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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

on the quality of fiscal data reported by Member States in 2010

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1. BACKGROUND

Article 8(3) of Council Regulation (EC) No 479/2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community¹ requires the Commission (Eurostat) (hereinafter referred to as “Eurostat”) to report regularly to the European Parliament and to the Council on the quality of the actual data reported by Member States. The report provides an overall assessment of compliance with accounting rules, completeness, reliability, timeliness and consistency of the data.

Eurostat regularly assesses the quality of the actual data reported by Member States and of the underlying general government sector accounts compiled in accordance with Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community (ESA95)². The assessment is mainly based on data regarding the general government's budget execution and general government assets and liabilities. This work concentrates on the factors that explain the general government deficit/surplus and the change in the general government debt. Member States send this information to Eurostat twice a year. This also includes supplementary information such as the “Questionnaire relating to the EDP notification tables” and bilateral clarifications by Member States. Eurostat also undertakes regular EDP dialogue visits in each Member State to maintain a continuous dialogue with Member States.

This report is based on the main findings and results of the EDP reporting in 2010, focusing on the latest (October 2010) reporting exercise. Where appropriate, comparisons are made with the April 2010 reporting, as well as with the April and October 2009 reporting.

1.1. Amended regulation

Council Regulation (EC) No 479/2009 was amended in July 2010 as regards the quality of statistical data in the context of the excessive deficit procedure³.

The regulation as amended provides in particular the basis for EDP methodological visits "in exceptional cases where significant risks or problems with respect to the quality of data have been clearly identified". Eurostat will inform the EFC and the CMFB about its decision to undertake such a visit. The frequency of the EDP dialogue visits will also increase.

The regulation also empowers Eurostat and the NSIs to examine the data sources from which the statistical data is derived and the process by which these data sources are compiled⁴. Additionally, Eurostat can examine the completeness of the groups of units covered by these data sources. This would enable Eurostat to draw detailed conclusions as to the quality of reported data, as described in Article 8(1). The combination of extended powers to both Eurostat and the NSIs is meant to build up a regular preventive system applicable to all Member states with the threefold objective of better monitoring, identifying and assessing risks in a preventive manner with the view of initiating corrective actions at the earliest possible point.

¹ OJ L 145, 10.6.2009, p. 1.

² OJ L 310, 30.11.1996, p. 1.

³ Council Regulation (EC) No 679/2010 (OJ L 199, 30.7.2010, p. 1.

⁴ A risk based approach is being developed in that respect.

The implementation of the strengthened powers described above, and actions to address the general issues of systemic risk in national statistical systems – as identified by the European Statistical Governance Advisory Board – will be the subject of a forthcoming Commission Communication.

2. MAIN FINDINGS ON THE 2010 REPORTING OF GOVERNMENT DEFICIT AND DEBT LEVELS

2.1. Timeliness and completeness

2.1.1. Timeliness

Member States are required to report their planned and actual budget and balance sheet data to the Commission twice a year, before 1 April and 1 October⁵. During 2010, the EDP reporting covered the years 2006 to 2010. The figures for 2010 are those planned by the national authorities, while the 2006 to 2009 figures are actual data (this means final, semi-finalised, provisional or estimated figures).

Compliance with the reporting deadlines is usually very good. In the second reporting in 2010 all Member States reported their data before the legal deadline of 1 October 2010. The Greek authorities sent a further notification on 10 November following a methodological visit⁶. In the April reporting exercise, all Member States reported their figures before 1 April 2010, except Greece (on 1 April) and France (who sent the planned data for the year 2010 only on 12 April 2010).

Some Member States revised their reporting after their first submission. In October 2010, 29 revised submissions were sent by 18 countries, compared to April 2010 when 25 revised submissions were sent by 16 countries. With the exception of Greece which conducted major revisions, Member States sent most of the revised submissions in response to comments, technical questions or remarks by Eurostat, and they concerned corrections of minor errors, internal inconsistencies or inappropriate recording within tables

2.1.2. Completeness of tables and supporting information

Completion of the reporting tables is a legal obligation and is essential if Eurostat is to monitor the quality of the data properly. Article 8(2) of Regulation (EC) No 479/2009 specifies that Member States must provide Eurostat with the relevant statistical information, which

“(...) in particular (...) means:

- (a) data from national accounts;*
- (b) inventories;*
- (c) EDP notification tables;*
- (d) additional questionnaires and clarification related to the notifications.”*

The EDP notification tables consist of four main (sets of) tables. The completion of EDP tables 1 to 3 is a legal obligation, whereas reporting of EDP table 4 was agreed

⁵ Article 3 (1) and (3) of Regulation (EC) No 479/2009.

⁶ Details on the Greek fiscal data are included in the Eurostat report "Information note on Greek fiscal data" of 15 November 2010 that is available from the Eurostat website: http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/introduction.

by Member States⁷. Tables 1 and 2A (central government) cover the years 2006 to 2010, whilst the other tables cover the years 2006 to 2009⁸.

Most Member States completed all EDP notification tables⁹. However in the October 2010 reporting, for EDP Tables 2, eight Member States either did not provide the link between the working balance and the EDP surplus/deficit for all the sub-sectors or for all the years, or reported working balances equal to the EDP surplus/deficit.

For EDP Table 3, not all Member States provided all the breakdowns. In particular the details requested for the items 'loans' and 'equity' were often missing.

All Member States submitted their replies to the “Questionnaire relating to the notification tables”¹⁰. Although the coverage and quality of answers improved compared to past years, some countries did not report all the details requested in the questionnaire.

2.1.3. *Supplementary tables relating to the financial turmoil*

Eurostat has collected a set of data on the financial turmoil in two supplementary tables since 15 July 2009. These tables show government interventions directly related to the support of financial institutions. Support measures for non-financial institutions or general economic support measures are not included.

The data collected in 2010 referred to 2007, 2008 and 2009. However, it should be mentioned that most of the interventions occurred in 2008. Only one country (the United Kingdom) already reported contingent liabilities for 2007.

2.2. **Compliance with accounting rules and consistency of statistical data**

2.2.1. *Exchange of information and clarifications*

During the assessment period between the reporting deadline of 30 September 2010 and the publication of the data on 22 October, Eurostat contacted the national statistical authorities in every Member State to request further information and to clarify application of the accounting rules on specific transactions. This process involved several rounds of correspondence between Eurostat and the national authorities. A first round of requests for clarification was sent before 6 October and a second round of requests was sent to 22 countries. For some countries, Eurostat asked for revised notification tables¹¹.

2.2.2. *Dialogue and methodological visits*

Regulation (EC) No 479/2009 (amended by Regulation (EC) No 679/2010) makes provision for dialogue and methodological visits. Dialogue visits to Member States are conducted regularly with the aim of reviewing reported data, examining methodological issues, discussing statistical sources and processes described in the

⁷ See the statements to the Council minutes of 22 November 1993.

⁸ Provision of planned data in EDP tables other than table 1 and 2A is not explicitly requested in Council Regulation (EC) No 479/2009, as amended.

⁹ A detailed description of the content of these tables can be found on Eurostat's website. See: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=2373,58110711&_dad=portal&_schema=PORTAL.

¹⁰ This questionnaire comprises thirteen sections requesting quantitative and sometimes qualitative information in several areas, such as transactions in taxes and social contributions and with the EU, acquisition of military equipment, government guarantees, debt cancellations, capital injections made by government into public corporations, Public-Private Partnerships, etc.

¹¹ See section 2.1.

inventories and assessing compliance with the relevant accounting rules, for example on the delimitation of general government, the time of recording and the classification of government transactions and liabilities.

Methodological visits are undertaken only where Eurostat has identified significant risks or problems with respect to the quality of the data, especially relating to the methods, concepts or classifications used.

During the year 2010, Eurostat carried out the following EDP visits: Finland (25-26 January), Greece (several EDP methodological visits), The Netherlands (15 June), Malta (6-7 July), Hungary (6-7 July), Romania (6-7 September), Bulgaria (16-17 September), Ireland (16 – 17 November), Lithuania (22 - 23 November), Belgium (26 November), France (29 November) and Cyprus (13 December).

A series of methodological visits to Greece took place in 2010. These methodological visits were a follow-up to the reservation of Eurostat on the Greek deficit and debt figures reported in October 2009, and the Commission's subsequent report on Greek statistics, released in January 2010¹².

Recurring issues discussed during the visits included the classification of units within or outside the general government sector (e.g. concerning public transport, TV and radio, hospitals and universities), capital injections, Public-Private Partnerships, EU flows and the recording of guarantees.

2.2.3. *Specific advice by Eurostat*

Member States regularly consulted Eurostat to clarify various accounting issues in relation to operations which were planned or already carried out. Eurostat provides advice in accordance with the existing guidelines. To comply with the transparency provision in Regulation (EC) No 479/2009 Eurostat publishes its advice¹³, unless the Member State concerned raises an objection. Eurostat published the following advice in 2010: Belgium (Sector Classification of Antwerp Masterplan Projects and Recording in National Accounts EDP of government bonds' collaterals in derivative contracts), Ireland (Preliminary view on the ESA95 accounting treatment of time of recording of interest payments on promissory notes payable to Anglo Irish Bank), The Netherlands (Recording of the illiquid assets back-up facility for ING Bank), Hungary (Time of recording of transactions for return of certain groups of people to the social security system), Germany (Sector classification of the Erste Abwicklungsanstalt) and Spain (Classification of a road network project run by the Autonomous Community of Aragon). Eurostat provided advice in 2010 on several methodological issues which were not published at the request of the concerned Member States.

2.2.4. *Recent methodological issues*

As usual, Eurostat paid close attention to the application of the ESA95 rules and, in particular, to its latest decisions. These decisions are included in the Manual on

¹² See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/procedure/eurostat_edp_visits_member_states.

¹³ See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/methodology/advice_member_states.

Government Deficit and Debt, the latest version of which was published in October 2010.

2.2.5. *Consistency with underlying government accounts*

The notification deadlines of 1 April and 1 October set by Regulation (EC) No 479/2009 were introduced in order to ensure consistency with the underlying annual and quarterly government sector accounts, as reported to Eurostat in various ESA95 transmission tables. Eurostat systematically analyses the consistency of the EDP notifications with the underlying government sector accounts. For example, total government expenditure and revenue should be consistent with the reported deficit figure.

The overall consistency of EDP data with the reported ESA95 government accounts has become increasingly complete in recent years, though it is still better for non-financial than for financial data.

2.3. **Publication**

2.3.1. *Publication of headline figures and detailed reporting tables*

Article 14 of Regulation (EC) No 479/2009 states: “*The Commission (Eurostat) shall provide the actual government deficit and debt data for the application of the Protocol on the excessive deficit procedure, within three weeks after the reporting deadlines (...). This provision of data shall be effected through publication.*”

The government deficit and debt data were published on 22 April and 22 October together with all the reporting tables, as notified in the Member States’ latest submission to Eurostat. The October publication concerned only the data of 26 Member States, excluding data from Greece and the EU-aggregates. The aggregates (EU in total and the Euro-area) and the data on Greece were published on 15 November 2010¹⁴ together with the data on the other 26 Member States which were unchanged compared to the news release of 22 October 2010.

Eurostat also publishes on its website the annual and quarterly government finance statistics that underpin the EDP data, together with information on the stock-flow adjustment¹⁵. Eurostat also published the information provided by Member States concerning government interventions in the context of the financial turmoil¹⁶.

In accordance with Regulation (EC) No 479/2009 Member States shall make public their actual data on deficit and debt. Most Member States have reported to Eurostat that they publish all their reporting tables.

2.3.2. *Reservations on the quality of data*

Eurostat expressed a reservation on the quality of the data notified by Greece in the April 2010 notification. This reservation was withdrawn in the November 2010 press release.

¹⁴ Eurostat news releases 55/2010, 157/2010 and 170/2010.

¹⁵ The Government Finance section on Eurostat’s website provides public access to information on statistics for the excessive deficit procedure and the underlying government sector accounts, including data, methodological decisions and manuals, together with findings of EDP dialogue visits: (http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/introduction).

¹⁶ See: (http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/procedure/supplementary_tables_financial_turmoil).

2.3.3. *Amendments to the reported data*

Eurostat's 2009 and 2010 EDP News Releases provided explanations concerning the amendments of notification data of the United Kingdom for all notifications in 2009 and 2010¹⁷.

“Eurostat has amended the deficit data notified by the United Kingdom for the years 2006 to 2009 for consistency of recording of UMTS licences proceeds in 2000. This leads to an increase in the government deficit in 2007 and 2008 (as well as for financial years 2007/2008 and 2008/2009) by 1.044 mn GBP (0.1% of GDP) and in 2006 and 2009 (financial years 2006/2007 and 2009/2010) by 1.045 mn GBP (0.1% of GDP). There is no change in the reported debt figures.”

2.3.4. *Publication of metadata (inventories)¹⁸*

Regulation (EC) No 479/2009 specifies that the EDP inventories are among the statistical information to be provided by Member States to allow Eurostat to check compliance with ESA95 rules. Furthermore, it stipulates that national publication of these inventories is mandatory. Eurostat has published the inventories of all Member States. All Member States reported that they have published their EDP inventories nationally or intend to do so soon.

3. CONCLUSIONS

Eurostat concludes that progress on the quality of fiscal data continued in 2010. In general, Member States have provided better information, both in EDP notification tables and in other relevant statistical returns. Overall consistency of EDP data with the reported ESA95 government accounts is satisfactory and is still improving, particularly on the financial side, compared with the situation in earlier years.

No reservations on the quality of the reported data were expressed in 2010 apart from the reservation on the quality of the data reported by Greece in the April 2010 notification. This reservation was lifted in November 2010. Closing a long-lasting and critical process since October 2009, Eurostat concluded on 22 November that the latest revised data for 2006-2009 for Greece were sufficiently reliable for EDP purpose, in line with the quality of the data of other EU Member states. A specific information note on Greek fiscal data is available on Eurostat's web site.

In spite of the recognised improvements, some issues nevertheless persist linked to the compliance with accounting rules and the completeness and quality of some of the statistical information provided. Eurostat has therefore invited Member States to continue investing in the quality of government finance statistics with a view to achieving the desired level of quality as regards the compliance with the relevant

¹⁷ Under Article 15 (2) of Council Regulation (EC) No 479/2009, the Commission (Eurostat) may amend actual data reported by Member States and provide the amended data and a justification of the amendment where there is evidence that the actual data reported by Member States do not comply with the requirements of Article 8 (1).

¹⁸ Inventories of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts.

accounting rules, completeness, reliability, timeliness and consistency of government data.

Furthermore, drawing upon the experience in the case of Greece and upon observations of the European Statistical Governance Advisory Board, the Commission will issue a Communication addressing the issues of systemic risk in national statistical systems and of the deployment of a risk-based approach for Excessive Deficit Procedure data, notably for upstream source data, implementing Eurostat's strengthened powers under Regulation (EC) 479/2009, as amended.