



EUROPEAN COMMISSION
EUROSTAT

Directorate C: National and European Accounts



REPORT ON THE EDP METHODOLOGICAL VISITS TO
GREECE IN 2010

Eurostat methodological visits to Greece in 2010

Background

In its News Release on the provision of government deficit and debt no 149/2009 of 22 October 2009, Eurostat expressed the following reservation on Greek fiscal data:

Eurostat has expressed a reservation on the data reported by Greece due to significant uncertainties over the figures notified by the Greek statistical authorities.

Eurostat subsequently undertook an EDP Methodological visit to Greece in November 2009. The results of its investigations, together with other background information, were published in a Commission report on 8 January 2010¹.

The January 2010 report identified a series of failings in the institutional arrangements and practical compilation of Greek public finance data, against a background over many years of reservations being expressed by Eurostat.

Given the identified failings, Eurostat initiated a series of necessary actions, in cooperation with the Greek authorities. In the area of public finance statistics, it organised a number of EDP methodological visits during 2010, the results of which are described in this document.

On 19 January 2010, the ECOFIN Council invited the Commission to support efforts of the Greek authorities to resolve the statistical problems and improve collection and processing of government statistics and to propose measures to bring Greek statistical system in line with the EU requirements. The Commission was also invited to develop in cooperation with the Greek statistical authorities an action plan to tackle statistical, institutional and governance deficiencies. More broadly, a Joint Statistical Action Plan was established in April 2010 which addressed the areas of statistical governance and technical assistance, and Eurostat appointed a High Level Expert for statistics.

The Greek authorities took steps to introduce a new Statistical Law in May 2010, which addressed the governance issues raised by the Commission report and created the Hellenic Statistical Authority (EL.STAT²). A new President of EL.STAT entered into post in August 2010

In the area of public finance statistics, Eurostat has continued to organise technical assistance for EL.STAT, including from other EU Member States, in order to improve the capacity of the reinforced group of staff working in EL.STAT on these statistics.

Eurostat placed the following reservation on Greek fiscal data in its EDP Press Release of 22nd October 2010:

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http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/COM_2010_REPORT_GREEK/EN/COM_2010_REPORT_GREEK-EN.PDF

² For the purposes of this report the Greek National Statistical Institute is referred to as "EL.STAT" even if before the entering into force of the new Statistical Law in 2010 the Institute continued to be known as the National Statistical Service of Greece (NSSG).

Eurostat is not publishing Greek data in this News Release.

Eurostat has completed its enquiries on statistical compilation of the Greek fiscal data and is now undertaking a process of quality assessment of statistical source data from public accounts, in cooperation with the Greek Statistical Office and the Greek Court of Auditors. Following this process, and the release of the annual report of the Greek Court of Auditors at the beginning of November 2010, Greek fiscal data will be published by Eurostat by mid November 2010.

On 15 November 2010, following extensive work carried out by EL.STAT staff in cooperation with other Greek public authorities to implement the results of the EDP methodological visits in 2010, Eurostat published Greek fiscal data for 2006-2009 without reservation. This publication was accompanied by an information note³ on the activities and sources of revision of data between April 2010 and October 2010. This report is intended to provide a more complete background to the work undertaken.

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http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/Report_EDP%20GR%20-%20final.pdf

PART I Background

Eurostat carried out a series of EDP methodological visits to Greece during 2010: March 29-31, June 21-22, September 27-29, and an extended visit from 11 October to 9 November.

The visits in March and June 2010 were carried out under the provisions of Article 11 of Council Regulation (EC) No. 479/2009. The latter visits were carried out under Article 11b of Council Regulation (EC) No. 479/2009, as amended by Council Regulation (EU) No.679/2010 of 26 July 2010. The amendments introduced to Regulation 479/2009 by the latter Regulation significantly strengthened Eurostat's powers to verify statistics used for the purposes of the Excessive Deficit Procedure.

As is customary for EDP methodological visits conducted over some time, this report does not provide minutes of the statistical discussions in each individual visit. The EDP methodological visits in March and June 2010 identified issues and established action points which were then resolved in an iterative way during subsequent bilateral contacts and later EDP methodological visits. This report is therefore largely structured on a thematic basis.

An exception is however made for the extended EDP methodological visit in October-November 2011, which introduced – for the first time and in full deployment of Eurostat's powers under Council Regulation (EC) No. 479/2009, as amended - an intensive programme of "upstream" discussions with source data providers, accompanied by representatives of EL.STAT and the Hellenic Court of Audit. This visit is described in part III of this report.

The main issues addressed in Eurostat's visits concerned the delimitation of the general government sector, the recording of certain government transactions (notably for off-market swaps and social security funds), and the recording of unpaid obligations (amounts payable) of government. These issues are documented in this report. However it is important to stress that the methodological visits also addressed a large number of other issues covering general government statistics and the source data available to EL.STAT from the Greek public accounting system, and sought to put in place appropriate mechanisms to establish a transparent system of production of reliable government statistics.

Eurostat acknowledges the good co-operation of EL.STAT over the course of its enquiries, and the assistance provided by other Greek public authorities.

Part II Main statistical issues addressed during the 2010 EDP Methodological visits

(i) Budgetary central government

The main source of information on the Greek central government finances is the State budget. The relevant information for the compilation of EDP table 2A is provided by the General Accounting Office (GAO) to EL.STAT. This information, which is on a cash basis, includes the working balance (the starting line of table 2A), which is the balance of the state budget including certain identified adjustments, and additional data required for specific accrual adjustments (for example data on tax revenue, payables and receivables of the state)⁴. Eurostat had identified a series of problems regarding both the composition of the working balance and the accuracy of the information used for the accrual adjustments. The main related issues discussed during the 2010 EDP methodological visits are the following:

1.1 State budget deficit - Working balance

During the March 2010 methodological visit, Eurostat considered that the persistently high statistical discrepancy observed in EDP tables could reflect inaccurate or incomplete recording of government transactions, and therefore requested EL.STAT to review (in cooperation with GAO) the composition of the state budget balance which is used as a starting line in EDP table 2A. It was agreed that GAO would provide a detailed analysis of the content of the working balance used by EL.STAT for the needs of EDP reporting.

According to the information provided to Eurostat by GAO, the Greek budget deficit *"results from the data of the official budget (for the current year) or the Annual Budget Outcome Reports (for the past years) that are submitted to the Parliament"*. During the June 2010 methodological visit, GAO and EL.STAT confirmed that the working balance used by EL.STAT as a starting line in the EDP table 2A was the state budget deficit excluding proceeds from loans and expenditure for servicing loans received by the State⁵. GAO provided Eurostat with a set of tables containing information on the revenue and expenditure of the state budget for the period 2005-2009 with a list of transactions excluded from the budget deficit.⁶

EL.STAT confirmed that all budget transactions which are *"implemented through the (Treasury) account No 200"* appear in the EDP table 2A and that since *"borrowing proceeds and amortization payments are not included in the working balance"* there is no adjustment line for these flows in table 2A.

⁴ For tax revenue, Greece applies the time adjusted cash method with a lag of two months. The data on the transactions with the EU budget is provided by the Single Paying Authority (G-SPA) to EL.STAT. G-SPA provides EL.STAT with information on claims submitted to EU and the receipts from the EU budget. The accrual adjustment is then measured by the difference between claims submitted and receipts from EU.

⁵ There are also other flows, such as revenue and expenditure related to NATO, revenue for privatisation account, financing of Agricultural insurance organisation with government bonds and transfers to social security funds, which are excluded from the budget deficit which is used as working balance.

⁶ The excluded flows appear in the EDP tables either under 'Other adjustments' in table 2A if they relate to non-financial transactions or in Table 3B if they relate to financial transactions.

1.2 State balance sheet corrections

During the June 2010 EDP methodological visit, Eurostat was informed that there are cases where, for various reasons, expenditures (and revenues) of a financial year are not regularised by the Court of Audit and thus the corresponding flows are not recorded in the Annual Budget Outcome Report of the year in which they occurred.⁷ These flows commonly involve holding accounts in which encashment of revenues intended for other bodies is registered and then forwarded to the beneficiary bodies.

Eurostat requested the Greek statistical authorities to fully clarify the issue with a note. This note was received by Eurostat before the September methodological visit. In the note the accounting practice regarding the so called "unaudited amounts" was described but GAO was not able at that time to provide exact figures for the amounts involved. According to the explanations of GAO, *'there are cases of receipts or payments that are not recorded in the Annual Budget Outcome Report of the year that have taken place. However, these transactions are recorded in the State Balance sheet in the year in which they have taken place and can appear as income or expense in the Annual Budget Outcome Report of next years'* In this report, GAO also mentions that because of different periods of time covered by the State Balance sheet (closing at the end of each year) and the Annual Budget Outcome Report (in which recording of transactions is extended in the first months of next year), some government transactions cannot be directly recorded in the year they occurred.

In the September Methodological visit, GAO informed Eurostat that it investigated whether the identified unaudited amounts constituted debt or deficit elements and that the results of this investigation would be reported to Eurostat in the October 2010 EDP notification. During the visit GAO presented a table with preliminary figures of unaudited amounts for the period 2006-2009 and mentioned that it would repeat the same exercise for 2010. It was also mentioned that with the new accounting system for the budget expected to be implemented from 2011, this accounting problem will be solved as all the required information on cash flows will be available, enabling the recording of all transactions in the year that they take place.

The amounts and their impact on government deficit and debt were provided to Eurostat by the Greek statistical authorities in the explanatory note of the October 2010 EDP notification.⁸ The Greek statistical authorities explained that *'the economic years of the Balance sheets were re-arranged, in order for accounts to include on 31/12 all the transactions of the reference year in accordance with the outcome of the implementation of the Budget'*.

1.3 Extra-budgetary accounts (or balances)

Extra-budgetary accounts are special accounts of the State held with the Bank of Greece or commercial banks. These accounts are managed by the ministries for financing special needs

⁷ The issue was identified by Eurostat during the June methodological visit. In the discussion on the composition of the working balance, a significant amount labelled 'antitima' (unaudited amounts) was in the list of the items excluded from the budget deficit (on the expenditure side) which was reported as working balance by EL.STAT in the EDP table 2A. The Greek statistical authorities then confirmed that contrary to the other excluded items, no adjustment had ever been made for "antitima" in the EDP tables.

⁸ The amounts impacting the government deficit (central government net lending/net borrowing in EDP Table 2A) in mill euro were the following: 2006: -265, 2007: -383, 2008: -550, and 2009: -370. The impact on the change in debt in mill euro (EDP table 3B) was: 2006: 56.9, 2007: 259.7, 2008: 13.9, and 2009: -124.9.

(relating mainly to payments of allowances to employees and other special purposes). The end of year balance of the extra-budgetary accounts, which are not included in the Single Treasury Accounts (STA-Acc. No28), was reported in the EDP table 2A under 'other adjustments' while the balances of those included in the STA was reported in EDP tables in the line 'other accounts payable' along with the balances of all accounts of the STA.

In an attempt to improve the transparency of budgeting procedures, the Greek administration decided to abolish a major part of these accounts by law in 2008. In a note received by Eurostat in February 2010, GAO analysed the appropriate statistical treatment of balances of accounts included in the STA, as requested by Eurostat in previous methodological visits.⁹ GAO has also provided Eurostat with a set of tables containing information on all extra-budgetary balances (both the abolished and the maintained accounts)

In the March methodological visit, Eurostat requested GAO to analyse the extra budgetary accounts (both those included in STA and the accounts held with commercial banks co-operating with the Bank of Greece). In the June methodological visit, Eurostat was informed that the analysis of extra-budgetary accounts was not yet completed. It was then agreed that GAO would promptly finalise its analysis, identifying financial and non-financial transactions and checking the recording of abolished accounts, and would report the results to Eurostat.

In a note sent to Eurostat before the September methodological visit, GAO mentioned that the balances of the abolished accounts were transferred to the State budget. Regarding the statistical treatment of these abolished accounts GAO noted that *'Taking into consideration that these balances had been accumulated during the previous years and recorded in the results of such years, in Table 2A the necessary adjustment has taken place in the line 'Financial transactions included in the working balance /other financial transactions' for the amount of 331 mill euro in 2008 and the amount of 11 mill euro in 2009.'* In the same note GAO stated that the amounts of abolished extra-budgetary balances would be checked again for possibly unidentified amounts.

In the October Methodological visit GAO informed Eurostat that the investigation regarding the abolished extra-budgetary balances was completed and no further unrecorded amounts had been identified.

1.3.1 Privatisation account

After identifying some inconsistencies in the information on the flows of privatisation account provided by EL.STAT, Eurostat asked the Greek statistical authorities to clarify the issue before the March methodological visit. The issue concerned the data on privatisation receipts (for 2006) and transfer of proceeds of this account to the working balance (for 2005 and 2008). The Greek statistical authorities were also requested to clarify whether amounts from this account were included or not in the working balance and check whether these flows were correctly recorded in government accounts.

During the March methodological visit, GAO provided a note on the transfers of proceeds of the privatisation account to the State budget for the period 2005-2007 as well as a table with data on transfers from the privatisation account to the state budget for the financing needs of

⁹ The STA consists of numerous accounts, including the account 200 which is the account of the State budget. A large number of extra budgetary accounts are included in the STA.

two social security funds.¹⁰ Eurostat was informed that all the amounts transferred from the privatisation accounts and recorded as revenue of the budget were matched by the same amount of expenditure made by the receiving social security funds for the period 2005-2007. For year 2008, the amount transferred to the budget was higher than the expenditure of social security funds for the same year, however, as GAO confirmed the same amount was recorded as expenditure in the state budget leaving thus the budget deficit unaffected.

1.4 Recording of tax revenue - unpaid tax refunds

In the April EDP notifications, the Greek statistical authorities had been reporting receivables related to tax revenue for the last year (n) of the reporting period relying exclusively on the constantly optimistic projections of the Budget Report. The reported receivables for taxes were usually revised downwards in the October notifications when information on cash tax receipts for the first two months of the year n+1 were provided by GAO to EL.STAT.¹¹

In the March 2010 Methodological visit, Eurostat was informed that from the beginning of 2010 the Greek statistical authorities had access to reliable data on tax revenue in time to allow them to report more accurate data on tax receivables in the April notifications. Eurostat welcomed this development.

However, during the discussions on tax revenues another issue emerged relating to some past tax refunds made by government which according to the Greek statistical authorities had possibly never been recorded as government expenditure. EL.STAT noted that the issue concerned mainly data only until 2001. EL.STAT was requested to investigate the issue and report to Eurostat the correct figures.

Furthermore, Eurostat requested the Greek statistical authorities to extend its examination of the issue of tax refunds in the period 2006-2009 and to report the results of this examination to Eurostat. In the October methodological visit, GAO informed Eurostat that it had identified administrative commitments for tax refunds to corporations and households (income/wealth tax and VAT) from 2007 onwards. According to GAO, these commitments had not yet been settled in cash, but would be in the future. Eurostat advised the Greek authorities to record the tax refunds (as negative tax revenue) in the years when the commitments to refund were made.

In the explanatory note attached to the October 2010 notification, EL.STAT explained that data on unpaid tax refunds were obtained from the Ministry of Finance for the period 2006-2009.¹² The note provided also a description of the method of calculation of the reported figures.

¹⁰ The social security funds of the Telecommunication Company (TAP/OTE) and the Electricity Company (OAP/DEH).

¹¹ Greece is using the method of time adjusted cash for reporting tax revenue on an accrual basis in the EDP notifications under 'other accounts receivable'. The time lag used is one or two months. Thus, for year (n) the accrual adjustment for tax revenues equals the cash tax revenue of year (n) minus cash tax receipts of January – February of year (n) plus cash tax receipts of January-February of year (n+1).

¹² The reported amounts impacting net lending/net borrowing (B9) of central government were the following: 2006: -519, 2007: -129, 2008: -31, 2009: -160 (in mill euro).

1.5 Guarantees

During the March 2010 methodological visit, it became evident that the Greek authorities had reported until then only very small amounts for debt guaranteed by government under repeated calls and not yet assumed by government. Amounts of around 100 million euro had been reported in the past, compared with a correct amount of around 11 billion euro. In particular, 4 companies appeared to have been in a situation where debt guaranteed by government was called every year. These are the weapon industry Hellenic Defence Systems (EAS), the Athens bus transportation company (OASA), the Greek railways (OSE) and Olympic Airways¹³.

In the June methodological visit, Eurostat requested the Greek authorities to provide information on the amounts and timing of the assumptions of Olympic Airways debt by the government as well as their statistical treatment in government accounts. In a note sent to Eurostat in early September 2010, EL.STAT confirmed that the assumed amounts of Olympic Airways debt reported to Eurostat on 4 August, were recorded in EDP Table 2A ‘*under the line other adjustments-Detail 3 – debt assumption*’. According to EL.STAT, these amounts ‘*have been recorded in the year at which they were disbursed*.’ Likewise, amounts transferred from the privatisation account for the payment of leases of four aircraft that the Greek state paid on behalf of Olympic Airways ‘*were recorded under the line non-financial transactions not included in the working balance-Detail 2 (privatisation account) in the year at which they were disbursed*’.

2. Reclassification of public corporations

The criteria for the classification of institutional units in national accounts are laid down in ESA 95 (paragraph 3.27 and Table 3.1, see Box 2). Member States are expected to apply these criteria in order to decide the statistical classification of state owned corporations and (in general) of public units, making regular checks on the status of these units.

The issue of the classification of a number of state owned units was discussed with EL.STAT during the March 2010 methodological visit. Eurostat discovered that the ESA 95 rules for classification of state owned units were not being applied and it was therefore agreed that EL.STAT would intensify investigations in particular for those units with a large debt or borderline cases for fulfilling the 50% rule.

The discussion at that stage was mainly focused on the Hellenic Agricultural Insurances (ELGA) and to the Payments and Control Agency for Guidance and Guarantee Community Aids (OPEKEPE). The General Accounting Office (GAO) provided Eurostat with a note containing information on the debt of these organisations.

Box 2. Criteria for the sector classification of institutional units

The criteria for the classification of institutional units are laid down in ESA 95 (paragraph 3.27 and Table 3.1) and in the ESA 95 Manual on Government Deficit and Debt (MGDD) (II). In Particular, as is described in MGDD (Part I, I.1.1-I.1.6), the following steps should be followed in order to decide if an entity is to be included in the general government sector:

¹³ Olympic Airways was in the meantime privatised (2008). It should be noted that all these companies, but not Olympic Airways, along with several others were reclassified into the general government sector and their debt became part of the general government debt, see section 2 below.

1 Is the entity an institutional unit?

2 Is the institutional unit private (e.g. not controlled by the general government) or public (e.g. controlled by the general government)?

3 Is the public institutional unit market or non-market?

In the system of national accounts, an institutional unit is defined as a unit having autonomy of decision and a complete set of accounts (step1). The concept of control which is an essential criterion for the sector classification of institutional units is defined as the ability to determine the general policy or programme of an institutional unit by appointing appropriate directors or managers, if necessary. Thus, according to ESA 95 rules a public producer (unit) is a producer that is controlled by the general government (step 2).

In order to decide on the sector classification of a public institutional unit (whether to classify it outside or inside general government), it is necessary to check whether the entity under consideration is market or non-market (step 3). A public institutional unit is considered to be market and thus classified outside general government when more than 50% of its production costs are covered by its revenue from sales (excluding subsidies on production).

