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EUROSTAT

Directorate C: National and European Accounts
Unit C-4: Statistics for Excessive Deficit Procedure II

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- FINAL FINDINGS -

EDP dialogue visit to Greece

21-23 March 2011

Executive summary

Eurostat conducted an EDP dialogue visit to Greece on 21-23 March 2011 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 major changes in the institutional responsibilities and that ELSTAT would soon sign the remaining memoranda of cooperation with certain ministries.

An updated Greek EDP Inventory will be published by ELSTAT and sent to Eurostat before the publication of Eurostat's April 2011 EDP press release.

The discussion on data sources mainly focused on the ongoing work on the update of ELSTAT's registry of general government units. It was agreed that ELSTAT will by mid-May complete an initial investigation of supervised entities notified by ministries, with a full update of the register to be completed by September 2011.

Concerning accounts payable, ELSTAT reviewed the results of its survey of payables of Ministries and informed Eurostat that it will check the data of its survey with data collected by the General Accounting Office (GAO).

During the discussions on EDP tables, a series of issues were analysed relating mainly to unaudited amounts, tax refunds of reclassified public corporations, the classification of several small social security funds, statistical discrepancies for social security funds, and the recording of arrears arising from lump sum pension payments.

With regard to methodological issues and the recording of specific government transactions, it was agreed that ELSTAT will examine the observed cases of repeatedly called guarantees and make the necessary entries in the accounts.

In the same context, Eurostat explained the statistical approach to the recording of super-dividends and it was agreed that ELSTAT will check all dividend flows to ensure that any super dividends are recorded according to the relevant rules.

Regarding the recording of EU flows, it was agreed that ELSTAT - in cooperation with the Single Paying Authority (SPA) - will provide Eurostat with a note on the arrangements for the management of the EU's JEREMIE and JESSICA programmes as well as an assessment of their possible impact on the EDP figures. It was also agreed that SPA will confirm the management arrangements for the suspense account for the ISPA programme.

On the issues of Public Private Partnership (PPP) contracts, securitisation and sale and leaseback operations, ELSTAT will send to Eurostat its statistical analysis of the fire station PPPs with a copy of the relevant contract. Likewise, GAO will provide to ELSTAT information on any sale and leaseback operations undertaken by the Greek government in recent years.

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 21-23 March 2011.

Eurostat was represented by Mr. John Verrinder, Ms. Cecilia Pop and Mr. Stelios Pantazidis. Representatives of DG ECFIN and European Central Bank (ECB) participated in the meeting as observers. The Greek statistical authorities were represented by the National Statistical Institute (ELSTAT), the General Accounting Office (GAO), the Ministry of Finance (MoF), and the Bank of Greece (BoG).

The aim of this visit was the examination of issues relating to statistical organisation, the analysis of EDP notification tables, as well as the examination of methodological issues relating to the recording of specific government transactions.

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) and the reclassified public enterprises. 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).

Regarding the subsector S.1311 (the State), the main source of information is the General Accounting Office (GAO) both for non-financial and financial transactions (for EDP Tables 2A and 3B). ELTAT is responsible for integrating the source data from the GAO, and other sources, together with its data on extra-budgetary funds and reclassified public corporations, to compile data for the subsector S.1311 (Central Government, CG).

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.

Discussion

There have been no major changes in the institutional responsibilities since the last EDP notification. The tasks for EDP reporting are led by ELSTAT, with the support of the GAO and the Bank of Greece in the framework of the Memorandum of Cooperation signed by the three Institutions.

Eurostat took note that ELSTAT has taken on responsibility for the compilation of EDP Table 3B, and welcomed the establishment of a coordination committee of ELSTAT, GAO and the Bank of Greece. Some memoranda of cooperation with certain Ministries supplying data had yet to be signed, though this was foreseen within weeks.

Findings and conclusions

ELSTAT shall sign the remaining memoranda of cooperation with Ministries in the coming weeks (**Action point 1**).

1.2 EDP Inventory

Introduction

The consolidated EDP Inventory of sources and methods for Greece (last update in September 2007) is published on Eurostat's website. The inventory provides information on data availability and data sources for all subsectors of the general government sector.

