



EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics (GFS) and quality
Unit D-2: Excessive Deficit Procedure (EDP) 1

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FINAL FINDINGS

EDP dialogue visit to Greece

23-24 September 2015

Executive summary

Eurostat conducted an EDP dialogue visit to Greece on 23-24 September 2015 with the aim to review the compliance of the Greek EDP data with the EDP statistical framework, in particular with ESA 2010 and the updated version of the Manual on Government Deficit and Debt. The preparatory work for the October 2015 EDP Notification was examined and Eurostat followed-up some action points of previous missions. The sector classification of a number of units and the recording of specific government transactions were discussed. In addition, some issues linked to the third economic adjustment programme were treated briefly.

In particular, the issues that were analysed and the relevant findings of the meeting are the following:

Eurostat took note that the current Memorandum of Cooperation between ELSTAT, the General Accounting Office of the Ministry of Finance (GAO) and the Bank of Greece (BoG) is not sufficient for the needs of ELSTAT and it was agreed that the draft of a revised text would be sent to Eurostat by February 2016.

ELSTAT agreed to provide the updated ESA 2010 EDP Inventory by the end of 2015.

Concerning ESA historical data, ELSTAT informed Eurostat that the GDP figures, ESA table 2 (annual) and quarterly data would be updated and retransmitted and that the data would be published at the latest by the time of Eurostat's EDP Press Release for the October 2015 EDP Notification.

Eurostat urged ELSTAT to analyse the PPP and concession contracts signed in 2014 and 2015 and to provide Eurostat with translations into English of the contracts.

Eurostat expressed some doubts on the statistical treatment of the sale and leaseback operation conducted by government in 2014 in relation to 28 buildings and ELSTAT agreed to provide further clarification on some key elements.

The sector classification of the following units was discussed: LAGIE, State Orchestra, STASY, Onaseio Hospital, EDEKT SA and Consignment Deposit and Loan Fund (CDLF). Besides, ELSTAT agreed to undertake a new assessment of the sector classification of the Hellenic Deposit Insurance Guarantee Fund (HDIGF) following the new national legislation approved in the context of BRRD.

On Local government, ELSTAT will continue to work on the sector classification of municipal entities of private law. A report on the classification of large municipal enterprises (in terms of debt) will be sent to Eurostat. ELSTAT will take steps in order to receive data from all municipal entities of public law and will analyse the autonomy of decision of water companies.

ELSTAT will continue to work on the questionnaire on government controlled entities classified outside government and will check whether government powers in some non-public banks could be enough to consider that the banks are controlled by government in the context of ESA 2010.

Concerning the October 2015 EDP Notification, ELSTAT agreed to include the trade credits of local government in EDP table 4 and to report complete data of government guarantees in table 9.1 of the questionnaire related to EDP and in the context of the six-pack.

ELSTAT agreed to check the transactions linked to the Common Capital and to provide to Eurostat the swap contracts signed in the past by securitisation vehicles.

Eurostat agreed to investigate the state of play of ANFA and SMP payments in 2015 and to report to ELSTAT on the treatment to be applied.

The loan repayment by Greece to the IMF in May 2015 using SDR holdings was also discussed. Following the advice letter provided by Eurostat on this issue in September 2015 and given the recording of SDRs as assets/liabilities of the Bank of Greece, Eurostat considered that a loan from the Bank of Greece to the Greek government should be imputed, increasing government debt¹.

ELSTAT agreed to complete the missing information in part 3 of the questionnaire on taxes and social contributions in the next transmission of the questionnaire. ELSTAT was also requested to check the latest developments in relation to the legislation concerning deferred tax assets (DTAs) and report back to Eurostat.

Finally, ELSTAT agreed to monitor and report to Eurostat all cases of future bank recapitalisations, foreseen in the framework of the third economic adjustment programme.

¹ The treatment of SDRs and other transactions related to the participation of countries in the capital of IMF are currently being discussed in the EDPS WG (EDP Statistics Working Group).

Introduction

In accordance with Council Regulation (EC) No 479/2009 as regards the quality of statistical data in the context of the Excessive Deficit Procedure (EDP), as amended, Eurostat carried out an EDP dialogue visit to Greece on 23-24 September 2015.

The delegation of Eurostat was headed by Ms Lena Frej Ohlsson, Head of Unit D-2 Excessive Deficit Procedure (EDP) I. Eurostat was also represented by Mr Luca Ascoli, Mr Denis Besnard, Ms Lourdes Prado Ureña and Mr Georgios Papadopoulos.

The Greek Statistical Authorities were represented by the National Statistical Institute (ELSTAT), the General Accounting Office of the Ministry of Finance (GAO) and the Bank of Greece (BoG).

The previous Eurostat EDP dialogue visit to Greece took place on 22-23 September 2014.

Eurostat carried out this EDP dialogue visit in order to review the implementation of ESA 2010 methodology and to ensure that provisions of the Eurostat Manual on Government Deficit and Debt and Eurostat decisions are duly implemented in the Greek EDP data.

The main purpose of the visit was to review the preparation of the October 2015 EDP Notification. Eurostat discussed the tables under preparation, and their underlying data sources. In addition, the following issues were discussed in detail:

- Follow-up of action points of previous missions
- Sector classification of a number of units
- Methodological issues related to specific government transactions

Eurostat appreciated the amount and quality of the information provided by the Greek statistical authorities prior to the mission. Eurostat also thanked the Greek statistical authorities for the excellent co-operation during the mission and considered that the discussions were transparent and constructive.

In relation to procedural arrangements, Eurostat explained the procedure, in accordance with article 13 of Regulation No 479/2009, as amended, indicating that within days the main conclusions and action points would be sent for comments to the Greek Statistical Authorities. Subsequently, the provisional findings would be sent in draft form for review. Finally, after amendments, the final findings would be sent to the Greek Statistical Authorities and the Economic and Financial Committee (EFC) and published on the website of Eurostat.

1. Statistical capacity issues

1.1 Institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation

Introduction

On 16.7.2015, regulation 4334/2015 introduced changes to the Greek Statistical Law. Before the mission, ELSTAT provided a document explaining the main changes introduced, which are related to the “Responsibilities of ELSTAT” and the “selection procedure and renewal of the term of office of the President of ELSTAT”.

The note explained that the aim of the changes was to strengthen the professional independence and financial autonomy of ELSTAT, as well as to improve the quality of the statistical output of ELSTAT and of the Hellenic Statistical System as a whole. Although the changes could have an indirect implication for the quality of GFS and EDP data, it was clarified that they should have no direct implication on the data production process by ELSTAT.

A Memorandum of Cooperation was signed in 2010 between ELSTAT, GAO and BoG for the compilation of Government Finance Statistics. Action point 1 the SDV of September 2014 was related to the update of this cooperation agreement. Given that no progress had been reported up to date, Eurostat inquired on the state of play of the document.

Discussion

ELSTAT explained that no revision of the MoU signed in 2010 was available yet and that discussions with other institutions were pending. Eurostat took note that the current MoU is not sufficient for the needs of ELSTAT and that the following issues should be addressed in the revised version:

- Consistency between ESA tables 25 and 27
- Availability of ESA table 27 to ELSTAT
- Cooperation of BoG for the compilation of ESA table 27
- Identification of the discrepancies

It was recalled that the MoU should not be used to justify the absence of cooperation concerning data that are not explicitly referred to in the MoU.

Findings and conclusions

Action point 1 (previous 31): ELSTAT will prepare, in cooperation with other statistical authorities, a revised version of the MoU for government finance statistics.

Deadline for a first draft: End of February 2016

1.2 Data sources

Introduction

Data for the state (S.1311.1) are provided to ELSTAT by GAO².

For Extra Budgetary Funds, a special electronic platform has been designed for entities to provide their data via the internet by filling-in a certain questionnaire used for the survey carried out by ELSTAT.

For the Local Government (S.1313), data are provided to ELSTAT by the Ministry of Interior. ELSTAT has a direct access to the database of the Ministry of Interior containing monthly data for municipalities and regions. This questionnaire includes data for non-financial and financial transactions, as well as stocks.

For the Social Security Funds (S.1314), the main data source is the quarterly and annual survey, which is conducted via an on-line system. In addition, for the needs of National Accounts, specific surveys are conducted (on a quarterly and annual basis).

