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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 2015**

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## 1. BACKGROUND

Article 8(3) of Council Regulation (EC) No 479/2009 on the application of the Protocol on the excessive deficit procedure (EDP) annexed to the Treaty establishing the European Community<sup>1</sup> requires the Commission (Eurostat) to report regularly to the European Parliament and to the Council on the quality of the actual data reported by Member States. The current annual report provides an overall assessment of the timeliness, reliability, completeness, compliance with accounting rules and consistency of the data. The previous report (on the data reported in 2014) was adopted by the Commission on 3 March 2015<sup>2</sup>.

Eurostat regularly assesses the quality of the actual data reported by Member States and of the underlying general government sector accounts. October 2014 was the first time these accounts were compiled in accordance with Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union (ESA 2010)<sup>3</sup>. This assessment concentrates on the factors that explain the general government deficit/surplus and changes in general government debt. Member States send this information to Eurostat twice per year as part of the ‘EDP notification tables’ and the supplementary information included in the ‘Questionnaire related to the EDP notification tables’, the ‘Supplementary table for the financial crisis’ and also via bilateral clarifications. Eurostat also maintains contact with Member States by making regular EDP dialogue visits.

This report is based on the main findings and results of the EDP data reported by Member States in 2015. It focuses on the latest reports submitted in October 2015. Where appropriate, comparisons are made with the data sent in April 2015, as well as with those sent in 2014.

## 2. MAIN FINDINGS ON THE 2015 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 October<sup>4</sup>. The 2015 EDP reporting covered 2011 to 2015. The figures for 2015 are those planned by the national authorities, while the 2011 to 2014 figures are actual data<sup>5</sup>. In accordance with Article 8(1) of Regulation (EC) No 479/2009, Eurostat assesses the actual data reported by Member States, but not the planned data.

Compliance with the reporting deadlines is very good. In 2015, all Member States reported their actual data by the legal deadline for both EDP notifications. Some countries delivered planned data for 2015 later than the actual data.

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<sup>1</sup> OJ L 145, 10.6.2009, p. 1.

<sup>2</sup> COM(2015) 88 final.

<sup>3</sup> OJ L 174, 26.6.2013, p. 1.

<sup>4</sup> Articles 3(1) and (3) of Regulation (EC) No 479/2009.

<sup>5</sup> Actual data can be final, half-finalised or estimated figures.

### 2.1.2. Reliability

Revisions made between the April 2015 and the October 2015 EDP notifications were mainly due to source data updates and methodological changes, such as the reclassification of units inside the general government sector and the recording of some transactions.

In 2014, the largest positive revisions, showing a decrease in the deficit as a percentage of GDP, were made in Luxembourg (+0.8 pp), Denmark (+0.3 pp), Ireland and Sweden (+0.2 pp). The largest negative revisions, where the deficit increased, were made in Bulgaria (-3.0 pp), Portugal (-2.7 pp) and in other four Member States (Germany -0.4 pp, Austria -0.3 pp, Finland and Slovenia -0.2 pp). In the past five years, no country has revised its deficit as much as Bulgaria and Portugal did in October 2015 as a follow up of the April 2015 Eurostat reservation on their 2014 deficit data. The largest revision of 2014 debt, of around 1 percentage point of GDP, was made in Sweden. Germany also substantially revised its debt, changing it by 0.5 pp.

GDP revisions usually have a larger denominator effect on government debt ratios than on government deficit ratios. The revision of GDP had an impact on the debt ratio for several Member States, in particular for Spain and Greece (by more than 1 pp) and for Ireland and the United Kingdom (by less than -1 pp). The revision of GDP had limited impact on the deficit ratio (Cyprus and Spain (-0.1 pp) and Ireland and the United Kingdom (+0.1 pp)).

### 2.1.3. Completeness of tables and supporting information

The 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, 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. Table 1 covers the reporting of government deficit/surplus and debt levels. Tables 2A to 2D provide the data which explain the transition between the national definitions of government balance and the surplus/deficit of each government subsector. Tables 3A to 3D provide the data which explain the contributions of the government surplus/deficit and other relevant factors to the variation in the government debt level and the consolidation of the debt. Table 4 includes data mainly on trade credits and advances<sup>6</sup>. EDP tables 1 and 2 cover 2011 to 2015<sup>7</sup>, while the other tables cover 2011 to 2014.

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<sup>6</sup> 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](https://webgate.ec.europa.eu/fpfis/mwikis/gfs/images/e/e7/Statements_9817.en93.pdf).

<sup>7</sup> Council Regulation (EC) No 479/2009 only explicitly requires Member States to provide planned data in EDP tables 1 and 2A.

All Member States completed all the EDP notification tables<sup>8</sup>. In the October 2015 reporting, all Member States provided details in the EDP table 2 on the link between the working balance and the EDP surplus/deficit for all subsectors. In the United Kingdom, the working balance is judged on the accrual basis and very few adjustments to transform the working balance into a surplus/deficit according to the ESA 2010 were reported. Some other countries also reported only a limited number of transition items.

Not all Member States provided all the breakdowns in EDP table 3. In particular, the details requested for the items ‘loans’ and ‘equity’ were not always reported.

The stock of all trade credits and advances of general government should be reported in EDP table 4. However, less than half of Member States achieve complete coverage of all government subsectors as well as inside the subsectors. For the other Member States, data are flagged as provisional, i.e. subject to revisions in future notifications. This is the case for Belgium, Bulgaria, Denmark, Germany, Ireland, Greece, France, Croatia, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Poland and the United Kingdom.

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’<sup>9</sup>. 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 for the coverage of the local government subsector).

#### 2.1.4. *Supplementary tables relating to the financial crisis*

Since 15 July 2009, Eurostat has been collecting a set of data on the financial crisis in a supplementary table. The data collected in 2015 concerned the period 2007 to 2014. All but seven Member States (the Czech Republic, Estonia, Croatia, Malta, Poland, Romania and Slovakia) reported various government interventions in the context of the financial crisis between 2007 and 2014. In Finland the only interventions relating to contingent liabilities were made in 2008. Eurostat published a note alongside its EDP Press Releases analysing these data<sup>10</sup>.

#### 2.1.5. *Questionnaire on intergovernmental lending*

Member States also provide data on bilateral intergovernmental lending, usually under financial assistance programmes. These data and further information on the European Financial Stability Facility form part of the EDP News Release.

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<sup>8</sup> The EDP notification tables reported by Member States can be found on Eurostat’s website: <http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>.

<sup>9</sup> This questionnaire comprises 13 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, rerouting transactions and other issues.

<sup>10</sup> See: <http://ec.europa.eu/eurostat/documents/1015035/7036501/Background-note-fin-crisis-OCT-2015-final.pdf>

Bilateral intergovernmental lending increased substantially during the financial crisis. It is deducted when calculating the EU-28 and euro area aggregates for the Maastricht government debt,<sup>11</sup> since both are shown on a consolidated basis. This consolidation means that the EU-28 and euro area aggregates are not equal to the arithmetical sum of Member States' debt (i.e. the aggregates do not include the above-mentioned intergovernmental lending between governments, to avoid double counting).

## **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 autumn reporting deadline of 1 October and the publication of the data on 21 October 2015, 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 by 6 October. A second round of requests was sent to 27 countries and a third round to 8 countries. Eurostat asked certain countries to provide revised notification tables. In most cases, the amendments in the data reported in the October 2015 notification period did not significantly change the deficit and debt levels for 2011-2014.

### *2.2.2. Dialogue and methodological visits*

Regulation (EC) No 479/2009 makes provision for dialogue and methodological visits. Dialogue visits to Member States are conducted regularly (at least every second year) 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).

The frequency of the EDP missions in the Member States has increased in recent years. If Eurostat raises a specific important issue with a Member State and it cannot be resolved other than by a meeting with the authorities concerned, an ad hoc visit in the Member State is organised.

In 2015, Eurostat carried out the following EDP dialogue visits: Estonia (20-21 January), Italy (2-3 February), Croatia (26-27 February), United Kingdom (28-29 April), Sweden (19-20 May), Latvia (26-27 May), Poland (29-30 June), Spain (9-10 July), Netherlands (1-2 September), Slovenia (7-8 September), Greece (23-24 September), Romania (12-13 November, 17-18 December), Finland (19-20 November) and Slovakia (8-9 December). Furthermore, an ad hoc visit was made to Austria (14 October).

The final findings of each dialogue visit, including the action points agreed and the status of the issues raised, are sent to the Economic and Financial Committee and

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<sup>11</sup> According to the Protocol on the excessive deficit procedure annexed to the Treaties, 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 No 479/2009, government debt includes currency and deposits (AF.2), debt securities (AF.3) and loans (AF.4) as defined in ESA 2010.

published on Eurostat's website<sup>12</sup>. Implementing these action points will improve data quality over time.

Eurostat makes methodological visits only when it has identified significant risks or problems in the quality of the data, especially relating to the methods, concepts or classifications used. Eurostat did not make any methodological visits in 2015.

### 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, Eurostat publishes its advice<sup>13</sup>, unless the Member State concerned raises an objection. Eurostat published 8 ex-ante letters of advice in 2015. Eurostat has also provided advice to Belgium, Greece, Poland and Slovakia, for which these Member States raised objections to the publication because of confidentiality concerns.

### 2.2.4. *Investigations into the enforcement of budgetary surveillance in the euro area*

Regulation (EU) No 1173/2011 of the European Parliament and of the Council empowers the Commission to launch an investigation if there are suspicions of manipulation of statistics due to 'deliberate misreporting' or 'serious negligence'.

On 11 July 2014, the Commission decided to launch a formal investigation into the possible manipulation of statistics in the Region of Valencia (Comunidad Valenciana), Spain<sup>14</sup>.

This was the first time that the Commission drew on its new powers under the 'Six Pack' economic governance legislation to investigate suspected manipulation of a Member State's debt and deficit data.

On 7 May 2015, the Commission adopted a report<sup>15</sup> taking into account the observations provided by Spain and recommended that the Council impose a fine. The report concluded that one body within the Spanish general government sector, the Regional Audit Office of the Autonomous Community of Valencia, was seriously negligent concerning the non-recording of health expenditure and the non-respect of the accrual principle in national accounts (ESA 95). This led to an incorrect reporting of the government deficit data of Spain to Eurostat in March 2012. The misreporting stopped in 2012. The report relates specifically to statistics produced by the Region of Valencia and does not call into question the accuracy of Spain's national statistics.

On 13 July 2015, the Council decided to fine Spain EUR 18.93 million for misrepresenting government deficit data as a result of serious negligence.

Both the Commission decision to initiate an investigation and the Council's decision to impose a fine was challenged by Spain before the Court of Justice of the European Union. By order of 3 September 2015 in Case T-676/14, the General

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<sup>12</sup> See: <http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/eurostat-edp-visits-to-member-states>

<sup>13</sup> See: <http://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/advice-to-member-states>

<sup>14</sup> C(2014) 4856 final.

<sup>15</sup> See: <http://ec.europa.eu/eurostat/documents/1015035/2041365/Report-on-manipulation-of-statistics-in-region-Valencia-Spain.pdf>

Court dismissed the action for annulment of the Commission's decision<sup>16</sup>. The action for annulment of the Council's decision is still pending<sup>17</sup>.

#### 2.2.5. *Recent methodological issues*

As usual, Eurostat assessed the proper application of the ESA 2010 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 August 2014<sup>18</sup>. The new version of the MGDD (2016 edition) will be published in the first quarter of 2016, and will include chapters brought in line with ESA 2010, reflecting the results of the task force on methodological issues carried out during 2015.

In 2015, Eurostat continued to provide to the Member States additional clarifications on the accounting rules for the EDP and government finance statistics. These explanatory documents including *'The statistical recording of EU budgetary contributions, following an amendment to the Own Resources Regulation'* published on 17 March 2015 as well as the methodological guidance note on *'The impact of energy performance contracts on government accounts'* complement the general rules of ESA 2010. Eurostat releases guidance notes, after consulting the Member States.

#### 2.2.6. *Consistency with the underlying government accounts*

The notification deadlines of 1 April and 1 October set by Regulation (EC) No 479/2009 were introduced in order to ensure consistency with the underlying annual and quarterly government sector accounts, as reported to Eurostat in various ESA transmission tables. Eurostat systematically checks that EDP notifications are consistent with the underlying government sector accounts. For example, total government expenditure and revenue should be consistent with the reported deficit figure. However, the deadline by which euro area countries must report provisional data for quarterly general government financial accounts is set before the EDP notification at t+85 days<sup>19</sup>.

EDP data are generally consistent with the reported ESA 2010 government accounts, although there are some concerns both over balance sheets for financial assets and liabilities (stocks) and quarterly financial accounts of general government. Inconsistencies exist for Bulgaria, Czech Republic, Denmark, Ireland, Greece, France, Luxembourg and Slovakia.

At the level of net financial transactions, significant differences remained for Greece for a number of years. In this context, Eurostat has withdrawn ESA table 27 from publication and amended the figures for Greece used for the euro area and EU28 aggregates.

The EDP data on surplus/deficit reported by the Member States are fully consistent with the annual data on government expenditure and revenue (ESA table 2).

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<sup>16</sup> ECLI:EU:T:2015:602

<sup>17</sup> Case C-521/15

<sup>18</sup> See: <http://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-14-010>

<sup>19</sup> 't' is the reported year.

In 2011-2014, data on quarterly non-financial accounts for general government (ESA table 25) were fully consistent for all Member States, except Denmark.

The data on annual debt and the quarterly government debt (ESA table 28) match perfectly for all 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 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.'

Eurostat published the government deficit and debt data on its website on 21 April 2015<sup>20</sup> and on 21 October 2015<sup>21</sup> together with all the reporting tables<sup>22</sup> notified by the Member States. Since February 2012, Eurostat has regularly published a press release on quarterly Maastricht debt, at approximately t+115 days. Since February 2014, Eurostat has also published a press release on quarterly general government deficit.

Under Regulation (EC) No 479/2009, 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 informed Eurostat that they publish all their EDP tables. Six Member States (Bulgaria, Italy, Luxembourg, Malta, Poland and Slovakia) publish only some of the reporting tables and one Member State, France, does not publish any of the EDP tables at national level.

### 2.3.2. *Reservations on the quality of data*

October 2015

Austria: Eurostat expressed a reservation on the quality of the data reported by Austria in relation to an insufficient adherence to the accrual rules of recording of expenditure and revenue, as required in ESA 2010, notably at the budgetary central government level ("Bund"). Currently, a significant number of transactions are recorded on a cash basis in national accounts. This situation creates uncertainty on the quality of the figures and the risk that data will be revised in the April 2016 EDP exercise.

Eurostat also removed the reservation on Bulgaria and Portugal from the April 2015 EDP News Release.

April 2015

Bulgaria: Eurostat expressed a reservation on the quality of the data reported by Bulgaria in relation to the sector classification of the Deposit Insurance Fund and to the impact on the government deficit of the fund's repayment of the guaranteed deposits in the Corporate Commercial Bank.

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<sup>20</sup> See: <http://ec.europa.eu/eurostat/documents/2995521/6796757/2-21042015-AP-EN.pdf/2a3922ae-2976-4aef-b6ce-af19bde6a236>

<sup>21</sup> See: <http://ec.europa.eu/eurostat/documents/2995521/7036737/2-21102015-AP-EN.pdf/22806a48-3bb0-4eb0-b641-d420af17be5b>

<sup>22</sup> See: <http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>

Portugal: Eurostat expressed a reservation on the quality of the government deficit data for 2014 due to uncertainties of the statistical impact of the capitalisation of Novo Banco in 2014.

### 2.3.3. *Amendments to the reported data*

Eurostat has not amended the data reported by Member States in either the April or the October 2015 EDP notifications.

### 2.3.4. *Publication of metadata (inventories<sup>23</sup>)*

Regulation (EC) No 479/2009 specifies that the EDP inventories are among the statistical information to be provided by Member States to enable Eurostat to check compliance with ESA rules. The Regulation also requires EDP inventories to be published nationally.

Eurostat has updated the format of EDP inventories, making structural changes and requiring more detailed information. The new inventory template adapted to ESA 2010 has been agreed and Eurostat and Member States were set to publish these inventories by the end of 2015<sup>24</sup>. Progress has been slower than expected and only less than half of Member States provided the revised inventories by the deadline.

## 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 to improve the coverage and quality of the trade credits reported and to reach the same quality levels obtained when calculating other government liabilities.

Some consistency problems with quarterly financial accounts persist for some Member States. Work to update the EDP inventories has also been slower than expected.

In 2015, Eurostat expressed three reservations on the quality of the data reported by Member States. These concerned Bulgaria and Portugal for the April 2015 EDP notification and Austria for the October 2015 EDP notification. Eurostat withdrew its reservations for Bulgaria and Portugal in October 2015.

The revisions of past data on deficit and debt were mainly explained by the source data updates and reclassification of units inside the general government sector.

Overall, Eurostat concludes that the quality of the reporting of fiscal data continued to improve in 2015. In general, Member States provided better information, both in EDP notification tables and in other relevant statistical returns.

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<sup>23</sup> Inventories of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts.

<sup>24</sup> <http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-inventories>