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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

24-25 September 2013

Executive summary

Eurostat conducted an EDP dialogue visit to Greece on 24-25 September 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 September 2013 EDP notification with a special focus on the EDP tables and the analysis of the reported government transaction.

Eurostat recommended that the Greek statistical authorities involved in the preparation and the EDP reporting should proceed to introduce an updated Memorandum of Understanding as soon as possible. ELSTAT will present a draft proposal to the other institutions.

Regarding the issue of the statistical recording of the transactions of OPEKEPE (Organisation of payments and control of EU agricultural funds), ELSTAT will provide Eurostat with a complete note on the recording of OPEKEPE/ (ELEGEP-account) adjustments by end-2013

General Accounting Office (GAO) was asked to ensure that separate budget lines are created for the receipts from the recently introduced property tax settlement mechanism. ELSTAT will provide Eurostat with the final details of the mechanism when they are agreed.

On the statistical treatment of issues related to emission permits, ELSTAT will assess the classification of the Operator of the electric power market (LAGIE) by end-2013, and inform Eurostat.

Regarding the statistical treatment of the emission permits related payments, ELSTAT will send to Eurostat its calculation of the relevant amounts and their impact on government accounts.

The discussions on financial derivatives concluded with the agreement that GAO will check that the spreading of recording of swap cancellations starts from the moment of the cancellation, and confirm to ELSTAT and Eurostat as soon as possible.

Furthermore, GAO will check if there are open swaptions being used, and what has happened to previous swaptions, and inform ELSTAT and Eurostat.

Eurostat was informed that GAO has now a fully reconciled set of cash flows and deposits and encouraged ELSTAT to discuss and analyse this information with GAO. ELSTAT will send Eurostat a note on this issue by end-2013.

Concerning local government, it was agreed that ELSTAT will provide a progress report by end-2013 on the register of private and public law bodies at local government level.

The provision of historic EDP data was also discussed and Eurostat recalled that this is a regulation requirement and it should be properly addressed by the Greek statistical authorities. ELSTAT will provide an implementation plan for GFS revisions going back to 2000 by mid-October 2013.

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 24-25 September 2013.

Eurostat was represented by Mr John Verrinder, Mr Denis Besnard, Mr Bogomil Kovachev and Mr Stelios Pantazidis. A representative of the European Central Bank (ECB) also participated in the meeting as an observer. 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 Hellenic Financial Stability Fund (HFSF) also participated in the meeting.

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

Eurostat welcomed the efforts of ELSTAT in preparing the data, 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

There have been no major 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 among the three Institutions. Eurostat was updated on the progress made on the updating of this MoU.

Findings and conclusions

Eurostat recommends that the Greek authorities (ELSTAT, GAO and BoG) should proceed to introduce an updated Memorandum of Understanding as soon as possible. ELSTAT will present a draft proposal to the other institutions (**Action point 1**)¹.

2. Budgetary central government

EDP Tables 2A-D and 3A-E

Introduction

The preparation and the compilation procedures for the September 2013 EDP Notification was one of the major items of the agenda of this Dialogue visit. The purpose of the discussion was to analyse all the issues related to the EDP notification in order to ensure that all conditions for a smooth EDP reporting were met.

Discussion

The discussions with the Greek statistical authorities focused on the preparation and the detailed analysis of the tables of the September 2013 EDP Notification. ELSTAT provided information and explained in detail the accrual adjustments in EDP Tables 2 and analysed the information reported in EDP tables 3 for all the subsectors of general government.

In this context, the Greek statistical authorities provided information on all items included in the working balance (starting line of Table 2A , which is the balance of State budget) as well as on the financial and non-financial transactions.

More specifically, ELSTAT analysed all the items related to financial transactions included in the working balance and non-financial transactions which were not included in the working balance and entered as adjustment lines in EDP Table 2A. The analysis of ELSTAT was supported by a very analytical EDP Table 2A including all the accruals adjustments made to the cash working balance.

¹ Work in progress

OPEKEP/ELEGEP

Discussion

The Greek statistical authorities provided details on the progress made on the issue of improving the statistical information on OPEKEPE (a government body that administers European agricultural funds) and its transactions (through the ELEGEP account which is used for the pre-financing of EU funds to beneficiaries). ELSTAT mentioned that depending on the results of the technical analysis which is in progress, a change in compilation method might be deemed necessary which in turn (according to the General Account Office's view) might marginally impact government deficit in 2012.

Findings and conclusions

ELSTAT will provide Eurostat with a complete note on recording of ELEGEP/OPEKEPE adjustments by end-2013, also for excluding EU-financed payments from the government accounts. Where revisions for specific issues are already identified, these should be made in the September 2013 notification, with information in the explanatory note (**Action point 2**)².

Discussion

ELSTAT discussed the issue of the refund of the excise duty on diesel paid by farmers pointing out that the mechanism of this refund needed further investigation in order to accurately assess any possible statistical impact.

Findings and conclusions

ELSTAT will investigate the mechanism of the refund of farmers' excise duty on diesel, and report back to Eurostat (including an assessment of statistical impacts) by 1st October 2013 (**Action point 3**)³.

TAIPED (Privatisation Agency) revenue from privatisations

Discussion

Eurostat was informed on the procedures regarding the privatisation revenues collected by TAIPED (The Greek government Privatisation Agency). According to the existing arrangements 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. The breakdown of this account was deemed to be necessary for the identification of the nature of the relevant transactions.

² Work in progress

³ This action point has been completed

Findings and conclusions

ELSTAT will obtain a full breakdown of the transactions of the segregated account, to ensure that financial and non-financial transactions are clearly identified, by 1st April 2014 (**Action point 4**)⁴.

Discussion

In the discussion for the balance sheet corrections (unaudited accounts) which concern payments for transactions not included in the budget execution codes of the current year that appear in the budget execution of the following year, it was pointed out that an amount of 35 mill euro related to confiscation payments made by the State, was paid in 2009 but recorded in the 2012 budget. It was agreed that ELSTAT would further investigate the nature of this transaction as well as its statistical recording.

Findings and conclusions

ELSTAT will investigate the circumstances of a EUR 35 million "confiscation" payment paid in 2009, and confirm if its statistical recording in 2012 (when included in the State budget) is appropriate, by 1st October 2013 (**Action point 5**)⁵.

Athens Concert Hall (MEGARON)

Discussion

The details of the case were shortly reviewed during the discussion. It was recalled that the sectoral classification of the MEGARON was extensively discussed between ELSTAT and Eurostat in the context of the updating of the register of general government units. Being already in the old register, the MEGARON was thoroughly assessed on the basis of all available information on its financial statements as well as the developments concerning the administrative (legal) arrangements for the management of this unit.

It was also noted that the Greek government has already assumed accumulated debts that the MEGARON was not able to service by its own resources. Following three consecutive guarantee calls, the debt of the MEGARON was added to the general government debt in 2011 in accordance with the rules of the Manual on Government Deficit and Debt.

In the period of the updating of the general government register, ELSTAT had consulted Eurostat on its decision to classify the MEGARON within the general government sector. Eurostat recalled that it had agreed with the decision of ELSTAT which in Eurostat's opinion (expressed already in a letter sent to ELSTAT on 6 December 2012) was in accordance with the relevant ESA95 rules for the classification of institutional units.

⁴ Work in progress

⁵ This action point has been completed

Despite the decision of the Council of State of Greece to exclude the Megaron from the statistical Register of general government units, Eurostat underlined that it maintained its opinion that under ESA95 rules the MEGARON should be classified in the general government sector, and drew ELSTAT's attention to the provisions for re-routing transactions in ESA95.

As a conclusion, Eurostat urged ELSTAT to continue collecting information on the transactions of MEGARON and include this information in government accounts⁶.

Railway (OSE) restructuring

Introduction

The holding company of OSE includes subsidiaries ERGOSE and GAIOSE. The OSE group is classified in general government. The company GAIOSE manages the real estate of the OSE group.

Recently the shares of GAIOSE 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 with this transfer.

Discussion

ELSTAT confirmed that the transfer of shares of GAIOSE to the State was treated as an 'other change in volume' (K.12-restructuring).

ELSTAT also mentioned that the company for the maintenance of railway infrastructure (EESSTY) as agreed remained classified in the S1311.2 (EBF subsector accounts) as being in substance an ancillary entity to OSE.

Eurostat was informed that there has been an independent valuation of the net value of GAIOSE which was disputed by the GAO.

Findings and conclusions

ELSTAT was urged to clarify the issues involved with GAO especially regarding the liability of OSE which is affected by this operation as well as the recording of this transaction in the OSE and State accounts.⁷

⁶ Subsequent to the EDP Dialogue visit, Eurostat confirmed that it would expect the activities of MEGARON to be included in general government accounts and EDP data to be reported to Eurostat in the future, irrespective of the administrative arrangements adopted with respect to the general government register. A re-routing of the MEGARON's transactions through the general government accounts, in accordance with ESA95 paragraphs 1.38-1.39, would ensure this. The issue has been resolved.

⁷ Work in progress

Taxes and social contributions

Discussion

Eurostat was informed that there have been only small revisions in accruals. Eurostat took note of the developments regarding the property tax settlement mechanism, and it was agreed that this will be recorded on a cash basis while in general property taxes which are collected in several instalments are recorded as agreed by using the time adjusted cash method (cash collected in the first six months of the year will be moved back to previous year). It was also agreed that for taxes collected through the tax settlement mechanism the breakdown of the information (on income, property and profit taxes) would be useful and therefore GAO was requested to provide separate codes for these categories of taxes.

Findings and conclusions

GAO is asked to ensure that separate budget lines are created for the receipts from this tax settlement mechanism. ELSTAT will provide Eurostat with the final details of the mechanism when they are agreed. (**Action point 6**)⁸.

ANFA and SMP payments to the Greek government

Discussion

It is recalled that these are payments to the Greek government accruing from the income earned by the euro zone central banks from holdings of Greek government bonds. During the discussion with the Greek statistical authorities, it was agreed that the revenue from ANFA should be recorded in the second quarter of each year.

The issue on the recording of the revenues from SMP is somewhat more complex as the relevant amounts are paid after the completion of certain conditions.

Eurostat pointed out that 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. Therefore, the time of recording is the time when the relevant amounts are transferred to the segregated account (and recorded as D74).

Emission permits

Discussion

The discussion focused on the statistical treatment of payments related to emission permits including also the issue of the classification of the Operator of the electric power market (LAGIE), which is the unit receiving the proceeds from the auction of emission permits in the Athens Stock Exchange. ELSTAT confirmed that LAGIE is not currently

⁸ Work in progress

in the list of general government units and informed Eurostat that the unit will be assessed in the context of the next update of the general government register.

Findings and conclusions

ELSTAT will assess the classification of LAGIE by end-2013, and inform Eurostat (**Action point 7**)⁹.

ELSTAT will send Eurostat as soon as possible its calculations of emission permit related payments and their impacts on government accounts. Eurostat will comment by 27th September 2013 (**Action point 8**).

OPAP (Gaming Agency) tax

Discussion

The issue concerns the classification of the tax (30%) on the gross profits from the vending slot machines or internet games organised by OPAP. Eurostat discussed the request for opinion received from ELSTAT on the proposed classification of this tax as D.51. The statistical treatment proposed by ELSTAT is based on ESA95 paragraph 4.78.

An alternative to the proposed D.51 would be D.214 which according to ESA95 paragraph 4.20-f concerns ‘*taxes on lotteries, gambling and betting, other than those on winnings*’

The discussion concluded with the agreement that the OPAP tax should be recorded as a tax on products (D214).

Financial derivatives

Discussion

Eurostat asked the Greek statistical authorities to confirm that there have been no changes in reported information on swaptions neither any restructuring of some swaptions signed in the past. In addition Eurostat enquired about the statistical recording of swap cancellation and more specifically whether the spreading of the resulting amounts starts from the moment of the cancellation. It was agreed that GAO will check for the details of the statistical treatment of both issues.

Findings and conclusions

GAO will check that the spreading of recording of swap cancellations starts from the moment of the cancellation, and confirm to ELSTAT and Eurostat as soon as possible (**Action point 9**)¹⁰.

⁹ Work in progress

¹⁰ Action points 8-9 have been completed

GAO will check if there are open swaptions being used, and what has happened to previous swaptions, and inform ELSTAT and Eurostat as soon as possible (**Action point 10**).