The basis of the bookkeeping systems used by government units and public corporations by subsector is the following:

- S.1311.1: The State Budget Execution is on cash basis.
- S.1311.2: Government units under the legal form of private law compile their accounts on an accrual basis. Government units under the legal form of public law usually compile their accounts on a cash basis while some of them can provide the requested data to ELSTAT on an accrual basis.
- S.1313: Local Government units (Regions, Municipalities, legal entities of public law) use a cash system of bookkeeping. The legal entities of private law use the accrual systems.
- S.1314: The bookkeeping system is on a cash (near-cash) basis.

1.3 EDP Inventory

Introduction

The latest version of the EDP Inventory for Greece was provided in 2013, still in the framework of ESA 95.

In September 2014, Member States received a new template of the *EDP Inventory according to the ESA2010*, including the ESA2010 related changes. Countries were asked to fill in the new template and provide it to Eurostat.

Discussion

Eurostat inquired on the state of play concerning the ESA 2010 EDP Inventory and recalled that the publication of the country inventories was scheduled for December 2015.

² At the end of each quarter, ELSTAT requests from GAO the data of the State Budget execution, the payables from all the Ministries and data from different entities.

ELSTAT explained that, leaving aside the changes related to ESA 2010, no other relevant changes were foreseen to the Inventory as compared to the version provided by the end of the year 2013.

Findings and conclusions

Action point 2 (previous 32): ELSTAT will agree on a timetable for providing the EDP Inventory in line with ESA 2010, with the objective to publish a revised version in the first quarter of 2016.

Deadline for agreeing on a timetable: October 2015 EDP Notification³

Deadline for publication of the Inventory: First quarter of 2016

1.4 Publication of historical data

Introduction

Following the introduction of ESA2010 in September 2014, ELSTAT had not provided updated general government data for years prior to 2006. By the April 2015 EDP Notification, EDP and GFS historical data for the period 1995-2005 were still missing.

During the summer of 2015, ELSTAT transmitted ESA tables 2 and 28 together with EDP tables from 1995 onwards. Eurostat welcomed the transmission of the data and acknowledged the efforts undertaken by ELSTAT to achieve this long term project.

Several exchanges and discussions between ELSTAT and Eurostat took place during the Summer of 2015. It was the view of Eurostat that the data transmitted represented a major improvement on the data previously supplied and that they could be released in the interest of users, in the understanding that some elements should be considered a best statistical estimate.

Discussion

Eurostat asked ELSTAT to confirm the date for the publication of historical series of ESA tables and EDP data for the period 1995-2005.

ELSTAT explained that GDP figures still needed to be updated. It was confirmed that ESA table 2 would be revised and transmitted for the period 1995-2014. Concerning quarterly data, ELSTAT explained that further work was needed for the years prior to 2006⁴.

ELSTAT confirmed that annual historical data for general government would be published at the latest by the time of Eurostat's EDP Press Release for the October 2015 EDP Notification⁵.

³ The timetable was agreed and ELSTAT provided an updated version of the EDP Inventory in line with ESA 2010 by the end of 2015. This document is currently being checked by Eurostat and will be published within the deadline agreed.

⁴ Quarterly data prior to 2006 were transmitted in December 2015 in the framework of ESA Table 25 transmission.

⁵ Data were published in November 2015.

2. Follow-up of previous EDP dialogue visits

2.1 SDV of September 2014

The previous EDP dialogue visit took place on 22-23 September 2014 and gave rise to 15 action points. By September 2015, the following action points of the September 2014 SDV had already been closed: actions points 2, 3, 5, 6, 9, 10 and 11.

Documentation for some action points had been provided by ELSTAT and was discussed in the current mission. A number of action points were still outstanding and others had been postponed by ELSTAT, as priority had been given at national level to the project of general government historical data.

During the mission, Eurostat inquired on all the action points that were still open. The discussions and conclusions for each action point are provided below.

Action point 1 of September 2014 (Update of the MoU)

The update of the MoU for the compilation of GFS was discussed in the section for statistical capacity issues. This action point is still outstanding.

Action point 4 of September 2014 (Recording of ELEGEP/OPEKEPE operations)

Discussion

ELSTAT explained that the submission of claims is used for the recording (same methodology as for EU funds) after 2013. ELSTAT explained that most points had been clarified when working with the historical data project and that a couple of issues, which had been solved for actual and future data, were nevertheless difficult to implement for past data but involved small amounts.

Findings and conclusions

It was agreed to close this action point. ELEGEP/OPEKEPE transactions will continue to be followed-up in the context of GFS transmissions.

Action point 7 of September 2014 (Sale and leaseback of 28 buildings)

Introduction

A note by ELSTAT, analysing the transaction, had been provided to Eurostat. After analyzing the contracts, ELSTAT had concluded that the sale and leaseback operation was an operating lease and recorded the transaction as a true sale by government in the April 2015 EDP Notification, decreasing government GFCF and improving its B.9 of year 2014.

Discussion

During the mission, Eurostat expressed some doubts on the treatment of the transaction as a true sale and asked further information on the rights and obligations of the two parties at the end of the contract. Eurostat asked whether the partner has the right to decide what to do with the assets at the end of the contract (whether to sell or not and to whom, whether to re-rent or not and to whom) and whether government could impose

certain decisions in relation to the assets (impose to re-rent, impose a sale, influence the price, etc.).

During the discussion, emphasis was given to the clause regarding the option of the state to buy back the buildings at the end of the contract. ELSTAT explained that, according to the contract, two months before the end of the agreement, the State could exercise an option to buy the buildings at market value, forcing the partner to sell.

Eurostat expressed doubts on the treatment as a true sale of the sale and leaseback transaction due, amongst other, to the existing option for government to buy back the assets.

Findings and conclusions

Action point 3 (previous 8): Eurostat expressed some doubts on the treatment as an operating lease of the sale and leaseback operation conducted by government in 2014 in relation to 28 buildings. ELSTAT will further clarify some elements that are essential for the analysis. The correct statistical treatment agreed with Eurostat will be applied in the October 2015 EDP notification.

Deadline: October 2015 EDP Notification⁶

Action point 8 of September 2014 (Analysis of PPP contracts)

Introduction

A draft note on PPPs was provided to Eurostat on 8/4/2015, describing briefly the PPP contracts that were signed during 2014. A total of seven contracts with a total contractual value of EUR 465 mn were signed over 2014, all of them involving EU funds (grants, EIB financing or Jessica loans).

The contracts are the following:

- 3 Contracts signed for the rural broadband internet development project (concessions)
- 1 Contract for electronic ticket system by the Athens Urban Transport Organization
- 1 Contract for a telematics system for Athens Urban Transportation
- 2 contracts (Attika I and Attika II) for a total of 24 school building projects

Discussion

Eurostat took note that a new contract had been signed in June 2015: Western Macedonia Solid waste management PPP, with a total contractual capital value of about EUR 50 mn.

ELSTAT reported little progress in the analysis of the contracts. In the absence of an assessment, ELSTAT has considered the assets involved as off-government balance sheet by default, pending analysis of the contracts.

⁶ The treatment of sale and leaseback contracts including call options is currently being discussed in the EDPS WG.

Eurostat urged ELSTAT to analyse the contracts and to urgently provide copies to Eurostat. Eurostat recalled that, in the first place, it should be assessed whether the contracts qualify as real PPPs or whether they should instead be considered as a procurement contract followed by a contract for the sale of services. Eurostat also recalled that, in order to distinguish between a PPP and a concession project, it should be determined whether it is the final beneficiaries which are paying for the use of the asset (concession) or, whether it is government paying a regular fee to the partner (PPP).

Findings and conclusions

Action point 4 (previous 5): ELSTAT will analyse the PPP and concession contracts signed in 2014 and 2015 and will provide to Eurostat the analysis and a translated version of the following contracts: one concession contract and both PPP contracts for schools and the contract for waste management.

Deadline for providing the analysis of the contracts: December 2015⁷

Deadline for providing the translation of the contracts: February 2016⁸

Action point 5 (previous 6): ELSTAT will record on government balance sheet the assets related to those contracts identified as procurement contracts instead of PPPs.

Deadline: March 2016

Action point 12 of September 2014 (Recording of tax settlements cash receipts)

Discussion

The time of recording of income taxes in Greece is based on a time-adjusted-cash method, with a time lag of two months. In previous visits, ELSTAT had been asked to confirm whether tax settlement cash receipts were also subject to time adjustment.

