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EUROSTAT

Directorate D: Government Finance Statistics (GFS) and quality

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Greece

**Subject: Classification of entities guidance request
The Hellenic Recycling Agency (EOAN)**

Reference: Your letter Γ1-424 of 24/03/2015

Dear Ms Stavropoulou,

Thank you for your letter requesting Eurostat's opinion on the sector classification of The Hellenic Recycling Agency (EOAN). In accordance with Council Regulation (EC) No 479/2009 article 10, paragraph 1, after examining your request, please find below Eurostat's view on the sectorization of the above-mentioned unit in the light of ESA 2010.

1. THE ACCOUNTING ISSUE FOR WHICH A CLARIFICATION IS REQUESTED

The issue to be analysed is the sector classification of the Hellenic Recycling Agency (EOAN) an entity responsible for design and implementation of policy for the alternative management of packaging and other products.

Together with the request for advice, ELSTAT has provided a note with its analysis on this case concluding that the entity should be classified in the government sector in the framework of ESA 2010.

2. METHODOLOGICAL ANALYSIS

2.1. Accounting provisions

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

The ESA 10 Manual on Government Deficit and Debt, notably Part I on delimitation of the general government sector.

2.2. Description of the case

Background

The Hellenic Recycling Agency (EOAN) is a legal entity of private law, supervised by the Ministry of Environment Energy and Climate Change. The main objective of the entity is the design and implementation of the policy for the alternative management of packaging and other products. EOAN is responsible for the approving of the national systems of the alternative management per product, and the monitoring of Greece's progress in recycling.

Eurostat's analysis

a) Institutional unit

On the basis of the information contained in ELSTAT's letter, Eurostat understands that, following the Legal provisions, the Board of the entity takes decisions as regards the procurement, leasing, contracting and implementation of projects as well as for other expenditures. The entity keeps full set of accounts following double entry bookkeeping.

EOAN should be considered as an institutional unit under ESA 2010 paragraph 2.12, as it exhibits decision-making autonomy in the exercise of its principal function.

b) Control

As indicated by the Greek statistical authorities in their analysis, EOAN is governed by the board consisting of a president and 10 members. Five of the members and the president are appointed by the Minister of Environment, Energy and Climate Change. Two other Members are appointed by other Ministers.

Therefore, EOAN should be considered as publically controlled under ESA paragraphs 20.309 and 20.310 since the majority of the members of the management board are appointed by the supervising ministry and other competent authorities of general government.

c) Market/non-market nature

As regards the nature of the EOAN activity in the light of ESA10 paragraph 20.25, Eurostat takes note that EOAN sells its output primarily to corporations. EOAN's main source of revenue is a licence fee payable by companies engaged in the waste disposal activities. There is no competition on the market for EOAN, as for consumers there is no choice in terms of prices charged and they have to pay the fee in order to obtain the licence.

Following ESA 2010 20.29, "*to be a market producer a public unit shall cover at least 50% of its costs by its sales over a sustained multi-year period*".

Eurostat notes that the majority of the non-financial revenue of EOAN comes from licence fees. In national accounts these fees are treated as taxes following ESA paragraph 4.23 (e). This is due to the fact that, as also noted by the Greek statistical authorities in their analysis, the amounts charged for the licence are out of proportion as compared to costs of the licence related regulatory function. This explains the outcome of the 50% test, as EOAN is mainly financed by tax and does not have sales revenue. Consequently it fails the so called 50% test.

Taking into account the above, the entity should be considered a public non-market producer. It is therefore to be considered as a government entity.

3. CONCLUSION

- The Hellenic Recycling Agency (EOAN) is considered to be publicly controlled.
- EOAN is financed by tax and fails the so called 50% test.

In conclusion, EOAN is a government controlled non-market unit which should be classified to the institutional sector S.13.

4. PROCEDURE

This view of Eurostat is based on the information provided by the Greek authorities and on the understanding of Eurostat of certain legal documents available to Eurostat only in Greek. If this information turns out to be incomplete, or the implementation of the operation differs in some way from the information presented, or there may be inaccuracies in the assessment due to the translation risk, Eurostat reserves the right to reconsider its view.

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

Yours sincerely,

(e-Signed)

Eduardo Barredo Capelot
Director

