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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 and ad-hoc visits to Greece

17-19 February 2016 (dialogue visit Part I)

22-24 March 2016 (dialogue visit Part II)

27-28 June 2016 (ad-hoc visit)

Executive summary

Eurostat undertook three EDP visits to Greece in 2016. Given the amount of issues to be discussed, a dialogue visit was organised in two parts: 17-19 February (Part I) and 22-24 March (Part II). The visit focused on the analysis of a number of methodological issues relevant for the 2015 figures, such as the bank recapitalisations undertaken by the Greek government, the renegotiation of road concession contracts, the recording of tax refunds, the sector classification of a number of entities, some operations carried out by the privatisation entity TAIPED, the reporting of EU funds, the statistical treatment of PPP projects and the recording of SDRs. In addition, a draft version of the EDP tables for the April 2016 EDP Notification was analysed during part II of the visit.

Secondly, an ad-hoc visit was undertaken by Eurostat on 27-28 June 2016, with the aim to clarify some technical issues identified during the April 2016 EDP Notification, which mainly related to the implementation of action points of the previous dialogue visit. These mainly concerned practical details linked to the reclassification of the CDLF¹ and the HDIGF² in the government sector, the treatment of the renegotiated concession contracts, TAIPED transactions and specific source data and methodological issues. During this meeting, Eurostat also expressed its concerns as regards the quarterly financial accounts compiled by BoG, which are not aligned with the non-financial accounts reported by ELSTAT and have created unprecedented discrepancies in the April 2016 EDP Notification.

Eurostat appreciates the willingness demonstrated by ELSTAT in providing the requested documentation prior, during and after the meetings. Eurostat also acknowledges the significant effort made by ELSTAT for the prompt implementation, in the April and October 2016 EDP Notifications, of a significant number of actions points resulting from the visits.

The following report summarises the three meetings carried out in Greece in 2016. It covers the findings of the EDP dialogue visit (organised in two separate meetings), plus the main conclusions of the ad-hoc visit. Given the wide number of issues discussed, the EDP visits were longer than usual, leading to a significant number of action points. This explains also that these findings drafted for Greece are longer than for other EDP visits.

¹ Consignment Deposits and Loans Fund

² Hellenic Deposit and Investment Guarantee Fund

EDP dialogue visit of 17-19 February and 22-24 March 2016

This visit focused on the analysis of a number of methodological issues relevant for year 2015 as well as a draft version of the EDP tables for the April 2016 EDP Notification.

Eurostat stressed the importance of progressing on the Memorandum of Understanding (MoU) between ELSTAT, GAO and BoG for the compilation of EDP/GFS statistics and invited the Greek Statistical Authorities to take action.

The Greek Statistical Authorities stressed the importance of the continued technical assistance to ELSTAT provided by the external expert for the compilation of government accounts. The expert was not present in the meeting of 17-19 February (Part I) but was present in the meeting of 22-24 March (Part II).

It was agreed that Eurostat would provide comments on the draft ESA 2010 EDP Inventory prepared by ELSTAT, which would update the document accordingly.

As regards methodological issues:

- The bank recapitalisations undertaken in 2015 in National Bank of Greece (NBG) and Piraeus Bank were discussed in detail.
- The recording of tax refunds was discussed and Eurostat inquired on the exceptional situation encountered in December 2015 concerning the large amounts of AFEK certificates issued and not cleared.
- The sector classification of the following units, among others, was discussed: the CDLF, the HDIGF, Onaseio Hospital, STASY, EDEKT, LAGIE, water companies and the Public Utility Corporation (KEPA) of the municipality of Veroia. The statistical treatment of IfG and its related transactions was raised by Eurostat and ELSTAT committed to undertake an analysis.
- The amendment in 2013 and 2015 of ongoing concession contracts for the construction of motorways was analysed in detail and Eurostat provided a preliminary view that the related assets should be recorded on government balance sheet.
- Eurostat explained the features that would point to an on-balance sheet recording of PPPs. It was agreed that the contracts signed in 2014 and 2015 analysed before the mission could be treated off-balance sheet. Eurostat pointed out that the contract for digital recording and other similar contracts in the future should be treated on-balance sheet.
- The methodology for the recording of EU funds was discussed in detail. It was agreed that the Greek Single Payment Authority would adapt the template for the triangular table of EU funds and would investigate the possibility to move from a recording based on claims submitted to the EU to a recording based on actual expenditure incurred. The recording of the amounts returned to the EU concerning ETEAN, Jessica and Jeremy was discussed as well as the impact of the EU decision on retroactive increase of the part financed by the EU.

- The ownership of SDR3 holdings and allocations was discussed and Eurostat expressed a preliminary view that there may be arguments for recording SDR assets/liabilities as well as the reserve tranche in the balance sheet of government. The Greek Statistical Authorities were requested to choose between the latter treatment or to keep the existing recording as assets/liabilities of the Central Bank with an imputed loan of SDRs to government.
- The practical implementation of the super-dividend test was discussed. Eurostat stressed that it should be calculated based on the operating profit of the previous year (net of tax) without including withdrawal of reserves. Eurostat stated that the income tax paid by BoG as well as the ANFA and SMP payments should be taken into account in the calculation.
- Eurostat inquired on different transactions involving TAIPED, such as the contract for the concession of the regional airports signed in 2015, the developments concerning the Athens International Airport and the concession contract with ODIE.
- The Greek Statistical Authorities were asked to monitor the developments in the legislation concerning deferred tax assets (DTAs) and to inform Eurostat once the Ministerial Act specifying the details for implementing the law will be approved.

A draft version of the EDP tables for the April 2016 EDP Notification was examined and Eurostat made a number of remarks concerning them. BoG was notably invited to check the recording of local government financial investment via the Common Capital. The Greek Statistical Authorities were requested to provide a note explaining the adjustment for treasury accounts reported in EDP table 2A. Among other issues, ELSTAT was also asked to clarify the adjustments reported in EDP table 2A for the EU budgetary contribution in years 2014 and 2015.

Other issues were also covered in the meeting, such as the recording of financial derivatives, the reporting of the Common Capital, the sale and leaseback transaction concerning 28 buildings and the EU decision on State Aid concerning the reimbursement to the Greek government of certain subsidies granted to farmers in past years.

³ Special Drawing Rights

EDP ad-hoc visit of 27-28 June 2016

This meeting aimed at clarifying some technical issues identified during the April 2016 EDP Notification and following the implementation of action points of the previous dialogue visit. Some technical issues related to the reclassifications of the CDLF and the HDIGF in the government sector (implemented in April 2016) were discussed, leading to a number of action points.

Eurostat and ELSTAT reiterated their concerns over the fact that BoG does not follow official methodological decisions for the compilation of the financial accounts decided by ELSTAT in consultation with Eurostat. As a result, Eurostat refused to publish these data. Eurostat also stressed that, as a consequence, Eurostat has severe difficulties to undertake a proper assessment of the quality of EDP data. In this context, ELSTAT was urged to explore alternative solutions concerning the compilation of financial accounts.

BoG was requested to take some actions as regards the provision of detailed Common Capital information, the state of play regarding preference shares issued in 2009 and purchased by the Greek government and the clarification of certain amounts reported in the financial accounts.

GAO and BoG were requested to carry out a detailed analysis of all Treasury Accounts in order to review their treatment in EDP tables 2A and 3B and possibly update the figures reported in April 2016.

The sector classification of STASY and water companies was discussed, as well as the one of IfG and its three sub-funds.

A number of transactions involving TAIPED were discussed in detail and ELSTAT was requested to investigate the issue in order to assess the possible statistical implications. These concern the concession agreements for 14 regional airports, the amendment of the AIA⁴ concession, the Hellinikon transactions and the Piraeus Port Authority.

Eurostat raised different issues in relation to bank recapitalisations, such as the treatment of preference shares purchased by government in banks that subsequently went into liquidation. ELSTAT was requested to monitor the possible repurchase of CoCos by NBG, following the sale by NBG of a large subsidiary, and analyse the related statistical implications.

ELSTAT was requested to analyse the statistical implications related to the package of general measures approved by the Greek Parliament in May 2016 and in particular, the statistical classification of the newly created privatisation fund (Hellenic Corporation of Assets and Participations, HCAP) and its subsidiaries.

Eurostat enquired on the monitoring of the 'survey' consistency (between the nonfinancial and financial sides). These 'surveys' are (used to be) the predominant device of ELSTAT to collect source data on local government, on social security funds and on hospitals. ELSTAT noted that, while code 7000, as balancing item, was used for controlling the consistency of transactions, and accordingly one would expect code 7000 to be zero, a number of reasons existed to explain why this code was not actually zero – notably the practice of the public entities to invest assets through Common Capital, as

⁴ Athens International Airport

well as the treatment of checks issued/paid but not yet cleared. Eurostat considered that this code 7000 should be generally small (at least adjusted for estimate of holding gains/losses on assets placed within Common Capital), and should be monitored carefully.

In relation to adjustments for EU flows, Eurostat and the Statistical authorities continued ongoing consultations regarding the possibility to switch from a claim submission basis to a realised expenditure basis, as well as regarding the correct implementation of the EU flow adjustments on the current method used (claim submitted basis).

Other issues were also briefly covered in the meeting the reporting of transfers between the Greek State and the Hellenic Financial Stability Fund and notably the data sources for the Public Investment Programme and the tables for EU flows.

The main conclusions and action points of this ad-hoc visit are provided at the end of the document.



EDP dialogue visit to Greece

17-19 February 2016 (Part I)

22-24 March 2016 (Part II)

Final findings

Introduction

In accordance with article 11(1) of Council Regulation (EC) No 479/2009, as amended, concerning the quality of statistical data in the context of the Excessive Deficit Procedure (EDP), Eurostat carried out an EDP dialogue visit to Greece on 17-19 February (Part I) and 22-24 March 2016 (Part II).

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 Philippe de Rougemont and Ms Lourdes Prado Ureña. DG ECFIN and the European Central Bank (ECB) also participated in the meeting as observers.

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). In addition, representatives from the following entities participated in the discussion for some specific points of the agenda: the Public Debt Management Agency (PDMA), the Hellenic Financial Stability Fund (HFSF), the Ministry of Infrastructure, Transport and Networks, the Greek Payment Authority of Common Agricultural Policy (OPEKEPE), the Greek Single Payment Authority (G-SPA) and the Special Secretariat for PPPs of the Ministry of Economy, Development & Tourism. The expert providing technical assistance to ELSTAT participated in Part II of the visit.

The previous Eurostat EDP dialogue visit to Greece had taken place on 23-24 September 2015.

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 had been duly implemented in the Greek EDP and Government Finance Statistics (GFS) data.

The visit focused on the analysis of a number of methodological issues relevant for the 2015 figures. In particular, the following issues were discussed in detail:

- Methodological issues related to specific government transactions, in particular the bank recapitalisations carried out in December 2015, the renegotiations of road concession contracts, the recording of tax refunds, the privatisation operations carried out by TAIPED and the methodology for reporting EU funds.
- Follow-up of action points of the previous mission, such as the statistical treatment of a number of PPP projects and of SDRs (special drawing rights);
- The sector classification of a number of units.

In addition, a draft version of the EDP tables for the April 2016 EDP notification was analysed.

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. After amendments, the final findings would be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat appreciated the excellent co-operation and transparency demonstrated by ELSTAT during the meeting and the quality of the documentation provided before, during and after the EDP dialogue visit.

1. Statistical capacity issues

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

In Greece, the institutions involved in the compilation of deficit and debt data are the following:

- Hellenic Statistical Authority (ELSTAT)
- General Accounting Office (GAO) of the Ministry of Finance (MoF)
- Bank of Greece (BoG)

ELSTAT is responsible for the compilation of non-financial accounts while in general the BoG is responsible for the financial accounts. Government debt is compiled by ELSTAT in cooperation with GAO and BoG.

ELSTAT is responsible for the compilation and transmission of EDP tables. EDP table 2 is compiled by ELSTAT and EDP table 3 is compiled by ELSTAT in cooperation with GAO and BoG. Planned data are compiled by GAO.

A Memorandum of Cooperation was signed in 2010 between ELSTAT, GAO and BoG for the compilation of Government Finance Statistics. The MoU does not cover all the current needs of ELSTAT and is under review (see section 2 below on the follow-up of the previous visit).

ELSTAT publishes the EDP figures in April and October, after the validation by Eurostat. ELSTAT publishes (in Greek and in English) EDP Annex 1 without the column that incorporates planned data. The remaining EDP tables are not published. Eurostat published the complete EDP tables.

A new President of ELSTAT, Mr. Athanasios Thanopoulos, was appointed at the end of January 2016 and started his term in February 2016.

In the National Accounts Directorate of ELSTAT there is a specific section responsible for GFS and EDP compilation: the “General Government Accounts and Financial Accounts Section”. The section is supported by another unit/section that conducts the surveys of GG entities. According to the EDP Inventory submitted in 2015, there are 13 persons in the GG Accounts and Financial Accounts Section, divided as follows: S1311.1: 3 persons, S.1311.2: 4 persons, S1313: 2 persons, S1314: 2 persons. Furthermore, there is the Head of Section and one more person not assigned to any sub-sector. Moreover, there are 6 persons for the Public Sectors’ Surveys Section.

From 2010 onwards, in the framework of the JOSGAP (Joint Overall Statistical Greek Action Plan), ELSTAT has benefited from Technical assistance for the compilation of EDP/GFS statistics. An external expert has cooperated closely with ELSTAT and Eurostat from 2010 until September 2015 and his contribution and influence is recognised by ELSTAT and Eurostat as a vital part of the progress made.

The Greek Statistical Authorities inquired on the developments concerning the management by the Commission of the contract with the expert and stressed the importance of continued technical assistance to ELSTAT for the compilation of government accounts.

The expert was present in the meetings of 22-24 March (Part II) and 27-28 June.

1.2. Practical issues related to data sources:

- Different issues related to debt compilation

Introduction

Eurostat posed some questions in relation to the compilation of government debt.

Discussion

PDMA confirmed that the Hellenic Republic does not issue zero coupon bonds. It was confirmed that there are no loans between core government units, but only repos by the State (funds raised by the State in the form of ‘repurchase agreements’). There is only one exception of loan between core S.13 units: a loan between two social security funds is identified and ELSTAT has the information to do the consolidation.

In line with the information provided in the previous mission, it was confirmed that the only hedging was carried out for loans in SDRs. The swaps contracted for this purpose are normal cross currency swaps with counterpart commercial banks.

ELSTAT confirmed that debt imputations (for PPPs on balance sheet, securitisation, sale and lease-back, financial lease, etc.) were not done so far as they did not have relevant transactions, but that imputations would be done in the future if needed.

It was recalled that PDMA is responsible for calculating the stock of debt of the state (S.1311.1). PDMA receives the underlying data (source data), does the official

calculation of the stock of debt of the state and provides this figure to ELSTAT. However, it was clarified that the historical data for government debt had been compiled by ELSTAT, partly using source data from PDMA.

Eurostat raised some questions on the data source for the compilation of historical government debt, which was received in an excel file prior to the mission and contained information of all debt issuances, line by line, including regarding hedging. Concerning past swaps, GAO explained that the market value of the contract at the time of hedging was recorded in the database.

It was agreed that interest consolidation would be further discussed.

Main findings and conclusions

Action point 1 (previous Action point 1 (Part I)): The Greek Statistical Authorities (PDMA) will clarify the recording of financial derivatives for hedging that was followed in the line-by-line database, provided to Eurostat in July 2015, notably for the 2002 large off-market transactions.

*Deadline: April 2016 EDP Notification*⁵

2. Follow-up of previous EDP dialogue visits – EDP dialogue visit of September 2015

The previous EDP dialogue visit to Greece took place on 23-24 September 2015. Out of the 32 action points of that visit, 8 had been implemented and were closed by February 2016. For 18 action points, ELSTAT had taken action and provided documentation, but further discussion was needed. For the remaining 6 action points, ELSTAT had taken no action by February 2016. The most relevant outstanding action points were discussed in detail and the summary is provided below.

2.1. PPPs, Concessions (and EPCs)

• Concessions

Introduction

Before the mission, ELSTAT was asked to provide a list with the existing road concessions operating in Greece as well as the statistical treatment followed up to date. Such road concessions were mainly financed by the EU and concerned significant amounts.