In order to compile the national accounts tax data, ELSTAT does not use direct information from the tax authorities. Every month, the tax authorities send direct information to GAO. GAO adds the codes and provides the data to ELSTAT, who carries out the accrual adjustment.

ELSTAT clarified that the current system does not allow the distinction between the regular instalments collected and the final tax settlements. Therefore, both regular instalments and tax settlements seem to be time adjusted. GAO explained that isolating instalments from settlements with the view of recording settlements on a cash basis could be complex and it was clarified that the settlements could refer to the past 5 years (instead of referring to a couple of months). It was therefore agreed that the current method should remain.

Findings and conclusions

Action point 6 (previous 7): Eurostat and ELSTAT agreed that the current recording applied for "extended tax settlement cash receipts" can be considered as a good proxy for the correct recording of these amounts.⁹

⁷ The analysis of one contract was provided. The analysis of the remaining contracts is outstanding..

⁸ Two contracts have been provided in English. One has been provided in Greek. One contract remains to be provided.

Action point 13 of September 2014 (Information on municipality private law entities)

Introduction

The Local government sub-sector in Greece includes Regions (13), Municipalities (325), Legal Entities of Public Law (NPDDs) and Legal Entities of Private Law (NPIDs). By September 2014, the procedure to identify the entities of Private Law was still ongoing.

ELSTAT provided a progress report on this action point before the mission of September 2015. During 2014 and 2015, significant progress has been made in the collection of data for private law entities at municipal level. The outcome is the statistical classification of 121 entities in the General Government Sector. On 31st of July 2015 ELSTAT has published the update of the Register of the General Government Entities, including the 121 legal entities of private law of Local government that were classified in the government sector in April 2015.

According to the information received from the Ministry of Interior, the total number of legal entities of private law (NPIDs) in the municipalities is 774. Out of the 774 entities, only 358 entities have submitted analytical data for year 2014 (the remaining 416 entities either did not reply or did not submit enough data in order to undertake the full analysis).

Out of the 358 entities analyzed, 200 entities were considered to be non-market based on data of year 2014. However, out of the 200 non-market entities, only 121 have been reclassified in S.13 so far. The remaining 79 entities had either not submitted data for the period 2012-2013 or had market activity throughout the period 2012-2013.

Discussion

Eurostat welcomed the progress achieved and the efforts undertaken by ELSTAT on this project and asked ELSTAT to include the new units identified in the questionnaire for government controlled entities classified outside government.

ELSTAT confirmed that they had started the analysis from the quantitative market test and that autonomy of decision and the qualitative criteria still remained to be applied. For the analysis, the units had been grouped in 20 categories. ELSTAT explained that they had taken a preliminary approach for the sector classification of public corporations in local government, and that entities for which complete information was not available had been provisionally classified outside S.13.

Eurostat recalled the general rule concerning the application of the market test for three consecutive years. However, it also stated that in case of new units or units reporting only data for one or two years, a decision should be taken based on the data available and the category of the entity.

Concerning municipal entities of public law, all of them are classified in S.13, as it is considered that they do not have autonomy of decision. ELSTAT explained that, despite their efforts, data for 145 of these units was still missing.

Findings and conclusions

⁹ This action point is closed.

Action point 7 (previous 1): ELSTAT will continue to work on the sector classification of municipal entities of private law. As a first step, the qualitative criteria will be applied and the autonomy of decision will be analysed. As a second step, the 50% quantitative test will be applied and a decision on the sector classification should be taken based on the information available. In the absence of any data, entities will be classified based on the nature of their main activity as a proxy.

Deadline: March 2016

Action point 8 (previous 2): ELSTAT should take concrete steps in order to receive data from all municipal entities of public law.

Deadline: March 2016

Action point 14 of September 2014 (Statistical classification of largest corporations at municipal level)

Introduction

Before the mission, ELSTAT provided a progress report on this action point concerning municipal entities subject to private law. According to the finalized data of 2014, the ten largest municipal enterprises in terms of revenues represent 26% of the total non-financial revenues of the municipal enterprises under private law. These enterprises are all water companies in the municipalities of Greece and they are under a common law.

By applying the ESA 2010 rules on the classification of these enterprises ELSTAT concluded that they are to be classified outside the general government, under sector S.11001.

Discussion

ELSTAT explained that there are two types of water companies:

- the ones in Athens and Thessalonica, which gather public and private shareholders and whose shares are traded in the stock exchange
- other water companies in the rest of the municipalities

It was clarified that, the president and vice-president are appointed by the municipalities and, that the debt is guaranteed by the municipalities, which have assumed part of the debt for some of the companies in the past. The approval of the municipality is needed to undertake projects and municipalities have a veto power in the decision making, for instance, for setting the prices of water. ELSTAT confirmed that all the water companies are above the 50% threshold when calculating the market test.

Eurostat asked ELSTAT to check whether water companies receive instructions from government and whether they are obliged to do things that a normal profit oriented corporation would not do. It was agreed that the autonomy of decision and the existence of economic significant prices needed to be further clarified.

Findings and conclusions

Action point 9 (previous 3): ELSTAT will analyse the sector classification of the ten biggest (in terms of debt) municipal entities of private law.

Deadline: December 2015¹⁰

Action point 10 (previous 4): ELSTAT will analyse the autonomy of decision of municipal water companies and will provide the English translation of the statute of one of them.

Deadline: December 2015¹¹

Action point 15 of September 2014 (Changes in payments of public sector lump sums)

ELSTAT explained that the draft law giving rise to this action point has not been approved. It was agreed to close the action point.

2.2 Teleconference June 2015

The issues discussed in the teleconference and listed below were considered closed:

- Sector classification of the Olympic Games Organising Committee-Athens 2004
- Classification of revenue of the Athens Urban Transportation Organisation (OASA)
- Historical data for EU flows-disallowances
- Quality assurance for historical data

During the mission, the following items raised in the teleconference were further discussed:

Classification of Common Capital

Introduction

The aim of the Common Capital is to manage the reserves of Legal Entities of Public Law and Social Security Funds. The Common Capital is managed by the Bank of Greece, and its general activities and management are dictated by Law.

Investments are to be made in Greek Government securities. The participating entities may acquire monetary amounts (withdrawal of cash) with a corresponding decrease of their share in the Common Capital. The Common Capital attributes the property income to the participants. The fees covering the administration expenses of BoG are set by contract between the Ministry of Finance and BoG.

The current statistical treatment is that the Common Capital is not treated as an institutional unit. The Legal Entities (mainly SSFs) are considered the beneficial holders of the securities of central government, i.e. the entities are considered as the economic holders of the securities, resulting in consolidation of debt at the general government level.

¹⁰ ELSTAT sent a progress report on 12 February 2016.

¹¹ ELSTAT sent a progress report on 12 February 2016.

By the end of the year 2014, government entities held above 80% of the share capital, while the Consignment Deposit and Loan Fund (public corporation classified outside government) held around 15%.

Discussion

The preliminary discussion of the teleconference concluded that the current statistical treatment could be maintained if the accuracy and completeness of information contained in EDP reporting was ensured.

However, the transactions related with the Common Capital had been the source of some issues in the April 2015 EDP Notification, notably as concerns EDP table 3. In order to cross-check future EDP reporting, Eurostat asked to receive the accounts of the Common Capital for 2014 and 2015 (Q1 and Q2) with the related assets and liabilities (held on behalf of other entities) broken down by sector.

Besides, Eurostat inquired whether ELSTAT has the necessary information to undertake the consolidation of the debt properly and whether the Common Capital has some liquidity.

ELSTAT explained that the figures for the consolidation are provided by BoG to the Public Debt Management Office, who compiles ESA Table 28. Concerning the other assets of the Common Capital apart from government securities, it was confirmed that that they are mainly EFSF bonds and cash (the latter representing around 20% of the assets).

Eurostat asked which is the counterpart recording the cash liability and whether interest is paid on this cash. BoG explained that, in principle, the liquidity of the Common Capital is not considered as a liability of the BoG and agreed to cross check the issue and confirm.

Findings and conclusions

Action point 11 (previous 9): ELSTAT, with the cooperation of the Greek Central Bank, will check whether the amounts invested by non-government units into government securities via the Common Capital are consolidated or not in government debt.