Furthermore, using its new powers, Eurostat requested the Greek authorities to provide the accounts of a number of companies (OSE, Olympic Airways, OASA, EAB, Attiko Metro). From discussions with EL.STAT, it became clear that there has been no systematic examination of the accounts of public units for some considerable time, despite evident substantial operating losses and (in some cases) repeated calls on state guarantees. Eurostat therefore urged the Greek statistical authorities to open an investigation in order to check whether the statistical classification of these - and other larger - units outside government was correct.

EL.STAT examined the accounts of the largest loss-making public corporations, collecting all the necessary information for a statistical analysis. A detailed report on the results of EL.STAT's analysis was received by Eurostat on 8 September 2010. Eurostat checked the information contained in this report and discussed extensively with EL.STAT the nature and the appropriate treatment of the subsidies provided by the Greek government to the public bus company of the prefecture of Attika, an issue raised by Eurostat with the Greek statistical authorities after the June 2010 methodological visit¹⁴.

The analysis of EL.STAT pointed out that the following public corporations were to be considered as non-market (classified to general government) as their revenue from sales covered less than 50% of their production costs:

ATTIKO METRO, Thermal bus company (ETHEL), Electric bus company (ILPAP), Electric train company (ISAP), TRAM S.A., Hellenic Agricultural Insurances (ELGA), Hellenic Defence Systems (EAS), Railway Organisation of Greece (OSE), Railways operating company (TRAINOSE), National Radio-TV (ERT), Organisation for Payments and Control

¹⁴ The issue concerned mainly the method of defining the level of subsidies provided by the Greek state to the public bus transportation company and the implied nature of the provided subsidies. According to Eurostat's assessment these subsidies could not be considered as subsidies on products and therefore should not be included in the sales of the company for the calculation of the 50% ratio.

of EC Support on Orientation and Guarantees (OPEKEPE¹⁵), ELECTROMECHANIKI, Centre for contagious Diseases (KEELPNO), Hellenic Tourism Organisation (EOT), Special Fund for Implementation of Urban Planning Projects (ETERPS), Information Society and Unit of Management Organisation (MOD).

The same statistical exercise was carried out by EL.STAT for other state owned corporations (AMEL, a subsidiary company of ATTIKO METRO, Hellenic Horse Racing Organisation, Tourism Development Corporation). The analysis of the accounts of these corporations confirmed that they should remain classified in S.11.

3. Social security funds

EL.STAT collects information on social security funds (SSF) through quarterly and annual questionnaires. The collected information is on a cash basis and covers both financial and non-financial transactions of SSFs. There has been a long lasting problem with the responses of several SSFs (especially the small units), which were usually delayed, and therefore the reported figures for SSFs during the April EDP notifications were based on incomplete information, relying on estimates.

During the March 2010 methodological visit, EL.STAT distributed a revised EDP table 2D for the period 2005-2008. After an investigation of some of the transactions and accounts of SSFs EL.STAT informed Eurostat of several technical issues relating to the recording of specific transactions:

- A series of lump sum payments were made by 5 private banks to government between 2006 and 2009 in exchange for the transfer of pension liabilities of their employees to government. The issue concerned the amounts involved as well as the year of recording. The appropriate corrections were made subsequently in the April and October 2010 notifications, in line with the appropriate guidance in Eurostat Manual on Government Deficit and Debt.
- The recording of hospital liabilities (amounting to 2.5 billion euro) incurred between 2005 and 2008 which previously were incorrectly recorded in year 2008 for their full amount in the October 2009 notification. Eurostat advised the Greek statistical authorities to allocate the amounts in the years in which the liability was incurred. The Greek authorities carried out a survey for determining both the total amount of existing liabilities of hospitals and the year in which they were incurred. As a result, the deficit of social security increased across the reporting period.¹⁶
- Eurostat was also informed that additional liabilities equal to 2180 bn euro were incurred by hospitals in 2009, which would impact the general government deficit of 2009.
- The issue relating to the recording of a debt assumption in 2001 by central government of liabilities of hospitals in the social security sector was also investigated. Hospitals received payments from government in the years between 2003 and 2007. As a result of the new findings of the investigation of EL.STAT the

¹⁵ Including the account "ELEGEP", which had been used to meet the shortfalls in financing of OPEKEPE.

¹⁶ The deficit of SSF was found to be higher by 1163 mn euro (0.3% of GDP) in 2005, 845 mn euro (0.1% of GDP) in 2006, 1343 mn euro (0.3% of GDP) in 2007 and by 1705 mn euro (0.5% of GDP) in 2008.

figures for the years 2006 and 2007 were possibly to be revised upwards. Eurostat requested EL.STAT to carry out the same exercise for the years 2003 to 2005 in order to have a coherent picture and a correct recording of such transactions in all the years in which payments were made by government.

- A payment was made by government to IKA (the biggest social security fund for private sector employees) of 1.2 bill euro in 2008 in the form of government bonds. Although the revenue was correctly recorded by IKA, it was not sure that a corresponding expenditure was recorded by central government. The issue was eventually clarified in the October 2010 notification.
- The investigation of EL.STAT pointed out that the data for social security resulting from the survey could be considered only partly reliable for 2008 and quite unreliable for 2009, due to the fact that, starting from 2008, many social security funds had merged. Consequently, some social security funds did not report their surplus/deficit in the context of the April 2010 notification, or reported it wrongly, or there were even cases of double counting. Unbalanced questionnaires for very significant amounts (between financial and non financial data) were submitted by a number of social security funds. The Bank of Greece expressed the view that the accounts of social security funds resulting from financial accounts (as opposed to non financial transactions derived from the survey) could be considered reliable and therefore they could be used for the April 2010 notification, although with some modifications that needed to be introduced.

Given the importance of the information on the transactions of the SSF subsector, and taking into account the shortcomings of the existing system of data collection, Eurostat requested the Greek statistical authorities to establish a temporary Task Force in order to develop methods that would ensure the availability of consistent data on social security funds, notably the measurement of the financial assets of social security funds and the interest revenue from them. The Task Force would consist of EL.STAT, General Accounting Office, the Bank of Greece and the Ministry of Labour. The report of this Task Force, with clear recommendations for the recording of social security funds in the October 2010 EDP notification, would then be transmitted to Eurostat. Thereafter the Greek authorities would establish a permanent mechanism for collecting and reporting information on social security funds' financial assets and interest income.