Apparently the construction had stopped in recent years and Eurostat wanted to know whether government has paid compensation, whether the contracts have been renegotiated and whether government has taken over the existing assets.

Discussion

⁵ This action point was implemented.

Eurostat asked whether ELSTAT has regular contacts with the relevant department managing concessions for Infrastructure. ELSTAT explained that there are regular contacts with the PPP Unit in the Ministry of Development. However, so far there were no regular exchanges with the Concession Unit in the Ministry of Infrastructure. In order to provide the information requested by Eurostat regarding the relevant road concessions, ELSTAT had made a specific request to the Ministry of Infrastructure.

It was confirmed that in Greece, there are five road concessions ongoing, that were initiated in 2007-2008. The concessions are the following:

- Olympia Odos Motorway: Elefsina-Korinthos-Patra-Pyrgos-Tsakona (with an initial capital cost of €2,138 mn)
- Ionia Odos Motorway: Metamorfofi, Athens – Skarfeia, Maliakos Section (with an initial capital cost of €1,115 mn)
- Central Greece Motorway (E65): Lamia - Egnatia Odos (with an initial capital cost of €1,358 mn)
- Aegean Motorway (A1/E75): Maliakos-Kleidi (with an initial capital cost of €885 mn)
- Moreas Motorway: Korinthos-Tripoli -Kalamata (with an initial capital cost of € 844 mn)

In total, 720 kilometres of new motorway were foreseen to be constructed and 530 km of existing national roads upgraded to motorway. Moreover, the State would transfer to the Concessionaires sections of motorways, 166 km in length.

All projects took the form of DBFMO⁶ contracts between the Hellenic Republic and a private consortium (the partner or concessionaire) in which users would pay tolls to the partner for the use of the motorways and the partner would share a percentage of the tolls with government. The duration of the concessions was set at 30-32 years. The legal owner of the assets would always be the Greek State, which would grant to the Concessionaire a grant to exploit the assets (and the obligation to maintain them). At the end of the concession, the right to exploit (and the obligation to maintain) the assets would go back to government.

The financing of the projects was foreseen as follows:

- State financing contribution (partly investment grants from EU funds, partly subsidies from the Public Investment Programme)
- Bank loans (from national and international institutions and the EIB)
- Equity invested by the Concessionaire
- Tolls paid by final users

In all cases, government made disbursement during the construction period, which were linked to milestones in the construction.

⁶ Design, Build, Finance, Maintain and Operate.

After 2009, during the crisis, there was a collapse in the toll revenue, a funding gap was created and no financing was available. Besides, financial institutions decreased their initial commitment to financing and increased their margins. This led to an interruption of the works in all the projects and the construction period was extended. In two of the projects, the works were already advanced (completed at around 90%). In the remaining three, the degree of completion was below 60%.

In order to cover the funding gap, the five concession contracts were re-arranged. Four of the contracts were re-arranged in 2013 and one in 2015⁷. This was done in cooperation with different parties (DG COMP, DG Market, DG Regio and DG ECFIN) and was checked by the Greek Court of Auditors and the European Court of Auditors. The collapse in the toll revenue and the creation of the funding gap was accepted by the different institutions as a sort of force majeure event.

The re-arrangement consisted basically in an increase of the State Financing Contribution, mainly through investment grants. In practice this was done via de so called “recycling mechanism”: to cover the funding gap, government is not injecting new money, but the amounts received from the toll revenue were reduced. In some of the projects, the concessionaire was asked to inject additional equity.

In addition, the loans taken in the context of the project finance were hedged (as it is usually the case). The decrease in the financing entailed a loss for the swap break cost to be paid by the concessionaire. Thus, additional amounts (explicitly foreseen in the renegotiation) were also needed to cover the swap cancellations.

The assets built were originally recorded off-government balance under ESA 95, as assets of the concessionaire.

Eurostat took note of the explanations provided by the Ministry of Infrastructure and stressed that it should be checked whether the rearrangement of the contracts leads to changes in the original recording. In line with the national accounts rules for PPPs/concessions, a renegotiation involving significant changes to the original contract is considered as a new contract and, therefore, a new statistical assessment is required.

In addition, Eurostat raised a number of questions in relation to exact amounts provided by the State, the timing of the payments, the recording followed and the existence of possible over costs in the construction.

ELSTAT confirmed that the national contribution for these contracts (i.e. government expenditure coming from the PIP) is recorded on a cash basis (when entering the working balance), while the co-financed part is recorded as part of the EU flows (on the basis of claims submitted).

It was confirmed that in some of the projects, the cost (including swap cancellations) increased after the renegotiation. However, in other projects the cost decreased, as part of the construction (some sections) was deferred for a later period.

⁷ Moreas Motorway (Korinthos -Tripoli-Kalamata) was rearranged in 2015. All the rest were renegotiated in 2013.

It was clarified that the so called “recycling mechanism” did not apply equally to all contracts. It was present in three of the contracts. In one contract there was no recycling mechanism, but the project was fully subsidized. In the remaining one, there was no recycling mechanism, but the partner was the same as in one contract where the recycling mechanism was huge, so amounts could be considered as compensated.

Eurostat expressed its preliminary view that the re-arranging of the contracts had introduced a big limitation in risks and rewards as compared to the original contract and that government should be considered as the economic owner of the assets from the date of renegotiation and onwards. In addition, Eurostat expressed its surprise on the fact that the information on the amendments never reached ELSTAT and invited the Greek Authorities to avoid this kind of situation in the future. Eurostat underlined that the lack of information on the contract amendments is a serious issue and that in the future, regular contacts should be established to ensure that all contracts, amendments of contracts and related information reach ELSTAT in a timely manner in order to assess the possible statistical implications.

Eurostat stressed that the non-explicit reference to specific data in the MoUs signed between ELSTAT and different Ministries should not be used as an excuse not to provide documentation requested by ELSTAT.

Main findings and conclusions

Action point 2 (previous Action point 16 (Part I)): ELSTAT will analyse the five road concession contracts that were renegotiated and provide to Eurostat its analysis in relation to the accounting consequences of the renegotiations, including the allocation of the assets to the relevant sector. An estimation of the construction cost overrun and of the reduction of shared revenue granted to government will also be provided, as well as the amounts for the additional capital contributions by government. For each case, a copy of the original and the renegotiated contracts should be provided to Eurostat. Those projects where existing government assets (old roads, for instance) were remodelled or used as input in the concession contracts for the construction of motorways should be identified. The relevant amounts should be provided, as well as an explanation of the statistical treatment applied to such existing government assets and the implications for government accounts.

Deadline for providing the contracts and the information requested: 1st March 2016⁸

Deadline for providing the analysis: 15th March 2016⁹

Action point 3 (previous Action point 11 (Part II)): Based on the documentation received and the discussion held, the preliminary view of Eurostat is that all the assets built in the context of the concession contracts as amended in 2013 and 2015 have to be classified on government balance sheet in the data reported for the April 2016 EDP Notification. Eurostat suggests taking a three step approach:

1. By 31st March 2016, a first estimation should be made based on the change in debt (impact on B.9 as well as on debt).

⁸ This action point was implemented.

⁹ This action point was implemented.

2. If needed, new EDP tables with more precise data could be submitted until the 15th April 2016.
3. A more detailed recording of flows will be submitted for the October 2016 EDP Notification.

Deadline for first reporting: 31st March 2016¹⁰

Deadline for possible updates during the Notification: 15th April 2016¹¹

Deadline for more detailed recording: 30th September 2016

Action point 4 (previous Action point 12 (Part II)): Eurostat underlined the absolute necessity that all future new or amended concession (and PPP) contracts should be systematically and promptly submitted to ELSTAT for detailed analysis.

Deadline: Ongoing

- **PPPs**

Introduction

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). In 2015, two more contracts were signed. The contracts are the following:

¹⁰ This action point was implemented.

¹¹ This action point was implemented.

No.	Project title	Contract Duration	Signature of contract	Type
1	Design, financing, construction and facility management of 14 school buildings in the region of Attica	27 years (25 years operation, 2 years construction)	Apr-14	PPP
2	Design, financing, construction and facility management of 10 school buildings in the region of Attica	27 years (25 years operation, 2 years construction)	May-14	PPP
3	Attica Urban Transportation-Telematics System	12 years (10.5 years operation, 18 months construction)	Jun-14	PPP
4	Implementation of an Integrated Automatic Fare Collection System in the Athens urban transportation	12 years (10 years, 2 years construction)	Dec-14	PPP
5	Broadband development in rural areas of Greece (Lot 1)	17 years (15 years, 2 years construction)	Dec-14	Concession
6	Broadband development in rural areas of Greece (Lot 2)	17 years (15 years, 2 years construction)	Dec-14	Concession
7	Broadband development in rural areas of Greece (Lot 3)	17 years (15 years, 2 years construction)	Dec-14	Concession
8	Design, financing, construction, maintenance and operation of the facilities for the integrated waste management system in the Region of Western Macedonia	27 years (25 years, 2 years construction)	Jun-15	PPP
9	Digital recordings	5,5 years (5 years, 0,5 year construction)	Dec-15	PPP

In September 2015, ELSTAT was urged to analyse these contracts and to provide copies of some of them to Eurostat.

In the absence of an assessment, ELSTAT had considered the construction expenditure incurred up-to date as non-government expenditure, pending the analysis of the contracts.

Before the mission, Eurostat received two contracts translated into English and three original contracts in Greek. ELSTAT's analysis of three contracts was provided as well.

Eurostat aimed at concluding on the statistical treatment of the contracts before the April 2016 EDP Notification.

Discussion

It was recalled that a specific PPP Law was introduced in 2005, which established a PPP Unit in the Ministry of Development as well as an Inter-ministerial Committee that gives green light to PPPs. It was also explained that the big concession projects for infrastructure are not handled by the PPP Unit, but by the Ministry of Infrastructure.

The PPP Unit explained that no PPP or concession contract can be signed without the approval of Central Government and that the annual accumulated payments by government in the context of PPPs and concessions were capped. On the one hand they cannot exceed 10% of the yearly public investment budget. On the other hand, they

should be below EUR 700 mn each year. It was clarified that the current annual payments were currently well below these thresholds, at around EUR 45 mn per year.

The PPP Unit expressed their wish to bring forward only “good projects”. The first PPP project in Greece was signed in 2009 (disregarding concessions) and no other projects were signed until 2014.

The PPP Unit confirmed that the contracts signed so far mainly follow the Private Finance Initiative (PFI) model used in the UK.

Eurostat recalled that before carrying out the risk and rewards analysis, it should be checked whether the projects qualify as PPPs as defined in national accounts.

The three contracts for internet broadband contain EU grants and it was agreed that they seemed to have the form of concessions.

Eurostat inquired on the details of the remaining projects: the capital cost, the financing the degree of implementation, the regular fee to be paid by government, the expected internal rate of return, etc.

It was confirmed that, in all cases, the partner is a private special purpose vehicle (SPV) without the participation of the Greek government. Also, in all of them, construction was in full progress at the time of the visit. It was explained that the debt raised by the SPV is not guaranteed by the Greek government and that availability payments do not start until the construction is over and the asset is ready for use. As an example, in the 2009 PPP contract for fire stations, the delay in construction saved amounts to the State, as the term of PPPs is fixed and is not extended in case of delays (the partner receiving, in total, less availability payments than foreseen).

It was confirmed as well that, in Greek PPP contracts, the economic life of the assets delivered is always longer than the duration of the contract.

Concerning refinancing clauses, the UK model is followed and sharing of the refinancing gain of 50%, 60% and 70% is foreseen. It seems also that government could kind of force the partner to refinance (mandatory refinancing).

As regards compensation in case of early termination due to default of the partner, there are two options: re-tendering or fair value (estimated based on future flows), as in the UK model.

As regards the payment mechanism, the annual fee has an indexed part and a non-indexed part and is divided in 12 monthly instalments.

Concerning penalties for unavailability, they seem to be more than proportional. For instance, in the case of schools it was explained that if a school would not be available for ten days, the deduction would be equal to the whole monthly fee.

Eurostat made specific questions as regards the payment mechanism in the waste management project. It was clarified that the payment is based on banding, depending on the effective use as follows:

- Below 90.000 tons, government would pay for 90.000 tons;
- Between 90.000 and 120.000 government would pay for the real use;

- Above 120.000 tons, the payment would be agreed with the contractor.

According to the PPP Unit, the fee is a mixture of availability and demand, as the first band (below 90.000 tons) can be considered to be availability based.

The PPP Unit explained that another four PPP projects for waste management were in the pipeline, all involving EU grants. It is foreseen that the projects are signed in 2016.

It was agreed that the project for digital recordings, which concerns very small amounts and is entirely financed from EU funds, should be recorded on-government balance sheet.

As regards the 2014 PPP projects, Eurostat recognised the existence of some issues pointing to an on-balance sheet recording, such as the sharing of re-financing gains and the mandatory refinancing. However, Eurostat acknowledged that the SPV is fully private, there are no state guarantees and the penalties are more than proportional. On the basis of the information available, it was concluded that following the MGDD version in force at the time the contracts were signed, there are not enough elements to consider that the projects should be treated as on-government balance sheet.

The PPP Unit explained the importance of the clauses for sharing refinancing gains in Greece. As all PPP projects are hedged, the partner will normally not suffer possible movements in the market. However, a potential fall in interest rates would be very important for the Greek government.

Eurostat explained the rules for the sharing of re-financing gains, which should not exceed 1/3 in favour of government, and recalled that the rule had been agreed/voted by EU Member States.

The expert providing technical assistance recalled that government always has the possibility to build the assets itself. He stated that if the PPP option is chosen, government should not grab the gains of potential falls in interest rates.

Eurostat recalled that ELSTAT should always be informed on new PPP contracts and on amendments to existing contracts in a timely manner and that the following information should always be provided for the statistical analysis: a copy of the contract, the annexes and all relevant documentation.

ELSTAT thanked the PPP Unit for the excellent cooperation established between both institutions.

Main findings and conclusions

Action point 5 (previous Action point 17 (Part I)): The Greek Statistical Authorities will provide to Eurostat the missing annexes in relation to all the PPP contracts transmitted to Eurostat. The statistical treatment of the contracts will be decided in Part II of the mission, foreseen for 22-24 March 2016.

Deadline for providing the annexes to the contracts: 1st March 2016¹²

Deadline for concluding on the statistical treatment: 24th March 2016¹³

¹² This action point was implemented.

Action point 6 (previous Action point 13 (Part II)): Concerning PPP contracts, Eurostat explained the features that would point to an on-balance sheet recording of the assets following the current MGDD rules. The following was agreed:

- The contracts analysed by ELSTAT up to date (and signed in 2014 and 2015) can be treated off-balance sheet;
- The contracts currently under analysis by ELSTAT can be provisionally treated off-balance sheet, under the assumption that they are very similar to those for which a detailed analysis has already been provided. The final treatment will be agreed before September 2016, once an official analysis is available¹⁴;
- The contract for digital recording (and other similar contracts in the future) will be treated on-balance sheet.

- **EPCs**

Introduction

No information on Energy Performance Contracts (EPCs) was received before the visit.

According to the Joint Research Centre (JRC), in 2013 the Greek market had not yet extended beyond pilot projects, which have focused on primary and secondary schools, local administrations, health-care facilities and hotels. Although the Greek ESCO market is small, according to the JRC, the number of projects seems to slowly increase and experts expect that the public sector will remain the main client.

Discussion

It was confirmed that the entity responsible for EPCs in Greece is the Ministry of Environment Energy and Climate Change. ELSTAT has already established contact and will be in a position to monitor the issue. It was confirmed that, in principle, no EPC contract has been signed yet.

2.2. Sale and leaseback transaction concerning 28 buildings

Introduction

In May 2014, the Hellenic Republic Asset Development Fund (HRADF/TAIPED) entered into contracts related to the sale and leaseback of 28 properties held by the Hellenic Republic. The value of the two portfolios sold in May 2014 amounted to around EUR 261 mn (0.15% GDP). The total annual rentals add up to around EUR 25 mn. The duration of the contract is 20 years.

¹³ This action point was implemented.

¹⁴ All the contracts signed in 2014 and 2015 have been recorded off-government balance sheet with the exception of the contract for digital recordings.

This transaction was recorded by ELSTAT as a sale of assets (followed by an operating lease), improving government B.9 of year 2014.