*Deadline: October 2015 EDP Notification*¹²

Swap transaction linked to securitisation operations carried out by Ariadni and Aiolos securitisation vehicles in 2001 and 2005

Introduction

During its investigations in the framework of the project of compilation of historic EDP data, ELSTAT found evidence of swap operations related to the transactions of the two securitisation vehicles. Future air and traffic revenue was securitised and the proceeds of the securitisation were swapped.

¹² The action point is outstanding. A number of issues are still under clarification.

Discussion

Eurostat asked whether the swap contracts signed were off-market swaps. ELSTAT explained that no cash was involved at inception and that the contracts had duration of 5 and 10 years. It was decided to further investigate the nature of these swap operations.

Findings and conclusions

Action point 12 (previous 10): In order to determine the nature of the swap contracts signed in the past by securitisation vehicles owned by government, ELSTAT will provide the swap contracts to Eurostat. Both the short contract with the main features and the master agreement should be provided.

*Deadline: December 2015*¹³

Loans of the Bank of Greece to government for participation in International Organisations

Discussion

Eurostat inquired on the statistical recording of the funds/loans provided by BoG to the Greek State for its participation in the equity of International Organisations.

The Bank of Greece provides the funds for the participation of government in the quota of the IMF. This transaction, which is around EUR 1bn, is considered as a loan with no interest and no repayment. However, ELSTAT explained that these loans are treated specifically. They are not included in government debt and are recorded as other accounts payable F.8.

On the contrary, the funds provided by the BoG for the participation in other International Organisations are recorded as loans of the Greek government and are part of government debt. The related amounts are normally small.

Eurostat expressed doubts on the treatment applied for the participation in the quota of the IMF and agreed to investigate the situation in other Member States and provide guidance on the issue.

From the documentation related to the Third Economic Adjustment Programme, Eurostat became aware that, in July 2015, the Greek State had repaid EUR 500 mn to the BoG from an outstanding loan of EUR 1.4 bn. Eurostat asked the Greek Statistical Authorities to confirm the origin of the loan and whether it was included in government debt. The Greek Statistical Authorities confirmed that the loan was granted in 1994 to the Greek State to cover some currency fluctuations and that it was already recorded in the Greek government debt.

Findings and conclusions

Action point 13 (previous 11): Concerning the "loans" provided by the Bank of Greece to the Greek government in the context of the participation of Greece in the capital of IMF, Eurostat will conduct a fact finding exercise at EU-28 level in order to ascertain whether

¹³ The short contracts with the main features have been provided to Eurostat.

such transactions are recorded in the same way across countries and to provide guidance on the issue.

Deadline: October 2016¹⁴

3. Analysis of EDP tables – Follow-up of the April 2015 EDP Notification

Introduction

Before the mission, ELSTAT provided a draft version of the EDP tables prepared for the October 2015 EDP Notification. The tables were analysed during the visit and a number of technical questions were raised by Eurostat.

Table 2A

Discussion

As for all EDP tables, EDP table 2A is compiled by ELSTAT. However, the data source provider for the information in EDP table 2A on central government transactions is GAO. The working balance is the balance of State Budget on a cash basis, excluding specific categories of expenditure and revenue (mainly financial). GAO provides and publishes the working balance of the State on a monthly basis.

Eurostat inquired about the amounts recorded under debt assumption of OASA-TRAM (under the adjustment in H22). ELSTAT confirmed that the negative adjustment in 2011 (EUR 2,410 mn) is related to the debt assumption and that the positive amount in 2012 (EUR 117 mn) is related to recoveries, which do not enter the working balance.

In relation to the adjustments related to LAGIE (adjustment codes D.23-D.25, D.27), ELSTAT explained that the Greek government allocates to LAGIE different tax revenues (emission trading, ERT tax, lignite, solidarity tax, etc.), which are used by the entity to deal with the subsidies for renewable energy, fulfilling government policy.

ELSTAT explained that 99% of the revenue and expenditure from LAGIE is related exclusively to tax and subsidies and that 1% is related to its role of regulator (for which electric operators pay fees). It was clarified that LAGIE does not purchase or sell electricity. Based on the nature of its activity, Eurostat expressed some doubts on the current sector classification of the entity outside the government sector and suggested that it should rather be considered as unit providing ancillary services to government. ELSTAT clarified that a reclassification would not impact government deficit or debt, as the unit did not borrow and the taxes and subsidies were already recorded in government accounts.

Eurostat remarked that, in past years, there was a mismatch between the taxes and the subsidy, the latter being much higher, and asked how had the mismatch being financed. ELSTAT explained that the mismatch was financed by LAGIE by delaying the payments to beneficiaries and confirmed that the gap was correctly recorded in B.9 and that the entity never incurred debt. ELSTAT explained as well that the mismatch had disappeared in the most recent years.

¹⁴ The statistical treatment of Special Drawing Rights and other transactions linked to the participation in the capital of the IMF was discussed in the GFS Task Force in November 2015 and in the EDPS WG in December 2015. The discussion is still ongoing.

Eurostat inquired on the correction for unpaid tax refunds (adjustment code G3). ELSTAT clarified that the expenditure is imputed when the liability is recognised. The relevant amount which is recorded as payable is the amount defined by the time the issued AFEK certificate is cleared. ELSTAT confirmed that the time lag between issuance and clearance is not big. Given that the expenditure is imputed when the liability is recognised and given that there are time lags between the recognition of the liability and the actual payment, a correction needs to be applied also once the disbursement takes place.

Eurostat asked about the corrections for ODYE guarantee calls (adjustment code H7). ELSTAT explained that there was an assumption of the debt of this unit in 2010. The guarantee calls that take place in subsequent years are included in the working balance as expenditure and need to be corrected.

Concerning the adjustment line for unaudited amounts (D.3), ELSTAT explained that it includes the amounts in the extra-budgetary accounts which are not comprised in the budget execution (either because there is no budget line or because they are financial transactions). The amounts in the extra-budgetary account are provided by GAO on a quarterly basis.

ELSTAT raised some questions on the time of recording of some amounts related to ANFA¹⁵ and SMP¹⁶ received in 2015 from the Bank of Greece. The total amount paid by the BoG in 2015 was EUR 291 mn, of which 236 mn refer to ANFA accrued in 2014 and EUR 55 mn to SMP. ELSTAT asked whether the amounts should be booked as revenue and, if yes, of which year.

Eurostat recalled the rules for the time of recording of ANFA and SMP payments. Until the year 2014, ANFA payments were normally recorded in the second quarter each year (even if the payment could be liquidated later). It was recalled that all countries paid the ANFA amounts accrued in 2014. The amount paid by BoG referred to a late payment already recorded as revenue in year 2014. It was therefore agreed that it should not be recorded as revenue in 2015.

SMP payments are conditional on Eurogroup decisions and are recorded once the conditionality disappears. In 2014 and 2015, there were no Eurogroup decisions concerning the payment of SMP and no country disbursed amounts. It was confirmed that the BoG had disbursed this amount without having any obligation to do so and Eurostat agreed to further investigate the recording to be applied.

Findings and conclusions

Action point 14 (previous 12): After analysing the entity LAGIE, which undertakes a large majority of its activities on behalf of government, Eurostat is of the view that in the context of the implementation of ESA 2010, LAGIE should be reclassified in the government sector.

Deadline: March 2016¹⁷

¹⁵ Agreement on Net Financial Assets

¹⁶ Securities Market Programme

¹⁷ A note examining the sector classification of LAGIE was provided to Eurostat in December 2015. ELSTAT has concluded that the unit should be classified in S.13.

Action point 15 (previous 13): ELSTAT will analyse other similar possible cases of units which undertake a large part of their activity on behalf of government and classify the units accordingly.

Deadline: March 2016

Action point 16 (previous 14): Eurostat will investigate the ANFA and SMP payments undertaken by the Central Bank of Greece in 2015 and will report to ELSTAT on the correct treatment to be applied.

Deadline: October 2015 EDP Notification¹⁸

Table 3B

Discussion

ELSTAT confirmed that the appreciation/depreciation for IMF loans (received in SDRs and converted to dollars) is correctly done. ELSTAT explained that the Greek government enters into swap contracts for all transactions in foreign currencies. The currency risk is minimised with the swap transactions and, therefore, the adjustment needed is small.

Local government

Discussion

ELSTAT confirmed that local government data for year T are considered final in February T+2. The coverage for the municipalities and regions is exhaustive. This is however not the case for entities of public law nor for entities of private law.

