

REPORT BY EUROSTAT ON THE REVISION OF THE GREEK GOVERNMENT DEFICIT AND DEBT FIGURES

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Share convertible bonds

1. Accounting rules

According to Council Regulation (EC) N°3605/93²⁹, the “government debt is constituted by the liabilities of general government in the following categories: currency and deposits (AF.2); securities other than shares, excluding financial derivatives (AF.33) and loans (AF.4)”. ESA95 defines each one of these categories. As far as the category “securities other than shares, excluding financial derivatives” is concerned, ESA95 specifies in paragraph 5.62(l) that “sub-position AF.332 [a sub category of AF.33] includes: (...) debentures and loan stock convertible into shares, whether shares of the issuing corporations or shares of another corporation, so long as they have not yet been converted”. Moreover, according to ESA95 paragraphs 4.42 and 4.43(b), interest in relation to all financial liabilities, notably all components of category AF.33, should be recorded as government expenditure.

2. Accounting difficulties in Greece and contacts between Eurostat and Greece in relation to convertible bonds

Eurostat noticed in 2002 that the government debt reported by Greece did not include convertible bonds, which had been issued since 1998. Moreover, the respective interest was not being imputed into the government deficit. The amounts initially small (0.5 bio € or 0,47% of GDP in 1998) had progressively risen to 2,3 bio € (1,76% of GDP) by the end of 2001. As a reaction, Eurostat added the following note to its press release of 21 March 2002: “Eurostat is at present not in a position to certify the figures included in the notification of Greece, due, among other reasons, to the lack of information on share convertible bonds. Eurostat intends to settle all outstanding issues in time for the 31 August 2002 notification. As share convertible bonds and privatisation certificates issued by the Greek State have not been included in the government debt figures, the notified figures of general government consolidated gross debt are to be considered as provisional and likely to be increased”.

Moreover, Eurostat asked more detailed information and explanations to the Greek authorities³⁰. Eurostat recalled the methodological rules included in ESA 95 for the classification of share convertible bonds. Finally, after having received the information requested, on 13 May 2002, Eurostat wrote again to the NSSG and requested share convertible bonds had to be included in the reported government debt.

Share-convertible bonds were finally included into government debt in September 2002 with a retroactive correction since 1998. The interest paid by government was considered as government expenditure. As a consequence, the deficit of government increased by 46 mio € in 2000 and 82 mio € in 2001. However, deficit figures before the year 2000 were not corrected at that time.

²⁹ Official Journal L 332, 31/12/1993. Council regulation 3605/93 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community

³⁰ letter of Mr Franchet to Mr Karavitis on 27 March 2002

04 EDP mission. According to
respective interest to be imputed
to 38 mio € in 1999.

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