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Ms Maria Stavropoulou
Hellenic Statistical Authority
Piraeus 46 & Eponiton street
185 10 Piraeus
Greece

Subject: Re-confirmation of classification of “EPISEY EMP”

Reference: Your letter Γ1-138 of 19/2/2016

Dear Ms. Stravropoulou,

Thank you for your letter requesting Eurostat’s opinion on the sector classification of the Institute of Communications and Computer Systems (EPISEY EMP). In accordance to Council Regulation (EC) No 479/2009 article 10, paragraph 1, after examining your request, please find below Eurostat's view on the sectorisation of the above-mentioned unit in the light of ESA 2010.

1. THE ACCOUNTING ISSUE FOR WHICH A CLARIFICATION IS REQUESTED

The issue to be analysed is the sector classification of EPISEY EMP, an academic research institute associated to the School of Electrical and Computer Engineering of the National Technical University of Athens.

It should be recalled that the sector classification of this entity was already discussed with Eurostat in the past. In February 2012, it was decided that EPISEY EMP should be classified in the general government sector. On 26 April 2013, ELSTAT submitted to Eurostat a request for advice¹ on this case. Eurostat provided a formal reply² on 2 May 2013, confirming the previous view that the entity should be classified in the government sector based on ESA 95 rules, in force at that time.

¹ Reference Γ1-533

² Ref. Ares(2013)992540 - 02/05/2013

Following the argumentation brought forward by EPISEY EMP against its classification within the general government register, ELSTAT has submitted a new request for advice to Eurostat, which has re-analysed the entity with regard to ESA 2010 rules (in force from September 2014).

Together with the request for advice, ELSTAT has provided a note with its analysis on this case as well as with the figures for the sales to cost ratio (the so-called 50 % test). In the note, ELSTAT considers that EPISEY EMP should be classified in the government sector in the framework of ESA 2010.

Eurostat recalls that the sector classification of entities is the responsibility of the relevant national statistical authorities. Such decisions on sector classification for statistical purpose, as well as any other methodological decision based on ESA 2010 rules; have to be implemented, regardless of the agreement or disagreement of the entities concerned. Besides, according to Regulation 479/2009, Eurostat is responsible, on behalf of the Commission, for assessing the quality of the data and for providing the data to be used within the context of the excessive deficit procedure. The assessment of the data comprises the delimitation of the government sector (article 8.1). Moreover, it is to be recalled that ESA 2010 is not only an accounting manual, but an EU regulation (549/2013) which must, as a consequence, be strictly followed by all Member States.

2. METHODOLOGICAL ANALYSIS

2.1. Accounting provisions

Institutional units and groupings of units are defined in ESA 2010 chapter 2. Principal, secondary and ancillary activities are defined in ESA 2010 chapter 3. The market/non-market delineation and the market/non-market test are defined in ESA 2010 chapters 3 and 20 (20.19-20.31).

2.2. Description of the case

EPI is the acronym for University Research Institutes in Greece. The aim of these entities is to reinforce the research activities carried out by the Faculties and Departments of the Universities and to support educational work, specifically in post-graduate level. The aim is clearly conducted therefore in a context of government policy and for public policy purposes.

All EPIs have a common institutional framework defined by law (article 11 of the Greek Law 3685/2008) and are supervised by the Ministry of Education, Religious Affairs and Culture. The establishment of an EPI necessitates a relevant proposal and the approval submitted by different bodies³ of the Faculty and the University. All EPIs are currently classified by ELSTAT in the general government sector.

As regards EPISEY EMP, it is associated to the School of Electrical and Computer Engineering of the National Technical University of Athens. EPISEY EMP was established by virtue of Presidential Decree 271/1989, as amended.

³ The General Assembly and the University Senate

The main features of the entity (most being common to all EPIs) are provided below:

- EPISEY EMP is a legal entity of private law.
- EPISEY EMP is part and belongs organically to the National Technical University of Athens.
- The integral role of EPISEY EMP is to provide various forms of support to the University department to which it is affiliated, notably for post-graduate courses, and is therefore acting directly on behalf of the University in an ancillary capacity within its research strategic planning.
- EPISEY EMP is forced by law to pay part of its revenues stemming from grants to its affiliate University.

In case of abolishment and after liquidation, all remaining assets of the entity are transferred to the affiliate Universities. In case the entity is abolished, its administrative staff is transferred obligatorily to the affiliate University, or to another University or to the Ministry of Education, Religious Affairs and Culture.

2.3. Eurostat's analysis

a) Institutional unit

The aim of EPIs is defined in Law 3685/2008 (paragraph 1 of article 11) as follows:

The aim of EPIs is to strengthen the research activities conducted by the Departments of the Universities. In particular, the establishment of an EPI aims at developing research activities mostly interdisciplinary, interdepartmental or of Inter-University nature, or in areas which are national strategic options and priorities or to develop research activities that require large-scale infrastructure. In any case, the establishment of an EPI aims at supporting educational work, specifically in post-graduate level.

Also, according to the above mentioned article, *the establishment of an EPI is part of the overall research strategy of the relevant University. An EPI may prepare part or the totality of the thesis graduate students and doctoral thesis candidates of the affiliated University.*

Following the above, it can be considered that EPIs provide in essence ancillary services (as defined in ESA 2010 3.12) to the University to which they are affiliated. Such entities providing ancillary services mainly or exclusively to their parent entity or to units in the same group are not institutional units and are classified with its parent entity.

It is therefore concluded that EPISEY EMP is not an institutional unit and that it should be classified in the same sector as the unit that controls it.

b) Control

From article 11 of Law 3685/2008 it follows that EPIs are created at the request and with the approval of the University to which they are affiliated. The same applies to their

abolishment. EPIs belong organically to the University to which they are affiliated. The establishment of the Board and the appointment of the Director follow a decision of the Rector of the related University. The internal rules of the EPI are proposed by the Board and approved by the University Senate.

From the above it can be concluded that EPIs are controlled by the University to which they are affiliated. In particular, for statistical purposes, EPISEY EMP is considered to be controlled by the National Technical University of Athens.

c) Market/ non-market nature

According to the figures provided by ELSTAT, the sales to production cost ratio for EPISEY EMP is well below 50% for all the years provided (2005-2014). Therefore, the entity is a non-market producer.

3. CONCLUSION

- EPISEY EMP is considered to be providing ancillary services to the National Technical University of Athens and, therefore, cannot be considered as an institutional unit. Following ESA 2010 rules, it should be classified in the same sector of the unit that controls it.
- For statistical purposes, EPISEY EMP is considered to be controlled by the National Technical University of Athens, which is classified in the general government sector.

Based on all the elements above, Eurostat considers that EPISEY EMP should be classified in the general government sector in application of ESA 2010 rules. The view of Eurostat is in agreement with the conclusion of ELSTAT's letter and re-confirms the advice previously provided under ESA 95.

Notwithstanding the above, even if EPISEY EMP would be considered an institutional unit (which is not possible according to rules), the fact that it is a non-market producer controlled by government would point in any case to the classification of the entity in the general government sector.

This same conclusion of Eurostat is valid not only for EPISEY EMP, but for all EPI entities acting in a similar framework.

4. PROCEDURE

This view of Eurostat is based on the information provided by the Greek authorities. If this information turns out to be incomplete, or the implementation of the operation differs in some way from the information currently available and the assumptions made above, Eurostat reserves the right to reconsider its view.

In this context, we would like to remind you that Eurostat is committed to adopt a fully transparent framework for its decisions on debt and deficit matters in line with Council Regulation 479/2009 and the note on ex-ante advice. Eurostat therefore publishes all official methodological advice (ex-ante and ex-post) given to Member States on its website. In case

you have objections to the publication of this specific case, we would appreciate if you would let Eurostat know *before 5 April 2016*.

Yours sincerely,

(e-Signed)

Eduardo Barredo Capelot
Director