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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 2017

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1. BACKGROUND

Article 8(3) of Council Regulation (EC) No 479/2009¹ requires the Commission (Eurostat) to report regularly to the European Parliament and the Council on the quality of the actual data reported by Member States. This annual report provides an overall assessment of the timeliness, reliability, completeness and consistency of the data and their compliance with accounting rules. The Commission adopted the previous report (on 2016 data) on 9 March 2017.²

Eurostat regularly assesses the quality of the actual data reported by Member States and of the underlying general government sector accounts in accordance with Regulation (EU) No 549/2013³. That assessment concentrates on the factors that explain the general government deficit/surplus and changes in general government debt. Member States send that information to Eurostat twice per year in the ‘EDP notification tables’, the ‘Questionnaire relating to the EDP notification tables’, the ‘Supplementary table on government interventions to support financial institutions’ as well as via bilateral clarifications. Eurostat also maintains contact with Member States through regular EDP dialogue visits.

This report is based on the main findings and results of the EDP data reported by Member States in 2017. It focuses on the latest reports, submitted in October 2017, comparing them where appropriate with the data sent in April 2017 and in 2016.

2. MAIN FINDINGS ON THE 2017 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 before 1 October.⁴ In 2017, EDP reporting covered the 2013-2017 period. The figures for 2017 are those planned by the national authorities, while the 2013-2016 figures are actual data.⁵ 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.

All Member States met the reporting deadlines for both notifications.

2.1.2. Reliability

Revisions made between the April 2017 and the October 2017 EDP notifications were due mainly to source data updates, primarily working balances and tax data, and methodological changes, such as reclassifications of units or transactions.

¹ 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 (OJ L 145, 10.6.2009, p. 1).

² COM(2017) 123 final.

³ 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) (OJ L 174, 26.6.2013, p. 1).

⁴ Article 3(1) and (3) of Regulation (EC) No 479/2009

⁵ Actual data may be final, half-finalised or estimated figures.

Regarding revisions of 2016 data between the April and October notifications, eight Member States' government surplus/deficit (as a percentage of GDP) improved and 10 worsened. The largest positive revisions were made by Denmark, Sweden (+0.3 pp each), the Czech Republic and Finland (+0.2 pp each) and the largest negative revisions by Estonia (-0.6 pp), Slovakia (-0.5 pp) and Greece (-0.3 pp). The largest upward revisions to the 2016 debt, due to other reasons than revision of GDP, were made by Sweden (+0.9 pp), Hungary, Cyprus (+0.7 pp each) and Luxembourg (+0.3 pp), while in Malta the debt was revised downward (-0.4 pp).

Revisions of GDP had a noticeable impact on the debt ratio for several Member States. In particular, increases due to revision of GDP were observed for Greece (+1.7 pp), Luxembourg, France (+0.4 pp each) and Latvia (+0.2 pp), and decreases for 24 Member States, the largest of which were for Ireland (-2.7 pp), Croatia, Cyprus, Slovenia (-1.3 pp), the United Kingdom (-1.0 pp), Austria, Hungary (-0.9 pp each), Italy (-0.6 pp), Bulgaria, the Czech Republic, the Netherlands and Finland (-0.5 pp each).

2.1.3. *Completeness of tables and supporting information*

Completion of the reporting tables is a legal obligation and is essential for proper assessment by Eurostat of the quality of the data. Article 8(2) of Regulation (EC) No 479/2009 requires Member States to transmit to Eurostat 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 surplus/deficit (total and by government subsector) and debt levels (total⁶ and by category of financial instrument). It also covers GDP at current market prices and government expenditure on gross fixed capital formation and interest;
- tables 2A to 2D provide the data that explain the transition between national definitions of government balance ('working balance' in national accounts methodology) and the surplus/deficit of each government subsector ('net lending/net borrowing' in national accounts methodology)⁷;
- tables 3A to 3D provide the data that explain the contributions of the government surplus/deficit and other relevant factors to the variation in the government debt level and the consolidation of debt; and

⁶ The Protocol on the excessive deficit procedure annexed to the Treaty on the functioning of the EU, defines government debt as the consolidated gross debt of the whole general government sector outstanding at the end of the year (at nominal value). According to Regulation (EC) No 479/2009, government debt includes currency and deposits (AF.2), debt securities (AF.3) and loans (AF.4) as defined in ESA 2010.

⁷ Article 3(2) of Regulation (EC) No 479/2009.

- table 4 includes mainly data on trade credits and advances.⁸

In 2017, EDP tables 1 and 2 covered 2013-2017⁹ and the other tables covered 2013-2016.

