



EUROPEAN COMMISSION
EUROSTAT

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

Luxembourg,
ESTAT/D2/LA/GB/VR/ab D(2021)

FINAL FINDINGS

EDP dialogue visit to Greece

17-18 March 2021 (Part I)

23 March 2021 (Part II)

Executive summary

Eurostat undertook an EDP standard dialogue visit in Greece on 17-18 March 2021. During the visit, it was agreed to continue the discussion on the issue of guarantees on 23 March 2021. The purpose of this dialogue visit was to review the forthcoming April 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 ESA 2010 Manual on Government Deficit and Debt.

As regards the forthcoming April 2021 EDP notification, the draft tables were reviewed, and the data for the year 2020 and several new government operations were discussed. Eurostat and the Greek statistical authorities further discussed in depth the impact of the COVID-19 pandemic on national accounts, including the accounting consequences of individual measures taken by the Greek government in 2020. Eurostat paid close attention to the estimations of the collectable part of the deferred taxes, which will be further followed-up in the upcoming EDP DV in September 2021.

With respect to statistical implications of policy measures in the context of the COVID-19 crisis, Eurostat also enquired about the recording of the schemes allowing businesses to repay their tax obligations in instalments and about the estimations per tax scheme on the amounts not expected to be collected. Concerning the guarantee schemes set up by the Greek government in response to the COVID-19 outbreak, Eurostat clarified with the Greek statistical authorities the nature of the schemes (one-off/standardised), the estimates for expected calls, the corresponding entries in the accounts, as well as the statistical accounting consequences of the EU funds involvement in the guarantee schemes.

Concerning the sector classification of units, Eurostat discussed with ELSTAT several cases described in the note provided to Eurostat prior the EDP dialogue visits. Eurostat agreed with a number of ELSTAT's proposals for reclassification and with the fact that the sector classification of some of the analysed units is to be followed up, including that of the company Larco S.A.

As for the implementation of accrual principle, Eurostat confirmed with ELSTAT the revision in the recording of clawbacks/rebates related to pharmaceutical expenditure, as well as the method applied eventually. Regarding accrual interest, Eurostat verified the table on interest provided by the Public Debt Management Agency (PDMA) before the EDP dialogue visit and further enquired about the bond exchanges that have taken place in 2020. PDMA explained the economic substance of the bond exchanges and provided to Eurostat additional information after the EDP dialogue visit to verify the statistical implications.

Concerning the recording of EU flows, Eurostat asked the Greek statistical authorities to provide more detailed information on the flows related to 2020, as exceptionally high transactions were observed in that year. The issue continued to be followed-up during the EDP verification period.

As regards specific transactions, Eurostat enquired about the operation of the Hellenic Asset Protection Scheme (Hercules). The statistical impact of the Hercules scheme is foreseen in 2021, the issue will continue to be closely monitored. Eurostat discussed with the Greek statistical authorities the insolvency scheme aiming to alleviate the financial burden of private debtors. The scheme is expected to become operational in 2021. ELSTAT was asked to investigate the national accounts implications with a primary focus on the economic ownership of assets.

Eurostat further discussed with the Greek statistical authorities the case of the backlog of called guarantees. In order to get a full understanding of the issue, it was agreed to prolong the EDP dialogue visit by one-day videoconference which took place on 23 March 2021. Following the explanation provided by the Greek statistical authorities, ELSTAT introduced the adjustment H.3b in EDP table 2A1, taking account of the recognition of the liability by the Greek government.

On the infrastructure projects, Eurostat paid attention primarily to the project Hellinikon and to the Kasteli concession. For the former, ELSTAT was asked to continue monitoring the project and to provide to Eurostat a progress report. In the latter case, it was decided that the assets built in the context of the Kasteli concession shall be classified in the general government sector. On this subject, Eurostat further required ELSTAT to assess the sector classification of the SPV involved and to provide detailed information to Eurostat.

Broad discussions were devoted to the capital injections into Aegean Airlines and to the Hellenic Post (ELTA). Due to the financial conditions of the above-mentioned companies, both injections were agreed to be recorded as capital transfers with a negative impact on B.9. While the former, being still conditional to the action of the private shareholders, is expected to take place in 2021, the capital injection in the company ELTA weighed on the 2020 balance. As for derivatives, Eurostat discussed with PDMA the reporting in the table on derivatives and in ESA table 27, namely the allocation between assets and liabilities.

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 17-18 and 23 March 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, Mr Vaclav Rybacek, 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 Ministry of Finance 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 18-20 March 2019.

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, in particular, 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 classification of some categories of institutional units and to review the recording of specific transactions, in particular in the context of the COVID-19 crisis.

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 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 is grateful to ELSTAT for accepting a video conference meeting instead of the usual on-the-spot visit. 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. Statistical capacity issues

Introduction

The main aim of this part of the dialogue visit is to review/assess the situation in terms of the statistical institutional framework.

Discussion

In this context, the Greek statistical authorities (GSA) informed Eurostat about the two Memorandums of Understandings, which underline the cooperation between the major stakeholders at the national level. The existing Memorandums allow data exchange in a timely manner and a sufficient level of cooperation among the parties. In terms of data sources for the EDP compilation, ELSTAT informed that no major changes took place since the last EDP dialogue visit. As Eurostat learnt, the government section in ELSTAT took over the responsibility for data sources on the Public Investment Program (PIP). Eurostat enquired about the implication for the EDP statistics. ELSTAT informed that new data sources on investments are at ELSTAT's disposal, enabling a more precise allocation among the type of investment, without any impact on B.9 though.

Eurostat further inquired about the new chart of accounts administered by GAO, which constitutes a unified classification of, *inter alia*, revenues (group 1), expenditures (group 2), financial assets (group 4) and financial liabilities (group 5). As the GSA informed, this accounting framework is designated to cover all sub-sectors of the general government sector, which is currently not the case. Eurostat asked about the overlap between the old and the new chart of accounts and the differences in final data. ELSTAT confirmed that only immaterial differences in the data provided by both systems emerge.

Starting from September 2019, all financial data for municipalities are collected via KOMVOS. Eurostat asked the Greek statistical authorities whether the data covers also stocks and, not less importantly, whether this data set is incorporated in the financial accounts compiled by the Bank of Greece (BoG). The Greek statistical authorities explained that the data are not shared in their full range. While the data for the AF.8/F.8 compilation are provided by ELSTAT to the BoG for the financial accounts compilation, the AF.2/F.2 item is sourced from the banking statistics.

Eurostat stressed that all existing data should be shared and incorporated in the compilation. In this respect, ELSTAT noted that the statistical discrepancy between non-financial and financial accounts is very small. Eurostat further reiterated that the financial data for local government collected through KOMVOS should not be omitted and invited the GSA to share them in full. Eventually, Eurostat confirmed with ELSTAT the current situation for the implementation of the GNI action points and for the timing of the completion of the benchmark revision.

Conclusions and Action points

- (1) GAO will share with ELSTAT the results of the groups 4 and 5 of the new charts of accounts (applicable for the State for the time being). The Bank of Greece will, in turn, check if the information provided is consistent with its own results, and carry out the reconciliation exercise to be sent to Eurostat.

