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EUROPEAN COMMISSION

Brussels, 15.2.2010
COM(2010)53 final

2010/0035 (NLE)

Proposal for a

COUNCIL REGULATION (EU) No .../....

**amending Regulation (EC) No 479/2009 as regards the quality of statistical data in the
context of the excessive deficit procedure**

EXPLANATORY MEMORANDUM

The basis for the EU fiscal surveillance system is laid down in the Treaties and further specified in EU legislation, notably through the requirements to the quality of fiscal statistics for the purpose of the excessive deficit procedure (EDP) exercise. Quality of data in the fiscal statistics framework relies primarily on the correct implementation by the Member States of the legal acts relevant in the context of the EDP, such as Council Regulation (EC) No 2223/96¹ (ESA 95) and Council Regulation (EC) No 479/2009² establishing the statistical reference system for standards, definitions and accountancy provisions. The Commission has been entrusted with the task of supervising the quality of the reported fiscal data. Article 8(1) of Regulation (EC) No 479/2009 sets forth that the Commission (Eurostat) shall regularly assess the quality both of actual data reported by Member States and of the underlying government sector accounts compiled according to ESA 95. Quality of actual data means compliance of such data with accounting rules, as well as completeness, reliability, timeliness, and consistency of the statistical data. Further, according to Article 8(2) of Regulation (EC) No 479/2009, Member States shall provide the Commission (Eurostat), as promptly as possible, with the relevant statistical information requested for the needs of the data quality assessment, without prejudice to the provisions relating to statistical confidentiality.

Following the 'Greek case' in 2004, and a subsequent request by the Council to strengthen the monitoring of the quality of the reported fiscal data, the Commission proposed in 2005 the amendments to the legislation in force, i.e. Council Regulation (EC) No 3605/93, governing the quality of EDP data. The amendments in the Commission's proposal of 2005³ sought to increase the transparency of the EDP-related statistics, and, to that end, to strengthen the powers of Eurostat with respect to data quality. In particular, the Commission proposed to establish "in-depth monitoring visits". Coupled with a general requirement for Member States to provide the Commission (Eurostat) with access to the information required for the purposes of the data quality assessment, the proposal was seeking for strengthened competence related to the quality of data. However, the additional tools provided to the Commission by the Council Regulation (EC) No 2103/2005⁴ were more limited than initially requested. In particular, there is no general obligation for Member States to provide the Commission (Eurostat) with access to all the information requested for the purposes of the data quality assessment and the scope of the methodological visits (only conducted in one Member State since the adoption of the legislation) is confined to the purely statistical domain.

Recent developments and, in particular, the Greek government deficit and debt statistics notified in October 2009⁵, have revealed and made these limitations more acute and have demonstrated that the current system for fiscal statistics does not mitigate, to the extent

¹ Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community (OJ L 310, 30.11.1996, p. 1).

² Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community (Codified version) (OJ L 145, 10.6.2009, p. 1).

³ COM(2005)71.

⁴ Council Regulation (EC) No 2103/2005 of 12 December 2005 amending Regulation (EC) No 3605/93 as regards the quality of statistical data in the context of the excessive deficit procedure (OJ L 337, 22.12.2005, p. 1).

⁵ Report by the Commission of 8 January 2010 on Greek government deficit and debt statistics (COM(2010)1 final).

necessary, the risk of, for instance, incorrect or inaccurate data being notified to the Commission.

Without an action to countervail this weakness, such instances of non-compliance with the rules by individual Member States will hence continue to compromise the reliability of the governance system by its participants at both European and Member States' levels. For that reason, it is at this stage both appropriate and policy-consistent to propose certain modifications of the governance framework for fiscal statistics. The purpose of the amended regulation is to allow the Commission and Member States to work more effectively together in improving the quality and reliability of government finance statistics, based on a two-pillar approach: first, more frequent and comprehensive regular statistical visits in the context of the standard EDP procedure; second, where a risk-based assessment identifies specific and significant problems, Eurostat may conduct additional methodological visits.

To tackle the existing weaknesses, the Commission, therefore, deems it necessary to propose supplementing the existing rules in order to strengthen data monitoring mechanisms. However, the methodological visits will only be undertaken in cases where substantial risks or potential problems with the quality of the data are identified, as it is also currently the case pursuant to existing legal framework.

Insofar as Eurostat, as a statistical authority, must be able to actually verify the figures provided, there is a need to supplement the current framework in several regards. In particular, there is a need for the recognition of the right for Eurostat to directly examine public accounts where there are substantial doubts about the reliability of the statistical data submitted by a national statistical authority – together with the corresponding obligation of national authorities to keep and make available all of the relevant sources of information. Furthermore, there is a need for Member States to ensure the assistance of experts in national accounting, including for the preparation and undertaking of the methodological visits.

Proposal for a

COUNCIL REGULATION (EU) No .../....

amending Regulation (EC) No 479/2009 as regards the quality of statistical data in the context of the excessive deficit procedure

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular the third subparagraph of Article 126(14) thereof,

Having regard to the proposal from the European Commission,

Having regard to the opinion of the European Parliament,

Acting in accordance with a special legislative procedure,

Whereas:

- (1) The credibility of budgetary surveillance crucially hinges upon reliable budgetary statistics. It is of the utmost importance that data reported by Member States under Regulation (EC) No 479/2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community⁶ are of high quality.
- (2) The European Union governance framework for fiscal statistics has been further developed and institutional setting updated over the past years, notably with a view to improving the monitoring of the government accounts by the Commission (Eurostat).
- (3) The revised governance framework for fiscal statistics has overall functioned well and, in general, has produced a satisfactory outcome in terms of reporting of relevant fiscal data on government deficit and debt. In particular, the Member States have predominantly demonstrated a solid record of co-operation in good faith and an operational ability to report fiscal data of high quality.
- (4) However, recent developments have also clearly demonstrated that the current governance framework for fiscal statistics still does not mitigate, to the extent necessary, the risk of incorrect or inaccurate data being deliberately notified to the Commission.
- (5) In this connection, the Commission (Eurostat) should have additional rights of access to a widened scope of information for the needs of data quality assessment.

⁶ OJ L 145, 10.6.2009, p. 1.

- (6) In carrying out monitoring visits to a Member State whose statistical information is under scrutiny the Commission (Eurostat) should be entitled to have access to the accounts of government entities at central, state, local and social security levels, including the provision of underlying detailed accounting information, relevant statistical surveys and questionnaires and further related information, respecting the legislation on data protection as well as statistical confidentiality.
- (7) Public accounts of individual general government units, as well as of public units classified outside general government sector, should be the main object of the controls, and the public accounts should be assessed in terms of their statistical use.
- (8) Member States should ensure that officials responsible for the reporting of the actual data to the Commission (Eurostat) and of the underlying government accounts fully respect the obligations related to the statistical principles.
- (9) Regulation (EC) No 479/2009 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 479/2009 is hereby amended as follows:

- (1) The following Article 2a is inserted:

"Article 2a

'Access' means the opportunity of consulting any relevant document by receiving a copy of it or on the spot, including, where available, an electronic copy, and of being provided any relevant information. The documents and information requested shall be provided promptly and, where available, be readily extractable from available records or sources."

- (2) In Article 8, paragraph 2 is replaced by the following:

"2. Member States shall as promptly as possible provide the Commission (Eurostat) with access to all the information requested for the needs of the data quality assessment, including statistical information such as data from national accounts, inventories, excessive deficit procedure notification tables, additional questionnaires and clarification related to the notifications.

The format of the questionnaires shall be defined by the Commission (Eurostat) after consultation of the Committee on Monetary, Financial and Balance of Payments Statistics (hereinafter referred to as CMFB)."

- (3) In Article 11, paragraph 3 is replaced by the following:

"3. The methodological visits are designed to monitor the processes and verify the accounts which justify the reported actual data and to draw detailed conclusions as to the quality of reported data, as defined in Article 8(1).

The methodological visits shall only be undertaken in exceptional cases where significant risks or problems with the quality of the data have been clearly identified."

(4) In Article 12, paragraph 1 is replaced by the following:

"1. Member States shall, at the request of the Commission (Eurostat), provide the assistance of experts in national accounting, including for the preparation and undertaking of the methodological visits. In the exercise of their duties, these experts shall provide an independent expertise. A list of those experts in national accounting shall be constituted on the basis of proposals sent to the Commission (Eurostat) by the national authorities responsible for the excessive deficit reporting.