Discussion

Eurostat underlined the importance of publishing an updated EDP Inventory for Greece – detailing the new compilation arrangements – in time for the publication of the next EDP (April 2011) Eurostat EDP Press Release.

Findings and conclusions

An updated Greek EDP Inventory will be published by ELSTAT, and sent to Eurostat, before publication of the April 2011 EDP Press Release (**Action point 2**)¹.

1.3 Data sources

Introduction

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 accounts and the recently reclassified public enterprises.

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 annual and quarterly questionnaires managed by the ELSTAT. The data are collected mainly on a cash basis. There is now a new web-based system of collection of questionnaires managed by ELSTAT. A network of statistical correspondents trained by ELSTAT has been established to cover public bodies.

Information on the net lending/net borrowing of the **Local Government** was up to now obtained from a survey conducted by ELSTAT. For the first time information on the

¹ The inventory was subsequently published by both ELSTAT and Eurostat on 26 April 2011.

transactions of municipalities in 2010 will be obtained from the new database developed by the Ministry of Interior.

The new on line system of questionnaires of ELSTAT covers also the sub-sector of **Social Security Funds (SSFs)**.

Discussion

ELSTAT described its ongoing work on the update of its register of general government units, including an ad hoc survey which had been launched for Ministry-controlled bodies. Eurostat described best practices that it had observed in other EU Member States.

Findings and conclusions

ELSTAT will investigate and statistically classify Ministry-supervised bodies by mid-May, then proceed to a full update of the register by September 2011 (to be used in compiling the October EDP notification). Thereafter a regular process of update and publication would be established (**Action point 3**).

1.4 Accounts payable

Discussion

ELSTAT presented the results of its survey of payables of State Ministries. Eurostat welcomed the more complete availability of data, and explored the plausibility of data for 2009 and 2010. Some difficulties with data for the Ministry of Rural Development were discussed.

Findings and conclusions

ELSTAT will check the 2009 and 2010 data on Ministry payables from its survey with the results for payables collected by GAO, investigating and resolving any differences. ELSTAT will review payables data of the Ministry of Rural Development, notably for the recording of late-paid interest (**Action point 4**)².

2. EDP reporting – analysis of EDP notification tables

2.1 EDP Tables

a) EDP Table 2A

The information contained in EDP table 2A on central government transactions is predominantly produced by the GAO. The working balance is the balance of State Budget on a cash basis excluding a series of both expenditure and revenue items (mainly of a financial

² The action was completed during the April 2011 notification

nature). The GAO provides information to ELSTAT on the items excluded from both revenue and expenditure.

Discussion

During the discussion ELSTAT mentioned that obtaining information for the Hellenic Financial Stability Fund (HFSF) was proving problematic as the Fund had challenged its classification within general government. Eurostat re-affirmed its advice on the statistical classification advice of the Fund, and took note of ELSTAT's difficulties in obtaining data from the Fund.

Eurostat reviewed the data on unaudited accounts reported in Table 2A, taking note that these amounts would continue to be recorded owing to delays in certification by the Hellenic Court of Audit of certain transactions, and despite a new accounting system in the GAO

The discussion then focused on issues relating to the cash flow of tax refunds to the reclassified public corporations, the reporting of bond settlements of tax refunds and the nature of swaps cancelled in 2010. Eurostat took note of the recording of tax refunds and provided advice on certain statistical recording issues.

Eurostat enquired about the relatively high level of swap cancellations in 2010. Eurostat took note that all remaining government off-market swaps, with the exception of those with the National Bank of Greece, would be closed by end-2011.

Findings and conclusions

- ELSTAT will collect the required data from the Hellenic Financial Stability Fund using its relevant legal powers (**Action point 5**).
- By the April 2011 EDP Notification, the GAO will provide an explanation of the low figure for the adjustment of unaudited amounts in 2010, compared to previous years (**Action point 6**).
- For the April 2011 EDP notification, ELSTAT will ensure that there is a neutralisation of tax refund cash flows to reclassified public corporations, ensure the bond settlement of tax refunds is recorded properly, and inform Eurostat of its decision on the presentation of tax refunds in EDP Tables 2A and 3B (**Action point 7**).
- The GAO will provide to ELSTAT a paragraph explaining the nature of the swaps cancelled in 2010 (**Action point 8**)³.

