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EUROSTAT

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

Luxembourg, April 2020

FINAL FINDINGS

EDP dialogue visit to Greece

18-20 March 2019

EXECUTIVE SUMMARY

Eurostat undertook an EDP dialogue visit in Greece on 18-20 March 2019. The main aim of this dialogue visit was to review the forthcoming April 2019 EDP notification and 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. The progress on the open action points from the previous EDP visits was also discussed.

As regards the forthcoming April 2019 EDP notification, the draft tables were reviewed, and the data for the year 2018, and some new government operations were discussed. Eurostat and the Greek statistical authorities also discussed the recording in national accounts of a compensation for reduced wages and pensions. It has been agreed that the D.99 will be recorded in full in 2018, when the obligation to pay was created. ELSTAT will clarify the nature of the adjustments for LAGIE reported in the transitional table for EBFs. ELSTAT will consider relabelling the EDP table 2A1 lines H.49, so that their titles reflect better the nature of the adjustments. The Greek statistical authorities were asked to reflect on whether the reporting of SSF claw backs in GFS and EDP as receivables would be appropriate.

While reviewing the progress made on action points from the previous EDP visits, Eurostat analysed a detailed note explaining how the treasury accounts are operating. Eurostat asked the Greek statistical authorities to provide a full list of treasury accounts and to elaborate a bridge between the KAE codes and the working balance, as well as a bridge between the working balance and the Account 200. Eurostat asked the Greek statistical authorities to compile full GFS accounts for hospitals.

On the alignment of the ESA quarterly government financial accounts and EDP reporting/the ESA table 28, Eurostat welcomed the agreement of ELSTAT and the BoG to report ESA table 27 fully consistent with EDP table 3. The BoG will report bank recapitalisations consistently with ELSTAT reporting, will make full use of the historical data of the reclassified units and will ensure consistent data on F.2 and SDRs. ELSTAT will revise the bridge loan recording in 2012, by changing instrument from F.4 to F.5, leaving the B.9 impact of recapitalisation in 2013.

The discussion continued on the implementation of the accrued principle. Eurostat agreed with the Greek statistical authorities that there would be no change in the time lag applied for the D.51 taxes, reported in the Budget under KAE codes 063*, for the April 2019 EDP Notification. In order to decide on the appropriate time adjustment for D.51 tax, the Greek statistical authorities will analyse further the D.1 observed in general government compared to the whole economy. ELSTAT will provide to Eurostat monthly data since 2012, for the main tax categories, split by tax advances/prepayments, main tax settlements, and refunds. The Greek statistical authorities will continue monitoring legislative changes as regards DTAs.

As regards the 2017 bond exchange operation, Eurostat asked the PDMA to clarify the market price of government bonds in the week 28/11/2017 - 05/12/2017. The Greek statistical authorities were asked to reflect on the need to show explicitly in EDP table 3B the discounts on the bonds redeemed and on the bonds issued. Eurostat and the Greek statistical authorities

will analyse further, whether the discounts on newly issued bonds should or should not be accrued in D.41 in future years, given the specific case of non-cash transaction. Eurostat confirmed its view that a D.9 expenditure should be recognised for the compensation paid by government to banks (157 million EUR) at the occasion of the exchange of EFSF/ESM notes. The PDMA was asked to update the table on interest recording along the line of the discussion.

On the specific government transactions, Eurostat asked the Greek statistical authorities to monitor closely the developments in the ongoing discussions on the ways to alleviate the banks from their NPL portfolios. Eurostat awaits the table on derivatives. The Greek statistical authorities will provide details on the administrative process as regards the guarantees provided to individuals and in the context of natural disasters. ELSTAT will also clarify the SSF capital injection into Attica Bank. The Greek statistical authorities will investigate the existence of the EPC contracts in Greece.

As regards the payment for universal postal service, the Greek statistical authorities will record as D.9 in 2018 the compensation paid for past years. The Greek statistical authorities will clarify whether the obligation for government to pay existed since 2012.

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 18-20 March 2019.

The delegation of Eurostat was headed by Mr Luca Ascoli, Acting Director of Directorate D: Government Finance Statistics. Eurostat was also represented by Ms Gita Bergere, Mr Philippe de Rougemont 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 Public Debt Management Agency (PDMA) participated in the discussion for some specific points in the agenda. The expert providing technical assistance to ELSTAT also participated in the visit.

The previous Eurostat EDP dialogue visit to Greece took place in 19-20 September 2018.

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 April 2019 EDP notification was reviewed. The implementation of ESA2010 methodology relating to the recording of government transactions and to the sector classification of units was discussed.

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* would be sent to Greece and the Economic and Financial Committee (EFC) as well as published on the website of Eurostat.

Eurostat appreciated the information provided by the Greek statistical authorities prior to and during the EDP dialogue visit. Eurostat also thanked the Greek statistical authorities for the co-operation during the EDP dialogue visit and the constructive discussions.

1. APRIL 2019 EDP NOTIFICATION – ANALYSIS OF EDP TABLES, ANALYTICAL INFORMATION AND QUESTIONNAIRE RELATED TO EDP

Introduction

The aim of this part of the dialogue visit was to review/assess the draft April 2019 EDP notification tables and the additional analytical material, related to the EDP notification, that was provided by the Greek statistical authorities before or during the EDP visit.

Discussion

Central government sector

Eurostat asked some questions on the figures as reported in the detailed EDP table 2A1. Eurostat noted that the figure for military equipment deliveries, reported for the year 2018, seemed to be rather low. The Greek statistical authorities explained that a sizeable delivery occurred in 2017, therefore for 2018 the Ministry of Defence reported lower figure.

Lump sum compensation payments following Court decisions

The Greek statistical authorities recalled the information, provided to Eurostat before the EDP visit, on the ruling of the Council of the State (the Supreme Administrative Court of Greece) on wage refunds. Law 4575/2018 foresaw compensations for wages of certain public employee categories for the period starting in 2012. The Law listed different categories of employees, among them: the Armed Forces and Police officers, the Fire Brigade, the Coast Guard, doctors, staff involved in teaching and special education, higher education research and laboratory teaching staff, members of national Orchestras, Judges and the staff of the State Legal Council.

Eurostat asked about the nature of the ruling of the Council of the State and on whether it foresaw an application process for public employees. The Greek statistical authorities explained that the first Court ruling establishing the principle of compensation occurred in 2014; however, this ruling neither created an obligation for government to pay, nor determined the amounts due or the procedure to follow. The 2018 decisions of the Council of the State urged government to act and to comply with the principles of the Court rulings. Consequently, the Laws 4575/2018 and 4582/2018 were passed and Government took the obligation to pay out compensation for past wage cuts. Each wage category (following GAO classification of special wages) received compensation for different time periods. The Greek statistical authorities explained that, following the MGDD rules on Court Decisions with retroactive effect, the full amount of lump sum due (1.4 billion EUR) would be booked as D.99 expenditure in the year 2018.

The Greek statistical authorities recalled that, in 2014, government took an obligation to compensate salary cuts to the judiciary personnel; consequently, government expenditure for the full amount of compensations due (D.1 and D.62) was recorded in 2014 (item G.7 table 2A1), while cash settlement followed in the years 2015-2017.

Eurostat noted that two new adjustment lines were added to the EDP table 2A1. The Greek statistical authorities explained that part of certain public employees wage compensations that were to be paid in 2018, following the Court decision, were not cashed in 2018. In order to reconcile the cash working balance figure with the accrual one, a payable of 353 million EUR was recorded in the EDP table 2A1 item G.8.

Similarly, the item G.9 represents payables referring to the so-called social dividend. A small fraction of a payment did not occur in 2018, mainly due to administrative issues (e.g. wrong account number declared; other details, necessary for a bank transfer not precise; the potential recipients did not have the appropriate tax declaration, which was a prerequisite for receiving the funds, filled in). The Greek statistical authorities clarified that additional verification process took around one month and the government settled the remaining amount in cash in February 2019.

After analysing the transitional table for other central government bodies (OCGB), Eurostat asked further details on the adjustment for LAGIE. The Greek statistical authorities recalled that LAGIE is the electricity market operator; it operates as an intermediary between sellers and buyers of electric power. The flows generated by the intermediation activity (so-called DAS account) are eliminated from the B.9 of the entity; on the contrary, amounts relating to daily operations of LAGIE, such as wages, current costs, etc. are included. The Greek statistical authorities also recalled that the special account for renewable energy sources (RES), tax-subsidy scheme, also managed by LAGIE, is recorded in S.1311.1. Eurostat asked for further clarification on why the eliminated intermediation activity related flows were not balanced and resulted in 2018 in a difference of around -600 million between inflows and outflows. The Greek statistical authorities agreed to investigate this issue further.

Eurostat raised questions on the nature of the 2A1 adjustment line H.49a “*change in past year’s tax refunds*”. The Greek statistical authorities explained that, as already discussed in the past, there is a need for this adjustment line due to the fact that tax refunds amounts are excluded by GAO from the working balance (Budget execution bulletin). De facto, 1.9 billion is an expenditure incurred by government outside the working balance, which is why ELSTAT is adjusting the working balance via H.49a line in 2A1.

Eurostat questioned the labelling of the H.49a adjustment line. The current title “*change in past year’s tax refunds*” might be misleading, as it does not refer to the accrual adjustment of past years tax refunds and is representing the claims that are submitted at the end of the reporting period, that is, it concerns past years, but also the current year. De facto, this line is merely presenting an adjustment for non-financial transactions not recorded in the working balance. The Greek statistical authorities were asked to change this title in the next EDP reporting. ELSTAT explained that the adjustment line G.3 represents the national accounts accrual adjustment of tax refunds, that is, a reduction in payables (change in stocks).

Public hospitals

A table showing the transition between hospital census data and national accounts B.9 was provided to Eurostat during the meeting. Eurostat noted that, according to census data, the hospitals results worsened in 2018 (census result showed -5 million), as compared to 2017 (+112). The Greek statistical authorities explained that such variation for the hospital sub-sector is within the usual range.

ELSTAT informed Eurostat on the change in legislation that foresaw the introduction of rebates for hospitals starting from the third quarter 2018. ELSTAT accrued the amount of 52 million in 2017. Out of this amount, 38 million were received in cash in 2018 and the amount will be fully repaid in 2019.

The census data on hospitals is on a cash basis, with an exception of one entity, which has semi accrual data. The Greek statistical authority’s data source for hospitals claw backs (introduced in 2016) and rebates is the Ministry of Health. ELSTAT explained that the total figures are

correct; however, the split between the claw back and the rebate is estimated. The calculations are done also for the quarterly reporting.

Eurostat asked for the ESA accounts of hospitals as a group, covering the EDP reporting period 2015-2018. Eurostat noted that the financial accounts of hospitals should also be available, as an EDP table 3B2 for Public hospitals is compiled regularly.

Local government sector

A transitional table for the local government sector, linking the input KOMVOS data and B.9, was received by Eurostat and analysed during the meeting.

The Greek statistical authorities explained that, similarly to the operation in 2017, the Filodimos II related amount in 2018 was 434 million EUR. Expenditure for this amount was recorded for the State (S.1311.1) and at the same time revenue of a notional unit, created in the local government sector (S.1313), was recognised. The Greek statistical authorities explained that, up to date, no amounts had been spent by municipalities. When municipalities will start using the funds and incurring expenditure, a corresponding revenue for municipalities will be recognised, so that the overall impact for every municipality will be neutral.

Eurostat enquired on the nature of the adjustment lines coded “*revenue on behalf of third parties*”. The Greek statistical authorities explained that these lines reflect the fact that Municipalities record as both revenue and expenditure the amounts for employees’ social contributions, which will be transferred to the social security funds later on (social contributions withheld). The adjustments intend to eliminate these flows from total revenue and total expenditure and are B.9 neutral.

Eurostat recalled the past discussions on the further development of the KOMVOS database, as regards the financial side information, and asked on an update of the latest situation. The Greek statistical authorities explained that, for 2018, 325 municipalities were covered. KOMVOS is primarily covering non-financial data; however, some financial data is being received now as well. The Ministry of Interior works to further develop this (the work involves also some comparisons with EETAA data). From June 2019, it will be possible to have financial data from KOMVOS for regions and municipalities; however, the data will not be available for the previous years and seemingly only stock data will be included. Eurostat expressed concern that incomplete information on stock and flows would become available. The Greek statistical authorities were asked to engage with the Ministry of Interior, so that KOMVOS financial information includes financial transactions (flows) aside from balance sheets (stocks), enabling the reconciliation between B.9 and B.9f at the source data level for local government entities.

SSF sector

The table showing the transition between the SSF census results and the national accounts B.9 was analysed. Eurostat noted that the result reported for 2018 (–3.2 billion surplus) is very different from the forecasted amount (1.8 billion) and asked from where such difference was arising. According to GAO, the forecast did not include a transfer from the State on the arrears-clearing programme (around 1 billion in 2018).

Eurostat noted that claw-backs are recorded in the Greek financial accounts as negative payables. This results in a situation when stocks of claw backs built up over the years result in decrease in payables. In particular, a rapid decline of the stock in payables in ESA table 27 is observed, with the possibility of leading to negative positions. Eurostat asked the Greek statistical authorities to report to Eurostat the stock of claw-backs currently deducted from

payables. Eurostat thought that the claw-backs have de facto a nature of receivables and asked the Greek statistical authorities to reflect on the possibility of showing the accrued amount not settled on the asset side, either globally for the full amount or at least on a contract-by-contract basis (whenever the individual amounts turn negative).

- (1) Eurostat took note that the Greek statistical authorities will record the compensations for reduced of wages and pensions to be paid following the provisions of 2018 Laws No 4575 and 4582 as D.99, in full in the year 2018, when the obligation to pay was incurred by Government.

Deadline: April 2019 EDP notification¹

- (2) The Greek statistical authorities will clarify the nature of the large adjustments for LAGIE reported in transitional table for EBFs and the reasons for their significant net impact in the table for 2017 and 2018. The Greek statistical authorities will send to Eurostat LAGIE financial statements of 2017.

Deadline: April 2019 EDP notification²

- (3) In relation to the EDP table 2A1 line H.49b “clearance of past years tax refunds”, the Greek statistical authorities will re-label it appropriately, so to underline that this line corresponds more to an adjustment for non-financial transactions not recorded in the WB, rather than to an accrual adjustment for tax refunds in arrears (for past years). The Greek statistical authorities will also reflect on possible labelling of items H49.a and H49.c.

Deadline: April 2019 EDP notification³

- (4) The Greek statistical authorities will provide to Eurostat the GFS accounts for hospitals, as a group, for the period 2015-2018.

Deadline: April 2019 EDP notification⁴

- (5) The Greek statistical authorities will liaise with the Ministry of Interior with the aim to ensure, to the extent possible, that the KOMVOS financial information (local government) includes financial transactions (flows) aside from balance sheets (stocks) so to ensure the reconciliation between B.9 and B.9f at the source data level for these entities.

Deadline: Progress Report June 2019⁵

- (6) Eurostat noted that stock of accrued claw backs not settled has, in principle, the nature of a receivable and that the current approach of deducting claw backs from payables explains in part the rapid decline of the stock in payables in ESA table 27, with the risk of leading to negative positions. Accordingly, Eurostat invited the Greek statistical authorities to reflect on showing the accrued amount not settled on the asset side, either globally for the full amount or at least on a contract-by-contract basis (whenever the

¹ Implemented in the April 2019 EDP notification. AP is closed.

² Implemented in the April 2019 EDP notification. AP is closed.

³ Implemented in the April 2019 EDP notification. AP is closed.

⁴ Accounts of PH provided on 29/03/2019. AP is closed.

⁵ A note on KOMVOS was provided on 25/02/2020. AP is closed.

individual amounts turn negative). The Greek statistical authorities will report to Eurostat the stock of claw backs currently deducted from payables.

Deadline: October 2019 EDP notification⁶.

2. Follow up of the October 2018 EDP notification

- SSF accounts

Introduction

Before the EDP visit, the Greek statistical authorities provided to Eurostat an updated table on the 2018 non-financial accounts for the five biggest SSFs and an aggregated amount for the rest. The table showed the main ESA categories, as well as consolidating amounts within S.1314.

Discussion

Eurostat thanked the Greek authorities for their efforts and raised some questions on the information provided. Eurostat recalled that survey data is being bridged to ESA categories and accrual adjustments are being implemented by ELSTAT, and asked about the nature of D.759 flows that seem to be consolidated within S.1314. The Greek statistical authorities explained that these refer to service charges collected by EFKA. Several SSFs do not have their own pension collection systems, so this goes via EFKA and, for this, a service fee is charged by EFKA.

Eurostat noted that consolidation is observed in different ESA categories under revenue and expenditure. The Greek statistical authorities explained that this is due to the fact that the source data report transfers incorrectly in codes for sales.

For example, EFKA holds 30% of social contributions from OAED (696 million EUR in 2018). OAED records D.61 revenue and then 30% is booked as D.9 pay to EFKA. In EFKA accounts this flow; however, appears under P.131.

Eurostat asked to what refers P.2 of EOPYY. The Greek statistical authorities explained that those are payments for services of public hospitals. It is classified under P.2 because public hospitals in national accounts are not considered public producers. ELSTAT recalled that such treatment is in line with the Eurostat's guidance of 2014, when public hospitals were reclassified in S.1311.2. Eurostat took note of this approach and commented that such recording inflates both expenditure and revenue, and following the recent discussions in the GFS task force, a D.73 recording might be more appropriate.

Eurostat asked the Greek statistical authorities what was the situation of the financial flows of the SSF. Eurostat thought that the financial side reported for those units would help to understand better the SSF accounts and identify some causes for discrepancies. The Greek statistical authorities explained that, for the time being, such data are not compiled on a fund-by-fund basis. The Greek statistical authorities explained that SSFs survey report all the flows either in F.2 or in F.3, and then adjustments are done by ELSTAT taking into account Common Capital data. Eurostat confirmed that, at this stage, survey categories would be enough and would serve the purpose.

- Adjustments for Treasury Single Accounts (TSA)

⁶ Notes on this issue were provided on 02/08/2019.

Introduction

Following up on the AP 19 from the September 2018 EDP DV, the Greek statistical authorities provided a note illustrating with concrete examples how the TSA are operating.

Discussion

The 28 TSA is the main bank account of budgetary central government in the Bank of Greece. It is a single account and it is broken down into sub-accounts. Eurostat took note that, de facto, there are three main types of TSA sub-accounts. The first group consists of accounts that lead to a change in the working balance, either because they have a counterpart in KAE codes or an entry in the accounting system. The second type of sub-accounts are the accounts that have an impact on the other lines of EDP table 2 and are de facto in B.9. The third group of sub-accounts are the accounts that are reflected neither in the working balance nor in other lines in EDP table 2. The total balance is in fact sub-accounts that belong to the third type. GAO confirmed that, indeed, accounts of the first type are related to accounting and budget execution, whereas accounts of the second type are not. Such distinction was introduced for EDP purposes. An example of the account 611451 was given by GAO, being a sub-account where cash is entering. The stock of this account amounts to 5 billion and the yearly flow is 300 million. Previously, the flow was reported on a net basis and added to the B.9 correction, while now ELSTAT shows gross flows - tax revenue and expenditure in GFS.

Regarding type one accounts, Eurostat asked what the difference between the terminology “KAE codes” and “accounting system” was. The Greek statistical authorities explained that the term “accounting system” is broader, including all transactions, while the budget does not include all transactions from the accounting system. Eurostat noted that, following this, it would appear that there are some accounts that GAO is not monitoring and found the rationale for this not very clear.

The Greek statistical authorities explained that two summary tables are currently being received by ELSTAT from GAO, which include around 40 lines. Based on this information, an adjustment D.3 is derived in EDP table 2A1. The Greek statistical authorities clarified that account 200 is not included in the working balance. Eurostat asked which KAE codes exactly are included in the working balance. Eurostat asked the Greek statistical authorities to share the two tables on TSA that are being regularly sent to ELSTAT and GAO was asked to provide to Eurostat a list of the total 6000 active sub-accounts in an adequate presentation, as well as some bridge table between the working balance of the EDP table 2 and the TSA account 200.

Findings and conclusion

- (7) Eurostat considered that further progress was needed for clarifying the incorporation of Treasury accounts in the EDP/GFS reporting. The Greek statistical authorities will report to Eurostat the two working tables regularly sent by GAO to ELSTAT. GAO will provide to Eurostat a list of the 6000 treasury accounts in an adequate presentation. Eurostat and ELSTAT will reflect on the possibility of organising a technical mission on this issue. Eurostat also requested that GAO elaborated on the bridge between KAE and the WB as well as a bridge between the WB, reported in EDP table 2A, and account 200 of the TSA.

Deadline: May 2019⁷.

- Inconsistencies with ESA table 27

Introduction

⁷ Some documents were provided on 27/09/2019.

The existing sizeable differences between the ESA T27 (compiled by the BoG) on one side and ESA T28 and EDP table 3 (compiled by ELSTAT) on the other side were discussed with the Greek statistical authorities on a number of the EDP visits and EDP notification rounds. The main reasons for the disparities observed between the two data sets were the non-reflection of historical data revisions fully in QFAGG and the disagreement on the statistical recording of certain government operations (as capital injections in banks) in government accounts. Consequently, the QFAGG data were not published by Eurostat since 2015.

Discussion

Eurostat recalled the situation of non-publication of data and listed the main causes for the differences observed. Eurostat also stressed the importance of alignment of the QFAGG data with ESA table 28 and EDP table 3, as well as with non-financial accounts. The BoG was invited to explain its position. The BoG explained that, recently, there were some developments as regards this issue – a task force with ELSTAT was established focusing on the possible solution for technical issues, as regards repolation of past data and better alignment between financial and non-financial accounts. The BoG noted that the work done resulted in better alignment of quarterly data, thus it will not be affecting EDP historical figures. Following revision in debt, there were some reclassifications implemented in QFAGG between short-term and long-term debt. The BoG explained that incorporation of the reclassified units is very burdensome because there is a need also for counterpart data to be correctly reflected in other sectors. Eurostat stated that it is a matter of a method chosen and the fact that the accounts for other subsectors are calculated should not be used as justification. While it is true that the accounts of the whole economy are compiled, the general government accounts should be used as a primary input and other sectors built up around them. The information as regards the reclassified EBFs was checked by ELSTAT at a time, thus the calculation is available and the quality is good, so it should be enough to adjust financial accounts accordingly. ELSTAT confirmed that the communication and cooperation between the two institutions has improved recently. The further alignment of ESA tables 27 and 28 does not address the most sizeable issues affecting the alignment with EDP, as these are the capitalisation operations of 2013 and 2015 and the treatment of the bridge loan in 2012. The BoG explained that, in their view, the recapitalisations undertaken in 2015 of the two financial entities were investments. Eurostat noted that this created a particular difficulty, as the BoG is not following Eurostat advice and the consequent treatment followed by ELSTAT. Eurostat explained that the situation when two different compilers have a disagreement on specific operation/transaction is happening also in other Member States, as it is part of the regular cooperation and subject to discussions. However, all inter-institutional discussions are discontinued once a decision is taken (e.g. by a Eurostat advice letter). Eurostat noted that there were cases when, due to such persistent disagreements, the whole compilation of financial accounts was moved from the NCB to the NSI. Eurostat noted that the recognition of a loan in 2012 is causing difficulties for the BoG. Eurostat considered that this case, although scrutinised in detail in the past, could possibly be reopened. As it is not a clear-cut case, it is not surprising that each time someone examines it there could be another interpretation. Given that the impact on B.9 from the capitalisation is in 2013, the bridge loan instrument in financial accounts in 2012 could be changed from F.4 to F.5, as this was not a true loan (i.e. with a foreseen repayment schedule) from the very beginning, and it was meant to be converted into equity. As regards the time of recording of the capital injection, within one year of injection, re-estimate could lead to a capital transfer.

The Greek statistical authorities agreed to align ESA table 27 with table 28 and EDP tables 3. The BoG agreed to report the 2013 and 2015 bank capital injections consistently with ELSTAT recording, to make full use of the historical EDP table 3 as regards the reclassified units and follow same reclassification of transactions by ELSTAT, to ensure consistency of data for F.2, and to implement the SDR recording consistently with ELSTAT. ELSTAT agreed to revise the bridge loan recording in 2012, by changing the instrument from F.4 to F.5, leaving the B.9 impact of the re-capitalization in 2013.

Eurostat noted that, if the agreed actions would be implemented by the Greek statistical authorities before the 15th of April 2019, the QFAGG data would be published again by Eurostat.

Findings and conclusions

- (8) Eurostat welcomed the agreement of ELSTAT and of the BoG to report ESA table 27 fully consistent with EDP table 3, which will allow the validation of table 27 by Eurostat for the first time since 2015. In particular, following the agreement, the BoG will (a) report the 2013 and 2015 bank capital injections consistently with ELSTAT recording, (b) make full use of the historical EDP table 3 that cover the units reclassified by ELSTAT and follow same reclassification of transactions by ELSTAT, (c) ensure consistency of data for F.2, and (d) report SDR consistently with ELSTAT recording. ELSTAT, with the agreement of Eurostat, will revise the bridge loan recording in 2012, by changing instrument from F.4 to F.5, leaving the B.9 impact of the re-capitalization in 2013. This new recording takes into account the fact that the bridge loan was not meant to be repaid, but to be converted in equity, in consideration of new ESA 2010 para 20.121 and of the 2009 Guidance note.

*Deadline: April 2019 EDP notification*⁸

- Revision of Debt (December 2018)

Introduction

Eurostat appreciated the detailed note on the future revisions in debt, provided by the Greek statistical authorities before the EDP visit.

Discussion

ELSTAT explained that, at the initiative of the BoG, a meeting has been organised to further discuss the alignment between the ESA table 27 and ESA table 28/ EDP data. The participating institutions were ELSTAT, BoG, PDMA and GAO. As outcome of the discussions, a number of revisions were foreseen. In most cases, they refer to the historical years, quarterly data or reallocation between instruments and do not affect the overall debt figure. The Greek statistical authorities mentioned some of the changes: in some quarters of 2010 and 2011 a reclassification was made from AF.32 to AF.42; in Q1-Q3 of the years 2006 – 2010 consolidating items (F.3) between the State (S.1311.1) and OCGB (S.1311.2) were added; in Q1-Q3 of the years 2006 – 2010 certain F.4 amounts were included –leases of Olympic Aircrafts and stock of guaranteed debt and in 2010 Q3 ELEGEP loan (875 million EUR) – this did not affected Q4 in all years. ELEGEP loans previously treated as F.42 were now reclassified into F.41.

Conclusions and Action points

Eurostat welcomed the improvement to the financial accounts and appreciated the clear and

⁸ AP is closed. Eurostat published Greek QFAGG data in April 2019.

transparent communication on this.

3. Methodological issues and recording of specific government transactions

3.1 Delimitation of general government

3.1.1 Changes in sector classification since the last EDP dialogue visit, since the October 2018 EDP notification

Introduction

The changes in sectorization since the September 2018 EDP notification, as well as open sectorization cases were reviewed under this agenda point.

Eurostat recalled that a request for advice for re-assessment of the sector classification of the Hellenic Aerospace industry S.A. (HAI S.A.) was received from ELSTAT. Eurostat noted that, since 2014, the entity has been classified inside general government, mainly based on qualitative criteria, as the majority of the production of the entity is purchased by the Greek government and there is no competitive tendering system in place. As updated information was not available, some further questions were sent to the Greek statistical authorities, in particular on the most recent information on the 50% results and on data on the structure of HAI's sales – to government and to other entities. Other questions raised were whether there was competition on the market or whether HAI was the only supplier of the particular goods/services to government; whether the entity in question was competing with the other public/private producers, or whether a commercial tendering process was in place. Eurostat explained that, once the replies with additional information would be received, a formal advice would be issued and published on Eurostat's website.

3.1.2 Any other issue of sectorization

Introduction

The progress achieved in analysing units in liquidation was discussed under this point of the agenda. No new sectorization cases were raised during the meeting.

Discussion

The Greek statistical authorities provided an update on the progress on the AP 11 from the September 2018 EDP DV (and on AP 8 of March 2018 EDP visit) on the sectorization of units under liquidation. ELSTAT explained that, following the above action point, in November 2018 a letter to the Ministries was sent asking information on their supervised entities. The information asked included subsidiaries, units in S.2, SPVs and units that were dormant or in liquidation. The old lists available at ELTAT were attached, so that the information could be confirmed and updated, where needed. Ministries provided their replies and now ELSTAT continues working on their analysis.

The Greek statistical authorities informed Eurostat that, as regards the entities in liquidation, there will be one or two to be added to the list. Therefore, no significant impact on B.9 or on debt figures is expected. For the units that have to be classified inside general government, classification notes will be sent out. As an outcome of this exercise, a separate list of supervised entities of sector S.15 will be drawn. ELSTAT will provide a full report on this AP in due course.

Findings and conclusions

Eurostat took note of the progress and of the fact that the expected impact on B.9 or debt is small.

3.2 Implementation of the accrual principle

3.2.1 Taxes and social contributions

Introduction

The tax reform measures undertaken by the Greek authorities in 2015 and 2016 and their statistical implications were discussed with the Greek statistical authorities. The Greek statistical authorities were asked (AP9 from the September 2018 EDP DV) to conduct an analysis on the correct time adjustment cash method to be applied, especially as concerns the tax specific average time lag, so that the effects of changes in pre-payment rates would be appropriately neutralised. The Greek statistical authorities were asked to inform Eurostat on their findings and consult on the concrete proposals. Before the EDP visit, the Greek statistical authorities provided their analysis by tax categories and KAE codes and proposed the most appropriate recordings.

Discussion

Distinguishing between tax flows and fines and penalties

The Greek statistical authorities explained that, as indicated in their note, the analysis undertaken revealed that fines and penalties, currently classified and reported under the associated tax flows (D.21 and D.51) can be identified in the data source, and therefore should be classified appropriately as D.75. The reclassification will concern KAE codes 1711 and 1717, applicable to D.21 and KAE codes 0711 and 0713, applicable to D.51. These amounts are also separated in the new GAO Chart of Accounts (CoA). The revision to be implemented in the April 2019 EDP notification for the EDP years will amount to 24 million EUR in 2017. The B.9 impact is stemming from the fact that no time adjustment will be applied to KAE codes 0711 and 0713 (amounts under KAE codes 1711 and 1717 were already recorded cash).

*Budgetary codes KAE 063**

The Greek statistical authorities explained that the KAE codes 063* correspond to the modalities of D.51 (CIT and PIT) payments and refer to the past years obligations. These codes covers both households and corporate sectors. The flows recorded under these budget codes refer to taxes assessed in previous years. Currently, a two-month time adjustment is applied for all KAE 063* codes, with an exception for KAE code 0639, which is recorded cash. The Greek statistical authorities questioned whether it would not be more meaningful not to apply the time adjustment for the whole 063* code group. Eurostat took note that similar information will be available also in the new CoA. Eurostat thought that t+2 months would not be a wrong recording, as the result would be a little bit closer to the original time of recording. It was agreed not to change the current recording practice as regards the KAE 063* group.

Time lag to be applied to D.51 tax KAE code 0113 tax on wages and pensions withheld

Eurostat explained that a decision on an average time lag to be applied to the tax on wages and pensions withheld should be based on the data that the Greek statistical authorities have at their disposal. To take an appropriate decision, an actual time lag, not the one foreseen in the legislation, should be considered. The Greek statistical authorities recalled that a two-month time lag is currently applied to KAE code 0113. The Greek statistical authorities explained further that the time lag observable for the private sector employees was 2 months, as employers have until the end of the second month to pass the withheld tax to government. As regards public sector employees, their wages are paid twice per month (on 13th and 27th days) and the tax withheld is passed by the employer on the last working day of the month. The tax on pensions is a further complication, as EFKA has a 2-month time delay before passing the

cash to the State, but pensions are pre-paid one month in advance. The Greek statistical authorities confirmed that there was no separate code for the tax on pensions, and it was not recognisable within the overall tax flow. As concerns Eurostat question on the proportion of employment between the public and the private sector, the Greek authorities answered that, to their knowledge, around half of people are employed in the private sector. Eurostat asked the Greek statistical authorities to analyse the national accounts D.1 data, in particular on the size of D.1 amounts observed for general government sector compared to the whole economy, also assessing what could be the D.1 and pension amount corresponding to the public sector market producers. Eurostat noted that, after such analysis, an appropriate time lag could be determined. It could be that t+1 month would be the most appropriate; however, it also could well be that t+45days could be chosen.

Eurostat thanked the Greek statistical authorities for the analysis on tax recording conducted so far. The Greek statistical authorities explained that some further analysis on VAT tax will follow. Eurostat recalled that further analysis on tax prepayment rates is also expected. Eurostat requested whether for each KAE the data on advance, settlement and the refund is available. This data is important in order to evaluate whether, due to the increase in prepayment rates, there was an impact in a particular year. The increase of a rate of prepayment had to be captured, as in a given year an impact could result in an ad-hoc adjustment or in a change of the time lag. Eurostat stressed that such analysis allows identifying the specific tax phenomenon/events that require special attention.

DTAs

In the past, ELSTAT was asked to monitor whether the implementing act relating to DTAs would be passed and, consequently, some DTAs were used. In September 2018, the Greek statistical authorities confirmed that there were no new developments on this issue for 2017 and earlier years.

Eurostat noted that DTAs are also mentioned in the BoG plan for systemic banks dealing with NPLs (see part on financial crisis 3.3.1.) and in this context asked for any new development as regards DTAs in 2018, in particular if there have been any DTA converted into tax credits. The Greek statistical authorities did not have any new information on this.

Findings and conclusions

- (9) (former 19) As regards the recording of taxes, Eurostat and ELSTAT agreed that there will be no change in the time lag applied for the D.51 taxes, reported in the Budget under KAE codes 063*.

Deadline: April 2019 EDP notification⁹

- (10) (former 20) In order to decide on the appropriate time adjustment for D.51 tax, the Greek statistical authorities will analyse further what the D.1 observed in general government is compared to the whole economy and will in addition estimate what could be the amount corresponding to the public sector market producers and pensions.

Deadline: April 2019 EDP notification¹⁰

- (11) (former 21) The Greek statistical authorities will provide to Eurostat monthly data since 2012, for the main tax categories, split by tax advances/prepayments, main tax settlements, and refunds. This data should be provided to Eurostat, in order to evaluate

⁹ AP is closed.

¹⁰ Information was provided on 03/10/2019. ELSTAT considers that this action point is closed.

whether there was any impact, in a particular year, due to the increase in pre-payment rates or any other possible event¹¹.

Deadline: April 2019 EDP notification

- (12) (former 22) The Greek statistical authorities will systematically monitor any legislative changes as regards DTAs and will confirm whether there have been any conversions of DTAs into payable tax credits undertaken in 2018.

Deadline: April 2019 EDP notification¹²

3.2.2 Court decisions with retroactive effect

This issue was covered under agenda point 1. April 2019 EDP notification/ central government (see page 5).

3.2.3 Interest and consolidation of interest

Introduction

The information reported in the table on the recording of interest was analysed under this agenda point. A discussion on the proper reporting in the EDP tables of the bond swap operation associated flows also took place.

Discussion

2017 Bond exchange operation

Eurostat recalled that the 2017 Bond exchange operation was discussed in the previous EDP visit; however, a final agreement on the recording in the EDP tables was not reached, as some important information was missing.

In December 2017, former Private Sector Involvement (PSI) bonds, with step-up interest, were exchanged by newly issued bonds with fixed interest rate. The value of the redeemed bonds was 22.5 billion EUR. Eurostat asked for a clarification on whether this figure represented market value of redeemed bonds, thus including the coupon bought back. The Greek statistical authorities specified that 596 million of coupon bought back was settled in cash and this was the only cash transaction in this operation. For the redeemed bonds there should be a market value, a value just before the exchange.

Eurostat asked what the market value of the newly issued bonds was. The Greek statistical authorities noted that this was a “bond swap” and not a “New Money Transaction”, therefore there were no Market Prices for the 5 new bonds and only the fair values/reference prices were calculated for information purposes. There was no obligation to set the prices under the terms of the exchange, as the transaction was “over the counter”. The PDMA added that, in January, interest was paid on the newly issued bond (153 million EUR, corresponding to two months of accrual).

Eurostat understood that there was a time difference of one week between the redemption of the PSI bonds and the issuance of the new bonds. The Greek statistical authorities were asked

¹¹ Information was provided on 30/09/2019.

¹² Information was provided on 05/04/2019 and 20/09/2019. No transformation of DTAs took place in 2018. AP is closed.

to analyse the movement in the market value of government bonds in the week 28/11/2017 - 05/12/2017, with a view to understand the possible price differences.

Eurostat noted that, currently, the bond exchange resulted in no entry in EDP tables 3. The Greek statistical authorities explained that a similar recording was applied in the 2012 bond exchange operation, the reason being that this was a very specific transaction, not undertaken on market terms. The Greek statistical authorities explained that, similarly, the 2017 operation was not a typical redemption of old bonds and issuance of new bonds, but an exchange as part of a liability management exercise of the 20 bonds that were issued due to the PSI with 5 new bonds issued over the counter.

Eurostat took note of the explanation, and wondered whether it would not be more appropriate to report a repurchase and reissuance both at discount explicitly in EDP tables 3. Eurostat noted that a question remained on the appropriateness of accruing the discount on the newly issued bonds, given the very specific nature of the operation (also the fact that it was non-cash) and the legacy of the 2012 bond exchange recording.

The ESM bond exchange

Eurostat confirmed the treatment of this operation, agreed in the October 2018 EDP notification.

To recall, the ESM exchanged its (EFSF) bonds held by the Greek banks (as an outcome from the bond loan operation). In relation to this, the Greek government paid to the banks 157 million EUR. Eurostat considered the fact that the Government paid cash to facilitate this transaction as a capital injection (D.9) from S.13 to S.12. The Greek statistical authorities explained that the bonds had a higher value on the banks' balance sheet than the redemption value. ELSTAT confirmed that, currently, D.9 is recorded to S.2. Eurostat asked who actually received a benefit, seemingly it was the banking sector, as the ESM bought back and issued bonds at par.

Table on interest recording

The table on interest recording, provided by the Greek statistical authorities before the EDP visit, was analysed in detail. Eurostat observed that the coupon accrued increase while cash flows decreased. The Greek statistical authorities confirmed that the last tranche of borrowing of 15 billion EUR from the ESM was at a rate of 1.9%. Eurostat asked whether the stock of coupons included the step-up interest on the PSI bonds. The Greek statistical authorities were of the opinion that the deferred interest was included in the stock of coupon. The Greek statistical authorities agreed to investigate whether the corresponding step-up interest amounts were removed due to the 2017 Bond exchange operation. Eurostat noted that, after the bond exchange, one would expect to see the stock of accrued coupon in 2017 lower than in 2016.

Eurostat also asked questions on the 2018 figures. In particular, on what was included in the line 17 "*Change in coupons and amortisation of discounts/premiums*" (-2.4 billion is reported for 2018).

It was agreed that PDMA would verify/confirm the increase in 2018 of the coupon accrued and the decrease in coupon paid in cash. Eurostat thought that, after the bond exchange operation, a reduction should be observed in both cash and accrued coupon.

Conclusions and Action points

- (13) (former 9) Eurostat remarked that in the bond exchange operation of 2017, the market value of the newly issued bonds was significantly higher than that of the bond redeemed, and requested the Greek statistical authorities to analyse the statistical consequence of this. In particular the PDMA will clarify further the movements in the market price of government bonds in the week 28/11/2017 - 05/12/2017.

Deadline: April 2019 EDP notification¹³

- (14) (former 10) In relation to the bond exchange operation of 2017, the Greek statistical authorities will reflect on the need to show the discounts on the bonds redeemed and on the bonds issued explicitly in EDP table 3B, as would be expected, and on the amounts to be reported. Eurostat and the Greek statistical authorities will analyse further, whether the discounts on newly issued bonds should or should not be accrued in D.41 in the future years, given the specific case of non-cash transaction (and also considering the recording of the 2012 bond exchange operation).

Deadline: April 2019 EDP notification¹⁴

- (15) (former 11) Eurostat recalled the rationale for recording of a D.9 expenditure for the compensation paid by government to banks (157 million EUR) at the occasion of the exchange of EFSF/ESM notes. The Greek statistical authorities will ensure that the beneficiary sector of the capital transfer is S.12 (to be recorded in annex V) and not S.2 in ESA table 8.

Deadline: April 2019 EDP notification¹⁵

- (16) (former 12) Regarding the table on interest recording, PDMA will clarify if the stock of step up interest (accrued and not paid) has been indeed removed in 2017 from line 1 for the bonds exchanged, and through which flow, and report the amounts in question to Eurostat. PDMA will also confirm that this amount is not fully reported under the line “coupon repurchased”. In addition, PDMA will verify/confirm the increase in 2018 of coupon accrued and the decrease in coupon paid in cash.

Deadline: April 2019 EDP notification¹⁶

3.2.4. EU flows

Introduction

The so called “triangle table” illustrating the evolution of claims relating to the EU, as well as monthly data on payment request, provided before the EDP visit, were analysed.

Discussion

Eurostat took note that the requests submitted amounted to 1.5 billion, whereas the cash received from the EU amounted to 1.2 billion. The Greek statistical authorities confirmed that the stock of receivables was liquidated. Eurostat also noted that 131 million of advance payment were used in 2018. In this respect, Eurostat asked whether this amount was reflected in the EDP tables. The Greek statistical authorities confirmed that this amount was included in EDP table 3 and Questionnaire table 6.1.

¹³ Information was received on 03/04/2019. AP is closed.

¹⁴ Information was received on 03/04/2019. The issue was further discussed in the April 2019 EDP notification. 0.3 billion of discount will be accrued in the B.9 for the future periods. AP is closed.

¹⁵ Implemented in the April 2019 EDP notification. AP is closed.

¹⁶ Information provided on 03/04/2019. AP is closed.

Conclusions and Action points

Eurostat took note of the explanations.

3.3 Recording of specific government transactions

3.3.1 Government transactions in the context of the financial crisis

Introduction

Following up on the recent information in the press, Eurostat enquired about the plans to alleviate Greek banks' NPL portfolio.

Discussion

Eurostat noted that, according to the press, two possible solutions were under discussion, one sponsored by the HFSF and another one developed by the BoG. Eurostat asked the Greek statistical authorities to closely monitor the planned operation, including the institutional set up and the amounts involved, so that the correct statistical treatment could be agreed beforehand. Eurostat recalled the examples of some EU Member States where the current sector classification outside general government of the so-called Asset management companies is being re-discussed. The possibility to ask Eurostat's advice was also mentioned to the Greek statistical authorities.

Conclusions and Action points

- (17) (former 13) In relation to ongoing discussions on the ways to alleviate the bank exposure to the NPLs, Eurostat drew the attention of Greek statistical authorities that the proper sector classification of the specialised asset management entities created in the past in some of the Member States is under review. Eurostat encouraged the Greek statistical authorities to monitor the situation closely.

Deadline: Progress Report October 2019¹⁷

3.3.2 Capital injections in public corporations, dividends, privatization

Introduction

Before the EDP visit, the Greek statistical authorities provided information on the capital injections made by government and on the dividends received in 2018. This information was analysed during the meeting.

Discussion

Capital injections

Eurostat took note that a capital injection undertaken by the SSF in Attika bank in 2018 was partitioned into D.9 and F.5. The Greek statistical authorities explained that Attika bank raised capital in 2018 and the SSF participated together with private investors. ELSTAT did the capital injection test, concluding that a capital injection (D.9) of 21 million euro and a 49 million euro of investment fund shares (F.5) should be recorded. Similarly to the 2015 capital injection, the apportioned losses were applied.

Eurostat asked the Greek statistical authorities to verify whether the 2015 injection covered all the losses (previous periods and 2015) and whether the private investors participated under the same conditions. The Greek statistical authorities explained that the total amount injected was

¹⁷ Information was provided on 30/07/2019.

89 million, of which 19 were attributed to the private investors. ELSTAT agreed to check the situation of the 2015 injection and the losses incurred thereafter.

Dividends

As regards the working file on dividends received by government in 2018, Eurostat and the Greek statistical authorities agreed that small amounts of so-called super-dividends of GAIOSE - amounts paid from the accumulated reserves and labelled as if coming from the two years earlier, will be recognised in the forthcoming EDP.

The Greek statistical authorities confirmed that the small amount paid out by ports of Corfu, Elefsina and Lavrio are in fact coded as D.73, because those entities are inside government.

ANFA/SMP

Eurostat enquired on the release of interest on Greek government bonds held by the Euro area central banks in their ANFA and SMP portfolios. The Greek statistical authorities confirmed that the only amounts received in 2018 were 314 million from the BoG. Eurostat took note of this.

Conclusions and Action points

- (18) (former 14) The Greek statistical authorities will verify the recording of the capital injection undertaken by the SSF in Attica bank in 2018.

Deadline: April 2019 EDP notification¹⁸.

3.3.3 Guarantees, debt assumptions, debt cancellations and debt write-offs

Introduction

Eurostat asked questions on government guarantee programmes, mentioned in the Commission enhanced surveillance report.

Discussion

Eurostat noted that the one-off table on guarantees was requested before the EDP visit but was not received, and asked the Greek statistical authorities to provide this information.

Eurostat noted that the Enhanced surveillance report mentioned “low processing rate of State guarantees related to bank loans” and “claims made by banks totals approximately EUR 1.5 billion”. The Greek statistical authorities answered that, most likely, the Report is mentioning two schemes, in the usual reporting on guarantees labelled as “Private enterprises” and “natural disasters”. The Greek statistical authorities explained that these guarantees were granted by the State mostly in the past and that they were covering the proven damages from natural disasters (less any insurance amounts). The stock of guarantee calls accumulates due to the long assessment procedure. A bank sends a claim to GAO, which does the reconciliation of these claims. The process is very lengthy and can last up to 5 years. Eurostat noted that the question was at what point the liability had to be recognised by government. If government was simply delaying the payment, then maybe time of submission could be considered for recognition in government accounts. The Greek statistical authorities explained that, in fact, the rejection rate was very high both in terms of number of claims and amounts claimed (more than 50%).

¹⁸ AP implemented in the April 2019 EDP notification. 21 million of the SSF capital injection were treated as D.9; 49 million as F.5. AP is closed.

Eurostat asked the Greek statistical authorities to provide a note on this issue, in particular explaining the process of assessment of guarantee claims by the banks, as well as the figures on stocks of amounts claimed, the claims assessed and the guarantee calls paid.

Conclusions and Action points

- (19) (former 16) The Greek statistical authorities will provide to Eurostat the requested detailed table on guarantees. As regards the guarantees provided to individuals and in the context of natural disasters, the Greek statistical authorities will send a note describing the administrative process for granting these guarantees, for the verification of claims and for their settlement. The Greek statistical authorities will report, for the period 2015-2018, the amounts of total assets covered, and the amounts of calls submitted, of claims validated and of cash paid.

