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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 2013

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1. BACKGROUND

Article 8(3) of Council Regulation (EC) No 479/2009 (as amended by Regulation (EC) No 679/2010), on the application of the Protocol on the excessive deficit procedure (EDP) 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. This annual report provides an overall assessment of timeliness, reliability, completeness, compliance with accounting rules and consistency of the data. The previous report (on the 2012 notifications) was adopted by the Commission on 20 February 2013².

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)³. 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 per year. This also includes supplementary information such as the “Questionnaire related to the EDP notification tables”, the “Supplementary table for the financial crisis” and bilateral clarifications by Member States. Eurostat also maintains a permanent dialogue with Member States by undertaking regular EDP dialogue visits.

This report is based on the main findings and results of the EDP reporting in 2013, focusing on the latest exercise of October 2013. Where appropriate, comparisons are made with the April 2013 reporting, as well as with the reporting in 2012.

2. MAIN FINDINGS ON THE 2013 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 per year, before 1 April and 1 October⁴. During 2013, the EDP reporting covered the years 2009 to 2013. The figures for 2013 are those planned by the national authorities, while the 2009 to 2012 figures are actual data (this means final, semi-finalised, provisional or estimated figures). In accordance with Article 8(1) of Regulation (EC) No 479/2009, Eurostat assesses the actual data reported by Member States, but not planned data. .

Compliance with the reporting deadlines is usually very good. In 2013, all Member States reported their actual data before the legal deadline in both EDP notifications. Croatia reported for the first time in October 2013. As concerns planned data, in the October 2013 reporting exercise, some countries delivered planned data for the year 2013 later.

¹ OJ L 145, 10.6.2009, p. 1.

² COM(2013) 88 final.

³ OJ L 310, 30.11.1996, p. 1.

⁴ Article 3 (1) and (3) of Regulation (EC) No 479/2009, as amended.

2.1.2. Reliability

Revisions between the April 2013 and the October 2013 notifications were mainly due to source data updates and methodological changes, such as re-classification of some transactions. As usual, debt was revised less than deficit between April and October.

The largest revisions in the deficit took place in Greece and Ireland. In Greece, the deficit was revised downwards between the April and October 2013 EDP notifications for the year 2012 due to the availability of audited data on the amounts recoverable by the Hellenic Financial Stability Fund (HFSF) in bank resolution cases. In Ireland, the decrease in the deficit for the year 2009 was mainly due to the inclusion of more detailed balance-sheet data relating to revenue/expenditure of government departments. The increase in the Irish deficit for the year 2012 was due to the changed time of recording of a UMTS licence sale and due to sources data updates for taxes, revenue/expenditure of government departments and the national healthcare provider.

As for the debt, the largest revisions between April and October were observed in the Czech Republic, Denmark and Portugal. In the Czech Republic, the reported debt for the years 2009-2012 increased due to a correction in the valuation of hedged debt instruments denominated in foreign currency. In Denmark, the debt was revised downwards for the year 2012 due to updated source data for central and local government units and social security funds. In Portugal, the increase in the debt was due to the reclassification of one unit in the general government sector in the region of Madeira and due to the reclassification as loans of some advance payments made by a public corporation to the State.

Between April and October, there were noticeable revisions in GDP for Estonia for the years 2009, 2011 and 2012 and for Luxembourg for the years 2009-2012.

As regards revisions undertaken within the notification period, most Member States revised their reporting after the first submission in October 2013. 30 revised submissions were sent by 18 countries, while in April 2013, 46 revised submissions were sent by 24 countries. Member States sent most of the revised submissions in response to comments, technical questions or remarks by Eurostat, and they concerned completeness of missing data, corrections of technical errors, internal inconsistencies, adjustments provided in the notification tables or the related questionnaire or inappropriate recording within tables.

In 2013, revised submissions within the notification period did not change substantially the deficit and debt levels originally reported by Member States, except in the October reporting, where the deficit figures were revised by more than +0.2 percentage points (pp) of GDP during the notification period for Croatia and Ireland.