The basic data source for municipalities and regions is the electronic database of the ministry of Interior. Municipalities and regions provide monthly data for the revenues, expenditures, deposits, assets, liabilities and payables via a questionnaire.

The information available to carry out the adjustment for other accounts receivable/payable is available to ELSTAT via the regular reporting. ELSTAT recalled that in EDP table 2C, the adjustment for payables of corporations is included with the adjustment for the payables of municipalities and regions and not in the B.9 of other government bodies.

Eurostat inquired on the accrual adjustment for interest and ELSTAT explained that no adjustment is undertaken for interest accrued of units reporting on cash basis in the local government sector.

Social security

Discussion

The main data source is an on-line statistical survey conducted by ELSTAT twice a year. Each entity is responsible for compiling the on-line questionnaire, which collects data for revenues, expenditures and information on balance sheet elements.

¹⁸ This action point was implemented. In addition, Eurostat provided advice on the recording of ANFA payments in the quarterly accounts of 2015. This advice is available in Eurostat's website.

Supplementary data sources are used for the compilation of the non-financial accounts. For instance, additional information is collected via surveys for the following items (i) accrual adjustments of social contributions, (ii) accrual adjustments of pensions, (iii) detection and breakdown of taxes, (iv) payables of SSFs, (v) debt of SSF. Moreover, data for the grants from the State to SSFs are provided by GAO.

ELSTAT clarified that there are 3 different lines to carry out the adjustment for receivables/payables (one for pensions, one for social contributions and one for different payables).

It was recalled that hospitals were moved from the social security sub-sector (S.1314) to the central government sub-sector (S.1311) in October 2014. It was clarified as well that the State is normally transferring funds to public hospitals for the repayment of arrears.

Concerning EDP table 3E, Eurostat asked about the disposal of debt securities recorded for the year 2014 (EUR -3,270 mn). ELSTAT explained that it was mainly related to securities held by the Common Capital, which have been treated as repos (and recorded as loans). This explains partially the increase in loans recorded in year 2014 (EUR 3 bn). ELSTAT explained that the increase in loans is also partly explained by loans for social housing provided by OAED¹⁹.

Trade credits

Discussion

Data for trade credits are derived from specific surveys conducted by ELSTAT for payables of public hospitals, social security funds and Ministries. For local government, data are derived from the electronic database of the Ministry of Interior. Data related to military deliveries are received from the Ministry of Defence.

It was clarified that there is not a special code for trade credits in the existing surveys collected by ELSTAT, which request data for the broad category of other accounts payable.

Concerning the stock of trade credit liabilities reported in EDP table 4, ELSTAT confirmed that trade credits of central government and public hospitals were included, as well as trade credits related to military goods and services and to the financial crisis. However, the payables of local government (which are mainly amounts owed to suppliers) were not included in the stock reported in EDP table 4.

Findings and conclusions

Action point 17 (previous 15): ELSTAT will include the amounts related to trade credits of local government in EDP table 4.

*Deadline: October 2015 EDP Notification*²⁰

¹⁹ Manpower Employment Organization

²⁰ This action point was implemented.

4. Methodological issues and recording of specific government transactions

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

Introduction

After the signature of the MoU, all the ministries report to ELSTAT information on the entities under their supervision, including possible merges, acquisitions, deletions, etc. ELSTAT checks for changes every quarter and intends for the future to update on a quarterly basis the official list published. While the coverage for central government and social security entities is rather good, further progress is expected for the entities of local government. The register of units classified in S.13 was last updated in July 2015.

- **Questionnaire on government controlled entities classified outside government**

Discussion

ELSTAT provided the questionnaire on government controlled entities classified outside government for the first time in January 2015.

Eurostat requested further progress as concerns the coverage in the questionnaire and the information provided therein. Eurostat recalled that local government corporations were missing (as, for instance, water companies) and that full information on the 50% test, number of employees, etc. had been provided only for few entities. The figure for the liabilities was also missing for some units.

Eurostat explained that the questionnaire is foreseen to be an exhaustive list and, therefore, units with liabilities under the threshold of 0.01% of GDP should also be included, even if the additional information for such units is not provided. Eurostat clarified that filling in the information for the 50% test, the number of employees, the operating profit, etc. is compulsory only for units with liabilities above the 0.01% threshold.

Eurostat recalled that the liabilities of public entities classified in S.12 should also be reported in the questionnaire.

Eurostat took note that a number of entities under liquidation and classified in S.12 were reported in the questionnaire. ELSTAT explained that they were mainly units where HFSF was the main creditor. Eurostat clarified that units not controlled by government and in hands of a liquidator should not be reported in the table. On the other hand, units in S.12 and controlled by government should either be classified in S.13 (in case of financial defeasance) or reported in the questionnaire for government controlled entities.

The four systemic banks were reported in the questionnaire, but the figure for the liabilities was not provided. Eurostat recalled that the liabilities for these entities should be reported. ELSTAT explained that HFSF was the main shareholder of Alpha Bank, Piraeus Bank and National Bank of Greece and that it held 35% of the shares of Eurobank. However, ELSTAT expressed doubts on the fact that the systemic banks could be considered as controlled by government. Eurostat recalled that, in addition to the recapitalizations undertaken by the Greek State in 2013, in 2008 the Greek government put in place a support mechanism for banks, consisting of liquidity schemes, government

guarantees and the purchase of preference shares. It was agreed that the effective control of the four systemic banks in ESA2010 terms should be further investigated.

Eurostat recalled the differences between public holding companies and public head offices and asked ELSTAT to confirm whether they have conducted an analysis and identified public holdings (which should be classified in S.13 following ESA2010). It was agreed that ELSTAT would add 4 digits in the NACE code category for entities reported in the questionnaire and that an analysis to identify public holdings should be conducted.

Eurostat asked whether, in the context of the implementation of ESA2010, ELSTAT had identified government controlled entities with the features of captive financial institutions. ELSTAT clarified that Taneo (New Economy Development Fund) had been identified as meeting such conditions and that it had been classified in S.13. It was confirmed that the entity is not on the MFI list.

Findings and conclusions

Action point 18 (previous 16): ELSTAT will continue to work on the questionnaire on public corporations in order to have a complete register of all government controlled entities classified outside government. ELSTAT will include the information currently missing in the questionnaire and will use 2014 as a reference year (or 2013 if 2014 will not be available).

Deadline: December 2015²¹

Action point 19 (previous 17): ELSTAT will include, in the questionnaire on government controlled entities classified outside government, the liabilities of all government controlled units classified in S.12.

Deadline: December 2015²²

Action point 20 (previous 18): ELSTAT will include the 4 digit NACE code for the entities included in the questionnaire on government controlled entities classified outside government in order to identify and analyse the cases of potential holding companies.

Deadline: December 2015²³

Action point 21 (previous 19): In the context of the package of measures approved by government in 2008 to ensure financial stability, ELSTAT will check whether government powers in some non-public banks could be enough to consider that the banks are controlled by government.

Deadline: March 2016²⁴

²¹ The questionnaire provided in December 2015 included some public corporations in the local government sector. The coverage has been extended. Eurostat will continue to follow-up the progress concerning this questionnaire.

²² The liabilities of a few units in S.12 have been included. The liabilities of Encio Export Credit are missing. The liabilities of the four systemic banks (which received capital injections from government in year 2013, HFSF becoming the main shareholder) have not been included, as the effective control of these entities is under discussion.

²³ This action point is outstanding.

- **Court cases for sector classification of units**

Discussion

Eurostat inquired on the sector classification of The Athens Concert Hall Organization (OMMA). The entity was classified in S.13 under ESA95 and was reclassified to S.11, outside government with ESA2010. ELSTAT explained that they had been taken to Court due to the statistical classification of the entity in S.13. The Greek Court ruled that the entity could not be classified in S.13 and ELSTAT reclassified the unit in S.11, but re-routed all transactions, assets and liabilities to the Greek government.

Eurostat expressed its view that, following ESA2010 rules, OMMA should be classified in S.13 and insisted that ESA rules should be applied in all cases, as ESA itself is a regulation and its application is mandatory.

Eurostat inquired on other court cases concerning sector classification of entities and ELSTAT explained that they had other two cases in court: OBI (Hellenic Industrial Property Organisation) and the Post Graduate Studies Technical University of Athens.