Reconciliation of cash flows and deposits

Discussion

Eurostat took note that the GAO has prepared a fully reconciled set of cash flows and deposits. It was agreed that this information could be used by ELSTAT to improve the reconciliation of deficit and debt. Eurostat encouraged both institutions to cooperate in order to analyse the information obtained by the work of GAO and use it for further improving the information content of EDP Table 3B

Findings and conclusions

Eurostat encourages ELSTAT to discuss and analyse this information with GAO, and then to decide which elements can be included into EDP table 3B. ELSTAT will send Eurostat a note on this issue by end-2013 (**Action point 11**).

GAO will exclude revaluation effects from currency and deposit data for EDP table 3B by 1st October 2013 (**Action point 12**)¹¹.

Accounts payable

Discussion

ELSTAT presented the results of the regularly conducted survey for payables of Ministries. The decline in the stock of payables between years 2011 and 2012 was confirmed, however the size of this decline was found to be smaller compared to the results reported in the first EDP notification of 2013.

This was due to relatively small revisions to payables of Ministry of National Defence and the Ministry of Labour and a revision made to the payables of the Ministry of Infrastructure to the water supply company (EYDAP).

ELSTAT requested the opinion of Eurostat on the recording of payables of the Ministry of Labour to OASA (Public Transportation Company of Athens) related to the disability cards.

In addition, Eurostat was informed that there was a payable of the Greek state to EYDAP related to the pension payments of the retired employees of the company.

Eurostat took also note of the disputed issue of the General Secretariat of Public Work payables to EYDAP related to the allegedly agreed participation of the Greek state in the investment projects and construction works of the company.

¹¹ Action points 10-12 have been completed

Findings and conclusions

ELSTAT will ensure that the Ministry of Labour payables for disability cards are recorded when the cards are made available, and that only payables to non-general government units are included.

For the payables relating to EYDAP (water supply company) the pensions payments (lump sums) will be recorded as social benefits accrued over previous years.

Regarding the disputed issue of Ministry of Infrastructure payables to EYDAP, related payments should be recorded at the time they entered the balance sheet of EYDAP.

3. Bank resolutions/ recapitalisations

Discussion

Representatives of the Hellenic Financial Stability Fund (HFSF) participated in the discussion on bank recapitalisations that occurred in the first half of 2013. HFSF confirmed that the liquidation of banks is managed solely by the Bank of Greece with no involvement of the HFSF. It was also confirmed that the balance sheets of liquidators are audited by independent auditors.

In the discussion about the overall impact of the resolution cases, HFSF mentioned that the assessed cost of the resolutions was not yet final. Eurostat encouraged ELSTAT and HFSF to cooperate in the finalisation of the cost figures and therefore the statistical impact of resolutions.

There has been an extensive discussion on the assessment of the value of the expected recoverable amount of bad assets of the banks under liquidation. It seems that the assessed value of recoverable bad assets by HFSFG is lower than that of the liquidators. It was confirmed that in any case IFRS standards are being applied for these assessments. Eurostat insisted on the importance of these assessments be confirmed by independent auditors.

Regarding the representative price for the acquisition of bank shares, it was agreed that the acquired shares should be valued at the price prevailing when the acquisition (not the subscription) took place. HFSF asked whether a volume weighted average price should be used. Eurostat proposed using the volume weighted average price observed for a short period of time after the day of acquisition of shares.

HFSF informed the participants that the upcoming privatisation of one of systemic commercial banks which (after it recapitalisation) is currently publicly controlled, would take place through share capital increase which should be completed early next year. For this particular case, it was agreed that the capital injected into this bank should be treated as capital transfer for the amount covering its losses as reflected by the accumulated negative equity of the bank over the five years preceding its recapitalisation.

Regarding the warrants offered bundled with the ordinary shares, a 'gift' element to private participants was recognised justifying the statistical treatment of the operation as capital transfer (a liability item in the balance sheet of HFSF). In the same context, it was also agreed that the same approach to the valuation of ordinary shares should be adopted for warrants for the calculation of the overall deficit increasing capital transfer.

Findings and conclusion

ELSTAT will work with HFSF to elaborate the statistical impacts of bank resolutions and recapitalisations, and present their analysis in the next EDP notification explanatory note. Eurostat accepts that audited HFSF balance sheet data may be used in revising the 2012 resolution impact. Eurostat believes that the issue of warrants by HFSF in 2013 should be recorded as a capital transfer, at an appropriate price. Eurostat would accept to use as representative prices the volume weighted average price from the opening date up to a maximum of one week, depending on ELSTAT's assessment of the evolution of volumes and prices.

4. Local government

Discussion

ELSTAT clarified that the payables of municipalities to the water supply company (EYDAP) were already included in the reported payables of the majority of municipalities.

It was mentioned that an unusually big increase in the payables of one municipality observed in the second quarter of 2013, was related to expropriation costs incurred in 2010. Eurostat asked ELSTAT to further investigate the case and clarify why the operation was to be recorded in the second quarter of 2013.

Regarding the register of local government units, ELSTAT mentioned that there have been some problems with the reporting of units of public law controlled by municipalities. In the same context Eurostat was informed that the assessment of the private law units was still in progress.

Eurostat pointed that the register should in principle include the units that have reported quality verified data for the EDP reporting and suggested a progress reported be prepared by ELSTAT by the end-2013 including the assessment of the private and public local government units that are currently being investigated.

ELSTAT informed the participants that a new extended data base (KOMBOS) is under construction and expected to be fully operational by the end of next year. The new system will enable direct access to the accounts of municipalities.

Findings and conclusion

ELSTAT will check the circumstances of land expropriation in a municipality and inform Eurostat as soon as possible of the facts and the proposed statistical recording (**Action point 13**)¹².

ELSTAT will provide a progress report by end-2013 on the register of private and public law bodies at local government level, ad on other activities to improve reporting by these bodies (**Action point 14**)¹³.

5. Social security funds

Discussion

Eurostat enquired about the quality of data on payables of EOPY (National Health Organisation). ELSTAT confirmed that their assessment found the quality of the reported information satisfactory.

On the issue of the statistical discrepancy and possible ways for further improvements, GAO informed the participants that they have agreed with the Bank of Greece to receive information on individual SSFs from the common capital account held with the BoG and share this information with ELSTAT. This would facilitate ELSTAT work for controlling statistical discrepancy.

Findings and conclusion

Eurostat underlined the importance of detailed information by social security fund being made available by Bank of Greece to ELSTAT for reconciliation purposes.

6. Government operations in 2013

Discussion

The discussion about the International Broadcasting Centre¹⁴ focused on the analysis of the nature of the new lease granted to the current lessee. Eurostat reiterated the conclusions of its analysis of the case. Eurostat pointed out that the nature of the new lease (which has a length of 90 years) indicated that the economic ownership of the asset is with the private partner.

¹² This action point has been completed.

¹³ Work in progress. According to ELSTAT: 'ELSTAT published an updated register of General Government on Friday 7 February 2014. In the register of S.1313 subsector the part of legal persons of private law have not been included as the work of their classification is ongoing'.

¹⁴ It is recalled that Eurostat received from ELSTAT a request for guidance on the statistical treatment of the lease contract signed between the Greek government (TAIPED) (lessor) and a private company.

Findings and conclusions

Eurostat expressed the opinion that the new IBC usufruct contract should be recorded as a financial lease and therefore as a sale of fixed assets to the private partner in 2013.

7. Other issues

Historic data

Discussion

It is recalled that the issue of improving the historic annual data (eliminating the breaks in the time series) is included in the JOSGAP actions. The problem has become even more complicated as the move to more accurate quarterly data from 2009 onwards has created difficulties with the seasonal adjustment of GDP and sector accounts due to different quarterly profiles before and after 2009.

Eurostat recalled that the provision of annual information on government transactions starting from 1995 is a legal requirement under ESA transmission programme.

ELSTAT agreed to accelerate works on this issue and provide an implementation plan for revisions back to 2000.

Findings and conclusions

ELSTAT will provide an implementation plan for GFS revisions going back to 2000 by mid-October 2013 (**Action point 15**)¹⁵.

¹⁵ Work in progress