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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 2012

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1. BACKGROUND

Article 8(3) of Council Regulation (EC) No 479/2009 (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 2011 notifications) was adopted by the Commission on 13 April 2012.

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)². 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 an on-going 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 2012, focusing on the latest exercise of October 2012. Where appropriate, comparisons are made with the April 2012 reporting, as well as with the 2011 reportings.

2. MAIN FINDINGS ON THE 2012 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 the Commission twice per year, before 1 April and 1 October³. During 2012, the EDP reporting covered the years 2008 to 2012. The figures for 2012 are those planned by the national authorities, while the 2008 to 2011 figures are actual data (this means final, semi-finalised, provisional or estimated figures). Eurostat does not check the planned data reported by Member States. This is the responsibility of DG ECFIN.

Compliance with the reporting deadlines is usually very good. In 2012 all Member States reported their actual data before the legal deadline in both EDP notifications. As concerns planned data, in the April 2012 reporting exercise, all Member States

¹ OJ L 145, 10.6.2009, p. 1.

² OJ L 310, 30.11.1996, p. 1.

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

reported their figures before 1 April 2011, except France, which sent the planned data for the year 2012 on 6 April.

2.1.2. *Reliability*

Revisions between the April 2012 and the October 2012 notifications were mainly due to source data updates, sector re-classification of units, the recording of interventions undertaken by government in the context of the financial crisis and methodological changes. As usual, debt was revised less than deficit between April and October.

The largest revisions in the deficit took place in Spain and Ireland. In Spain, the deficit was revised upwards between the April and October 2012 EDP notifications for years 2010 and 2011 due to the previously unrecorded unpaid bills related to health expenditure in the state and local government sub-sectors and due to the re-classification of capital injections by central government into three banks. In Ireland, the biggest revision took place for the year 2011, where the deficit was revised upwards due to a revised capital transfer element of injections into two banks.

As for the debt, the largest revisions between April and October were undertaken in the United Kingdom and Italy. In the United Kingdom, the reported debt for the years 2008 and 2009 decreased considerably due to a change in the calculation of the relevant impact of public defeasance structures, whereas in Italy the debt was revised upwards for the whole period 2008-2011 due to the implementation of the Eurostat decision on the recording of trade credits.

Between April and October, there were noticeable revisions in GDP for Greece for the years 2010 and 2011 and for Luxembourg for the years 2008 and 2009.

As regards revisions undertaken within the notification period, most Member States revised their reporting after the first submission in October 2012. 35 revised submissions were sent by 23 countries, while in April 2012, 38 revised submissions were sent by 22 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 the April and October reporting, 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 figure was revised by -0.2 percentage points (pp) of GDP during the notification period for 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 States⁴. Tables 1 and 2A (central government) cover the years 2008 to 2012, whilst the other tables cover the years 2008 to 2011⁵.

Most Member States completed all EDP notification tables⁶. However in the October 2012 reporting, for EDP Tables 2, three Member States either did not provide full details on the link between the working balance and the EDP surplus/deficit for all the sub-sectors (mainly for local government) or for all the years, or reported working balances equal to the EDP surplus/deficit.

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, several 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 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.

All Member States submitted replies to the “Questionnaire relating to the notification tables”⁷. 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 and the recording of government guarantees (mainly the coverage of the local government subsector).

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

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

⁴ See the statements to the Council minutes of 22 November 1993.

⁵ Provision of planned data in EDP tables other than table 1 and 2A is not explicitly requested in Council Regulation (EC) No 479/2009, as amended.

⁶ 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

⁷ 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.

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 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 2012 referred to the period 2007 to 2011. All but seven Member States (Bulgaria, the Czech Republic, Estonia, Malta, Poland, Romania and Slovakia) reported various interventions undertaken by government in the context of the financial crisis during the 2007-2011 period. Eurostat published a note alongside its EDP Press Releases analysing these data⁸.

2.1.5. Questionnaire on intergovernmental lending

Starting from the April 2011 notification, the Member States also provide data on intergovernmental lending in the context of financial rescue operations. The EDP News Release includes this information, which allows the analysis of loans Member States grant for support operations to other Member States (in 2011, mainly to Greece, Ireland and Portugal).

