



EUROPEAN COMMISSION
EUROSTAT

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

Luxembourg, 17 April 2018

FINAL FINDINGS

EDP dialogue visit to Greece

20-21 September 2017

EXECUTIVE SUMMARY

Eurostat undertook a standard EDP dialogue visit to Greece on 20-21 September 2017. The main aim of this dialogue visit was to discuss methodological issues and specific government transactions in the light of the implementation of the ESA2010 methodology and the provisions of the ESA 2010 Manual on Government Deficit and Debt. Particular attention was given to issues from the April 2017 EDP notification, and open action points from the previous EDP visits. Issues relevant to the forthcoming October 2017 EDP notification were also reviewed.

As regards institutional arrangements, Eurostat was informed on the progress on the update of the Memorandum of understanding (MoU) and the fact that the PDMA will be included in the MoU as a separate agency.

Second, the progress made on strengthening existing, or creating new, data sources was discussed. Eurostat expressed the view that, during a transitional period, the KOMVOS database for the local government sub-sector should be used in parallel with the current EETAA survey. Also KOMVOS financial information should meet ELSTAT's statistical needs.

The Greek authorities provided an update on the status of the two Public-Private Partnerships (PPPs) on waste management. As both projects were signed in 2017, the classification of the PPP assets has to be agreed before the April 2018 EDP notification.

The statistical implications of the privatisation of OLP SA were discussed. It has been agreed that the privatisation proceeds would be recognised as financing (privatization) for the full amount, without partitioning between financial and non-financial transactions. The Greek statistical authorities will investigate further how the conditional second payment for shares envisaged in the OLP S.A. share purchase agreement, should be treated in national accounts.

The few remaining issues from the April 2017 EDP notification were clarified. It has been concluded that *Olympic airlines*, an entity in liquidation since many years, should be classified inside general government sector. The Greek statistical authorities were asked to analyse the flows in 2015 and 2016 (as well as in previous year where necessary) relating to the liquidation of *Olympic airlines*, to and from the government (including taxes) and to the Athens airport. In relation to this topic, Eurostat also asked the Greek statistical authorities to provide the full list of public entities in liquidation.

As regards the 2015-2016 tax reform measures, Eurostat asked for a further detailed analysis of the measures, so that the dynamic growth rate of tax revenue in 2016 could be better understood. In relation to tax offsets, ELSTAT will send to Eurostat an explanatory note together with the amounts involved, including a description of the information flow between the various parties (tax department, spending units, GAO). As regards tax refunds, the recording agreed in April 2017 should remain unchanged for the October 2017 EDP notification.

Concerning the recent pension reform, the creation of EFKA and the corresponding statistical implications were revisited. Also the issue of recognising payables for pension in national accounts was discussed. Eurostat stressed that the current practice, where, for all type of pensions, payables are recorded when the claims on these benefits are established, might need

to be revisited, as recognising government obligation on the basis of administrative procedures might be not reliable or recommended. The Greek statistical authorities were asked to analyse the existing time lags and their patterns over a number of years.

The discussions on interest concluded that the current recording of discounts on T-bills in the EDP tables 3 will remain unchanged in the October 2017 EDP notification, and that the PDMA will further improve the reporting of the ad-hoc table on interest recording. Further work has to be done by the Greek statistical authorities on the recording of the step up mechanism foreseen by PSI bonds and consequently for those entities reporting on an accrual basis, interest revenue (consolidated) reported in GFS will have to be revised.

Eurostat approved the proposed estimation method for trade credits F.81 of other central government bodies (S.1311.2 excluding public hospitals) and Social security funds. After the full coverage of the general government sector is ensured, there is no longer a need for a specific footnote in the *Note on stock of liabilities of trade credits and advances*. As regards factoring operations, the BoG was asked to provide information on the stocks of factoring across the economy including any amounts concerning government entities as debtors.

On the discrepancies between the ESA quarterly financial accounts and EDP reporting, Eurostat repeatedly stressed the importance of consistency in GFS and EDP reporting both in terms of sectoral coverage and classification of transactions. The BoG was urged to take action, so that full alignment is ensured and the unprecedented situation of repeated non-publication of QFAGG data by Eurostat is resolved.

The discussion continued on the application of the ESA2010 sector classification rules. Particular attention was paid to the sector classification of the entities IfG and its sub-fund and ETAD. It has been agreed that ELSTAT will classify these units inside the general government sector.

Final findings

Introduction

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009, as amended, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Greece on 20-21 September 2017.

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, Mr Vassil Georgiev and Ms Rasa Jurkonienė. Representatives of DG ECFIN, the European Central Bank (ECB) and the IMF also participated in the meeting as observers. The Greek authorities were represented by the Statistical Office (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 in the agenda: the Public Debt Management Agency (PDMA), the Special Secretariat for PPPs of the Ministry of Development and the Ministry of Labour. The expert providing technical assistance to ELSTAT also participated in the visit.

The previous Eurostat EDP dialogue visit to Greece took place in 31 January – 1 February 2017.

Eurostat carried out this EDP dialogue visit in order to review the open action points from the previous EDP visits relating to data sources for the EDP compilation and to the availability of the data sources on some specific government operations. The draft October 2017 EDP notification was reviewed. The implementation of ESA2010 methodology relating to the recording of government transactions and to the sector classification of units was also reviewed.

With regard to procedural arrangements, the *Main conclusions and action points* would be sent to Greece for review. Then, within weeks, the *Provisional findings* would be sent to Greece for review. After this, the *Final Findings* will be sent to Greece and the Economic and Financial Committee (EFC) as well as published on the website of Eurostat.

Eurostat appreciated the relevant background material provided by Greek Statistical Authorities prior and during the EDP standard dialogue visit. Eurostat also thanked the Greek statistical authorities for their good co-operation and productive discussions during the EDP visit.

1. FOLLOW-UP OF PREVIOUS EDP DIALOGUE VISITS (OPEN ACTION POINTS)

1.1. Progress as regards improvements to data sources, establishment of new source data and strengthened cooperation with the main data providers

Introduction

The aim of this part of the dialogue visit was to review/assess the progress achieved on the pending Action points from 2016 and 2017 EDP visits.

Eurostat thanked ELSTAT for the timely and well-structured ELSTAT's reporting as regards the implementation of the Action points.

Discussion

As regards AP 1, on the update of the Memorandum of understanding (MoU) between GAO, ELSTAT and the BoG, the Greek statistical authorities explained that the draft MoU was circulated to GAO, PDMA and the BoG in August 2017. Comments were received from all the institutions and they are being evaluated by ELSTAT.

The Greek statistical authorities explained that in accordance with article 27 of the Law 4223/31-12-2013 (Official Government Gazette 287, issue A) within the Public Debt Management Agency (PDMA) is established a Public Debt Division to which all the competencies of the Division D23 for Public Debt of the GAO are transferred. Therefore PDMA had to be included on its own right in the MoU.

ELSTAT explained that a meeting between all parties of the MoU is foreseen so that the received comments could be discussed and the final draft could be agreed. Hopefully this will be achieved by the end of the year (2017). The Greek statistical authorities explained that the updated MoU will not change the substance, i.e. the main requirements for the provision of data, however it will include more details.

Eurostat took note of the progress with the update of the MoU and concluded that the AP1 from the January-February 2017 EDP visit remains open.

Progress on AP 2, concerning the possible extension of KOMVOS database of the Ministry of Interior, ELSTAT informed Eurostat that after an official letter was sent to the Ministry of Interior in February 2017, a reply was received from the Ministry in September 2017 indicating that financial data will be included in KOMVOS as of January 2018. The Greek statistical authorities explained that some further comparisons between EETAA and KOMVOS had been done in the meantime, and that some issues were found that are expected to be fixed by November. ELSTAT informed Eurostat that, for the forthcoming October 2017 EDP notification non-financial data will come from KOMVOS, whereas EETAA will be used for financial data. This approach will also prevail for the data of the year 2017 (April and October 2018 notifications). The intention is to start using only KOMVOS data for the year 2018 local government EDP/GFS compilation (that is, the first time in April 2019).

The Greek statistical authorities also explained that, similarly to EETAA, KOMVOS will include stocks for financial data. Eurostat asked whether there is a period when the two databases will be used in parallel. The Greek statistical authorities explained that, initially no overlap was foreseen, however it can be requested to run two datasets in parallel for some time.

Eurostat noted that it is important to have time to test the new system and thus to run KOMVOS and EETAA in parallel.

Eurostat explained that it is essential to have a system allowing crosschecking consistency between stocks and flows. Eurostat brought as an example Common Capital, for which information is captured in EETAA in a non-consistent way - Common Capital is valued at market value in stocks and therefore the change in stocks includes revaluations and other flows. This makes EETAA an unreliable source for this purpose for ELSTAT. Eurostat pointed out that, currently, there is an opportunity to solve the issue globally, that is: to make sure that KOMVOS encompasses consistent reporting in stocks and flows, and thus there is no discrepancy embedded already in the source data. One way to proceed could be identifying Common Capital investment as a separate Balance sheet item, including also transactions (subscription/redemption) entries, allowing identifying the revaluation as a residual.

The Greek statistical authorities explained that, as regards the local government sub-sector, Common Capital is not significant and the discrepancy is small.

GAO informed Eurostat that, for the other subsectors, GAO have established separate information for Common Capital for flows and stocks. The BoG data is compared with database of the Ministry of Interior and the discrepancy is identifiable. In the view of the Greek statistical authorities, this issue cannot be solved at unit level, as the units are not receiving Common Capital information from the BoG.

Eurostat enquired on the progress on AP 3, extending the GAO monthly database on SSF to financial data and exploiting its usage for the needs of ELSTAT.

The Greek statistical authorities explained that the aim of the GAO database is to be able to compile consolidated financial statements and thus to identify elements to consolidate between the sub-sectors of general government. Data collected cover financial stocks and intergovernmental stocks.

It has been recalled that a discrepancy is observable between all the flows and the change in deposits, so it is not a pure cash system. GAO explained that expenditure is being recorded and after a certain time lag cash goes out. Both expenditure and revenue are not pure cash.

ELSTAT recalled that, because of this, the system is called "a near cash system". The codes are from the questionnaire.

ELSTAT explained that the SSF survey is used for the time being as the main data source for the sub-sector S.1314. The database of GAO is used for B.9 comparison for each individual entity. As regards the progress on exploring further usage of the GAO database, ELSTAT explained that the lack of progress is mainly due to human resource constraints.

ELSTAT also explained that, currently, the NSI has no direct online access to the system of GAO, but that, in case of need, information might be asked for specific items. The Greek statistical authorities explained that further discussions are needed whether online access for ELSTAT- as requested by Eurostat- is feasible, as it might be a matter of IT licences.

As regards the current ELSTAT SSF survey, it has an advantage as it is on a quarterly and annual basis, thus providing more final data and is regularly updated. The GAO database has

no specific update policy, generally there are no updates within 9 months. Monthly data is added up to arrive to annual figures.

The Greek statistical authorities explained that there are discrepancies between quarterly ELSTAT data with GAO monthly data. Firstly because of timing, as the GAO data comes earlier, and later on entities correct the data for the quarterly survey.

The Greek statistical authorities explained that any transition to a common data base for SSF data has to be taken cautiously. ELSTAT recalled that creating an online survey was a huge work; it has full coverage on quarterly and annual basis. In general ELSTAT's data source has advantages as regards updates and coverage. GAO confirmed that as regards the SSF and hospitals, the database has full coverage; however the extra-budgetary units are not yet incorporated in their system.

On Eurostat's question on what data is used by the BoG for financial account compilation, the Greek statistical authorities explained that the BoG receives information from ELSTAT. It is true that maybe some counterpart information, available at GAO, could be used also by the BoG.

Eurostat noted that the AP3 remains open and that some further improvements to the data sources could be explored.

The Greek statistical authorities have provided an update on the AP 54 – classification of assets of the two PPPs on waste management. The Greek statistical authorities explained that, since the last EDP visit, the two PPPs were signed – in the Serres region in June 2017 and in Epirus in July 2017. So the asset classification will not influence the 2016 figures, but might impact the year 2017, in case an on balance sheet classification is decided. It has been recalled that the two projects are identical to the PPP of western Macedonia, with the exception that EU funds are being used along the private capital (50% of total cost). Following up on previous discussions, Eurostat noted that the contracts were not in line with the *Guide to the Statistical Treatment of PPPs* as regards the mandatory refinancing and the sharing of refinancing gains.

The Greek statistical authorities informed Eurostat that, as regards the PPP in the Epirus region, the contract change was approved, having no mandatory refinancing, and the sharing of refinancing gains is limited to one third, as foreseen in the *Guide to the Statistical Treatment of PPPs*.

The analysis of the the PPP on waste treatment facilities in the region of Serres was provided to Eurostat before the EDP visit. It was recalled that it is likely that the PPP contract will be amended soon. Both Eurostat and ELSTAT agreed that, in case the refinancing clauses are not amended, the assets of this PPP would be classified on government balance sheet. The Greek statistical authorities will inform Eurostat on the latest developments and, in case of need, will provide an updated analysis before the April 2018 EDP notification.

ELSTAT confirmed that, as foreseen in the AP 7¹, the PDMA is regularly providing disaggregated debt data which is then used for crosschecking the debt database. Eurostat took note.

¹ AP 7 is closed.

As regards the progress on the AP 42², ELSTAT informed Eurostat on the results of their investigation of the possible holding of shares by SSF. Eurostat took note that a one-off survey was conducted and that the majority of the SSFs provided a negative reply, and the identified amounts were small.

Regarding the AP 21 on establishing timely access to full information on all operations undertaken by TAIPED, and possibly nominating a contact person to ensure regular communication on new concession agreements as well as changes in existing contracts, the Greek statistical authorities informed Eurostat that a contact in TAIPED has been established. Eurostat suggested that a progress note on this action point is provided, so that AP could be closed.

Findings and conclusions

- (1) In relation to the forthcoming extension of the Ministry of Interior KOMVOS database to local government financial reporting, Eurostat recommends using – during the transition period – the current EETAA survey in parallel with KOMVOS for at least one year for cross-checking purposes.

Deadline: April 2019 EDP notification

- (2) In relation to the planned financial information extension in KOMVOS, Eurostat recommends that ELSTAT suggest – based on its long experience of the topic – the specific items needed for national account purposes and for cross checking (e.g. adequate treatment of Common Capital).

