



EUROPEAN COMMISSION
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

24-25 September 2012

Executive summary

Eurostat conducted an EDP dialogue visit to Greece on 24-25 September 2012 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.

Regarding statistical organisation issues, Eurostat was informed that there have been no changes in the institutional responsibilities since the last EDP notification. The Greek authorities (ELSTAT, GAO, and Bank of Greece) will agree and sign a revised memorandum of understanding by the end of 2012, and send it to Eurostat.

It was agreed that ELSTAT will provide Eurostat with a full description of the sources and methods used for calculating the ATE rollover facility adjustment.

ELSTAT will provide a note to Eurostat by end-2012 on the recording in 2012 accounts of the retroactive interest reduction while the General Accounting Office (GAO) will introduce a separate line for this in its tables on interest provided to ELSTAT.

ELSTAT in cooperation with the Single Paying Authority will check the treatment of advance payments from the EU budget in the tables related to transactions with the EU to ensure that there is no double counting of these payments in government accounts.

ELSTAT will provide an analytical table breaking down the EDP Table 2A guarantee adjustments into gross amounts and will compile the EDP Questionnaire Table 9.1 on a consolidated basis.

From the end-March 2013 EDP notification, the statistical discrepancy in EDP tables 3 will be split into two rows and any identified "other discrepancy" will be reported accordingly.

ELSTAT, in cooperation with the Ministry of the Interior, will investigate the recording of municipality assumptions of municipal enterprise debts.

ELSTAT, in cooperation with the Ministry of the Interior, will provide a note to Eurostat by end-January 2013 on progress to establish a complete register of municipal enterprises.

ELSTAT will explain in the end-September 2012 EDP explanatory note the conclusions of its cross-checking exercise on payables data (ministries and hospitals) with counterpart information.

By end-March 2013 the GAO will provide ELSTAT and Eurostat with feedback on the planned controls on ministry commitment registers to be carried out by a recently created GAO unit.

ELSTAT will work towards finalising a questionnaire for collecting information from the Privatisation Fund (TAIPED), and will send a copy to Eurostat when it is agreed.

ELSTAT will confirm with Egnatia Odos the exact purposes for which establishment expenses were spent, and will analyse the 50% test results for future years with such expenses spread over the life of the assets, reporting back to Eurostat as soon as possible.

The Greek authorities will provide to Eurostat by end-November 2012 an explanatory note on the concession of Egnatia Odos.

Eurostat will write to ELSTAT as soon as possible setting out its conclusions on the analysis of the PPP projects relating to fire stations, and notably in relation to the early termination conditions.

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 2012.

Eurostat was represented by Mr. John Verrinder, Ms. Viera Karolova, and Mr. Stelios Pantazidis. Representative of the European Central Bank (ECB) participated in the meeting as 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).

The main purpose of the visit was to review the preparation of the EDP Tables for the October 2012 EDP notification. Eurostat extensively discussed the tables under preparation, and their underlying data sources.

Eurostat thanked the Greek authorities for their good cooperation and provision of extensive relevant background material before the meeting.

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 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 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 between the three Institutions. Some difficulties were identified in the operation of the memorandum, notably in certain deadlines for data sources and for exchange of information between the institutions.

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

Findings and conclusions

The Greek authorities (ELSTAT, GAO, Bank of Greece) will agree and sign a revised memorandum of understanding by the end of 2012, and send it to Eurostat. This will resolve the identified deadline inconsistencies in the existing memorandum, ensure that taxation source data are available in good time for compilation, and provide for the GAO's interest tables to be provided to the Bank of Greece as well as ELSTAT. (**Action point 1**).

2. EDP reporting: examination of the April 2012 notification

Data sources

Central government and extra-budgetary funds

Introduction

The EDP inventory of sources and methods provides information on data availability and data sources for all subsectors of the general government sector.

In Greece, the general government sector comprises (a) central government (S.1311), (b) Local government (S.1313) and (c) Social Security Funds (S.1314). The subsector State Government (S1312) is not applicable for Greece.

The subsector S.1311 consists of the main unit "The State", extra budgetary funds and the public enterprises classified to general government.

Budget reporting is the main data source for compiling the accounts of the **State**. The data reported in the State Budget and the Budget Report are on a cash basis. The main data source for the compilation of the accounts of the extra-budgetary funds and the reclassified public corporations are the annual and quarterly questionnaires managed by ELSTAT. The collected data starting from the 2010 survey onwards, are requested from the bodies on an accrual basis. Government enterprises recently reclassified into general government reply on accrual basis. Over 50% of entities of the old and the new register, besides Government Enterprises reclassified into general government, report on accrual basis.

Discussion

ELSTAT provided complete explanations to Eurostat of statistical adjustments made, and revisions introduced (see below). Eurostat took note that that further information was needed on the sources and methods for calculating the ATE rollover facility adjustment,

as this had been undertaken by the GAO in the past, but should be undertaken by ELSTAT in the future.

Findings and conclusions

By end-2012 ELSTAT will provide Eurostat with a full description of the sources and methods used for calculating the ATE rollover facility adjustment, including its possible relation to other adjustment rows. **(Action point 2)**

EDP Tables 2A-D and 3A-E

Discussion

The discussion with the Greek statistical authorities extensively covered all the relevant issues related to the compilation of EDP tables for the October 2012 notification. The discussion notably focused on: (a) the recording of the retroactive interest reduction in the accounts of 2012 and it was agreed that GAO will provide ELSTAT with this additional information in the relevant interest tables, (b) the possible double counting of advance payments from the EU budget in tables related to transactions with the EU, (c) the presentation of the EDP Questionnaire Table 9.1 which has to be filled in with information only for guarantees to non-government units, while the stocks of guarantees to market public enterprises should be reported separately, (d) the need for splitting the statistical discrepancy in EDP tables 3 into two rows and to identify in the same context any "other discrepancy", and (e) the need to cooperate with the Ministry of Interior on the recording of the municipality assumptions of municipal enterprises debts and on establishing a complete register of municipal enterprises.

Findings and conclusions

The Greek authorities will provide a note to Eurostat by end-2012 on the recording in 2012 accounts of the retroactive interest reduction, and the GAO will introduce a separate line for this in its interest tables. **(Action point 3)**

ELSTAT will contact the Single Paying Authority to check the treatment of advances in the triangle and other EU tables to ensure that there is no double counting, and that the impact of advances on payables of government can be expected to balance over time (including examination of a longer time series). Eurostat will be informed on the results of this contact during the October 2012 EDP notification. **(Action point 4)**

ELSTAT will provide an analytical table breaking down the EDP Table 2A guarantee adjustments into gross amounts. EDP Questionnaire Table 9.1 will be presented on a consolidated basis (i.e. only for guarantees to non-government units) and with stocks of guarantees to market public corporations identified separately. GAO will nevertheless continue to provide ELSTAT with separate information for guarantees for government and non-government units, for checking consolidation. **(Action point 5)**¹

From the end-March 2013 EDP notification, the statistical discrepancy in EDP tables 3 will be split into two rows, and any "other discrepancy" identified will be investigated **(Action point 6)**

¹ Actions 4 and 5 have been completed

ELSTAT will check that there have been no revisions to data for the ATE roll-over facility adjustment, when it finalises the end-September 2012 EDP notification. (**Action point 7**)²

ELSTAT, in cooperation with the Ministry of the Interior, will investigate the recording of municipality assumptions of municipal enterprise debts. Steps will be taken to ensure that municipalities are aware of how such assumptions should be reported to the Ministry of the Interior. ELSTAT will provide a feedback report to Eurostat by end-January 2013. (**Action point 8**)

ELSTAT, in cooperation with the Ministry of the Interior, will provide a note to Eurostat by end-January 2013 on progress to establish a complete register of municipal enterprises, including legislative changes to require all municipal bodies to be reported to the Ministry of the Interior. (**Action point 9**)

Accounts payable

Introduction

Information on payables of various public entities is collected by the use of different questionnaires. Data on payables of municipalities and SSFs are covered 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 SSF.

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 results of ELSTAT's cross checking exercise on payables data with counterpart information and on the planned controls on ministry commitment registers.

Findings and conclusions

ELSTAT will explain in the end-September 2012 EDP explanatory note the conclusions of its cross-checking exercise on payables data (ministries and hospitals) with counterpart information, and reconciliation of ELSTAT payables data with GAO payables data. (**Action point 10**)³

By end-March 2013 the GAO will provide ELSTAT and Eurostat with feedback on the planned controls on ministry commitment registers, to be carried out by a recently created GAO unit. The GAO will inform ELSTAT immediately if these controls identify any reporting problems. (**Action point 11**)

² This action has been completed

³ This action has been completed

Extra budgetary entities

Discussion

Eurostat noted that the planned privatisation programme in Greece would be largely conducted through an extra-budgetary entity (TAIPED) and it was therefore important that ELSTAT established a point of contact there, and agreed on reporting arrangements for the future.

Findings and conclusions

ELSTAT will work towards finalising a questionnaire for collecting information from TAIPED, and will send a copy to Eurostat when it is agreed. (**Action point 12**)

3. EDP reporting – Methodological issues

Delimitation of general government – application of the 50% rule in national accounts

Discussion

The issue of the road construction company EGNATIA ODOS was extensively discussed with the Greek statistical authorities, as this was the largest pending classification case. It is recalled that Egnatia Odos was created in 1995 for the construction of the motorway EGNATIA in Northern Greece, through directly commissioning construction or through managing concession contracts. Whereas it was intended that Egnatia Odos would charge tolls on the roads, this started only in September 2010. The enterprise is currently classified as a non-financial corporation (outside the general government sector).

Findings and conclusions

ELSTAT will confirm with Egnatia Odos the exact purposes for which establishment expenses were spent, and will analyse the 50% test results for future years with such expenses spread over the life of the assets, reporting back to Eurostat as soon as possible. (**Action point 13**)⁴

The Greek authorities will provide to Eurostat by end-November 2012 an explanatory note on the concession of Egnatia Odos. (**Action point 14**)

Taxes and social contributions

Introduction

ELSTAT has reported no change in the recording of taxes and social contributions. Greek statistical authorities use a time adjusted cash method (of two months) to adjust VAT and income tax receipts onto an accruals basis.

⁴ This action has been completed

Nevertheless, there are planned tax reforms which could have consequences for the statistical methods used to record taxes on an accruals basis.

Findings and conclusions

By end-February 2013 ELSTAT will provide Eurostat with an analysis of the possible implications of tax reforms on the delay applied for time adjusting taxation and social security contributions data. **(Action point 15)**

Military equipment expenditure

Introduction

Eurostat is monitoring the calculation of military expenditure closely, and usually receives an analytical note from the Ministry of Defence (via ELSTAT) to do so.

Findings and conclusions

ELSTAT will provide an analytical note on military deliveries with the end-September 2012 EDP notification. **(Action point 16)**⁵

Public Private Partnerships

Introduction

There is currently only one PPP project reported by the Greek statistical authorities in previous EDP notifications. This concerns the construction insurance, maintenance and operation of 7 fire department buildings. It was reported that the assets of the project were classified off the general government balance sheet. The investment is promoted by the Public Real estate company (KED) and is financed by a loan awarded by the EIB to a private construction company. These individual buildings in the project started operation in 2011.

Discussion

Eurostat thanked ELSTAT for its analysis on the PPP projects for fire stations. The terms of early termination (caused by the private contractor) provided for by this contract were discussed and it was agreed that Eurostat will provide its opinion on the issue.

Findings and conclusions

Eurostat will write to ELSTAT as soon as possible setting out its conclusions on the analysis of the PPP projects relating to fire stations, and notably in relation to the early termination conditions. **(Action point 17)**

⁵ This action has been completed

Bank recapitalisations-Proton Bank

Introduction

The licence of **Proton bank** was revoked in 2011. Two banks were created. Most of the activities of the original bank were transferred to the new ("good") Proton bank. This new bank was capitalised by HFSSF (the only shareholder). The other part of the bank – the 'bad' bank - is under liquidation and, according to public announcements, priority will be given to the claims of Deposit and Investment Guarantee Fund (TEKE). In general, it seems that any returns on the assets of this bank will be used to satisfy claims of creditors and then the shareholders.

In July 2012, Eurostat received from ELSTAT a note with comments on the HFSSF transactions relating to a capital injection to the new Proton bank as well as ELSTAT's analysis and opinion on other operations of HFSSF. Eurostat responded with its comments and opinions on the issues raised by ELSTAT's note.

Discussion

Eurostat reaffirmed its opinion on the appropriate statistical treatment of the transactions involved – notably that all government injections into Proton should be considered as capital transfers in 2011 - and invited ELSTAT if they consider necessary to provide further analysis on the Proton bank case.

Findings and conclusions

ELSTAT will consider if it wishes to provide further analysis on the Proton Bank capital injection case, and (if so) send this to Eurostat by end-2012. (**Action point 18**)

4. Other issues

Quarterly data

Discussion

ELSTAT explained that it had some issues with the time of recording of interest on OSE and EAS bonds held by the State. Eurostat supported ELSTAT's proposed recording, and asked that this be implemented in the next transmission of quarterly data for 2012.

Findings and conclusions

ELSTAT will include in the end-September 2012 quarterly data explanatory note an explanation of the recording of interest on OSE and EAS bonds held by the State. (**Action point 19**)⁶

⁶ This action has been completed

Statistical recording of social transfers in kind

Introduction

ELSTAT has not been separating social transfers in kind from government intermediate consumption. Whilst this has no impact on the government deficit (both are recorded as expenditure) it is important for the wider compilation of national accounts.

Findings and conclusions

ELSTAT will separate out social transfers in kind from other social benefits, and provide the data to Eurostat (together with a short explanatory note), by end-2012. (**Action point 20**)⁷

5. Any other business

Eurostat took note that the Bank of Greece may write requesting a view on the valuation of ANFA-SMP bonds in financial accounts.

⁷ This action point was partly completed