Such intergovernmental lending increased substantially in the context of the financial crisis and has to be subtracted from the EU27 and euro area aggregates of the Maastricht debt, both of which are calculated on a consolidated basis. Due to this consolidation, the EU27 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 in the questionnaire for the year 2011 include the amounts in relation to the European Financial Stability Facility (EFSF).

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 1 October and the publication of the data on 22 October 2012, 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 5 October. A second round of requests was sent to 23 countries and a third round to three countries. For some countries, Eurostat asked for revised notification tables⁹.

⁸ See: http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/Background_note_fin_crisis_Oct_2012_final.pdf

⁹ 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 new so-called 'upstream dialogue visits', 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.

During the year 2012, Eurostat carried out the following EDP dialogue visits: Austria (17-19 January, upstream dialogue visit), Lithuania (8-9 February), Latvia (15-16 February), Bulgaria (27-29 February), Belgium (5-7 March and 4 September, upstream dialogue visits, and 27 June standard dialogue visit), Greece (22-23 March and 24-25 September), Slovakia (3-4 May), Czech Republic (22-24 May, upstream dialogue visit), Malta (22-23 May), Spain (18-22 June and 11-14 September, both upstream dialogue visits) Austria (25-26 June), Hungary (10-11 July), Ireland (30-31 August), France (10-11 September), Cyprus (26 September), Czech Republic (13-14 November), Italy (19-21 November, upstream dialogue visit), Portugal (22-23 November) and Denmark (29-30 November). Furthermore, a technical visit was undertaken to Spain on the 24 May 2012 and two visits (technical and pre-accession) took place to Croatia as future Member State.

Recurring issues discussed during the visits included the classification of units within or outside the general government sector (e.g. concerning public transport, television and radio, hospitals and universities), capital injections, Public-Private Partnerships, EU flows, the recording of guarantees, and overall quality management of upstream data flows. Due attention is being given to Member States with decentralised structures, such as autonomous regions. Every visit leads to a number of action points for the Member State. The implementation of these action points leads to improvements in data quality over time. 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.

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 2012.

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 advice¹⁰, unless the Member State concerned raises an objection. Eurostat published the following advice in 2012: the accounting treatment of capital injections into Irish banks, the treatment of a capital injection ('Gesellschafterzuschuss') and a state guarantee

¹⁰

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

granted to KA Finanz AG in Austria, the statistical recording of the early repayments of mortgage loans at preferential exchange rates and the related tax rebate in Hungary, the recording of payment obligations established by Court decision with retroactive effect in Romania, the methodological treatment of government injections in the revaluation reserves of the Magyar Nemzeti Bank in Hungary, and the recording of payments related to the reimbursement of social contributions incorrectly calculated in 2011-2012 in Romania.

2.2.4. *Recent methodological issues*

As usual, Eurostat paid close attention to the application of the ESA95 rules and, in particular, to its latest decisions. These decisions are included in the Manual on Government Deficit and Debt, the latest version of which was published in March 2012¹¹, and which is now subject to an annual update process.

In July 2012, Eurostat published its decision on "*The statistical recording of some operations related to trade credits incurred by government units*"¹².

In April 2012 Eurostat published a guidance note on "*The impact on EU Governments' deficit and debt of the decisions taken in the 2011-2012 European summits*"¹³. In July 2012, the note on "*The impact of bank recapitalisation on government finance*"¹⁴, completed the previous one, providing guidance on capital injections in banks and the classification of publicly supported "*bad banks*".

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 2012 reporting, consistency between EDP figures and ESA tables (at both annual and quarterly level) was complete for the non-financial data. However, efforts by Member States are still needed in order to ensure the consistency between EDP and ESA tables as regards financial data. Noticeable

¹¹ See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-RA-12-003

¹² See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/Statist.record_of_some_operations_rel.to_trade_credits_i.pdf

¹³ See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/Note_on_statistical_implications_of_summits-updated-12_A.pdf

¹⁴ See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/The_impact_of_bank_recapitalisations_on_government_fina1.pdf

inconsistencies between the EDP data and the quarterly financial accounts appeared in the October 2012 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 one third of the Member States. The level of consistency of EDP debt and ESA quarterly government debt was complete for all Member States.

2.3. Publication

2.3.1. Publication of headline figures and detailed reporting tables

Article 14 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 (...). This provision of data shall be effected through publication.*”

The government deficit and debt data were published on 23 April¹⁵ and 22 October¹⁶ 2012 together with all the reporting tables, as notified by the Member States. Since January 2012, Eurostat publishes a press release on quarterly Maastricht debt, at approximately T+115 days.

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 adjustment¹⁷. Furthermore, Eurostat publishes the information provided by Member States concerning government interventions in the context of the financial crisis¹⁸ and the data on intergovernmental lending. In October 2012, Eurostat has published for the first time a note on the stock of liabilities of trade credits and advances¹⁹.

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 two reservations on the quality of the data notified by Ireland in the April 2012 notification. Both reservations were withdrawn in the October 2012 assessment period.

¹⁵ See: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-23042012-AP/EN/2-23042012-AP-EN.PDF

¹⁶ See: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-22102012-AP/EN/2-22102012-AP-EN.PDF

¹⁷ See:
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/STOCK_FLOW_2012_OCT/EN/STOCK_FLOW_2012_OCT-EN.PDF

¹⁸ See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/excessive_deficit/supplementary_tables_financial_turmoil

¹⁹ See:
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/Note_on_AF.71L-Oct_2012.pdf

Ireland: Eurostat has withdrawn a specific reservation, expressed in April 2012, on the data reported by Ireland, relating to the fact that restructuring plans of Allied Irish Banks and Irish Life & Permanent (in 2012 renamed as Permanent TSB) were not yet finalised. The Central Statistics Office of Ireland and Eurostat have examined updated restructuring plans sent to the EU Competition authorities. These plans form a suitable basis for partitioning the July 2011 injections in Allied Irish Banks and Permanent TSB into deficit-increasing and non-deficit increasing components. This has been implemented in revised data reported by Ireland.

Eurostat has also withdrawn a specific reservation, expressed in April 2012, on the data reported by Ireland, relating to the statistical classification of National Asset Management Agency Investment Limited (NAMA-IL). On the basis of documents provided by the Central Statistics Office of Ireland, NAMA-IL is majority privately-owned, following the sale by Irish Life of its stake in NAMA-IL to a private investor. This is a necessary condition for a special purpose entity to be classified outside the General Government sector, pursuant to Eurostat's decision of 15 July 2009 on public interventions during the financial crisis.

2.3.3. *Amendments to the reported data*

Eurostat amended the data reported by the United Kingdom in the April 2012 EDP Notification. This amendment was withdrawn in the October 2012 assessment period.

United Kingdom: The UK Office for National Statistics has reclassified Bradford & Bingley and Northern Rock Asset Management to the General Government sector, in line with the financial defeasance chapter of the Manual on Government Deficit and Debt. Consequently, Eurostat is no longer amending the deficit and debt data reported by the United Kingdom with respect to public financial defeasance structures.

2.3.4. *Publication of metadata (inventories²⁰)*

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. Except for Luxembourg and the Netherlands, all Member States reported that they have published their EDP inventories nationally.

In 2012 Eurostat has introduced a new EDP inventory format which would involve structural changes and require 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.

²⁰ Inventories of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts.

3. CONCLUSIONS

Eurostat has been introducing amendments and/or reservations on the quality of reported data since the year 2006. For the first time, in October 2012, Eurostat has neither expressed reservations nor amended the data in the EDP notification. In addition, the two reservations expressed for Ireland, and the amendment to the data for the United Kingdom in April 2012, were all withdrawn in the October 2012 EDP notification.

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. Moreover Eurostat is closely monitoring the system for the reporting by autonomous regions and the recording of interventions undertaken by government in the context of the financial crisis (bank recapitalisations).

Overall, Eurostat concludes that the progress on the quality of the reporting of fiscal data continued in 2012. In general, Member States have provided better information, both in EDP notification tables and in other relevant statistical returns.