The Commission shall lay down the rules and procedures related to the selection of the experts and their working arrangements."

(5) In Article 12, paragraph 2 is replaced by the following:

"2. In the framework of the methodological visits, the Commission (Eurostat) shall have the right to access the accounts of all government entities at central, state, local and social security levels, including the provision of underlying detailed accounting information, such as transactions and balance sheets, relevant statistical surveys and questionnaires and further related information, such as analytical documents and the accounting data of other public bodies.

Member States shall take all necessary measures to facilitate the methodological visits. Those visits may be carried out in national authorities involved in the excessive deficit procedure reporting, as well as in all services directly or indirectly involved in the production of government accounts and debt. Member States shall ensure that those national authorities and services, and where necessary, their national authorities who have a functional responsibility for the control of the public accounts, provide the Commission officials or other experts referred to in paragraph 1 with the assistance necessary to carry out their duties, including making documents available to justify the reported actual deficit and debt data and the underlying government accounts. Confidential records of the national statistical system should only be provided to the Commission (Eurostat)."

(6) In Article 16, paragraph 2 is replaced by the following:

"2. Member States shall take appropriate measures to ensure that officials responsible for the reporting of the actual data to the Commission (Eurostat) and of the underlying government accounts are accountable and act in accordance with principles established by Article 2 of Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics*. These measures must be effective, proportionate and dissuasive. Member States shall notify these measures to the Commission by 31 December 2011 at the latest, and shall notify it without delay of any subsequent amendments affecting them."

Article 2

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

* OJ L 87, 31.3.2009, p. 164.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council
The President*

LEGISLATIVE FINANCIAL STATEMENT

1. NAME OF THE PROPOSAL

Proposal for a Council Regulation amending Regulation (EC) No 479/2009 as regards the quality of statistical data in the context of the excessive deficit procedure.

2. ABM / ABB FRAMEWORK

Policy Area concerned and associated Activity/Activities:

Statistics (Production of Statistical Information; Policy Strategy and Coordination; Administrative Support)

3. BUDGET LINES

3.1. Budget lines (operational lines and related technical and administrative assistance lines (ex B.A lines)) including headings:

29.0203 Community Statistical Programme 2008-2012

29.010401 Statistical information policy — Expenditure on administrative management

3.2. Duration of the action and of the financial impact:

Indeterminate

3.3. Budgetary characteristics:

Budget line	Type of expenditure		New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
29.020101	Non-comp	Diff ⁷	NO	YES	NO	No 1
29.010401	Non-comp	Non-diff ⁸	NO	YES	NO	No 1

⁷ Differentiated appropriations.

⁸ Non-differentiated appropriations hereafter referred to as NDA.

4. SUMMARY OF RESOURCES

4.1. Financial Resources

4.1.1. Summary of commitment appropriations (CA) and payment appropriations (PA)

EUR million (to 3 decimal places)

Expenditure type	Section no.		2011	2012	2013	2014	2015	2016 and later	Total
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Operational expenditure

Commitment Appropriations (CA)	8.1	a							
Payment Appropriations (PA)		b							

Administrative expenditure within reference amount

Technical & administrative assistance (NDA)	8.2.4	c	0	0	0	0	0	0	0
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TOTAL REFERENCE AMOUNT

Commitment Appropriations		a+c							
Payment Appropriations		b+c							

Administrative expenditure not included in reference amount

Human resources and associated expenditure (NDA)	8.2.5	d	1.709	1.709	1.709	1.709	1.709	1.709	1.709
Administrative costs, other than human resources and associated costs, not included in reference amount (NDA)*	8.2.6	e	0.19	0.24	0.24	0.24	0.24	0.24	1.39

* Mission costs

4.1.2. Compatibility with Financial Programming

☒ Proposal is compatible with existing financial programming.

4.1.3. Financial impact on Revenue

☒ Proposal has no financial implications on revenue

4.2. Human Resources FTE (including officials, temporary and external staff – see detail under point 8.2.1.)

Annual requirements	2011	2012	2013	2014	2015	2016 and later
Total number of human resources	20	20	20	20	20	20

5. CHARACTERISTICS AND OBJECTIVES

5.1. Need to be met in the short or long term

Recent developments and, in particular, the notified Greek government deficit and debt statistics⁹ have demonstrated that the current system for fiscal statistics does not mitigate, to the extent necessary, the risk of, for instance, incorrect or inaccurate data being notified to the Commission.

Without an action to countervail this weakness, such instances of non-compliance with the rules by individual Member States will hence continue to compromise the reliability of the governance system by its participants at both European and Member States' levels. For that reason, it seems at this stage both appropriate and policy-consistent to propose certain modifications of the governance framework for fiscal statistics.

5.2. Value-added of Community involvement and coherence of the proposal with other financial instruments and possible synergy

The Commission has a major direct responsibility in analysing and assessing deficit and debt figures for a correct implementation of the Stability and Growth Pact, and is responsible for providing the statistics on the excessive deficit procedure, based on data reported by Member States and Candidate Countries. This is an important role to be played by the Commission given the fact that the Member States constitute an interested party.

This enhanced Community involvement will also increase harmonisation of national approaches and will exploit the available synergies by including experts from other Member States in methodological visits.

5.3. Objectives, expected results and related indicators of the proposal in the context of the ABM framework

The Commission has a major responsibility to provide an independent view on data quality according to the protocol attached to the Maastricht Treaty and to Council Regulation (EC) No 479/2009. The main objective would be to establish tools for control of national systems for production of budgetary statistics and minimise the

⁹ Report by the Commission of 8 January 2010 on Greek government deficit and debt statistics (COM(2010)1 final).

cases of incorrect reporting of deficit and debt figures (as exemplified by the cases in Greece in 2004 and 2009).

It is expected that better quality data will result, based on a more reliable and consistent approach. The appropriate detection of structural weaknesses in the system (systemic risk) and unreliable data will indicate progress. Two main indicators will be the number of reservations and amendments of the data in the Eurostat EDP press release as well as the number of methodological visits.

5.4. Method of implementation (indicative)

☒ ***Centralised Management***

☒ directly by the Commission

6. MONITORING AND EVALUATION

6.1. Monitoring system

The quality of the data reported will be monitored in the context of the application of the provisions of the European system of national and regional accounts in the Community, adopted by Regulation (EC) No 2223/96 (ESA95), which constitutes the basis for the reporting and provision of statistical data in the context of the excessive deficit procedure. The statistical systems put in place by Member States and Candidate Countries will be checked against those systems already providing good quality figures as stated in the Code of Conduct. Regular reports on the functioning of the systems and the results of the monitoring process (countries visited, problems encountered and envisaged solutions) will be submitted to the Commission, the Parliament and to the Council.

6.2. Evaluation

6.2.1. Ex-ante evaluation

Recent Council meetings have concluded that the independence and quality of statistics need to be further improved and have requested the Commission to make proposals in this area.

6.2.2. Measures taken following an intermediate/ex-post evaluation (lessons learned from similar experiences in the past)

This is a new intervention.

6.2.3. Terms and frequency of future evaluation

Evaluations on the appropriateness of the system providing public finance data necessary for the application of the Treaties will be regularly carried out by Eurostat.

7. ANTI-FRAUD MEASURES

The proposal itself can be considered to be destined *inter alia* as a measure to detect and mitigate any potential non-compliance of Member States/Candidate Countries with the established rules. In addition, to ensure the continuing independence and integrity of the inspection capability, a policy of strict rotation of personnel involved in methodological visits to specific Member States and Candidate Countries will be introduced.

8. DETAILS OF RESOURCES

8.1. Objectives of the proposal in terms of their financial cost

8.2. Administrative Expenditure

8.2.1. Number and type of human resources

Types of post		Staff to be assigned to management of the action using existing and/or additional resources (number of posts/FTEs)					
		Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016
Officials or temporary staff ¹⁰ (29 01 01)	A*/AD	5	5	5	5	5	5
	B*, C*/AST	1	1	1	1	1	1
Staff financed ¹¹ by art.29 01 02 01 (Seconded National Experts)		9	9	9	9	9	9
Staff financed ¹² by art.29 01 02 02 (Contractual agents)		5	5	5	5	5	5
TOTAL		20	20	20	20	20	20

The needs for human resources shall be covered within the allocation already granted for managing this action and/or redeployed within the DG, complemented as the case may be by any additional allocation that might be granted to the managing DG in the framework of the annual allocation procedure in the light of budgetary constraints.

8.2.2. Description of tasks deriving from the action

The requested human resources will be assigned to the new task that the Council Regulation will entrust the Commission with and which will consist in carrying out in-depth methodological visits in Member States, as well as increasing the frequency of the regular visits. There will be methodological visits in the cases of evidence or suspicion of

¹⁰ Cost of which is NOT covered by the reference amount.

¹¹ Cost of which is NOT covered by the reference amount.

¹² Cost of which is NOT covered by the reference amount.

misreporting and at the time of important events for a Member State in the context of the SGP and EDP (ex: before the accession to the euro-zone).

Public accounts of individual general government (GG) units, as well as of public units classified outside GG sector, would be the main object of the auditing, and the public accounts would be controlled in terms of their statistical use. More in detail, the following issues/processes will be the object of the reporting:

- faithful transition from data sources into national accounts and into EDP tables;
- assessment of underlying detailed information, including transactions;
- identification of which data sources are audited at national level (by a recognised independent audit body) and which are not. This is crucial as the assessment could focus on the areas which are not already audited at a national level. For the areas which are not audited, an identification of other sources of assurance would be needed;
- promotion of adoption of public accounting standards - provide assistance to MS at their request in moving to a system of audited data and accrual accounting for their public accounts, preferably following international standards.

8.2.3. Sources of human resources (statutory)

- ☒ Posts to be requested in the next allocation procedures
- ☒ Posts to be redeployed within the DG after a screening to be completed by the end of July 2010

8.2.4. Other Administrative expenditure included in reference amount (XX 01 04/05 – Expenditure on administrative management)

N/A

8.2.5. Financial cost of human resources and associated costs not included in the reference amount

EUR million (to 3 decimal places)

Type of human resources	2011	2012	2013	2014	2015	2016 and later
Officials and temporary staff (29 01 01)	0.732	0.732	0.732	0.732	0.732	0.732
Staff financed by art.29 01 02 01 and art.29 01 02 02 (Seconded National Experts and Contractual agents)	0.977	0.977	0.977	0.977	0.977	0.977

Total cost of Human Resources and associated costs (NOT in reference amount)	1.709	1.709	1.709	1.709	1.709	1.709
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Calculation– Officials and Temporary agents

With an average cost of a permanent official estimated at 122.000 euro/year, the financial cost of human resources and associated costs (not included in the reference amount) is 732.000 euro/year in total.

Calculation– Staff financed under art. 29 010201

With an average cost of a seconded national expert for the European Union budget estimated at 73.000 euro/year, the financial cost of human resources and associated costs (not included in the reference amount) of staff financed by Art 29 01 02 is 657.000 euro/year in total.

With an average cost of a contract agent estimated at 64.000 euro/year, the financial cost of human resources and associated costs (not included in the reference amount) of staff financed by Art 29 01 02 is 320.000 euro/year in total.

The needs for human resources shall be covered within the allocation already granted for managing this action and/or redeployed within the DG, complemented as the case may be by any additional allocation that might be granted to the managing DG in the framework of the annual allocation procedure in the light of budgetary constraints.

8.2.6. Other administrative expenditure not included in reference amount

EUR million (to 3 decimal places)

	Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later	TOTAL
29 01 02 11 01 – Missions	0.05	0.1	0.1	0.1	0.1	0.1	0.55
29 01 02 11 02 – Meetings & Conferences	0.14	0.14	0.14	0.14	0.14	0.14	0.84
29 01 02 11 03 – Committees							
29 01 02 11 04 – Studies & consultations							
29 01 02 11 05 - Information systems							
2 Total Other Management Expenditure (29 01 02 11)							
3 Other expenditure of an administrative nature (specify including reference to budget line)							
Total Administrative expenditure, other than human resources and associated costs (NOT included in reference amount)	0.19	0.24	0.24	0.24	0.24	0.24	1.39

The needs for administrative appropriations shall be covered within the allocation already granted for managing this action and/or redeployed within the DG, complemented as the case may be by any additional allocation that might be granted to the managing DG in the framework of the annual allocation procedure in the light of budgetary constraints.