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THE EUROPEAN UNION**

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NOTE

from:	General Secretariat of the Council
to:	Delegations
Subject:	Summary record of the meeting of the European Parliament Committee on Economic and Monetary Affairs (ECON) , held in Brussels on 7 May 2012

The meeting was chaired by Ms Bowles (ALDE, UK).

1. Chair's announcements

Ms Bowles (ALDE, UK) informed the committee that trilogue discussions on the extension of the geographical scope of operations of the European Bank for Reconstruction and Development (EBRD) to the Southern and Eastern Mediterranean were successfully concluded on 24 April and that the agreed text¹ should be tabled for vote during the June plenary session of the European Parliament.

Ms Bowles also announced the postponement of the meeting's scheduled votes on Mr Kara's (EPP, DE) and Mr Sánchez Presedo's (S&D, ES) reports² until the next meeting on 14 May 2014.

¹ During the announcement, under rule 70.3 of the European Parliament Rules of Procedure, the committee was re-consulted and no objections were raised by the shadow rapporteurs.

² Access to the activity of credit institutions and prudential supervision of credit institutions and investment firms (amending Directive 2002/87/EC); Prudential requirements for credit institutions and investment firms - Part I; and Credit agreements relating to residential property.

2. Exchange of views with Walter Radermacher, Director-General of Eurostat

ECON/7/09392

In his initial address (see annex), Mr Radermacher mentioned the fruitful partnership between Eurostat and the National Statistical Institutes (NSIs), underlining the political initiatives and reforms to modernise statistics and to enhance Eurostat's competencies, and calling for the establishment of a genuine European Statistical System (ESS) to prevent malpractices, to address present and future constraints, to foster democratic legitimacy and good governance, and to ensure reliable and accurate statistics both at national and European level.

In the subsequent debate, several Members of the European Parliament (MEPs) including Ms Bowles (ALDE, UK), and Mr Bullmann (S&D, DE) reiterated the European Parliament's (EP) political resolve to enlarge the remit of Eurostat.

Mr Scicluna (S&D, MT) underscored the significance of statistics such as deficit and debt ratio figures, as well as existing discrepancies between national public accounting systems and standards, suggesting further harmonization to prevent creative accounting, and to guarantee reliability and comparability.

Mr Radermacher explained that the absence of an accrual accounting system in all Member States (MS) had to be compensated for with best guess estimates for a transfer from a cash-flow to an accrual accounting system. He mentioned technical, cost, and transparency-related objections at national level to the introduction of a European accrual accounting system and suggested waiting for the conclusions of an ongoing study, expected later during the year, to establish an action plan. He pointed out to Mr Klinz (ALDE, DE) the existing high level of comparability in terms of financial data (Maastricht criteria) resulting from a comprehensive quality assurance system which ensured similar rules. Nevertheless, he highlighted the difficulty of enforcing identical procedures for all 350 statistics as well as the incompatibility between European and G20 data for comparison purposes, and recommended linking quality assurances with the new concept of 'fitness for purpose' to ensure appropriate comparability. He mentioned as well the opposition of the 3 largest MS in the discussions about the European System of National and Regional Accounts in the European Union (ESA 2010) regarding the mandatory addition of pensions to the calculation of public deficits. He favoured its inclusion together with other innovative financial tools such as contingent liabilities, Special Purpose Vehicles (SPV) and Public-Private Partnerships (PPP) in the calculation method by 2014.

Mr Radermacher acknowledged the discrepancies between unemployment figures and the registered unemployed workforce in several MS, stressing nevertheless that the European Labour Force Survey was standardised and ensured data comparability between MS. He also admitted that there were inconsistencies *vis-à-vis* intra-European trade flows, underlining the administrative burden resulting from double measurements (exports and imports), mentioning the new Single Market Statistics (SIMSTAT) initiative to reduce costs and to enable the free flow of statistical information, and reiterating reservations by several MS based on concerns about sovereignty and reliability.

Mr Bullmann (S&D, DE) added that besides quantitative and qualitative improvements it was essential to ensure mechanisms that penalized and made MS accountable for their actions.