During the mission of September 2015, Eurostat had expressed doubts on the treatment of the transaction as a true sale due, amongst other things, to the existing option for government to buy back the assets. Eurostat agreed, though, that it is a borderline case and it has been brought for discussion in the EDPS WG of December 2015 and of June and December 2016.

Discussion

The contract foresees that the lessor may sell the asset during the lease period. Eurostat asked ELSTAT to clarify the meaning of “selling the asset” and to explain whether it would mean an automatic termination of the lease or not.

Eurostat confirmed its preliminary view that the existence of the option to buy back, with the possibility for government to force the sale, would mean that government is the economic owner of the asset and that a true sale did not take place. While Eurostat recognised that the option to buy-back was not at a fixed price (which would then have implied insufficient transfer of risks and rewards), but at the market price, Eurostat was nonetheless concerned about the absence of transfer of control. That is, the partner would have never been in effective control of the asset, neither at the beginning, nor during the lease, nor at the end – which seemed difficult to reconcile with the notion of sale.

Eurostat pointed out that the provisions for sale and leaseback and the existence of buyback options in IFRS had recently been updated (notably removing a similar clause for sale and lease back with options at fair value) and that it would be reasonable that a similar line is followed in national accounts. The discussion in the framework of the EDPS WG is ongoing.

It was recalled that future transactions of this kind should be discussed with Eurostat and similar options to buy back should be identified at an earlier stage.

Main findings and conclusions

Action point 7 (previous Action point 9 (Part I)): As regards the sale and leaseback transaction concerning 28 buildings, ELSTAT will confirm with TAIPED whether the sale of property during the lease period implies the sale of an unencumbered asset, i.e., the termination of the lease contract (and the abandonment of the buy-back option), or, on the contrary, whether it involves the sale of an encumbered¹⁵ asset.

Deadline: 15th March 2016¹⁶

2.3. Sector Classification (TEKE, LAGIE, CDLF, EDEKT, Onaseio Hospital, STASY, municipal entities and other further cases under discussion)

¹⁵ Without implying the termination of the lease contract and the option to repurchase.

¹⁶ This action point is outstanding.

Introduction

The sector classification of a number of entities discussed in the EDP dialogue visit of September 2015 was followed-up.

Discussion

- Closed cases

Eurostat confirmed its view that EDEKT S.A., LAGIE and the HDIGF (TEKE) should be classified in the general government sector.

Eurostat had provided an official letter analysing the sector classification of EDEKT in December 2015 and agreed to provide official letters for LAGIE and the HDIGF after the mission.

- CDLF

Following letters exchanged on this case, Eurostat raised a number of questions on this entity controlled by government.

At the time of the EDP visit, the entity was classified in S.12. However, according to ELSTAT, there could be some reason to classify the entity in the government sector, based on the following: (i) the fact that the Hellenic Republic is entitled to receive 70% of the CDLF's profits and/or part or all of the CDLF's reserves and (ii) the fact that its commercial activity stopped in 2014.

Eurostat inquired on the governance of the entity and asked to receive the list of people in the board. Eurostat underlined that the majority of assets and liabilities held by CDLF either have government units as counterparts (and would consolidate should CDLF be part of S.13), or are gathered exclusively by CDLF (and not by other entities) following government policy or legislation (in the sense that they are compulsory), or are granted to government employees.

Besides, from 2014 onwards, its commercial activities (opened to the wider public) closed and the CDLF has not been able to grant new loans or accept new deposits, its activities being limited since then to consignments, deposits mandatory by law, loans to municipalities and managing the cash of government units.

Eurostat expressed its view that the Consignment Deposits and Loans Fund (CDLF) must be classified in the general government sector, at least from year 2014. This is because the CDLF does not genuinely carry out financial intermediation or auxiliary financial activities. It can be considered as a government agency, acting on behalf of government, gathering funds mainly from government units (and consignments) and lending to municipal entities (and to government employees) under specific terms and conditions. Eurostat agreed to provide an official letter with its analysis of the entity.

- STASY

The market test for this entity provided results very close to 50% (and below the threshold for one year). ELSTAT was urged to make the calculation for year 2015 and was invited to retake the 50% for this entity for all the period, taking into account some comments by Eurostat.

It was agreed that the 50% test for this entity should be undertaken calculating an estimate of the ESA consumption of fixed capital as well as assuming that STASY is the economic owner of the assets of Attiko Metro (STASY is using the infrastructure assets held by Attiko Metro for free). For the calculation, both the consumption of fixed capital and the interest related to the assets of Attiko Metro should be taken into account.

STASY was classified outside the government sector (in S.11) at the time of the visit. Eurostat pointed out that the results of the updated calculation could entail a reclassification of the entity in the government sector.

- Onaseio Hospital

The discussion on Onaseio Hospital continued and Eurostat raised further questions. It was confirmed that Onaseio was currently the only hospital carrying out heart transplantation in Greece. Another hospital (Thessaloniki) has the licence to do so, but it is not using it. ELSTAT clarified that heart transplantation accounts for 9% of the activities of Onaseio.

It was confirmed that heart surgery however is done in other hospitals apart from Onaseio, but that Onaseio accounts for around 25% of the total heart surgeries in the country.

The series of subsidies received vary a lot from one year to another. Eurostat expressed doubts on the fact that the subsidies received were linked to volume and pointed out that they seemed to be based on budgetary considerations. Besides, the entity is not profitable.

According to ELSTAT, Onaseio is a borderline case. It is the view of ELSTAT that it meets most of the criteria to be classified outside the government. However, the entity is not profitable, it receives subsidies while it is not clear whether similar private entities also receive subsidies, and it is the only one carrying out heart transplantation in the country. Besides, the pricing policy is the same as for government hospitals but different from private hospitals. Eurostat expressed its view that, due to the qualitative criteria, Onaseio should be classified in the government sector. Eurostat agreed to provide a letter analysing this case after the mission.

- Water companies

As a follow-up of the EDP visit of September 2015, Eurostat had received an English version of the statute of the water companies, which operate at municipal level.

Eurostat underlined some of the articles in the statute that could be relevant for analysing the sector classification of these entities: their expropriation powers, the fact that local government has veto powers on a number of relevant activities and that the local

government not only decides on the number and composition of the Board of these entities, but is also part of it.

ELSTAT explained that the water bill is issued by the town hall in all cases except Athens and Thessaloniki (where the entity itself issues the bill).

In fact, the water companies of Athens and Thessaloniki are not part of this analysis, as they have a different statute and are quoted companies.

Eurostat explained the difference between autonomy of decision and control. Eurostat stated that while certain level of approval by a third party is compatible with autonomy of decision, if the main decisions or most decisions needed approval; this would not be compatible with having autonomy of decision.

- IfG

Law 4224/2013 of 31 December 2013 established a fund (IfG) for financing SMEs (through debt and equity capital) and smaller infrastructure projects in Greece. The participation of the Greek State in IfG must not fall below 50% and it must invest €350m into IfG over the period 2014-2016.

KfW (Germany) committed to invest €100m. The Onassis Foundation and the European Investment Bank (EIB) also agreed to participate. It was reported that EIB will transfer a loan it gave to ETEAN that has not been fully utilised, rather than give new cash.

IfG is based in Luxembourg, but has an Athens office. IfG was to be the umbrella fund with plans to create three sub-funds underneath it.

The first sub-fund was established in Luxembourg in May 2014. Greece and KfW were to provide €100m financing to it. It was reported that “the funds will be lent to SMEs in Greece in the form of loans from Greek on-lending banks”. It seems more plausible that guarantees will be given on bank loans to SMEs. Contracts between IfG and Greek banks were to be signed and business due to commence in 2014q3.

The second sub-fund will provide equity capital to Greek SMEs. The third sub-fund will finance infrastructure projects.

Under Law 4307/2014, in 2014q4 ETEAN was granted €100m from PIP as a “share capital increase”, in order to pay to IfG’s first sub-fund its contribution. This was recorded in S.1311.2 as D.92r (the State PIP breakdown needs to record it consistently). The €100m was paid to IfG in January 2015 and in return it received a bond issued by IfG.

Eurostat stressed that the control, the sector classification of IfG and, subsequently the recording of the 2015 transactions need to be investigated. It was agreed that ELSTAT would provide its analysis concerning the classification of IfG and its sub-funds.

As regards the 2015 transactions, ELSTAT confirmed that there was an expenditure of EUR 100 mn in the working balance, matched with the same amount booked as revenue of ETEAN.

- Other

ELSTAT asked Eurostat to provide its advice on a number of new cases: the sector classification of EPISEY, EIEAD, the Public Utility Corporation (KEPA) of the Municipality of Veroia and the Hellenic Parliament Foundation.

ELSTAT informed Eurostat that there had been an amendment in the law concerning Megaron and that the statistical implications of the new law would be analysed. At the time of the mission Megaron was classified outside the government sector (because of a Court Decision in Greece), but all accounts were being re-routed to government.

Main findings and conclusions

Action point 8 (previous Action point 19 (Part I)): Concerning the sector classification of entities discussed in the past September 2015 EDP visit, it was concluded that:

- EDEKT will be classified in S.13 in April 2016
- Eurostat agrees with the analysis proposed by ELSTAT to classify HDIGF and LAGIE in S.13.

Deadline for reclassification: April 2016¹⁷

Action point 9 (previous Action point 22 (Part I)): Following, amongst other, legislation enacted in 2014 according to which the commercial activities of the Consignment Deposit and Loan Fund (CDLF) will be phased out, Eurostat considers at this stage that CDLF should be classified in S.13 and will provide an official reply to ELSTAT's letter on the issue.

Deadline for Eurostat's reply: 20th March 2016¹⁸

Action point 10 (previous Action point 7 (Part II)): The following entities will be reclassified in the government sector in the context of the April 2016 EDP Notification:

- EDEKT S.A. (from 2012 onwards)
- LAGIE (from 2012 onwards)
- Hellenic Deposit Insurance Guarantee Fund (TEKE/HDIGF, from 2015 onwards)
- Consignment Deposit and Loan Fund (CDLF, from 2014 onwards)
- Public Utility Corporation (KEPA) of the Municipality of Veroia (and all other municipal public utility corporations, from 2012 onwards)

¹⁷ This action point was implemented. It should be noted that, by December 2016, the HDIGF has not been classified in S.13 in the financial accounts transmitted by BoG.

¹⁸ This action point was implemented. The letter is available in the website of Eurostat.

Deadline: 31st March 2016¹⁹

Action point 11 (previous Action point 21 (Part I)): ELSTAT will send to Eurostat the calculation for the ESA consumption of fixed capital for the assets of STASY, as well as the profit and loss accounts (including the accounts for 2015, when available).

Deadline for providing the information available: 1st March 2016²⁰

Action point 12 (previous Action point 8 (Part II)): Concerning the sector classification of STASY, ELSTAT will carry out the 50% test either merging STASY with Attiko Metro or for STASY in isolation, but adding the capital cost of Attiko Metro (operating lease concept).

Deadline for progress report: 31st August 2016²¹

Deadline for potential reclassification: 30st September 2016²²

Action point 13 (previous Action point 20 (Part I)): On the basis of the information available, Eurostat considered that Onaseio Hospital should be classified in the government sector according to the MGDD rules. Eurostat will provide an official reply to ELSTAT's letter on the issue.

Deadline for Eurostat's reply: 20th March 2016²³

Action point 14 (previous Action point 9 (Part II)): ELSTAT will reclassify Onaseio Hospital in the government sector by the time of the October 2016 EDP Notification.

Deadline: 30st September 2016²⁴

Action point 15 (previous Action point 25 (Part I)): Eurostat will provide written replies to the requests for advice on sector classification sent by ELSTAT following the agreed order of priority and the usual deadline for official requests for advice.²⁵

Action point 16 (previous Action point 10 (Part II)): Eurostat will provide letters to ELSTAT on the following issues²⁶:

¹⁹ This action point was implemented. See footnote 17 as regards HDIGF. It should be noted that, by December 2016, the CDLF has not been classified in S.13 in the financial accounts transmitted by BoG.

²⁰ This action point was implemented.

²¹ This action point was implemented.

²² This action point was implemented.

²³ This action point was implemented.

²⁴ This action point was implemented.

²⁵ This action point was implemented. The letters are available in the website of Eurostat.

²⁶ This action point was partially implemented. The letters for EPISEY, KEPa, TEKE, CDLF, Onaseio hospital and LAGIE were provided and are publicly available. The letter for the remaining two entities are work in progress.

- EPISEY and KEP A (by March 2016)
- TEKE and CDLF
- Onaseio Hospital
- And all the remaining entities for which a formal advice has been requested to Eurostat

Action point 17 (previous Action point 24 (Part I)): Eurostat will analyse the specific features of the Greek water companies at local government level in order to agree on their correct sector classification.

Deadline: End of August 2016²⁷

Action point 18 (previous Action point 28 (Part I)): ELSTAT will analyse the statistical treatment of IfG and its related transactions. The possible re-routing (as foreseen in ESA 2010 2.20 and 20.48) and the nature of the instruments issued by the entity should be examined.

Deadline: October 2016²⁸

2.4. Questionnaire on government controlled entities classified outside government

Introduction

In the SDV of September 2015, there were four action points aiming at improving the reporting in the questionnaire on public corporations classified outside S.13.

In December 2015, ELSTAT provided an updated version²⁹ of the questionnaire and included public corporations of the local government sector. The coverage has been extended, but it is still not fully complete, as number of municipal entities of private law are still under investigation.

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 discussion³⁰. The liabilities of two units in S.2 are missing. The liabilities of a significant number of units in S.11 are reported to be zero.

²⁷ This action point was implemented.

²⁸ ELSTAT has provided its analysis in December 2016. The action point is under review.

²⁹ An updated version of the questionnaire has been provided in December 2016, after the 2016 missions.

³⁰ The liabilities of Piraeus Bank and NBG have been included in the transmission of December 2016.

The four digit NACE code has not been included yet. Besides, the 50% test is not provided for a large number of entities in S.11 controlled by S.1311.

Discussion

Eurostat acknowledged the improvements in the questionnaire on public corporations, but stressed that further progress should be achieved in the next transmission.

ELSTAT explained that, for central government, each ministry provides the list of units under its supervision. This is foreseen in the MoUs signed with each ministry.

As regards entities of local government, the data source used to identify the entities is EETAA. ELSTAT recalled that a significant number of (small) entities at local government level are not reporting data despite ELSTAT requests. The entities for which ELSTAT has no data are not reported in the questionnaire. Eurostat underlined the importance of reaching full coverage and agreed to write a letter on this issue.

ELSTAT confirmed that a number of municipal entities of private law will be reclassified in the government sector in April 2016 for the period 2012-2015. It concerns mainly social welfare entities and the EDP/GFS impact will be small.

Eurostat enquired on a number of entities for which the result of the 50% test is not provided in the questionnaire: ODIE (Hellenic Public horse racing association), Ports of Piraeus and Thessaloniki, OKAA, AEDIK, AKSS School, Institute of certified public accountants and EAP Open University.

Main findings and conclusions

Action point 19 (previous Action point 27 (Part I)): ELSTAT will provide an updated version of the questionnaire on government controlled entities classified outside government including the four digit NACE code for all entities (central government will be included as a first step), full coverage for all sectors, missing data on liabilities and the market/non-market test.

*Deadline: December 2016*³¹

Action point 20 (previous Action point 26 (Part I)): Eurostat takes note that a significant number of municipal entities of public and private law are currently not providing any data despite explicit requests from ELSTAT to the Ministry of Interior. Eurostat considers that this situation, which seems unique in the EU, is not acceptable. An official letter on this issue will be sent by Eurostat to the Greek Statistical Authorities.

*Deadline: April 2016*³²

³¹ This action point was implemented partially. An updated version of the questionnaire has been provided. However, the four digit NACE code still needs to be included, as well as the missing data on liabilities and the market/non-market test.

³² This action is in progress.

2.5. Ownership and control of financial institutions with participation of the Greek Government

Introduction

From 2008, the Greek government undertook different interventions to recapitalise financial institutions. The following periods can be distinguished:

- Prior to 2013, the only interventions involving capital injections were the preference shares issued in 2009-2011. These preference shares had specific powers attached;
- After the recapitalisation of 2013, HFSF became main shareholder and Relationship Framework Agreements (RFAs) were signed;
- A recapitalisation by private investors took place in 2014, reducing the percentage of capital owned by HFSF;
- After the recapitalisation of 2015, the participation of HFSF has been diluted and new RFAs have been signed.