Deadline: Progress report - June 2021

- (2) Eurostat invited the Greek Statistical Authorities to use more extensively the information collected via KOMVOS (and other accounting data for other local government bodies) that cover the financial accounts and balance sheet of local government, notably for the purpose of the EDP Table 3D compilation. These accounting data shall be provided to the Bank of Greece for the purpose of the financial accounts/balance sheet compilation (ESA table 27), notably to be used for verification/reconciliation purposes with other data sources. These data will also be provided to Eurostat.

Deadline: Progress report - June 2021

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

2.1. Tax measures

Introduction

In response to the COVID-19 outbreak, the Greek government introduced several measures concerning taxes such as a reduction in advances, tax deferrals or tax waivers. The aim of this part was, thus, to review/assess the estimations made in this respect and the compliance with the accrual principle requested by the national accounts methodology.

Discussion

The GSA informed Eurostat that the Ministry of Finance (GAO) prepared the respective tax-related estimations. GAO informed that, 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%. Eurostat pointed to the fact that the 70% coefficient is applied to all type of taxes and for all groups of taxpayers affected by the pandemic, which appears not being completely realistic. Eurostat thus asked GAO to carry out a more sophisticated analysis which will reflect the specificities of each tax and each group of taxpayers.

In this respect, Eurostat further required a detailed explanation on the rationale behind the 80% coefficient for the tax collectability applied in normal circumstances. Given the extent of the contraction in economic activity in 2020, the 10pp decrease in the coefficient appears to be rather low. In its reply, GAO noted that the 70% constitutes a conservative estimation of the tax collectability. Although appreciating the revision reflecting the actual economic development, Eurostat stressed that, instead of conservativeness, the estimations should be based on realistic expectations.

As a part of the tax measures, the Greek government allowed the affected business to settle their tax liability in 24 or 48 instalments. Eurostat raised the issue of whether the government asset which ensues should be recorded as a loan (AF.4) or as other receivables (AF.8). Given the length and interest charged in case of the 48-instalment arrangement, recording a loan might be methodologically justifiable. The GSA committed to analyse the issue and to get back to Eurostat with a proposal on the treatment in the accounts.

2.2. Repayable advances

Introduction

To assist the business affected by economic consequences of the government measures in the wake of the pandemic, the Greek government set up a loan scheme allowing the debtors only a partial repayment or total cancellation of debt, if certain conditions are met, such as maintenance of the employment. As agreed already before the EDP dialogue visit, ELSTAT recorded the amounts unlikely to be repaid as a capital transfer, weighing on the 2020 final balance as it would constitute a significant large fraction of the scheme (MGDD 4.7 paragraph 15). The part expected to be repaid was then recorded as loans (F.4/AF.4). In order to review the uncollectable part, the GSA provided the respective coefficients of collectability which stood at 58% for the first three loan tranches of the scheme, and at 30% for the fourth tranche.

Discussion

During the discussion, GAO informed that the collectability refers to the whole lifetime of the scheme. As the eventual collectability may deviate from the initial estimations, the question of the timing of revisions was raised. Eurostat clarified that the key issue to be considered is whether the revision originates in the production of new estimations or due to the occurrence of new events.

Eurostat enquired as to why the coefficient of collectability is applied uniformly for all groups of beneficiaries and whether it shall not be rather group-specific. As Eurostat further detailed, the estimations foresaw that the probability of repayment for the business experiencing an 85% reduction in turnover is the same as for those experiencing a 25% drop, which might be seen as not fully realistic. Eurostat thus invited the GSA to undertake a more detailed analysis.

Eurostat also recalled that the collectability rate might be further impacted by the 10% discount granted in case of early repayment or in case that a loan is repaid in one go. Furthermore, Eurostat pointed to the fact that the interests shall accrue only to that part of the loan scheme which is considered as recoverable. Eurostat also invited the GSA to investigate whether the interest is to be recorded already during the grace period.

Conclusions and Action points

- (3) Concerning the treatment of tax deferrals granted in response to the COVID-19 crisis, Eurostat generally agreed with the current approach retained by ELSTAT. However:
 - a. The Greek Statistical Authorities (GAO) will provide to Eurostat further tax specific estimates on the amount of taxes to be collected per tax category, in order to improve the present uniform estimate of 70% collectability. Furthermore, they will assess if this 70% estimation is too conservative, – if it is confirmed that under normal circumstances taxes are said to have an overall collectability rate of 80% as mentioned by GAO in the meeting (see point 8). This would then presumably mean that the average collectability rate should become lower in the new estimates applied for 2020 in the context of tax deferrals.
 - b. The Greek Statistical Authorities will make a proposal in order to also carry out an accrual adjustment (adjusted by an amount unlikely to be collected based on GAO information), along the lines discussed in the meeting, for the specific

deferral measure ‘2’ (suspension of tax obligation payments for business, self-employed persons, employees and sole proprietorship affected by the coronavirus crisis during March-June, based on specific NACE codes. To be repaid at the end of scheme) and deferral measure ‘4’ (3-month extension of the deadline for the payments of schedule instalment, due in March-June, based on specific NACE code, in the context of debt settlement scheme. To be repaid at the end of the scheme.)

Deadline: Before the April 2021 data submission¹

- (4) In relation with the repayable advances provided in response to the COVID-19 crisis, Eurostat generally agreed with the current approach retained by ELSTAT, which implies recording a capital transfer for a part of those advances to reflect both the likelihood of reaching the embedded contingencies (that trigger a debt relief) and a collectability of 70% - the remainder being recorded as loans (F.4). However, the Greek Statistical Authorities (GAO) will perform a more sophisticated analysis of the coefficient of collectability (which is currently uniform), by type of beneficiary, notably taking also into account the fact that possible anticipated reimbursements of the loan will result in reduced repayments (bonus): i.e. given that early payers will receive a 10% discount that is included in the current collectability rate, the average rate of 70% needs to be re-assessed.

Deadline: Before the April 2021 data submission²

- (5) Eurostat agreed with the proposal of the Greek Statistical Authorities to keep recording the advances on corporate income tax on a cash basis, without further adjustment despite the change in law allowing a sharp reduction in these advances (usually calculated on the previous year profits) – because the change in law merely anticipate on the sharp contraction in overall income tax collectable on the 2020 income. The implied reduction of €1.6 billion collected in 2020 will nonetheless be reflected in the new Annex 8 on COVID-19 related transactions, given that this is a government facility designed to provide temporary cash relief to corporations (that otherwise, under Greek legislation, would have been required to advance those amounts in 2020, to be then mostly refunded in 2021).

Deadline: Before the April 2021 data submission³

- (6) Given government intention to finance taxpayers (notably with long-term deferrals far exceeding one year), the Greek Statistical Authorities will reflect on whether to record a loan asset (F.4) of the government instead of another fiscal receivable (F.8) for those tax deferrals allowing businesses to pay their taxes in 48 instalments.

Deadline: Before the April 2021 data submission⁴

¹ This AP was implemented in the context of the April 2021 EDP notification.

² This AP was implemented in the context of the April 2021 EDP notification.

³ This AP was implemented in the context of the April 2021 EDP notification.

⁴ This AP was implemented in the context of the April 2021 EDP notification.

- (7) As regards interests due on from the repayable advances, the Greek Statistical Authorities will determine the appropriate compilation method (presumably apportioning the interest revenue to the AF.4 recognised) based on GAO information.

Deadline: Before the April 2021 data submission⁵

- (8) The Greek Statistical Authorities (GAO) will explain the assertion according to which, under normal economic circumstances, only 80% of taxes are deemed collectable, whether this concern every single tax, or taxes on average, and what is the basis for this calculation. Eurostat stressed that the simple ratio of cash collected to ESA recording would be highly misleading due to netting arrangements, offsets, taxes in kind, payable tax credits and (possibly) refunds. See Action Point 3a.

Deadline: June 2021

2.3. Guarantees

Introduction

Eurostat focused on the guarantee scheme operated by the Hellenic Development Bank (HDB), the so-called TEPIX and the COVID-19 Guarantee fund. As for financing, the HDB received funding from the State, however also with the involvement of EU funds. ELSTAT informed already before the EDP dialogue visit, that the COVID-19 Guarantee fund is considered a standardised guarantee scheme, recorded in national accounts accordingly.

Discussion

Eurostat clarified the transfers provided to the Hellenic Development Bank in this context. ELSTAT explained that the funds to launch the operation of the guarantee schemes were provided by the State and the PIP. Due to the involvement of EU funds, only the part related to the national funding was recorded in the non-financial accounts. Eurostat also clarified the cap applied for the guarantees and enquired about the estimations of the expected calls, to be reflected in D.9 and F.66/AF.66. Eurostat stressed that it is a prerequisite of recording (A)F.66 that a reliable estimate of expected calls is made at inception. ELSTAT explained that no reliable estimation was available due to the lack of data.

ELSTAT continued by explaining that no direct fee would be charged for the provision of guarantees, but fees would be covered by the state subsidy (€250 million). For the estimation of provisions, Eurostat stressed that an estimation should be reflected already in the April 2021 EDP notification. In order to do so, Eurostat noted that the amount of the fee, even if received by the fund in form of subsidy, might serve as a basis for the quantification of provisions.

For TEPIX, ELSTAT described the scheme as a loan facility co-financed from EU funds. The scheme mainly provides loans to small and medium enterprises. In the wake of the pandemic, a €700 million transfer from the State further reinforced the financial capacity of the scheme. On the recording of the scheme in the accounts, ELSTAT explained that, when a loan is provided by TEPIX, the part financial from national resources is recorded as F.4/AF.4, while the EU part

⁵ This AP was implemented in the context of the April 2021 EDP notification.

falls under the item F.8/AF.8 until paid to the final recipient. Eurostat requested a more detailed description of the functioning of this facility, including an analysis of its recording in government accounts.

Conclusions and Action points

- (9) The Greek Statistical Authorities will send a description of the TEPIX ('Entrepreneurship Fund'), the scheme operated by the Hellenic Development Bank providing support to the Greek companies, including its recording in the government accounts.

Deadline: Before the April 2021 data submission⁶

- (10) The Greek Statistical Authorities will evaluate the estimates on expected losses borne by government (the rest being borne by the EU) in the context of the new COVID-19 guarantee fund operated by the Hellenic Development Bank, as this is a precondition for recording AF.66 on standardized guarantee. To this effect, they may consider the budgeted amount to subsidize the fee that is not charged to the beneficiary. They may also approach the banks to enquire on experts' views on this scheme and/or collect internal provisions made by them. Given the parameters of the scheme and the €1.8 billion in guarantees handed out in 2020, the maximum loss for government is €250 million (proxy according to guarantee fees/premiums).

Deadline: Before the April 2021 data submission⁷

2.4. Expenditure measures

Introduction

Prior 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.

Discussion

Eurostat thanked to the GSA for having provided such a detailed documentation. Eurostat raised the issue of the capital injection into Aegean Airlines (€120 million), intended to be paid by the Greek government to compensate losses incurred by the company due to travel confinements. The provision of the capital injection is conditional on an action that should first be taken by the private shareholders. ELSTAT confirmed that no payments had been disbursed yet. Given these circumstances, Eurostat agreed with this capital injection not to be recorded in 2020, but at the time when all conditions are met. Concerning the classification in national accounts, it was agreed that, due to the economic situation of the beneficiary, the capital injection should be recorded as D.99, having thus a negative impact on B.9.

Conclusions and Action points

⁶ This AP was implemented in the context of the April 2021 EDP notification.

⁷ This AP was implemented in the context of the April 2021 EDP notification.

- (11) (former 12) Eurostat and ELSTAT agreed to record the capital injection into Aegean Airlines as capital transfer in 2021.

*Deadline: the April 2021 data submission*⁸

3. April 2021 EDP notification tables

Introduction

Before the EDP dialogue visit, ELSTAT provided detailed EDP tables T2A.1, T3A.1, the tables for other central government bodies, social security funds and the detailed tables for Treasury funds.

Discussion

Having analysed the tables, Eurostat raised several questions to get a full understanding of the adjustments. First, it was confirmed that ELSTAT applied the first option proposed by Eurostat in relation to the revised recording of clawback/rebates related to pharmaceutical expenditures. The revision implemented consisted in the change of the accrual point from the time when clawbacks/rebates accrued to when clawbacks/rebates are actually offset/cleared. This adjustment gave rise to substantial revisions in the notified years.

In 2020, ELSTAT recorded the cash inflow (€444 million) related to the ELEGEP accounts, which serves for the pre-financing of EU funds to beneficiaries. Eurostat asked about the reasoning behind this adjustment. ELSTAT explained that the payment followed a court decision in favour of the Hellenic Republic, which implied a recovery of certain expenses made in the past. In order to check that the positive impact on the 2020 balance is justifiable, Eurostat asked for a confirmation that the corresponding amount was indeed recorded as expenditure in the previous years and reminded that the said amount should be recorded as revenue instead of negative expenditure. ELSTAT committed to analyse the issue and to inform Eurostat during the April 2021 EDP notification.

Prior to the EDP dialogue visits, ELSTAT also informed about a revision related to a changed practice by no longer netting transactions between social security funds. To avoid an impact on B.9 stemming from the reallocation of social contributions collected by the Unified Social Security Fund (EFKA) between other social security funds, ELSTAT eliminated the differences that emerged in order to avoid an impact on the final balance. In a separate note, ELSTAT explained the transactions and the recording related to the military expenditures, where no details are available due to confidentiality.

Eurostat further enquired about the flows related to the securitisation scheme “Aeolos” recorded in the treasury accounts. In spite of the information provided previously, suggesting that the scheme would be discontinued in 2020, Eurostat still observed revenues pertaining to Aeolos. The Greek statistical authorities committed to investigate the issue in order to clarify the reported

⁸ This AP was implemented in the context of the April 2021 EDP notification.

amounts and the operation of the securitisation scheme. The discussion then continued by discussing the nature of the Airport development fund, reported in this context.

For the other central general government bodies (S1311.2), Eurostat asked about the transactions undertaken primarily between the Hellenic Development Bank, the State and the PIP. ELSTAT clarified a transaction that had taken place in the fourth quarter and was consolidated consequently. ELSTAT also provided an explanation on the part related to the EU funds. Eurostat confirmed with ELSTAT the sign convention applied in the analytical table.

Eurostat reminded that there remain differences between the data reported in EDP table 3 (filled by ELSTAT) and ESA table 27 (filled by the Bank of Greece). This difference is most persistent in the recording of (A)F.2 (Currency and deposits). The Greek Statistical Authorities stated that they are in continuous cooperation on these issues.

Conclusions and Action points

- (12) (former 14) As regards the adjustment ‘*D10 EU disallowances and penalties of ELEGEP and other*’ in the draft table T2A1 provided prior the EDP dialogue visits, ELSTAT will confirm that the corresponding amount (positive adjustment improving B.9) recorded in 2020 originates from a reversal of an old penalty decision that was duly (previously) recorded as expenditure in 2009. Furthermore, Eurostat noted that, to the extent that the €444 million recorded in 2020 constitutes revenue, it should be recorded as such in the accounts (instead of as reduction in expenditure).

Deadline: Before the April 2021 data submission⁹

- (13) (former 15) The Greek Statistical Authorities (GAO) will clarify the transaction related to the Aeolos securitisation, one of the item reported within the Treasury Single Accounts adjustment in 2020.

Deadline: June 2021

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government

Introduction

Prior the EDP dialogue visit, ELSTAT provided a detailed note analysing the sector classification of several units. The note disclosed the list of units which had been reclassified in the general government sector since the last EDP dialogue visit, as well as those units whose sector classification were to be further analysed and confirmed with Eurostat.

Discussion

Having analysed the note, Eurostat agreed with the proposed reclassification of the units ‘Hellenic Space Centre’ and ‘Natural Environment and Climate Change Agency’ into the general government sector. The former is a government controlled unit financed by the State budget and

⁹ This AP was implemented in the context of the April 2021 EDP notification.

as such it should be considered a government unit. The latter does not compile its own set of account and cannot be therefore considered as a separate institutional unit. Consequently, the unit is to be consolidated with the controlling unit, inside general government.

As further presented in the note, ELSTAT analysed the companies ‘Greek D.R.G. Institute’, ‘Stavros Niarchos Foundation Cultural Centre’, ‘Athens Anaplassis’ and the company ‘Larco’, and asked for Eurostat’s opinion. For each unit, ELSTAT also provided an annex containing the major elements relevant for the decision on the proper statistical treatment. Having analysed the note, Eurostat agreed with ELSTAT that the first three units should be reclassified in the general government sector. For deciding on the timing of the reclassification, the significance and impact on the deficit and debt headline figures should also be considered. As a general note, Eurostat stated that an analysis and sectorisation of new units should be done whenever the new unit is created and that ELSTAT should not wait for three years to verify if the quantitative tests holds.

In the case of ‘Larco’, the provision of further information was found necessary. The company, one of the world-largest nickel producer, has entered a special administration process as of 28 February 2021. The Hellenic Republic Asset Development Fund (TAIPED) holds the 55% share of the company. The unit is thus publicly controlled, with the market/non-market test results being still above the required threshold as of end-2019. Although publicly controlled, the government intends to privatize the company with the privatisation process being underway.

In the past, the company also benefited from a number of state aids in form of subsidies or guarantees. The European Commission considers all these measures as incompatible with the Treaty on the Functioning of the European Union. Larco lodged an appeal against the decision of the European Commission in the Court of Justice of the European Union. In this context, Eurostat raised the question of whether the state aid was actually recovered and how the recovery was recorded in the government accounts. ELSTAT committed to analyse whether the state aids were recovered, as well as the company’s sector classification and to inform Eurostat after the April 2021 EDP notification.

Conclusions and Action points

- (14) (former 25) Eurostat confirmed the classification of 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 in the general government sector.

Deadline: the October 2021 data submission (given the negligible effect)

- (15) (former 26) The Greek Statistical Authorities (ELSTAT) will sent to Eurostat the analysis of the companies GAIAOSE, Larco and Hellenic Energy Exchange, to review the sector classification of the said companies.

Deadline: June 2021

4.2. Implementation of the accrual principle

4.2.1. Taxes and social contributions

The issues related to taxes and social contribution were discussed under the point 2.1 of the Agenda on the COVID-19 measures.

4.2.2. Interest and consolidation of interest

Introduction

The information reported in the table on the recording of interest was analysed under this agenda point. A discussion on the proper reporting in the EDP tables of the bond swap operation associated flows also took place. In 2020, PDMA undertook a bond exchange with the Greek systemic banks and the Common capital, the government fund operated by the Bank of Greece, which gave rise to a reduction in the outstanding amount of the general government debt by €630 million due to an increase in the bond holdings of units classified in the general government sector. The transactions were carried out with two domestic banks, with the involvement of the Common capital. By entering in the transaction, the Greek government also achieved a reduction in the costs of debt and an extension of its maturity.

Discussion

Concerning the bond exchange which took place in November and December 2020, PDMA explained the transactions in detail and confirmed that they encompass exchanges of bonds and no derivative instrument was involved, to avoid any confusion due to the terminology used in the background document which referred to ‘bond swap’. At the initiative of the Hellenic Republic, the transactions were done to reduce the nominal outstanding debt. As a result, the intergovernmental debt towards the Common capital increased. Eurostat asked for further documents explaining which bonds were concerned and specifying the transactions in relation to the adjustments introduced in the EDP notification tables.

PDMA also provided the detailed explanation of the transactions carried out at the beginning of 2021. The objective of the early 2021 transactions was not to reduce the outstanding nominal debt, but to raise additional funds in the private placement. This was achieved by reopening already existing bonds and through the issuance of a 30-year maturity bond. PDMA further explained that this bond is tradable, however to avoid volatility on the market, the Greek banks put these bonds on the hold-to-maturity portfolio and are required to inform PDMA before its potential sell in the future. Eurostat verified whether this constraint on sale does not qualify these bond as a loan. Based on the explanation provided by PDMA that the restriction on sales is not contracted, it was concluded that the recording of these financial instruments as bonds is justifiable.

Eurostat further investigated the recording in the table on interest, which was provided by the Greek statistical authorities before the EDP dialogue visit. Eurostat stressed that, given the explanations provided during the meeting, the bond exchange operations relate to the recording of interest instead of derivatives. The discussion thus continued with the aim to clarify how the bond exchanges are reflected in the table on interest. In this respect, Eurostat asked whether the values indicated in the item premiums/discount repurchased reflected the operation just described by PDMA. PDMA confirmed that this is indeed the case. Eurostat further checked the evolution of the stock of coupons, the occurrence of other changes in volume, the adherence to the sign conventions applied in the table on interest and the difference between interests paid and

accrued on long-term bonds in 2017 and 2018. PDMA explained certain abnormalities in the pattern of interest payments that have occurred in the previous years.

SURE loan

The Greek statistical authorities raised the issue of how the additional cash (premium) received in the context of the SURE program sourced from the bond issuances should be treated in the accounts. PDMA recalled that, to raise the necessary funds, EU issued the bonds above par so that the proceeds from the issuance were higher than the debt incurred. This premium was then distributed to the benefiting Member States along with loan. Hence, while Greece was granted the loan for €2 billion, the Hellenic Republic received €2.021 billion. Eurostat confirmed that the amount of €2 billion shall be recorded in the government debt at face value, while the €21 million should be recorded as negative interest expenditure, to be further spread over the duration of the loan.

Conclusions and Action points

- (16) Eurostat took note of the various bond exchange transactions carried out in 2020 and 2021 by PDMA, which was to the mutual benefit of banks (that released holding gains) and government (that reduced its debt at face value). In order to facilitate monitoring of the statistical recording of these transactions by Eurostat, the Greek Statistical Authorities (PDMA) will amend the table provided for the mission on these bond exchanges, specifying which bonds were exactly the object of reopening and repurchase operation, the coupons accrued etc.

Deadline: Before the April 2021 data submission¹⁰

- (17) The Greek Statistical Authorities (PDMA) will reconcile the entries in the ‘table on interest’ (relations 11 and 15, for the year 2020) with the table on the bond exchanges mentioned in the previous action point. Furthermore, the negative entries in relations 7, 9 and 11 need to be re-examined, as well as the high entry in relation 2 (other flows) recorded in 2017 (instead of transactions: relations 5 and 6, as discussed previously) stemming from the PSI exchange. Having in mind the 2017 PSI, the Greek Statistical Authorities will explain the marked profile over 2018-2019 observed for the ‘difference between interest accrued and paid’ pertaining to bonds reported in another table provided for the mission.

Deadline: June 2021

4.2.3. Recording of clawbacks and rebates related to health expenditure

The issue of clawback and rebates was discussed under the point 3 of the Agenda.

4.2.4. EU flows

¹⁰ This AP was implemented in the context of the April 2021 EDP notification.

Introduction

The so called “triangle table” illustrating the evolution of claims relating to the EU, as well as monthly data on payment requests, provided before the EDP visit, were analysed.

Discussion

The issue has been thoroughly analysed given the fact that the Greek statistical authorities reported in the context of ‘triangle table’ values that were substantially higher compared to the previous years. The Greek statistical authorities explained that this development was caused primarily by the pandemic and by changes introduced in the operation of the EU programmes, allowing the Member States to submit their requests in a simplified procedure. Eurostat inquired to which year the requests submitted in 2020 actually relate and, if this information could not be provided on the spot, to send shortly after the EDP dialogue a split of the total reimbursement requests submitted in 2020 according to the exact year in which the related expenditures were incurred. Furthermore, Eurostat inquired whether future submission related to the expenditures incurred in 2020 were expected, as suggested in the working document related to the 2014-2020 Programming period, which was being debated at the European level.

Conclusions and Action points

- (18) (former 27) In relation to the EU flows recording:
- a. The Greek Statistical Authorities (Ministry of Development and Investments/General Secretariat of Public Investment- ESPA) will provide to Eurostat a split of the total reimbursement requests submitted in 2020 (€4.3 billion, in sharp increase over previous years) according to the exact year in which the related expenditure were incurred. Following this information, it will be decided whether the method currently applied by ELSTAT, consisting in the neutralization of expenditures at the time of submission of claim (by derogation to the principle that the neutralisation should be at time of expenditure), can continue to be applied.
 - b. Furthermore, ELSTAT will confirm if the triangle table concerns all claims submitted or only those pertaining to government units’ expenditure. In this context ELSTAT will indicate if, currently, they record EU-flows where government is not the final recipient in the non-financial account of S.13 (which would wrongly inflate expenditure/revenue and, if so, ELSTAT would be requested to change this practice).

Deadline: Before the April 2021 data submission¹¹

4.3. Recording of specific government transactions

4.3.1. Government transactions in the context of the financial crisis

Introduction

Following up on the recent information in the press, Eurostat enquired about the plans to alleviate the Greek banks’ nonperforming loans portfolio (Hercules) and about the insolvency scheme set

¹¹ This AP was implemented in the context of the April 2021 EDP notification.

up recently. In order to discuss in detail the later, the representatives of the Special Secretary for Private Debt Management (SSPDM) were present in the meeting.

Discussion

4.3.1.1. The Hellenic Asset Protection Scheme (Hercules I)

The Hellenic Assets Protection Scheme (Hercules) started its operation in 2020, when the loan portfolio of Eurobank was securitised. As PDMA stressed, the competent authority in this matter is the institution which provides the guarantee, i.e. the Ministry of Finance. PDMA also pointed to the fact that the scheme was designed in a similar way as the Italian guarantee securitisation scheme (GACS). At the time of the EDP dialogue visit, the only securitisation carried out thus far was that of Eurobank, which had taken place in 2020. As a part of the securitisation process, three SPVs (Cairo 1-3) were established and three bond tranches were issued, with the senior tranche (€2.4 billion) being guaranteed by the Greek government. As it was repeatedly emphasized during the discussion, the market value of the senior tranche is equal to the nominal value of the loans, while the market value of the mezzanine and the junior tranche are very close to zero or zero. This element makes a substantial difference between the Greek asset protection scheme 'Hercules' and the Italian guarantee securitisation scheme 'GASC', as was explained by Eurostat.

For the provision of guarantees within the framework of the scheme, the Greek government is entitled to receive fees paid by the loans managers (SPVs). PDMA explained that the calculation of fees was based on the CDS spread on the Greek bonds observable on the market. PDMA further confirmed that the guarantee provided on the senior tranche related to the Eurobank non-performing portfolio became effective as of 25 February 2021, when the Hellenic Republic and the counterparties countersigned the Deed of Guarantee. In order to cover the remaining nine months of the year 2021, the guarantee fee was paid thereafter on 1 March 2021.

Given that the market value of the mezzanine and the junior bonds is close to zero or zero, while the market value of the senior bonds is equal to the nominal value because of the guarantee from government, Eurostat asked whether the Greek statistical authorities considered that the guarantee on the senior bonds would be called. PDMA explained that, according to the available estimations made by an external consulting company, the total impact on the Greek government nominal debt is expected to reach a maximum of approximately €300 million, taking also into account the guarantee fees collected by government for the provision the guarantees.

Eurostat asked for the total amount of fees that would be paid to the government during the lifetime of the guarantee. As the total amount was not clearly specified, PDMA committed to provide further information after the EDP dialogue visit. Concerning the probability of the guarantee being called, Eurostat recalled that if some estimations exist, they should be taken into account. Eurostat further enquired about the involvement of private partners (the company doValue) who received the mezzanine bonds. The major issue raised by Eurostat was whether doValue acts purely as an investor or it is also receiving fees for its services. Furthermore, Eurostat asked about the role of the Cyprus Subsidiary (SPV) involved in the securitisation process.

Concerning the time of recording, the Greek statistical authorities explained that the relevant Law concerning the guarantee on the securitised non-performing loans portfolio was published in June 2020. While the activation normally follows the publication with one-month delay, this was not the case for the Eurobank's portfolio. Given that the guarantee related to the Hercules

scheme became active only in 2021, the recording of the Hercules-related guarantee is relevant only for the year 2021. As participation of other Greek systemic banks in the scheme is foreseen, Eurostat also enquired about the securitisations planned in the year 2021 and afterwards. PDMA confirmed that other securitisations were underway with the applications being assessed, however none of them had been finalized yet.

Conclusions and Action points

- (19) (former 13) The Greek Statistical Authorities (PDMA-GAO) will provide to Eurostat relevant additional information on the new securitization scheme being carried out within the framework of the Hellenic Protection Scheme (Hercules), notably so to adequately evaluate if the Senior Tranche guaranteed by government is more likely than not to be called and/or to generate losses.
- a. They will notably indicate if the private operator DoValue did purchase (at what price, when and by what means) the €15 million in Mezzanine Tranche (and/or if DoValue will otherwise earn any fees, other participation or other interest on the umbrella of this arrangement) and, similarly, by what means shareholders will be distributed the main stake in the Mezzanine Tranche (€56 million, through a Cyprus Subsidiary).
 - b. The Greek Statistical Authorities will provide to Eurostat detailed information on the rating assessments provided by DBRS on this Senior Tranche (outside the guarantee of government on that Tranche).

Deadline: June 2021

4.3.1.2. Insolvency scheme

Introduction

The purpose of the scheme is to alleviate private debtors by purchasing their houses acquired with the aid of credit and leasing them back to the original owners for 12 years. During this period, the original owner can purchase the rented house back at any time. For this scheme to become operational, an independent private entity will be established and the manager will be selected through tendering procedure, which is to be carried out in 2021.

Discussion

Eurostat enquired about the institutional framework in which the entity will be operating in order to determine the economic ownership of assets and the extent of the entity's independency in its economic decisions.

In this respect, it is of significance that the rents to be paid by tenants will be subsidised, as explained during the meeting by the SSPDM. Furthermore, the legal owner of assets will not be allowed to sell the acquired assets to a third party. As for financing of the new entity, the entity will be empowered to issue bonds to raise sufficient funds. For doing so, the entity may benefit from government guarantee on its bonds. Given that not all the elements that are relevant for the assessment of the economic ownership of the assets were not known yet, Eurostat asked ELSTAT to analyse the entity as well as the broader national account consequences and to inform Eurostat in due course.

Conclusions and Action points

- (20) (former 11) The Greek Statistical Authorities will investigate, after having received the relevant information from the Special Secretary for Private Debt Management, the national accounting implications (like who is the economic owner of the asset) of the insolvency scheme.

Deadline: before the scheme enters into force

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

Introduction

Under this point of the Agenda, the recording of the Kasteli project was clarified. Eurostat also investigated the state of play in case of Hellinikon project.

Discussion

Kasteli project

Prior to the EDP dialogue visit, the Greek statistical authorities provided the detailed description of the Kasteli project, including the statistical recording. The main issue to be clarified was the government participation in the funding of the project and governance of the SPV that had been established for the realisation of the project. The project involves a 35-years concession to build and to operate the airport in Kasteli, as well as the access road which is to be built but not further maintained by the contracting party. The airport Kasteli is meant to replace the existing Heraklion airport.

As explained in the document provided prior the visit, the government intends to provide a direct grant (€180 million). In addition to that, the concessionaire is entitled to retain a certain part of the airport fee, with the total amount estimated at €125 million pertaining to the construction phase. The private partner invested €175 million in the equity of the newly established SPV. In order to provide additional funds, the shareholders provided a loan for €36 million.

In total, the government provided €305 million to finance the project. Given the total value of the project (€516.5 million), the majority of the financing comes from the government, approximately 60%. In this context, Eurostat reminded that the same rule is applied for both concessions and PPPs. Concretely, if the majority of funds to finance the construction costs comes from the government, the project is automatically classified in the general government sector. This conclusion thus holds irrespective of the fact whether the project is considered as PPP or concession, as both concepts are described in the Manual on government deficit and debt.

Eurostat concluded that there is no doubt that the assets should be classified inside the general government with the revision to be made already in the context of the April 2021 EDP notification. On the recording, Eurostat clarified that the related gross fixed capital formation should be recorded in the government accounts as expenditure, along with the corresponding imputed debt. Eurostat further pointed to the need to prevent a potential double counting of the government grant and the departure fee retained by the SPV.

The next related issue concerned the sector classification of the SPV itself. The SPV is set in the context of the contract, with the government holding 46% stock in the company. Regarding the

governance, both the government and the private shareholders appoint four members of the Board, with the ninth member being appointed by agreement between shareholders or by draw. As the analysis of the governance was inconclusive at the time of the EDP dialogue visit, the sector classification of the SPV is to be assessed when further elements are known. To that end, it will be necessary to analyse the concession contract and the statute of the entity, in order to figure out the actual extent of the government control over the entity. As the SPV is set up in the context of the contract, it needs to be checked whether the contract allows or not the government to exercise special rights such as veto right.

Conclusions and Action points

- (21) (former 20) Given the extent of the government funding (including through grants and forfeiting airport fees), the assets built in the context of the Kasteli Airport concessions will be classified as gross fixed capital formation of government, coupled with the imputation of a loan on the liability side of the government balance sheet. The Greek Statistical Authorities will pay due attention to the appropriate recording of the government grant, to avoid double counting expenditure.

Deadline: the April 2021 data submission¹²

- (22) (former 21) Separately, ELSTAT will assess the sector classification of the SPV involved in the Kasteli Airport concession and provide detailed information to Eurostat.

Deadline: June 2021¹³

Hellinikon project

Introduction

The project concerns the development of the Aghios Kosmas Seafront Area in Athens, for which purpose a SPV was established. Already in 2014, it was decided by the Greek government that the SPV would be sold, whereby the government would sell land as well as the 99-year concession on land to be exploited and developed on.

Discussion

Although the deal between the government and the company Lamda Development was concluded already in 2014, no transaction has taken place since then. Eurostat thus asked the Greek statistical authorities to confirm that this situation still persists, hence no transaction is to be recorded in the account. ELSTAT confirmed that this is indeed the case. Eurostat was also informed that some progress is expected in April 2021. Eurostat invited the Greek statistical authorities to keep monitoring the project and to inform Eurostat on future progress.

- (23) (former 24) ELSTAT will continue to monitor the project Hellenikon and to inform Eurostat.

¹² This AP was implemented in the context of the April 2021 EDP notification.

¹³ The note was sent to Eurostat on 9 June 2021. This AP was implemented.

4.3.3. Guarantees

Introduction

The major issue to be clarified was the statistical implications of the backlog of guarantees provided by the Greek government in relation to natural disasters. As several events of this kind occurred in the first decade of the 21st century, the guarantees started to be increasingly called. Due to capacity constraints in dealing with the guarantee calls made by the commercial banks, the stock of called guarantees accumulated, standing at approximately €2 billion at end-2020. For the sake of the discussion, the Greek statistical authorities provided some documents prior to the visit explaining the current state of play and the clearance plan outlined by the Greek government.

Discussion

Eurostat introduced the issue, referring also to the discussion held during the EDP dialogue visit in March 2019. As clearly stated by the representative of GAO during the discussion, the Greek government intends to pay out the full amount of the accumulated guarantees, which is also reflected in the Budgetary plan. Nevertheless, there are also pending court decisions concerning individual guarantees. The amount of guarantees awaiting the court decision is however rather small (€66 million). In all other cases, as the standard procedure goes, the guarantees are paid upon examination. As the process is delayed predominantly by certain shortcomings in the documentation which are customarily remedied, the government foresaw the full amount of the guarantees to be paid out. In the light of these elements presented by GAO, Eurostat suggested that the backlog of guarantees should be recognized as liability in national accounts and the corresponding expenditure should be booked in 2020.

About the amount to be expensed, two elements were considered. First, the government expects some of the paid amount to be recovered in the future. As presented in the related note, the expected revenue from recoveries stood at €800 million and the relevant period for recoveries extended to 2029. Eurostat raised the issue of the probability that the recoveries will materialize, as the vast majority is expected in a distant future. The Greek statistical authorities informed that the recoveries are linked to the future tax liabilities. Second, it was also clarified that part of the backlog of called guarantees was already paid in the context of the bankruptcy of ATE Bank in 2012 and the risk of double-counting should be avoided.

The main issues to be clarified were thus whether the clearance plan outlined by the Greek government can be considered as an actual recognition of the liability; in which year the corresponding expenditure and liability is to be recorded and for what amount. Eurostat insisted that, given the circumstances, the cash recording of the guarantee clearance should be discontinued. Eurostat also expressed its view that the expected recoveries are highly uncertain and should not be taken into account at the moment, but recorded on a cash basis instead, once a recovery is attained. Based on the elements provided by the Greek statistical authorities, it was concluded that the backlog of called guarantees would be recognised in the Greek national accounts as a government liability. In order to do so, a corresponding expenditure in the form of capital transfer will be recorded in 2020, with negative impact on B.9.

Conclusions and Action points

- (24) (former 28) In relation to the backlog of called guarantees, ELSTAT will record in 2020 a government expenditure corresponding to the amount of the guarantees called and not paid (€2 billion). Given the fact that ELSTAT considers the expected recoveries presented in the Clearance plan as highly uncertain, any possible recoveries realized in the future will be recorded cash as government revenue.

Deadline: the April 2021 data submission¹⁴

4.3.4 Financial derivatives

Introduction

The availability of the table on the recording of derivatives was discussed under this agenda point. Derivatives related flows reported for 2020 were further clarified.

Discussion

Eurostat analysed the table on derivatives provided by PDMA and asked for the clarification of several issues. Eurostat observed a sizeable increase in the notional amounts of derivatives. PDMA explained that this development is driven mainly by interest rate swaps and the derivatives related to the Greek loan facility. Eurostat further pointed to the negative amounts reported in the debt hedged by currency. PDMA explained that net amounts are reported in this part of the table and that the negative amounts occur in the individual currency legs related to the hedge of the SDR, which is not tradable itself. Eurostat explained that, instead of showing the individual legs pertaining to currencies constituting the SDR, reporting of the SDR hedge under one item would be more appropriate.

Eurostat further investigated the flows related to the Goldman Sachs Swap, as reported in the tables. The Bank of Greece (BoG) further recalled the issue of the recording of F.71/AF.71 on the asset side in ESA table 27. The representative of the BoG stated that if the split were made for both stocks and flows, an inconsistency with the EDP table 3A would emerge. Eurostat proposed to maintain the consistency between ESA table 27 and the stocks as provided by PDMA. For flows, the net financial transactions related to derivatives should be also aligned to that of PDMA. However, a statistical allocation between assets and liabilities can be made, even given the lacking primary data. This statistical estimation might be based on the assumption that holding gains and losses are proportional on the asset and the liability side. Eurostat also pointed out that this should not give rise to any inconsistency between ESA table 27 and EDP table 3.

Conclusions and Action points

- (25) (former 18) As regards the table on derivatives, the Greek Statistical Authorities (PDMA) will implement a number of corrections identified by Eurostat:
- a. Respect the sign convention in bloc 1 of the table.
 - b. Allocate the termination of the GS Swap (off market swap) on the asset side in bloc 1, its settlement being split between a redemption of debt and a disposal of a statistical swap (consistently with bloc 3). This may result in changing the EDP table 3.

¹⁴ This AP was implemented in the context of the April 2021 EDP notification.

- c. The PDMA will explain if the statistical swap of the GS Swap is reported within the stock of derivatives on the asset side, as it should (bloc 1)
- d. The PDMA will explain for what amount the transactions on the GS Swap is reported as an adjustment line to the working balance (EDP table 2A and bloc 4) and what is the amount reported within F.7 (bloc 1, which should include only the F.7 currently reported in the bloc 3).
- e. The PDMA will reflect on how to correctly report the SDR hedging in bloc 4 of the table.
- f. Eurostat will ask the Greek Statistical Authorities, in writing, any other questions that were not possible to clarify during the meeting.

Deadline: June 2021

- (26) (former 19) Eurostat encouraged the Greek Statistical Authorities to report stocks and transactions in derivatives on both the assets and liabilities sides in ESA T27. Eurostat indicated that (aside from clear cases of swap terminations) a simple approach is to ask PDMA to allocate observed annual transactions for each derivative on either the asset or the liability side, according to whether the derivative is an asset or a liability at the end of the year. In the absence of more appropriate data sources, the net results from PDMA and other known information (e.g. on unwinding of hedging swaps) can be used in combination with some statistical approach /simulation to achieve a similar result.

Deadline: June 2021

4.3.5 Pensions

Introduction

In November 2020, the Greek Ministry of Labour and Social Affairs (YEKA) approached Eurostat with a request for its opinion on the statistical implications of the planned Auxiliary pension reform in Greece. To that end, YEKA provided the broad lines of the reform. In its reply from December 2020, Eurostat asked for further information, which was provided by the ministry shortly before the EDP dialogue visit in March 2021. Before the discussion, Eurostat briefly summarized the communication so far.

Discussion

The aim of the discussion was to debate the major elements of the reform having an impact on the eventual statistical recording in national accounts. As an opening of the discussion, it was confirmed by the representative of the Ministry of Labour and Social Affairs (YEKA) that the government will guarantee the return on investment in real terms. More concretely, at the time of retirement, if the amount in the individual account will be lower than the sum of the inflation-adjusted contributions paid by the individual, then the government will cover the difference in the individual account so that the participant will be able to receive pensions higher than he/she otherwise would.

Eurostat further asked about the pooling of the longevity risk across all beneficiaries in the retirement period, specifically whether the pooling implies some kind of equalisation in

pensions. The YEKA confirmed that, in the retirement period, the individual accounts cease to exist, giving rise to a situation where an individual would receive a higher or lower amount in the form of pension than previously accumulated in their individual accounts, depending on whether the insured person exceeds or falls short of life expectancy. However, this does not imply any equalisation in pensions. Among other properties of the system, it was mentioned that the accumulated fund on the individual account is a subject matter of heritage in case the death of the insured participant is prior to retirement.

Eurostat further enquired about whether the annuity will be fixed or indexed. On this, the YEKA representative confirmed that the annuity would be indexed by the rate of inflation. Eurostat also asked whether a guarantee on annuities is considered for the case where the fund goes bankrupt. The YEKA representative explained that the ‘accumulation’ fund for the saving phase and the ‘paying’ fund for the retirement phase will exist. Contributions of active workers will be invested in the ‘accumulation’ fund whose investment horizon is relatively high and the investment strategy more aggressive. If the ‘accumulation’ fund goes bankrupt, the State guarantee on the return on investment will apply. The ‘paying’ fund, from which the annuities in the retirement phase will be paid out, will follow a very conservative investment strategy with lower investment horizon and relatively inelastic liabilities. Nevertheless, the ‘paying’ fund might be obviously bailed out eventually in case of financial distress.

As for the statistical treatment, Eurostat reminded that the major issue to be decided is whether the scheme qualifies as a social security scheme and if so, if it meets the criteria for being a defined benefit or a defined contribution scheme. Then, it should obviously be determined whether the fund should belong to the general government sector or not. The YEKA representative expressed its view that the scheme exhibits the characteristics of defined contribution scheme.

The discussion then proceeded to the issue of the government guarantee. Eurostat reminded the statistical approach in similar cases, i.e. by providing a guarantee, the government overtakes certain risks, however this is not a sufficient condition for a scheme to be classified as social security scheme. Thus, the existence of the guarantee does not per se implies the classification in the general government sector, but the final assessment must take into account the permanency of such guarantee and the frequency at which guarantee calls (are expected to) occur.

Eurostat asked whether the respective Law has been already approved. The YEKA representative informed that the Law is being drafted and the Parliament is expected to make a decision on the reform in June 2021. In reaction to the question of Eurostat sent to YEKA in December 2020, the YEKA representative recalled that the parameters to test whether the guarantee will be called or not are not currently available. First of all, the allocation of the portfolio is not known yet, so YEKA can hardly provide any simulation of the return on investments. Eurostat recalled the importance of determining whether most of the pensions will be covered by the accumulated amount and investment income, or whether most of the pensions will be paid out of the guarantee which will be exercised.

Conclusions and Action points

- (27) (former 22) Concerning the Auxiliary Pension Reform, Ministry of Labour will provide 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.

Deadline: May 2021¹⁵

4.3.6 Other issues: capital injection in the Hellenic Post

Introduction

In 2020, the Greek government provided a capital injection into the Hellenic Post (€100 million), recorded by ELSTAT as a financial transaction. Prior the EDP dialogue visit, ELSTAT draw attention to the transaction.

Discussion

During the discussion, ELSTAT pointed to the fact that the company is being restructured and is expected to become profitable in the future. ELSTAT also draw the attention to some rules in the MGDD, which may allow to record this transaction as a financial one. Eurostat pointed to the fact that, as reported in the 2017 Annual report of the company, the amount of accumulated losses reached €100 million at end-2017, corresponding precisely to the value of the capital injection in question. In addition, as it can be found in publicly available sources, the private shareholders discontinued their participation in the company, which does not support the optimistic profit expectations expressed by ELSTAT during the meeting. Eurostat thus found reasonable for this injection to be recorded as a capital transfer instead of a financial transaction.

Eurostat summarised the main aspects relevant for the decision, chiefly private shareholders not participating in the company and the existence of accumulated losses. Taking together all these aspects, Eurostat concluded that this injection should be recorded as a capital transfer. Eurostat further clarified that the Box in the MGDD, to which ELSTAT was referring to, clearly states that the capital transfer is to be recorded in any case up to the amount of accumulated losses, if an accumulated loss is observed. For the extent of accumulated losses, Eurostat clarified that the loss which has to be taken into account is the one after tax.

Conclusions and Action points

- (28) (former 23) Based on the analysis of the accounting data, ELSTAT will record the capital injection into the company ELTA (the Hellenic Post) as capital transfer.

Deadline: the April 2021 data submission¹⁶

¹⁵ The information requested from the Ministry of Labour was provided by ELSTAT on 31 May 2021. This AP was implemented.

¹⁶ This AP was implemented in the context of the April 2021 EDP notification.

List of Participants

Greek Statistical Office (ELSTAT)

Maria Stavropoulou – Director of National Accounts Division

Konstantinos Chrissis– Head of Section General Government Accounts Section

Nena Papadopoulou

Christos Zervos

Dionysia Arvaniti

Theodoros Karopoulos

Panagiotis Papanikolakos

Maria Kontothanasi

Ioannis Chiotis

Izambella Triantafyllidi

Alexandros Gkogkornas

General Accounting Office of the Ministry of Finance (GAO):

Dimitrios Karatzas

Sotiria Apostolou

Katrerina Amartolou

Giorgos Sotirhos

Athanasios Petralias

Apostolos Christodoulakis

Vaia Karapanou

Violeta Andritsou

Lambros Liosis

Public Debt Management Agency (PDMA):

Fragkoulis Katsouris

Anastasia Vardavaki

Dimitris Margetis

Fotini Venizelou

Dimitrios Tsakonas

Dimitrios Ntasios

Ministry of Finance

Panagiota Tzavara

Ministry of Labour

Giorgos Stratopoulos

Bank of Greece:

Olga Liberopoulou

Stamatina Nega

Pashalina Karambasi

Maria Flevotomou

Mirella Papageorgiou

Special Secretariat for Private Debt Management (SSPDM)

Fotis Kourmousis

Theoni Alampasi

Paraskeyi Chamilou

Vasileios Kourmpanis
Charalammos Kostoglou

Eurostat:

Luca Ascoli
Gita Bergere
Philippe de Rougemont
Vaclav Rybacek
Miguel Alonso
Floris Jansen

DG ECFIN

Andras Hudecz
Vasiliki Vasilopoulou

ECB

Henri Maurer

Technical assistance to ELSTAT

Martin Kellaway

EDP dialogue visit to Greece, 17-18 March 2021

Starting on 17 March 2019 at 09:00

Draft Agenda

1. STATISTICAL CAPACITY ISSUES
 - 1.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation
 - 1.2. Data sources and revision policy, EDP inventory

2. RECORDING OF GOVERNMENT MEASURES UNDERTAKEN IN THE CONTEXT OF COVID-19
 - 2.1. Tax measures
 - 2.2. Repayable advances
 - 2.3. Guarantees
 - 2.4. Expenditure measures, including support to Aegean Airlines

3. APRIL 2021 EDP NOTIFICATION
 - 3.1. Analysis of draft EDP tables, analytical information and questionnaire related to EDP

4. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS
 - 4.1 Delimitation of general government
 - 4.2 Implementation of accrual principle
 - 4.2.1 Taxes and social contributions
 - 4.2.2 Interest and consolidation of interest
 - 4.2.3 Recording of clawbacks and rebates related to health expenditure
 - 4.2.4 EU flows
 - 4.3 Recording of specific government transactions
 - 4.3.1 Government transactions in the context of the financial crisis
 - 4.3.1.1 Hellenic Asset Protection Scheme (Hercules)
 - 4.3.1.2 New insolvency framework
 - 4.3.2 Infrastructure projects: Public Private Partnerships, concessions and EPCs
 - 4.3.3 Guarantees

4.3.4 Financial derivatives

4.3.5 Pensions

4.3.6 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.