b) EDP Table 2D

Discussion

Eurostat reviewed the data sources and adjustments for the social security sub-sector (social security funds and hospitals). It took note of the improved and high levels of response to

³ Actions 6, 7, and 8 were completed during the April 2011 notification

ELSTAT surveys, though there were significant imbalances between financial and non-financial data in some questionnaire returns. Several register issues were discussed and resolved. Eurostat took note of a high level of initial estimates for the statistical discrepancy for 2010 and indicated that this should be resolved between ELSTAT and the Bank of Greece as a matter of urgency.

Eurostat recalled the work of an ad hoc Task Force on recording of interest revenue of social security funds, and asked that work take place to identify what adjustment may be necessary for 2010 in this regard.

Eurostat noted that it appeared that the social security fund OPAD (Healthcare Organisation of civil servants) had significant identified arrears and asked what information was available to ELSTAT.

Findings and conclusions

- ELSTAT will update the April 2011 EDP notification figures to include the results of the discussions of statistical classification of certain funds (**Action point 9**).
- ELSTAT will seek to liaise with the Ministry of Health to complete the response of hospitals in surveys (**Action point 10**).
- ELSTAT will consider the establishment of ongoing arrangements to identify and deal with statistical discrepancies for social security funds, including to resolve vertical discrepancies between the non-financial and the financial side of the completed social security fund questionnaires (**Action point 11**).
- ELSTAT will provide Eurostat with an explanatory note, by end-March 2011, on the recording of arrears in lump sum pension payments by TPDY (Pensions fund of civil servants), together with a table detailing the calculation (**Action point 12**).
- ELSTAT will quickly provide Eurostat with data on the stocks of payables of OPAD from its survey (differentiating between those to units inside general government and those outside) (**Action point 13**).
- By the April 2011 EDP notification, and with the assistance of the Bank of Greece, ELSTAT will establish the appropriate adjustment for interest received by social security funds (**Action point 14**).
- By the April 2011 EDP notification, ELSTAT will resolve with the Bank of Greece the large observed statistical discrepancy for social security funds in 2010 (**Action point 15**)⁴.

EDP Table 3B

Discussion

Eurostat discussed the recording of EU flows (see point 3.2.3 below) and in particular the adjustments required for taking into account the delayed payments for disallowances on EU funds.

⁴ Actions 9, 10 and 12,13, 14, and 15 were completed during the April 2011 notification

Eurostat took note of the continuing high initial estimates of the statistical discrepancy for the State in 2009, and the ongoing efforts of the Greek statistical authorities to reduce discrepancies, encouraging co-operation between institutions. Eurostat recalled the importance of ensuring that end-year State balances are properly reconciled between GAO and Bank of Greece.

Findings and conclusions

- ELSTAT will introduce adjustments into the payables of EDP Table 3B to reflect the delayed payment schedule for disallowance on EU-funded agriculture flows (**Action point 16**).
- ELSTAT will cooperate with GAO and BoG to reduce statistical discrepancies for the State (**Action point 17**).

3. Methodological issues and recording of specific government transactions

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

Introduction

According to the EDP Consolidated Inventory of Sources and Methods, ELSTAT has the responsibility for classification of units, based on the criteria set by the ESA 95 manual on general government deficit and debt.

A list of all units classified into General Government sector is annexed to the EDP Inventory.

ELSTAT has recently reclassified a series of public units and continues reviewing ad hoc cases of public units.

A broader project of establishing an updated Register of public bodies has been undertaken by ELSTAT (according to the joint action plan-Action C8). This project is linked to the memoranda of cooperation signed between ELSTAT and several ministries.

Discussion

During the discussion the progress made with respect to the new registry of public units was reviewed. Eurostat was informed that the unit “TEMPE” (Fund providing guarantees to small and very small enterprises) had been renamed “ETEAN” with expanded activities. A number of technical issues were raised.

Findings and conclusions

ELSTAT will classify the unit ETEAN to the general government sector in 2011 (**Action point 18**).

3.2 Recording of specific government transactions

3.2.1 Government guarantees

Introduction

There is a relatively high level of government guarantees in Greece (total debt guaranteed by government is about 3% of GDP, of which 1% is for public enterprises). For the reporting period 2006-2009 guarantee cash calls of 171 mill. euro were reported for guarantees provided to public corporations. An amount of 548 mill. euro (or approximately 0.2% of GDP) of new guarantees was reported for 2009.

Discussion

Eurostat reviewed the available data on guarantees and identified three cases of repeatedly called guarantees. Under the applicable statistical rules, the debt covered by these guarantees should be considered as government debt at the time of the third call. Eurostat took note that the Greek authorities had enough information available to complete more fully the related EDP questionnaire tables.

Findings and conclusions

- By the April 2011 EDP notification ELSTAT will examine the cases of repeatedly-called guarantees and make the necessary entries in the accounts. Eurostat will quickly provide to ELSTAT guidance on practical recording issues (**Action point 19**)⁵.
- With the assistance of the GAO, ELSTAT will more fully complete the EDP Questionnaire tables on guarantees (**Action point 20**).

3.2.2 Capital injections, superdividends, privatisations

Introduction

The Greek government undertook capital injections in all years of the period 2006-2009. Disposals of equity equal to an amount of 2.2 bill euro were reported for 2009 in the October 2010 notification. Significant amounts of distributions to government (around 0.6% of GDP in 2009) were reported for the whole reporting period.

Discussion

Eurostat explained the statistical approach to the recording of (super) dividends and reviewed a list of dividends received by the Greek government.

Findings and conclusions

By the April 2011 EDP Notification, ELSTAT will check all dividend flows to ensure that any super dividends are properly recorded (**Action point 21**)⁶.

⁵ The action was completed during the April 2011 notification

3.2.3 Recording of EU flows

Introduction

The recording of the transaction with the EU budget comply with the relevant Eurostat decision published on 15 February 2005 requiring that those transactions have no impact on net lending/net borrowing of general government. Greece is recording revenue from the EU budget on the basis of the submitted claims for reimbursement.

Discussion

Eurostat appreciated the stable and reliable ongoing cooperation of the Single Payment Authority (SPA) in providing ELSTAT with data on EU flows. Eurostat took note of the large number of submitted claims for EU refunds in 2010.

Findings and conclusions

- In cooperation with the SPA, ELSTAT will provide to Eurostat (by June 2011) a note on the arrangements for the management of the JEREMIE and JESSICA programmes, with an assessment of the appropriate statistical treatment and possible impact on the EDP figures (**Action point 22**).
- The SPA will quickly confirm the management arrangements for suspense account for the ISPA programme (**Action point 23**)⁷.

3.2.4 PPP contracts, securitisation and sale and leaseback operations

Introduction

In the October 2010 notification one PPP project was reported regarding 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.

Discussion

ELSTAT explained its developing analysis of Public Private Partnership (PPP) projects and briefly described PPP contracts relating to fire stations. Eurostat provided an explanation of the key principles.

Eurostat recalled that it had asked in the past for the Greek authorities to check if government had conducted any sale and leaseback operations.

⁶ The action was completed during the April 2011 notification

⁷ Actions 22 and 23 were completed

Findings and conclusions

- By end-September 2011 ELSTAT will send to Eurostat its statistical analysis of the fire station PPPs, together with a copy of a contract (**Action point 24**).
- By June 2011, the GAO will provide to ELSTAT information on any sale and leaseback operations undertaken by the Greek government in recent years. ELSTAT will inform Eurostat about the possible statistical implications of this information (**Action point 25**).

4. Other issues

Discussion

During the discussions, Eurostat reviewed the information provided by the GAO on coupons sold. The issue of the appropriate statistical recording of the transactions of ELGA (Hellenic agricultural insurances, a recently re-classified public corporation) was discussed between ELSTAT and Eurostat.

Findings and conclusions

- Eurostat will further examine the provided information on coupons sold and would quickly raise any questions it had (**Action point 26**)⁸.
- Eurostat will reflect within weeks on the appropriate classification of transactions of ELGA, and communicate its views to ELSTAT (**Action point 27**).

⁸ Action points 26 and 27 were resolved in April 2011.