Before the above interventions, government did not hold participations in the capital of the four systemic banks³³, which were privately controlled. However, the participation of government in the capital of these entities as well as the rights acquired should be analysed in order to assess whether government de facto controls the four systemic banks after the recapitalisations. The share holdings of the Greek government in the systemic banks until year 2015 are shown in the tables below.

SHAREHOLDING OF HFSF IN THE EQUITY

	2012 (and prior)	2013	2014	2015
Alpha Bank	-	81.7%	66.2%	11.1%
Piraeus Bank	-	81.0%	66.9%	26.3%
NBG	-	84.4%	57.2%	40.4%
Eurobank	-	95.2%	35.4%	2.4%

HOLDING OF PREFERENCE SHARES (EUR mn)

	2011 and 2012	2013	2014	2015
Alpha Bank	940	940	-	-
Piraeus Bank	750	750	-	-
NBG	1,350	1,350	1,350	-
Eurobank	950	950	950	950

Discussion

The preference shares issued in 2009 and 2011 entitled the Greek State to be represented in the Board of Directors by a representative who is appointed as a member to the Board of Directors, with a veto power on dividend policy and top management remuneration.

³³ Eurobank, Alpha Bank, National Bank of Greece (NBG) and Piraeus Bank

According to article 9 of L.3965/2011, the representative of the Greek State has also a veto power in the following decisions:

- Strategic decisions or decisions that will alter substantially the legal or financial position of the bank and require a meeting of the shareholders for their approval;
- Decisions related to the dividend distribution and the benefits policy of the management;
- Decisions that may endanger the interests of depositors or affect significantly the solvency and the proper functioning of the bank.

Following the EDP visit of September 2015 (see action point 21 (previous 19)), ELSTAT had concluded that the above is not enough to consider that the institutions receiving preference shares are controlled by the Greek State. However, the analysis should also include the recapitalisations undertaken from 2013 onwards.

After the recapitalisations of 2013, the HFSF signed Relationship Framework Agreements (RFAs) which determine the relationship between each bank and the HFSF. The Fund had two different types of agreement:

- For banks where HFSF fully exercises its voting rights (if it owns above 90% of the shares)
- For banks where HFSH has restricted voting rights (if HFSF owns 90% or less)

An updated RFA was signed in 2015 in relation to the new bank recapitalisations.

All the RFAs (2013 and 2015) were provided by ELSTAT prior to the visit. Such agreements grant veto rights to HFSF on the main decisions, as well as on appointing key personnel.

The HFSF considers that the systemic banks are not controlled by HFSF and therefore they are not consolidated in the accounts of HFSF, which follow IFRS. Eurostat clarified that the notion of control in IFRS is not the same as the one in national accounts.

Eurostat recalled the difference between autonomy of decision and control and clarified that the autonomy of decision (day to day management) of the systemic banks was not questioned. Thus, the banks can be considered institutional units classified in S.12. The issue under discussion is the control (general policy, main decisions and strategic vetoes) of the units, whether they are public or private.

After analysing the RFAs, Eurostat expressed its view that the systemic banks seemed to be controlled by HFSF since 2013, from an ESA 2010 perspective.

Main findings and conclusions

Action point 21 (previous Action point 5 (Part I)): Based on the discussion in the meeting, Eurostat considered that the four systemic banks³⁴ are to be treated as public (and not as private) entities in national accounts since 2013. In case of disagreement, Eurostat invites ELSTAT to provide a note with a complete analysis in the light of ESA 2010 rules on control.

³⁴ Eurobank, Alpha Bank, National Bank of Greece (NBG) and Piraeus Bank

2.6. SDRs

Introduction

On 12 May 2015, the Hellenic Republic repaid part of the principal of a loan granted by the IMF. The repayment of the loan to the IMF by the Hellenic Republic amounted to around SDR 600 million (or equivalently EUR 753 million at the applicable spot rate).

In order to repay part of the principal of the above loan, the Greek government used the stock of SDR (Special Drawing Rights) holdings held by the Bank of Greece. As is current practice in other euro area countries, SDR assets and liabilities (AF.12) were at the time recorded in the balance sheet of the central bank (S.121) in national accounts.

The reduction of SDRs holdings of the Bank of Greece amounted to SDR 524 million (or equivalently EUR 657 million), the stock of SDR holdings of BoG decreasing from SDR 554 million to SDR 30 million. The remaining amount (SDR 77 million) was paid in cash from the segregated account of the Hellenic Republic in the BoG.

In its letter of 21 September 2015, Eurostat considered 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. This treatment was followed by ELSTAT in the October 2015 EDP Notification and in ESA table 28 on government debt, but not by BoG in the reporting of table 27.

In the transmission of ESA table 28 prior to the mission (December 2015), ELSTAT had recorded the SDRs as assets of the Greek government, eliminating the imputed loan from the BoG reported in the previous transmission. ELSTAT explained that, in December 2015 an agreement had been signed between the BoG and the Greek government by which the SDRs would be considered as assets of the Greek government retroactively from May 2015. In December 2015, ELSTAT was also asked to retransmit table 28 with the original treatment of SDRs as assets and liabilities of the Greek Central Bank.

In most EU member states, SDR holdings and allocations are recorded in the balance sheet of the national central bank. One issue at stake is whether SDR holdings and allocations could or should instead be considered as assets/liabilities of government. The statistical treatment of SDRs and other transactions related to the participation in the capital of the IMF is under discussion in the EDPS WG.

Discussion

Eurostat inquired on the legal arrangement signed in December 2015 between the BoG and the Greek government and asked to receive a copy of the document. Eurostat also posed questions on the management of SDRs in practice and the accounting followed by BoG and the Treasury.

³⁵ This action point was implemented. In its analysis, ELSTAT concluded that the four banks should be considered as publicly controlled for the period 2013-2015.

It was clarified that the Hellenic Republic is the legal owner of the SDRs. The BoG explained their view that the State is the economic owner of SDRs only from May 2015 onwards, following the signature of the arrangement in December 2015 (which applies retroactively from May 2015). Before May 2015, they consider the BoG to be the economic owner.

PDMA explained that the Hellenic Republic had not used the account of SDR holdings before May 2015 and that recording borrowing from BoG for this transaction was not acceptable, as they consider government to be the owner of the SDRs at the time. According to PDMA, government is the owner of the SDRs from May 2015 while BoG is only the manager.

It was recalled that the loans granted by the IMF from 2010 are given in SDRs and the interest for these loans is also paid in SDRs. PDMA and the BoG explained that, in order to pay the interest, government sent euros to the BoG, who would change them into SDRs to make the payment. It was confirmed that the SDRs purchased by government to pay the interest of the IMF loan transited via the SDR account and that such interest expenditure is included in the working balance. On this basis, some thought that the SDR account was a State account, i.e. under State control.

Following the explanations, Eurostat stated that there could be reasons to consider the Hellenic Republic as the economic owner of the SDRs. However, it was made clear that the economic owner should be the same over the whole period, without a change of ownership in 2015. Eurostat stressed that the same analysis should also be applied to SDR holdings and allocations as well as to the reserve tranche, which is currently not included in the Maastricht Debt. The reserve tranche would enter in the Maastricht debt when it is deemed that the BoG paid it to IMF, thus, on behalf of the State.

Main findings and conclusions

Action point 22 (previous Action point 3 (Part I)): The Greek Statistical Authorities will provide to Eurostat an official translation into English of the agreement signed in December 2015 by the Greek government and the BoG in relation to Special Drawing Rights (SDRs).

*Deadline: 15th March 2016*³⁶

Action point 23 (previous Action point 4 (Part I)): The ownership of SDR holdings and allocations was discussed in the meeting. The issue is currently under discussion in the EDPS WG³⁷. Pending a final agreement on the issue, Eurostat considered that there might be arguments for recording SDR assets/liabilities as well as the reserve tranche in the balance sheet of government. The Greek Statistical Authorities will decide on whether to follow the above treatment or, alternatively, to keep the current recording as assets/liabilities of the Central Bank with an imputed loan of SDRs from May 2015 as agreed with Eurostat. The Greek Statistical Authorities will inform Eurostat on the recording chosen, which should be consistent for both the SDRs (holdings and allocations) and the reserve tranche and reflect the economic ownership of the financial

³⁶ This action point was implemented.

³⁷ EDP Statistics Working Group

instruments. In case of changes to the current recording, the changes should be implemented throughout the entire reported time series for EDP and ESA tables.

Deadline: 15th March 2016³⁸

Action point 24 (previous Action point 6 (Part II)): Concerning Special Drawing Rights (SDRs), ELSTAT shall inform Eurostat on the accounting treatment chosen (based on the two options outlined by Eurostat in Part I of the EDP visit) and provide detailed information on the related accounting implications.

Deadline: 31st March 2016³⁹

2.7. DTAs

Introduction

In 2014, Eurostat provided its view on the treatment of the draft legislation allowing the conversion of DTAs into payable tax credits. However, the original draft law has been amended several times afterwards and significant changes have been introduced.

L.4172/2013 is the law for the corporate income tax. In October 2014, after Eurostat's advice was provided, a new article (27 A) was added to the previous law by the approval of L.4303/2014. In November 2015, the law has been further amended by the approval of L.4340/2015.

It was the view of Eurostat that the original analysis of 2014 needs to be reassessed in order to confirm the statistical implications.

Discussion

According to ELSTAT, there had not been any Ministerial Decision or similar administrative guideline enacted as regards the implementation of the above laws. ELSTAT was informed (by GAO and the Income Tax department in the MoF) that there was no implementation in 2015, as the law approved in November 2015 deferred the application of the previous law to 2016.

ELSTAT confirmed that the law would start to be applied in 2016.

ELSTAT was requested to monitor the developments and inform Eurostat as soon as the implementing act would be enacted in order to start the discussions as soon as possible.

Main findings and conclusions

Action point 25 (previous Action point 29 (Part I)): The Greek Statistical Authorities will monitor the developments in the legislation concerning deferred tax assets (DTAs)

³⁸ This action point was implemented.

³⁹ This action point was implemented. From the April 2016 Notification, SDR holdings and allocations are treated as assets and liabilities of the Greek government. It should be however noted that the recording applied by BoG in the financial accounts is not in line with the provisions in the action point.

and will inform Eurostat once the Ministerial Act specifying the details for implementing the law will be approved. ELSTAT will provide Eurostat with an English copy of the law and the Ministerial Act.

*Deadline: When available*⁴⁰

2.8. Common Capital

Introduction

The aim of the Common Capital is to manage the assets or reserves of Legal Entities of Public Law and Social Security Funds – that are obligated to invest through Common Capital. The Common Capital is managed by the Bank of Greece. General activities and management are dictated by Law. The Common Capital is not a legal entity and has no legal status.

Investments are to be made in Greek Government securities. The participating entities may withdraw 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 Common Capital is not treated as an institutional unit, and is thus considered “transparent” from the statistical point of view. 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. There are about 500 investors' accounts in the Common Capital.

By the end of the year 2015, government entities (SSF and AKAGE) held above 80% of the share capital, while the Consignment Deposit and Loan Fund (CDLF) held around 16%.

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

In the past SDV, BoG explained that the liquidity of the Common Capital is not considered as a liability of the BoG.

Given the key role of the Common Capital in the consolidation of government debt, Eurostat raised some questions in order to understand the information compiled by BoG and its quality. Some excel tables were provided for this purpose prior to the mission.

⁴⁰ It seems that there is no progress as regards the legislation concerning deferred tax assets (DTAs) and the Ministerial Act implementing the law.

Eurostat aimed at clarifying which counterpart records the liability matched with the assets of the participants and whether interest is paid on this cash.

Discussion

The BoG confirmed that, in Common Capital, each account is not managed separately and that, instead, the risk is pooled (like in a mutual fund). The BoG clarified that the number of entities participating was 127. Out of this, 104 (representing 4% of the assets) are classified outside the general government sector. The BoG confirmed that the Common Capital does not invest in private bonds. Common Capital also started the practice of investing in the form of 'repos', notably with the State as counterpart borrower.

Eurostat took note that the Common Capital has no bank account itself. Public entities have deposits at the BoG and the manager of the Common Capital takes the money from such accounts in order to invest it. Therefore, the Common Capital holds no cash itself.

The BoG considered that all the information needed is available and that they are able to consolidate amounts properly.

Main findings and conclusions

Action point 26 (previous Action point 2 (Part I)): The Greek Statistical Authorities (BoG) will provide the total assets of the Common Capital at market value with the relevant breakdowns.

Deadline: 15th March 2016⁴¹

2.9. Other: EDP Inventory, ENFIA, ANFA/SMP, swaps, MoU, etc.

Introduction

A number of outstanding action points were briefly discussed.

Discussion

ELSTAT provided the ESA 2010 EDP Inventory in December 2015. Eurostat had reviewed the text and agreed to provide comments after the mission. Eurostat thanked ELSTAT for completing the Inventory and pointed out that some parts needed improvement, in particular the sections for the financial accounts and for the compilation of government debt.

The current Memorandum of Cooperation between ELSTAT, GAO and BoG for the compilation of Government Finance Statistics dates back to 2010. In 2011, ELSTAT signed cooperation agreements with all the Ministries for the compilation of government finance statistics.

In the past EDP visits, it had been pointed out 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
- Timeliness of the ESA table 27 to ELSTAT
- Cooperation of BoG for the compilation of ESA table 27
- Identification of the discrepancies

The cooperation concerning financial accounts should improve, as well as the consistency with the non-financial accounts and the implementation of Eurostat's decisions in the financial accounts of general government.

Eurostat inquired on the progress achieved as regards the update of the MoU between ELSTAT, GAO and BoG for the compilation of EDP/GFS statistics, which has been outstanding for the last three years. ELSTAT explained that a proposal would soon be transmitted to the new hierarchy of ELSTAT and, as a second step, discussions would follow with GAO and the BoG in order to reach an agreement on the final text.

⁴¹ This action point was implemented.

As in the past visits, it was recalled that the absence of an updated MoU should not be an obstacle for non-cooperation between institutions. The fact that some data are not explicitly listed in the MoU does not mean that there is no obligation to provide them.

Eurostat noted that the English version of the memoranda of understanding was no longer available in the website of ELSTAT.

The recording of the ENFIA tax for the years 2014 and 2015 was confirmed. The time of recording in the annual accounts should be based on a TAC method with a time lag of two months. Amounts received after February T+1 should be recorded on cash basis and should not be accrued back to year T. Concerning the time of recording in the quarterly accounts, Eurostat recommended not to spread among the quarters the estimated annual amount of the tax. No amounts should be recorded until the assessments take place. Amounts will be mainly recorded in the third and fourth quarter. As in the annual accounts, amounts paid after February T+1 should be recorded on a cash basis. Amounts paid in January and February T+1 should be recorded as revenue in the fourth quarter of year T.

As regards year 2016, it was confirmed that no amounts for ENFIA tax would be recorded before the implementing act is available. ENFIA tax is entirely recorded by ELSTAT as D.29 (other taxes on production). GAO questioned whether it should instead be split between D.29 and D.59, as it happens with other taxes. It was agreed that the issue would be followed-up with Eurostat's GFS team.

It was confirmed that no EU Member State made ANFA payments to Greece over 2015 and therefore no ANFA revenue should be recorded in the Greek accounts⁴². As regards SMP, the BoG made a payment of EUR 55 mn in 2015 Q1 without having any obligation to do so. It was agreed that the treatment of such payment (as government revenue or not) would be discussed under the section for dividends. DG ECFIN indicated that a significant amount related to ANFA was paid by BoG in 2016 and inquired on the treatment to be applied. Eurostat confirmed that the amount should not be accrued back to year 2015, as there was no obligation to pay at the time. It should be recorded in 2016 and the super-dividend test should be applied.

During its investigations in the framework of the project of compilation of historic EDP data, ELSTAT had found evidence of swap operations related to transactions of the two securitisation vehicles, Ariadne SA and Aeolos SA. Future air and traffic revenue was securitised and the proceeds of the securitisation were swapped in years 2000/2001. In the past SDV, Eurostat had 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 around 10 years. The contracts with the main features of the transaction, which had been provided to Eurostat, were briefly discussed. The issue was closed, as there were no elements pointing at the swaps being off-market.

Main findings and conclusions

Action point 27 (previous Action point 6 (Part I)): Following the comments that will be provided by Eurostat, ELSTAT will update the draft ESA 2010 EDP Inventory and will provide the final version to Eurostat.

⁴² See Eurostat's letter on the recording of ANFA and SMP payments, available in its website.

Deadline for Eurostat's comments: End of April 2016

Deadline for updated Inventory by ELSTAT: End of June 2016⁴³

Action point 28 (previous Action point 7 (Part I)): Eurostat stressed the importance of progress on the MoU between ELSTAT, GAO and BoG for the compilation of EDP/GFS statistics and invites the Greek Statistical Authorities to take action.

Deadline for progress report: End of June 2016

Deadline for finalisation of the MoU: End of September 2016⁴⁴

Action point 29 (previous Action point 8 (Part I)): In the context of the discussion concerning the classification of ENFIA tax, ELSTAT will follow-up with Eurostat's GFS team to discuss a possible change in the recording of other recurrent real estate taxes previously in force (and record all amounts in D.29, instead of splitting the amounts between D.29 and D.59) and a feasible timeline for implementation.

Deadline: March 2016 for coordination. Timeline for possible revision to be further discussed⁴⁵.

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

Introduction

Eurostat received the data for the October 2015 EDP Notification on the 30 September 2015. Two requests for clarification followed the transmission by ELSTAT. As usual, the cooperation during the clarification round was good and the ELSTAT EDP team provided detailed answers to most of the questions.

Eurostat identified a number of issues for which further discussion was needed. Some of the issues identified are covered in other points of the agenda (as the follow-up of the previous visit or the part for methodological issues). The remaining issues identified are covered in this section.

3.1. Reporting in the lines of EDP tables 2A and 3B. Detailed analysis

See section 5.1 of this visit.

3.2. Reporting in the questionnaire related to EDP tables

Eurostat did not raise specific questions in this section. Because of the large list of items to be analysed, the discussion on this point was postponed to take place in a future visit.

⁴³ This action point is in progress.

⁴⁴ This action point is outstanding.

⁴⁵ This action point is in progress. Discussions have taken place, but the timeline is still under discussion.

3.3. Distributions to government by public corporations and by the Bank of Greece

Introduction

ELSTAT receives on a quarterly basis, the State Budget execution by category of revenue/expenditure. ELSTAT applies the super dividend test in order to decide on the statistical treatment of each distribution (financial vs non-financial transaction). The operating profit can be used as a proxy for the distributable income. In practice, income statements are used with reference to the net result before distribution and income tax.

Concerning the receipts from Bank of Greece in the State Budget revenue, the amounts transferred by the BoG to the Greek government can be grouped in the following three categories:

- Dividend (D.42) → This refers to an equity-holding based dividend from the Bank of Greece, which is small and is part of state budget code 2549 (various dividends). The percentage of legal shareholding by central government in the Bank of Greece is small.
- Tax on profits (D.51)
- ANFA and SMP (D.75)

Discussion

Eurostat pointed out that the amount to be used for the calculation of the super-dividend test is the profit after tax (and not before tax, as it is currently done). Eurostat recalled that the holding gains/losses should be disregarded in the calculation, which seems not the case at present.

ELSTAT was requested to include the amounts on dividends in table 10 of the Questionnaire related to EDP.

Eurostat recalled that a paper on the recording of distributions by central banks was presented in the EDPS WG of December 2015. The recording of the amounts paid by BoG to the Greek State, broken down in three transactions, was discussed. Eurostat indicated that all the amounts paid by BoG should be subject to the super-dividend test. Eurostat raised the issue of amounts recorded as tax on profits and it was agreed that the issue would be re-discussed at a later stage. Eurostat expressed a preliminary view that a special tax with a special tax rate affecting only the BoG seemed to have the nature of a dividend rather than a tax.

ELSTAT confirmed that in Greece dividends are recorded on cash basis and informed of the amount paid by BoG in 2016 (EUR 1,3 bn), to be recorded in 2016.

Main findings and conclusions

Action point 30 (previous Action point 30 (Part I)): For the implementation of the super-dividend test, ELSTAT will use the profit net of tax. In case of non-negligible amounts, it will calculate and use the relevant net operating income.

Deadline: Continuous

Action point 31 (previous Action point 31 (Part I)): ELSTAT will include all the existing information on dividends in table 10.2 of the EDP questionnaire related to EDP.

Deadline: April 2016 and onwards⁴⁶

Action point 32 (previous Action point 32 (Part I)): ELSTAT will include the income tax paid by bank of Greece as well as ANFA and SMP payments in the calculation of the super-dividend test. At a later stage, the nature of the amounts paid by BoG and currently recorded as income taxes, could be reviewed in cooperation with Eurostat's GFS team.

Deadline: April 2016⁴⁷

4. Methodological issues and recording of specific government transactions

4.1. Bank recapitalisation and resolution measures in 2015

Introduction

In December 2015, the Hellenic Financial Stability Fund (HFSF) injected capital in the National Bank of Greece (NBG) and in Piraeus Bank for EUR 2,706 mn and EUR 2,720 mn, respectively. Also, in the case of NBG, preference shares subscribed by government in 2009 and 2011, with a nominal value of EUR 1,350 mn, were mandatorily converted into ordinary shares (received by HFSF) with a nominal value of EUR 391.5 mn.

The accounting issues under discussion are the statistical treatment of the following:

- the amounts injected by HFSF in NBG and Piraeus Bank (EUR 5,426 mn);
- the mandatory conversion of the preference shares of NBG (EUR 1,350 mn);
- the amounts injected in Attica Bank (EUR 384 mn).

It should be determined whether the transactions should be treated as capital transfers (impacting government deficit), as financial transactions (with no impact on government deficit), or partitioned, as a combination of both.

One of the pillars of the MoU signed in August 2015 in relation to the Third economic adjustment programme for Greece was the safeguarding of financial stability. The MoU foresaw a recapitalisation process of banks to be completed before the end of 2015.

The 2015 Comprehensive Assessment undertaken by the ECB and the SSM⁴⁸ identified the capital shortfall of the four Greek systemic banks (Alpha Bank, Eurobank, Piraeus Bank and National Bank of Greece (NBG)) in a baseline and in an adverse scenario.

⁴⁶ This action point was implemented.

⁴⁷ The first part was implemented for April 2016. It is however an ongoing action point that needs to be monitored. The second part of the action point is pending.

⁴⁸ Single Supervisory Mechanism

On 1st November 2015, the Greek government passed Law 4340/2015, setting the framework to recapitalise the four main banks. On 2 November 2015, the Cabinet Act n36 provided additional information to complement the Law. Following Law 4340/2015, Greek banks might:

- Seek to raise funds from the private sector, in order to cover their capital shortfall under the baseline scenario;
- Raise precautionary recapitalization from the HFSF for any remaining shortfall arising from the adverse scenario.

According to the aforementioned Law, each bank would aim to cover at least its baseline scenario needs from the market, with the remainder, up to the adverse scenario, being covered by HFSF. In case HFSF would be involved in a precautionary recapitalization, it would acquire a combination of common shares (25%) and contingent convertible bonds ('CoCos', 75%) from the banks. If the market would fail to cover the baseline needs, then HFSF would automatically acquire the remaining ordinary shares to reach that limit, thereby providing comfort to the bank and any prospective investor, and then proceed to the precautionary part as before. The Cabinet Act n36 sets the framework for HFSF subscribing to CoCos and the basic terms of such instruments.

In an attempt to cover their capital requirements, the four systemic banks did a Reverse Stock Split and took a number of measures involving the private sector: a voluntary Liability Management Exercise (LME) and capital rise through a book building process (and also through public offering in some cases).

By following the above measures, Alpha Bank and Eurobank managed to cover the capital needs identified in the adverse scenario solely through private investors and, therefore, the participation of the Greek government in the recapitalisation was not needed. This was however not the case for Piraeus Bank and NBG, where the participation of private investors was not sufficient to reach the capital needs identified in the adverse scenario and a precautionary recapitalization from HFSF was required.

Following the above Law 4340/2015, prior to the precautionary recapitalization from the HFSF, mandatory measures have to be taken to ensure that the residual amount of any capital shortfall is allocated to existing holders of capital instruments and other creditors, before providing any state aid.

As a result, in the case of NBG, a mandatory conversion of liabilities into shares also took place. In addition to instruments held by the private sector, preference shares subscribed by government in previous years were converted into ordinary shares. The conditions of the mandatory bail-in for each instrument were pre-defined in Cabinet Act n45. The conversion of the instruments held by the Greek government was done by applying a coefficient of 96.667% to the nominal value of the preference shares and multiplying this by the face value of ordinary shares (0.30). Preference shares for a nominal value of EUR 1,350 mn were thus converted into ordinary shares with a nominal value of EUR 392 mn.

Finally, in December 2015, the Greek government provided state aid to the National Bank of Greece (NBG) and Piraeus Bank in order to cover the capital shortfall to reach the adverse scenario. The HFSF injected capital in the form of ESM notes for EUR 2,706 mn in NBG and for EUR 2,720 mn in Piraeus Bank. In both cases, the capital increase

was done partly (25%) by subscribing ordinary shares and partly (75%) by subscribing contingent convertible bonds ('CoCos').

Discussion

Eurostat posed a number of questions to the Greek Statistical Authorities in order to have a better understanding of the case. The questions referred mainly to the nature of the CoCos and their main features. Some questions were raised also in relation to the conversion of the preference shares held in NBG.

As regards the nature of the CoCos, given the contingent return on them, Eurostat was of the view that the general MGDD rules for capital injections in the form of shares and other equity should be applied, as stated in Eurostat's Guidance Note of 2012. The CoCos subscribed by HFSF would have the nature of equity more than the nature of debt instruments and should be treated as equity for statistical analysis. HFSF confirmed that this is line with the IFRS recording followed for the CoCos subscribed by HFSF, which are recorded as equity in the issuer's balance sheet.

Eurostat enquired on the sale by NBG of its stake in Finansbank, the proceeds of which could be used to repay the CoCos issued by NBG and purchased by HFSF. The representatives of HFSF explained that the sale had not been closed yet, that the approval of the authorities was expected for June 2016 and that the relevant cash had not been received yet by NBG. HFSF added that there were a number of elements raising contingency on the transactions (the sale of the subsidiary and the subsequent repurchase of CoCos), such as the facts that first, the transaction had to be approved by Turkey and Qatar and, second, that NBG should repay CoCos (and the repayment would need the approval of different institutions). Eurostat was of the view that a prudent approach should be taken, as there was too much uncertainty to apply the rules for capital injections in the context of a privatization at this stage.

Eurostat listed a number of reasons that would point to a recording as a capital transfer (D.99). These were mainly the following:

- The capital injected by the Greek government in 2013 has been largely lost;
- The accumulated losses borne by HFSF in the period 2013Q3-2015Q4, as apportioned according to shareholding, are in both cases higher than the capital injection by HFSF;
- Government did not undertake the capital injection motivated by an expectation of future profits and a sufficient rate of return, but rather for public policy purpose;
- For a number of reasons, it cannot be considered that the private investors and government participated in the same conditions in the capital injection:
 - The private shareholders participated with the assurance that government would cover the capital shortfall up to the adverse scenario.
 - The CoCos do not seem to be subscribed in commercial terms due to the fact that the conversion price is fixed to the nominal value of the common shares.
 - The CoCos have been subscribed exclusively by HFSF.
- The capital injections by HFSF have been considered State Aid.

Eurostat's preliminary view was provided to ELSTAT in a formal letter in March 2016. After the EDP visit, the letter was updated and published in Eurostat's website in May 2016⁴⁹.

ELSTAT's analysis differed from the one of Eurostat. According to the Greek Statistical Authorities, the participation of private investors should reduce the analysis to comparing the price paid by government with the market price and recording D.99 only for the amounts above the market price.

ELSTAT agreed with Eurostat with the fact that the CoCos had in substance the nature of equity rather than debt securities and therefore should be treated as common shares in the analysis. Concerning the conversion of the preference shares purchased in 2009, ELSTAT was of the view that the haircut should be recorded as holding loss and not as a capital transfer because of the fact that the preference shares are currently recorded as AF.5 assets.

ELSTAT expressed concerns on the fact that the treatment proposed by Eurostat could be inconsistent with the treatment applied to the bank recapitalizations undertaken by the Greek government in 2013.

Eurostat explained that the key element was to check to what extent the recapitalisation covered the losses of the banks posted from 2013 that accrue to government shareholding. Eurostat explained as well that there is a fundamental difference between the 2013 and the 2015 recapitalisations. Before 2013, government was not a shareholder of the banks and it should be assumed that the past losses have been borne by the old private investors before the government injection occurred. However, in 2013 government became the main shareholder in the systemic banks and a fraction of the losses incurred since then should be considered to be borne by government, in proportion to its shareholding.

It was agreed that the calculation should be done for the losses borne by government in proportion to its shareholding and that only losses from the second half of 2013 to the end of 2015 should be taken into account.

Main findings and conclusions

Action point 33 (previous Action point 23 (Part I)): In relation to the recent recapitalisation of the systemic banks, the Greek Statistical Authorities will provide clarification on a number of issues raised by Eurostat during the mission in order to agree on the statistical recording before the April 2016 EDP Notification.

*Deadline: 24 February 2016*⁵⁰

Action point 34 (previous Action point 1 (Part II)): As regards the conversion of preference shares of NBG for a nominal value of EUR 1,350 mn into ordinary shares for a nominal value of EUR 392 mn, a capital transfer should be recorded for the difference

⁴⁹ The letter is available at the following link:

<http://ec.europa.eu/eurostat/documents/1015035/7142247/Advice-2016-EL-Statistical-treatment-2015-bank-recapitalisations.pdf/01f5a9df-a8be-4d69-b8bc-621b1acc062e>

⁵⁰ This action point was implemented.

between the issue value and the conversion value. The remainder should be treated as ordinary shares and, therefore, should be tested according to capital injection rules (see also action point 3).

Action point 35 (previous Action point 2 (Part II)): As far as the CoCos subscribed by government in the two banks are concerned, a capital transfer should be recorded for the full amount given the context of the losses incurred by the two banks following the 2013 recapitalisations undertaken by government, the nature of the instrument and the fact that they were subscribed only by government.

Action point 36 (previous Action point 3 (Part II)): The ordinary equity subscribed by government in the two banks should be at the same time capital injection tested and compared to the accumulated losses of the banks over the period 2013-2015, properly apportioned between HFSF and private shareholders.

Deadline: 31st March 2016⁵¹

4.2. Overview of the recapitalisation operations carried out in past years

Introduction

Eurostat recalled the main operations undertaken from year 2008 onwards to support the banking sector. The discussion focused on the preference shares purchased by the Greek government in 2009 and 2011 and the warrants issued by HFSF in 2013.

In 2009 and 2011 HFSF subscribed preference shares in 10 banks, which were initially recorded as loan assets (AF.4) of HFSF. From year 2012 onwards, the recording was changed to shares (AF.5). Interest revenue was recorded in 2009-2012. No interest revenue has been recorded in years 2014 and 2015.

The preference shares contained an annual fixed rate of return of 10% on the injected capital. They had maturity of 5 years (2014). In case of no redemption by maturity date, a cumulative increase of 2% per year (on top of the annual fixed rate) would be due to the Greek State. The preference shares could be converted in case the capital adequacy ratios would not be met. The preference shares are non-transferable.

By 2015, some of the preference shares had not been redeemed.

In 2013, HFSH granted warrants to three of the systemic banks allowing the re-purchase of ordinary shares by the previous shareholders. HFSH did not receive cash in exchange and D.99 expenditure was imputed for EUR 1,271 mn, reflecting the fair value of the warrants at that time. The exercise of warrants started in 2013 and continued in further years. The outstanding amount by the end of 2015 was EUR 1,107 mn. The valuation of the warrants (that has decreased significantly) was discussed in order to agree on the appropriate recording.

⁵¹ This action point was implemented. It should be noted that the methodology of the calculations will be discussed in the EDP mission of January 2017. The repurchase of CoCos by NBG will also be discussed and a new analysis of the 2015 bank recapitalisations may follow.

Discussion

Concerning the preference shares purchased by HFSF in 2009, ELSTAT recalled that the law was changed in 2012 and that the payment of the coupon became conditional on profits. This led to no interest revenue from 2013 onwards. Because of the change in the law, the recording of the preference shares was changed from AF.4 to AF.5 for year 2012 onwards.

Interest revenue was accrued for the preference shares in the period 2009-2012 (around EUR 556 mn). ELSTAT recalled that this revenue accrued had not been actually paid by 2012 and that the payment to HFSF was eventually carried out by the systemic banks in 2012 as a requirement for the bank recapitalisation that followed in 2012-2013. This was treated as a payment of interest accrued in the past.

The discussion on the treatment of the preference shares not redeemed after the legal deadline took place in the EDP mission of June 2016.

ESTAT recalled the details of the security-lending agreement between the HFSF and the systemic banks that took place in 2012. HFSF had received EFSF bonds, which were on-lent to the systemic banks against no asset. This lending was not reflected in the balance sheet of HFSF, which continued to receive the interest of the EFSF notes.

It was confirmed that HFSF follows IFRS accounting rules.

The valuation of the warrants issued by HFSH in 2013 had changed significantly, as during some time they were not traded in an active market (Athex remained closed for this instrument as of 30.06.2015 and the valuation could not be based on quoted prices). In the interim financial statements of HFSF, significant amount of revaluation gain have been recorded, minimising its financial liability as regards the warrants.

Table 8: HFSF's valuation of warrants

Fair Value	31.12.2014	30.06.2015	30.09.2015	30.11.2015
Alpha	1.073.243.089	553.741.071	21.692.949	3.425.203
NBG	39.319.753	54.064.255	9.338.371	2.457.466
PIR	159.448.072	108.829.176	7.592.733	843.637
TTL Liability	1.272.010.914	716.634.502	38.624.053	6.726.306

Concerning the recording in national accounts, ELSTAT proposed a treatment as a nominal holding gain (K.7), with no impact on government net lending/net borrowing. Eurostat agreed with this treatment.

4.3. Privatisations and other operations undertaken and foreseen by TAIPED (airports, rails, ports, etc.)

Introduction

Before the mission, ELSTAT provided a table with the privatisation operations undertaken in 2015. The table contained also other sales of assets.

Discussion

Eurostat inquired on the distribution of previous year's reserves. From the tables provided it seemed that revenue was passed to shareholders before undertaking a privatisation. ELSTAT confirmed that the amounts were super-dividend tested. However, Eurostat expressed its view that payments out of reserves should not be treated as revenue.

Eurostat inquired as well on the legal status of real estate assets sold abroad by the Greek government and ELSTAT agreed to check the issue. In Part II of the visit, it was confirmed that the former Consular houses and the Permanent Representation of Greece in the EU were assets in the Greek territory (abroad) and therefore the sales could be treated as revenue (negative expenditure). However, one building was not in Greek territory and the amounts from the sale would be excluded from government revenue, the transaction being recorded as a disposal of equity in a notional unit.

In December 2015, the Greek government signed a concession agreement granting control of over a dozen regional airports to a German company. The €1.2 billion contract gives a 40-year lease to the Frankfurt airport operator Fraport. Eurostat asked to receive a copy of the contract in English, in order to determine the statistical treatment of the transaction and its impact on government accounts. ELSTAT explained that although the contract was signed, the partner cannot use the airports yet. A certificate of delivery is foreseen to be signed in autumn 2016 and ELSTAT confirmed that no amounts would be recorded until then. The consortium will pay EUR 1.26 bn in a lump-sum fee plus an annual rental fee of EUR 22.9 mn per year. This annual fixed payment is foreseen to be reduced if the airports are not available for use. Besides, part of the profit of the partner should be shared with the Greek government. The issue was discussed in more detail in the ad-hoc visit of June 2016.

Eurostat inquired on different issues in relation to Athens International Airport (AIA). Athens International Airport S.A. (AIA) was established in 1996 as a Public-Private Partnership, with a 30-year concession agreement granting the right to use the airport site for the purpose of the "design, financing, construction, completion, commissioning, maintenance, operation, management and development of the airport". The Greek State holds 55% of shares of the partner (AIA), while the private shareholders collectively hold 45%. The airport was constructed in preparation for the 2004 Olympic Games and opened on 28 March 2001 as a PPP between government and AIA.

In December 2014, the Hellenic Republic Asset Development Fund (HRADF/TAIPED) launched the privatisation process for the shares of Athens International Airport. Eurostat inquired on the state of play of this process.

The existing concession contract, originally expiring on 11 June 2026, is planned to be extended up to 11 June 2046. The renegotiation of the contract was expected to start in 2015Q1. Eurostat inquired on the details of the renegotiation, whether it would be an extension of the existing lease or, whether a new contract would be signed. ELSTAT was asked to monitor the issue closely.

ELSTAT was also asked to monitor the contracts recently signed for the privatisation of ports and the concession agreement for horse racing (ODIE). As regards ODIE, in Part II of the visit ELSTAT confirmed that a contract was signed in 2015, which entered into force in 2016. ELSTAT explained that the receipts received in December 2015 (EUR 5.7 mn) would be excluded from the working balance and accrued over 20 years starting from 2016.

Eurostat asked some clarification on the role of the public corporation ETAD, which holds a specific portfolio of assets of the Greek State (sport facilities, hotels, casinos, etc.) and is classified in S.11. The privatisation of the assets held by ETAD is managed by TAIPED. ELSTAT referred to the documentation prepared for previous discussions on the sector classification of ETAD.

Main findings and conclusions

Action point 37 (previous Action point 10 (Part I)): Eurostat stressed that the super-dividend test should be calculated based on the operating profit of the previous year without including withdrawal of reserves.

Deadline: Ongoing

Action point 38 (previous Action point 11 (Part I)): ELSTAT will check the legal status (diplomatic building or not) of the real estate assets recently sold abroad by the Greek government.

Deadline: 15th March 2016⁵²

Action point 39 (previous Action point 12 (Part I)): ELSTAT will provide to Eurostat an English version of the contract for the concession of the regional airports signed in 2015 and the note drafted by TAIPED describing the transaction. Eurostat took note that the lump sum payment of EUR 1,26 bn will be received in 2016 and will be recorded by ELSTAT as appropriate.

Deadline for providing the contract: When available⁵³

Deadline for providing the note by TAIPED: 1st March 2016⁵⁴

Action point 40 (previous Action point 13 (Part I)): ELSTAT will monitor the developments concerning the Athens International Airport (AIA) and will report to Eurostat on the statistical implications.

⁵² This action point was implemented.

⁵³ The Greek laws containing the contract have been provided. However, an English version has not been provided so far.

⁵⁴ This action point was implemented.

Deadline: When available

Action point 41 (previous Action point 14 (Part I)): ELSTAT will analyse the developments concerning the concession contract between the Greek government and the public unit ODIE⁵⁵ and will report to Eurostat on the statistical implications.

*Deadline: October 2016 EDP Notification*⁵⁶

4.4. New privatisation Fund. State of play

Introduction

In the framework of the 3rd economic adjustment programme, Greece is expected to establish an independent fund, which will be managed by the Greek authorities under the supervision of the relevant EU institutions. The fund's task will be to privatise independently evaluated assets of the Greek State.

Discussion

Eurostat inquired on the state of play concerning the legislation and the creation of the new entity. ELSTAT explained that the creation of the entity was in progress and that no information was available so far.

Main findings and conclusions

Action point 42 (previous Action point 15 (Part I)): ELSTAT will closely follow the developments in relation to the forthcoming establishment of the New Privatisation Fund and its statistical implications.

*Deadline: When available*⁵⁷

4.5. Implementation of accrual principle (tax refunds)

Introduction

The procedure followed in Greece for the payment of tax refunds involves the following 4 steps:

1. Submission of tax declaration by the taxpayer
2. Issuance of the so called AFEK certificate by the tax authorities
3. Clearance of the AFEK certificate by the tax authorities
4. Payment of amounts owed to the taxpayer

⁵⁵ Hellenic Horse Racing Organisation

⁵⁶ This action point was implemented.

⁵⁷ This action point was implemented.

ELSTAT is currently recording tax refunds at the moment the AFEK certificate is cleared by the tax authorities (step 3). Normally, the time lag between the issuance and the clearance of the AFEK certificate was short and most⁵⁸ AFEK certificates issued in the year were cleared within the same year (until 2015). Because of this, it was agreed that the clearance of the AFEK could be used as the time of recording.

However, in December 2015, EUR 500 mn of AFEK were issued and were not cleared until the beginning of year 2016. Eurostat inquired on this issue in order to assess whether the EUR 500 mn refund should be booked in 2015 and not in 2016 as originally foreseen by the Greek statistical authorities.

Discussion

Eurostat inquired on the reason for not clearing the amounts in 2015. ELSTAT explained that the entity responsible for these data is the General Secretariat for Public Revenue and that the issue would be investigated. Eurostat urged ELSTAT to obtain an official explanation on the non-clearance of the amounts⁵⁹.

Eurostat recalled that there had been similar cases in two other Member States and that in both cases Eurostat had asked to correct the figures. This should also be the case in Greece, where it should be considered that the amounts had been cleared in 2015 and an imputation should be made in the accounts of that year.

Eurostat stated that the time lag between the issuance and clearance of the AFEK certificate should be closely monitored by ELSTAT, which should consider the possibility to change the time of recording in the long-term if the time lag starts to be significant.

DG ECFIN explained that there was a stock of EUR 2.5 bn of tax refunds to be paid for which no AFEK had been issues and therefore, amounts were not accounted anywhere. ELSTAT explained that the stock of EUR 2.5 bn had been quite stable over time and that, therefore, this should not be an issue for the yearly deficit.

Eurostat urged ELSTAT to receive the information for the four steps (submission of tax declaration, issuance of AFEK, clearance of AFEK, payment of amounts), so as to be able to properly monitor the correct recording of tax refunds. ELSTAT was requested to investigate, as well, when the stock of EUR 2.5 bn accumulated.

Main findings and conclusions

Action point 43 (previous Action point 33 (Part I)): Concerning tax refunds, ELSTAT will provide the monthly tax series on AFEK issuance and clearance for the five last years, including the latest available month, and will inform Eurostat on the correct time of recording to be applied. Quarterly EDP tables 2A will also be provided up to the last quarter available.

⁵⁸ Amounts not cleared within the same year were negligible.

⁵⁹ The explanation was provided during the ad-hoc visit of June 2016.

Deadline: 1st March 2016⁶⁰

Action point 44 (previous Action point 4 (Part II)): Eurostat takes note of the exceptional situation encountered in December 2015 concerning very large amounts of AFEK certificates issued and not cleared. Eurostat considers that, bar very good evidence obtained from the tax authorities, such amounts should be recorded as government negative tax revenue in year 2015, in line with similar cases occurred in other Member States in the past.

Deadline: 31st March 2016⁶¹

Action point 45 (previous Action point 5 (Part II)): ELSTAT should ensure to systematically receive from the relevant national authority, monthly information on the four steps listed above, so as to be able to appropriately monitor the situation concerning tax refunds.

Deadline: Ongoing. Progress report by March 2017

4.6. Recording of EU funds

Introduction

Regarding the recording of EU flows, the Greek statistical authorities continue to use the submission of claims as the basis of recording, which was agreed as a follow up of the methodological visit to Greece in 2-3 June 2008. Eurostat aimed at discussing whether this recording is still appropriate.

The general recording of EU funds was discussed, as well as the triangular table, the data sources (OPEKEPE and G-SPA) and the treatment of amounts returning to the working balance ('financial instruments').

Discussion

Eurostat recalled the general rule that EU inflows and related government outflows should be neutral on government B.9. Ideally, inflows and outflows should be identified and neutralised by including outflows and inflows for the same amount. This information was not available in Greece and, in 2008, it had been agreed, as a second best, to achieve the neutrality by using the submission of claims.

Eurostat inquired on the time-lag between the actual payments and the submission of claims. The Greek statistical authorities confirmed that the time lag was around two or three months. The G-SPA expressed their view that the submission of claims was the most reliable data source available.

The Greek statistical authorities described the data sources as well as the mechanism used for the recording, which is complex. The Single Payment Authority (G-SPA) is the

⁶⁰ This action point was implemented.

⁶¹ This action point was implemented.

main provider of data on transactions with the EU. The G-SPA provides ELSTAT with the Table "Presentation of Payments Requests under the criterion of the submission date", as well as the "triangle table" that shows data for the year of request (submission of claims) and the year of payment (by the EU Commission). Data on agriculture are provided by OPEKEPE.

The payments done by the G-SPA are included in the working balance. However, payments by OPEKEPE (related to agriculture) are included in the working balance only partially. It was confirmed that OPEKEPE amounts are monitored by GAO since year 2013.

The recording of agricultural subsidies was discussed. They are managed by OPEKEPE, an entity classified in the government sector (S.1311.2), through an account called ELEGEP. ELEGEP has a separate budget and it is an extra-budgetary account which does not enter the working balance.

OPEKEPE manages three programmes (fishery, agriculture and others). For one of the programmes, OPEKEPE borrows from Piraeus Bank. These amounts do not enter the working balance and the only entries in EDP table 2A concern interest and fees. There are however entries in EDP table 3B. For the remaining two programmes, the advances are provided from the PIP (public investment programme) and other sources. These amounts appear in the working balance (as expenditure of the state) and need to be neutralised in the lines of EDP table 2A. Penalties paid from ELEGEP to the EU also appear in EDP table 2A as adjustments.

The Greek Statistical authorities confirmed that amounts from ELEGEP are also recorded on the basis of claims submitted and that such amounts are easy to identify. However, it is not possible to identify amounts in the budget (from the PIP). It was confirmed as well that big amounts by the EU are paid directly to ELEGEP.

Some amounts related to ETEAN were discussed in detail. This entity is classified in the government sector (S.1311.2) and provides loans and guarantees to SMEs. ETEAN is financed from EU funds and from the national budget. However, no amounts come directly from the EU, all being provided from the national budget. It was confirmed that in 2015, ETEAN returned EUR 420 mn to the budget, which entered as an inflow the working balance. It was clarified that 20% of the amount was the return of a national contribution and could therefore be recorded as a non-financial transaction (government revenue) and that the remaining 80% was the devolution of EU funds, which should be treated as a financial transaction (reduction of claims, F.8). Besides, EUR 194 mn from Jessica and Jeremy funds were also repaid to government in 2015.

Eurostat was informed that there was a EU decision in 2015 concerning Greece increasing the EU financed part from 80% to 100%, to be applied retroactively from year 2007. Such retroactive amounts is treated as transfer to the Greek government and recorded as revenue.

The triangular table prepared by the G-SPA was discussed in detail. The claims submitted in a given year are reported in the lines of the table, while the columns contain the year of payments. It was confirmed that the triangular table contains the net amounts sent to the EU, i.e., original claims less deductions. Eurostat is of the view that the net

figure does not allow a proper monitoring and checking of the amounts and suggested that the template be changed.

In order to reconcile amounts, an example with figures was given. In 2010, the claims submitted were EUR 1,500 mn for which the EU paid 80% (EUR 1,200 mn). In 2015, the EU has decided to pay retroactively up to 100%, so the 20% of 2010 (EUR 300 mn) should be paid to Greece and booked as revenue in 2015. Besides, by 2015, the final amount spent by Greece with respect to financial instruments was confirmed to be EUR 900 mn (out of the 1,500 of claims submitted). Therefore EUR 600 mn should be repaid to the EU in 2015 (in the form of reduction of claims submitted in 2015) and booked as expenditure. The final impact on B.9 in 2015 should be EUR -300 mn (= -600+300).

The Greek statistical authorities confirmed that other refunds to the EU concerning financial instruments would take place at the end of 2016 or beginning of 2017. It was confirmed that other possible flows related to the retroactive payment of 100% of the claims submitted were not expected.

Eurostat pointed out a number of issues to be clarified for the April 2016 EDP Notification and underlined that the reporting should be split between gross claims and adjustments in order to be able to carry out a proper assessment. Besides, it suggested that, in the long term, the recording of EU funds should be changed from submission of claims basis to expenditure basis.

The expert providing technical assistance to Greece and the representative from DG ECFIN agreed with Eurostat and stated that more clarity is needed in the reporting of EU funds in order to have a better understanding of the triangular table and the budget amounts involved.

Main findings and conclusions

Action point 46 (previous Action point 18 (Part I)): Eurostat will examine the current recording followed for OPEKEPE transactions and the issue of EU adjustments will be re-discussed in Part II of the mission (22-24 March 2016).

Deadline: 22nd March 2016⁶²

Action point 47 (previous Action point 15 (Part II)): Based on the discussion regarding the recording of other accounts receivable and payable in EDP table 2A, ELSTAT will clarify whether the following amounts have been appropriately recorded:

- the amounts returned to the EU concerning ETEAN, Jessica and Jeremy (80% of around EUR 614 mn, to be treated as redemption of payables and, therefore, not impacting government B.9)
- the amounts concerned by the EU decision on retroactive increase of the part funded by the EU (increased from about 80% to 100%, treated as government revenue).

Deadline: 31st March 2016⁶³

⁶² This action point was implemented.

⁶³ This action point was implemented.

Action point 48 (previous Action point 16 (Part II)): As far as the methodology for recording EU funds is concerned, Eurostat considers that the Greek statistical authorities should investigate the possibility to move from a recording based on claims submitted to the EU to a recording based on actual expenditure incurred.

Deadline: Progress report by 31st August 2016⁶⁴

Action point 49 (previous Action point 17 (Part II)): Greek Single Payment Authority will adapt the template for the triangular table of EU funds as follows:

- a line should be added for the amortisation of claims to be deducted from payables towards the end of the program;
- additional columns should be added to show the claims submitted and not yet paid and the total claims submitted;
- if possible, the latter should be split between gross refundable expenditure and addition/subtraction carried out by G-SPA

Deadline: May 2016⁶⁵

4.7. Other (recording of subsidies and other issues)

Introduction

In 2015, DG COMP has declared that certain subsidies granted by the Greek State to farmers in the past were illegal. Apparently, the decision is final and cannot be appealed. The farmers will be obliged to give the amounts back to the Greek State and will be allowed to repay over a period of five years. The estimated amount to be repaid to the Greek State is around EUR 350 mn.

Eurostat raised the issue in order to confirm the facts and to agree on the time of recording to be applied.

Discussion

Eurostat expressed its view that, in case of doubt on the repayment of the amounts, the recording should be done on cash basis.

Main findings and conclusions

Action point 50 (previous Action point 14 (Part II)): In 2015, an EU decision on State Aid ruled that certain subsidies granted in past years to farmers should be reimbursed to the Greek government. Eurostat considers that, given the uncertainty of the reimbursement, such amounts should be recorded on a cash basis.

Deadline: Ongoing⁶⁶

⁶⁴ The discussion on the methodology for recording EU funds is still open.

⁶⁵ This action point is in progress.

5. Analysis of EDP tables and questionnaire related to the EDP – Preparation of the April 2016 EDP Notification

Introduction

Before the mission, ELSTAT provided a draft version of the EDP tables prepared for the April 2016 EDP Notification. The tables were analysed during the visit and a number of technical questions were raised by Eurostat.

5.1. Budgetary Central Government

Discussion

EDP table 2A1

Eurostat inquired on some of the lines reported in the detailed table 2A.

Eurostat inquired on the line H35 (working balance correction). ELSTAT explained that it was used to adjust the time-lag between the publication by GAO and the compilation by ELSTAT.

Eurostat inquired on the line C3 (EU accrued interest), where zero is reported from year 2015. It was confirmed that the amounts therein refer to correction for interest cancellation applied retroactively. Corrections for forward looking interest are applied in line E1 (difference between interest paid and accrued).

Interest payments on swaps are included in the working balance and, therefore, a correction line is needed (C4, interest on conventional swaps) in table 2A. Eurostat inquired on the significant amounts reported for 2015 (EUR 508 mn). It was explained that the significant amounts in 2015 refer to swaps contracted in 2008 which were forward starting (in 2015). The swaps are loss making, as they pay a fix rate of 5% in exchange of a floating rate.

Eurostat inquired on the adjustment for emission trading (D15). It was confirmed that the methodology followed the MGDD rules in force at the time. Eurostat asked to receive the working file. ELSTAT recalled that the proceeds of the sales of permits go to LAGIE, which was classified in S.11 before and is in S.13 now. Eurostat recommended to double check that the proceeds do not enter B.9.

Eurostat stressed that adjustment lines H.37 to H.42 contain the adjustments for the B.9 of a number of extra-budgetary entities classified in central government (EETT, ERT, TAIPED, etc.). Eurostat stated its view that these entities should be better reported in the table for S.1311.2 (and not in the one for S.1311.1) and should be covered by the “survey” dealing with extra-budgetary funds.

Eurostat inquired on the line G2 (changes in the balance of treasury accounts) and the significant amounts reported for 2015 (EUR 506 mn) as compared to the previous years,

⁶⁶ This action point was implemented.

where amounts were quite stable. It was explained that these comprised around 8,000 active accounts in the BoG which are not included in the budget. They are extra-budgetary accounts through which cash transits from the working balance to beneficiaries. The expenditure is recorded at the time the amounts leave these accounts. GAO explained that, following an action point from the past, the accounts should be split in two groups: a group of accounts that should have B.9 impact and a group of accounts to be treated as financial. However, such split is not possible and the amounts in all accounts are adjusted impacting B.9. Eurostat stated that the issue should be examined, as all amounts should not necessarily impact B.9. Eurostat pointed out that the amounts adjusted in EDP table 2A are always positive. It was explained that most of the amounts come from one single account, which is related to some sort of tax on interest on deposits. Amounts in this account increase all the time, as the tax received are accumulating.

Eurostat asked ELSTAT to clarify the content of line H49 (settlement of government arrears). It was explained that both the settlement of State arrears and the transfers provided by the State to other subsectors, for the payment of arrears, was outside the working balance. Therefore, an adjustment is needed to reflect the transfers provided by the State to public hospitals, local government and social security funds for the settlement of their arrears as well as the settlement of the State own arrears. In order to improve clarity in the reporting, ELSTAT was requested to provide a split of the amounts in each notification, as follows:

- D.73 to cover arrears of public hospitals
- D.73 to cover arrears of local government
- D.73 to cover arrears of social security funds
- Payment of own arrears of the budgetary central government (in addition, this item would be better reported in the adjustment lines for other accounts payable).

It was recalled that the line H30 (cash receipts for code number 2993 from working balance) is used to eliminate from the working balance the cash received by the Greek state from the 3 pillar measures enacted in 2008 (guarantees, loans and preference shares granted in order to support financial institutions). The accrued amounts are reported in the subsequent lines H31 (accrued bank guarantees fees), H32 (accrued bond loan scheme fees) and H33 (accrued interest or dividend of preference shares).

Eurostat requested to check the adjustment for the EU budgetary contribution (line H65) and correct the amounts for 2015, as appropriate. Eurostat recalled that the amount was paid in 2016 and that the UK paid in Pounds, which appreciated. The European Commission made holding gains, which were distributed to Member States, leading to further changes in the accounts.

It was confirmed that the adjustment for -236 mn reported in line H45 (ANFA payments) for 2015 refers to a late payment for amounts accrued in 2014 and already recorded. The cash was received in 2015 and included in the working balance, so an adjustment is needed.

ELSTAT recalled that a further EUR 55 mn had been received from BoG in 2015 on a voluntary basis (not linked to amounts accrued in 2014). This amount is included in the working balance and will be recorded as revenue if the super-dividend test is fulfilled. ELSTAT anticipated that the profits of BoG would be rather high in 2015 because of the ELA.

It was confirmed that the line H60 (exclude cash from intangibles) eliminates the cash from sales of intangibles (licences, etc.) booked in the working balance. And the lines H61-H62 (rent or tax) are used to impute the related rents/taxes spread over the years of the contract.

EDP table 3B1

Eurostat remarked that adjustments for SDR holdings and allocations (considering them as government assets and liabilities) had been included, but that no adjustment had been included yet for the reserve tranche. Eurostat pointed out that not adjusting the reserve tranche as well would be unacceptable.

Eurostat pointed out that the transfer of ESM notes between the state (S.1311.1) and HFSF (S.1311.2) was currently recorded as transactions in equity and invited ELSTAT to re-examine the recording. The option of current transfer was suggested.

ELSTAT explained that the differences between the adjustments in tables 2A and 3B as regards ELEGEP were due to the fact that the adjustments in table 2A included only two funds (small) while those in table 3B included the three funds (the third one involving bigger amounts).

Eurostat inquired on the adjustment for treasury accounts in this table and asked about the link with the adjustments for the balance of treasury accounts in table 2A. It was explained that, although they have the same title (treasury accounts), the adjustments refer to different issues. The adjustments in table 2A refer to a set of around 8,000 accounts, while those in table 3B refer to 10 separate accounts related to bank support, debt, coins, military expenditure and EU funds. It was confirmed that the 8,000 accounts of table 2A are taken into account for the change in deposits (F.2) in table 3B.

Main findings and conclusions

Action point 51 (previous Action point 20 (Part II)): ELSTAT will provide the existing documentation for the calculation of emission allowances (working file).

Deadline: 31st August 2016⁶⁷

Action point 52 (previous Action point 21 (Part II)): The Greek statistical authorities will provide a note with detailed information on all the treasury accounts reported in tables 2A (line G2, around 8,000 active accounts) and 3B (around 10 accounts).

Deadline: 31st August 2016⁶⁸

Action point 53 (previous Action point 22 (Part II)): Eurostat recommended that a number of entities currently reported in EDP table 2A1 for budgetary central government (ERT, TAIPED, EETT, etc.) be covered by the questionnaire addressed to other central government entities and reported in table 2A2, as all other similar units in S.1311.2.

⁶⁷ This action point was implemented.

⁶⁸ This action point was implemented. However, further work is needed on this action point.

*Deadline: October 2016*⁶⁹

Action point 54 (previous Action point 23 (Part II)): Eurostat took note of the explanation for adjustment line H49 (settlement of government arrears) in EDP table 2A. Such line sum up amounts, excluded by GAO from the working balance, which are related to the settlement of arrears of different government subsectors. Eurostat suggested that the amounts reported in adjustment line H49 in EDP table 2A are broken down as follows:

- D.73 to cover arrears of public hospitals
- D.73 to cover arrears of local government
- D.73 to cover arrears of social security funds
- Payment of own arrears of the budgetary central government (in addition, this item would be better reported in the adjustment lines for other accounts payable).

The split should be provided either in EDP table 2A by including additional lines or in the explanatory note provided with each EDP Notification.

*Deadline: In the April 2016 EDP Notification, the split should be provided during the clarification round (before 15 April 2016). In subsequent notifications, the split should be provided at the time the EDP tables are transmitted to Eurostat.*⁷⁰

Action point 55 (previous Action point 24 (Part II)): ELSTAT will clarify the adjustments reported in EDP table 2A for EU budgetary contribution (line H60) in the years 2014 and 2015 and will move the adjustment line to the adjustment lines for other accounts receivable/other accounts payable.

*Deadline: 31st March 2016*⁷¹

Action point 56 (previous Action point 25 (Part II)): ELSTAT should re-examine the recording between the budgetary central government and HFSF in EDP tables 2 and 3, notably as regards the transfer of ESM notes concerning loans received from the EU for bank recapitalisations.

*Deadline: 31st March 2016*⁷²

5.2. Local Government

Discussion

ELSTAT informed of a correction that would be made to the local government figures submitted prior to the mission. The state had recorded a D.73 transfer (expenditure) to

⁶⁹ This action point was implemented.

⁷⁰ This action point was implemented.

⁷¹ This action point was implemented.

⁷² This action point was implemented.

the local government for an amount of around EUR 2 bn. However, only EUR 1,950 mn were cashed and the amount recorded in the working balance of local government as D.73 revenue was EUR 1,950 mn. In order to match the two entries, an amount of EUR 56 mn will be recorded as other accounts receivable (F.89) in the accounts of local government.

Eurostat pointed out that the local government has an accumulated surplus of EUR 2.4 bn over the years reported in the EDP tables while the debt had remained stable. ELSTAT explained that the surplus had been used mainly to repay payables and for the acquisition of financial assets against other government subsectors (such as repos with central government).

ELSTAT informed that a new database (KOMVOS) established by the Ministry of Interior would be used in April 2016 for the non-financial figures of local government for years 2014 and 2015. For the financial accounts, the old database EETAA will continue to be used. Eurostat encouraged the Greek Statistical Authorities to extend KOMVOS also to the financial accounts. ELSTAT recalled that the old database EETAA collects data on payables, deposits, loans (assets and liabilities) and shares and does not cover data on securities directly (but indirectly through investment in Common Capital). It was recalled that the data source for debt securities as well as for repos is BoG.

Municipalities put their cash in the Common Capital, which invests major amounts in the form of repos. Eurostat recalled that the Common Capital seemed to function like a mutual fund with all investors treated equally according to their participation. BoG was urged to check the 2014 and 2015 reporting for local government and social security, as there seem to be some inconsistencies related to the Common Capital. Eurostat suggested that the amounts invested by local government could perhaps be split between repos and securities (instead as only repos as currently reported).

It was recalled that, during the period 2012-2014, the local government received transfers from central government to pay past payables. It was confirmed that no such transfers were received for this purpose in 2015 and, therefore, payables were not paid in that year. ELSTAT indicated that the stock of payables has been reduced from around EUR 1.5 bn in 2011 to around EUR 500-600 mn in 2015.

ELSTAT confirmed that all municipalities and regions currently submit data except a very small island (Gavdos). Concerning municipal entities of public and private law, as discussed in previous sections, a big number of small entities are currently not providing data and improvements in this respect are expected.

Main findings and conclusions

Action point 57 (previous Action point 18 (Part II)): Concerning data sources for local government, Eurostat took note that a new data source, KOMVOS, has been introduced for non-financial accounts from April 2016. The existing data source, EETAA, will continue to be used for the financial accounts. Eurostat encouraged speeding up the current plans to extend KOMVOS to financial and balance sheet information, as it is crucial that ELSTAT benefits from an integrated and consistent database.

Deadline: Ongoing. Progress report by March 2017

Action point 58 (previous Action point 19 (Part II)): Bank of Greece is invited to check the current recording of local government financial investment (via the Common Capital) for 2015 (for F.4-F.3 split) reported in EDP table 3D.

Deadline: 31st March 2016⁷³

5.3. Social Security Funds

Discussion

Eurostat raised some questions on the adjustments for claw-backs and rebates related to the payables of EOPPY and committed to take a close look after the mission. Such claw-backs and rebates were introduced both retroactively and forward looking, following legislation approved in 2013. Although the detail of the adjustments is not shown in EDP table 2D, it is provided to Eurostat in each notification, in a supplementary table.

DG ECFIN mentioned that following a new law in 2016, there would also be claw-backs for pharmaceutical expenditure in that year.

ELSTAT also explained that, in 2015, there was a mismatch in D.73 between amounts booked as expenditure of S.1311 and amounts booked as revenue of S.1314. The difference, paid in 2016, will be recorded as a receivable of the social security in 2015.

Main findings and conclusions

Action point 59 (previous Action point 26 (Part II)): Eurostat will examine the recording of rebates and claw-backs concerning EOPPY, for which several adjustments are undertaken every year in the accounts of social security funds. If needed, the issue will be discussed in the next EDP meeting.

Deadline: September 2016⁷⁴

⁷³ This action point was implemented.

⁷⁴ The issue will be followed-up in the next EDP visit (January 2017).

Annex 1

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Annex 3

Eurostat EDP dialogue visit to Greece **Part I, 17-19 February 2016** **Part II, 22-24 March 2016**

Final Agenda

PART I (February 2016)

1. STATISTICAL CAPACITY ISSUES

- 1.1 Institutional responsibilities in the framework of EDP data reporting and government finance statistics compilation
- 1.2 Practical issues related to data sources:
 - Different issues related to debt compilation

2. FOLLOW-UP OF PREVIOUS EDP DIALOGUE VISITS – EDP VISIT SEPTEMBER 2015

- 2.1 PPPs, Concessions (and EPCs)
- 2.2 Sale and leaseback transaction concerning 28 buildings
- 2.3 Sector Classification (TEKE, LAGIE, CDLF, EDEKT, Onaseio Hospital, STASY, municipal entities and other further cases under discussion)
- 2.4 Questionnaire on government controlled entities classified outside government
- 2.5 Ownership and control of financial institutions with participation of the Greek Government
- 2.6 SDRs
- 2.7 DTAs
- 2.8 Common Capital
- 2.9 Other: EDP Inventory, ENFIA, ANFA/SMP, swaps, MoU, etc.

3. ANALYSIS OF EDP TABLES – FOLLOW UP OF THE OCTOBER 2015 EDP NOTIFICATION

- 3.1 Reporting in the lines of EDP tables 2A and 3B. Detailed analysis
- 3.2 Reporting in the questionnaire related to EDP tables
- 3.3 Distributions to government by public corporations and by the Bank of Greece.

4. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS

- 4.1 Bank recapitalisation and resolution measures in 2015.
- 4.2 Overview of the recapitalisation operations carried out in past years

- 4.3 Privatisations and other operations undertaken and foreseen by TAIPED
(airports, rails, ports, etc.)
- 4.4 New privatisation Fund. State of play
- 4.5 Implementation of accrual principle
- 4.6 Recording of EU funds
- 4.7 Other (recording of subsidies and other issues)

5. CONCLUSIONS AND ACTION POINTS PART I

PART II (March 2016)

6. FOLLOW-UP OF PART I

7. ANALYSIS OF EDP TABLES AND QUESTIONNAIRE RELATED TO EDP – PREPARATION OF THE APRIL 2016 EDP NOTIFICATION

- 7.1 Budgetary Central Government
- 7.2 Local Government
- 7.3 Social Security Funds

8. ANY OTHER BUSINESS

9. CONCLUSIONS AND ACTION POINTS PART II



EDP ad-hoc visit to Greece

27-28 June 2016

Main conclusions

1. Introduction

Eurostat carried out an EDP Ad-hoc visit to Greece on 27-28 June 2016.

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 (Head of Unit D-1), Mr Philippe de Rougemont, Ms Lourdes Prado Ureña and Ms Laura Wahrig.

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). In addition, representatives from the Greek Single Payment Authority (G-SPA) and the Public Investment Programme (PIP) participated in the discussion for some specific points in the agenda.

The expert providing technical assistance to ELSTAT in the framework of the JOSGAP also participated in the meeting.

Following the EDP dialogue visit of February-March 2016 and the April 2016 EDP Notification, a number of technical issues were identified for which further discussion was necessary. These issues were mainly related to the reclassifications of CDLF and the HDIGF (TEKE) into the government sector, the amendment of concession contracts and the methodology for EU flows and tax refunds among others.

Another focus of the visit was to discuss the unsatisfactory state of the quarterly financial accounts for general government. Eurostat has not been in a position to validate and publish Greek quarterly financial accounts for general government as reported by the Bank of Greece since October 2015. This situation worsened in April 2016, when the implicit discrepancies with non-financial accounts reached unprecedented levels. Eurostat underlined that the absence of comparable and reliable quarterly financial accounts for general government makes difficult the assessment of the reported EDP figures.

Eurostat carried out this EDP Ad-hoc visit to Greece in order to clarify open technical issues and to express its concerns as regards the compilation of financial accounts in due time before the October 2016 EDP Notification.

The outcome of this visit was a number of actions to be undertaken by the Greek Statistical Authorities as concerns the compilation of EDP and GFS data.

Eurostat thanked the Greek statistical authorities for their co-operation during the mission and considered that the discussions were constructive.

An executive summary of this visit is provided at the start of this document (see page 5).

2. Main conclusions and action points

The main conclusions and action points resulting from the ad-hoc visit are the following:

Action point 1: Eurostat recommended that the CDLF⁷⁵ be reclassified into the government sector from 1st January 2014 rather than the current position of 2014 Q2.

Deadline: October 2016 EDP Notification⁷⁶

Action point 2: In relation to the non-performing loans (NPLs) of CDLF, ELSTAT will check the following:

- whether the interest accrued on NPLs is treated as revenue in the profit and loss account;
- whether there have been cases of write offs or debt cancellations;
- the counterpart sector of such loans;
- the origin of the provisions.

Deadline: October 2016 EDP Notification⁷⁷

Action point 3: Concerning consignments, ELSTAT will investigate the nature of the amounts deposited in CDLF both by government and by private entities, whether they earn and pay interest and the conditions under which they can be withdrawn, in order to confirm whether they should be included in government debt.

Deadline: October 2016 EDP Notification⁷⁸

Action point 4: ELSTAT will investigate the apportioning of CDLF assets invested through the Common Capital. ELSTAT will provide to Eurostat the relevant information received from BoG.

Deadline: October 2016 EDP Notification⁷⁹

⁷⁵ Consignment Deposit and Loan Fund

⁷⁶ This action point was implemented.

⁷⁷ A note on this action point was provided. Further clarification is needed on some points.

⁷⁸ A note on this action point was provided. The recording of consignments as F.2 is provisionally agreed.

⁷⁹ This action point is outstanding.

Action point 5: ELSTAT will submit to Eurostat an updated version of the accounts of TEKE⁸⁰ including the interest of the Supplementary Deposit Compensation Fund (SDCF) and the Investor Compensation Scheme (ICS) assets.

Deadline: October 2016 EDP Notification

Action point 6: Eurostat and ELSTAT will reflect on how the SDCF⁸¹ contributions paid by financial institutions to the Deposit Cover Scheme (DCS) of TEKE should be recorded.

Deadline: October 2016 EDP Notification⁸²

Action point 7: BoG will investigate how contributions to the SDCF of TEKE and the associated assets are recorded in the business accounts of credit institutions.

Deadline: October 2016 EDP Notification⁸³

Action point 8: Eurostat considers it unacceptable that BoG does not follow methodological decisions jointly taken by Eurostat and ELSTAT, for the compilation and provision of financial accounts. As a consequence, Eurostat has severe difficulties to undertake a proper assessment of the quality of EDP data.

Deadline: Immediate action is expected from Bank of Greece⁸⁴

Action point 9: Eurostat and ELSTAT reiterated their concerns over the non-compliance of BoG with Regulations 459/2013 (on ESA 2010) and 479/2009 (on the EDP) and urged BoG to comply with both regulations.

Deadline: October 2016 EDP Notification at the latest⁸⁵

Action point 10: ELSTAT, being the Statistical Authority in Greece, was urged to explore alternative solutions concerning the compilation of financial accounts in order to comply with Regulations 459/2013 and 479/2009.

Action point 11: BoG will clarify the nature of the amounts reported as AF.2 assets of general government held in resident MFIs (other than BoG), as well as the amounts reported under OEFs for F.2. Newly reported OEF in F.7 in 2012 Q3 should also be clarified.

⁸⁰ Hellenic Deposit and Investment Guarantee Fund (HDIGF)

⁸¹ In the case of the Deposit Cover Scheme of TEKE, the yearly contribution is broken down in two parts. One fifth (1/5) is apportioned to the Primary Deposit Cover Fund (PDCF). According to the financial statements of TEKE, this part is recorded an asset of TEKE and it affects its financial results. The remaining fourth fifths (4/5) are apportioned to the Supplementary Deposit Cover Fund (SDCF), which is a group of assets owned ab indiviso by the participating institutions and does not affect the financial results of TEKE.

⁸² This issue is currently under discussion in the EDPS WG.

⁸³ This action point was implemented.

⁸⁴ This action point is outstanding.

⁸⁵ This action point is outstanding.

*Deadline: 15 July 2016*⁸⁶

Action point 12: BoG should provide ELSTAT with the detailed Common Capital (CC) information by unit and transaction, including the market and nominal value, as previously requested. BoG should also provide the relevant detailed information on other (non-CC) transactions that ELSTAT needs.

Deadline: October 2016 EDP Notification

Action point 13: Concerning EBFs (other central government entities) and SSF⁸⁷, ELSTAT will report on the individual vertical discrepancies by unit, expressed as percentage of financial assets.

*Deadline: October 2016 EDP Notification*⁸⁸

Action point 14: Eurostat urged ELSTAT to identify areas for improvement concerning the data source and processing of PIP data.

*Deadline: Progress report by December 2016*⁸⁹

Action point 15: Eurostat confirmed its view that large transfers between the Greek State and HFSF⁹⁰ should be reported as D.73 rather than as F.5. This also applies to similar transfers to other EBFs.

*Deadline: October 2016 EDP Notification*⁹¹

Action point 16: ELSTAT will carry out the quantitative test for STASY, including the cost of capital (interest payable) for building the assets legally-owned by Attiko Metro and used by STASY. ELSTAT will also perform the test considering STASY and Attiko Metro as one single statistical unit. Based on this calculation, ELSTAT will make a decision concerning the sector classification of STASY.

*Deadline: October 2016 EDP Notification*⁹²

Action point 17: GAO and BoG should carry out a detailed analysis of all Treasury Accounts (TSA) in order to review their treatment in EDP Table 2A.1 and EDP Table 3B. ELSTAT should confirm whether the relevant accrual adjustments by category have been carried out. Furthermore, the possibility of grossing-up for the purpose of reporting payables/receivables and total revenue/total expenditure should be investigated. Special

⁸⁶ This nature of the amounts reported as AF.3 assets has been clarified. The actions related to OEFs are outstanding.

⁸⁷ Social Security Funds

⁸⁸ This action point was implemented.

⁸⁹ This action point is outstanding.

⁹⁰ Hellenic Financial Stability Fund

⁹¹ This action point was implemented.

⁹² This action point was implemented. STASY was reclassified in the government sector in October 2016.

attention should be paid to accounts 240 and 611451. In the absence of information, account 240 should be removed to eliminate one identified error concerning military expenditure.

Deadline: For accounts 240 and 611451, October 2016 EDP Notification⁹³. For the rest, April 2017.

Action point 18: ELSTAT will include EUR 100 mn in government debt resulting from the operations incurred between an IfG sub-fund and KfW.

Deadline: October 2016 EDP Notification⁹⁴

Action point 19: ELSTAT will investigate the sector classification of IfG and its three sub-funds.

Deadline: December 2016⁹⁵

Action point 20: ELSTAT will take the necessary steps to ensure timely access to newly signed or renegotiated contracts from TAIPED.

Deadline: Ongoing. Progress report by December 2016⁹⁶

Action point 21: In relation to concession agreements for 14 regional airports signed in 2015, ELSTAT will send a note to Eurostat confirming the different amounts involved (investment commitment fair value of the existing assets, etc.) as well as a copy of one of the contracts. The statistical recording will be confirmed based on this information.

Deadline: October 2016 for ELSTATs note. December 2016 for confirming the treatment⁹⁷

Action point 22: ELSTAT should monitor the developments concerning the AIA⁹⁸ concession contract amendment in order to assess the statistical implications.

Deadline: Ongoing. Progress report by December 2016⁹⁹

Action point 23: ELSTAT should inquire on the legal arrangements in relation to the Hellinikon transactions and clarify the reference to the 30% ownership.

Deadline: Ongoing. Progress report by December 2016¹⁰⁰

⁹³ In October 2016, account 240 has been removed. Further analysis of the Treasury accounts is expected.

⁹⁴ Eurostat agreed to postpone the deadline for this action point until the sector classification of IfG and its sub-funds is agreed.

⁹⁵ ELSTAT has provided a note. Further discussion is needed on this issue.

⁹⁶ The progress report is outstanding.

⁹⁷ The contract has been provided. The statistical treatment needs to be confirmed.

⁹⁸ Athens International Airport

⁹⁹ The progress report has been provided.

Action point 24: ELSTAT will prepare a note describing the features of the various concession contracts for the Piraeus Port Authority.

Deadline: December 2016¹⁰¹

Action point 25: Eurostat considers that the municipal water companies in Greece should be classified in the government sector. Eurostat will investigate the situation in other countries in order to propose a consistent implementation plan.

Deadline: Eurostat will report on the situation by December 2016¹⁰²

Action point 26: For the period 2009-2016, the G-SPA¹⁰³ will provide to Eurostat a triangular table on EU flows showing by year the breakdown of expenditure incurred by government on behalf of the EU, as well as the claims submitted to the EU.

Deadline: End of July 2016¹⁰⁴

Action point 27: BoG will investigate the situation as regards the preference shares issued in 2009 and purchased by the Greek government, which have not been repurchased. This includes also the situation concerning whether interest unpaid on them is being deferred or cancelled.

Deadline: October 2016 EDP Notification¹⁰⁵

Action point 28: Concerning the preference shares purchased by the Greek government in banks that are under liquidation, Eurostat considers that a capital transfer should be recorded at the start of the liquidation process.

Deadline: October 2016 EDP Notification¹⁰⁶

Action point 29: ELSTAT should monitor the possible repurchase of CoCos by NBG, following the sale of its subsidiary Finansbank, and will analyse the related statistical implications.

Deadline: October 2016 EDP Notification¹⁰⁷

¹⁰⁰ The progress report has been provided.

¹⁰¹ The note has been provided. The statistical treatment needs to be confirmed.

¹⁰² This action point is in progress.

¹⁰³ Greek Single Payment Agency

¹⁰⁴ The triangular table has been provided.

¹⁰⁵ BoG has provided a reply in January 2017. The issue needs to be further monitored.

¹⁰⁶ This action point was implemented in October 2016.

¹⁰⁷ This action point was implemented. The original treatment as a capital transfer was kept in October 2016. The new developments were analysed and discussed in January 2017 and will most likely lead to changes in April 2017.

Action point 30: ELSTAT will analyse the statistical implications related to the package of measures approved by the Greek Parliament in May 2016 and will report back to Eurostat.

Deadline: February 2017

Action point 31: ELSTAT will analyse the newly created privatisation fund (HCAP¹⁰⁸) in order to decide on the statistical classification of the entity. The statistical classification of its subsidiaries (the new and existing ones) should also be assessed.

Deadline: February 2017¹⁰⁹

¹⁰⁸ Hellenic Corporation of Assets and Participation

¹⁰⁹ This action point was implemented.

Annex 4

List of Participants Ad-hoc visit 27-28 June 2016

ELSTAT

Maria Stavropoulou – National Accounts Division (Director)
Konstantinos Chrissis– General Government Accounts Section (Head of Section)
Anastasia Katsika
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GAO (General Accounting Office of the Ministry of Finance)

Dimitrios Karatzas
Angelos Karapatis
Maria Danaka
Georgia Rokadaki

Bank of Greece

Maria Papageorgiou
Heraklios Lykiardopoulos

G-SPA

Vasiliki Alesta

OPEKEPE/ELEGEP

Antonis Tasoulis

Ministry of Finance (Public Investment Programme)

Takou Theano
Fani Karamitsa
Thalis Ladakakos

European Commission DG Eurostat

Lena Frej Ohlsson (Head of Unit D2 Excessive Deficit Procedure (EDP) 1)
Luca Ascoli (Head of Unit D1 Excessive Deficit Procedure and methodology)
Lourdes Prado Ureña (Desk officer for Greece, Unit D2)
Philippe de Rougemont (Team Leader Methodological issues, Unit D1)
Laura Wahrig (Team Leader GFS, Unit D4)

Technical assistance to ELSTAT

Martin Kellaway

Eurostat EDP Ad-hoc visit to Greece

Final Agenda

0. Introduction

1. Practical details linked to reclassification of entities in S.13

1.1. CDLF

- NPLs and interest accrued
- Consignment instrument and consolidation
- Investments in bonds/repos by CDLF
- Securitisation operation by Grifonas

1.2. TEKE/HDIGF

2. Practical details linked to the reclassification of concessions

3. Compilation and source data issues

3.1 Financial accounts compilation

3.2 Consistency of "surveys"

4. Follow-up of action points of February-March 2016

4.1 STASY

4.2 Treasury accounts

4.3 IfG

4.4 Emission allowances

4.5 TAIPED transactions

4.6 Water companies

4.7 Practical issues related to banks

- Bank recapitalisations 2015(practical issues)
- Preference shares held by government in units under liquidation

5. Statistical implications of the package of measures approved by the Greek Parliament on 23 May 2016

5.1 New privatisation fund ("Hellenic Corporation of Assets and Participations" (HCAP))

5.2 Changes in relation to the electric operator (ADMIE and PPC)

6. Methodology for EU flows

7. Other issues

- Tax refunds
- Accrual adjustment for rebates and claw-backs concerning EOPYY