- **State Orchestra**

Discussion

Eurostat inquired on the sector classification of the State Orchestra of Greek Music. ELSTAT confirmed that, despite a number of requests from ELSTAT, the entity did not provide the necessary data to assess the statistical classification. Eurostat expressed its view that the non-availability of data should not justify the classification of entities outside the government sector.

Findings and conclusions

Action point 22 (previous 20): ELSTAT will strive to obtain data from the State Orchestra in order to take a decision on the sector classification of this entity. In case of unavailability of data, Eurostat considers that the entity, given its nature, should be classified in the general government sector.

*Deadline: March 2016*²⁵

- **STASY**

Introduction

STASY SA aims at the operation and exploitation of the transport services provided by the metro, electric railways and tram in the metropolitan area of Athens.

STASY was created in 2011 in the context of the reorganization and restructuring of urban transport development in the Region of Attica. STASY is the merging of 3

²⁴ In January 2016 ELSTAT provided a note on this issue. Control of the four systemic banks is still under discussion.

²⁵ ELSTAT provided a note on this issue in December 2015. Eurostat replied with an official letter, available in Eurostat's website. Both Eurostat and ELSTAT have concluded that, in the absence of data for a detailed analysis, the entity should be classified in S.13 given its nature.

transport corporations: TRAM SA, ISAP SA (Electric Railways of Athens-Piraeus) and AMEL SA (Athens Metro Operation Company). Before the merge, two of the entities were classified in S.13 and one was classified in S.11.

The debts of the merging companies (towards the government, OASA and pension funds) were written-off and assumed by the State. STASY is a subsidiary company of OASA SA (Athens Urban Transport Organization), which is the sole shareholder with 100% of the shares of the merging companies.

Prior to 2011, TRAM and AMEL were subsidiaries of ATTIKO METRO. Although the 3 units merged were classified in S.13, ELSTAT concluded that STASY was a public controlled institutional unit and that it was a market producer (based on the accounts for the period 2011-2013) and classified the entity in S.11, outside government.

However, at that time it was not clear whether the infrastructure owned by ATTIKO METRO and used by STASY for its operation would be transferred to STASY, or, whether STASY would be obliged to pay a rent for the use of the infrastructure.

Discussion

ELSTAT confirmed that the owner of the infrastructure is ATTIKO Metro and that no fee is paid by STASY. Eurostat considered that STASY is the economic owner of the infrastructure assets in national accounts terms and that a new analysis should be done accordingly, using an appropriate coefficient of depreciation.

Findings and conclusions

Action point 23 (previous 21): ELSTAT will analyse the sector classification of STASY considering that STASY is the economic owner of the infrastructure assets it uses. ELSTAT will further calculate the 50% test for the years 2012-2014, using an appropriate estimation of the consumption of fixed capital. In this context, ELSTAT will analyse also the sector classification of ATTIKO Metro.

*Deadline: December 2015*²⁶

- **Onaseio Hospital**

Introduction

This hospital operates mainly in the domain of cardiology and cardio surgery. Due to special legislation, no equity capital exists. It is supervised by the State, which appoints the board of directors and approves the budget outturn. It serves households and has signed contracts with the Social Security Funds. It receives an annual grant from the State, set by the Ministers of Finance and Health. For its main domain of activity, the pricing list is the same as for private hospitals. Excluding all grants received from government (but including the payments from Social Security Funds as sales), the result of the quantitative market test is above 50% for all years.

²⁶ ELSTAT provided a note on this issue on 15 February 2016. The sector classification of the entity is still open.

ELSTAT is of the view that the unit should be classified outside the government sector based on the facts that it is over 50% in the market test and that the same system of pricing is applied to both public and private hospitals.

However, it is the view of Eurostat that further investigation is needed, namely as concerns the degree of control by government and the existence of any commitment by government to assume accumulated debts.

Discussion

Both Eurostat and ELSTAT agreed that government control is clear. ELSTAT underlined the differences with public hospitals and confirmed their view that the behaviour of the entity is quite near to the one of a market unit. ELSTAT confirmed that the decisions on investments are taken by the hospital and not by government.

Eurostat questioned whether the competition was real or only theoretical and asked ELSTAT to investigate different issues, such as the profitability of the entity, the nature of the grant provided by the State (whether subsidy on product or subsidy on production) and the operation of the entity in the same field of activity as other public entities.

Findings and conclusions

Action point 24 (previous 22): ELSTAT will analyse the nature of the subsidies provided by government to Onaseio Hospital and will conclude on the sector classification of this unit.

*Deadline: December 2015*²⁷

- **EDEKT SA**

Introduction

EDEKT SA provides financial services mostly to social security funds. It operates mainly by managing specific portfolio investments (predominantly shares) of social security funds. 95% of its shares are held by government (90% SSF and 5% Greek State). The revenue of the unit originates mainly from financial intermediation.

ELSTAT is of the view that the unit should be classified as a Financial Auxiliary (S.126). However, Eurostat considered that further clarification on the sectorisation of this entity was needed.

Discussion

Eurostat expressed some doubts on the classification of the entity as a financial auxiliary and asked about the proportion of revenue originated from government entities. Eurostat asked as well whether there was open competition with private producers, whether tenders existed and whether social security funds are forced to use the services of EDEKT. The Greek Statistical Authorities agreed to provide a detailed analysis of the entity.

²⁷ ELSTAT provided a note on this issue in December 2015. Further clarification was required by Eurostat. The sector classification of the entity is still open.

Findings and conclusions

Action point 25 (previous 23): ELSTAT will provide an analysis of the sector classification of EDEKT SA.

*Deadline: December 2015*²⁸

- **Consignment Deposit and Loan Fund (CDLF)**

Introduction

This unit has a banking licence and is in the MFIs list of the Bank of Greece. The CDLF seems to accept deposits and grants loans, mainly to public servants. The investment policy of the entity is oriented to servicing public interest. The CDLF is under the supervision of the Ministry of Finance. Its Board of Directors is appointed by a decision of the Minister of Finance, which appoints also the Chairman, the Vice-Chairman and determines its responsibilities.

The entity is currently classified in S.12 as a financial institution.

Discussion

Eurostat asked whether it could be considered that the entity met the features of a captive financial institution. It asked the Greek Statistical Authorities to confirm whether the entity operates on a limited range of activity and whether government exercises control over the assets and over the liabilities of the entity.

Eurostat explained that, in order to assess control over the assets, it should be checked whether the entity needs government permission in order to enlarge its activities, whether there are government officials in the board, whether government defines the conditions of the loans provided or whether it has to approve certain transactions. In order to assess the control on liabilities, it should be checked whether government guarantees the debt of the entity, whether government provides financing and whether the entity needs the permission of government to borrow.

Findings and conclusions

Action point 26 (previous 24): ELSTAT will provide the financial statements, the statute and the last annual report of CDLF (Consignment Deposit and Loan Fund) as well an analysis of the sector classification of the entity.

*Deadline: December 2015*²⁹

- **TEKE (HDIGF)**

²⁸ ELSTAT provided its analysis of the entity in October 2015 and requested Eurostat's opinion. Eurostat replied with an official letter concluding that the entity should be classified in S.13.

²⁹ ELSTAT provided a note analysing the sector classification of the entity in December 2015. Eurostat considered that additional documentation was needed to conclude on the sector classification of CDLF. This information was received in January 2016. The sector classification of the entity is still open.

Introduction

The Hellenic Deposit and Investment Guarantee Fund (HDIGF) is the operator of the deposit guarantee and investment compensation schemes. The purpose of the HDIGF is to provide:

- (i) compensation to depositors
- (ii) compensation to investors of credit institutions
- (iii) financing for bank resolution measures.

Following the introduction of ESA 2010, this unit was classified by ELSTAT outside general government, in the sector of financial corporations (S.12). Although government seemed to have different powers in the financing of resolution measures, it seemed that the role of the resolution branch of TEKE was irrelevant, as it was stated in the legislation that any possible resolution measure would be in practice undertaken by the Hellenic Financial Stability Fund (HFSH), classified in S.13.

On July 23rd 2015, law 4335/2015 on "Urgent Measures for the implementation of law 4334/2015" was enacted, transposing to Greek legislation the provisions of BRRD³⁰. The new framework affects the operation of the Hellenic Deposit and Investment Guarantee Fund (HDIGF) in a number of ways, and most importantly, the fact that in the new framework HDIGF (and not HFSF) will contribute to the financing of resolution measures.