All Member States provided Eurostat with all the EDP notification tables¹⁰ in April and October. In the October reporting, they all completed EDP table 1 in full and provided details in EDP table 2 on the link between the working balance and the EDP surplus/deficit for all subsectors. For the first time, the United Kingdom reported transition items in EDP tables 2A and 2C. Some countries (Germany, Austria) did not report all transition items as requested in the template and some (Germany, Italy, the Netherlands, Finland and Sweden) included some residual transition items.

Not all Member States provided all breakdowns in all EDP tables 3, in particular for local government.

The general government stock of trade credits and advances should be reported in the EDP table 4. However, complete coverage of all government subsectors as well as inside the subsectors was achieved for just over half of the Member States. Belgium, Bulgaria, Germany, Ireland, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Poland and the United Kingdom flagged the data they provided as provisional, i.e. subject to revision in future notifications.

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 related to the EDP notification tables’¹¹. Although the coverage and quality of answers continued to improve, progress is still necessary, as some countries did not report all requested details. In particular, this concerns data on central government claims and debt cancellations, the breakdown of other accounts receivable/payable, the recording of government guarantees (mainly for local government) and data on capital injections.

2.1.4. *Supplementary table for reporting government intervention to support financial institutions*

Since 15 July 2009, Eurostat has collected a set of supplementary data on government interventions to support financial institutions. The data collected in 2017 related to the 2007-2016 period. All but five Member States (Estonia, Malta, Poland, Romania and Slovakia) reported various government interventions during that period. In Finland (2008) and the Czech Republic (2013-2015), the only interventions reported concerned contingent liabilities. In 2016, apart from Slovenia

⁸ See the statements accompanying the Council minutes of 22 November 1993; https://webgate.ec.europa.eu/fpfis/mwikis/gfs/images/e/e7/Statements_9817.en93.pdf

⁹ Regulation (EC) No 479/2009 only explicitly requires Member States to provide planned data in EDP tables 1 and 2A.

¹⁰ Member States’ EDP notification tables can be found on Eurostat’s website: <http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>.

¹¹ The questionnaire comprises 13 sections requesting quantitative and some qualitative information in various areas, e.g. transactions in taxes and social contributions, and with the EU, acquisitions of military equipment, government guarantees, debt cancellations, government capital injections into public corporations, public-private partnerships, rerouting transactions, etc.

and Cyprus, all countries reported a limited increase in their deficits or a neutral impact due to government intervention to support financial institutions. With its EDP news release, Eurostat published a background note with more information on the content of the supplementary table and data findings.¹²

2.1.5. *Questionnaire on intergovernmental lending*

Member States provide data on bilateral intergovernmental lending, usually under financial assistance programmes. Those data and further information on the European Financial Stability Facility are also included in the EDP news release. In 2013-2016, the data related mainly to lending to Greece, Ireland and Portugal.

Bilateral intergovernmental lending is deducted when calculating the EU-28 and euro area aggregates for Maastricht government debt, since both are shown on a consolidated basis.

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

2.2.1. *Exchange of information and clarifications*

In the three weeks' notification period between the spring/autumn reporting deadlines and the publication of the data, Eurostat contacted all national statistical authorities to ask for further information and clarify the application of the accounting rules to specific transactions. This involved several rounds of correspondence.

Using the example of the autumn 2017 reporting period, a first round of requests for clarification was sent to all Member States by 6 October, a second round to 26 Member States, a third to 17 and a fourth to one. Eurostat asked some Member States to provide revised 'EDP notification tables', revised tables for underlying government accounts (i.e. annual expenditure and revenue accounts, and quarterly financial and non-financial accounts) and revised 'Questionnaire relating to the EDP notification tables'. In most cases, changes to data in the October 2017 notification period were corrections of technical errors, internal inconsistencies and adjustments provided in the EDP notification tables or in the related questionnaire. A few changes related to updates of the source data, including planned 2017 data.

2.2.2. *Dialogue and methodological visits*

Regulation (EC) No 479/2009 provides for dialogue and methodological visits. Representatives of DG ECFIN and the European Central Bank regularly take part in such visits as observers. In the course of regular (at least biennial) dialogue visits to Member States, Eurostat reviews reported data, examines methodological issues, discusses statistical processes and sources described in the inventories and assesses compliance with the relevant accounting rules (delimitation of general government, time of recording and classification of government transactions and liabilities). Methodological visits are undertaken only in specific cases where substantial risks or potential problems with data quality are identified.

Ad hoc or technical visits can also be organised if Eurostat raises a specific important issue with a Member State that can be resolved only by meeting the authorities concerned.