A detailed report on the treatment of the above mentioned technical issues according to Eurostat's recommendations as well as on the progress of the works of the temporary Task Force was provided to Eurostat during the September 2010 methodological visit. The report also covered issues relating to other social security funds and public hospitals.

During the September 2010 methodological visit Eurostat raised a series of outstanding or recently discovered issues relating to SSFs:

- EL.STAT was requested to clarify the issue of delayed payment of pension lump sums to retired civil servants.
- EL.STAT was requested to clarify the amounts transferred from the state budget to social security funds.

- Eurostat noted that although the response rate to questionnaires was good, there remained some problems regarding the details of reported data.
- Likewise, while the response rate to questionnaires on public hospitals was satisfactory, there remained some concerns regarding the details of the provided information. In this context, Eurostat underlined the need for further checking of payables of hospitals for 2009.
- Eurostat was informed that hospitals and clinics of IKA as well as military hospitals were not covered by the report of the Committee on public hospitals payables.¹⁷ EL.STAT was requested to investigate the issue and identify the amounts involved.

During the extended methodological visit of October – November 2010, it was confirmed that all of the above issues had been satisfactorily resolved:

- The figure for the payables of the pension fund of civil servants was confirmed to be 400 million euros at end-2009.
- The amounts transferred from the state budget to SSFs were checked with the funds involved and the appropriate adjustments were made in the EDP tables.
- After a significant effort made by EL.STAT and respondents, response rates improved significantly and there was an improved quality of reported data in the questionnaires. In addition, more information was available about the holdings by Greek SSFs of assets abroad, and the income received from those assets.
- The total amount of payables of SSF to private hospitals in 2009 was 79 mill. euro (deficit increasing). This figure also included payables of a recently identified SSF (OPAD, Medicare for civil servants). As the working balance of OPAD for 2009 was equal to -20 mill euro, the total impact on net lending/net borrowing of the SSF subsector for 2009 was equal to 99 mill (0.04% of GDP).
- IKA confirmed that the hospitals and clinics controlled by this fund had no payables.

It was agreed that, for the EDP notification, tables 2D and 3E of SSF subsector would be corrected for all the reporting period to include the payables of SSFs to private hospitals as well as the working balance of OPAD. The agreed corrections were made in the October 2010 notification while there was also a reclassification of a major fund (the Social Security Fund of Generations Solidarity (AKAGE)), to the central government which had no overall impact on the general government deficit.

4. Local government

Information on local government transactions is collected by EL.STAT through a short quarterly questionnaire and a more extended annual questionnaire (known as "the census"). The procedures of collection of this information are characterised by weaknesses similar to those for SSFs. The major problem had been the low response rate mainly of small municipalities with a result that the reported data in the April EDP notifications are based on incomplete information. Furthermore, there had been an issue relating to the numerous small

¹⁷ This report on public hospitals liabilities to their suppliers was produced by a joint committee of Ministry of Finance and Ministry of Health which was established in order to investigate the issue of hospitals payables. The report was sent to Eurostat by EL.STAT on 8 February 2010.

enterprises controlled by local governments on which no information was derived from the questionnaires, and therefore an estimate had been used based on historical information.

During the March 2010 methodological visit Eurostat was informed that the 2009 data in the EDP table 2C were derived from a short survey sent to local governments. An updated table was distributed during the meeting. The table was revised compared to the previous notification tables and EL.STAT explained the changes introduced to the presentation of the table. The table showed a significantly increased surplus of local government in 2009 compared to any of the previous years included in the EDP notification (2006-2008). Eurostat expressed its concerns about this figure, particularly as in the past it had observed downward revisions to the local government surplus in successive EDP notifications.

During the April 2010 EDP notification round (reporting period 2006-2009), Eurostat was informed that while the information for years 2006-2007 was based on the results of the census, data for 2008-2009 were calculated by using indices on the basis of information derived from the short survey. It was also mentioned that this information was provisional as most of the municipalities were not able to provide finalised information earlier than October. Concerning the data for municipal enterprises, Eurostat was informed (through EDP 2007 inventory) that the reported data were based on an old survey conducted in 2002. Information on debt was based on data from the Bank of Greece plus the loans received from abroad by one of the biggest municipalities. According to EL.STAT, no other Greek municipalities borrowed from foreign banks.

The issue of recording the transactions of enterprises controlled by local government was raised again by Eurostat during the June 2010 methodological visit and it was then agreed that EL.STAT would introduce this information in the EDP table 2C after the establishment of a revised list of public units.

Subsequently, during the September 2010 methodological visit, Eurostat was informed that there was still some uncertainty regarding some small amounts of local government transactions subject to potential revision. It was also mentioned that EL.STAT had identified some conflicts between census data and data reported in the questionnaires. EL.STAT was requested to resolve these issues before the October 2010 notification

Furthermore, EL.STAT was requested to further investigate the issues of (a) the foreign debt of municipalities, (b) their unpaid obligations (payables) and (c) the balance (B9) of municipal enterprises by collecting information from the largest municipalities.

In the October-November extended visit, Eurostat was informed that:

(a) In 2009, the total amount of foreign debt incurred by seven municipalities was 82.2 mill euro (0.04% of GDP). The figures for debt would be corrected in the EDP tables to include this information for the period 2006-2009. According to the available information it seemed that the coverage was complete.

(b) Given the information received from the municipalities that responded to EL.STAT's questionnaire (691 municipalities, which was considered a satisfactory coverage), total payables amounted to 158 mill euro in 2009 (0.07% of GDP). This total amount was calculated by an agreed grossing up method. However, there was no information for the

period 2006-2008. An effort will be made by EL.STAT to report this information in the April 2011 EDP notification.

(c) The B9 of municipal enterprises was found to be equal to -56 mill (compared to -60 mill reported as an estimate in the October EDP notification). This was calculated by an agreed grossing up method on the basis of the replies of the largest municipalities to the questionnaire of EL.STAT.

5. Recording of off-market swaps

This section deals with the issue of the off-market swaps undertaken in Greece from 2001 onwards and on their effect on government deficit and debt.

The section is structured as follows: The first section details the rules relating to the accounting treatment of swaps for national accounts and EDP purposes. The second section specifies the actions carried out by Eurostat in order to have complete and reliable information on the nature of these specific operations undertaken by the Greek Authorities. Finally, the third part of the report deals with the analysis of these operations and on the corrections which have been imputed to the Greek EDP figures.

i) The existing rules on the recording of swaps

Rules for standard swaps

Treatment under National Accounts (ESA95)

Swaps are included in national accounts (ESA95) under the category “financial derivatives” (AF34), as part of “securities other than shares”, together with other instruments (such as options, warrants, futures, FRAs).