Eurostat included this point in the agenda, as it considered that the changes introduced by the new legislation enacted in July 2015 should be analysed in detail, as they would probably affect the sector classification of TEKE/HDIGF.

Discussion

Eurostat explained that the sector classification of deposit guarantee schemes and resolution funds had been analysed in all EU Member States in the context of ESA2010 and that the possible changes related to the transposition of the BRRD and new Single Resolution Mechanism should be monitored.

Eurostat explained that most deposit guarantee schemes and resolution funds act as autopilots and that the key issue to check is who takes the decisions and who provides the financing in case something extraordinary happens and the resources accumulated by the fund would be insufficient.

TEKE has a board of nine members, which are appointed by the Minister of Finance. The entity has a deposit compartment and a resolution compartment. In the resolution compartment, the amount of regular contributions paid by the participating entities is set by a decision of the Minister of Finance. In case of insufficient resources, the following possibilities are foreseen in the legislation:

- Credit institutions could provide funds, which can be guaranteed by the Greek State.
- The Greek State can provide a loan
- The funds of the Deposit compartment can be used

³⁰ Directive 2014/59/EC on recovery and resolution of credit institutions and investment firms, known as Bank Recovery and Resolution Directive.

- Funds can be provided by legal entities of public and private law, with a guarantee of the Greek State.

The conditions for both the granting and repayment of the loans would be set by the Minister of Finance.

Eurostat considered that TEKE seemed to be controlled by the Greek Government and that it should be classified in S.13 and asked ELSTAT to undertake an analysis of the sector classification of the entity, based on the updated legislation and the updated statute.

ELSTAT informed Eurostat that the resolution of one entity (Panellinia Bank) took place in April 2015 and that the resolution measure had been financed by TEKE and not by HFSF, as it was the case in the past. TEKE paid EUR 273 mn, which should be treated as a capital transfer. The impact or not of this capital transfer on government deficit will therefore depend on the sector classification of TEKE inside or outside government.

Findings and conclusions

Action point 27 (previous 25): Eurostat considers that, in the light of the new legislation approved in the context of the BRRD, there are very strong arguments to reclassify TEKE in the government sector. ELSTAT will analyse the recent legislation and provide their assessment on the sector classification of this entity.

Deadline: End October 2015³¹

4.2 Implementation of the accrual principle

- **Taxes**

Introduction

In Greece, tax revenue is recorded on a TAC basis for most taxes. The time lag used is 1 month for social contributions and VAT and 2 months for most of the other taxes. Tax refunds are not time adjusted and are recorded when the liability is recognised by government via the AFEK certificate.

Discussion

Eurostat pointed out that the information in part 3 of the questionnaire on taxes and social contributions was not complete and asked ELSTAT to fill in this part in the next transmission of the questionnaire.

In October 2014, Eurostat had provided its preliminary view on the statistical treatment of tax credits related to deferred tax assets (DTAs) held by banks. Eurostat's view was based on the provisions of a draft law provided by ELSTAT. Eurostat inquired whether any relevant changes to the draft text had been introduced in the final version of the law enacted.

According to the information provided at the time, the conversion of DTAs into tax credits takes place after the financial statement of the beneficiary entity (bank) is

³¹ ELSTAT provided an assessment of the sector classification of this entity concluding that TEKE should be classified in S.13.

approved by its general assembly and its tax statement is cleared by the tax office. Eurostat asked the Greek Statistical Authorities to confirm whether such tax credits had been reported in the tax declarations of year 2014, presented between January and May of 2015 to the Greek tax authorities.

The MoU of the 3rd economic adjustment programme foresees that the Greek legislation on DTAs could be further amended. Eurostat asked the Greek Statistical Authorities for any information on this issue.

Findings and conclusions

Action point 28 (previous 27): In the next transmission of the questionnaire on taxes and social contributions, ELSTAT will complete the missing information in part 3

*Deadline: December 2015*³²

Action point 29 (previous 28): The Greek Statistical Authorities will check the latest developments in relation to the deferred tax assets (DTAs) and report back to Eurostat. This includes the confirmation of possible Ministerial Decisions approved, the confirmation of amounts being already converted and the first time that the data will be reported to Eurostat in national accounts.

Deadline: March 2016

- **Interest**

The table on interest by instrument provided by ELSTAT (and compiled by GAO) was reviewed.

- **EU flows**

Before the mission, ELSTAT had provided a note confirming that revenue from the EU budget is recorded on the basis of the claims submitted for reimbursement. The Single Payment Authority (G-SPA) provides ELSTAT with data on transactions with the EU.

An entry in receivables is made resulting from the difference between the cash receipts from the EU budget and the claims submitted, which shows the accrual revenue for EU flows regarding the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund. Accrual EU Revenue (Receivables in EDP table 2A) = total of requests submitted within the year - total amount collected from payment requests.

EU advance payments are considered as financial advances. When they enter the working balance (as revenue), they are neutralized by recording a payable (liability of Greece towards the EU). EU revenues advances (Payables in EDP table 2A) = (payment request – advance payment defrayment) – advance payments, where “payment request – advance payment defrayment” shows the depreciation of the advance payment and “advance payments” shows what is prepaid by the EU in the beginning of a project or a programming period.

³² This action point was completed.

4.3 Recording of specific government transactions

- **Special Drawing Rights (SDRs)**

Introduction

Following a request by ELSTAT of 14th September 2015, Eurostat sent a letter on 21st September, providing its view on the statistical treatment of the repayment of a loan liability of the Greek state towards the IMF by using SDR holdings recorded as assets in the balance sheet of the Bank of Greece.

Discussion

The view of Eurostat is that, following the current treatment of SDRs as assets and liabilities of BoG, borrowing from Bank of Greece should be recorded, impacting government debt. In the letter, Eurostat had raised some questions that were discussed during the meeting.

ELSTAT clarified that there was a mutual agreement between the IMF, central government and the Bank of Greece due to the emergency situation (lack of liquidity). It was commonly agreed by the three parties to repay part of the obligation in SDR³³, directly from the SDR Holdings Account of BoG.

Central government initiated the transaction on 12 May 2015 with a formal document (order) to the Bank of Greece. The document was sent by the Ministry of Finance authorizing the central bank to withdraw SDR 524 million from SDR Holdings account and repay part of the IMF “Standby Arrangement” loan.

Eurostat was informed that a claim equal to the SDR holdings disposed had been recorded in the balance sheet of BoG. However, ELSTAT explained that there is no formal commitment by government to repay any amount to the central bank.

It was clarified that the shortfall of SDR 77 million between the amount repaid to the IMF (601 mn) and the disposal of SDR holdings (524 mn) was paid in cash from the segregated account of the Hellenic Republic in the BoG.

According to the Bank of Greece, government is the legal owner of SDRs and SDRs holdings and allocations (AF.12 assets and liabilities) should be recorded as assets and liabilities of the central government instead of the central bank.

Eurostat confirmed its view that, following the current recording of SDRs in the Greek national accounts (as assets and liabilities of the BoG), a loan from BoG to the Greek government should be recorded.

Eurostat explained that, in most EU member states, SDR holdings and allocations are recorded in the balance sheet of the national central bank and informed that the statistical treatment of SDRs and other transactions related to the participation in the capital of the IMF could be discussed in the EDPS WG.

Findings and conclusions

³³ Out of a total obligation of SDR 601 mn, SDR 524 mn were paid from SDR holdings.

Action point 30 (previous 26): In the case of the loan repayment by Greece to the IMF, using SDR holdings, and given the current recording of SDRs in the balance sheet of the Central Bank of Greece, Eurostat considers that a loan from the Greek Central Bank to the Greek government should be recorded for an amount of SDR 524 million.

*Deadline: October 2015 EDP Notification*³⁴

- **Government interventions to support financial institutions**

Discussion

Eurostat pointed out that, in the April 2015 EDP Notification; tables 10 of the questionnaire related to EDP were empty. Eurostat recalled that these tables, which contain detail information on capital injections, dividends and privatizations, should always be filled in together with the EDP tables.

In May 2009, banks had issued preference shares to government, which acquired them by specially issued 5-year government bonds with maturity on 21 May 2014. In 2014, Alpha Bank proceeded with the redemption of EUR 940 mn preference shares held by the Greek State and Piraeus Bank with EUR 750 mn.

