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EUROSTAT

Directorate D: Government Finance Statistics (GFS) and quality
Unit D-3: Excessive deficit procedure (EDP) 2

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-FINAL FINDINGS -

EDP dialogue visit to Greece

20-21 March 2014

Executive summary

Eurostat conducted an EDP dialogue visit to Greece on 20-21 March 2014 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 and the Greek statistical authorities discussed a wide range of issues relating to the April 2014 EDP notification with a special focus on the EDP tables and the analysis of the reported government transaction.

On the issues related to recording tax refunds, a new property tax, as well as the tax settlement scheme, it was agreed that

(a) ELSTAT will provide in the April 2014 EDP explanatory note an explanation of the revisions introduced to tax refunds data from 2010, (b) ELSTAT will confirm by end-May 2014 that tax settlement cash receipts will be included in the source data rows which are not subject to time adjustment, and (c) ELSTAT will investigate the operation of the new property tax which unifies all the existing property taxes.

On the issue of the planned sale and lease-back of several government buildings, it was agreed that ELSTAT will analyse the relevant operations and provide a statistical analysis to Eurostat by 1st June 2014.

Regarding the statistical treatment of the transactions of OPEKEPE/ELEGEP, ELSTAT discussed the main points of the note provided to Eurostat before the meeting and agreed to undertake the actions identified in its note and send an updated version of this to Eurostat by 12 September 2014.

In the same context, Eurostat was informed about the claims/receivables submitted by OPEKEPE to the EU budget and offered to cross-check the outstanding receivables of Greece for two EU agricultural funds with information in the European Commission.

In discussing the statistical recording of the SMP/ANFA revenue the agreed statistical method was confirmed and Eurostat undertook the cross-checking of the relevant data on SMP revenues with the EC services.

On the issue of the restructuring of railway company (OSE), ELSTAT will analyse the statistical classification of the company that manages the real estate of OSE (GAIOOSE) under ESA 2010 and write to Eurostat by end-May 2014.

ELSTAT analysed the issue of the statistical recording of the activities of the National Fund for Entrepreneurship and Development (ETEAN). A note on the issue with the proposals of ELSTAT on the statistical recording of ETEAN operations will be sent to Eurostat by 16 May 2014.

Regarding the issues related to local government, ELSTAT reviewed to progress made on the collection of data on municipal enterprises under private and public law, and agreed to send to Eurostat by end-June 2014 a progress report.

There has been a thorough discussion of all issues related to bank resolution and recapitalisations that took place in 2013. ELSTAT presented detailed tables with information on the costs of these operations. In this context, it was decided that ELSTAT will confirm if audited information is available for the recoverable amounts arising from the resolution of banks in 2013, and inform Eurostat as soon as possible.

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 2014.

Eurostat was represented by Mr John Verrinder, Mr Denis Besnard, Mr Bogomil Kovachev and Mr Stelios Pantazidis. The Greek statistical authorities were represented by the National Statistical Institute (ELSTAT), and the General Accounting Office (GAO).

The main purpose of the visit was to review the preparation of the April 2014 EDP Notification. Eurostat extensively discussed the tables under preparation, and their underlying data sources.

1. Budgetary central government

EDP Tables 2A-D and 3A-E

Introduction

The purpose of the discussion was to analyse the information on government transactions recorded in the detailed EDP tables presented by ELSTAT. There was a thorough analysis and discussion of these tables. In addition, the discussion focused on the following issues:

Taxes

Introduction

It is recalled that Greek statistical authorities use a time adjusted cash method (of two months) to adjust VAT and income tax receipts onto an accruals basis.

No changes have been reported by ELSTAT in the recording of taxes and social contributions.

Discussion

ELSTAT informed Eurostat of a revision to the data on unpaid tax refunds affecting the whole reporting period. The transaction concerned VAT refunds to the reclassified units (mainly OSE and ATTIKO METRO). It was explained that unpaid tax refunds (payable of the Greek state to reclassified enterprises) were not previously recorded as an expenditure by the State on the assumption that the relevant transactions were not recorded by the concerned enterprises, which however was not the case. Therefore, ELSTAT would revise the relevant figure for 2010 when the certification of the liability of the State was issued by the tax authorities and thereby would be recorded as an expenditure of the State.

Findings and conclusions

ELSTAT will provide in the April 2014 EDP explanatory note an explanation of the revisions introduced to tax refunds data from 2010. (**Action point 1**)¹.

Discussion

Eurostat recalled that as a conclusion of the discussion on the property tax settlement mechanism during the September 2013 EDP dialogue visit, it was agreed that GAO would be asked create separate budget lines for different types of taxes in order to better depict the implied different accruals impact of these taxes. The Greek statistical authorities explained that the reporting of information on the settlements of various types of taxes would require the coordination of the work with the General Secretariat for Information Systems.

Eurostat was informed by ELSTAT on the new uniform property tax (ENFIA) which is planned to be implemented from 2014 onwards replacing all the existing property taxes (EETIDE, EETA and FAP). According to the plan of the ministry of finance this tax is to be collected in instalments within the reference financial year. Thus, ELSTAT expressed the view that if this is the case, cash recording would be the appropriate statistical treatment for this tax. Eurostat raised the issue of possible arrangements for delayed payments that should be considered.

Findings and conclusions

ELSTAT will confirm by end-May 2014 that tax settlement cash receipts (under the extended settlement scheme) are included in the source data rows which are not subject to time adjustment. (**Action point 2**)²

ELSTAT will investigate the operation of the new property tax, and in particular if there are any late payment arrangements, and provide a note to Eurostat by 12 September 2014. (**Action point 3**)³

Privatisations-Segregated account

Introduction

In the September 2013 EDP Dialogue visit ELSTAT described the procedures regarding the privatisation revenues collected by TAIPED. It is recalled that the proceeds of privatisations are transferred to a segregated account of government with the Bank of Greece. A revenue and an equivalent expenditure are booked in the ordinary budget for the repayment of the government debt. Eurostat requested ELSTAT to provide the breakdown of this account for the identification of the nature (financial and non-financial) of the relevant transactions.

¹ This action point has been completed

² In progress

³ In progress

Discussion

ELSTAT explained that all revenues from privatisations are booked, along with the fees which are deducted with a separate adjustment. It was also clarified that the amounts related to privatisations are included in the segregated accounts which, according to GAO, constitute part of the system of government accounts (state budget accounting system). Eurostat reiterated the need for breaking down the segregated account data by KAE (budget codes) to better understand the nature of the transactions involved.

Findings and conclusions

ELSTAT will obtain from GAO a complete breakdown of the transactions of the segregated account and analyse them for their financial or non-financial nature, reporting to Eurostat by 16 May 2014. (**Action point 4**)⁴

Sale and leaseback operations

Introduction

In February 2014, Eurostat was informed that TAIPED (privatisation fund) planned to organise a sale and lease back operation for several government owned buildings (28 building split into two portfolios of assets of 14 assets each with two identical contracts). Copies of the final tender documents were provided to Eurostat.

Discussion

Eurostat explained that it is important for ELSTAT to analyse the relevant contracts in order to identify the nature of the lease operation. It was also mentioned that it would be useful for Eurostat to receive copies of the final contracts when the deal is completed.

Findings and conclusions

ELSTAT will analyse the on-going sale and leaseback operations for government buildings and will provide a statistical analysis of the operations to Eurostat by 1st June 2014. (**Action point 5**)⁵

Balance sheet corrections- unaudited amounts

Discussion

Eurostat observed that the balance sheet corrections remain significant with changing signs overtime and asked ELSTAT to provide a short explanatory note on the evolution of the relevant transactions as well as on the practice of recording the related amounts. It

⁴ This action point has been completed

⁵ In progress

was explained that ELSTAT records these amounts in the year the cash payment is made. The unaudited amounts relate to transactions that do not go through the KAE system.

Findings and conclusions

ELSTAT will provide in the April 2014 EDP explanatory note an explanation of the meaning of the positive and negative movements in items within the 'Balance Sheet Corrections' adjustment line. (**Action point 6**)⁶

OPEKEPE/ELEGEP

Introduction

It is recalled that in the September 2013 EDP dialogue visit, ELSTAT provided details regarding the improvement of the reported information on OPEKEPE transactions through the ELEGEP account which is used for the pre-financing of EU funds to beneficiaries (farmers). It was then mentioned by ELSTAT that the results of the technical analysis which was in progress might lead to a change in compilation method with a marginal impact on government deficit in 2012 (confirmed also by GAO).

During the October 2013 EDP Notification, Eurostat was informed that there have been no changes in the reporting of the OPEKEPE/ELEGEP transactions in EDP table 2A and that the agreed detailed investigation continued.

Discussion

ELSTAT confirmed that the investigation on the issue will continue in order to complete all the actions contained in the detailed note on this issue sent to Eurostat before this EDP dialogue visit. Eurostat was also informed about the claims related to prepayments made to beneficiaries of EU agricultural funds that OPEKEPE had submitted to EC budget. Eurostat agreed to cross-check with European Commission services the outstanding receivable of OPEKEPE.

Findings and conclusions

ELSTAT will undertake the actions identified in its note on OPEKEPE/ELEGEP, and provide an updated note to Eurostat by 12 September 2014. In addition the note will contain an analysis of the State budget lines relating to the management of agricultural funds. (**Action point 7**)

Eurostat will cross-check the outstanding receivables of Greece for two EU agricultural funds with information in the European Commission and inform ELSTAT by 28 March 2014. (**Action point 8**)

Reimbursement of judicial salaries (Court decision of 2007)

Introduction

⁶ This action point has been completed

A 2007 court decision retrospectively increased the salary of judges after linking it to that of the President of the Supreme Court. After some initial payments, the settlement of the payables stopped due to liquidity problems. The payments restarted in 2012.

Although a full picture of the exact amounts involved was not then available to ELSTAT, an estimated amount was recorded as a capital transfer in 2007 for amounts paid out in 2008. According to the law 3620/2007 implementing the court decision, the amounts were to be given to the beneficiaries in instalments over a period of 6 years.

Discussion

ELSTAT confirmed that the amounts were previously recorded on a cash basis. ELSTAT explained that they have recently received from GAO a table with the payments for the period 2008 –2013 as well as an estimation of the amount to be paid in 2014. ELSTAT wondered if it would be appropriate to record the total expenditure of EUR 620 million in 2007, or to remain recording on a cash basis. Eurostat expressed the opinion that ELSTAT should keep recording it on a cash basis and provide further information on the details of the court decision regarding in particular the amounts involved.

Findings and conclusions

ELSTAT will confirm if the amount of reimbursements for judicial salaries was known at the time of the relevant court decision in 2007. (**Action point 9**)

SMP/ANFA revenues

Introduction

SMP payments to Greek government are the payments of the realized earnings of NCBs from their holdings of Greek government bonds (GGBs). The payments are due to be made every June and the corresponding amounts are transferred to an account of ESM by the euro area MSs. Subsequently, if the outcome of the review of the Greek adjustment programme is positive, the amounts are transferred to an account of the Greek government at the Bank of Greece.

The Greek government has the right to use the SMP amounts only when these are transferred to the Bank of Greece following the decision of Eurogroup on the successful implementation of the Greek macroeconomic adjustment programme. The time of recording is the time when the relevant amounts are transferred to the segregated account (and recorded as D74).

ANFA portfolio payments are payments accruing to the Greek government from the profits of ANFA portfolio investments on GGBs. ANFA payments unlike SMP payments are not conditional on the program implementation results.

Discussion

ELSTAT confirmed the agreed statistical treatment of SMP/ANFA payments and explained that in 2013 the SMP payments from the EFSF intermediate accounts to the Greek government segregated account with the Bank of Greece amounted to EUR 2018 million and recorded as a current transfer (D74) receivable. It was also mentioned that the first tranche of EUR 1500 million was released in July 2013 after the positive

assessment of the progress of the implementation of the adjustment programme, while the second tranche (which was to be transferred in October 2013) was made available to the Greek government in December 2013 and recorded in the last quarter of the year.

GAO pointed out that the SMP revenue might be higher by the amount corresponding to the transfers by the Bank of Greece which were delayed. Eurostat agreed to cross-check the relevant data and inform accordingly ELSTAT on the exact figures.

Findings and conclusions

Eurostat will cross-check the data available to ELSTAT on SMP/ANFA revenues, and inform ELSTAT by 28 March 2014. (**Action point 10**)

Dividends-super-dividend test

Discussion

ELSTAT described the work that has been done for conducting and documenting the super-dividend test. It was mentioned that the analysis of dividends received by government for the period 2010-2013 showed that in some cases the revenues for dividends need to be reclassified to dividend revenue from taxes.

Findings and conclusions

ELSTAT will check dividends received by the State for the superdividend test and will inform Eurostat of the results in the April 2014 Explanatory Note. (**Action point 11**)⁷

Railway (OSE) restructuring-GAIOSE

Introduction

It is recalled that the shares of GAIOSE (the company that manages the real estate of the OSE group) were transferred from OSE to the State and this operation was recorded in the second quarter of 2013. According to the relevant law, the liabilities of OSE to the State are reduced accordingly by this transfer.

Discussion

ELSTAT mentioned that for the April 2014 EDP notification, GAIOSE will be included in the subsector of Government enterprises (S.1311.2) although the classification of the unit needs to be subsequently re-examined along with other units (including TRAINOSE-the train operator company) under ESA10 rules. It was agreed that the work for the reclassification of institutional units should start after the EDP notification in the context of the work required for the implementation of ESA10.

⁷ Action points 8-11 have been completed

Findings and conclusions

ELSTAT will analyse the statistical classification of GAIIOOSE under ESA 2010 and write to Eurostat by end-May 2014. (**Action point 12**)⁸

ETEAN

Introduction

ETEAN (National Fund for Entrepreneurship and Development) manages various programmes for the financing of activities undertaken by enterprises and individuals providing loans, grants and guarantees to qualified beneficiaries.

Discussion

ELSTAT explained that in the April 2014 EDP notification, the transactions of ETEAN will be reported as in previous notifications. However, as ETEAN is engaged in various types of activities, it was agreed that a better statistical presentation of these transactions would require the collection of more detailed information.

Findings and conclusions

ELSTAT will write to Eurostat by 16 May 2014 on the statistical recording of the operations of ETEAN. (**Action point 13**)⁹

2. Local Government

Discussion

Eurostat was informed about the developments regarding the municipal enterprises debts to Consignment Deposits and Loans Fund (CDLF).

It is recalled that CDLF is classified in the sector of financial corporations (S.12). According to ELSTAT, there have been three consecutive calls of government guaranteed debts of some municipal enterprises. However, with a law voted in 2012, municipal enterprises were allowed to service only interest for the period 2013-2016 without repaying the principle during the same period.

According to the law, any loans from CDLF to municipalities, regions, their supervised legal entities (under private or public law), their agencies and their municipal corporations could have:

- their term extended by up to 8 years;
- a grace period of 3 years on repayments, starting from 1 January 2013;

⁸ In progress

⁹ This action point has not been completed

- interest rate cut of 0.5% during the grace period (interest payments are still required);

During the discussion ELSTAT confirmed that the debt of municipal water supply companies has been recorded as assumed by General Government as of 2013 and it was agreed that ELSTAT will apply the 'three-calls rule' to the debts of local government enterprises to the Consignments Deposits and Loans Fund, and record all of the relevant debts as assumed by government in 2013.

In addition, Eurostat was updated on the progress of the work on Local government registry and in particular on the part that relates to the collection of data on private law municipal enterprises.

Eurostat was informed that data from the CONVOS system which is to replace the old electronic system of EETAA SA has been received in March. Discrepancies have been observed in the financial data. It is planned that the two systems will initially be used in parallel.

Findings and conclusions

ELSTAT will send to Eurostat by end-June 2014 a progress report on the collection of information on Local Government public and private law bodies. (**Action point 14**)

ELSTAT will write to Eurostat by end-May 2014 with its views on the classification implications under ESA 2010 of the contracts of Local Government enterprises with other local governments and third parties. (**Action point 15**)¹⁰

3. Social Security Funds

Introduction

In February 2014, Eurostat received from ELSTAT a request for advice on the statistical recording of the changes in the contracts signed between the Social Security Fund EOPYY and several private health service and pharmaceutical product providers. These changes were introduced with several laws voted by the Greek Parliament in the period between 2011 and 2013 and have both a retroactive and a future impact on the payments of EOPYY to its providers. Eurostat analysis concluded as follows:

- i) Any retroactive elements will be recorded as other changes in volume (uncompensated seizure).
- ii) Any future elements will be recorded as negative social transfers in kind, in the period to which the clawback relates.

Discussion

ELSTAT described in detail the results of electronic collection of data on SSFs and public hospital transactions as well as the results of the official surveys conducted by

¹⁰ Action points 14-15 have not been completed

ELSTAT for the payables of these institutions. The major part of the discussion focussed on the issue of the statistical recording of the changes of EOPPY contracts with its suppliers. Eurostat provided its view on the issue, reaffirming the above conclusions and asking ELSTAT to collect information on the claw-back amounts for health expenditure of EOPPY in 2013 and to use this information if possible for the EDP reporting of April 2014.

Findings and conclusions

ELSTAT will obtain relevant information on the claw-back amounts relating to health expenditure (EOPPY) for 2013 and, provided that the basis is confirmed as reasonable, use the information in the preparation of the April 2014 EDP notification.

4. Bank resolutions/recapitalisations

Discussion

ELSTAT presented all the events relating to bank resolutions and recapitalisations in 2013 and provided tables containing detailed information on the costs of these operations. Regarding the recoverable amounts from the sale of bad assets of restructured banks, ELSTAT explained that so far there is an estimation only for the value of bad assets of the Post Bank but not for the other cases. Eurostat enquired about the capital injection into the New Post Bank and asked ELSTAT to check when the business plan for the New Proton Bank was established.

Findings and conclusions

ELSTAT will confirm if audited information is available for the recoverable amounts arising from the resolution of banks in 2013, and inform Eurostat as soon as possible. **(Action point 16)**¹¹

ELSTAT will confirm when a business plan for the New Post Bank was established, and the basis on which a capital injection was made into the Bank in January 2013, reporting to Eurostat as soon as possible. **(Action point 17)**¹²

¹¹ In progress

¹² This action point has been completed