



EUROPEAN COMMISSION
EUROSTAT

Directorate D Government Finance Statistics (GFS)
Unit D-3: Statistics for Excessive Deficit Procedure II

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- FINAL FINDINGS -

EDP dialogue visit to Greece

20-21 March 2013

Executive summary

Eurostat conducted an EDP dialogue visit to Greece on 20-21 March 2013 with the aim to review statistical organisation issues, to analyse the EDP notification tables and to examine methodological issues relating to the recording of specific government transactions.

Eurostat was informed that there have been no changes in the institutional responsibilities of the Greek authorities involved in the compilation of EDP notification.

Discussions between Eurostat and the Greek statistical authorities covered a wide range of issues relating to the April 2013 notification with a special focus on the EDP tables and the analysis of the reported government transaction.

It was agreed that ELSTAT will provide a table reconciling the working balance impact of guarantees with the overall impact on net lending/net borrowing of central government.

ELSTAT was requested to thoroughly investigate the necessary adjustments for EU-financed agricultural expenditure in Greece, through contacts with OPEKEPE and General Accounting Office (GAO).

After the April 2013 EDP notification Eurostat and ELSTAT will consider the recording of the future revenue from ‘ANFA’ agreement of December 2012 (revenue from the Greek bond holdings of the central banks of Eurosystem)

There has been an agreement that ELSTAT and the Bank of Greece will in cooperation resolve the issues relating to the PSI impact on Extra Budgetary Funds and Social Security Funds.

Regarding the delimitation of general government ELSTAT was requested to obtain information on future business prospects of Egnatia Odos, including discussing with TAIPED (the Greek privatisation fund) developments after the initial expression of interest for the concession project.

In the same context, ELSTAT will analyse the payments from the Public Investment Programme in the past to Egnatia Odos, and will send Eurostat an analytical document, including statistical considerations based on the MGDD chapter on capital injections.

Regarding the recent changes in the salary grid of civil servants, it was agreed that ELSTAT will consider the appropriate recording of the retroactive salary adjustment effect for social security contributions, ensuring overall neutrality in the general government deficit.

The issue of interest recording was fully clarified and the General Accounting Office agreed to provide the detailed calculation of accrued interest, instrument by instrument including all loans, bonds and bills, for 2012.

ELSTAT will sign a memorandum of understanding with TAIPED, to ensure that it can collect quarterly and annual information relating to TAIPED's activities

On the issue of bank resolutions which was extensively discussed, Eurostat recommended that ELSTAT record the amounts received by HFSF from banks as revenue in 2012, and impute a capital transfer from the State for the amounts of accrued preference share income which have been affected by the passage of new legislation. Furthermore, it was agreed that from 2012 onwards there will not be a fixed rate of return recorded, but dividends on preference shares will be recorded as they are determined.

In the same context, Eurostat pointed out that there remains considerable uncertainty over the value of claims that HFSF has acquired over ATE Bad Bank, which would therefore require further information from HFSF on the value of its relevant interests that will be included in its end-December 2012 IFRS-based balance sheet. ELSTAT should request this information from HFSF and then provide it to Eurostat by 5 April 2013 at the latest. In the meantime, and pending this information, the full amount of payments to Piraeus Bank in 2012 should be recorded as a capital transfer.

Introduction

In accordance with the Council Regulation (EC) No 479/2009 as amended by Council Regulation (EU) No 679/2010 as regards the quality of statistical data in the context of the excessive deficit procedure, Eurostat carried out an EDP dialogue visit to Greece on 20-21 March 2013.

Eurostat was represented by Mr Francois Lequiller, Mr John Verrinder, Mr Denis Besnard, and Mr Stelios Pantazidis. Representatives of DG ECFIN and the European Central Bank (ECB) also participated in the meeting as observers. The Greek statistical authorities were represented by the National Statistical Institute (ELSTAT), the General Accounting Office (GAO) and the Central Bank of Greece (BoG). Representatives of the Ministry of the Interior also participated in the meeting.

The main purpose of the visit was to review the preparation of the April 2013 EDP Notification. Eurostat and ELSTAT extensively discussed the tables under preparation, and their underlying data sources.

Eurostat welcomed the efforts of ELSTAT in preparing the data, in difficult circumstances, and the good cooperation shown during the visit.

1. Statistical organisation issues

1.1 Institutional responsibilities

Introduction

The Hellenic Statistical Authority (ELSTAT) is responsible for the collection of data and compilation of non-financial and financial transactions of the subsectors S.1313 (Local Government, LG) and S.1314 (Social Security Funds, SSF) as well as of extra budgetary funds (EBF). In the compilation of EDP tables for financial transactions of the subsectors S.1313 and S.1314, ELSTAT also uses information provided by the Bank of Greece (BoG) (Money and Banking statistics).

Regarding the State part of subsector S.1311 (Central Government, CG), the main source of information is the General Accounting Office (GAO) both for non-financial and financial transactions (EDP Tables 2A and 3B).

Planned data on deficit and debt are provided by the GAO with input from the Public Debt Management Agency (PDMA) and the Macroeconomic Policy Department of the Ministry of Finance.

A coordination committee of ELSTAT, GAO and the BoG deals with all issues relating to the preparation of EDP notification.

Discussion

Eurostat was informed that there have been no changes in the institutional responsibilities. The tasks for EDP data collection and compilation are shared by the National Statistical Institute (ELSTAT), the General Accounting Office (GAO), and the Bank of Greece in the framework of the Memorandum of Understanding signed between the three Institutions. This Memorandum of Understanding had not yet been updated.

Eurostat took note that the EDP timetable was proceeding according to plan, and congratulated ELSTAT staff on their work.

2. Budgetary central government

EDP Tables 2A-D and 3A-E

Discussion

The main aim of the discussions with the Greek statistical authorities was to analyse all the issues related to the compilation of the April 2013 EDP Notification. During the discussions ELSTAT presented the EDP tables with all the adjustments made to arrive at the net lending/ net borrowing of each subsector of general government. There was an analytical presentation of the composition of the starting line (working balance) of each subsector and subsequently a thorough analysis of the detailed information provided on the accrual adjustments (EDP tables 2) including financial and non-financial transactions, balance sheet corrections, accounts receivable and payables, and the adjustments for military expenditure as well as the transactions with the EU budget.

The discussions with the Greek statistical authorities also covered the statistical issues concerning the recording of specific government transactions like government guarantees, debt assumption, and capital injections especially in connection with the financing by the State of the resolution of credit institutions in 2012.

Findings and conclusions

- The GAO will provide ELSTAT with a note explaining the difference of EUR 300m between the published figure for the 2012 Public Investment Programme and the figure provided to ELSTAT. (**Action point 1**)

- ELSTAT will provide a small table reconciling the working balance impact of guarantees with the overall impact on net lending/net borrowing, as part of the explanatory note for the end-March 2013 EDP notification. **(Action point 2)¹**
- ELSTAT will thoroughly investigate the necessary adjustments for EU-financed agricultural expenditure in Greece, through contacts with OPEKEPE and GAO, and provide a detailed note to Eurostat by 1st September 2013. **(Action point 3)**
- Eurostat will contact ELSTAT after the completion of the April 2013 EDP notification exercise to consider the recording of the future revenues arising from "ANFA" agreement of December 2012. **(Action point 4)**
- ELSTAT will investigate the split of the statistical discrepancy in EDP tables 3 and report back to Eurostat as part of the explanatory note for the end-March 2013 EDP notification. **(Action point 5)²**
- Eurostat asks ELSTAT to work with the Bank of Greece to resolve the issues relating to the PSI impact on Extra Budgetary Funds and social security funds, and particularly on access to individual data for cross-checking purposes, bearing in mind the legislative rights provided by Regulation 479. **(Action point 6)**
- ELSTAT, in collaboration with the Ministry of the Interior, will prepare a complete list of municipal enterprises, including those to be included in the general government register, by September 2013. **(Action point 7)**
- ELSTAT will obtain information on future business prospects of Egnatia Odos, including discussing with TAIPED developments after the initial expression of interest for the concession project, and will report back to Eurostat in September 2013. **(Action point 8)**
- ELSTAT will analyse the payments from the Public Investment Programme in the past to Egnatia Odos, and will send Eurostat an analytical document, including statistical considerations based on the MGDD chapter on capital injections. **(Action point 9)**
- Eurostat will provide ELSTAT with a note on the statistical recording of guarantee fees by 29 March 2013. **(Action point 10)**
- ELSTAT will provide Eurostat as soon as possible with a copy of the latest privatisation account breakdown (in Greek), ensuring that adequate information is available to split financial and non-financial transactions. **(Action point 11)**
- ELSTAT will consider the appropriate recording of the retroactive salary adjustment effect for social security contributions, ensuring neutrality in the

¹ Action points 1 and 2 have been completed

² This action point has been completed

general government deficit, and report to Eurostat by 26 March 2013. Eurostat will then reply to the letter of ELSTAT on this issue. **(Action point 12)**

Accounts payable

Introduction

Information on payables of all public entities is obtained through various surveys carried out by ELSTAT. Data on payables of municipalities and SSFs are collected by the electronic data base (questionnaires) of the Ministry of Interior for local government and the on-line system of ELSTAT for extra-budgetary funds and SSFs.

For the payables of the central administration (ministries), ELSTAT obtains information through a questionnaire on payables filled in by all ministries.

Discussion

The discussion focused on the analysis of the data provided by the ministries. Eurostat asked whether ELSTAT has obtained all the necessary information on payables from the new unified insurance fund (EOPPY) and indicated that a breakdown of the payables of this fund would be useful for the analysis.

Findings and conclusions

- ELSTAT will provide a breakdown of EOPPY payables for 2012, if they are available during the April EDP notification. **(Action point 13)³**

Recording of Interest

Discussion

In a separate meeting with the General Accounting Office (GAO), the Greek authorities explained in detail and provided clarifications on the calculation of interest reported in EDP tables. During the discussion Eurostat indicated the appropriate statistical treatment of interest on loans with a grace period following the Euro-group decision of 27 November 2012.

Findings and conclusions

- The General Accounting Office will provide to ELSTAT and Eurostat by 29 March 2013 the detailed calculation of accrued interest, instrument by instrument including all loans, bonds and bills, for 2012. **(Action point 14)⁴**

³ Action points 11-13 have been completed.

⁴ This action point has been completed

Delimitation

Discussion

Regarding the delimitation of general government, Eurostat was informed that the general government register is now finalised and is updated and published regularly on ELSTAT's website. Eurostat took note that there are only two units for which a decision is to be made regarding their classification (EGNATIA motorway and Telecommunications Committee, EETT). ELSTAT explained that the decision about the classification of these units will be made by the next EDP notification when all the required information will be collected and the analysis will be completed.

Findings and conclusions

- ELSTAT will investigate the classification of EETT and report back to Eurostat by 1 September 2013. To the same timetable, ELSTAT will initiate a questionnaire for EETT, and calculate its net lending/net borrowing according to national accounts principles. **(Action point 15)**

Extra budgetary entities

Discussion

Eurostat took note of the results of the surveys and the very good response rate of all categories of EBFs. ELSTAT provided detailed information on the financial and non-financial transaction of the units and explained the statistical treatment of the PSI effect of units' government bond holdings. Eurostat took note that this was based on the information received from individual units as complete analytical data were not available from the Bank of Greece.

Findings and conclusions

- ELSTAT will confirm the recording of amortisation from State Owned Enterprise bonds, with regard to the working balance correction in EDP table 2A, by the end-March 2013 EDP notification. **(Action point 16)**
- Eurostat agrees with the implementation of "option C" for recording guarantee calls for EAS and OSE, excluding the impacts of PSI. **(Action point 17)⁵**

⁵ Action points 16 and 17 have been completed

- ELSTAT will develop a memorandum of understanding with TAIPED, to ensure that it can collect quarterly and annual information relating to TAIPED's activities, including a list of individual transactions by nature and amount. **(Action point 18)**
- ELSTAT will investigate with GAO the PSI impacts on extra-budgetary accounts and will report back to Eurostat as part of the explanatory note for the end-March 2013 EDP notification. **(Action point 19)**

3. EDP reporting – Methodological issues

Taxes and social contributions

Introduction

Greek statistical authorities use a time adjusted cash method (of two months) to adjust VAT and income tax receipts onto an accruals basis. The tax authorities introduced several changes regarding property and announced a plan for tax reforms.

Discussion

The discussion focused on the statistical treatment of the changes in property taxes (paid in more instalments than before) as well as the possible statistical consequences of the planned tax reforms.

Findings and conclusions

- ELSTAT will calculate the taxation accruals adjustment for the property tax collected through electricity bills for 2012, and will accrue back property tax receipts from January-June 2013 to 2012. **(Action point 20)⁶**
- ELSTAT will investigate with GAO the possible statistical impacts of future tax reforms, and report back to Eurostat by 15 September 2013. **(Action point 21)**

Military equipment expenditure

Findings and conclusions

- ELSTAT will add information on military equipment revenues to the note on military expenditure, and transmit the note to Eurostat by the end-March 2013 EDP notification. **(Action point 22)⁷**

⁶ Action points 19 and 20 have been completed

⁷ This action point has been completed

4. Bank resolutions/ recapitalisations

Introduction

Greek authorities have adopted two approaches for addressing the resolution of banking institutions in financial distress.

In the first approach a bank in financial distress is split into a 'bad' and a 'good' bank (applied in the cases of Proton bank and Post bank). The 'bad' bank is set under liquidation while the 'good' bank receives the portfolio of the commercially performing assets of the old bank and (most of) its liabilities. The resolution branch of the Hellenic Deposit Guarantee and Investment Fund, HDGIF (classified in sector S.12), or from 2012 onwards the resolution branch of the Hellenic Financial Stability Fund, HFSF (classified in S.13), injects funds into the 'good' bank to cover the gap between the transferred performing assets and liabilities of the old bank.

In return for covering the funding gap of the "good" bank, the resolution fund has claims on the possible proceeds from the liquidation of the problematic assets of the 'bad' bank and in one case (Proton) on the new bank's profits for the unrecovered part of the transferred funds.

In the second approach, the performing assets and (most of) the liabilities of a bank in financial distress are transferred to an existing financial institution through an auction process while the problematic assets are managed by the liquidator of the 'bad' bank. In 2012 this model was applied to the cases of ATE bank (Agricultural bank of Greece, the performing assets and liabilities of which were transferred to the Piraeus bank) and to the three Co-operative (regional) banks, which were split into bad banks while their deposit liabilities were transferred to the National Bank of Greece.

In this model the resolution fund (HFSF) provides the receiving financial institution with the funds required to cover the gap between the transferred performing assets and liabilities. The resolution fund has claims on any proceeds from the liquidation of the problematic assets of the 'bad' bank, and may also take an equity stake in the receiving bank. There is no remaining link between the receiving bank and the bad bank.

Discussion

There was an extensive discussion on the developments regarding bank resolutions. Eurostat was informed on the details of the new terms of dividend payments introduced by a new law (2012) related to capital injections into credit institutions in 2008 (Pillar I state aid funding of banks). Eurostat pointed out that with this new law dividend

payments become conditional on the profitability of the banks thereby changing the nature of the instrument involved (from preference shares to loans).

Findings and conclusions

- Eurostat recommends that ELSTAT record EUR 555.6m receipts by HFSF from banks as a revenue (interest) in 2012, and there will be an imputed capital transfer from the State for the amounts of accrued preference share income which have been affected by the passage of new legislation. **From 2012 onwards the preference shares will no longer yield an unconditional return in the future, but a return, which is now conditional (fixed rate of 10%). So dividends on preference shares will be recorded as they are determined (Action point 23)**⁸
- Eurostat is of the view that there remains considerable uncertainty over the value of claims that HFSF has acquired over ATE Bad Bank, and would therefore request further information from HFSF on the value of its relevant interests which will be included in its end-December 2012 IFRS-based balance sheet. ELSTAT should request this information from HFSF and then provide it to Eurostat by 5 April 2013 at the latest. In the meantime, and pending this information, the full amount of payments to Piraeus Bank in 2012 should be recorded as a capital transfer. **(Action point 24)**

⁸ This action point has been completed