The initial treatment in ESA95 was amended in line with SNA 93 by Regulation 2558/2001 in order to record all settlement flows as transactions in financial derivatives, and it was stated that *no payment resulting from any kind of swap arrangement is to be considered as interest and recorded under property income.*

Treatment for EDP purposes

Regulation 2558/2001 added a new annex to ESA95 which specified that *For the purpose of the Member States' reports to the Commission under the excessive deficit procedure laid down in Council Regulation (EC) No 3605/93 (1), “Government deficit” is the balancing item “net borrowing/net lending” of General Government, including streams of interest payments resulting from swaps arrangements and forward rate agreements. This balancing item is codified as EDPB9. For this purpose, interest includes the abovementioned flows and is codified as EDPD41.*

On the debt side, the definition of Maastricht Debt specifically excludes liabilities in financial derivatives. But there is an indirect effect of swaps, for the case of debt denominated in a foreign currency, which must be converted into domestic currency terms for debt calculation or, in some cases, for the reverse situation, as covered in Regulation 479/2009 – Article 1, par. 5.

"Liabilities denominated in a foreign currency, or exchanged from one foreign currency through contractual agreements to one or more other foreign currencies shall be converted into the other foreign currencies at the rate agreed on in those contracts and shall be converted into the national currency on the basis of the representative market exchange rate prevailing on the last working day of each year. Liabilities denominated in the national currency and exchanged through contractual agreements to a foreign currency shall be converted into the foreign currency at the rate agreed on in those contracts and shall be converted into the national currency on the basis of the representative market exchange rate prevailing on the last working day of each year. Liabilities denominated in a foreign currency and exchanged through contractual agreements to the national currency shall be converted into the national currency at the rate agreed on in those contracts."

Rules for off-market swaps

The above Regulations were adapted to straightforward market swaps.

In 2007, in response to a specific case concerning a Member State raised in an EU-level meeting, further guidance was needed on the treatment of certain swap operations, notably for off-market swaps and swap cancellations. In June 2008, Eurostat published an EDP guidance note, discussed within the framework of the relevant technical working group (the Financial Accounts Working Group). According to the guidance note, an off-market swap should be divided into two parts:

- (i) a swap based on the prevailing spot market conditions that has to be treated in line with the normal rules above. This means that the "standard component" of the swap with a nil value at inception has to be extracted;
- (ii) an element corresponding to a loan with a nominal value equal to the effective market value (not nil) of the swap at inception and generally exchanged at the start of the swap contract; the loan must be amortised over the life of the swap and interest on it must be imputed.

At the end of October 2010, Eurostat released on its website the new edition of the Manual on Government Deficit and Debt, prepared in close cooperation with Member States experts. The part relating to government debt has been reviewed. Notably, two new chapters were added on swap cancellations and on off-market swaps. In both cases new examples have been provided.

ii) Transactions on derivatives in Greece

This section is a short summary of the difficulties that Eurostat encountered in order to get complete and reliable information about the derivatives and notably about the swaps transactions carried out by the Greek public debt agency (PDMA).

At the beginning of the year 2010, it became known that Greece had entered in 2001 into currency off-market swap agreements with Goldman Sachs, using an exchange rate different from the spot prevailing one. The Greek authorities had not informed Eurostat on this issue and no opinion on the accounting treatment has been requested from Eurostat as it should be

the case for transactions that are not explicitly covered by its rules. In addition, Eurostat had been previously wrongly informed by the Greek authorities that there had been no occurrences of off-market swaps in the past, following a questionnaire sent to all Member States requesting information on swaps operations. In 2008 the Greek authorities wrote to Eurostat that: "*The State does not engage in options, forwards, futures or FOREX swaps, nor in off market swaps (swaps with non-zero market value at inception).*"

After the Goldman-Sachs (GS) case became known, Eurostat raised additional questions to the Greek authorities. The existence of currency swap transactions, as well as an interest rate swap linked to them, was confirmed but no detailed information was provided before Eurostat's EDP methodological visits on 22-24 March 2010 and 29-31 March 2010. Eurostat was also informed that this interest rate swap (IRS) had been substantially amended several times because the position of Greece in the swap worsened significantly due to "adverse market trends".

Two issues on swaps were on the agenda during Eurostat's methodological visit on 21-22 June 2010. First, on the basis of the information that had been provided, Eurostat informed the Greek authorities of its analysis as regards the correction that should be implemented at the level of the Greek Maastricht debt for the GS swap. Second, at the request of Eurostat, the Greek authorities informed Eurostat that from 2005 to 2007 they entered in numerous small "off market interest rate swaps" (adequate data on these transactions however were provided only in September 2010).

Finally, it is because of this recurrent delays by the Greek authorities to provide Eurostat with a complete and adequate information on all swap transactions, that most issues related to swaps were only resolved during the Eurostat mission on 27-28 September 2010. On the one hand, the correction for the 2001 transactions was agreed on as mentioned below. On the other hand, Eurostat and the Greek Authorities agreed on the treatment for EDP purposes of the other off-market swaps implemented by Greece from 2005 onwards. It was confirmed that these swaps had very short maturity, with a quick amortisation of the loan component for a rather small cumulative amount, and at the end of 2009 the remaining impact was quite negligible

iii) The Eurostat analysis of the swaps with Goldman Sachs

In 2001 a series of off-market cross-currency swaps were effectively linked to underlying debt instruments issued on foreign markets. Greece entered in 13 contracts with Goldman Sachs (GS) involving exchange of different currencies against the euro, with the exception of an USD/CHF swap maturing in 2004, 9 swaps involving JPY/EUR (these constituted by far the highest amount in euro) and 3 swaps exchanging USD/EUR. Maturities also varied, from 2002 to 2016, with a higher concentration on 2008 and on 2016. Most contracts were "fixed-for-fixed", with some of them including a conversion option to a variable rate (paid by Greece).

As the contracts were not based on the prevailing spot market rates of exchange at the time of the swap transaction but on different ones, the Greek government debt was de facto reduced by EUR 2.4 billion by the conversion process (a more favourable rate for the euro which has been used in the contract). It resulted that the obligations by the different parties under the swaps were at inception unbalanced and, normally, Greece should have made an equivalent payment in cash in order to compensate its swap counterpart, with an unfavourable effect on

the government deficit. Instead the Greek authorities agreed that this above-mentioned lump sum would be repaid through an off-market interest rate swap that was structured such that the repayment by Greece would be spread by way of annual net interest payments until 2019, following a grace period of two years for such payments. The impact on the deficit therefore appeared over many years and the impact on the Greek accounts was low on a yearly basis.