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 as amended, 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.*”

There are four main EDP notification tables. The completion of EDP tables 1 to 3 is a legal obligation, whereas the reporting of EDP Table 4 was agreed by Member States⁵. tables 1 and 2A (central government) cover the years 2009 to 2013, whilst the other tables cover the years 2009 to 2012⁶.

Most Member States completed all EDP notification tables⁷. In the October 2013 reporting, for EDP tables 2, all Member States provided details on the link between the working balance and the EDP surplus/deficit for all the sub-sectors. In the United Kingdom, the working balance is deemed to be on an ESA95 basis. Accordingly, very few adjustments to transform the working balance into the deficit/surplus according to the ESA are reported. Some other countries also report only a limited number of transition items.

For EDP Table 3, not all Member States provided all the breakdowns. In particular, the details requested for the items 'loans' and 'equity' were not always reported. In addition, a few countries have a practice of reporting zero statistical discrepancy, which would normally imply that the discrepancy is incorrectly included under 'other accounts receivable /payable'.

Despite improvements achieved in some Member States, the overall coverage of the EDP Table 4 remains inadequate in many cases. In particular, several countries are not providing complete data for the stock of liabilities of trade credits and advances.

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

All Member States submitted replies to the “Questionnaire relating to the notification tables”⁸. Although the coverage and quality of answers continued to improve compared to past years, progress is still necessary, as some countries did not report all the details requested in the questionnaire. This applies notably to data on central government claims and debt cancellations, the breakdown of other accounts receivable/payable, the recording of government guarantees (mainly the coverage of the local government subsector) and the data on capital injections.

2.1.4. *Supplementary tables relating to the financial crisis*

Eurostat has been collecting a set of data on the financial crisis in a supplementary table since 15 July 2009. Part 1 of the supplementary table relates to data on transactions which are recorded in the revenue/expenditure account of government and have an actual impact on the EDP deficit/surplus. Part 2 of the supplementary table relates to data on stocks of financial assets and liabilities arising from the support for financial institutions. It distinguishes between activities which have actually contributed to government liabilities (included in government debt) and

⁵ See the statements to the Council minutes of 22 November 1993:

https://webgate.ec.europa.eu/fpfis/mwikis/gfs/images/e/e7/Statements_9817.en93.pdf

⁶ Provision of planned data in EDP tables other than tables 1 and 2A is not explicitly requested in Council Regulation (EC) No 479/2009, as amended.

⁷ The EDP notification tables reported by Member States can be found on Eurostat’s website. See: http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/excessive_deficit/edp_notification_tables

⁸ 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.

activities which may potentially contribute to government liabilities in the future, but are for now considered as contingent on future events (not included in government debt). 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 2013 referred to the period 2007 to 2012. All but eight Member States (Bulgaria, the Czech Republic, Estonia, Croatia, Malta, Poland, Romania and Slovakia) reported various interventions undertaken by government in the context of the financial crisis during the 2007-2012 period. Eurostat published a note alongside its EDP Press Releases analysing these data⁹.

2.1.5. *Questionnaire on intergovernmental lending*

Member States also provide data on bilateral intergovernmental lending usually in the context of programmes. The EDP News Release includes this information as well as information on intergovernmental lending in the context of the European Financial Stability Facility (EFSF), which allows the analysis of the loans that Member States grant for support operations to other Member States (in 2012, mainly to Greece, Ireland and Portugal).

Such bilateral intergovernmental lending and intergovernmental lending in the context of the EFSF increased substantially in the context of the financial crisis. It is subtracted when calculating the EU28 and euro area aggregates for the Maastricht government debt¹⁰, since both are shown on a consolidated basis. Due to this consolidation, the EU28 and euro area aggregates are not equal to the arithmetical sum of Member States' debt (i.e. the above mentioned intergovernmental lending between governments is not included, to avoid double-counting).

The figures reported for the years 2011 and 2012 for Member States thus include the amounts in relation to the EFSF.

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

2.2.1. *Exchange of information and clarifications*

During the notification period between the reporting deadline of 1 October and the publication of the data on 21 October 2013, Eurostat contacted the national statistical authorities in every Member State to request further information and to clarify the 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 to all countries before 4 October. A second round of requests was sent to 23 countries and a third round to eleven countries. A fourth round of clarification was sent to four Member States. For some countries, Eurostat asked for revised notification tables¹¹.

⁹ See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/Background_note_fin_crisis_Oct_2013_final.pdf

¹⁰ According to the Protocol on the excessive deficit procedure annexed to the EC Treaty, government debt is the consolidated gross debt of the whole general government sector outstanding at the end of the year (at nominal value). According to Regulation 479/2009, as amended, it includes the following categories: currency and deposits (AF.2), securities other than shares (AF.3) excluding financial derivatives (AF.34), and loans (AF.4).

¹¹ See section 2.1.

2.2.2. *Dialogue and methodological visits*

Regulation (EC) No 479/2009, as amended, makes provision for dialogue and methodological visits. Dialogue visits, including the so-called ‘upstream dialogue visits’¹², to Member States are conducted regularly with the aim of reviewing reported data, examining methodological issues, discussing statistical sources 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.

In case a specific important issue is raised with the Member State, which cannot be resolved otherwise than by a physical meeting with the concerned authorities, an ad-hoc visit in the Member State is organized in a shortened procedure.

During the year 2013, Eurostat carried out the following EDP dialogue visits: Spain (24-25 January), the United Kingdom (24-25 January), Italy (4-5 February), Estonia (27-28 February), Poland (6-8 March, upstream dialogue visit), Greece (20-21 March), Luxembourg (15 May), Sweden (4-5 June), Germany (18-21 June and 22-25 October, upstream dialogue visits), Romania (19-20 June), Poland (8-9 July), Romania (28-30 August, upstream dialogue visit - follow up), Slovenia (12-13 September), Greece (24-25 September), Finland (18-19 November), the Netherlands (26 November), Slovenia (27-29 November, upstream dialogue visit) and Slovakia (28-29 November). Furthermore, ad-hoc visits were undertaken in 2013 to Croatia on 14-15 March and to Spain on 20-21 March and on 26-27 September. In 2013, Eurostat carried out a pre-euro accession visit to Latvia on 8-9 April and a pre-accession visit to Croatia on 26-27 June.

Recurring issues discussed during the visits included the classification of units within or outside the general government sector (e.g. concerning public transport, public corporations, television and radio, hospitals and universities), capital injections, Public-Private Partnerships, grants from the EU budget, the recording of guarantees, and overall quality management of upstream data flows. The final findings of each dialogue visit, including a description of the action points agreed, and its state of play, are sent to the Economic and Financial Committee and published on the website of Eurostat. The implementation of these action points leads to improvements in data quality over time.

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. No such methodological visits were carried out during 2013.

2.2.3. *Specific advice by Eurostat*

Member States regularly consult Eurostat to clarify various national accounting issues in relation to future or past operations. Eurostat provides advice in accordance with the existing guidelines. To comply with the transparency provision in Regulation (EC) No 479/2009, as amended, Eurostat publishes its advice¹³, unless

¹² While the standard dialogue visits are designed to review actual data and sources, to examine methodological issues and to assess compliance with the accounting rules, the aim of upstream visits is to review the quality of primary public accounting data sources and the reporting processes.

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

the Member State concerned raises an objection. Eurostat published the following advice in 2013: the accounting treatment of the Bank of England Asset Purchase Facility Fund (BEAPFF) and flows between the Bank of England and HM Treasury in the United Kingdom, the statistical treatment of a concession sale before privatisation in Portugal, the recapitalisation of the Dexia Group in Belgium, the classification of the Sociedad de activos de Reestructuración (SAREB) in Spain, the recording of financial corrections related to EU funds in accordance with Regulation 1083/2006 art 100(1) in Romania, the statistical treatment of the mobile phone spectrum 15 years concession in Hungary, the treatment of the LAK Invest Real estate transaction in the Flemish Region in Belgium, the recording of IABF Guarantee Fee in the Netherlands, the treatment of tax refunds, penalty payments and interim payments in the Her Majesty's Revenue and Customs (HMRC) tax case in the United Kingdom, the recording of cancellation of payables related to penalties and fines to be paid by CFR Cai Ferate to private energy suppliers in Romania and the statistical classification of MyCSP Ltd. in the United Kingdom.

2.2.4. *Recent methodological issues*

As usual, Eurostat assessed the proper application of the ESA95 rules, in particular in view of its latest decisions in accordance with Article 10(2) of Regulation (EC) No 479/2009. These decisions are included in the Manual on Government Deficit and Debt (MGDD), the latest version of which was published in February 2013¹⁴. The new version includes three new chapters, which were the subject of consultations of the Committee of Monetary, Financial and Balance of Payment Statistics (CMFB): European entities related to the Euro Area sovereign debt crisis (EFSF and ESM), low interest loans and sale of government low interest loans to third parties and emission trading permits. Minor clarifications were also added in other chapters of the MGDD.

After the last (fourth) meeting in July 2013 of the Task Force devoted to the “adaptation” of the current MGDD to the new ESA 2010, a draft MGDD adapted to ESA 2010 methodology, was finalised and provided to Member States in August 2013.

In January 2013, Eurostat published its decision on “*The statistical recording of low interest rate loans*”¹⁵ and also the decision on the “*Statistical classification of the European Stability Mechanism*”¹⁶, after the final features of the ESM were known.

In March 2013, Eurostat published its decision on the “*Clarification of the criteria for the recording of government capital injections into banks*”¹⁷, following a need for a further clarification on the criteria related to the classification of capital injections into banks, notably in the case of entities exiting the market.

¹⁴ See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-RA-13-001

¹⁵ See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/ESTAT-decision-low_inter_rate_loans-annex_2013-01-16.pdf

¹⁶ See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/Eurostat_Decision_on_ESM.pdf

¹⁷ See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/ESTAT-decision-Criteria_for_classif_of_gov_capital_injec.pdf

In July 2013, Eurostat published its decision on the introduction of the “*Supplement on contingent liabilities and potential obligations to the EDP related questionnaire*”¹⁸. The new questionnaire includes tables on guarantees, off-balance sheet Public Private Partnerships (PPPs) and non-performing loans and was introduced in the context of Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States¹⁹. The first data will be released by Eurostat in January 2015, together with the data on total liabilities of government controlled units classified outside general government.

Following an inconclusive CMFB consultation on the issue, in November 2013, Eurostat published its decision on the recording of “*Unbalanced transfers of pension obligations to the government under ESA 2010*”.

Since January 2013, Eurostat has posted on its website the “*Inventory of EDP processes*”. The aim of the document is to describe the procedures and principles applied in the process of verification of the EDP data by Eurostat.

2.2.5. *Consistency with underlying government accounts*

The notification deadlines of 1 April and 1 October set by Regulation (EC) No 479/2009, 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. 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 improved in recent years, though it is still better for non-financial than for financial data. In the October 2013 reporting, consistency between EDP figures and ESA tables 2 and 25 (at both annual and quarterly level) was complete for the non-financial data and quarterly government debt (ESA Table 28). However, efforts by Member States are still needed in order to ensure the consistency between EDP and ESA tables as regards financial data. Noticeable inconsistencies between the EDP data and the quarterly financial accounts appeared in the October 2013 reporting for six Member States, and inconsistencies between EDP data and ESA annual financial accounts in the stock of liabilities of trade credits and advances existed for more than one third of the Member States.

2.3. **Publication**

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

Article 14(1) of Regulation (EC) No 479/2009 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 [...]. That provision of data shall be effected through publication.”

¹⁸ See: http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/ESTAT_decision-Suppl_on_conting_liab_EDP_Q.pdf

¹⁹ OJ L 306, 23.11.2011, p. 41.

The government deficit and debt data were published on 22 April²⁰ and 21 October²¹ 2013 together with all the reporting tables, as notified by the Member States. Since February 2012, Eurostat regularly publishes a press release on quarterly Maastricht debt, at approximately T+115 days. Since February 2012, Eurostat publishes a 'Statistics in Focus' on quarterly general government deficit.

Eurostat also publishes on its website the annual and quarterly government finance statistics that underpin the EDP data, together with a note on the stock-flow adjustment²². Furthermore, Eurostat publishes the information provided by Member States concerning government interventions in the context of the financial crisis²³ and the data on intergovernmental lending. Eurostat also publishes a note on the stock of liabilities of trade credits and advances²⁴.

In accordance with Regulation (EC) No 479/2009 as amended, Member States shall make public their actual data on deficit and debt. All Member States publish deficit and debt figures at national level. Most Member States have reported to Eurostat a practice of publishing all their reporting tables. Five Member States publish only some of the reporting tables and one Member State, France, does not publish EDP tables at national level.

2.3.2. *Reservations on the quality of data*

Eurostat expressed a reservation on the data reported in the October 2013 EDP notification in one Member State.

Austria: Eurostat is expressing a reservation on the quality of the data reported by Austria, due to uncertainties on the statistical impact of the conclusions of the Federal Audit Office's report on the Land Salzburg, published on 9 October 2013. The report revealed deficiencies with regard to financial management and to completeness of the public accounts of the Land Salzburg. The statistical implications of the audit for EDP data are being investigated by Statistics Austria in collaboration with Eurostat, in order to clarify the precise impacts on 2012 and also on preceding years. It is possible that this will lead to an upward revision of government debt of up to half a per cent of GDP, with more minor revisions to the government deficit, based on the information available at this point.

2.3.3. *Amendments to the reported data*

Eurostat did not amend the data reported by Member States in the April and October 2013 EDP notifications.

²⁰ See: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-22042013-AP/EN/2-22042013-AP-EN.PDF

²¹ See: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-21102013-AP/EN/2-21102013-AP-EN.PDF

²² See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=STOCK_FLOW_2013_OCT

²³ See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/Background_note_fin_crisis_Oct_2013_final.pdf

²⁴ See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/Note_on_AF.71L-Oct_2013.pdf

2.3.4. *Publication of metadata (inventories²⁵)*

Regulation (EC) No 479/2009, as amended, 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, with the exception of Croatia which joined the EU on 1 July 2013. Except for Luxembourg and the Netherlands, all Member States reported that they have published their EDP inventories nationally.

In 2012, Eurostat introduced a new EDP inventory format which involved structural changes and required more detailed information (for example, with respect to compilation procedures, delimitation of the general government sector, specific transactions, quality management, and upstream data sources etc.). The new EDP inventories will be published by Eurostat by the end of 2013.

3. CONCLUSIONS

Eurostat acknowledges overall improvements in the consistency and completeness of the reported data. Nevertheless, some issues persist, and Member States should step up efforts in order to improve the coverage and quality of the trade credits reported and the completeness of data on the sub-national government levels. In particular, this is the case of Belgium, Denmark, Germany, Ireland, Greece, France, Croatia, Italy, Cyprus, Malta, the Netherlands, Austria and the United Kingdom.

In 2013, Eurostat expressed a reservation on the data reported in the October 2013 EDP notification for Austria.

Overall, Eurostat concludes that the progress on the quality of the reporting of fiscal data continued in 2013. In general, Member States have provided better information, both in EDP notification tables and in other relevant statistical returns.

²⁵ Inventories of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts.