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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 2018

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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 (EDP)¹ requires the Commission (Eurostat) to report regularly to the European Parliament and the Council on the quality of the actual² fiscal data reported by Member States. This annual report provides an overall assessment of the timeliness, reliability, completeness and consistency of the data and their compliance with accounting rules. The Commission adopted the previous report (on 2017 data) on 8 March 2018.³

Eurostat regularly assesses the quality of the actual EDP data reported by Member States and of the underlying general government sector accounts in accordance with Regulation (EU) No 549/2013⁴ (ESA 2010). Its assessment concentrates on the factors that explain the general government surplus/deficit (as a percentage of GDP) and changes in the ratio of general government debt to GDP. Member States send that information to Eurostat twice a year in the ‘EDP notification tables’, the ‘Questionnaire relating to the EDP notification tables’, the ‘Supplementary table on government interventions to support financial institutions’ and via bilateral clarifications. Eurostat also maintains contact with Member States through regular EDP dialogue visits.

This report is based on the main findings and results of the EDP data reported by Member States in 2018. It focuses on the latest reports, submitted in October 2018, comparing them where appropriate with the data sent in April 2018 and in 2017.

2. MAIN FINDINGS ON THE 2018 REPORTING OF GOVERNMENT DEFICIT AND DEBT LEVELS

2.1. Timeliness, reliability and completeness

2.1.1. Timeliness

Member States are required to report their actual and planned EDP data to Eurostat twice a year, before 1 April and before 1 October⁵. In 2018, EDP reporting covered the 2014-2018 period. The figures for 2018 are those planned by the national authorities, while the 2014-2017 figures are actual data⁶. In accordance with Article 8(1) of Regulation (EC) No 479/2009, Eurostat assesses the actual data, but not the planned data.

All Member States met the reporting deadlines for both notifications.

¹ Council Regulation (EC) No 479/2009 on the application of the Protocol on the excessive deficit procedure (EDP) annexed to the Treaty establishing the European Community (OJ L 145, 10.6.2009, p. 1).

² Data for the last four years according to Article 3(2) of Regulation (EC) No 479/2009.

³ COM(2018) 112 final.

⁴ Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union (ESA 2010) (OJ L 174, 26.6.2013, p. 1).

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

⁶ Actual data might be estimated, provisional, half-finalised or final figures.

2.1.2. **Reliability**

Revisions made between the April 2018 and the October 2018 EDP notifications were due mainly to updates of source data (primarily working balances and tax data), and methodological changes, such as reclassifications of units or transactions.

As a result of revisions of 2017 data between the April and October 2018 notifications, ten Member States' government surplus/deficit (as a percentage of GDP) improved and eight worsened. The largest positive revisions were made by Poland, Slovakia, Sweden (+0.3 pp in each case) and Bulgaria (+0.2 pp), and the largest negative revisions by Malta (-0.4 pp), Hungary and Germany (-0.3 pp each). The largest upward revisions to the 2017 debt due to reasons other than revision of GDP were made by France (+1.7 pp), Bulgaria (+0.8 pp), the Netherlands and Cyprus (both +0.5 pp), Belgium (+0.4 pp) and Malta (+0.3 pp), while Denmark revised the debt downwards (-0.3 pp).

Revisions of GDP had a noticeable impact on the debt ratio for several Member States. In particular, increases in the debt ratio due to revision of GDP were observed for Slovenia, Ireland (both +0.5 pp), Sweden (+0.2 pp), Slovakia and Czechia (both +0.1 pp), and decreases for 22 Member States, the largest of which were for Greece (-2.5 pp), Cyprus (-1.8 pp), Portugal (-1.0 pp), Italy and Bulgaria (both -0.6 pp).