In 2011/2012, the Greek government had applied resolution and recapitalization measures to ATE bank and to Proton Bank.

In 2013, the Greek government undertook several recapitalizations and resolutions measures in order to support the banking system. Among other interventions, the four systemic banks (Alpha Bank, Eurobank, National Bank of Greece and Piraeus Bank) were recapitalized. Part of the recapitalization was considered as a capital transfer, increasing government deficit of year 2013 by 10.6% GDP. Besides, HFSF issued warrants for EUR 1,270 mn. The warrants started to be exercised in 2013.

Whenever warrants are exercised HFSF receives cash (+F.2), and its share in the corresponding bank's capital decreases accordingly (-F.5A), whilst F.7L decreases by the difference of F.2-F.5a (F.2 is increased by the strike price of warrant, F.5 is decreased by the share price). In 2014, HFSF reduced its equity in the related banks by EUR 391 mn and received EUR 257 mn in cash. The difference (EUR 135) was recorded as a decrease in in warrants (F.7L). By the end of 2014 the stock of warrants (AF.7L) has reached 1107 mn.

The Greek Statistical Authorities explained that, the recoveries of claims by HFSF are normally recorded back in the year in which the capital injection took place and therefore the accounts of past years are revised if necessary.

ELSTAT explained that, on 17 April 2015, the BoG decided on the resolution of Panellinia bank. The good assets along with its liabilities were acquired by Piraeus Bank and HDIGF covered the initial funding gap of EUR 273 mn. As discussed in the point for the sector delimitation, the sector classification of HDIGF will determine the impact of the capital transfer in government accounts.

³⁴ This action point was implemented. The statistical treatment of SDRs is currently being discussed in the EDPS WG. Eurostat recalls that this recording should not be changed unless formally agreed with Eurostat. The recording applies to both ESA tables 28 (transmitted by ELSTAT) and 27 (transmitted by the BoG).

- **Different issues related to the third economic adjustment programmes for Greece**

Introduction

On 19 August 2015, the European Commission signed a Memorandum of Understanding (MoU) with Greece following approval by the ESM Board of Governors for further stability support accompanied by a third economic adjustment program. This paves the way for mobilizing up to €86 billion in financial assistance to Greece over three years (2015-2018). Moreover, the Greek authorities signed a Financial Assistance Facility Agreement with the European Stability Mechanism (ESM) to specify the financial terms of the loan.

The disbursement of funds is linked to progress in delivery of policy conditions, in accordance with the MoU. These policy conditions are intended to enable the Greek economy to return to a sustainable growth path based on sound public finances, enhanced competitiveness, high employment and financial stability.

A first disbursement of funds under the program in the amount of €13 bn was made on 20 August 2015, while an additional €10 bn was earmarked for bank recapitalization and resolution. The EUR 10 bn for bank recapitalisation and resolution purposes took the form of FRNs³⁵, which were credited to a segregated account at the ESM and could be used upon agreement of the ESM Board of Directors.

These funds were intended to allow the Greek state to cover financing needs, make overdue payments, and address financial sector needs in order to mitigate hindrances to economic activity, as well as to repay a short-term bridge loan of EUR 7.16 bn that was disbursed under the European Financial Stabilisation Mechanism on 20 July 2015.

The maximum weighted average maturity of the loan tranches will be 32.5 years. Greece is expected to start repaying its principal about 15 years after the programme ends. However, Greece will pay interest from the start of the programme. As concerns the interest to be paid, there is no fixed rate. ESM charges its own funding cost in the markets plus a small margin and service fee to cover operational costs.

Discussion

Eurostat inquired on the treatment of the EUR 13 bn disbursed in August 2015 and of the EUR 10 bn FRNs that were credited to a segregated account at the ESM. GAO confirmed that the EUR 13 bn received were already included in government debt and that interest accrues for this amount. GAO explained that the EUR 10 bn in the segregated account of ESA had not been actually disbursed, that the amount was not included in the government debt and that no interest on this amount was paid (nor accrued) at the time.

Eurostat asked on the New Privatisation Fund foreseen in the MoU, which should replace TAIPED. ELSTAT agreed to provide an analysis on the entity as soon as the creation of the entity was agreed and the documentation would be available.

Eurostat inquired on the bank recapitalisations foreseen in the MoU for the fourth quarter of 2015. ELSTAT agreed to inform Eurostat and analyse the statistical treatment as soon as the information would be available.

³⁵ Floating Rate Note

As with the previous programmes, Eurostat will monitor the developments in relation to the third adjustment programme and its further reviews in order to check the appropriate accounting treatment of all transactions impacting the deficit and debt of the Hellenic Republic.

Findings and conclusions

Action point 31 (previous 29): ELSTAT will monitor and report to Eurostat all cases of future bank recapitalisations in order to agree on the correct statistical recording.

*Deadline: Ongoing*³⁶

- **Guarantees**

Discussion

Eurostat inquired on the reporting of the guarantees provided by the Greek State to ensure the stability of the Greek financial system. Such guarantees are reported in the table for the financial crisis (not published), but are not reported in table 9.1 of the questionnaire related to EDP tables nor in the contingent liabilities data set, which is published.

The amounts referred to correspond to the government guarantee scheme introduced in 2008 by Law 3723/2008 and the subsequent extensions of this law. These consisted of different liquidity support measures. For instance, under this scheme the government guaranteed banks issued debt securities in exchange of a fee. These guarantees enabled the banks to obtain liquidity from the Eurosystem against eligible collateral. Overall, between January 2010 and the end of February 2011, banks used guarantees for a nominal value of EUR 50 billion.

It was agreed that such guarantees provided by the Greek State should be reported in table 9.1 of the questionnaire related to EDP tables and in the contingent liabilities dataset provided to Eurostat in the context of Directive 2011/85.

Findings and conclusions

Action point 32 (previous 30): ELSTAT will report in questionnaire table 9.1 and in the context of the six-pack, complete data in relation to government guarantees.

*Deadline for table 9.1: October 2015 EDP Notification*³⁷

*Deadline for the six-pack reporting: December 2015*³⁸

- **Swaps**

³⁶ Capital injections by the Greek government in two banks took place in December 2015 for a total amount of EUR 5.4 bn. The statistical treatment of these transactions will be discussed and clarified before April 2016.

³⁷ This action point was implemented.

³⁸ This action point was implemented.

The Greek Statistical Authorities confirmed that the only swap transactions incurred over the last five years are currency swaps related to the IMF loans (received in SDRs). According to the Greek Statistical Authorities, these swaps are plain vanilla.

Annex 1

List of Participants

ELSTAT

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Martin Kellaway

Annex 2

Eurostat EDP dialogue visit to Greece 23-24 September 2015

Draft Agenda

- 1. STATISTICAL CAPACITY ISSUES**
 - 1.1. Institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation**
 - 1.2. Data sources and revision policy, EDP inventory**

- 2. FOLLOW-UP OF PREVIOUS EDP DIALOGUE VISITS**

- 3. ANALYSIS OF EDP TABLES – FOLLOW UP OF THE APRIL 2015 EDP NOTIFICATION**

- 4. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS**
 - 4.1. Delimitation of general government, application of 50% rule in national accounts**

 - 4.2. Implementation of accrual principle**
 - 4.2.1. Taxes and social contributions. DTAs.
 - 4.2.2. Interest
 - 4.2.3. EU flows
 - 4.2.4. Military expenditure

 - 4.3. Recording of specific government transactions**
 - 4.3.1. Government operations relating to the financial crisis
 - 4.3.2. Guarantees
 - 4.3.3. Debt assumptions, debt cancellations and debt write-offs
 - 4.3.4. Capital injections in public corporations
 - 4.3.5. Dividends, super dividends
 - 4.3.6. Privatization
 - 4.3.7. PPPs (and concessions)

4.3.8. Financial derivatives

4.3.9. Others: emission trading permits, disposal of non-financial assets by general government, sale and leaseback operations, UMTS and LTEs, securitisation, re-routing of transactions, assets and liabilities, electric tariff debt.

5. ANY OTHER BUSINESS (PLANNED FUTURE OPERATIONS, TRANSMISSION OF GFS DATA, TRANSMISSION OF ANNUAL GFS AND DEBT DATA FOR 1995-2010, DIRECTIVE 2011/85, ETC...)