Mr Radermacher proposed a phased enhancement of quality assurances for fiscal data and for macroeconomic indicators. He saw difficulties in the collection of data for the scoreboard indicators, suggesting combining quality assurances with statistical obligations. He conceded that statistics could be misused for political purposes and should therefore be completely reliable, adding that inadequate resources could undermine quality.

Mr Giegold (Greens/EFA, DE) drew attention to the lack of up-to-date social and environmental data for the planning of the European Semester. He enquired about the need to work out additional areas in the context of economic governance in order to improve the perception of MS' public accounts and recommended improving the user-friendliness of available data.

Mr Radermacher claimed that the variety of sources made the task difficult, but reiterated Eurostat's commitment to improving the availability of data through enhanced coordination with other services including the Joint Research Centre (JRC) and through new assessment models. He listed 4 additional indicators which could improve the financial assessment of MS: the aggregate debt of public corporations, guarantees issued by governments, government pension obligations, and implicit obligations resulting from PPPs. He also recommended using indicators on liabilities and assets to interpret gross debt. Finally, he stressed the high degree of user satisfaction with Eurostat and requested the feedback from the EP to further improve user-friendliness.

Like other speakers, Ms in't Veld (ALDE, NL) remarked that shared responsibilities arising from a shared currency were not reflected in a shared common statistical methodology.

Mr Radermacher referred again to factors blocking the implementation of a genuine European statistical system and recommended that the 2009 European statistics regulation be strictly observed in order to move away from a simple coordination of national systems. He acknowledged that the measurement of resident population was not the same across the European Union and suggested a common definition to ensure comparability.

Mr Martin (NI, AT) alluded to Italy's alleged statistical fraud perpetrated in order to join the European Monetary Union (EMU) and pleaded for assurances to prevent future incidents of this kind; Mr Hoang Ngoc (S&D, FR) on the other hand referred to the debt figures provided by the Greek government in the past. He also enquired about the relevance of the structural deficit indicator and asked if Eurostat was considering a human development measurement.

Mr Radermacher explained that in the past Eurostat had lacked the means and the mandate to verify the accuracy of data. He underlined the continued improvement of Eurostat's assessment capacity, noting that additional resources and greater coordination were vital for further progress. He confirmed to Mr Hoang Ngoc that as from 2005, Eurostat had publicly expressed concerns regarding the reliability of Greek data, but was unable to confirm the Greek government's written assurances. He also acknowledged that at present all reservations had been lifted since the books had been verified. He also recognized that the structural deficit concept was not applicable and that Eurostat used the concept of deficit as defined in the ESA Regulation, which was measured on a quarterly and annual basis. Finally, he noted that Eurostat lacked an overall human development indicator essentially due to weighting issues, but that all the necessary constituent indicators were available in Eurostat's sustainable development report, adding that the perceived well-being of citizens would be measured as of 2013 in the EU Statistics on Income and Living Conditions (SILC) survey.

Mr Sánchez Presedo (S&D, ES) asked about ways to statistically assess the impact of regulations and about the availability of comparable data on the EU2020 strategy. Mr Radermacher explained that the impact analysis of political legislation was not part of Eurostat's remit and mentioned that regional breakdowns for social and environmental statistics were being designed to ensure comparability between different regions and MS.

3. Date of next meeting

The next meeting will be held in Brussels on 14 May 2012.

Speech by Mr Walter Radermacher, Director General Eurostat

Mrs. Chair,

Honourable members,

It is with great pleasure that I come before you today to exchange views on European Statistics – what is their current state of affairs, and what strategic challenges we are faced with.

Today's hearing is a welcome first-ever novelty, a **public token of awareness** that high-quality official statistics can - and must - support meaningful policy debate at national and European levels. This opportunity follows many efforts to modernise our statistics. Under Commission's leadership, we have come to agreeing tough decisions. They were right and needed. And your political resolve and support throughout have been crucial for success.

Political initiatives and legal and management reforms are **paying off**. It is now common understanding that official statistics must be fit-for-purpose, reliable and sufficient to be part of the solution. To foster democratic legitimacy and best governance in Europe.

Honourable Members,

Good-quality official statistics have always been at the very heart of the European construction. It is not by chance that EUROSTAT was amongst the first departments of the European Commission created by the Treaty of Rome in 1957.

Our statistics have evolved and expanded very much ever since. EUROSTAT provided them by means of a 'shared production system' based on strategic leadership by EUROSTAT and a rich partnership culture with the National Statistical Institutes (NSIs).

Until recently, this approach has served well its purpose. Our statistics have been at the '*rendez-vous*' and have offered support for very fundamental decisions in the European construction.

Now, the fast-evolving reality since mid-2000s brings under severe strain the very partnership system of the producers of European statistics.

First, new demands for statistical information flourish in response to the debate on political, economic, social and environmental challenges that Europe is confronted with.

Second, the statistical offices are faced with a serious resource gap (growing demand vs. shrinking resources) and with a change of role and responsibility (political and legal decisions that are to be taken (semi)automatically upon interpreting quantitative indicators). Further, stakeholders ask to see their response burden diminish.

Third, recent unfortunate episodes very much fresh in everyone's mind have added another very critical dimension by painfully recalling everyone how important is to build policy decisions upon reliable, independent and sufficiently 'hard' official statistics.

These are well-known challenges that cannot go underestimated.

Honourable Members,

What is the answer to these problems? It is called Europe!

A European solution to statistics is the door-breaker for a strict regime of quality assurance and for all kind of efficiency gains (by reducing parallelisms and strengthening co-operation).

In practice, this calls for the establishment of **a real European Statistical System (ESS) as THE institutional answer.**

Over recent years, major legal reforms have gone down that road. Let me highlight just the major ones.

In 2009, the so-called '**Statistical Law**' (EC Reg. 223/2009) was adopted. Your very active contribution was paramount to uphold our ambition for badly-needed standards of independence, professionalism and flexibility that must rule the governance and production methods in the ESS. In the very short time elapsed, the Statistical Law is proving to be a significant step forward.

That same year, there came to open light evidence of continued misreporting of budgetary data in one member state: **Greece**. Our report to the Council and to the European Parliament of Jan. 9 2010 presented in great detail the variety and extent of problems that flawed the functioning of Greece's statistical system.

We also learned how unfortunate episodes in one single Member State did impair the **perceived reliability** of the entire system of European Statistics. And this did not help in the difficult policy debate on how to address the profound financial and budgetary crisis that afflicts Europe's economies ever since.

We proposed pathways to eradicate such malfunctioning from its very root. EUROSTAT together with Member States has launched substantial cooperation with Greece's statistical office to foster institutional reforms, to enhance quality of budgetary data, and to engage into the ambition to put Greece's statistics back on track.

We have made serious progress, in spite of all serious difficulties ahead. Our recent EDP release of April 23 is the fourth in a row that publishes without reservation the figures of public sector deficit and debt in Greece. This is prompt and serious success. We will pursue to complete the task however challenging it is.

We have also drawn **key lessons with a wider perspective**.

We are more proactive to warrant a '**flaw-proof**' **quality framework** for budgetary data. In particular, to detect early and to monitor upstream EDP budgetary data at national level.

We have also **newly enhanced audit-like powers**, with your very active support from the European Parliament. We will use them with as much care as resolve to prevent such episodes repeat.

We explore how to extend the coverage of budgetary data. For instance and largely at your behest, through more systematic data collection on **contingent liabilities**. Or by identifying means to standardise accounting standards in national public sectors (**IPSAS study**).

In parallel, we are **modernising the way we work by way of implementing the European System for statistical production**.

Also in 2009, the Commission adopted a communication - *'The Production Method of EU Statistics: a Vision for the next decade'* – that has opened way to a very ambitious work program for re-engineering the production and dissemination methods in the ESS. This represents a remarkable systemic change, a 'win-win' situation for all ESS actors that will provide concrete help to also assuage many of their resource problems.

This is not an easy task. It means to overhaul a legal architecture of some 350 regulations in favour a new integrated legal architecture that allows for use of multiple data sources, reduces duplications, exploits synergies and provides flexibility as needed.

We face **major blocking factors**. For example, the varied degree of advancement and awareness across Member States. Or a deeply-anchored reluctance to share data and discuss together on data confidentiality. Or the reluctance in many Member States to favour a flexible approach that combines reasonably fewer framework regulations with the full range of instruments of secondary legislation at disposal in the Treaty of Lisbon, in particular the use of delegated acts foreseen in Art 290 TFEU.

Finally, we are engaged, together with NSIs, into an intense **review of priorities** and of our catalogue of official statistics. Our objective is to free up scarce resources towards producing statistics that remain attuned to fast-evolving demands by users.

Dear Members,

The Economic and Monetary Union can function properly only if it counts upon reliable and high-quality official statistics. And when it comes to the governance of the Euro area, you yourselves have placed official statistics at the **core of the new Governance**.

Your message - the need to warrant the work of an independent ESS – has been enshrined into the core of the new economic governance, in the so-called '**6-Pack**'.

We welcome this mandate. This is why the Commission has just proposed to **amend the 'Statistical Law'** to add precise criteria on effective independence, coordination role of NSIs, access to administrative sources and mandatory 'Commitments of Confidence' for all Member States to get engaged, at their highest political level, to translating reforms at EU level into their national level. I look forward to your active contribution in the course of what - I anticipate – will be 'demanding' co-decision negotiations.

In parallel, the College is about to revise its **Decision on the role of EUROSTAT**, with the view to mirroring as appropriate the new framework we advocate for the national statistical systems.

Learning from the EDP experience, we explore how to introduce mandatory quality standards for statistics to be used in the **Macroeconomic Imbalances Procedure** and the **EU2020 Strategy**. No automatic translation is realistic or advisable but we are determined to aim for the highest quality standards possible.

We are just about to finalise our secondary legislation on '**statistical sanctions**' – a direct off-spring of the '6-Pack' of which you can claim particular ownership too.

And we follow attentively all new developments on economic governance (e.g. the so-called '**2-Pack**'). We need to identify early how these may affect official statistics and accordingly, help the ESS stand ready to live up to its role.

Not only governance deserves our attentive eye. We have also proposed major reforms to our programming tools – the **European Statistical Programme 2013-17** – and to 'systemic statistics' such as the European System of National Accounts (**ESA2010**). I very much look forward to the start-off of the trilogue negotiations and I am hopeful that the final outcome will meet the level of ambition and quality standards in our original proposals.

Other proposals will follow. Let me mention, for instance, a new Single Market Statistics (**SIMSTAT**): a very ambitious proposal to replace the current INTRASTAT with a much leaner and efficient statistic for intra-EU trade. This will be a paramount contribution to reduce the burden associated to statistical work.

Finally, EUROSTAT and the ESS continue to work for the future of European Statistics. For instance, in follow-up to the '**GDP and Beyond**' Initiative of 2007, we prepare best feasible pathways to complement official economic statistics with data incorporating environmental and social dimensions of economic growth.

Dear Chair,

Dear Honourable Members,

European Statistics have undergone very profound reforms over recent years. We could not do otherwise. And I am ready to advocate that **the set-up of a genuine European Statistical System is THE right answer to the challenges ahead.**

Our reforms speak well of a new and proactive strategy that instils doses of effective European integration into governance, design, production and dissemination of European Statistics. The Commission – and EUROSTAT as its statistical service- is determined to pursue this endeavour. I am aware and extremely pleased that we are not alone. Your continued interest and support has been an asset. And let me trust that it will remain so: a **staunch and determinant political thrust** to bring our ambition and reforms to reality, to meet what demand users of European Statistics and citizens in general.

The status quo is not an option. We face a tough fight ahead. But I sincerely believe that this also amounts to a fight for good European integration itself.

I look forward to see this opportunity repeat again. To share with you information that can facilitate awareness and understanding how the European Statistical System (ESS) contributes to best governance and policy-making in Europe in a fast-evolving world.

Thanks.