Deadline: October 2018 EDP notification

- (3) On the PPP project *Waste treatment facilities in the region of Serres*, where the refinancing gain sharing clause is not yet in line with the latest PPP guide rules, Eurostat encouraged the Greek authorities to implement the relevant changes as soon as possible. Once the change is implemented, the updated analysis by ELSTAT will be sent to Eurostat.

*Deadline: April 2018 EDP notification*³.

1.2 Discrepancy and Common Capital

Due to time constraints this issue was not discussed

1.3 Privatisations and other operations undertaken by TAIPED

Introduction

The discussion focused on the follow up on the Action points from the previous EDP visits, regarding the concession agreement of the Piraeus Port Authority (OLP SA) and the statistical implication from the unbundling of the Independent power transmission operator (ADMIE).

Discussion

² AP 42 is closed.

³ ELSTAT provided information on 8.1.2018, 26.2.2018 and 16.03.2018

Piraeus Port Authority (OLP SA)

It was recalled that, following up on previous discussions, the Greek statistical authorities were asked to investigate on how the assets of the concession between the Greek government and *OLP SA* for the exploitation of Piraeus Port are recorded in Greek national accounts. The Greek statistical authorities were also asked to investigate on whether cash received from the *OLP SA* share and purchase agreement include an element linked to the extension of the concession.

The Greek statistical authorities explained that a concession agreement between government and *OLP SA* was signed in 2002 for a 40-year period. In 2008, the concession was extended to 50 years, so the foreseen end date is 2052. The Greek statistical authorities informed Eurostat that the legal owner of the port assets is the State, but in national accounts the concession assets were not recorded on the government but on the *OLP SA* balance sheet. In addition, in 2009, after the *OLP SA* entered into a sub-concession agreement, part of the assets was transferred to a sub-concessionaire. Eurostat took note that the valuation of the assets poses a real practical problem, and as proposed by the Greek statistical authorities, one of the options would be to use financing raised for construction. However, it was noted that the accuracy of such proxy is questionable.

The Greek statistical authorities recalled that, before the privatisation (2003-2016), *OLP SA* was considered as controlled by government even if it was not 100% owned by government, classified as public corporation in S.11. After the privatisation, this entity is not controlled by government anymore and as a private corporation it is classified in S.11 (concession assets should be recorded on *OLP SA* balance sheet).

Following up on the action point, before the EDP visit, the Greek statistical authorities provided a proposal on the split of the proceeds between the sale of shares (F.5) and financial advance (F.8) of rent. The revenue (D.45) for government would be recognised gradually over the 43 years. The Greek statistical authorities explained that the model operates on the assumption that the premium received by government on the share price could in fact reflect the value of the concession.

Eurostat considered that, due to uncertainty on whether the difference between the agreed and the market share price could be seen indeed as a price for the concession, it is questionable whether the split of cash received between sale of shares and rent is meaningful. Therefore, Eurostat considered that the current recording should prevail in Greek national accounts, that is, the whole transaction should be recorded as sale of shares (F.5).

It has been recalled that 51% of the shares were transferred against cash in 2016, and that the remaining stake of shares will be transferred after 5 years, once the investor fulfils certain conditions and undertakes the required investments. The remaining amount constitutes 88 million EUR. The Greek statistical authorities informed Eurostat that, currently, the 88 million EUR are put in an escrow account at the Bank of Greece. Eurostat asked whether they are recorded as deposit in financial accounts and in EDP table 3. The Greek statistical authorities answered that this was not the case. Eurostat asked the Bank of Greece to investigate how this amount is recorded in money and banking statistics and financial accounts. Eurostat noted that in case the amount is recognised as an asset, but not as a liability, this might generate discrepancy in the accounts.

The Greek statistical authorities explained that, as these 88 million are conditional, the second tranche of privatisation is contingent and is not recorded in national accounts. Moreover, the price for the earmarked *OLP SA* shares is fixed and for the time being any dividends paid on those shares goes to government. Eurostat questioned whether a sale of shares with a counterpart of other accounts receivable (F.5/F.8) could be recognised in the accounts, or, given that the price is fixed, whether a derivative could be recognised. A third option would be to maintain the current recording. Some other aspects to consider are who is the economic owner of the money in the escrow account, whether interest is accruing and who is benefiting from it.

PHC ADMIE (IPTO) S.A.

In the 2016 and January-February 2017 EDP visit, the operation of restructuring of the Independent Power Transmission Operator (ADMIE) was discussed with the Greek statistical authorities. An action point was given to the Greek statistical authorities to monitor the developments and assess any statistical impact.

Prior to the EDP visit, the Greek statistical authorities provided to Eurostat a note analysing the sector classification of an entity PHC ADMIE (IPTO) S.A. This entity was created in 2016 with the aim to acquire 25% of the Independent Power Transmission Operator S.A.'s (ADMIE) share capital from the Public Power Corporation S.A. (PPC/DEI). In their analysis, the Greek statistical authorities concluded that PHC ADMIE S.A. is controlled by government. It is de facto a public holding company, which sole purpose is to hold assets of subsidiaries. As the statute does not foresee any managerial tasks, it has the characteristics of a 'shell/accounting tool' unit; consequently, it should be classified inside general government (S.1311.2). Eurostat agreed with this conclusion.

Eurostat asked how PHC ADMIE S.A. financed the acquisition of ADMIE shares. The Greek statistical authorities explained that funds were raised via capital injections of the State. A first share capital of PHC ADMIE S.A amounting to 200 000 EUR was paid by the State as a cash lump sum in 2016, then another capital injection was undertaken in 2017, which allowed to acquire the ADMIE shares. Eurostat took note of the explanations.

Findings and conclusions

- (4) As regards the Piraeus Port Authority (OLP S.A.), Eurostat considers that it can remain sectorised outside government and that the privatisation proceeds would be recognised as financing (privatization) for the full amount, without partitioning the transaction between a sale of shares contract and a concession contract.
- (5) Regarding the conditional second payment for shares envisaged in the OLP S.A. share purchase agreement (88 million EUR), ELSTAT will investigate if the escrow account held at the BoG should be considered as a government deposit and recorded as such in the financial accounts, with a matching payable of government, or alternatively should remain recorded as a third party account.

Deadline: before April 2018 EDP notification

- (6) ELSTAT and EUROSTAT agree on the classification of the public holding company PHC ADMIE inside general government sector.

2. ANALYSIS OF EDP TABLES – FOLLOW UP OF THE APRIL 2017 EDP NOTIFICATION

2.1. Open issues from April 2017 EDP notification

Introduction

Amounts received from the liquidation of the former Olympic airways (OA) were under investigation by the Greek statistical authorities in April 2017. An inflow (112 million EUR) relating to the liquidation of OA entered the working balance in 2016. In the April 2017 EDP notification in national accounts, this amount was treated as a financial transaction. Eurostat enquired on the results of the investigation.

Discussion

The Greek statistical authorities explained that the issue was investigated further and it appeared that there was a chain of related flows between OA, Athens airport and Government. OA is an entity in liquidation. The State (Ministry of Finance) had some payables towards OA. OA had some payables (tax related) towards the State, however in government accounts no receivables were recognised. Athens airport had receivable against OA and at the same time recorded payables towards the State relating to dividends. In 2016, the Government, following a Court decision, paid to OA 420 million EUR and OA repaid 112 million to the State and 146 million to Athens Airport, which in turn settled the F.8 pay claim relating to dividends. The Greek statistical authorities explained that, in the forthcoming EDP notification, it is intended to treat the 112 million paid to the State by OA as a non-financial transaction.

Eurostat found the whole operation complex and asked ELSTAT for a detailed description of the events and for the amounts involved (among others, the B.9 of OA, the flows with government and Athens airport and the impact on government B.9).

In addition, Eurostat asked whether OA, as public entity in liquidation, was classified inside the government sector. The Greek statistical authorities answered that OA was classified outside general government. Eurostat recalled that, following the rules, units that enter liquidation must be tested for 50% criterion, and once it fails, reclassified inside general government. Eurostat noted that OA went into liquidation a long time ago and cash flows appeared only in 2016. Therefore, OA should be classified inside central government sector. The Greek statistical authorities had a choice on whether to include this entity among other central government bodies (S.1311.2) or instead, classify OA inside S.1311.1, as not being an institutional unit.

In order to have an overview of the situation in Greece, Eurostat asked the Greek statistical authorities to provide a list of all public entities that are in liquidation and stressed the need to analyse those entities and ensure their proper sector classification.

Findings and conclusions

- (7) The Greek statistical authorities will further analyse the flows in 2015 and 2016 (as well as in previous year where necessary) relating to the liquidation of *Olympic*

⁴ Entity reclassified inside general government in October 2017 EDP notification. AP is closed.

airlines, to and from the government (including taxes) and to the Athens airport. The resulting B.9 of Olympic airlines (as well as its impact on general government B.9) will be calculated and reported to Eurostat. Eurostat considers that *Olympic airlines*, an entity in liquidation since many years, does not belong to the list of public corporations but should either be considered as an institutional unit classified inside government, or removed from the list of institutional unit (lack of autonomy of decision).

*Deadline: 26 of September 2017*⁵.

- (8) The Greek statistical authorities will compile the list of public entities in liquidation in order to ensure their correct classification, in line with the Manual on Government Deficit and Debt (MGDD).

*Deadline: Progress report April 2018*⁶

2.2. Tax reform measures, Tax refunds, Tax offsets

2015-2016 Tax reform measures

Introduction

The 2016 data reported for the first time in the April 2017 EDP notification, showed that there was a steep increase in tax receipts as compared to the year 2015. The Greek statistical authorities explained that the main reason for significantly higher tax revenue were the series of tax measures implemented in 2015-2016. During the EDP assessment rounds, it was explained that the biggest impact on tax revenue was coming from the VAT reform measures: the VAT reform in 2015 was implemented since 20 July 2015 and consistent mainly from the movement from the reduced VAT rate (13%) on certain products to the regular rate at the time (23%). In addition, a gradual abolition of reduced VAT rates in the islands was implemented. Whereas the 2016 measures foresee increasing the VAT rate (from 23% to 24%).

Discussion

Eurostat asked the Greek statistical authorities whether they had had more time to analyse the tax reform measures and in particular the ones labelled “advance payment” referring to PIT and CIT, and whether some advance payments on taxes were de facto identified. The Greek statistical authorities explained that no advance payments were identified and that they did not have any new analytical information on tax reforms.

Eurostat observed that revenue from indirect taxes has increased by almost 2 billion EUR. Part of this increase is explained by the increase in VAT rates. The Greek statistical authorities were asked to provide a note analysing further tax reform measures. Eurostat requested that the Greek statistical authorities carried out an estimation of VAT proceeds by categories of products based on the rate increases and the related tax bases.

⁵ The requested documents were provided before the October 2017 EDP notification. AP in progress

⁶ ELSTAT provided information on this AP on 12.3.2018

Findings and conclusions

- (9) ELSTAT will provide to Eurostat a detailed analysis of the recent tax reform measures, with a view to justifying the dynamic growth rate of tax revenue in 2016 based on a mechanical approach.

Deadline: October 2017 EDP notification⁷

Tax refunds

Introduction

The issue of the recording of tax refunds was discussed with the Greek statistical authorities in the 2016 EDP visits, as well as in the January-February 2017 visit.

Discussion

It was recalled that, in December 2015, the stock of AFEK (certificate on tax refunds) issued but not cleared, increased substantially mainly due to a change in process. Due to this, in the April 2016 EDP notification, the time of recording of tax refunds was changed from the time the AFEK certificate is cleared, to the time when AFEK certificate is issued. The time of recording for tax refunds -issuance of AFEK was used by the Greek statistical authorities also in the April 2017 EDP notification. The Greek statistical authorities were to investigate whether the piling up of not cleared AFEK was observable also at the end of 2016. The analysis showed that this was not the case, and the December 2015 piling up effect had not been repeated.

The discussion focused on whether the current methodology (using AFEK issuance) was applicable or should be changed. It was recalled that using AFEK issuance could be seen as a good proxy in case a majority of AFEK amounts are cleared and not rejected. On the other hand, in case the information on AFEK cleared and the cash paid is available, then the method could revert to the time of clearance of AFEK. It was presumed that, after clearance, cash is being paid out without a major delay.

Eurostat noted that the time of recording is when the liability is established. It could be seen as the time when AFEK is issued, as at that time, the claim is made. Another way to interpret it is that a liability is established only at the end of validation period. However, clearance of AFEK is a rather bureaucratic step and moving the validation date could provide a possibility to influence the end result, which would not be a desirable outcome. For this reason, the validation date cannot always be seen as the accrual time of recording.

The Greek statistical authorities agreed to keep the current method for the time being (October 2017 EDP notification), pending further discussions. A possible change in method, if appropriate, could be agreed for the next EDP notification.

⁷ Data on taxes were provided to Eurostat on 11/10/2017. The issue was further discussed during the October 2017 EDP notification.

Findings and conclusions

- (10) As regards tax refunds, the current recording, as agreed with Eurostat, will remain unchanged for the October 2017 EDP notification, pending further investigation of the merits of a potential change of recording method discussed during the meeting.

Deadline: April 2018 EDP notification⁸.

Tax offsets

Introduction

The issue on how tax offsets (that is, netting of government tax refunds that government owes to suppliers with the supplier's claims on government) are being recorded in public accounts (the working balance) and national accounts, was discussed with the Greek statistical authorities in the April 2017 EDP notification. As this issue remained open, Eurostat followed up on it in the EDP visit.

Discussion

The Greek statistical authorities explained that an official letter with questions had been sent to the Independent Authority for Public Revenue.

At this stage it is known that some offsets are made automatically and some are executed after the submission of a request by the tax payer. When tax offsets occur, in public accounts both revenue and expenditure are recorded. Apparently, data from 2014 onwards could be made available.

Eurostat asked why this information (on offsets) is not available at GAO. The reply from GAO was that they receive tax revenue as one item. This data come via a specific IT system and not via KAE codes. From the accounting point of view of GAO, there is no difference whether the tax was collected via cash flow or via offsetting.

Eurostat pointed out that it is important to understand the flow of information. Whenever revenue is booked, there is a counterpart entry in decrease in receivables, and it is important to understand how the tax refund offset results in a decrease in payables of government.

The Greek statistical authorities were asked, in addition to the data that soon will be received from the Authority for Public Revenue, to provide also a description on how the information circulates and how the tax refund side is controlled.

Findings and conclusions

- (11) In relation to tax offsets (distinguishing offsets with tax refunds payables from offsets with other payables), ELSTAT will send to Eurostat an explanatory note together with the amounts involved, including a description of the information flow between the various parties (tax department, spending units, GAO).

Deadline: October 2017 EDP notification.⁹

⁸ ELSTAT note was received on 20.03.2018. The method remains unchanged in the April 2018 EDP notification.

⁹ Information was provided on 12/10/2017. AP is closed.

2.3. Reform of the social security system

Introduction

The pension reform was among the reform agenda measures laid down in the July 2017 Supplemental Memorandum of Understanding between the European Commission, acting on behalf of the ESM, on one side and the Hellenic Republic and the BoG on the other side. The main objective of the pension reform is strengthened long term sustainability as well as achieving savings already by 2018. The reform foresaw merging some of the existing social security funds into a unified social security institution (E.F.K.A.) with common rules. E.F.K.A., which was created by Law 4387/2016, became fully operational from 1 January 2017. This change in the pension system impacted the Greek government accounts and raised a few methodological issues, which were discussed in the April 2017 EDP notification.

Under this point of the agenda, Eurostat followed up on the recording of EFKA associated flows as well as reviewed the recording of pension related payables in the Greek national accounts.

The representatives from the Ministry of Labour participated in this part of the meeting and provided very helpful explanations on how the pension applications are processed.

Discussion

Eurostat started the discussion by recalling that public sector pensions of January 2017 were, as customary, paid one month in advance, i.e. in December 2016. Therefore, a 580 million EUR transfer from the State government to EFKA for the public pension payments was made at the end of 2016. In addition, EFKA received a one off grant of 630 million EUR for support of low income pensioners. All in all, transfer from the State budget in 2016 to EFKA amounted to 1.2 billion EUR. The transfer was recorded as D.73. EFKA record pensions on accrual basis, so the amounts paid (448mn EUR) in 2016 in national accounts were shown as prepayments and a F.8 receivable was recognised by EFKA. The Greek statistical authorities confirmed that the recording of the 2016 transfer to EFKA will remain the same as in the April 2017 EDP notification and therefore there will be no changes.

The Greek statistical authorities explained that nothing has changed in terms of pensions being paid one month in advance. Until 2017, the State had an obligation to pay for the pensioners, in December 2016 the pensions of January 2017. The same was now applicable to EFKA. Therefore there was a need for a transfer from State budget to EFKA. For the whole general government sector, this transfer had no impact; however it was an expenditure of central government and revenue of EFKA (social security).

Eurostat noted that as regards total payables of the sector S.1314, the biggest part relates to EOPYY, and to a specific payable for social benefits D.62, mainly referring to TPDY. Eurostat asked when the payables relating to pensions are being recorded.

The Greek statistical authorities explained that pensions, as social benefits, are recorded in national accounts when the claims on these benefits are established. This is applicable for all pensions: regular, temporary and lump sum. An example was given of public servant lump sum pensions, where the obligation for the State arises and is recognised in the accounts, only after the pension application/claim is cleared.

Eurostat asked about the publicly available information on pension arrears (GAO monthly bulletins on Transfers/Grants – payments of general government arrears and pension claims). The Greek statistical authorities explained that the GAO monthly bulletin figures refer to the payments (transfers) from State to SSF (which will be attributed later for established pension's obligations. These transfers to SSF are recorded as typical D73 (D73_u for S1311.1 and D73_r for S.1314). Moreover the SSF pays the relevant D62. All these amounts are captured in the working balance of the EDP table 2D.

In addition it was explained to Eurostat that the administrative delay in establishing pension rights were always present. Eurostat noted that a shorter or longer time lag between the moment a pension is claimed and the right is established, might influence the government balance. The Greek statistical authorities explained that they have not noticed any increase in delays in the last years, and that the procedure is rather stable. It has been instead confirmed that the opposite trend, a shortening of the delay in establishing the pension rights, could be observed.

The representatives from the Ministry of Labour explained that the average time for issuing a pension decision (that is, the time between the pension application is submitted and the moment it is cleared) for the old age pensions is around 18 months (arrear type 2). It has also been explained that, the so called arrears type 2) are not yet the obligations of the State and therefore they are not recorded in the accounts and are not entering the working balance of the EDP table 2D. The time lag between the establishment of pension rights and actual payment of pensions (arrear type 1) is usually less than 90 days. This delay is expected to decrease further, once the process is computerised.

The Greek statistical authorities also explained that an individual, that is awaiting a pension decision, might nonetheless apply for a temporary pension. The latter would amount to 80-90 percent of the regular (final) pension. Later on, when the final pension is cleared, the outstanding amount to pensioners is netted. There are no delays in receiving temporary pensions, however only 20-30% of people are applying for temporary pensions.

The Greek statistical authorities explained to Eurostat that the overall rejection rate of all pension claims is rather high, around 32- 40%, therefore the estimates should be taken with care. Eurostat wondered why the rejection rate was so high and whether this may be explained by mere formalities or procedural issues, ultimately resolved.

The Greek statistical authorities recalled that public servants on their retirement are receiving also a lump sum pension. The application for the lump sum pension could be made only after the rights for a regular pension are established following the procedure above. Similarly with the regular pensions, in the case of lump sum pension, there is a time lag between the submission of application and the approving decision. The Greek statistical authorities will provide information on the average time lag between submission of claim, decision and payment.

Eurostat emphasised that the existing time lags and their pattern should be monitored and that information for at least the four last years should be collected and analysed. In statistics recognising an obligation of government on the basis of administrative procedures might be not reliable, to the extent that as some administrative delays could be deliberate. In this case there

might be a need for additional accrual adjustments to be applied in national accounts, so that the accrual principle is maintained.

2016 increase in D.61

Eurostat asked about the increase in social contributions (D.61) that remained not clarified during the April 2017 EDP notification. The data in ESA table 2 shows that, as compared with the 2015 figures, the households' actual social contributions (D.613) in 2016 increased by 510 million EUR.

The Greek statistical authorities explained that the reason of this increase must be the increase in the social contribution rate introduced in mid-June 2016.

Findings and conclusions

- (12) The Ministry of Labour will provide the existing estimates for pension arrears (or payables) for private pensions (type 1 and type 2) as compiled by EFKA as at end of December 2016, as well as Ministry of Labour estimates for earlier years, with the view to monitor movements in average delays (between submission of claims, recognition of claims and settlement). Based on this information, ELSTAT will examine the need for accrual adjustments to be applied in national accounts.

Deadline: April 2018 EDP notification¹⁰

- (13) The Ministry of Labour will undertake a similar analysis as in Action Point 12 relating to lump sums for civil servants. Based on this information, ELSTAT will examine the need for additional accrual adjustments to be applied in national accounts.

Deadline: April 2018 EDP notification¹¹

3. ANALYSIS OF EDP TABLES AND QUESTIONNAIRE RELATED TO EDP – PREPARATION OF THE OCTOBER 2017 EDP NOTIFICATION

3.1. Recording of interest (including consolidation of interest and recording of discounts/premiums on T-bills)

Introduction

Issues relating to the recording of interest that remained open since the October 2017 EDP notification were further clarified under this point of the agenda.

Discussion

Recording of discounts on T bills

In the January-February 2017 EDP visit, it has been clarified that discounts on T-bills in EDP table 3B are not reported under line “*Issuances above(-)/below(+) nominal value*” but instead are included under the line “*Difference between interest (D.41) accrued(-) and paid(+)*”. Following up on the AP(48), ELSTAT has indicated this in the footnote to the EDP table 3.

¹⁰ A note on this issue was provided to Eurostat on 15.03.2018

¹¹ A note on this issue was provided to Eurostat on 15.03.2018

Eurostat noted that such recording (showing T-bill discounts under the accrual adjustment for interest) although is not fully in line with the guidance, from a practical point of view, it could temporarily be acceptable. It was agreed to keep the current recording for the time being.

Eurostat asked about the inconsistency with the accrual adjustment for interest reported in EDP table 2A and the description in the EDP Inventory. The description in the Inventory states that discounts/premiums are not entering the WB of the EDP table 2A, thus no additional discount/premium neutralizing adjustment is needed. Eurostat noted that, somewhat surprisingly, the EDP table 2A1 line for accrued interest is identical to the one reported in EDP table 3B1 (budgetary central government).

The Greek statistical authorities explained that the EDP Inventory should be updated and that the recording of discounts on T-bills should be added. Discounts on T-bills are entering the working balance and thus are neutralised under the EDP table 2A D.41 line. Eurostat took note of the situation.

Table on the recording of interest

Prior to the EDP visit, the Greek statistical authorities provided to Eurostat an updated table on the recording of interest (also following up on the AP 49¹² from the January-February 2017 EDP visit). Eurostat noted that, currently, only the data for the year 2015 and 2016 are filled in. Eurostat also commented that item 13 of the table referring to amortisation of discounts on T-bills should be filled in. It has been explained that the stock of coupons and premiums, as requested under item 7, could be recalculated, using flow data. Filling in such data would allow for consistency checking.

Eurostat clarified that item 3, stock of coupon accrued, should in fact include also interest accrued on loan and deposit instruments. Interest should also accrue including the grace period or in case of step up bonds.

Recording of interest on step up bonds and consolidation of interest

During the October 2017 EDP notification, when discussing the increase in consolidating interest flows (in 2016 as compared to 2015, it increased by 40%), it appeared that part of the explanation was an increase in step up coupon rate of PSI bonds held by Common Capital (from 2% to 3%). Eurostat recalled the rule that, in case of step up bonds, interest has to be accrued over the full lifetime of the instrument, on the basis of the relevant market rate observed at inception (yield to maturity).

The Greek statistical authorities explained that this is implemented on the expenditure side, but not on the revenue side. This results in erroneous consolidating amounts. The Greek statistical authorities explained that all PSI bonds have a step up coupon, and as Common Capital is holding about 6 billion of such bonds therefore, the 1 pp increase in the interest rate amounts to around 60 million EUR.

The Greek statistical authorities explained that the figure for accrued interest is provided by the BoG for all the extra budgetary funds that have been placing in Common Capital. Eurostat noted that it has to be investigated how those entities report the step up coupon rate of PSI

¹² AP49 from the January-February 2017 EDP visit remains open.

bonds on an accrual basis in their accounts. In case of need, the interest revenue and consolidating D.41 rev flows have to be revised, possibly with an impact on government B.9.

Findings and conclusions

- (14) The current recording of discounts on T-bills in the EDP tables 3 will remain unchanged in the October 2017 EDP notification (despite not aligning with current guidance), pending further discussions in the MGDD task force/EDPS WG.
- (15) Having in mind the ongoing discussion on the recording of discounts on T-bills in the EDP tables 3, the PDMA will continue improving the reporting of the ad-hoc table on interest recording, along the lines discussed in meeting.

Deadline: April 2018 EDP notification¹³.

- (16) ELSTAT will enquire on the recording in public accounts of the step up mechanism foreseen by PSI bonds, for those entities reporting on an accrual basis. On this basis, ELSTAT will subsequently adjust the interest revenue reported in GFS (and its consolidation) since 2012 (possibly with a B.9 impact).

Deadline: April 2018 EDP notification¹⁴.

3.2 Financial derivatives

Introduction

The Greek statistical authorities provided an update on the foreseen re-novation of the former Goldman Sachs (GS) swap.

Discussion

The Greek statistical authorities explained to Eurostat that, since the last EDP visit, there were no actual steps taken as regards the foreseen re-novation of the GS swap from TITLOS to the NBG. Nevertheless, the PDMA wanted to share some information on the discussions on the future set up of the transaction. Due to a delay, the transaction outline, although quite concrete, is not yet final. The PDMA explained that the intention is to proceed with the transaction only if there is no impact on government debt. The Greek statistical authorities wanted therefore to receive Eurostat's clarifications on the statistical recording.

The PDMA recalled that, in the past, the GS swap was novated to NBG, which then passed it to TITLOS. The latter had issued asset backed securities to be used by the NBG to raise funds in the ECB.

What was now foreseen is to re-novate the swap from TITLOS back to NBG. In this way, the securities issued by TITLOS will be cancelled. The Greek State will issue zero coupon zero yield bonds, issued at par with a 18 months maturity. These securities will be tradable (contrary to initial indication) and they will be issued for the specific purpose to be lent to NBG which in turn will be able to place them as collateral (e.g. at the ECB). The value of the bonds will be 3 billion, which is the mark to market of the IRS. The agreement will have a so called mutual

¹³ An updated table on interest recording was provided to Eurostat on 08.03.2018.

¹⁴ ELSTAT note was received on 27.03.2018. Revisions for the years 2015 and 2016 were implemented in the April 2018 EDP notification.

brake close option, meaning that the Hellenic Republic will have an option to cancel out the transaction upon notice of 30 days. In such an event, the previous status quo will be restored – TITLOS would be created again, and IRS from NBG renovated to TITLOS.

Answering to Eurostat questions on the amounts involved, the PDMA explained that the operation concern an existing IRS that was already accounted for in the Greek IRS portfolio. Up to date, 4.5 billion of this off-market IRS is remaining in Maastricht debt and an asset in derivatives of 1.5 billion is in principle recorded in national accounts. The amortisation schedule is not linear. Currently D.41 is impacted by around 250 million, property income payable on the loan component of the off-market swap (ESA 20.133).

Findings and conclusions

- (17) Eurostat will provide its view on the foreseen new securities lending operation concerning the Goldman Sachs swap.

*Deadline: end October 2017*¹⁵

3.3 Trade credits - estimation of AF81

Introduction

The non-availability of data on trade credits of other central government bodies (S.1311.2, excluding public hospitals) and Social Security funds was discussed in the previous EDP visits. This data limitation was flagged in Eurostat's *Note on stock of liabilities of trade credits and advances*, published together with each EDP notification.

Discussion

The Greek statistical authorities had an action point (AP 35)¹⁶, requesting, in the absence of direct information on F.81 trade credits (transactions and stocks), to estimate F.81 based on the accrual adjustments on the relevant ESA categories (P.1, P.2, P.51 etc). Before the EDP visit, a note on the methods and estimated amounts was provided to Eurostat.

During the meeting the Greek statistical authorities explained that other central government bodies is a rather heterogeneous sub-sector, so some assumptions regarding the liabilities available in the survey data were made. For some bigger and/or more specific entities, information from their financial statements was used. Eurostat took note of the explanation and of the amounts reported.

As regards the SSF sub-sector, the Greek statistical authorities explained that the vast majority of their F.8 relates to transactions D.62/D.63 and thus are classified as F.89. Only minor amounts attributable to P.2 were identified.

The Greek statistical authorities explained that the AF.81L figures will be slightly revised due to incorporation of newly available data.

¹⁵ A note from the Greek statistical authorities was received during the meeting, as well as on 5/10/2017; further exchanges occurred in the beginning of 2018, the issue is under discussion.

¹⁶ AP 35 (59) is closed.

Eurostat concluded that there is no longer a need for a specific footnote in the *Note on stock of liabilities of trade credits and advances*, as the coverage is considered to be the whole general government sector.

In relation to the discussion of trade credits, Eurostat asked on the existence of factoring operations that could be undertaken by government units. The BoG was asked to provide information on factoring operations (the stocks) for the total economy, as well as the stocks of factoring concerning the government sector, as observable from money and banking statistics.

Findings and conclusions

- (18) As regards factoring operations, the BoG will provide information to ELSTAT and EUROSTAT on the stocks of factoring across the economy and any amounts concerning government entities as debtors, with a view to amend the public debt if necessary.

Deadline: April 2018 EDP notification¹⁷.

3.4 Remaining inconsistencies with ESA table 27

Introduction

The existing inconsistencies between EDP tables 3 and ESA table 27 have been discussed at numerous occasions with the Greek statistical authorities, and in particular with the BoG (responsible for ESA table 27), in a number of EDP visits, and pointed out in all the EDP notifications. Eurostat took the decision that ESA table 27 could not be validated and published, and therefore QFAGG data is not published by Eurostat for Greece since October 2015 EDP notification. Recently, some progress towards alignment was made, however the existing discrepancies between the two datasets remain high and the QFAGG data is still not published by Eurostat.

Discussion

Eurostat stressed that the existing inconsistencies should be eliminated and the ESA table 27 (and financial accounts) data should be fully aligned with EDP table 3 and ESA table 28.

Eurostat acknowledged that, in July 2017 (first quarter of 2017), TEKE and CDLF were reclassified in QFAGG inside the central government sector: the Consignment Deposits and Loan Fund as from 2014 Q1 and TEKE as from 2015 Q1. However, there are still big inconsistencies observable between the above datasets.

The BoG explained that they are working on eliminating further inconsistencies, and introducing revisions to historical data by incorporating so called other central government bodies (S.1311.2) in the QFAGG data. Work continues on aligning consolidation data with ESA table 28.

As for the areas where discrepancies exist, the BoG disagrees with the treatment of SDRs, followed by ELSTAT and with the treatment of bridge loans in the context of the 2012/2013 operations to recapitalise banks/ bank resolutions. The BoG also does not follow Eurostat's methodological advice on Bank recapitalizations, with a significant B.9f impact for 2015.

¹⁷ Information from the Greek statistical authorities was received on 2.10.2017

Eurostat stressed that such disparities between non-financial and financial accounts are creating difficulties for Eurostat to assess the data, puts an additional burden to ELSTAT and it also poses a reputational problem – the non-publication of QFAGG data might give an impression that there are serious quality issues with the Greek accounts.

Findings and conclusions

Eurostat requested the BoG to progress further towards achieving full alignment of non-financial and financial accounts. Obviously, AP 10 from January-February 2017 EDP visit remains open.

3.5 Review of the draft October EDP tables

Introduction

During the EDP visit, ELSTAT provided to Eurostat a draft EDP table 2A1. The revisions implemented since the April 2017 notification, were discussed under this point of the agenda.

Discussion

Adjustment for Treasury accounts

Eurostat noted that, similarly to the April 2017 EDP notification, the adjustment for the balance of Treasury accounts is improving the 2016 government B.9 by around 900 million EUR. Part of this amount (around 300 million) refers to the well-known balance of inflows from taxes on interest (on loans and deposits) and outflows of interest subsidies. These amounts are entering/exiting Treasury accounts and never pass through the Budget.

Another big part of this adjustment line (around 470 million EUR) refers to pending payment orders in relation to highways. The Greek statistical authorities confirmed the explanations provided during the April 2017 EDP clarification in that respect: it is money that is set aside for the work that will be undertaken in the course of 2017. As this amount was an outflow from the working balance in 2016, in EDP table 2A1, it is neutralised via the adjustment line for balance for Treasury accounts, so for the 2016 B.9 it is neutral. The expenditure in national accounts will be recognised once the payments for works on road concessions are done. The Greek statistical authorities also explained, that, as these amounts have not reached the concessionaires, they are not reflected in the concession model either. Eurostat took note of the explanations and asked for the updated working file on the recording of the motorway concessions that have been reclassified inside general government.

Findings and conclusions

- (19) ELSTAT will share with Eurostat the most recent working file on the recording of the motorway concessions that have been reclassified inside general government.

*Deadline: October 2017 EDP notification*¹⁸

¹⁸ The file was sent to Eurostat before the October 2017 EDP notification. AP is closed.

4. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS

4.1. Any pending sector classification issues

The Institution for Growth in Greece (IfG)

Introduction

The sector classification of the Institution for Growth in Greece (IfG) and its sub-fund was on the agenda of the previous EDP visits. As the entities were not yet operating, ELSTAT was requested to monitor them and to provide its view on the sector classification. Prior to the EDP visit, the Greek statistical authorities provided an analysis.

Discussion

It has been agreed that, although IfG and its sub-fund IfG - SME Finance S.A were established in Luxembourg (thus, it is not a resident unit) its predominant economic interest is on the economic territory of Greece. Therefore following ESA 2.30, the operations of IfG shall be reflected in the accounts of general government, for instance by way of considering a notional resident unit.

The discussion focused on the sector classification of the IfG - SME Finance S.A. The Greek statistical authorities explained that the company has no physical presence/premises or employees and costs for personnel are zero in its financial statements for the period 2014-2016. The only assets are financial assets – loans to Greek banks. The revenue consists of interest receivable on the above loans, whereas expenditure is interest payable on bonds issued. The Greek statistical authorities concluded that IFG - Greek SME Finance S.A is a Special Purpose Entity (SPE).

Eurostat confirmed the conclusion of the Greek statistical authorities that the Greek IfG - SME Finance S.A was established on the initiative of the Greek State, aiming at the financing of Greek SMEs and that the Greek State participates in it through ETEAN (classified in S.13).

As regards the relationship between IfG and the sub-funds, it seems that, once the IfG becomes operational, it will absorb the IfG - SME Finance S.A (and other funds, if they are established) as the sub-fund. This will happen despite the fact that the IfG sub-funds have been, or will be, established as separate legal special purpose entities. The process will be governed by the joint decision of the Greek Minister of Finance, the Minister of Development and competitiveness.

From all the above, Eurostat and the Greek statistical authorities agreed that both the IfG and the SPE IfG - Greek SME Finance S.A should be classified as notional entities inside the general government sector (as entities of S.1311.2).

Findings and conclusions

- (20) ELSTAT and EUROSTAT agree on the classification of the Institution for Growth in Greece (IfG) and its sub-fund IfG -Greek SME Finance S.A. inside the general government sector.

Public Properties Co. (PPCo or ETAD)

Introduction

The sector classification of ETAD, one of the HCAP subsidiaries (HCAP is classified in S.13), currently classified in S.11, and responsible for developing and managing real estate properties, was discussed in the previous EDP visits. Prior the September 2017 EDP visit, the Greek statistical authorities provided to Eurostat their analysis, which was used as an input for the discussion.

Discussion

The Greek statistical authorities conducted their analysis of the sector classification of ETAD before the Law No 4389/2016 was adopted and evaluated what changes were introduced by this Law.

The Greek statistical authorities explained that ETAD is to be considered as an institutional unit, as, among other things, it can own assets on its own right; it makes economic decisions in respect of disposing, managing or leasing of public assets. The entity is also able to borrow, enter into contracts and compiles a complete set of accounts.

ETAD's Board of Directors are selected by the HCAP shareholder meeting; the latter also appoints the CEO of the Board and the President. The State is also entrusted with the management of the biggest part of ETAD asset portfolio. Transfers of assets from the Greek State to HCAP and eventually to ETAD are taking place without remuneration. Taking into account the above, the Greek statistical authorities consider ETAD as controlled by government.

The Greek statistical authorities informed Eurostat that, before the 2016 Law, ETAD managed touristic properties across Greece, but owned only a small part of them. ETAD was acting on behalf of the Greek State when renting/selling the property under State ownership. As regards remuneration, the Greek statistical authorities explained that their analysis showed that ETAD was not charging a fee for the management of the State and Greek national Tourism organisation (GNTO) (S.1311.2) real estate portfolio. However ETAD was entitled to 25% of proceeds received from letting real estate, and the remaining 75% were not transferred to the State but kept by ETAD for further property management. In addition, ETAD was receiving grants from the State for investment. ETAD was borrowing with State guarantee, and amortization of some of these loans and/or interest was covered by the State. ETAD was paying dividends to the State on its profits.

Eurostat noted that, given the financing arrangements and the fact that the majority of the assets are not recorded on companies' balance sheet (thus no depreciation is recognised), it is not surprising that the entity is showing very high sale to production cost ratio (well above 100%). ETAD is an entity that is entrusted with the management of government real estate assets, in this activity ETAD is not competing with private entities, nor is awarded a contract via a competitive process. Therefore, ETAD cannot be considered as market producer and

¹⁹ The entity was classified inside the government sector in the October 2017 EDP notification. AP is closed.

should be classified inside general government for the period up to 2016, the year when the Law No 4389/2016 came into force.

The Greek statistical authorities explained that with the implementation of the provisions of 2016 Law, the functioning of ETAD will change. Eurostat agreed that the sector classification has to be reassessed in case changes are substantial.

The Greek statistical authorities explained that it is foreseen that the assets, currently under ownership of the State, HCAP and GNT0, will become assets of ETAD (there will be some exceptions). It is expected that the operation of ETAD will change in relation to updated Articles of the Association and Internal Operation Regulation. There might also be changes in financing. The Greek statistical authorities noted that, at this stage, both qualitative and quantitative criteria cannot be assessed. Eurostat concluded that ETAD's sector classification (from 2016 onwards) might be revisited once the provisions of the 2016 Law are implemented, analysed and the results of the qualitative criteria and 50% test available.

Findings and conclusions

- (21) As regards the classification of Public Properties Company (PPCo S.A./ETAD), Eurostat takes note that the entity will be reclassified from S.11 to S.13 in the April 2018 EDP notification concerning the period until 2016. The sector classification (from 2016 onwards) might be revisited once the provisions of the 2016 Law are analysed.

Deadline: April 2018 EDP notification²⁰.

4.2 Recording of EU flows

Due to time constraints the issue was not discussed.

4.3 Claw backs of hospitals

Introduction

Following up on the AP 56 from the January – February 2017 EDP visit, the recording of the claw backs and rebates for public hospitals was discussed. Claw-backs for hospitals concern primarily pharmaceutical products, it is a legal provision allowing government (hospital) to reduce its payment to the contractor. Claw backs might concern either already delivered products or products that will be delivered in the future. Claw back is imposed if the targets for expenditure have been surpassed.

Discussion

The Greek statistical authorities recalled that claw backs for hospitals were introduced in 2015 and the law was amended in 2016. The method for recording is based on the recording of operations related to the Social Security Fund EOPYY. That is, when claw backs are retroactive (related to goods and services provided before the legal changes), the terms of contracts are changed unilaterally by government, and these changes are recorded as ‘other changes in volume’. On the other hand, when claw backs occur for future contracts, that is after the Law, a reduction in P.2 is recognised, impacting B.9. The Greek statistical authorities explained that

²⁰ A note was received on 28.2.2018. ETAD reclassified inside general government sector in the April 2018 EDP notification. AP is closed.

the impact from claw backs in 2016 was around 152 million EUR (in EDP table 2A this is included under "*other accounts payable*", reflecting cancellation of payables that accrued after the Law.

Findings and conclusions

Eurostat took note of the explanations.

4.4 Cancellation of pension lump sums

Introduction

This issue was discussed with the Greek statistical authorities back in 2013. Eurostat revisited the issue again with the aim to understand the applied recording in national accounts.

Discussion

The Greek statistical authorities recalled to Eurostat that, following the advice given in 2013, the reduction in the stock of payables of lump sum pensions due to cuts imposed by government are treated as other change in volume. It has been agreed back in 2013 that cuts in civil servants lump sum pensions were imposed unilaterally by government and thus cannot be seen as transactions in national accounts.

Findings and conclusions

Eurostat took note of this explanation.

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Eurostat EDP dialogue visit to Greece 20-21 September 2017

Agenda

1. Follow-up of previous EDP dialogue visits (open action points)

- Progress as regards improvements to data sources, establishment on new source data, strengthening cooperation with the main data providers
- Discrepancy and Common Capital
- Privatisations and other operations undertaken by TAIPED
- Treasury accounts
- Other issues

2. Analysis of EDP tables – follow up of the April 2017 EDP notification

- Tax reform measures (including advance payment of PIT and CIT)
- Tax refunds, tax offsets
- Reform of the social security system:
 - payment by the State to EFKA in December 2016
 - delay in establishing pension rights
 - other pension delays and arrears
 - follow up on the recording of employers imputed social contributions

3. Analysis of EDP tables and questionnaire related to EDP – preparation of the October 2017 EDP notification

- Detailed analysis of the October 2017 EDP tables:
 - recording of interest (including consolidation of interest and recording of discounts/premiums on T-bills)
 - government arrears
 - estimation of AF81
- Questionnaire related to the EDP notification tables
- Remaining inconsistencies with ESA table 27
- Any other issues impacting October 2017 EDP

4. Methodological issues and recording of specific government transactions

- Any pending sector classification issues (local government controlled units, IFG, ETAD, EDIS)

- Recording of EU funds
- Claw backs of hospitals
- Cancellation of pension lump sums
- Other specific government transactions: military expenditure, TV licences

5. Any other business

- follow up on TAIPED operations in 2017
- GS swap