¹² http://ec.europa.eu/eurostat/documents/1_015_035/2_022_710/Background-note-on-gov-interventions-OCT-2017-final.pdf

In 2017, Eurostat made EDP dialogue visits to Croatia, Ireland, Greece (twice), Italy, Cyprus, the United Kingdom, France, Sweden, Latvia, Slovenia, Estonia, Austria, Slovakia and Spain. There were also *ad hoc* visits to Poland, Luxembourg and Hungary.

Eurostat made no methodological visits in 2017.

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 published on Eurostat's website.¹³ The dialogue visits and implementation of action points have considerably improved data quality over time.

2.2.3. *Specific advice by Eurostat*

Member States regularly consult Eurostat to clarify various national accounting issues in relation to past or future operations. Eurostat provides advice in accordance with the published guidelines¹⁴. Since July 2016, in the interests of transparency, Eurostat has published all its letters of advice¹⁵ without first seeking the consent of the Member State in question, as was the practice previously. In 2017, it published 12 letters of advice.

2.2.4. *Recent methodological issues*

Eurostat monitors the application of the ESA 2010 rules and its methodological decisions by analysing the data reported by Member States in the EDP tables and the 'Questionnaire relating to the EDP notification tables', and through discussion with national statistical authorities during EDP dialogue visits.

It provides additional methodological guidance on the accounting rules for EDP and Government Finance Statistics, which complement the general ESA 2010 rules. Guidance notes are released under Eurostat's responsibility after consultation with the national statistical authorities. Clarifications explaining the accounting rules for very specific issues are also released under Eurostat's responsibility.

In 2017, Eurostat published guidance notes on mobile phone licences, exploration rights and other licences (27 March) and on recording of energy performance contracts in government accounts (19 September).

The Member States' guidelines for completing the EDP general government deficit and debt notification, for use by EDP statistics compilers, were updated in line with ESA 2010 (23 March).

Issues insufficiently covered in existing manuals and guidance were further analysed and discussed in technical working groups and task forces.

Apart from the two regular EDP Statistics working group meetings, Eurostat organised four task forces (on energy performance contracts, a government deficit and debt manual, government finance statistics and the classification of government functions) and two dedicated expert meetings (on financial defeasance structures and toxic debts).

¹³ <http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/eurostat-edp-visits-to-member-states>

¹⁴ <http://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/guidance-on-accounting-rules>

¹⁵ <http://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/advice-to-member-states>

Eurostat continued to work on the follow-up to the November 2016 ECOFIN conclusions on statistics, in cooperation with the Economic and Financial Committee – Sub-Committee on Statistics and the Economic and Financial Committee – Alternates. As requested by the Council, it prepared a timely progress report and presented it to the EFC. It also prepared a document setting out detailed ‘Procedures for the development and implementation of methodology underpinning EDP data’¹⁶, the main aim of which is to establish stable procedures for EDP and GFS methodological work, with a focus on clarity, transparency and timeliness. The document sets out the various types of methodological guidance apart from ESA 2010, the consultation process for each type and implementation details.

On 22 February, the Commission adopted a report on the investigation into the manipulation of statistics in Austria (pursuant to Regulation (EU) No 1173/2011 on the effective enforcement of budgetary surveillance in the euro area and the Commission Decision of 3 May 2016) and a Recommendation for a Council Implementing Decision imposing a fine on Austria for manipulation of debt data in Land Salzburg. Under Article 8(1) of Regulation (EU) No 1173/2011, the Council is to decide on the Recommendation.

2.2.5. *Consistency with the underlying government accounts*

The 1 April and 1 October notification deadlines under Regulation (EC) No 479/2009 were introduced to ensure consistency with the underlying annual and quarterly government sector accounts, as reported to Eurostat in various ESA transmission tables. For example, total government expenditure and revenue should be consistent with the reported deficit figure.

EDP data were generally consistent with the reported ESA 2010 government accounts, although there are some concerns as regards balance sheets for financial assets and liabilities (stocks) and general government quarterly financial accounts (ESA table 27). Further efforts by some Member States are still needed to improve the consistency of EDP tables 3 with ESA table 27.

There are substantial inconsistencies concerning net financial transactions for a number of years for Greece, because financial accounts reported by the Bank of Greece are not aligned with EDP data reported by ELSTAT. The Bank of Greece has not followed Eurostat guidance on ESA 2010 accounting in relation to a number of issues. In October 2015, Eurostat decided not to publish ESA table 27 for Greece until the issues had been resolved.

For Germany, Spain and Portugal, the reporting of statistical discrepancy in the October 2017 notification tables diverges from convention for ESA table 27 and this leads to substantial discrepancies for all years.

GDP figures were consistent for all Member States, except for minor differences for France (April) and Lithuania (October), both countries reporting an advance version of annual accounts in the EDP context.

The surplus/deficit, gross fixed capital formation and interest expenditure data reported by Member States were fully consistent with annual and quarterly data on government expenditure and revenue (ESA tables 2 and 25). The data on annual debt

¹⁶ <http://ec.europa.eu/eurostat/documents/1015035/2041329/Procedures-Dev-and-Implt-Methodology-EDP-data.pdf>

and quarterly government debt (ESA table 28) also matched perfectly for all Member States.

2.3. Publication

2.3.1. Publication of headline figures and detailed reporting tables

Under Article 14(1) of Regulation (EC) No 479/2009, '[t]he 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 24 April¹⁷ and 23 October,¹⁸ together with all final reporting tables¹⁹ notified by Member States and notes on:

- the stock-flow adjustment;
- government interventions to support financial institutions;
- the stock of liabilities of trade credits and advances; and
- revisions of government surplus/deficit and debt (this was released separately for the first time in April).

It also published a news release on quarterly Maastricht debt, at approximately $t+115$ ²⁰ days, and a news release on quarterly general government deficit.

Under Regulation (EC) No 479/2009, Member States must make public their actual data on deficit and debt. All Member States publish deficit and debt figures at national level. Most have informed Eurostat that they publish all their EDP tables. Five (Bulgaria, Italy, Luxembourg, Poland and Slovakia) published only some of the tables. France published only the deficit and debt figures and none of the EDP tables at national level.

2.3.2. Reservations on the quality of data

October 2017

Eurostat expressed a reservation on the quality of data reported by France in relation to the recording of some operations of the Agence Française de Développement.

It maintained its reservation on the quality of data reported by Belgium and Hungary (the reservation on Hungary was partially withdrawn).

It withdrew its reservation on the quality of data reported by Luxembourg (expressed in its news release of 24 April 2017).

April 2017

Eurostat expressed a reservation on the quality of data reported by Luxembourg in relation to the sector classification of hospitals and a number of technical issues such

¹⁷ http://ec.europa.eu/eurostat/documents/2_995_521/7_997_684/2-24_042_017-AP-EN.pdf

¹⁸ http://ec.europa.eu/eurostat/documents/2_995_521/8_338_481/2-23_102_017-AP-EN.pdf

¹⁹ <http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>

²⁰ 't' refers to the end of the period to which reporting relates.

as the recording of receivables and payables, the size of statistical discrepancies in the EDP tables and the unavailability of data for local government.

It maintained its reservation on the quality of data reported by Belgium and Hungary.

It withdrew its reservation on the quality of the data reported by Cyprus (expressed in its news release of 21 October 2016).

2.3.3. *Amendments to the reported data*

Eurostat did not amend the data reported by Member States in the April or October 2017 EDP notifications.

2.3.4. *Publication of metadata (inventories)²¹*

Regulation (EC) No 479/2009 specifies that the EDP inventories are part of the statistical information Member States must provide. It also requires the inventories to be published nationally.

Eurostat has altered the format of the EDP inventories, making structural changes and requiring more detailed information. Agreement has been reached on the new inventory template for ESA 2010 and, by the end of 2017, Eurostat had published revised inventories for 21 Member States. The remaining seven have provided it with a draft EDP inventory. The final EDP inventories for Greece, Ireland and Austria will be published in the coming months. Further progress is expected for France, Luxembourg, Cyprus and the Netherlands.

3. CONCLUSIONS

Eurostat acknowledges continued overall improvement in the consistency and completeness of the reported data. Nevertheless, the quality of fiscal data needs to be improved further. In 2017, Eurostat sought more bilateral clarifications when assessing the EDP notifications. It also increased contacts and consultations with Member States between notifications. The publication of all its letters of advice on methodology improved knowledge-sharing and transparency. The same goes for its more comprehensive communication efforts between users and producers of statistics in relation to methodological developments.

Consistency problems with quarterly financial accounts persist for some Member States, in particular Greece.

Eurostat expressed reservations on the quality of data reported by Luxembourg for the April EDP notification and France for the October EDP notification. It withdrew its reservations on Cyprus (April) and Luxembourg (October) and maintained those on Belgium and Hungary (April and October).

Overall, Eurostat concludes that the quality of the reporting of fiscal data continued to improve in 2017. In general, Member States provided higher quality and more complete information in EDP notification tables and other relevant statistical returns.

²¹ Inventories of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts.