

Fiscal statistics: governance and quality of statistical data in the context of the excessive deficit procedure (amend. Regulation (EC) No 3605/93)

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Under provisions set out in Regulation (EC) No 3605/93 Eurostat is required to report regularly to the Parliament and Council on the quality of the actual data it receives from the Member States concerning:

- the Excessive Deficit Procedure (EDP);
- the “completeness” of the data received;
- the reliability of the data received;
- whether it has been sent in accordance with the specified deadlines; and
- the consistency of the data received.

This is the first report prepared by Eurostat in accordance with provisions set out in the Regulation.

The assessment is based largely on EDP notifications which the Member States are obliged to send to Eurostat on 1 April and 1 October of every colander year. The findings of the report are also based on supplementary information that the Commission received from the Member States from EDP related questionnaires and bi-lateral clarifications submitted by the Member States to Eurostat. Several EDP follow-up missions have also taken place in order to maintain an on going dialogue between Eurostat and the national authorities. The findings of the report relate to the EDP reporting year 2006 and focus on the most up-to-date information (i.e. October 2006). Where appropriate comparisons with April 2006 have been made.

Main findings of the 2006 reporting on government deficit and debt levels:

Timeliness: By October 2006 (i.e. the second reporting period) all of the EU Member States, with the exception of Luxembourg, had reported their data on, or before 30 September 2006. Luxembourg reported on 3 October 2006. For the April exercise, Ireland reported its figures after the deadline on 4 April 2006. In general the Member States tend to revise their reporting or to finalise their EDP tables after their first submissions. Generally, revisions are sent in response to comments, technical questions or remarks addressed to the Member States by Eurostat.

Completeness of tables and supporting information: Most of the Member States completed all of the EDP notification tables. In the most recent, October 2006 EDP notification, eight Member States did not provide a link between the working balance and the ESA 95 government surplus/deficit for all the sub-sectors or for all years, or reported working balances equal to net lending/net borrowing.

Not all of the Member States provided breakdowns for items loans and equity and nine Member States did not provide the breakdown of loans. Six Member States did not split equity. In October 2006, Greece did not provide details on privatisation and Germany did not provide qualitative answers on military expenditure.

Exchange of information and clarifications: Eurostat had difficulties with some Member States when requesting further information in order to clarify the application of accounting rules on specific transactions. In some cases a third or even a fourth round of requests needed to be sent by Eurostat before a satisfactory answer was given.

Dialogue and methodological visits: In 2006 Eurostat carried out dialogue visits to: Portugal, Slovenia, Lithuania, Malta, France, Belgium, Cyprus, Ireland, Hungary, Denmark, Greece, Luxembourg and Latvia . A methodological visit has been conducted in Greece on two occasions.

Recent methodological issues: In 2006, Eurostat devoted much attention to the application of ESA95 rules. The most recent publication on this matter relates to “Flows from and to the EU budget” and “military expenditure”

Consistency with underlying government accounts: The overall consistency of EDP dates with reported ESA95 government accounts is satisfactory. Compared to April 2006, which was the first time this exercise was undertaken, there is evidence that consistency is improving, most notably on the financial side.

Publication of headline figures and detailed reporting tables: Although Member States are obliged, under EU provisions, to make public their actual data on deficit and debt, only thirteen Member States report that they already publish, or plan to publish this data. Eurostat notes that whilst there is still room for improvement, it is encouraging to see that six more Member States are publishing the reporting tables.

Reservations on the quality of data: In October 2006, Eurostat withdrew the reservations that it had reported on data for the April 2006 figures concerning Belgium and Greece. No further reservations on the data were made.

Amendments to the reported data: In 2006, Eurostat amended the fiscal data reported by three Member States, namely Belgium, France and the United Kingdom. Eurostat also decided not to use the GDP data notified by Greece in October 2006. Given the magnitude and complexity of this revision, Eurostat is carrying out a complete verification of GDP data. In April 2006, amendments were made to the data reported by the United Kingdom and to deficit figures reported by France. The report explains, in detail, the amendments made.

Transitional period for the classification of defined-contribution funded pension schemes: As customary, Eurostat provides information on the estimated effect of its decision on the sectoral classification of defined-contribution funded pension schemes for those Member States that avail themselves of the transitional period until March 2007.

At the end of the transitional period, the deficit and surplus figures for 2005 reported by Member States and published by Eurostat will have to be revised as follows:

- for Denmark, the surplus will be revised downwards by 0.9% of GDP to 4.0% of GDP;
- for Hungary, the deficit will be revised upwards by 1.3% of GDP to 7.8% of GDP;
- for Poland, the deficit will be revised upwards by 1.9% of GDP to 4.4% of GDP; and

- for Sweden, the surplus will be revised downwards by 1.0% of GDP to 2.0% of GDP.

Debt will be revised upwards by:

- 0.3% of GDP for Denmark,
- 3.9% of GDP for Hungary,
- 5.3% of GDP for Poland; and
- 0.6% of GDP for Sweden.

The variable impact on debt reflects the different strategies governing investment of those funds in government bonds or in other assets, such as bonds issued by non-government entities or shares.

Conclusions: Eurostat concludes that, in general, progress on improving the quality of fiscal data has been made in the course of 2006. The Member States have transmitted more complete information to Eurostat on both EDP notification tables and on the questionnaires relating to notification tables. Overall consistency of EDP data with reported ESA95 government accounts is now satisfactory and is improving – particularly on the financial side as compared to April 2006. Some problems remain regarding compliance with accounting rules and the quality of some of the statistical information provided. The Commission, therefore, urges the Member States to continue to invest in the quality of government finance statistics with a view to meeting the requirements of the Treaty.