2.1.3. **Completeness of tables and supporting information**

Completion of the reporting tables is a legal obligation and is essential for a proper assessment by Eurostat of the quality of the data. Article 8(2) of Regulation (EC) No 479/2009 requires Member States to transmit to Eurostat 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.'*

There are four main EDP notification tables:

- table 1 covers the reporting of government surplus/deficit (total and by government subsector) and debt levels (total⁷ and by category of financial instrument). It also covers GDP at current market prices and government expenditure on gross fixed capital formation and interest;
- tables 2A to 2D provide the data that explain the transition between national definitions of government balance ('working balance' in national accounts methodology) and the surplus/deficit of each government subsector ('net lending/net borrowing' in national accounts methodology)⁸;
- tables 3A to 3D provide the data that explain the contributions of the government surplus/deficit and other relevant factors to the variation in the government debt level and the consolidation of debt; and

⁷ The Protocol on the excessive deficit procedure annexed to the Treaty on the functioning of the EU defines government debt as the consolidated gross debt of the whole general government sector outstanding at the end of the year (at nominal value). According to Regulation (EC) No 479/2009, government debt includes currency and deposits (AF.2), debt securities (AF.3) and loans (AF.4) as defined in ESA 2010.

⁸ Article 3(2) of Regulation (EC) No 479/2009.

- table 4 includes mainly data on trade credits and advances⁹.

In 2018, EDP tables 1 and 2 covered 2014-2018¹⁰ and the other tables covered 2014-2017.

All Member States provided Eurostat with all the EDP notification tables¹¹ in April and October. In the October reporting, they all completed EDP table 1 in full and provided details in EDP table 2 on the link between the working balance and the EDP surplus/deficit for all subsectors. Some (Germany, Austria) did not report all transition items as requested in the template and some (Germany, Italy, the Netherlands, Finland and Sweden) included some residual transition items.

Some Member States did not provide all breakdowns in all EDP tables 3, in particular for local government.

The general government stock of trade credits and advances should be reported in EDP table 4. However, complete coverage of all government subsectors as well as inside the subsectors has not been achieved for all Member States yet. Some Member States flagged data as provisional or estimated. Consequently, the data for Belgium, Bulgaria, Germany, Ireland, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Poland and the United Kingdom might be subject to revision in future notifications.

While the completeness of the EDP tables can still be improved, the outstanding issues are expected to have little impact on data quality.

All Member States submitted replies to the ‘Questionnaire related to the EDP notification tables’¹². Although the coverage and quality of answers continued to improve, progress is still needed, as some Member States did not report all requested details. In particular, this concerns data on central government claims and debt cancellations, the breakdown of other accounts receivable/payable, the recording of government guarantees (mainly for local government) and data on capital injections.

2.1.4. *Supplementary table for reporting government intervention to support financial institutions*

Since 15 July 2009, Eurostat has collected a set of supplementary data on government interventions to support financial institutions. The data collected in 2018 related to 2007-2017. All but five Member States (Estonia, Malta, Poland, Romania and Slovakia) reported government interventions in that period. In Finland (in 2008) and Czechia (in 2013-2015), the only interventions reported concerned contingent liabilities. In 2017, most countries reported a neutral or limited deficit-increasing impact of government intervention to support financial institutions, with

⁹ See the statements accompanying the Council minutes of 22 November 1993;
https://webgate.ec.europa.eu/fpfis/mwikis/gfs/images/e/e7/Statements_9817.en93.pdf

¹⁰ Regulation (EC) No 479/2009 only explicitly requires Member States to provide planned data in EDP tables 1 and 2A.

¹¹ Member States’ EDP notification tables can be found on Eurostat’s website:
<http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>

¹² The questionnaire comprises 13 sections requesting quantitative and some qualitative information in various areas, e.g. transactions in taxes and social contributions, and with the EU, acquisitions of military equipment, government guarantees, debt cancellations, government capital injections into public corporations, public-private partnerships, rerouting transactions, etc.

the exception of Portugal, Italy and Cyprus, where this impact was larger. The biggest accumulated impacts on government debt at the end of 2017 were observed in Greece, Cyprus and Ireland.

Together with its EDP news release, Eurostat published a background note¹³ on government interventions to support financial institutions with more information on the content of the supplementary table and data findings.

2.1.5. Questionnaire on intergovernmental lending

Member States report data on bilateral intergovernmental lending, usually provided under financial assistance programmes. Those data and further information on the European Financial Stability Facility are also included in the EDP news release. In 2014-2017, the data related mainly to lending to Greece, Ireland and Portugal.

Bilateral intergovernmental lending is deducted when calculating the EU-28 and euro area aggregates for Maastricht government debt, since both are shown on a consolidated basis.

2.2. Compliance with accounting rules and consistency of statistical data

2.2.1. Exchange of information and clarifications

In the three-week' notification period between the spring/autumn reporting deadlines and the publication of the data, Eurostat contacted all national statistical authorities to ask for further information and clarify the application of the accounting rules to specific transactions. This involved several rounds of correspondence.

For the autumn 2018 reporting period, a first round of requests for clarification was sent to all Member States by 5 October and a second by 12 October; a third round was sent to 16 Member States and a fourth to one. Eurostat asked some Member States to provide revised 'EDP notification tables', revised tables for underlying government accounts (i.e. annual expenditure and revenue accounts, and quarterly financial and non-financial accounts) and revised 'Questionnaire relating to the EDP notification tables'. In most cases, changes to data were corrections of technical errors, internal inconsistencies and adjustments. A few changes related to updates of the source data for actual and planned data.

2.2.2. Dialogue and methodological visits

Regulation (EC) No 479/2009 provides for Eurostat to make dialogue and methodological visits to Member States. Representatives of DG ECFIN and the European Central Bank regularly take part in such visits as observers.

In the course of *regular* (at least biennial) dialogue visits to Member States, Eurostat reviews reported data, examines methodological issues, discusses statistical processes and sources described in the inventories and assesses compliance with the relevant accounting rules (delimitation of general government, time of recording and classification of government transactions and liabilities).

Methodological visits are undertaken only in exceptional cases where significant risks or problems with data quality have been clearly identified.

¹³ <https://ec.europa.eu/eurostat/documents/1015035/9306957/Background-note-on-gov-interventions-Oct2018.pdf>

Ad hoc or *technical* visits can also be organised if Eurostat raises a specific important issue with a Member State that can be resolved only by meeting the authorities concerned.

In 2018, Eurostat made EDP dialogue visits to the Netherlands, Finland, Romania, Germany, Poland, Greece (twice), Lithuania, Malta, Bulgaria, Belgium, Croatia and Italy. There were also *ad hoc* visits to France and Spain, one technical visit to Iceland and no methodological visits.

The final findings of each dialogue visit, including the action points agreed and the status of the issues raised, are sent to the Economic and Financial Committee and published on Eurostat's website¹⁴. The dialogue visits and implementation of action points have considerably improved data quality over time.

2.2.3. Specific advice by Eurostat

Member States regularly consult Eurostat to clarify national accounting issues in relation to past or future operations. Eurostat provides advice in accordance with the published guidelines¹⁵. Since July 2016, in the interests of transparency, Eurostat has published all its letters of advice¹⁶ without first seeking the consent of the Member State in question, as was the practice previously. In 2018, it published 21 letters of advice.

2.2.4. Recent methodological issues

Eurostat monitors the application of the ESA 2010 rules and its methodological decisions by analysing the data reported by Member States in the EDP tables and the 'Questionnaire relating to the EDP notification tables', and through discussion with national statistical authorities during EDP dialogue visits.

It provides additional methodological guidance on the accounting rules for EDP and Government Finance Statistics, which complement the general ESA 2010 rules. Guidance notes are released under Eurostat's responsibility after consultation with the national statistical authorities. Clarifications explaining the accounting rules for very specific issues are also released under Eurostat's responsibility.

On 8 May 2018, Eurostat published a guide¹⁷ on the statistical treatment of energy performance contracts.

Issues insufficiently covered in existing manuals and guidance were further analysed and discussed in technical working groups and task forces.

Apart from the two regular meetings of the EDP statistics working group, Eurostat organised three task force meetings (two on EDP methodological issues and one on government finance statistics).

¹⁴ <http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/eurostat-edp-visits-to-member-states>

¹⁵ <http://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/guidance-on-accounting-rules>

¹⁶ <http://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/advice-to-member-states>

¹⁷ https://ec.europa.eu/eurostat/documents/1015035/8885635/guide_to_statistical_treatment_of_epcs_en.pdf

Following the November 2017 ECOFIN Council conclusions, Eurostat analysed the effectiveness of the new ‘Procedures for the development and implementation of methodology underpinning EDP data’¹⁸ after one year of experience, focusing on their application for the development of the different type of methodological guidelines which interpret and complement ESA 2010. The November 2018 ECOFIN Council conclusions on EU Statistics¹⁹ underlined that the Council welcomed the progress in the introduction of methodological changes in a structured and scheduled manner and on the new procedures regarding the new guidance. Eurostat will continue to work together with Member States to complement and clarify the existing EDP data procedures to ensure their effective application.

On 22 February 2017, the Commission adopted its report²⁰ on the investigation related to the manipulation of statistics in Austria as referred to in Regulation (EU) No 1173/2011²¹ and a Recommendation²² for a Council Implementing Decision imposing a fine on Austria for manipulation of debt data in Land Salzburg. Under Article 8(1) of the Regulation, the Council adopted the Implementing Decision²³ on 28 May 2018 and imposed a fine of EUR 26.82 million on Austria for the misrepresentation of government debt data due to the serious negligence of three government entities.

2.2.5. Consistency with the underlying government accounts

The 1 April and 1 October notification deadlines under Regulation (EC) No 479/2009 were introduced to ensure consistency with the underlying annual and quarterly government sector accounts, as reported to Eurostat in various ESA transmission tables. In particular, total government expenditure and revenue should be consistent with the reported EDP surplus/deficit figure.

EDP data were generally consistent with the reported ESA 2010 government accounts, although there are some concerns as regards balance sheets for financial assets and liabilities (stocks) and general government quarterly financial accounts (ESA table 27). Further efforts by some Member States are still needed to improve the consistency of EDP tables 3 with ESA table 27.

There are substantial inconsistencies concerning net financial transactions for a number of years for Greece, since financial accounts reported by the Bank of Greece are not aligned with EDP data reported by ELSTAT. The Bank of Greece has not followed Eurostat guidance on ESA 2010 accounting in relation to a number of issues. In October 2015, Eurostat decided not to publish ESA table 27 for Greece until the issues have been resolved.

¹⁸ <https://ec.europa.eu/eurostat/documents/1015035/2041329/Procedures-Dev-and-Implt-Methodology-EDP-data.pdf>

¹⁹ <http://data.consilium.europa.eu/doc/document/ST-13865-2018-INIT/en/pdf>

²⁰ COM(2017) 94 final.

²¹ Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area (OJ L 306, 23.11.2011, p. 1).

²² COM(2017) 93 final.

²³ Council Implementing Decision (EU) 2018/818 of 28 May 2018 imposing a fine on Austria for the manipulation of debt data in Land Salzburg (OJ L 137, 4.6.2018, p. 23).

There are also noticeable inconsistencies for France in the recording of other accounts receivable for central government and social security funds in 2017.

For Germany, Portugal (2014-2017) and Spain (2014-2016), the reporting of statistical discrepancy in the October 2018 notification tables diverges from convention for ESA table 27 and this leads to substantial discrepancies for all years.

The surplus/deficit, gross fixed capital formation and interest expenditure data reported by Member States were fully consistent with annual and quarterly data on government expenditure and revenue (ESA tables 2 and 25). The data on annual debt and quarterly government debt (ESA table 28) also matched perfectly for all Member States.

2.3. Publication

2.3.1. Publication of headline figures and detailed reporting tables

Under Article 14(1) of Regulation (EC) No 479/2009, *'[t]he 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 [...]. That provision of data shall be effected through publication'*.

Eurostat published the government deficit and debt data on its website on 23 April²⁴ and 22 October²⁵, together with all final reporting tables²⁶ notified by Member States and also notes on:

- the stock-flow adjustment;
- government interventions to support financial institutions;
- the stock of liabilities of trade credits and advances; and
- revisions of government surplus/deficit and debt.

It also published a news release on quarterly Maastricht debt, at approximately t+115²⁷ days, and a news release on quarterly general government deficit.

Regulation (EC) No 479/2009 requires Member States to make public their actual data on deficit and debt. All Member States publish deficit and debt figures at national level. Most have informed Eurostat that they publish all their EDP tables. Five Member States (Bulgaria, Italy, Luxembourg, Poland and Slovakia) published only some of the EDP tables. France published deficit and debt data at national level in a format different from the EDP tables.

2.3.2. Reservations on the quality of data

April 2018

Eurostat maintained its reservation on the quality of data reported by Hungary and France. The reservation on the quality of the data reported by Hungary in relation to the sector classification of the foundations created by the Hungarian National Bank

²⁴ <https://ec.europa.eu/eurostat/documents/2995521/8824490/2-23042018-AP-EN.pdf>

²⁵ <https://ec.europa.eu/eurostat/documents/2995521/9328077/2-22102018-AP-EN.pdf>

²⁶ <http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>

²⁷ 't' refers to the end of the period to which reporting relates.

was maintained whereas the reservation due to the sector classification of Eximbank was withdrawn. The reservation on the quality of data reported by France was amended compared to the news release of October 2017 in relation to the sector classification of the Agence Française de Développement and the treatment of the capital injection into AREVA.

Eurostat withdrew its reservation on the quality of the data reported by Belgium in relation to the sector classification of hospitals, pending the results of ongoing consultations on the issue at EU level.

October 2018

Eurostat maintained its reservation on the quality of the data reported by Hungary in relation to the sector classification of the foundations created by the Hungarian National Bank.

Eurostat withdrew its reservation on the quality of the data reported by France in relation to the sector classification of the Agence Française de Développement and on the treatment of the capital injection into AREVA.

2.3.3. Amendments to the reported data

Eurostat has made no amendments to the data reported by Member States in the April or October 2018 EDP notifications.

2.3.4. Publication of metadata (inventories)²⁸

Regulation (EC) No 479/2009 specifies that the EDP inventories are part of the statistical information Member States must provide. It also requires the inventories to be published nationally.

In 2014, the format of the EDP inventories was improved (making changes to the structure and the level of detail) and an agreement was reached with Member States on the new inventory template for ESA 2010. By the end of 2018, Eurostat had published revised inventories for 24 Member States. The remaining four Member States (France, Ireland, Luxembourg and the Netherlands) have provided a draft EDP inventory in the new format and further progress is expected.

3. CONCLUSIONS

Eurostat acknowledges continued overall improvement in the consistency and completeness of the reported fiscal data. Nevertheless, the quality of fiscal data needs to be improved further. In 2018, Eurostat sought improvements to the quality of the fiscal data through bilateral clarifications when assessing the EDP notifications and by intensifying contacts and consultations with Member States between notifications. The publication of all its letters of advice on methodology improved knowledge-sharing and transparency, as did its comprehensive efforts as regards communication between users and producers of statistics in relation to methodological developments.

Consistency problems with quarterly financial accounts persist for some Member States, in particular Greece.

²⁸ Inventories of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts.

Eurostat maintained its reservations on the quality of data reported in the EDP notifications by France (April) and Hungary (April and October). It withdrew the reservations for Belgium (April) and France (October).

Overall, Eurostat concludes that the quality of the reporting of fiscal data continued to improve in 2018. In general, Member States provided higher data quality and more complete information in EDP notification tables and other relevant statistical returns.