported for the time being, the SPVs are currently classified outside the government sector and ELSTAT has treated the government guarantee as contingent. Government net lending/net borrowing has been impacted positively, as the fees collected have been recorded as government revenue.

Discussion

Eurostat asked about the operations undertaken under the scheme in 2021, namely the securitisation of various NPL portfolios of Alpha Bank (Galaxy and Orion securitisations) and Piraeus Bank (Vega, Phoenix and Sunrise securitisations), which involve government guarantees above €8 bn. For each securitisation operation, Eurostat asked to receive the following

information, which is key to determine if the junior and mezzanine tranches have any value: the size of the senior, mezzanine and junior tranches, the nominal and market value of each tranche, who bought each of the tranches, in what percentage, for what amount, the amount of the guarantee fee, the amount of the service fee, if the investor is also the NPL collection service provider, etc. The Greek statistical authorities confirmed that they would provide the information requested after the mission, in the context of an action point.

As regards the Eurobank Cairo securitisation, completed in 2020, Eurostat asked for further information in order to have a complete understanding of this transaction. Eurostat remarked that it turned out that the sole private investor (DoValue) paid € 15 mn for a share of the junior and mezzanine tranches and is expected to receive service fees for € 416 mn. Eurostat asked about the nature of the service fees and the service that the private investor would provide in exchange of such fees.

A representative of Eurobank attended the meeting to address Eurostat's questions on the service fees to be received by the investor. He provided an overview of the Cairo securitisation and clarified that the servicer is required to run the day to day operations and obtain cash flows from selling the NPLs. He added that the servicer is incentivised to maximise the collections, as the service fee is established as a percentage (10%) of the amounts collected. He further clarified that 10% is the rate charged on most markets for such services.

The representative of Eurobank explained that the transaction was designed so that the bank would sell the junior/mezzanine notes and the servicing company at the same time. As part of the same deal, the private investor, DoValue, purchased on the one hand 20% of the mezzanine notes and 50.1% of the junior notes for € 15 mn and, on the other hand, 80% of the servicing company for € 270 mn. Through its stake in the servicing company, DoValue would service the NPLs of the Cairo securitisation (around € 7.5 bn) and the remaining NPLs of Eurobank (around € 6 bn at the time of the transaction). The representative of Eurobank confirmed that an open process took place for this deal, that there were other offers apart from that of DoValue and that DoValue provided the better offer.

Eurostat underlined that it is key to determine if the junior and mezzanine notes were sold to the market. According to Eurostat, in this transaction, it is difficult to separate the sale of the notes from the sale of the servicing company and therefore, DoValue could be seen not as a genuine financial investor, but rather mostly a service provider paying €15 mn in advance. Under this interpretation, returns on the mezzanine/junior tranches would then be assimilated to performance-related service fees, and the investments in mezzanine/junior tranches and in the equity stake in the servicer would be largely substitutable.

Eurostat also pointed out that DoValue has a stake not only in the junior/mezzanine notes and the servicing company, but also in the Cairo SPV, where it is deemed to have acquired some controlling rights. Given that government can replace DoValue, Eurostat considered that government has perhaps not lost control of the process.

Eurostat asked if the securitisation operations undertaken after Cairo would follow a similar scheme. The representative of Eurobank confirmed that the securitisation of NPL portfolios of Alpha Bank and Piraeus Bank had used a similar scheme to Cairo, whereas National Bank of Greece (NBG) had chosen a different scheme. NBG would retain the servicing of the NPLs (it will not sell the notes plus the servicing company as part of the same deal) and it would sell the notes in the market without distributing part to the shareholders, i.e, there would be no vehicle similar to Cairo Mezz.

Eurostat inquired about the assets of Cairo Mezz, which is the SPV created to hold the junior and mezzanine notes that were distributed to shareholders (i.e., the notes not retained by Eurobank, nor purchased by the private investor). The Greek statistical authorities confirmed that the company's sole purpose is holding and managing the Cairo mezzanine and junior securitization notes and that the shares of the company are quoted in the Athens Alternative Market (ENA PLUS). The representative of Eurobank added that, according to Bloomberg, the market has positive expectations about the Cairo Mezz shares.

Eurostat asked for detailed information on the BB- rating assigned by DBRS to the senior tranche. The representative of Eurobank explained that the rating is a private rating and that therefore, there is no report disclosed. It clarified that public ratings have to justify the analysis with a report, but that this is not the case for private ratings. It confirmed that the rating was provided before the guarantee and that the junior and mezzanine tranches were not rated. Given the little value of the junior and mezzanine notes sold, Eurostat considered somehow peculiar that a BB- rating was achieved without the guarantee.

Eurostat stressed that there were important differences between the Greek Hercules Scheme and the Italian Asset Protection Scheme (GACS). It mentioned the following features observed in the main securitisation operation analysed under the Italian scheme: the mezzanine and junior tranches had a significant value, there were many investors, and the investor was not the same as the service provider, such that the guarantee was not expected to be called, all features which constitute substantial and perhaps decisive differences from the case of Hercules transactions.

Eurostat recalled that the Cairo SPVs are based in Ireland. Although it may not be straightforward to conclude who would have IFRS control of the SPVs, Eurostat pointed out that in national accounts the SPVs could be controlled by other means. As an example, it mentioned that government can step in and replace the service provider if it is not performing as hoped.

Eurostat concluded that the treatment of these operations is still an open issue and underlined some elements that should be taken into account to assess the statistical implications. For instance, if the mezzanine and junior notes would have little value, this could indicate the government would be taking the risk. Eurostat also considered that, in such case, there would be no risk for the shareholders, but only potential rewards.

Findings and conclusions

- (26) The Greek Statistical Authorities will provide the details of the securitisation operations undertaken in 2021 by Alpha Bank and Piraeus Bank. In particular, they will provide the following information for each securitisation operation:
- (i) Confirm whether the scheme is in substance similar to the securitisation of Cairo
 - (ii) Date of the securitisation and of the activation of the guarantee
 - (iii) Size of senior, mezzanine and junior tranches
 - (iv) Nominal value and market value of each tranche
 - (v) Who purchased each tranche and in what percentage
 - (vi) Total guarantee fees estimated to be received by government
 - (vii) Total service fees estimated to be received, if any, by the party purchasing the majority/significant parts of the junior/mezzanine tranche

- (viii) Investment undertaken in the servicing company, if any, by the party purchasing the majority/significant parts of the junior/mezzanine tranche
- (ix) Details of the rating of the senior tranche (agency doing the assessment, rating obtained and date of the rating)
- (x) Estimation of the maximum amount to be called

Deadline: October 2021 EDP Notification²⁵

(27) As regards the securitisation of non-performing loans (NPLs) of Eurobank undertaken in the context of Hercules I, the Greek statistical authorities provided the following information:

- Eurobank transferred a portfolio of NPLs with GBV EUR 7.5 bn to three SPVs, Cairo I, Cairo II and Cairo III, based in Ireland.
- To finance the acquisition of NPLs, the SPVs issued debt in different tranches: senior, mezzanine and junior. The nominal value of the notes issued was EUR 7.5 bn and the breakdown of the tranches was as follows: EUR 2.4 bn senior, EUR 1.5 bn mezzanine and EUR 3.6 bn junior.
- The Greek government provided a guarantee on the senior debt issued by the SPVs (amounting to EUR 2.4 billion). Eurobank, the originator, kept all the senior notes and 5% of the mezzanine and junior tranches.
- There was one single investor, DoValue, which purchased 50.1% of the junior notes and 20% of the mezzanine notes issued by the SPVs. DoValue paid EUR 15 mn in cash for notes with a nominal value around EUR 2.1 billion.
- There were no other investors. The remaining notes not purchased by DoValue nor retained by Eurobank (45% of the junior and 75% of the mezzanine notes) were repacked and distributed back to the shareholders of Eurobank as dividends in kind. The sole investor purchasing notes of the junior and mezzanine tranches, DoValue, is at the same time an investor and a provider of services. It services the Cairo securitisation and the remaining NPLs of Eurobank. DoValue paid EUR 15 mn for the junior and mezzanine notes and EUR 270 mn to acquire 80% of the servicing company. DoValue is expected to receive around EUR 416 mn in service fees during the life of the transaction.

To assess the economic ownership of the NPLs transferred and the related debt issued by the SPV and the consequences of the securitisation operation, it needs to be determined which sector (government or the private sector) bears more risks, independently of whether these risks are big or small. This is because an asset, under normal circumstances, is recorded in the balance sheet of the entity that will assume the majority of the risks and rewards related to the asset.

To assess the recording of the government guarantee with or without impact on the government deficit at inception, it needs to be checked whether guarantee calls are likely

²⁵ This information was provided to Eurostat on 14th October 2021. The action point is closed.

and, if so, for what amount. In case calls are likely, a capital transfer should be booked at inception for the amount of the expected calls.

The Greek Statistical Authorities will provide the following information to Eurostat concerning the likelihood of guarantee calls and losses:

- (i) Amount and likelihood of guarantee calls
- (ii) Amount and percentage of losses (expected and unexpected, equal to guarantee calls less guarantee fees received by government) and the methodology applied to determine them. This information is available for each securitisation operation, as is it necessary in the context of under the Significant Risk Transfer information requirements

Deadline for ELSTAT to provide the information concerning the likelihood of guarantee calls and losses: End of February 2022²⁶

Eurostat acknowledges that the assessment of the transactions under the Hercules Asset Protection Scheme is a complex case, as it involves combining national accounts rules of different parts of ESA and of the MGDD. Namely, those for securitisation operations, financial defeasance, government guarantees, classification of SPVs and rearrangement of transactions based on risks and rewards, in addition, in the context of public banks.

The securitisation operations of this type are not described in detail in the existing statistical Manual of Government Deficit and Debt. Moreover, each securitisation operation has its specificity and needs to be analysed individually, on a case-by-case basis. At the same time, equal treatment across Member States and hence comparability of statistics on public debt and deficit have to be ensured.

Therefore, Eurostat considers that this case would benefit from further input of national accounts experts by extending the discussion to the statistical community. The treatment of securitisation operations with government guarantees in the context of financial defeasance was included in the agenda of the EDPS WG of 6-8 December 2021²⁷. The objective would be to have more explicit guidance to be included in the next version of the MGDD, foreseen to be published at the end of 2022.

A final decision will take into account the outcome of the discussion with Member States in the EDPS WG and the information to be provided by the Greek Statistical Authorities²⁸.

²⁶ This information was provided to Eurostat on 28 February 2022.

²⁷ The issue was also discussed in the EDPS WG of 8-10 June 2022.

²⁸ This action point can be considered accomplished. A final decision on the treatment of the Hercules transactions will be taken at the moment in which the new MGDD text will be approved.

New insolvency framework (Sale and Lease-Back Organisation)

Introduction

The new regulation for the insolvency framework enacted in October 2020 provided for the set-up of a Sale and Lease Back Organization (SLBO). The purpose of the SLBO is to protect vulnerable debtors' primary residence from enforcement actions. Eligible debtors will be able to transfer their primary residence to the SLBO and lease it back for a period of up to 12 years. Debtors will have the possibility to buy-back the property at any time during the 12-year lease period or at the termination of the lease. Vulnerable individuals will benefit from a state subsidy to pay the rent to the SLBO²⁹. The SLBO will be a private unit appointed by government, following the completion of an open tender process. The SLBO will be empowered to issue bonds and may benefit from a government guarantee. The State is not expected to participate as shareholder, but will set the rules on how the SPV operates.

Eurostat requested additional information on the SLBO and enquired on the state of play of the tender procedure. Representatives of the Special Secretary for Private Debt Management (SSPDM) attended the meeting to discuss this issue.

Discussion

Eurostat asked about the acquisition price to be paid by the SLBO and the buy-back price to be paid by the original owners. The SSPD confirmed that the price would depend on the market/commercial value of the property, which would be established by a certified engineer. As regards the acquisition price to be paid by the sale and leaseback unit, the SSPD clarified that there will be a ceiling of €185,000 mn, which equals the limit set by the Ministry of Labour in the definition of vulnerable debtors.

Eurostat inquired on the percentage that the State subsidy would represent on the monthly lease and the SSPD confirmed that it could represent around one third³⁰. The SSPD further clarified that the subsidy applies also to individuals outside the scheme and that it is not specifically connected to the SLBO. Nevertheless, in case an individual transfers its residence to the SLBO, the subsidy shall be used to pay the monthly lease.

The SSPD explained that the calculation of the initial lease rate will be set in the legislation and that, after one year, the two parties will be able to renegotiate the lease. It clarified that the initial rate would prevail in case of no agreement³¹. It further explained that, although the lease agreement may be terminated if the debtor defaults on 3 monthly instalments, in the bid the SLBO can offer additional tolerance³² for debtors that have defaulted on lease payments.

²⁹ The GSA provided additional information on 22 September 2022. They explained that the state subsidy will be paid directly to the SLBO.

³⁰ The GSA provided additional information on 22 September 2022. They explained that the relevant estimation falls in the area of 25% of the monthly rent. They highlighted that the final portion will depend on the bid of the preferred investor.

³¹ The GSA provided additional information on 22 September 2022. They clarified that there is no envisaged negotiation element in the rent setting. The rent will be set in the initiation of the lease as stipulated in the law and following the outcome of the tender process adjusted on an annual basis with ECB's main refinancing operations (MRO) rate (as also stated in the law).

³² The GSA provided additional information on 22 September 2022. They clarified that this element was included in the initial set of award criteria but that it was not included in the final tender documents as an award criterion.

As regards the financing of the unit, the SSPD explained that it will be empowered to issue bonds and that 20% should be equity, with a minimum upfront payment of € 9mn³³. It confirmed that the unit will be allowed to distribute dividends as long as it keeps the 20% equity and that the potential gains would not have to be returned to government. It added that the unit would need government permission to transfer its shares.

The SSPD stated that the project will be of high risk, as some of the properties that the entity will be obliged to purchase will have little value, the value will probably go down after 12 years and the properties will be difficult to sell. The SSPD confirmed that, in order to decrease the risk, the Greek State would be ready to provide a guarantee on the senior bonds issued by the SLBO³⁴. It explained that the duration of the guarantee would be 12 years and that the guarantee would be remunerated.

Eurostat asked if the SLBO would be obliged to extend the lease in case the original owner would not be willing to repurchase the property after 12 years and would request to extend the lease further. The SSPD replied that the obligation to extend would not be requested by government in the legislation, but that the bidders would have the possibility to grant extensions in the bid application and that this flexibility would be considered positively when awarding the tender³⁵.

Concerning the award procedure, the SSPD explained that the call for expression of interest had not been launched yet and provided an overview of the process. Eurostat took note of the following information: (i) a draft of the call for expression of interest was available in the website for public consultation and comments; (ii) the tender would then be submitted to the EC and the call for expression of interest would be launched; and (iii) once applicants express interest, there would be a 3-month period for negotiations between the state and the bidders.

As regards the statistical analysis, Eurostat explained that the key issue is to determine who is the economic owner of the assets. For this, it is necessary to assess the risks and rewards. Eurostat considered that this can be seen as a borderline case. It expressed a preliminary view that the SLBO cannot be seen as the economic owner of the assets³⁶ because it cannot decide whether to rent or to sell them, when and at what price. As regards the decision to sell or to rent, the

³³ The GSA provided additional information on 22 September 2022. They clarified that €9 mn is the original share capital that the SLBO should have at the time the entity will be established and that the 20% threshold refers to the financing mix that should consist of 20% equity at all points in time.

³⁴ The GSA provided additional information on 22 September 2022. They explained that alternative options are being considered.

³⁵ The GSA provided additional information on 22 September 2022. They explained that it was decided to exclude the said process from the tender.

³⁶ The GSA provided additional information on 22 September 2022. They explained that the SLBO will be a special purpose vehicle that will be created by the preferred bidder and will sign the concession agreement, and will also be the lessor and legal owner of the properties. More specifically, they explained that the SLBO:

- Receives the rent by the vulnerable calculated based on the formula stipulated by the law
- Receives the repurchase price by the vulnerable in the case that the latter exercise his right, calculated by taking into account the market value of the property at the time less a discount again defined through the competitive tender process
- In the case of a default event by the vulnerable, the SLBO is free to commercialize the asset on its own terms
- In the case that the 12-year period ends and the vulnerable does not repurchase, the SLBO is free to commercialize the asset on its own terms as well
- Throughout the "protection" period, the SLBO is liable for any maintenance costs as the asset owner of the property.
- Bears any valuation costs to determine the acquisition price

vulnerable debtor can purchase the asset at any time in 12 years and it remains to be clarified if it could extend the lease beyond 12 years³⁷. As regards the rent, it is set by law. As previously stated, the acquisition and sale price is set by a valuator. Nevertheless, Eurostat agreed that the SLBO would be at risk for the 20% equity and that it could reap the rewards.

Eurostat admitted that the case is not easy and that some information which would be relevant to assess the risks and rewards would only be fixed after the call for tender. It suggested that the economic owner could be either the vulnerable debtor or government. It recalled that the higher the involvement of government, the higher the likelihood of government being the economic owner of the assets. Eurostat pointed out that government is involved in the scheme in many ways and recalled that the operation is set by government for social purpose, that government sets the law and the rules to determine the acquisition/sale price and the rent, as well as the rules on how the SLBO operates. In particular, it raised the attention of the Greek statistical authorities to the following items, which could point to government being the economic owner:

- The SLBO is obliged to acquire all the assets of the vulnerable debtors, without any ability to select which assets it will acquire³⁸
- The SLBO cannot set its own price on the acquisition & sale of the asset or during the rent setting³⁹
- Based on the outcome of the tender process, vulnerable debtors may have the right to extend the lease beyond the 12-year period
- Based on the outcome of the tender process, vulnerable debtors that have defaulted on rent payments may be granted additional tolerance
- One third of the monthly rental will be subsidized by government
- Government may provide a guarantee on the debt issued by the SLBO
- The sale of the entity's shares is subject to State's permission⁴⁰

According to GAO, the main risk is the change in price of the properties after 12 years. It disagreed with the point raised by Eurostat on the SLBO not being the economic owner of the assets and made a parallel with a case of sale and leaseback of buildings that took place in the past.

The SSPD explained that there is no intention to have the SLBO controlled by government and that the goal is to have the entity off government accounts. It asked about the implications of the government guarantee and the potential extension of the lease beyond 12 years.

Eurostat recalled that its role is to provide a view on the statistical implications of operations and not to advise on how to design operations. It reinstated that this is a borderline case and that government seems to be taking some risks, but not the rewards. It explained that the analysis should consider the classification of the SLBO as well as the treatment of the government

³⁷ The GSA provided additional information on 22 September 2022. They confirmed that the Concession agreement will not include any extension option.

³⁸ The GSA provided additional information on 22 September 2022. They explained that this is a fundamental structural element of the SLBO and that allowing the investor to select which assets it will acquire would defeat the purpose of the SLBO.

³⁹ The GSA provided additional information on 22 September 2022. According to them, from articles 220 and 222 of Law 4738/2020 it is evident that the SLBO acquires the assets at their commercial value, mirroring the process that would be applicable in the market.

⁴⁰ The GSA provided additional information on 22 September 2022. They highlighted that this feature is common practice in all concession agreements in Greece.

guarantee. It therefore considered possible that the SLBO might be classified in the private sector, but that nevertheless the debt of the SLBO could be re-routed to government. It mentioned that there had been similar cases in two Member States and that in both cases, government accounts were impacted. Eurostat concluded that further discussion is needed and that important information which is key for the statistical analysis is still missing.

Findings and conclusions

- (28) Concerning the Sale and Leaseback Organisation (SLBO) that will be set-up to purchase primary residences of vulnerable debtors, Eurostat took note that some information which is key for the statistical treatment will only be known at a later stage in the tender procedure. ELSTAT will monitor the developments of the tender procedure and will keep Eurostat updated in order to assess the statistical implications of this borderline case.

Deadline: October 2022 EDP Notification⁴¹

Capital increases in banks in 2021

Under this item, Eurostat inquired on the capital increases in banks undertaken in 2021.

Piraeus Bank

Introduction

As regards Piraeus Bank, there was a conversion of CoCos held by the Hellenic Financial Stability Fund (HFSF) into ordinary shares for €2,040 mn in Q1 and a capital injection by HFSF for €352.7 mn in Q2.

The conversion of CoCos into common shares in 2021Q1 was triggered by the omission of two coupon payments (in 2018 and 2020). As a result of the conversion, the participation of HFSF in the share capital of the Bank increased from 26.42% to 61.34%. The conversion was done through other economic flows and had no impact in the non-financial accounts of 2021Q1, as expenditure had already been recorded in 2015 when the CoCos were acquired.

Subsequently, in April 2021, Piraeus Bank raised €1,380 mn in a share capital increase (SCI). The HFSF injected €352.7 mn and the remaining amount was subscribed by private investors. The SCI was completed through a combined offering consisting of a private placement (institutional offering) and a public offering ran in parallel. The amount injected by HFSF represented 25.6% of the combined offering. After the SCI, the share of HFSF decreased to 27%. The shares were purchased at an offer price (€1.15) below the prevailing market price (€1.99). Piraeus Bank incurred losses in the period 2016-2018 and, to a bigger extent, in 2020 and 2021Q1.

The injection in Piraeus Bank was discussed in detail. A note provided by the GSA prior to the meeting was used as input. In the note, ELSTAT considered that the capital injection by HFSF should be recorded as a financial transaction, with no deficit impact.

⁴¹ Eurostat received updated information on 19-10-2021 and 11-03-2022. A decision on the statistical treatment of the SLBO will be taken only after the tender has been awarded and the final details are known.

Discussion

Eurostat expressed doubts on the treatment of the SCI as a financial transaction proposed by ELSTAT and asked some questions to better understand the transaction. Eurostat asked if the offer was open to all investors or only to the existing shareholders. ELSTAT confirmed that the offer was open to all investors. ELSTAT further explained that the private placement represented 85% of the combined offering and that the public offering represented 15%. It was clarified that the HFSF participated only in the private placement and that the public offering also included existing shareholders.

Eurostat considered strange that the offer price of the shares was well below their market value and asked whether the shares could be sold immediately after the SCI. ELSTAT confirmed that the shares could not be immediately sold and that it was mandatory to wait at least two weeks. Eurostat expressed concern for the fact the shares could not be immediately sold. The expert providing technical assistance to Greece explained that the two week waiting period is the usual period to see if there is a profit.

Eurostat also expressed concern with the fact that the decision of HFSF to participate in the SCI was communicated to the issuer in advance and was included in the prospectus for the public offering. The expert providing technical assistance to Greece explained that big shareholders are normally asked in advance about their intention to participate in a SCI and that this is communicated in the public offering.

Eurostat then asked whether the losses reported in 2021 Q1, took into account the securitisation operations of non-performing loans carried out under the Hercules Asset Protection Scheme. ELSTAT confirmed that the losses related to the securitisation were booked in Q1 and that no further losses related to securitisation were expected in the next quarters. Eurostat also asked how many new shareholders participated in the public offering, who were the shareholders and what were the amounts invested. ELSTAT agreed to provide this information as a follow-up from the meeting.

The stock price historical chart was reviewed and Eurostat expressed surprise by the fact that the price of the shares had decreased sharply before the SCI, from €20 by the end of 2020 to around €2 before the SCI. Eurostat considered that there might be a connection between the low price of the shares in the SCI of Q2 and the conversion of the CoCos undertaken in Q1.

ELSTAT considered that the €352.7mn contributed by HFSF should be treated as an acquisition of equity (F.5a) in application of the decision tree in the MGDD (page 151). The Bank of Greece agreed with the proposal of ELSTAT to treat the capital injection as a financial transaction. Eurostat disagreed with this reasoning and explained that the decision tree in the MGDD is applicable to general cases, but that there seemed to be many abnormalities in the current case, which required further reflection.

There was no conclusion on the treatment of the SCI. Eurostat considered that the case was not straightforward and that further reflection was needed. In particular, Eurostat pointed out that attention should be paid to the following items: the fact that the shares could not be sold immediately, the fall in the price from €20 to €2 before the SCI and the confirmation of who the new private investors were, how many and for what amounts.

Findings and conclusions

(29) As regards the capital injection by HFSF in Piraeus Bank in 2021 Q2, Eurostat expressed doubts on the treatment as financial transaction proposed by ELSTAT. Eurostat considers that this is a borderline case and that the following elements should be taken into account in the analysis:

- The shares could not be immediately sold after the Share Capital Increase (a condition foreseen in the MGDD). It was mandatory to wait at least for two weeks and share prices fell considerably when this period ended.
- There was a very substantial discount to the market value at time of share issuance (market value of 10\$, shares purchased at 1\$), which may be viewed as a compensation for the dilution of existing shareholders
- There was a conversion of CoCos into ordinary shares in 2021 Q1, for a very large amount, that considerably diluted the existing shareholders
- It needs to be confirmed how many new investors (and for what share) participated in the public offering (which was 15% of the total offer) and who participated in the private offering.

Eurostat considers that this issue is still open and that further discussions are needed. The Greek statistical authorities will reflect on how to report this transaction in September 2021, pending a final decision.

Deadline: March 2022 EDP Notification, with a preliminary decision to be taken by ELSTAT in September 2021⁴²

Alpha Bank

Introduction

A similar SCI took place in July 2021 in Alpha Bank. The recapitalisation process was identical to that of Piraeus. Alpha Bank raised €800 mn in a share capital increase. The HFSF injected €41.6 mn and the remaining amount was subscribed by private investors. The SCI was completed through a combined offering consisting of a private placement and a public offering ran in parallel. The amount injected by HFSF represented 5.2% of the combined offering. The bank was profitable up to 2021Q1. In Q2 it incurred a €4bn loss for disposing of non-performing loans in a Hercules-backed securitisation.

The injection in Alpha Bank was not discussed during the meeting. ELSTAT did not provide their analysis, as the issue concerns 2021Q3.

Findings and conclusions

ELSTAT considered that the statistical treatment of this case was not relevant to the data that would be transmitted in September 2021. Eurostat took note that the transaction would be analysed in the context of 2021Q3 compilation procedure.

⁴² ELSTAT recorded the capital injection as a financial transaction. Eurostat has provisionally accepted this treatment. The action point is closed.

Attica Bank

Introduction

As regards Attica Bank, a share capital increase and a conversion of deferred tax assets (DTAs) were announced for Q3/Q4. ELSTAT did not provide input on this transaction and it was not discussed during the meeting.

Findings and conclusions

Eurostat took note that the transaction would be analysed at a later stage in the context of compilation procedure of 2021Q3/Q4 and invited ELSTAT to monitor the developments.

2.4.2. Infrastructure projects: Public Private Partnerships, concessions and EPCs

Introduction

Under this point of the agenda, Eurostat asked the GSA to provide a detailed list including all concession contracts in place.

In addition, Eurostat followed up on the Hellinikon project. Hellinikon S.A. is a government SPV which was established to manage Aghios Kosmas Seafront Area. The Hellenic asset development fund (HRADF) would proceed with the sale of shares of the SPV. A Share Purchase Agreement was signed in 2014, according to which Lamda Development SA would purchase the shares in Hellinikon SA for €915m. Cash would be received by HRDAF upon closure in uneven instalments over a 10 year period. The closure of the project occurred in 2021. The Share Transfer Agreement was signed in June 2021 and HRDAF received €300 mn as the first instalment. The statistical treatment of the transaction and the implications for the accounts of 2021 Q2 were discussed.

Discussion

Eurostat recalled the importance of having a list with the main ongoing concession contracts related to infrastructure assets. Given the significant number of concession contracts involving different assets and the huge amounts concerned, it urged ELSTAT to carry out a stock tacking exercise to produce this document.

As regards Hellinikon, Eurostat asked ELSTAT to confirm when the transfer of shares would take place. ELSTAT confirmed that the transfer date was 25 June 2021 and that the private sector acquired control of the SPV. ESTAT explained that, in the consolidated central government accounts of 2021Q2, they intended to record a decrease in shares and other equity (F.5) for €915 mn, matched by an increase in cash (F.2) for €300 mn and in other accounts receivable (F.8R) for €615 mn. ELSTAT also explained the flows between the state and HRDAF, which consolidate.

Eurostat agreed with the recording proposed by ELSTAT as a sale of shares in 2021Q2. Nevertheless it mentioned that an alternative treatment could have been to partition the transaction as a 30% outright sale of land and a 70% 99-year lease on land (to be exploited and developed on). Eurostat recalled that there is a profit claw-back which would be activated in case

the partner's internal rate of return exceeds 15% after 7 years and remarked that the clawback could affect the recording as a true sale of land.

Findings and conclusions

- (30) ELSTAT will provide a detailed list of concession contracts, disclosing the main ongoing concession contracts related to motorways, airports, ports, etc. Planned concessions, such as Patras-Pyrgos motorway, Thriasio rail, E65 motorway, etc. will also be reported. Information will include the statistical treatment of the assets (on or off balance sheet) and the investment undertaken/foreseen.

*Deadline: Before March 2022 EDP Notification*⁴³

2.4.3. Guarantees

There was no discussion on this agenda item. Prior to the meeting, ELSTAT provided Table 9.1 on guarantees in public accounts as well as updated information concerning the backlog of guarantee calls, which was discussed in detail in the previous EDP mission. Eurostat took note that changes as compared to March 2021 were minor.

2.4.4. Financial derivatives

Introduction

The table on the recording of derivatives was discussed under this agenda point. Eurostat followed-up on the changes and corrections undertaken after the last EDP visit.

Discussion

Eurostat thanked the GSA for the corrections undertaken to the table on derivatives. It pointed out that the sign in line 17 of block 1 was still not aligned with that on EDP Table 3 and asked PDMA to do the necessary corrections in the table on derivatives.

As regards the reporting of off-market swaps in the table of derivatives (block 3), Eurostat asked whether line 7 contained real values or whether it was obtained by calculation. Eurostat pointed out that one of the lines 7 or 8 seemed to be incorrect. PDMA agreed to check lines 7 and 8 and make the necessary corrections.

In the table on derivatives, PDMA reports the paying leg (outflows) as liabilities and the receiving leg (inflows) as assets. Eurostat inquired on the possibility to report the transactions in derivatives as assets or as liabilities depending on whether the derivative is an asset or liability in market values, respectively at the beginning (or at the end) of each year. PDMA explained

⁴³ On 14 March 2022 ELSTAT provided a note disclosing the main ongoing concession contracts. The action point is closed. It was agreed that ELSTAT would continue gathering information to produce an exhaustive list of all assets operated under a concession agreement.

that in their database they cannot identify if a swap is an asset or a liability and therefore, they divide each instrument on a paying leg and a receiving leg. Eurostat recalled that swaps should be reported net and added that, if the net cash flows swap by swap would be available, it would be possible to classify each swap as an asset or a liability.

Eurostat asked about the increase in the notional value of interest rate swaps (IRS) liabilities from €67 bn in 2019 to €75 bn in 2020 reported in block 2 of the table on derivatives. PDMA confirmed that it was due to the increase of the IRS related to the Greek Loan Facility (GLF). From 2018, Greece entered into a series of IRS to hedge the interest rate exposure of the GLF. PDMA explained that 98% of the €52.9 bn GLF had been swapped by 2020. Such IRS changed the floating interest rate (3-months Euribor plus 50 bp) to fixed (95 bp plus 50 bp) and were contracted with 14 foreign banks and 4 Greek banks, in clips of €250 mn or €500 mn. To incentivise its counterparties, the Hellenic Republic provided collateral in the form of T-bills and made upfront payments corresponding to prepayments of interest for the period 2026-2031. As part of the regular monitoring of the IRS on the GLF, Eurostat requested updated information up to the second quarter of year 2021 and inquired on some novations undertaken in 2020.

Findings and conclusions

- (31) PDMA will check the following information on the table on derivatives:
- Sign of line 17. It is not aligned with EDP table 3.
 - Reporting of off-market swaps. It seems that one of the lines 7 and 8 could be incorrect.

The current practice when filling in the table on derivatives is to report the paying leg (outflows) as liabilities and the receiving leg (inflows) as assets. PDMA will examine the possibility of reporting transactions in derivatives as assets or as liabilities depending on whether the derivative is an asset or liability, respectively, at the beginning (or at the end) of the year (acceptable simplification).

Deadline: Before March 2022 EDP Notification⁴⁴

- (32) Concerning the IRS on the Greek Loan Facility, PDMA will provide the following information:
- Details of the novation carried out in 2020. Please provide the amounts and identify the parties according to the table provided as follow-up of the videoconference of September 2020.
 - Please update the table for these swaps by bank which was provided as follow-up of the videoconference of September 2020, with the information available up to 2021 Q2. Please provide as well the prepayments made by the Greek government in 2021Q1 and Q2.c.)

Deadline: Before October 2022 EDP Notification⁴⁵

⁴⁴ The GSA provided an updated table on derivatives on 16 March 2022. The action point is closed. For the first time PDMA has reported the transactions in derivatives as assets or as liabilities depending on whether the derivative is an asset or liability in market values, respectively at the beginning of each year, starting from 2016.

⁴⁵ This action point was implemented in the October 2021 EDP notification. The action point is closed.

2.4.5. Pensions

Introduction

Under this agenda point, Eurostat followed up on the planned Auxiliary Pension Reform. In November 2020, the Greek Ministry of Labour and Social Affairs requested Eurostat's opinion on the statistical implications of the draft reform. The major issue at stake was whether the scheme qualifies as a social security scheme. Eurostat replied in December 2020 and asked for further information, which was provided by the ministry shortly before the EDP dialogue visit of March 2021. The reform was further discussed during that visit. As Action Point 27 of March 2021, the Ministry of Labour provided a simulation of the return on investment in the framework of the new pension scheme, to demonstrate the potential impact of different scenarios on the government guarantees.

Eurostat provided its preliminary opinion on the statistical implications of the planned reform in July 2021. Eurostat considered that the scheme did not qualify as a social security scheme and therefore, it was likely to be classified outside general government. Nevertheless, Eurostat pointed out that the assessment was hindered by the fact that the relevant Law was not yet adopted and that the sector classification of hybrid pension schemes was under review in the framework of the EDPS WG.

Discussion

The GSA did not raise comments on Eurostat's letter.

Eurostat asked whether the respective Law had been approved and whether there had been changes to the draft Law previously discussed. The representative of the Ministry of Labour confirmed that the new Law had been approved in early September and that there were no material changes to the draft Law. It explained that the new Fund was being set up and that workers entering the system from 2022 onwards would enter the new scheme. Eurostat asked whether the new Law would apply to those already in the labour market and the representative of the Ministry explained that workers under 35 would have the possibility to move to the new scheme in 2023.

Findings and conclusions

- (33) (former 34) The Ministry of Labour confirmed that the new law for the Auxiliary Pension Reform (Law 4826/2021) had been approved in early September and that the new system would enter into force in January 2022. Eurostat took note of the latest developments as explained by the representative of the Ministry of Labour.

2.4.6. Other issues

Eurostat suggested that ELSTAT could be involved in the analysis of government measures at an earlier stage and mentioned some examples, such as the COVID-19 measures, the Greek Asset Protection Scheme and the Sale and Leaseback Organisation. DG ECFIN confirmed that they have detailed and timely information on these measures and offered to ELSTAT the possibility to participate regularly in their fiscal missions.

Findings and conclusions

- (34) (former 33) ELSTAT will participate in the future as observer in the fiscal missions carried out by DG ECFIN.

Deadline: Ongoing

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Martin Kellaway

EDP dialogue visit to Greece, 22-23 September 2021

Starting on 22 September 2021 at 09:00 (Luxembourg time)

Draft Agenda

1 October 2021 EDP notification – analysis of the revisions of EDP tables, and associated data

1.1 Analysis of draft EDP tables, analytical information and questionnaire related to EDP

2 Methodological issues and recording of specific government transactions

2.1 Recording of government measures undertaken in the context of COVID-19

2.1.1 Changes in the recording since April 2021, incl. tax collectability and the recording of repayable advances

2.1.2 Recording of the measures operated by the Hellenic Development Bank

2.1.3 Expenditure measures

2.1.4 Reporting of COVID-19 measures in Annex 8

2.2 Delimitation of general government

2.2.1 Changes in sector delimitation of general government since the April 2021 EDP notification

2.2.2 Sector classification of selected units, including GAIAOSE, Larco, Hellenic Energy Exchange and DEH SA

2.3 Implementation of the accrual principle

2.1.4 Taxes and social contributions

2.1.5 Interest and consolidation of interest

2.1.6 EU flows

– Methodology for the general recording of EU flows

– Recording of amounts received under SURE and the RRF

2.4 Recording of specific government transactions

2.1.7 Government transactions in the context of the financial crisis

– Hellenic Asset Protection Scheme (Hercules I, Hercules II)

– New insolvency framework (Sale and Lease-Back Organization)

- Capital increases in banks in 2021
- 2.1.8 Infrastructure projects: Public Private Partnerships, concessions and EPCs
- 2.1.9 Guarantees
- 2.1.10 Financial derivatives
- 2.1.11 Pensions
- 2.1.12 Other: Capital injections in public corporations, dividends, privatization, debt assumptions, debt cancellations and debt write-offs, disposals of non-financial assets by general government, sale and leaseback operations, emission trading schemes, UMTS and LTE, military expenditure, nuclear decommissioning, etc.

3 Other issues