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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 2007

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1. BACKGROUND

Article 8a(3) of Council Regulation No 3605/93¹, as amended, requires the Commission (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 must provide an overall assessment of the compliance with accounting rules, completeness, reliability, timeliness and consistency of the data. This is the second report provided in this context.

Eurostat regularly assesses the quality of the actual data reported by Member States and of the underlying 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 the deficit and debt figures sent by Member States to Eurostat twice a year, but also draws on supplementary information such as the “*Questionnaire related to the notification tables*” and bilateral clarifications by Member States. Eurostat also makes several EDP dialogue visits during the year to maintain a continuous dialogue with Member States.

This report is based on the main findings and results of the EDP reporting in 2007, focusing on the most up-to-date information, i.e. the latest (October 2007) reporting exercise, and, where appropriate, making comparisons with the April 2007 reporting.

2. MAIN FINDINGS ON THE 2007 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 deficit and debt levels to the Commission twice a year, before 1 April and 1 October³. During 2007 the EDP reporting covered the years 2003 to 2007. The figures for 2007 are those planned by the national authorities, while the 2003 to 2006 figures are final, semi-finalised, provisional or estimated. Compliance with the reporting deadlines is usually good, and in the second reporting in 2007 all the Member States reported their data on, or before, 30 September except Luxembourg, which reported on 1 October. In the April reporting exercise, all the Member States reported their figures before 1 April.

In general, Member States tend to revise their reporting or to finalise their EDP tables after their first submission. In October 2007, 37 revised submissions were sent by 20 countries⁴, while in April 2007 Eurostat received 29 revised submissions from 19 countries. Most of the revised submissions by Member States are sent in response to comments by Eurostat.

¹ OJ L 332, 31.12.1993, p. 7; Regulation, as last amended by Council Regulation (EC) No 2103/2005 (OJ L 337, 22.12.2005, p. 1).

² OJ L 310, 30.11.1996, p. 1; Regulation, as last amended by Regulation (EC) No 1267/2003 of the European Parliament and of the Council of 16 June 2003 (OJ L 180, 18.7.2003, p. 1).

³ Article 4(1) and (2) of Regulation (EC) No 3605/93, as amended.

⁴ Compared with 28 revised submissions by 16 countries in October 2006 and 36 revised submissions by 16 countries in April 2006.

2.1.2. *Completeness of tables and supporting information*

Completion of the reporting tables is a legal obligation and is necessary if Eurostat is to monitor the quality of the data properly. Article 8a(2) of Regulation (EC) No 3605/93, as amended, specifies that Member States must provide the Commission with the relevant statistical information, which “*in particular (...) means: data from national accounts, inventories, EDP notification tables, additional questionnaires and clarification related to the notifications.*”

Most of the Member States completed all the EDP notification tables⁵. In the October 2007 EDP notification, 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 the Member States provided the breakdowns requested for the items loans and equity. In the October 2007 notification five Member States did not provide the breakdown for loans and two Member States did not split equity.

All the Member States submitted their replies to the “*Questionnaire related to the notification tables*”⁶. Although coverage of answers improved between April and October 2007, a majority of countries still do not report all the details requested.

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 and the publication of 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 involves several rounds of correspondence between Eurostat and the national authorities with tight deadlines. A first round of requests for clarification was sent around 5 October, a second around 10-12 October and, in a few cases, a third, fourth or even fifth round followed. In a number of cases, Eurostat asked for revised notification tables⁷. In April 2007 a similar approach and timetable was followed.

2.2.2. *Dialogue and methodological visits*

Regulation (EC) No 3605/93, as amended, 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 inventories and assessing compliance with the relevant accounting rules, for example on the delimitation of general government, the time of recording and the

⁵ A detailed description of the content of these tables can be found on Eurostat’s website on government finance statistics:
http://epp.eurostat.ec.europa.eu/portal/page?_pageid=2373,58110711&_dad=portal&_schema=PORTAL

⁶ This questionnaire comprises seven sections requesting quantitative and sometimes qualitative information in several areas, such as transactions in taxes and social contributions and with the EU, government guarantees, debt cancellations, capital injections made by government into public corporations, etc.

⁷ See section 2.1.

classification of government transactions and liabilities. Methodological visits are paid only where the Commission (Eurostat) identifies substantial risks or potential problems with the quality of the data, especially relating to the method, concepts or classification.

Up to November 2007 Eurostat made the following EDP dialogue visits: **UK** (25-26 January, including a half-day joint meeting with **Ireland** on 26 January), **Spain** (5-6 February), **Romania** (5-6 March), **Italy** (15-16 March), **Germany** (12 April), **Sweden** (7 May), **Czech Republic** (18-19 June), **Poland** (2-3 July), **Slovakia** (5-7 September), **Austria** (10-11 September), **Estonia** (17-18 September) and **Finland** (29-30 November).

Recurring themes discussed during the visits included, in particular, the classification of units (including infrastructure, TV and radio, hospitals and universities), capital injections, public-private partnerships, EU flows and the recording of guarantees.

The findings of these visits are sent to the EFC and made public on Eurostat's website⁸. No EDP methodological visits were made in 2007.

2.2.3. *Specific advice, clarifications and decisions by Eurostat*

Eurostat is regularly consulted by Member States to clarify various accounting issues in relation to operations carried out or still in the planning stage (known as *ex-post* and *ex-ante* advice). Eurostat provides **advice** in accordance with the published guidelines⁹. To comply with the transparency provision in Regulation 3605/93, as amended, Eurostat publishes the letter providing its advice, unless the Member State concerned raises an objection. In 2007, 17 pieces of advice were published, compared with 15 in 2006.

2.2.4. *Recent methodological issues*

As usual, in 2007 Eurostat paid close attention to **application of the ESA95 rules** and, in particular, to its latest decision on securitisation operations undertaken by government, which was published on 25 June 2007.

Another conceptual issue of general interest was raised by Eurostat in its October 2007 news release, which said that “Eurostat intends in the coming months to further clarify the accounting treatment of flows and debt relating to public infrastructure investments, as well as the sector classification of the concerned public units.” Eurostat has set up a Task Force of Member State experts to take this work forward during 2008.

2.2.5. *Consistency with underlying government accounts*

The notification deadlines of 1 April and 1 October set by Regulation (EC) No 3605/93, as amended, 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 transmitted. For example, expenditure and

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http://epp.eurostat.ec.europa.eu/portal/page?_pageid=2373_47631312_2373_58674363&_dad=portal&_schema=PORTAL.

⁹

[http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_DS_GFS/PGE_DS_GFS_0/TAB_MET/EUROSTAT%20EX-ANTE%20ADVISE-%2019%20JULY%202006%20-%20FINAL%20\(2\)_1.PDF](http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_DS_GFS/PGE_DS_GFS_0/TAB_MET/EUROSTAT%20EX-ANTE%20ADVISE-%2019%20JULY%202006%20-%20FINAL%20(2)_1.PDF).

revenue totals should be consistent with the reported deficit figures (allowing only for the difference in the recording of interest relating to swaps).

The overall consistency of EDP data with the reported ESA95 government accounts has improved in recent years and has now reached a good level. It is still better for non-financial than for financial accounts.

2.3. Publication

2.3.1. Publication of headline figures and detailed reporting tables

Article 8g of Regulation (EC) No 3605/93, as amended, 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 23 April and 22 October 2007¹⁰ together with all the reporting tables, as notified in countries' last submission to Eurostat. 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 adjustment¹¹.

Under Regulation (EC) No 3605/93, as amended, Member States should make public their actual data on deficit and debt. Only 14 Member States have reported to Eurostat that they publish all their reporting tables (Belgium, the Czech Republic, Denmark, Estonia, Ireland, Latvia, Hungary, the Netherlands, Austria, Romania, Slovenia, Finland, Sweden and the United Kingdom). This is a small improvement compared with the 13 countries in 2006.

2.3.2. Reservations on the quality of data

In 2007 Eurostat expressed no reservations on the quality of the data notified by Member States.

2.3.3. Amendments to the reported data

In April 2007 Eurostat amended the fiscal data reported by three Member States (Belgium¹², Portugal and the United Kingdom). In October 2007 amendments were made to data reported by Belgium and the United Kingdom. Eurostat also decided not to use the GDP data notified by Greece in April 2007, pending verification by Eurostat of the substantial upward revision by the Greek authorities. In the October 2007 news release Eurostat wrote *“Greece notified in 2006 a substantial upwards revision of GDP (around 26%). This revision has in the last year been subject to a detailed scrutiny by Eurostat and national experts from various Member States, following recommendations from the Gross National Income Committee. As a result of this work, Greece has now notified a substantially smaller revision of GDP (around 9.6%).*

¹⁰ Eurostat news releases [No 55/2007](#) and [142/2007](#).

¹¹ 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.eu.int/portal/page?_pageid=2373_47631312_2373_58674332&_dad=portal&_sc_hema=PORTAL).

¹² Belgium challenged Eurostat's amendment of data before the Court of First Instance in 2006 (Case T-403/06, Belgium/Commission). The case is still pending.

The new notified series are being used for the purpose of this provision of deficit and debt data."

Eurostat's EDP news releases provided the following explanations concerning Belgium, Portugal and the United Kingdom¹³:

October 2007 EDP reporting

Belgium (an identical statement was also published in April 2007): *"Eurostat has amended the deficit and debt data notified by Belgium for 2005 in relation to the assumption by government (FIF - Fonds de l'Infrastructure Ferroviaire) in 2005 of EUR 7 400 million (2.5% of GDP) of the debt of the railway company SNCB. According to ESA95 rules, FIF is classified inside the government sector and the debt assumption is recorded as increasing the deficit. The impact on the government balance in 2005 is of -7073.4 million euro and in 2006 of +227.9 million euro; the impact on the government debt at the end of 2005 amounts to 5246 million euro (1.7% of GDP) and at the end of 2006 to 4982 million euro (1.6% of GDP)".*

United Kingdom (an identical statement was also published in April 2007): *"Eurostat has amended the deficit data notified by the United Kingdom for years 2003 to 2006 for consistency of recording of UMTS licences proceeds. This leads to an increase in the government deficit in 2003 and 2006 (as well as for financial year 2003/2004 and 2006/2007) by GBP 1045 mn (0.1% of GDP) and in 2004 and 2005 (financial years 2004/2005 and 2005/2006) by GBP 1044 mn (0.1% of GDP). There is no change in the reported debt figures."*

April 2007 EDP reporting

Portugal: *"Eurostat has amended upwards the deficit data notified by Portugal in 2005 by 158 mn euro (0.1% of GDP) due to the reclassification of capital injections as capital transfers by government in two hospitals (Santa Maria and Nordeste). According to ESA95 rules, capital injections in public enterprises add to the deficit when government does not act as a private shareholder and there are doubts on the profitability of the project."*

2.3.4. Expiry of transition period for the classification of defined-contribution funded pension schemes

The transition period available to Member States for implementing the Eurostat decision on the classification of certain defined-contribution funded pension schemes expired in April 2007. For those countries that availed themselves of the full transition period (Denmark, Hungary, Poland and Sweden), the reclassification had an impact on the surplus/deficit and debt data¹⁴.

¹³ Under Article 8h(2) of Council Regulation (EC) No 3605/93, 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 8a(1).

¹⁴ See news releases No [139/2006](#) and [55/2007](#) for details of the impact on the deficit/surplus and the debt.

2.3.5. *Publication of metadata (inventories¹⁵)*

Regulation (EC) 3605/93, as amended, specifies that the EDP inventories are among the statistical information to be provided by Member States to allow the Commission (Eurostat) to check compliance with ESA95 rules. Furthermore, it stipulates that national publication of these inventories is mandatory. Eurostat published the inventories for all the Member States except Bulgaria and Luxembourg on its website on 28 September 2007. More than half the 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 2007. Member States have provided fuller information, both in EDP notification tables and in other relevant statistical returns, like the questionnaire relating to the notification tables. Overall consistency of EDP data with the reported ESA95 government accounts is now satisfactory and is improving, particularly on the financial side, compared with the situation in 2006.

In this context, Eurostat expressed no reservations on the quality of the reported data in 2007.

In spite of the recognised improvements, some problems still persist linked to compliance with accounting rules and the quality of some of the statistical information provided. As in the report covering 2006, the Commission would therefore invite Member States to continue investing in the quality of government finance statistics with a view to meeting the requirements of the Treaty. This is the only way to achieve the desired level of quality as regards the compliance with the accounting rules, completeness, reliability, timeliness and consistency of government data.

¹⁵ Inventories of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts.