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EUROSTAT

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

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- FINAL FINDINGS -

EDP dialogue visit to Greece

22-23 September 2014

Executive summary

Eurostat conducted an EDP dialogue visit to Greece on 22-23 September 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 October 2014 EDP notification with a special focus on the EDP tables. In particular, the issues that were analysed and the relevant findings of the meeting are the following:

Eurostat was informed that in the October EDP notification, ELSTAT will transmit GFS data only from 2006 under ESA 2010. Data for the years before 2006 will only be transmitted later.

ELSTAT and Eurostat agreed on the sectoral classification of several entities including EAB, ELVO (military equipment producing companies) Egnatia Odos (motorway construction company), TANEO (New economy development Fund) as well as the Deposit, Loans and Consignment Fund.

ELSTAT informed the participants about the introduction of deliveries-based data for the full time series of military equipment expenditure.

It was proposed that the Memorandum of Cooperation between ELSTAT, GAO and Bank of Greece will be revised and a progress report will be sent to Eurostat by end-2014.

The General Accounting Office (GAO) will provide a table on reconciliation of government bank accounts for 2013.

ELSTAT will complete its investigations on the statistical recording of ELEGEP/OPEKEPE operations, and will provide a report to Eurostat on the results of this work.

ELSTAT will re-examine the conditions of the sale of spectrum and gambling licenses in the context of the implementation of ESA2010.

ELSTAT will analyse the sale and leaseback operations planned by the Greek State as well as the new PPP contracts and it will inform Eurostat on the results of this examination.

Eurostat will consider the nature and the statistical classification of payments related to the Athens Urban Transportation Company S.A and will inform ELSTAT of its views.

Eurostat will provide its opinion to ELSTAT on the statistical treatment of the cases of securitization of assets and on deferred tax assets.

On Local government, ELSTAT will continue collecting information on private law municipal entities. A progress report on the analysis of this information as well as a report on the classification of large municipal enterprises will be sent to Eurostat.

ELSTAT will provide to EUROSTAT a note analysing the forthcoming changes in payments of civil servant lump sums.

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 22-23 September 2014.

Eurostat was represented by Mr John Verrinder, Mr Denis Besnard, 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 September 2014 EDP Notification. Eurostat extensively discussed the tables under preparation, and their underlying data sources.

1. Budgetary central government and extra-budgetary funds

EDP Tables – Questionnaires

Introduction

The purpose of the discussion was the detailed analysis of the available information on government transactions recorded in EDP tables. The discussion focused on the following issues:

ESA 2010 historic data

Discussion

Eurostat was informed that the Greek statistical authorities were not yet ready to provide a full set of historic data based on ESA2010 for the period before 2006. During the discussion, ELSTAT explained that they have decided to postpone the publication of historic data due to the fact that ELSTAT had not received complete information from the General Accounting office (GAO). The GAO representative mentioned that all the agreed nine (9) sets of data (4 related to budget and 5 related to special accounts) were transmitted to ELSTAT. During discussion, some follow-up issues were identified. Eurostat urged ELSTAT and GAO to closely cooperate in order to clarify all the remaining issues so that the project for the compilation of a full and consistent historic data series is completed as soon as possible.

Findings and conclusions

Eurostat took note that ELSTAT will transmit ESA 2010-based GFS data only from 2006 at end-September 2015 as the necessary data for years 1995-2005 started being provided by GAO and PDMA to ELSTAT only in September 2014. Data for the years before 2006 will only be transmitted later, after October 2015. Eurostat underlined the importance of continued cooperation between ELSTAT and GAO in this regard.

Classification of enterprises

Discussion

In the context of the implementation of ESA 2010, ELSTAT had reviewed the statistical classification of several entities. During the meeting, ELSTAT presented a list of 13 reclassified entities for the period 1995-2005 and a further table with information on the classification of new entities supervised by the Greek government.

The cases of EAB (Hellenic aerospace industry), ELVO (Hellenic vehicle industry), EGNATIA ODOS (motorway construction company), TANEQ (New economy development fund), and the Deposit, Loans and Consignment Fund (LCF) were discussed in detail and it was agreed that, except for the LCF (which is to be classified as a financial corporation), all the other units should be classified inside the general government sector.

In particular for **EGNATIA ODOS**, which is the biggest of the assessed companies, it was recalled that not all the necessary information on EGNATIA had been available in the past for a complete analysis of the entity. It was noted that a concession solution for the project was announced which was expected to have been finalised by the end of 2013. However, this solution did not progress due to lack of decision on an appropriate toll system. Recently there had been such a ministerial decision but there was no information on the time schedule for the planned concession competition. During the discussion it was agreed that EGNATIA has had in fact no autonomy of decision in the execution of its principal function since 1996 and therefore the company should be classified in the general government sector. It was also agreed that when there will be progress regarding the planned concession, ELSTAT will examine the relevant contract and will assess the case accordingly.

Findings and conclusions

It was concluded that EAB, ELVO, Egnatia Odos and TANEQ should be classified to the General Government Sector. The Deposit, Loans and Consignment Fund should be classified as a financial corporation.

Standardised guarantees

Discussion

It is recalled that ETEAN (The National Fund for Entrepreneurship and Development) has a guarantee scheme which is considered to meet the ESA 2010 definition of a non-market standardized guarantee scheme. During the discussion, it was confirmed that the Programme “Guarantee and interest subsidy on loans to small enterprises” should be regarded as a scheme that provides standardized guarantees.

The Greek statistical authorities informed Eurostat that this programme ran from 2009 to 2012. It provided loan guarantees and 200 mio € to small enterprises in the form of subsidized interest on these loans. It was fully financed from the Public Investment Program (PIP) of the budget and implemented in two phases. The main characteristics of the 1st phase were: guarantee up to 80% of 3-year-long duration loan, interest payment as a subsidy and 1% guarantee fee, while in the second phase the guarantee fee was set at 0.25%.

ELSTAT presented a note on the issue and there was a discussion on the method used for the required calculations for standardised guaranties.

Findings and conclusions

Eurostat agreed with the proposed calculation for standardized guarantees, whilst noting that care should be taken in the calculation for future years.

Recording of military equipment expenditure

Discussion

The Greek statistical authorities recorded military expenditure on a cash basis until 2005 - owing to a lack of reliable information before that time - and on a delivery basis (adjusted for the prepayments for multiyear contracts) from 2006 onwards. During the discussion, Eurostat was informed that in the context of the implementation of ESA2010, ELSTAT had asked the Ministry of Defence for information on military deliveries in order to reclassify the amounts spent on military equipment from current expenditure to capital expenditure from 1995. Such data, which were previously unavailable, were transmitted to ELSTAT by the Ministry of Defence thereby making possible the recording of military expenditure on a delivery basis for the whole period 1995-2005.

Findings and conclusions

Eurostat took note of the ELSTAT decision to introduce deliveries-based data for the full time series of military equipment expenditure. This was based on a written assurance from the Ministry of Defence that the data were complete and exhaustive.

Memorandum of cooperation

Discussion

It was recalled that ELSTAT has taken the initiative to revise the memorandum of understanding previously signed by the parties primarily involved in the compilation of government finance statistics (ELSTAT, GAO, and Bank of Greece). During the meeting ELSTAT informed the participants that relevant procedures have not progressed. Eurostat mentioned that the prolongation of this situation might create unnecessary uncertainty regarding the obligations of each institution.

Findings and conclusions

The Memorandum of Cooperation between ELSTAT, GAO and Bank of Greece could usefully be updated. A progress report will be sent to Eurostat by end-2014. (**Action point 1**)

Export Credit Insurance Organisation (ECIO)

Discussion

During the meeting it was recalled that the case of ECIO was first discussed after ELSTAT's request for Eurostat guidance on the classification of the unit in August 2014. Eurostat then analysed the case and concluded that further investigation was needed in

order to identify whether the unit exhibits characteristics of a captive financial institution. The issue of the flexibility of the ECIO to determine which companies need export credit was again discussed and it was agreed that ELSTAT would further check whether ECIO follows international rules, as well as to what extent the competent ministry determines the activities of the entity.

Findings and conclusions

ELSTAT will confirm the respective powers of government and the Board of the Export Credit Organisation in respect of the terms and conditions of export credit operations, and inform Eurostat as soon as possible. (**Action point 2**)¹

Tables 2A and 3B

Discussion

The detailed EDP tables 2A and 3B distributed by ELSTAT were thoroughly discussed. Eurostat mentioned GAO's work on reconciliation of movements in government accounts (transactions) with the movements in government bank accounts. It was recalled that a full reconciliation was obtained from this exercise for year 2012 and Eurostat asked GAO whether it would be possible to provide the results for 2013 as this information could contribute to explaining statistical discrepancies. GAO agreed to provide this information for 2013.

During the March 2014 EDP dialogue visit a note on the operations of ELEGEP/OPEKEPE was discussed and it was then agreed that ELSTAT would further work on the action points identified in this note. It was further agreed that this work would also contain an analysis of the State budget lines relating to the management of agricultural funds. Eurostat repeated the importance of having this work done as soon as possible and ELSTAT agreed to complete the work by the end of 2014.

Findings and conclusions

The GAO will provide a table on reconciliation of government bank accounts for 2013 by end-September 2014. (**Action point 3**)

ELSTAT will complete its investigations on the statistical recording of ELEGEP/OPEKEPE operations, and will provide a report to Eurostat by end-2014. (**Action point 4**)

¹ On 24 September 2014, ELSTAT clarified the issues raised during the meeting. It was confirmed that the ECIO has significant freedom in the individual operations it carries out, and it should therefore be classified in sector S12.

Spectrum and state lottery licences

Introduction

ELSTAT provided a detailed report on the statistical treatment of spectrum and gambling games (lotteries) licences in the past under ESA95 and the planned changes in the recording of the relevant transactions under ESA2010. It is recalled that in 2000 the Greek government granted the exclusive right to OPAP SA for the organization and operation of gambling games / lotteries for ten years, until October 2020. In 2011 the rights were extended for 10 years, from 12.10.2020 until 11.10.2030. In 2011, the Telecommunications Committee (EETT) conducted an auction for new licences for different frequencies for four separate periods

Discussion

ELSTAT informed the participants that historical information on spectrum licences were obtained from the EETT, while for recent years information that was received from TAIPED (Privatisation Fund) on licences and rights for the use of intangible assets was reviewed. ELSTAT explained that in the framework of implementation of ESA2010, at a first stage they have investigated the statistical recording of all the relevant transactions under ESA95, making the relevant corrections, and at a second stage they made all the changes needed to comply with the requirements of ESA2010. ELSTAT explained in detail the recording of all amounts involved. On the issue of the extension of OPAP licences, Eurostat asked ELSTAT to check whether the granted licences are transferable or not and to statistically record the transactions involved accordingly.

Findings and conclusions

ELSTAT will check the transferability of sold spectrum and gambling licenses, and inform Eurostat by end-September 2014. (**Action point 5**)²

International Broadcasting Centre

Introduction

The International Broadcasting Centre (IBC) was used for the needs of the 2004 Olympic Games. After the end of the Games, a major part of the site was converted into a shopping mall whereas a part of the site remained vacant.

Lamda Domi SA (a subsidiary of the Lamda Development construction group) signed a 40-year (plus 6-year extension option) lease (starting from 29 August 2006, expiring in 2047) for the site at an annual rate of €7.25m up-rated by CPI inflation plus 2% for 15 years.

The lease was not with the State directly, instead through the State-owned Olympic Properties entity (statistically classified as a non-financial corporation), which along with KED (an organisation that administered and managed the State's real estate assets, classified in the general government sector) was absorbed into the tourist organisation ETAD.

² This action point has been completed

In 2012, TAIPED issued a 90 year lease for the next 50 years for an amount of 81 million euro cash advance plus annual adjustment based on Greek State's credit rating. This lease was awarded to Lamda Domi which is responsible for the repairs and the maintenance of the buildings.

Discussion

During the discussion the statistical recording of the transaction was reviewed. ELSTAT recalled that the amount of 81 million euro was recorded as the sale of a non-financial non-produced asset K22 (in 2013 Q1), with Eurostat's provisional agreement until the ongoing methodological discussion was completed. It was mentioned that for the conclusion of the methodological discussion further information is needed regarding the ownership of the asset (ETAD or TAIPED) and on the market value of the vacant part of it. Eurostat confirmed that it would inform ELSTAT on the conclusions of this discussion.

Findings and conclusions

Eurostat will provide ELSTAT with its views on the recording of the lease of the International Broadcasting Centre (IBC) as soon as possible. **(Action point 6)**

Sale and lease back operations

Introduction

The privatisation agency (TAIPED), in the context of the general privatisation plan of the Greek government, planned to sale and lease back several government owned buildings. In the March 2014 EDP dialogue visit, ELSTAT was requested to collect information and analyse the case. According to the then available information, the project involved two portfolios with several buildings having each a specific value.

Discussion

ELSTAT informed the participants that they have received the relevant contracts and they are analysing the terms of each contract. It was agreed that the results of this analysis will be sent to Eurostat.

Findings and conclusions

ELSTAT will send its analysis of the sale and leaseback operations to Eurostat by end-November 2014. The arrangements for the end of the lease period will be investigated. **(Action point 7)**

New PPP contracts

Discussion

Eurostat enquired about the press reports according to which new PPP contracts are to be signed for the construction of several schools with the participation of EIB through the "JESSICA" initiative. According to the same information, the contracts provide for the financing, construction, maintenance and the technical management of the buildings by the private companies. The private partner will be responsible for the maintenance and the management of the buildings for a period of 25 years.

ELSTAT confirmed this information and informed participants that they will analyse the new PPP contracts and then send the results of their analysis to Eurostat.

Findings and conclusions

ELSTAT will analyse the PPP contracts signed in 2014 and provide its analysis, together with relevant contracts, to Eurostat by end-2014. (**Action point 8**)

Public transportation company (OASA) transactions

Introduction

In the context of the classification project, the Athens Urban Transportation Organisation (OASA SA) was identified as a publicly controlled non-market producer for all years from 1995 and thus it was classified to the institutional sector S.13.

Discussion

ELSTAT informed the participants about the payments to OASA from its subsidiaries (2% of their revenue from fares) as well as the payments to OASA from government (subsidies). Eurostat mentioned that all the available information on the terms of these payments should be assessed in order to identify the nature of these transactions and their classification. It was agreed that the issue will be further discussed and analysed with the methodological team of Eurostat and ELSTAT will be informed of the conclusions of this discussion.

Findings and conclusions

Eurostat will consider the statistical classification of payments from OASA subsidiaries to OASA central office and will inform ELSTAT of its views as soon as possible. (**Action point 9**)

Eurostat will consider the statistical classification of government payments to OASA (whether D39 or D73) and will inform ELSTAT of its views as soon as possible. (**Action point 10**)

Securitisation of assets

Introduction

ELSTAT was requested by TAIPED to provide its opinion on a schedule for securitisation of future expected revenues from the exploitation of government assets through an SPE. On 5 September 2014, Eurostat received a document containing the statistical assessment of the project by ELSTAT.

Discussion

During the meeting, Eurostat briefly outlined the conditions under which a securitisation operation can be recorded as a sale. In particular four conditions were mentioned: the assets should be recorded in the government balance sheet at the time of the operation, there should be a full transfer of economic ownership of the assets, the originator

(government) should not retain a last equity trench, and a substitution clause only in marginal cases would not lead to recording government borrowing.

Deferred tax assets

Introduction

ELSTAT had been requested (by GAO) to provide its opinion on the statistical treatment of the conversion of deferred tax assets to tax credits which mainly concerned the Greek banks although other non-financial corporations might be benefitted from this arrangement. ELSTAT after consulting Eurostat prepared a note on the statistical treatment of the case and asked Eurostat's view on the proposed statistical recording.

Discussion

During the discussion the main provisions of the relevant draft law were outlined. ELSTAT's analysis confirmed that deferred tax assets of banks can be converted into tax credits within a period of thirty (30) years. The amount of the conversion is calculated by multiplying the defined total deferred tax assets by the ratio of accounting losses of a financial year to the net equity of the same year.

Furthermore, it was clarified that the conversion is effected after the financial statement of the beneficiary entity (bank) is approved by its general assembly and its tax statement is cleared by the tax office.

It was also mentioned that in all cases where the converted tax credit exceeds the tax liability of the beneficiary the amounts not amortised are payable by the Greek government in the form of government securities. This provision covers both the case of non-amortised amounts after the expiration of the thirty year period as well as the case where the beneficiary ceases its operations (due to bankruptcy/liquidation).

Findings and conclusions

Eurostat will reply as soon as possible to ELSTAT's letters on securitization of assets and on deferred tax assets. (**Action point 11**)³

Tax settlements mechanism

Introduction

The issue was first discussed during the September 2013 EDP dialogue visit. It was then agreed that the amounts related to the property tax settlement mechanism would be recorded on cash basis while ELSTAT would continue recording the general property taxes that are collected in several instalments by using the time adjusted cash method.

Discussion

During the discussion, Eurostat mentioned that the agreement on the recording of these taxes included also an action point for GAO to create '*separate budget lines for different types of taxes in order to better depict the implied different accruals impact of these*

³ This action point has been completed

taxes'. ELSTAT mentioned that the project undertaken in cooperation with GAO is still in progress and it is expected to be completed early next year.

Findings and conclusions

ELSTAT will confirm by end-January 2015 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 12)**

2. Local government

Private law municipal entities and classification of municipal enterprises

Discussion

ELSTAT informed the participants that a list (register) with information on private law entities was received from the Ministry of Interior. ELSTAT will assess the provided information and inform Eurostat on the results of its assessment.

Regarding the classification of large municipal enterprises, progress has been slow due to problems in the process of the collection of data needed for the assessment of the entities.

Findings and conclusions

ELSTAT will complete its collection of information on municipality private law entities and will analyse their statistical classification. A progress report will be provided to Eurostat by end-2014. **(Action point 13)**

ELSTAT will check the statistical classification under ESA 2010 of the largest municipal enterprises and will inform Eurostat by end-September 2014. **(Action point 14)**

3. Social Security Funds

Discussion

Eurostat was informed about the changes in the payments mainly of civil servants provided for by a law voted already in 2012. According to the provisions of this law, the lump sums of civil servants will possibly be altered depending on the results of sustainability tests which will be conducted for the concerned social security funds. The tests are to be completed early in 2015 and the changes will affect the flow of pension and lump sum payments generated only within 2014. It was mentioned that the accumulated stock of the relevant obligations up to the end of 2013 will not be affected by the implementation of this law.

Findings and conclusions

ELSTAT will write to Eurostat by end-November 2014 with its analysis of the forthcoming changes in payments of public sector lump sums. (**Action point 15**)⁴

⁴ This action point has been completed

Annex

List of participants

ELSTAT:

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Draft agenda of the EDP dialogue visit to Greece

22-23 September 2014

1. Overview of the implementation of ESA 2010

- Changes in delimitation of general government
- Other changes impacting government deficit and debt
- Revisions to GDP data

2. Budgetary Central Government

- EDP Tables-Questionnaires
- Accounts payable
- Delimitation

2.1 State

- Interest
- Taxes and social contributions
- Recording of EU flows
- Government guarantees
- Debt assumptions/debt cancellations/write-offs
- PPPs and sale and leaseback operations
- Capital injections, superdividends, privatisations
- Financial Derivatives

2.2 Extra-budgetary funds and public corporations

- EDP Tables-Questionnaires
- Accounts payable
- Delimitation

3. Local Government

- EDP Tables-Questionnaires
- Accounts payable
- Delimitation

4. Social Security Funds

- EDP Tables-Questionnaires
- Accounts payable
- Delimitation

5. Bank resolutions/recapitalisations

6. Other issues