For Eurostat, in substance and notwithstanding the fact that no payment of a lump sum took place at the start of the IRS contract, this is to be considered as a loan granted to Greece by GS in order to face its payment obligations resulting from the off-market swaps. Actually, all swap transactions, most of them carried out at the same date in June 2001, are to be seen as part of a single global arrangement

The loan component in the 2001 IRS transaction amounted to EUR 2.8 billion, as EUR 0.4 billion were additionally linked to the cancellation of three other currency swaps with negative value undertaken before 2001 (two currency swaps JPY/EUR and one USD/EUR with rather short term remaining maturity and for an amount of EUR 1.6 billion).

Subsequently, the IRS swap was actively managed, as several revisions (also named amendments) took place in the following period. This is a feature which does not seem to be commonly observed in normal market practices. The revisions of the swap contracts dealt with the floating leg of the swap paid by Greece. Different formulae, including references to the inflation index, were implemented in succession in order to take into account the change in the market value of the swap resulting from market trends.

In August 2005 a significant restructuring of the swap contract took place. The maturity of the swap was extended from 2019 to 2037. The interest rates used in the contract were reviewed, both on the fixed leg and on the variable leg. The principal notional amount of the contract was reduced. As a result, the level of the net annual payment by Greece to GS was slightly changed. Almost at the same time, GS sold its rights and obligations to the National Bank of Greece (NBG, a bank completely privatised in November 2004) for an amount that was exactly the market value of the swap at that moment and is to be considered as the value of the negative position for Greece, i.e. a liability to be paid.

The swap was marginally restructured again in late 2008 by a small increase in the notional principal amount and a slight reduction in the spread applied to the Euribor floating rate reference. Finally, the swap was securitised in February 2009 via a Special Purpose Vehicle (Titlos) that paid EUR 5.5 billion to the NBG.

Eurostat closely considered the detailed documentation received in April 2010 from the Greek authorities showing that new transactions (originations) did take place in the years following 2004. For instance in 2008, the contractual arrangements between the National Bank of Greece (NBG) and Greece stated explicitly that "*For this trade to be unwound Counterparty A – HR- would pay on 31 Dec 2008 to Counterparty B – NBG- 5.4 bio EUR*", whereas "*For this trade to be initiated Counterparty B pays on 31 Dec to Counterparty A 5.4 bio EUR*". These two payments were netted so that, as stated in the documentation received, Greece neither received nor paid any cash in this transaction.

Following the description of the amendments of the swap contracts which occurred between 2001 and 2008, Eurostat pointed out the significance of the changes that occurred at the above-mentioned dates, 2005 and 2008. At such moments, contrary to other

amendments/revisions that dealt only with the way in which the floating payments due by Greece were reshaped, and had only small consequences, there were significant modifications in the obligations due by parties, with a noticeable extension of the maturity of the swap.

For Eurostat, a change in the contract that results in a significant transformation of the obligations of one or both parties must be considered in substance as a new swap agreement. In this context, the market value of the previous swap should effectively be considered as the new amount of the loan component included in the new off-market swap.

Therefore, the restructuring operations are new contracts between parties. In substance this must be interpreted also as the spreading of a lump sum amount that otherwise should have been paid immediately by Greece to the counterpart in the contract, as in the absence of revisions, at least in case of substantial ones, it is very likely that the swap would have been written off with the payment of compensation due to negative market value for Greece. The liability due by Greece that should have been extinguished was used for redesigning a new transaction that foresaw new obligations for Greece taking account of this liability. Thus the revisions resulted in postponing the impact of the negative value for Greece by spreading it on a longer period, about 30 years, i.e. 20 years more than initially agreed. As a result, the restructuring operations implemented in 2005 and 2008 were in fact the explicit recognition of an increase of the liability (principal amount of the loan) to be recorded as debt of Greece. In other words, an increase in the principal amount of the loan granted to Greece must be recorded in Government debt.

In addition, at the same time, there must be a correction throughout the whole period for the deficit of Greece, as the flows of interest under the swap contract are reduced by an amount equal to the part of any settlement flows relating to the amortisation of the loan (this is a financial transaction with no impact on the deficit), whereas interest on the loan are still imputed as expenditure. The method is explained through an example in the 3rd edition of the Manual for Government deficit and debt (Part VIII).

All the appropriate corrections have now been implemented in the EDP notification released on 15 November 2010. In the latter, the correction for the relevant transactions has the following effect:

1) Increase in the debt (loan component)¹⁸

Amounts in millions €

| 2006 | 2007 | 2008 | 2009 |
|---------|---------|---------|---------|
| 5.125,5 | 5.125,5 | 5.400,0 | 5.281,7 |

2) Reduction of deficit (amortisation of the loan)

Amounts in millions

| 2006 | 2007 | 2008 | 2009 |
|------|------|------|-------|
| * | * | 123 | 118.3 |

¹⁸ As regards the impact for previous years that are not covered by the notification, the debt increased by 2.830 bn euros in 2001. There was a grace period of two years in 2002 and 2003, with no settlements exchanged under the IRS so that the amortisation of the original loan starts in 2004.

* “*grace period*” (no settlements under the new swap contract agreed in 2005)

iv) Conclusion

Before the correction requested by Eurostat, the level of the Greek government debt did not reflect the real level of liabilities incurred under the swap contract implemented in June 2001. The above-mentioned investigations show that the implementation of different swaps in 2001 have been structured with the intention to reduce the outstanding amount of debt, for the part denominated in foreign currencies after conversion into euro, by the deliberate use of a rate of exchange different from the spot rate at this time. The IRS, with a specific distribution of the flows, was a crucial element of this global arrangement as it was designed such that the compensation normally to be paid by the Greek government was spread, after a grace period of two years, originally until 2019, and later up to 2037.

Following Eurostat investigations on the swap issues in Greece, all the appropriate corrections have now been implemented in the EDP notification released on 15 November 2010.

6. Payables of government

Payables refer to the unpaid obligations of government¹⁹. The major part of these unpaid obligations in Greece have related to the purchases by public hospitals and, following identification by Eurostat, were reported in the April 2010 Greek EDP notification.

The October-November extended methodological visit paid particular attention to the issue of payables (see Part III below) and notably to the completeness and reliability of information potentially available.

Following further investigation and data gathering by EL.STAT., payables were identified relating to unpaid obligations of ministries (central government), of social security funds (mainly pension obligations to retiring civil servants - see section 4 above) and municipalities (local government).

The impact on the government deficit could be positive or negative in any particular year, depending on whether the stock of unpaid obligations has risen or fallen. There is no impact on the government debt, as the definition of EDP debt excludes this category of financial liabilities.

7. Other issues

Quarterly public finance statistics

In the past, Greek quarterly government deficit statistics were based on annual forecasts broken down by an assumed quarterly pattern. This led to significant backward revisions to quarterly data as the forecasts changed, particularly at the time of compilation of the first annual figures.

¹⁹ They should be distinguished from "arrears", which in Greece refer to those payables which have remained unpaid beyond the legal delay for payment (commonly 60 days).

Following a concerted effort by EL.STAT, from Q1/2010 the Greek quarterly government finance statistics are now being constructed in a similar way to the annual data, based on direct data sources. It should be mentioned that the starting point for the calculation of the central government deficit on an accrual basis is (as for the annual figures) the cash-based State budget balance.

During 2010, the 2009 and earlier data remained on the "old" compilation basis (annual forecast or outturn, distributed over quarters using a historically-based 'key'). Thus, the data for the first two quarters of 2010 were not comparable with the first two quarters of 2009. It was agreed that the same method of compilation would be applied for 2009 data and that this work would be completed by end-December 2010, alongside the calculation of data for the third quarter of 2010.

EL.STAT produced and presented to Eurostat a full reconciliation between the cash balance from the General Accounting Office for the State Budget and the General Government ESA-based deficit.

Given that this is the first time that the Greek statisticians have compiled the quarterly data in this way, there are some remaining quality issues, notably with respect to the statistical discrepancy with Bank of Greece data (which remains high for Central Government) and to the coverage of Local and extra-budgetary entities in statistical surveys. These concerns are expected to be addressed in the coming months, aided by progress on improvements to infra-annual public accounting and reporting²⁰.

²⁰ For example, the monthly survey introduced by the General Accounting Office of all general government units.

Part III The extended EDP methodological visit of October-November 2010

i) Introduction

Eurostat undertook a methodological visit to Greece (11 October 2010 to 9 November 2010) after having informed the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) and the Economic and Financial Committee (EFC).

The main aim of this visit was to draw conclusions as regards the quality of reported data. The focus of the visit was on the data for 2009.

The quality of the data depends on its compliance with accounting rules, completeness, reliability, timeliness and consistency. The assessment focused on the following issues described in the Greek EDP inventory: The delimitation of the government sector, the classification of government transactions and liabilities, and the time of recording of amounts due.

Of primary interest to Eurostat was to assess whether the upstream data on Greek debt and deficit were complete, exhaustive and reliable. In this regard, the four main areas that were reviewed during the visit were:

- A. The coverage of the registry of public bodies or entities supervised by public bodies deemed to belong to the general government sectors.
- B. The treatment and reporting of payables recorded by public bodies or supervised entities.
- C. The recording of loans by non-resident banks and thus possibly not recorded in the financial accounts hitherto presented.
- D. The accounting and audit systems in place.

ii) Conduct of the visit

The methodological visit was conducted in as thorough and exhaustive a manner as possible within the time available. In accordance with Art 12 of Council Regulation (EC) No. 479/2009 as amended, EL.STAT supported Eurostat with the organisation and coordination of the necessary discussions and EL.STAT participated alongside Eurostat on all visits made. A representative from the Hellenic Court of Auditors attended selected visits with the status of observer.

Eurostat visited a selection of public bodies (i.e. central government, local government and social security funds as defined in ESA 95) and supervised entities thereof. The organisations visited were selected from within a range that accounted for approximately 80% of the Greek public budget and with due consideration for the main areas of interest as listed under A. to D. above.

Eurostat is grateful to EL.STAT, the Hellenic Court of Audit and the representatives of the entities visited for their support and constructive support in clarifying the issues reviewed.

iii) Conclusions

The accounting systems used within Greek government institutions over many years have, in some respects, been incomplete (e.g. with respect to payables and public entities) and therefore not fully transparent.

The earlier methodological visits, and in particular this latest methodological visit to Greece and associated work in support of the notification of 2009 data, allowed EL.STAT and the Greek authorities to carry out a thorough stock-taking exercise to assess the completeness and reliability of the statistical data needed to determine the 2009 debt and deficit data in accordance with ESA95 rules.

The conclusions on the four main issues covered were as follows:

A) Coverage of public bodies and supervised entities: EL.STAT and the Greek authorities carried out a stock-taking exercise to assess the exhaustiveness of the EL.STAT. registry and the completeness of the information on public bodies and supervised entities. As a result of this exercise, a number of entities were identified and have been reclassified into the general government sector. EL.STAT is implementing an updated system with the objective of ensuring that the register of all public bodies and supervised entities is kept constantly up-to-date in the future and that information is provided on each of these public bodies and entities on a regular basis.

B) Treatment and reporting of payables: For the 2009 data, most expenditure and revenue reporting to EL.STAT has been on a cash basis rather than an accrual basis. EL.STAT and the Greek authorities carried out a one-off stock-taking exercise to assess the completeness and the time of recording of expenditure and revenue data. For the year 2009, the exercise of collecting payables has been taken into account and adjustments have been made in line with ESA95. Following the Eurostat EDP methodological visits, and in the context of reforming the general government accounting systems mentioned under (D) below, the Greek authorities are working on accounting methods which should report, on a regular basis, both cash data and payables in the future.

C) Recording of loans from non-resident banks: The methodological visit led to the identification, and recording, of a small number of previously unrecorded loans granted to public bodies or supervised entities by non-resident banks.

D) Accounting and audit systems. Overall, the methodological visit to Greece confirmed earlier findings concerning the reporting processes and the accounts which justify the data reported for 2009, in that the process for reporting debt and deficit data was fragmented, in most cases comprising purely cash-based accounting systems and with institutional units applying different accounting systems and rules. The accounting systems which supported the 2009 data are being reformed and redeveloped across the general government sector to ensure that the required data can, in the future, be collected, processed, reported and audited in a regular, reliable, consistent, comprehensive and timely manner.

Taking into account the work carried out, as described in this report, the latest debt and deficit data for Greece now gives, in Eurostat's view, an essentially reliable picture in line with ESA95 requirements. The methodological visits found no evidence of other significant omissions. All findings from the visits have been used by EL.STAT to make adjustments for the data series 2006-2009.

Eurostat therefore concluded that the revised data for 2006-2009 are sufficiently reliable for EDP purposes, in line with the quality of the data of other EU Member States. Eurostat has thus lifted its reservation on Greek fiscal data for the years 2006-2009.