*Deadline: April 2019 EDP notification for the Note on the process.*¹⁹

3.3.4 Disposals of non-financial assets by general government; Sale and leaseback

Operations

Introduction

Eurostat asked for an update on the disposals of non-financial assets and any government sale and lease back operations undertaken in 2018.

Discussion

The Greek statistical authorities explained that the table on the disposal of non-financial assets would be sent once the information becomes available.

Eurostat drew the attention of the Greek statistical authorities on the fact that the MGDD chapter on sale and lease back would be updated in the 2019 edition. The Greek statistical authorities were invited to monitor closely the MGDD provisions, as they might have implications for the treatment of some past sale and lease back operations.

Conclusions and Action points

Eurostat took note that there were no new sale and lease back operations undertaken by government in 2018.

3.3.5 Public Private Partnerships, concessions and EPCs

Introduction

Eurostat asked about new developments in the area of PPPs, Concessions and EPCs as well as about data availability on those Government operations.

Discussion

PPPs

The Greek statistical authorities confirmed that there were no new PPP projects in 2018. ELSTAT also explained that two or three PPPs were in progress and were expected to be finalised in 2019.

Concessions

¹⁹ Information was provided on 05/04/2019 and 20/09/2019. The issue was also discussed during the April 2019 EDP notification.

The Greek statistical authorities recalled that five concession projects had been classified on government balance sheet some years ago. In recent years, as the projects construction phases were ending, destocking phenomenon was observed in national accounts – reallocation from P.52 to P.51.

ELSTAT confirmed that the Ministry of Infrastructure regularly provides the data needed to reflect the reclassified concession assets in government accounts.

The Greek statistical authorities drew the attention of Eurostat to a new development as regards concession case No5. In the fourth quarter of 2018, Government decided to amend the existing concession agreement and to contract additional works (which were within the scope of the original contract, but due to unfavourable financial situation, deferred for a certain period). The foreseen additional construction cost was up to 300 million EUR. The construction phase was foreseen to last 3 years and the overall period of the contract was the same as in the original concession (30 years). The Greek statistical authorities considered that the additional concession assets will remain classified on government balance sheet and there will be no difference in the statistical treatment.

ELSTAT explained that, up to the moment, the construction had not started yet. However, government had paid 45 million EUR. The Greek statistical authorities asked Eurostat's opinion on the recording of counterpart in national accounts. As there was no GFCF made, the recording of F.4L would not seem fully appropriate, given also the MGDD provisions linking directly the imputed loan with the gross fixed capital formation. Eurostat agreed with the Greek statistical authorities that, at this stage, the 45 million EUR could be recorded as a financial advance (F.8A/F.2). Debt will be recognised gradually, following the investment made.

As regards concessions, to Eurostat questions on what new development were expected in 2019, the Greek statistical authorities explained that, following the official information from the HRDF, there could be some developments as regards the AIA concession, as the foreseen price for a 20-year extension increased considerably, as compared to the initial price. In addition, there could be some developments as regards the Kasteli airport concession. The Greek statistical authorities agreed to monitor these cases further and report to Eurostat once the operations materialize.

EPCs

Eurostat asked whether EPCs are signed in Greece and whether they concern government sector. The Greek statistical authorities were of the opinion that EPCs are not relevant in their case, nevertheless they agreed to investigate further whether EPC contracts exist with direct involvement of government units.

Conclusions and Action points

- (20) (former 17) The Greek statistical authorities will investigate whether there exist EPC contracts with direct involvement of government units and report to Eurostat on their findings.

Deadline: June 2019.

3.3.6 Financial derivatives

Introduction

The availability of the table on the recording of derivatives was discussed under this agenda point. Derivatives related flows reported for 2018 were further clarified.

Discussion

As a regular procedure in the EDP dialogue visits, Eurostat asked the Greek statistical authorities to fill in and return the table on the recording of derivatives. Eurostat explained that this table is a useful tool to understand derivative related flows, as they are reported in EDP tables and in financial accounts. The template is also asking for information on notional amounts, as such information illustrates what part of debt is being hedged. The Greek statistical authorities explained that the template is asking for detailed information and that it takes time to become familiar with the template itself. It was agreed that the table on the recording of derivatives would be sent to Eurostat after the EDP notification.

Eurostat noted that swap flows reported in the EDP table 2A1 increased by around 300 million, as compared to the 2017 figure, and amounted to 883 million in 2018. The swap flows were quite stable over the years 2014-2017 and Eurostat asked if there had been any new operation in 2018. The PDMA explained that the observed increase occurred in the first quarter of 2018, when the bilateral loans (first programme) were hedged. The notional amount is 37 billion and there will be similar operations in 2019, so a further increase in swap flows is expected. Eurostat took note that, given the size of the notional amount, the increase would be reasonable.

The Greek statistical authorities recalled that, as regards the Goldman Sachs swap, the overall cash flows are large. However, swap flows are rather small mainly due to the specific recording of off-market swaps, where the cash flows are split into three components - the repayment of the loan, interest on the loan and the swap.

Eurostat asked what kind of swaps are predominantly used. The Greek statistical authorities clarified that the flows on swaps are mainly flows on IRS where the Hellenic Republic is usually paying the fixed rate and receives the floating rate. In the majority of cases, this results in a cash outflow from the working balance.

Conclusions and Action points

(21) (former 15) The PDMA will provide to Eurostat the table on derivatives.

Deadline: June 2019²⁰.

3.3.7 Others: UMTS and LTE, military expenditure, securitisation, and pension issues

Introduction

Eurostat asked about the existence of recent government transactions as regards mobile phone and other licences.

Discussion

The Greek statistical authorities explained that, as regards mobile spectrum auctions, there were no new operations. The past sales are already duly reported in national accounts; the amounts have been spread all the time since 1995.

As regards the recording of the television fee, the cash received as a lump sum was excluded from B.9. The amounts should start accruing from the third quarter of 2018. The fee will be paid on yearly basis, 17.5 million for 10 years.

Conclusions and Action points

²⁰ The table provided on 03/10/2019. It was further discussed and improved in the October 2019 EDP notification. AP is closed.

Eurostat took note of this explanation.

3.4 Important issues for year 2018 relevant for the April 2019 EDP Notification

Introduction

Before the EDP visit, the Greek statistical authorities provided notes on the new issues that will be reported in the forthcoming April 2019 EDP notification.

Discussion

3.4.1. Hospital rebate

This issue was discussed under agenda point 1 April 2019 EDP notification / Public hospitals (see pages 6-7).

3.4.2. Redemption of Eurobank and Attica bank preference shares

The issue concerns banks preference shares that were acquired by government in 2008 and 2011. According to the law, the instruments should have a maturity in 2014. However, some of these instruments have not been repurchased, mainly Eurobank bank (950 million EUR) and Attica Bank (100 million EUR) preference shares.

The Greek statistical authorities informed Eurostat that the Eurobank shareholders meeting decided that the full amount of preference shares (950 million) had to be redeemed. The redemption was to be done partly in cash (125 million EUR) and by issuing subordinated notes for 950 million EUR. The Greek statistical authorities explained in their note that the new fixed rate bond of 950 million EUR issued pays a coupon of 6.41%, matures in 17/1/2028 and is traded in the Market of Luxembourg.

As for the recording in national accounts, the Greek statistical authorities foresee to show an exchange of F.5/ AF.5 for Bonds (F.3/ AF.3). The accrued interest paid was €12.2m in 2018Q1, €15m in 2018Q2 and €15.3m in 2018Q3.

The share conversion was undertaken in a similar way by Attica Bank: on 20 December 2018 (2018_Q4), the Bank proceeded to the redemption of the preference shares of the Greek State with the issuance of a subordinated bond loan (Tier II capital instrument) of a total amount €100.2 million. The bond of 100.2mio EUR pays a coupon of 6.41%, matures in 20/12/2028 and is traded in the London Stock Exchange.

The Greek statistical authorities intend to record in government accounts and Annex 5 an exchange of F.5/ AF.5 for Bonds (F.3/ AF.3), which pay interest. The accrued interest paid was €0.19m in 2018Q4.

Eurostat took note that the appropriate revision will be implemented in the EDP table 3 as well as in Annex V. The bonds pay interest; therefore, the adjustment line H.15 was inserted in the EDP table 2A1.

3.4.3. Trainose subsidies

Trainose S.A was the sole provider of passenger and freight services in Greece and was classified inside government, in sector S.1311.2. In 2017 the company has been sold (for 45 million EUR) and became a subsidiary of the Italian railway group *Ferrovie dello Stato* (FS).

The Greek statistical authorities provided to Eurostat a note explaining the relations between the Greek State and Trainose. Starting from 2011, a contract for Public Service Obligation (PSO) between the Greek State and Trainose was signed. Under this contract, the company was obliged to ensure service on certain non-profitable routes. The State was paying compensation for this. The PSO compensation was foreseen to continue until 2020. In national accounts, all the PSO subsidies were recorded as D.73.

The Greek statistical authorities asked Eurostat on how to classify PSO subsidies in national accounts after the privatization (62 million in 2018). The Greek statistical authorities, following ESA 2010 para 4.36, considered classifying these flows as subsidies on production (D.39).

Eurostat agreed with the assessment of the Greek statistical authorities that the subsidies are de facto to compensate the loss making routes and there is no link to the indicator of volume.

3.4.4. *Universal postal service*

The EU Law requires that the so called universal postal services are ensured in the MS. This means that a minimum range of services of specified quality should be ensured at an affordable price for all users, irrespectively of their geographical location. In Greece, EETT is the national regulatory authority that is ensuring the universal postal service in the whole Greek territory, including in mountain and island regions. The overall costs of the postal service are covered by service providers and possibly, by the State budget. The Greek government decided that part of the net cost of universal service provision would be charged to the State Budget: Budget Code “5279_ Universal postal service charge”. An amount of 60 million euro was paid in 2018; however, it referred to the Universal postal services for the period 2013-2016.

Eurostat agreed with the Greek statistical authorities that the payment for the past years should be recorded as D.9. The Greek statistical authorities were asked to clarify whether the claim on this was recorded in the company’s balance sheet in the past, starting from 2012. In case such payments would be regularly made every year, they would have a nature of a subsidy on production D.39, and should thus be recorded accordingly.

3.4.5. *Electricity discount for consumers in the Region of Western Macedonia*

Before the EDP visit, the Greek statistical authorities provided a note on the new measure classified under KAE code 2136 in the Budget. This measure involves a discount on the electricity bill of households belonging to certain geographical area, where lignite mines are located – the Region of Western Macedonia and the Municipality of Megalopolis from Arcadia Regional Unit.

In 2018, an amount of 8 million EUR was paid. As regards the Statistical treatment, the Greek statistical authorities were considering either to treat this support as social transfers in cash D.623, Social assistance benefits in cash, or to record these flows as subsidy D.3.

Eurostat was of the opinion that the most appropriate would be D.623 recording, as discount is given due to the existence of lignite mines in these regions. Eurostat, however, agreed that D.75 might also be an option, as the benefit is conveyed to the household sector.

3.4.6. *TANEO funds*

TANEO, New Economy Development Fund S.A., is an entity classified in S.1311.2. This entity was established in 2000 and, starting from 2007, was focusing towards support of SMEs. TANEO is under the supervision of the Ministry of Economy and Development. On

31.12.2018, the Public Investment Program (PIP) transferred 900 million to TANE0 for the implementation of the Strategic Plan for Investments and Development.

The Greek statistical authorities explained that the amounts were deposited in special accounts in BoG held by TANE0 and that the funds were intended solely for use under 5 specific new investment programs. The Greek statistical authorities explained that investments through the 5 programs will be done via acquisition of equity, convertible bond loans, and contingent convertible bonds. In addition, foreign investors will contribute with funds alongside TANE0. Eurostat noted that any entities created by TANE0 should be reported in the questionnaire on government-controlled entities, including those registered abroad. The same applies to SPVs abroad, unless already incorporated in the data of the parent company in the questionnaire.

For the forthcoming April 2019 EDP notification, the Greek statistical authorities proposed to record in 2018 D.92/F.2 for the transfer from S.1311.1 (PIP) to S.1311.2 (TANE0), these amounts would consolidate within S.1311. Eurostat agreed with this solution.

Eurostat encouraged the Greek statistical authorities to follow up on future TANE0 activities.

Conclusions and Action points

- (22) (former 18) As regards the payment for universal postal service, in the April 2019 EDP notification, the Greek statistical authorities will record in 2018 the compensation paid for past years. The Greek statistical authorities will clarify whether the obligation for government to pay existed since 2012 (by also taking into accounts on whether any corresponding receivables were booked by a postal service provider in its financial statements during the period 2012- 2017) with a view to deciding on the appropriate time of recording from now onwards or in the context of the next benchmark revision.

Deadline: recording -April 2019 EDP notification²¹. Progress Report – June 2019.

- (23) Eurostat confirmed that the subsidiaries of public corporations (S.11) should be reported in the questionnaire on government-controlled entities, including registered abroad. The same applies to SPVs abroad, unless already incorporated in the data of the parent in the questionnaire.

Deadline: December 2019

²¹ A D.9 referring to the compensation paid for the past years for the full amount was registered in 2018.

List of Participants

Greek Statistical Office (ELSTAT)

Maria Stavropoulou – Director of National Accounts Division

Konstantinos Chrissis– Head of Section General Government Accounts Section

Nena Papadopoulou

Christos Zervos

Dionysia Arvaniti

Theodoros Karopoulos

Panagiotis Papanikolakos

Maria Kontothanasi

Ioannis Chiotis

Aggeliki Papatheodoropoulou

Zambia Triantafyllidi

General Accounting Office of the Ministry of Finance (GAO):

Dimitrios Karatzas

Sotiria Apostolou

Stefania Stavropoulou

Hristos Dimos

Public Debt Management Agency (PDMA):

Fragkoulis Katsouris

Anastasia Vardavaki

Dimitrios Margetis

Fotini Venizelou

Bank of Greece:

Heraklios Lykiardopoulos

Stamatina Nega

Mirella Papageorgiou

Maria Flevotomou

Eurostat:

Luca Ascoli

Gita Bergere

Philippe de Rougemont

Rasa Jurkonienė

DG ECFIN

Milan Lisický

Vasiliki Vasilopoulou

ECB

Henri Maurer

IMF

Viera Karol'ová

Technical assistance to ELSTAT

Martin Kellaway

EDP dialogue visit to Greece, 18-20 March 2019

Starting on 18 March 2019, 14:30

Draft Agenda

1. April 2019 EDP notification – Analysis of EDP tables, analytical information and questionnaire related to EDP

2. Follow up of the October 2018 EDP notification

- *SSF accounts*
- *Adjustments for treasury accounts*
- *Inconsistencies with ESA table 27*
- *Revision of Debt (December 2018)*
- *Any other issue*

3. Methodological issues and recording of specific government transactions

3.1. Delimitation of general government

3.1.1. Changes in sector classification since the last EDP dialogue visit, since the October 2018 EDP notification

3.1.2. Any other issue of sectorization

3.2. Implementation of the accrual principle

3.2.1. Taxes and social contributions

3.2.2. Court decisions with retroactive effect

3.2.3. Interest and consolidation of interest

3.2.4. EU flows

3.3. Recording of specific government transactions

3.3.1. Government transactions in the context of the financial crisis

3.3.2. Capital injections in public corporations, dividends, privatization

3.3.3. Guarantees Debt assumptions, debt cancellations and debt write-offs

3.3.4. Disposals of non-financial assets by general government; Sale and leaseback operations

3.3.5. Public Private Partnerships, concessions and EPCs

3.3.6. Financial derivatives

3.3.7. Others: UMTS and LTE, military expenditure, securitisation, and pension issues

3.4. Important issues for year 2018 relevant for the April 2019 EDP Notification

4. Follow-up of the previous EDP dialogue visits – open APs