The provision of statistics for the Excessive Deficit Procedure (EDP) by Member States has been a legal requirement since 1993. Since this date, the legislative basis, and the ways in which Eurostat has approached verification of these statistics, has evolved substantially. Key milestones have been the France Telecom case in 1998 which led to the establishment of a formal Eurostat decision-making process; the use of ESA for EDP statistics from 2000 (Regulation 475/2000); the revision of Regulation 3605/1993 in 2005 which formalised Eurostat's role; and the amendment of Regulation 479/2009 in 2010 (amended by Regulation 220/2014 for ESA 2010 concepts and for using ESA B.9), which extended Eurostat and NSI powers with respect to the quality of “upstream” source data.

The present Inventory of EDP verification processes describes the procedures that are the result of the lessons learned during more than 18 years at the level of Eurostat. This Inventory does not constitute a legal act. It describes how the existing legal acts are implemented by Eurostat. It complements previous similar documents (Administrative Arrangements of 18 October 2005, Code of best practice endorsed by Ecofin of 18 February 2003).

This inventory does not cover the verification processes conducted at national level, by National Statistical Offices and their partners from the Central Banks and relevant departments of Ministries of Finance, not speaking of the multitude of accountants or auditors of public entities in Member States which data are the source of the very summarised two EDP indicators on deficit and debt. In this context, Eurostat's processes should be seen as the very small emerged part of an immense iceberg.

The actors

The organisation of Eurostat

Eurostat is responsible, on behalf of the Commission, for assessing the quality of the data and for providing the data to be used within the context of the excessive deficit procedure for past years.

Eurostat’s objective is to ensure that the deficit and debt figures published twice a year through the so-called "EDP notification" are of the highest possible quality and comparability of data. This assurance is given through the processes described in this inventory.

Eurostat Directorate D - Government finance statistics (GFS) and quality

The mission of Eurostat Directorate D, "Government Finance Statistics (GFS) and quality", is to ensure high quality government finance statistics in Member States in order to ensure proper implementation of the Excessive Deficit Procedure. Directorate D reports directly to Eurostat's Director General. There are four units involved in EDP work:

- One unit "Excessive Deficit Procedure and Methodology" (D1, around 11 staff) deals with horizontal methodological issues and country-specific issues, through a system of desk officers.

- Two units "EDP 1 & 2" (D2 & D3; each around 10 staff) deal with country-specific issues, through a system of desk officers. Their role is to assess the quality of the conversion of public accounts into the ESA macro accounting framework. Desk officers also deal with horizontal methodological issues in co-operation with unit D1. For country and methodological responsibilities of desks, see links below.
One unit "Quality management; GFS" (D4; around 17 staff) deals with country risk assessment, quality management and handles government finance statistics, which underlie – and must be consistent with - EDP data. This unit also handles the database management of EDP data.

Overall, the GFS Directorate includes around 55 staff, including the Director and staff reporting to the Director.

Staff

There are three distinct job types in Directorate D, besides management and administrative jobs: (1) desk officer; (2) expert methodologist; (3) statistical officer/assistant dealing with GFS data.

1. The primary role of an **EDP desk officer** is to act as the Eurostat point of contact for one or more Member States. The desk officer becomes an expert on the Member State(s), closely monitoring developments and remaining in contact with the national authorities, undertaking the EDP clarification process during each EDP notification round, organising Eurostat EDP dialogue visits (whilst possibly attending some DG ECFIN missions).

2. The role of an **expert methodologist** is to develop EDP methodology – fully consistent with the ESA – so that Member States record government transactions and operations in a harmonised way. They have notably to study new methodological cases arising in Member States, work on the relevant Eurostat opinion if asked, prepare new decisions or guidances if necessary and update the MGDD.

3. The role of a **statistical officer/assistant dealing with GFS data** focuses on the verification of the overall exhaustiveness and consistency of GFS data, beyond pure EDP data.

The three broad groups of staff specialists identified above work together effectively, in a coordinated and complementary manner, with adequate sharing of knowledge and established procedures. The delineation of their work responsibilities is clear in order to avoid gaps and unnecessary duplication. This includes, where appropriate, joint participation in EDP missions and establishment of “service standards”, for example for methodological or risk assessment advice to desk officers.

Whilst the staff specialists have their own individual skills, some acquired in national statistical or accounting authorities, a mechanism for internal training and mobility expands the staff’s overview of the subject, providing a potentially rewarding career development on EDP matters. Existing training courses on national accounts and the ESTP government finance statistics course are supplemented by further specialised courses and seminars.

**Internal management reporting and decision making**

The strategic importance of EDP statistics necessitates formalised reporting and decision making within Eurostat. Heads of units of Directorate D report systematically to the Director at weekly meetings on the main new elements regarding issues/countries. Formalised reporting meetings with the Eurostat Director General take place at each bi-annual notification period (April and October) prior to the publication of the notification press release. Proposals for reservations and/or amendments of data are made by the relevant head of unit, confirmed by the Director, and forwarded for final decision to the Director General.

Reaching an agreement or a decision on new methodological issues is an essential part of the internal functioning of the Directorate because of the consequences on the reported data, via in particular reclassifications and/or specific recording. Methodological issues are essentially interpretations of the ESA. Some issues pertain to new transactions or entities identified by Eurostat
at European or national level, or on which NSIs or other entities request ex-ante or ex-post advice. The process to reach a decision on such methodological issues follows strict rules. For horizontal issues, a proposal is prepared by unit D1, after consultation of units D2 and D3. If the issue merits further consideration it may be brought to the EDPS WG for discussion and, in complex cases which require a formal Eurostat Decision, to a formal consultation of the CMFB. For country specific ex-ante or ex-post cases, the relevant desk officer prepares a draft advice and this is discussed internally.

The exceptional decisions of launching methodological visits are taken by the Director General who may also propose to the College to launch an infringement proceeding or to initiate a procedure which could lead to a MS being imposed a financial sanction by the Council. The cabinet of the Commissioner and DG ECFIN are informed of these decisions in accordance with the Eurostat implementation of the Code of Practice.

EDP statistics may be particularly sensitive and the principle of independence of statisticians is, therefore, particularly important. A number of documents detail the relations between Eurostat and its partners: the Eurostat implementation of principle 1 of the Code of Practice (Professional independence) is particular important. The detailed working arrangements between Eurostat and the Cabinet of the Commissioner are also publicly available. The Commission decision on Eurostat defines further Eurostat’s role and responsibilities within the Commission.

The role and responsibilities of Member States

As for other statistics, the Member State’s National Statistical Institutes must comply with the general principles of statistical compilation and quality under Regulation 223/2009, as amended (see Regulations linked to EDP). Moreover, the responsibility of the national statistical authorities is to ensure the compliance of reported data with Article 1 of Regulation 479/2009 and the underlying ESA 2010 accounting rules. Member States shall ensure that the national statistical authorities are provided with access to all relevant information necessary to perform these tasks. Furthermore, institutions and officials responsible for the reporting of the actual data to the Commission (Eurostat), and of the underlying government accounts, are accountable and must act in accordance with principles established in the statistical Code of Practice. Specific guidance is being developed for the EDP, see for example Quality Management in Government Finance Statistics.

The national organisation of production of EDP statistics is a matter for Member States. Nevertheless in almost all Member States it is the NSI which prepares "actual" EDP statistics (with the exception of Belgium, where it is the Central Bank). Within Member States, it is common to find three main institutions collaborating - the National Statistical Institute (NSI), the National Central Bank (NCB), and the Ministry of Finance (MoF). Eurostat encourages the creation of working groups of the institutions (preferably established under a written agreement, and chaired by the NSI) to discuss statistical classification and data preparation issues.

Specifically for EDP, Regulation 479/2009 requires that Member States delegate an “EDP Reporting Authority” for the bi-annual submission of EDP notification tables and associated material (unit D2 maintains a list of the reporting authorities and contact names). In most cases this reporting authority is the NSI, with other institutions sometimes associated, however in the Netherlands it is the Ministry of Finance, and in one (Belgium) it is the Central Bank. Nevertheless, in those cases where Finance Ministries are designated, the historical data are prepared by the NSI.

Regulation 479/2009, as amended, makes a number of obligations on Member States, and notably:

- Reporting of EDP notification tables to Eurostat;
• Informing Eurostat, as soon as it becomes available, of any major revision in reported deficit and debt figures (with documentation);
• Providing Eurostat, as promptly as possible, with the relevant statistical information requested for the needs of data quality assessment;
• Provision to Eurostat, and publication, of EDP inventories of sources and methods;
• Taking all necessary measures to facilitate methodological visits;
• Ensuring that actual data reported, and Institutions and officials involved, comply with the principles established in Regulation 223/2009;
• Taking appropriate measures to ensure that Institutions and officials responsible for reporting are accountable.

**Instruments of coordination**

It is important that Eurostat works in close coordination with Member States, both to ensure harmonised application of relevant EDP rules, and also to draw upon their experience to meet new challenges.

Whilst general national accounts issues are discussed at the National Accounts Working Group (NAWG) and the GNI Committee (GNIC), specific government accounts issues are discussed at the EDP Statistics Working Group (EDPS WG). This group meets twice per year (in June and December), is chaired by Eurostat, and is composed of representatives from NSIs, Central Banks and (for several countries) Ministries of Finance; the ECB, DG ECFIN, the OECD and the IMF also participate.

The Committee for Monetary, Financial and Balance of Payments statistics (CMFB) acts as an advisory body to the Commission on complex EDP matters, as specified in the Regulation 479/2009. In practice, the CMFB is consulted on changes to be introduced in the Manual of General Government Deficit and Debt (MGDD). There are specific procedures to be followed for the consultation of the CMFB on EDP issues. In this context, CMFB members are required to act as independent experts.

Eurostat may set up Task Forces, made up of country volunteers, to address specific issues. These Task Forces are usually mandated by the EDPS WG, which may draw its conclusions based on the Task Force results. In specific cases, Eurostat may decide to consult the CMFB for further advice.

**Training**

Training is an essential tool in this complex domain of EDP compilation and verification. Trained staff is a necessary condition for quality assurance and, also, independence in NSIs, Central Banks, and Ministries of Finance as well as in Eurostat itself. There is indeed no independence without competence and accountability. Eurostat organises an annual two week GFS Training Course as part of the ESTP, which is open to Member State staff and is also attended by new Eurostat staff working in GFS.

Since 2011, a further annual regional GFS course, supported by Eurostat and similar in content with the main course, is being organised by a Member State directed to the hosting country and neighbouring countries. The course must comprise more than 50% of staff of neighbouring countries.
Principles of transparency

Since the revision of Regulation 3605/1993 in 2005 (the forerunner of Regulation 479/2009), Eurostat has adopted a general principle of transparency with respect to its EDP tasks. This means that all EDP mission reports (“final findings”) and EDP inventories are published. Furthermore, unless blocked by a country, Eurostat’s letters providing bilateral EDP advice to countries are also published.

Generally, Eurostat publishes its opinion on statistical issues that concern EDP in accordance with principle 1.7 of the code of practice. However, during the notification periods (three first weeks of April, three first weeks of October), Eurostat does not comment publicly on EDP issues.

The "GFS" web-site has been developed to be a central repository of Eurostat’s published GFS material. In addition to EDP mission reports and bilateral correspondence, it also provides links to EDP notifications and other GFS publications, Eurostat’s database, and various methodological materials. It may be accessed at:

Eurostat has an obligation to report to the Economic and Financial Committee (EFC) on EDP matters. It does so through two mechanisms – sending copies of the final findings of EDP visits, and providing a report on each EDP reporting round (which is usually discussed at the following EFC meeting). The EFC report is prepared directly after publication of Eurostat’s EDP Press Release, based on a dedicated data system in units D1/D2/D3, and following a well-established format.

Under Regulation 479/2009, Eurostat is obliged to report to the Council and Parliament on EDP matters. This is undertaken annually. It is largely based on - with substantial abridging - the EFC reports.

Eurostat may also report on EDP matters to other bodies where appropriate, for example the ESSC and ESGAB, however this is not established to a regular timetable nor to a prescribed format.

The accounting framework

The legal rules

The general accounting framework for EDP statistics is currently set by ESA 2010 (Council Regulation 2223/96 as amended). The ESA is based on the worldwide System of National Accounts (SNA 2008). It contains a specific chapter on government accounts, which transposes many of the existing interpretative elements (see below) into the legal framework.

The definition of deficit and debt measures to be used for EDP purposes are described in Protocol (No 12) on the excessive deficit procedure annexed to the Treaty. This is further specified in Article 1 of Regulation 479/2009. The definitions are based on standard ESA 2010 concepts, but with some specific deviations for debt.
The interpretation and development of national accounting rules

Since ESA is a general system of national accounts, it is necessary to provide interpretative guidance on specific government recording issues for Member States to ensure a harmonised approach to statistical recording. In particular, Eurostat may establish reservations on Member State data, or change the data, if EDP methodology has not been followed. Eurostat's role in establishing EDP methodology has been tested three times in the European Court of Justice, with respect to three national cases (two from Spain and one from Belgium).

The central repository of Eurostat's interpretative binding guidance on EDP matters is the ESA 2010 Manual on Government Deficit and Debt (MGDD). This manual contains the accumulated guidance over many years from Eurostat Decisions and guidance notes (see below), together with other material. It is produced by Eurostat - often with the help of Member States through Task Forces or an "Editorial Committee", and is then subject to discussion at the EDPS WG. In complex cases, this is followed by a CMFB consultation, after which Eurostat reviews which changes are to be made to the draft before publication.

Eurostat has decided upon a system of regular annual updating of the MGDD in December/January and, in general, will only make the electronic version of the manual available after each update.

When Eurostat observes that a transversal issue has arisen across several countries, or anticipates that this may be the case, it works towards the establishment of a "Eurostat Decision", often - but not necessarily - with the assistance of Member State experts in a Task Force. Eurostat will consult the CMFB on such issues, and then, generally, prepare its Decision in the form of a News Release with an accompanying background note. All such Decisions are published on the Eurostat website with, in annex, the CMFB Opinion and relevant background notes. The Opinion of the CMFB is also posted on the website of the CMFB. CMFB follows its own rules of procedure for the consultations. The Eurostat decisions are binding.

It is also possible - according to the CMFB rules of procedure - that a member of the CMFB may itself bring forward a national case for a CMFB consultation. In this case Eurostat considers, with the CMFB chair, whether a consultation is needed, and, if yes, prepares background documents and then considers if the result of the consultation should lead to a decision or further methodological work.

During the mid-2000s it became evident to Eurostat that Member States sought rapid guidance on issues where the full process of preparing a Eurostat Decision would be disproportionate or too time consuming. Eurostat has therefore also established a mechanism to prepare Guidance Notes, which it publishes on its website. These Notes are drafted by Eurostat and subject to discussion in the EDPS WG. These Notes are not subject to a CMFB consultation.

When there are doubts on the correct accounting treatment of a specific government measure, without prejudice to the authority exercised by Eurostat as regards methodological issues, Member States are strongly advised to organise as early as possible consultations at national level between the Ministry of Finance, the Central Bank and the NSI, under the leadership of the latter. In cases, where doubts prevail the NSI can request an advice from Eurostat. Eurostat provides bilateral advice (both "ex-ante" and "ex-post") to Member States upon request following established procedures. Crucially, Eurostat's views are "preliminary" since they are always subject to the information provided and (for ex-ante cases) to the implementation according to plan. Any of the national statistical authorities may ask for advice, though it must be accompanied by the view of the
National Statistical Office. Once the dossier of information is complete, Eurostat should respond within 2 months (unless a Task Force and CMFB consultation is required). Eurostat publishes the letters of advice on its GFS website, unless the Member State expresses its wish not to publish (this is quite common for ex-ante cases).

**Upstream issues**

Eurostat examines upstream issues during its dialogue visits, drawing on information in EDP inventories and the past work of the GFS Quality Management Working Group. Eurostat’s role in the verification of upstream data sources also means that Member States’ public accounting systems are of high interest. Directorate D is currently an observer in the IPSAS board.

**National documentation forming the basis of the verification process**

**Provision of data and metadata**

Alongside the [EDP notification tables](#), other information is transmitted which provides additional background for (and opportunity to cross-check) EDP data:

- The questionnaire related to the EDP tables mentioned in Regulation 479/2009 and its format is subject to a CMFB consultation (most recently in 2011). The questionnaire, made up of many individual tables, is a formalised source of information on revisions, adjustments, financial transactions and the application of specific Eurostat Decisions. It is transmitted twice per year with the EDP notification tables.
- The supplementary tables on the financial crisis provide the opportunity to check the recording of government interventions.
- The table on Inter-governmental lending ensures that such lending is identified and there is symmetry in recording across countries.
- GFS tables (both annual and quarterly) are transmitted to Eurostat under the ESA 2010 transmission programme (see [Regulation 549/2013](#)). They provide greater breakdowns of GFS and should be in line with EDP data if reported at the same time; this is systematically checked. The most important tables for EDP purposes are ESA Table 2 (annual non-financial government data) and ESA Table 27 (quarterly financial accounts of general government).
- The newly introduced supplement on contingent liabilities and potential obligations to the EDP related questionnaire will collect data from the beginning of 2015 on contingent liabilities and potential obligations which are required by the Council Directive 2011/85/EU. EDP data will be completed by the information about government guarantees in the context of the new ESA 2010, off-balance sheet public private partnerships and non-performing loans.

In addition to these data, other sources of information are:

- The "[EDP inventories of sources and methods](#)" is the repository of information on national practices.
- A set of one-off questionnaires seeking (i) detailed information on some specific government transactions as well as for (ii) further technical details reconciling some indicators and explaining recordings in EDP tables, have been designed by Eurostat. Member States are asked to complete the tables on a one-off basis (e.g. prior to EDP dialogue visits) when relevant and the related amounts are substantial. The tables allow Eurostat to analyse the
quality of EDP figures.

- Reports of the National Courts of Auditors may be helpful if they provide information on the quality of public accounting data and possible weaknesses in systems. It is important to underline that some Court reports - for example on efficiency issues - are of limited or no statistical interest. Eurostat reliance on Court of Auditors focuses on their role as ex-post certifiers of public finance data. Courts of Auditors are essential partners as regards the quality assurance of upstream data sources, and are thus contacted systematically during upstream dialogue visits. They are not contacted for standard dialogue visits, which essentially deal with methodological issues and the "translation" from 'raw' data into ESA concepts.

- Eurostat always requests information on large public corporations, notably those with significant guaranteed debt. Linked to the EDP notification tables, a full register of government controlled entities is compulsory. It includes elements allowing to verify the market/non market test and the possible impact on government debt.

- Published accounts of government units and public corporations are important in some circumstances. The overall (State) budget reports are sources of information for verifying the transition from public accounts to ESA 2010 balances. Individual accounts for public corporations provide information for assessing the statistical classification (notably the market/non-market test).

- Other sources of information are helpful, including documents on sources and methods in national accounts (e.g. GNI inventories), Eurostat documents (e.g. GNI verification), market and regulatory documents (e.g. rating agency reports) and national publications such as tax reports.

Preventive approach

Eurostat translates its experience into a structured preventive system applicable to all Member States. The threefold objective, in cooperation with NSIs, is to better identify, assess and monitor significant risks or problems in a proactive manner with a view to taking corrective action at the earliest possible point. To achieve this, the entire production chain for EDP statistics must be covered — from the sources of upstream accounting data up to final notification of EDP data reported by NSIs.

For this purpose, Directorate D has developed a risk assessment system based on the knowledge of the Directorate D staff on particular EDP issues related to individual countries, as well as contributions from partner organisations (ECFIN, ECB). It considers wider risk factors (inherent risks, control system risk, institutional environment risk) as well as specific EDP risks. The risk assessment is used as a key element for the planning of EDP missions and other verification activities.

The organisation of verification

Regulation 479/2009 provides the general framework for verification and sanctions (reservations and corrections of data). A Commission Delegated Decision on investigations and fines related to the manipulation of statistics is now in force.

While Eurostat does not "certify" explicitly the deficit and debt notified by Member States, the fact that Eurostat publishes the data as notified by a Member State without a specific reservation or data amendment is equivalent to a message of sufficient quality assurance. However, no specific reservation or amendment does not mean that there are no on-going issues to be resolved with the Member State, but that these issues are considered by Eurostat to have no significant material impact on the results. In particular, these impacts remain in the limit of the acceptable revision of
the data (see also guidance on revision policy).

Eurostat introduces specific mentions in the press release of the notification when it considers that there are issues of sufficient importance to have an above acceptable revisions impact on the data. Mentions range from:

- **Reservation on the data**: A reservation indicates that Eurostat does not consider the relevant Member State data as of sufficient quality and announces it publicly through the press release associated to the notification. The Member State is informed about the reservation at least three days before the publication. The chair of the EFC is also informed in advance. The text of the reservation indicates the issues that are to be resolved. A reservation triggers an in-depth analysis to resolve the issues. It leads, when issues are resolved, to lift the reservation, through a specific press release or through the next notification press release.

- **Amendment to the data**: when Eurostat has the possibility to estimate with sufficient accuracy the impact of the reservation on a Member State's data, it directly amends the data notified by the Member State. Amendments are announced, similarly to the reservation, to the Member State and the EFC, three days before the publication.

The tool to address deficiencies in EDP reporting is the instigation of an infringement procedure. The most recent case was Greece. The 2011 "economic governance package" has introduced the possibility of fines up to 0.2% of GDP for deliberate manipulation of EDP data, see Regulation (EU) No 1173/2011 and the Commission Delegated Decision on investigations and fines related to the manipulation of statistics. The launch of an investigation under the Delegated Decision will normally be preceded by a methodological visit by the Commission (Eurostat), in accordance with Article 11b of Regulation No 479/2009.

**The tools**

**a) Notification and Exchanges of clarification**

Member States have to notify the EDP tables and questionnaire twice per year, before 1 April (first notification) and 1 October (second notification). During each EDP notification round, Eurostat and Member States engage in a clarification exercise involving Eurostat sending written questions (possibly in several rounds) and Member States providing answers, which could also include corrected tables. The clarification timetable is included as part of the general notification planning – it starts when the EDP notification table is received by Eurostat, and ends at the very latest 3 days before the publication date of the EDP News Release.

The format of the clarification questionnaire usually contains standard questions, to which Desk Officers add specific questions according to their analysis of Member State notifications and supporting documents. The Guidelines for completing the general government deficit and debt notification under the Excessive Deficit Procedure assists compilers with explanations on the detailed data entries required in each table. If Member States’ answers are not clear, or raise further questions, Eurostat may send further rounds of questions.

When EDP notifications and related documents arrive (to EDAMIS and/or a pre-defined list of email addresses), they are loaded into the EDP data system and the relevant automatic analysis is made available to Desk Officers together with data from ESA tables for cross-checking purposes.

**b) Missions**

Eurostat conducts around 20 missions (visits) to Member States per year in the domain of EDP.
Dialogue visits

EDP Dialogue visits – as provided for in Regulation 479/2009 – are intended to cover a wide range of statistical issues, reviewing all relevant aspects of EDP data. The programme of visits is established in advance reflecting the risk assessment approach described above, with Member States being visited at least every two years. DG ECFIN and the ECB act as observers. The operating procedures for EDP dialogue visits cover:

- The preparation process;
- The establishment of an agenda, following a standard template;
- Conduct of the visit;
- Reporting after the visit (notably Main conclusions and action points, Provisional Findings and Final Findings).

Ad-Hoc and Methodological visits

Eurostat undertakes a preventive approach to ensure the quality of the EDP statistics via standard procedures, such as clarifications, standard dialogue visits, upstream dialogue visits, and their resulting range of action points to be implemented.

Most issues should be resolved via dialogue visits. In case an urgent specific issue is raised with a Member State, Eurostat can organise an "ad-hoc" visit. Eurostat intends to only use the tool of "methodological visits" when this is the only solution to access to the effective sources and methods of the notified data and/or to clarify one of several specific issues with significant impact. This applies in particular if Eurostat and/or the NSI could not access some data necessary for its verification tasks. Furthermore, a methodological visit will normally take place before launching an investigation under Article 8 of Commission Decision on investigations and fines related to the manipulation of statistics. The operating procedures for Ad-Hoc and Methodological visits take account of their specific nature.

c) Coordination with DG ECFIN and the ECB

The Coordination with DG ECFIN and the ECB is assured in several ways:

- Informally through continuous contact of desk officers (both DG ECFIN and ECB also have a country-based desk officer system) and, in DG ECFIN, a designated contact point;
- Through ECFIN and ECB participation in the EDP Statistics Working Group and the CMFB, and in any relevant Task Forces established by Eurostat;
- Through ECFIN and ECB participation as observers on EDP visits; observers are regularly informed of the confidentiality rules on statistics, and may have no or limited access to certain information;
- Under regular meetings, both with ECFIN (ECFIN Directorate C – Eurostat Directorate D regular meetings) and with the ECB (Eurostat-ECB management meetings)

Controls

The control of the quality of the EDP inventory

Compilation and publication by Member States of the "detailed inventory of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts" (EDP inventory) is foreseen by Council Regulation 479/2009. Availability of detailed and
comprehensive EDP inventories is of vital importance for improving the quality assessment of Government Finance Statistics (GFS) data and for identifying possible risks in the reliability of GFS and thus of Maastricht deficit and debt data.

The EDP inventories should always provide up-to-date information. Accordingly, Member States should take the immediate initiative to amend the inventory whenever important changes in the methods, procedures, and sources are implemented.

The EDP inventory should increase the ability of Eurostat to assess the quality of EDP data reported by Member States and to verify its compliance with ESA 2010 methodology. The detailed information requested allows Eurostat to assess the institutional arrangements related to the production and dissemination of government deficit and debt statistics, to check the appropriateness of the basic and supplementary data sources used for compilation of EDP tables and national accounts by government subsectors, as well as the amendments to basic data sources which are made in order to comply with ESA 2010 concepts. It enables Eurostat to conduct an in-depth analysis of the practical application of methodological rules related to the sector classification of public units, time of recording and treatment of specific government transactions. A list of general government units is made public as a part of the EDP inventory. In addition, several annexes are to be provided only for the internal needs of Eurostat (not to be published): (i) a bridge table between public accounts and ESA 2010 codes, (ii) a questionnaire on taxes and social contributions, (iii) updated versions of various one-off questionnaires completed by countries in the past.

Before the EDP inventory is published, a draft prepared by a country will be analysed by desk officers in Eurostat in order to assess whether all information and details requested in the guidelines are covered in the national descriptions. Clarifications and further possible amendments/precisions would be dealt with on a bilateral basis. Possibly, a technical discussion focused on the analysis of the information provided in the revised EDP inventory might take place during an EDP dialogue visit. As a result, Eurostat would indicate which amendments should be made by Member States in order to provide comprehensive information and a clear picture on the sources, procedures and methods used for EDP data compilation. Finally, once agreed, the Inventory will be published by Eurostat and the Member State.

The content of the EDP inventory is the subject of scrutiny at each EDP visit, with a view to ensuring that it is up-to-date and where specific questions are raised.

**The control of the perimeter of general government**

The ultimate objective of the macroeconomic monitoring of public finances in the SGP and in programmes is to avoid unsustainable government debt. The measure of gross government debt is quite straightforward for most of the units of general government (central, state, local governments, social security). However, in order to measure the total effective government gross debt, a rule has to be laid down regarding when the gross debt incurred by a unit controlled by the government (but not classified within the general government), becomes the financial responsibility of the government, and thus should be added to the existing government debt. This happens technically by reclassifying the unit inside the general government. Eurostat therefore has an important role in controlling the perimeter of general government.

The ESA's extensive definition of the general government sector is that it is composed of institutional units, controlled by government and having "non market" behaviour. Eurostat's focus as regards the perimeter of the general government concerns therefore essentially institutional units controlled by government but not classified inside general government such as public non financial corporations and public financial institutions, for which the need for a possible reclassification inside
the perimeter of the general government should be assessed. Also to be classified inside the general government are entities controlled by the general government but with no autonomy of decision (such as some Special Purpose Vehicles).

A register on government controlled entities provides an efficient tool for this purpose. It allows in particular checking the implementation of the so-called 50% test applicable to non financial corporations: if sales do not cover 50% of production costs, the corporation is considered as non market. As regards public financial corporations with some exceptions, the 50% test is not applicable. Other criteria are used (the principal being "risk taking") in particular as regards "public defeasance structures" (see Chapter IV of the MGDD).

The control of EDP notification tables

The process of verification of EDP notification tables twice per year has always been seen as one of the key moments for data analysis, drawing on the work between notifications, including missions. The process is heavily supported by dedicated IT tools – including for cross-checks with ESA data and internal consistency checks and completeness of data. Desk Officers follow a check-list approach, focusing on the revisions of data, assessment of the treatment of specific government transactions in view of ESA 2010 methodology, reconciliation between public accounts and ESA 2010 balances, large stock-flow adjustments and consistency between non-financial and financial accounts.

An important tool for the control of the data reported in EDP tables is the questionnaire related to the EDP notification tables. It provides further details of the data reported in EDP notification tables and indicates how the methodological treatment of specific government transactions is reflected in EDP tables.

Through clarification rounds (see above), a series of Eurostat questions and Member State answers allows a greater understanding of the basis of the reported data and (where necessary) corrections to the data.

The timetable for the EDP notification round is established in advance and monitored.

The control of quarterly data

The detailed data requirements for quarterly GFS data are specified in the ESA 2010 transmission programme and additional legislation. Eurostat checks the consistency between the quarterly financial accounts, non-financial accounts and debt datasets, as well as with annual data. In addition, a number of quality aspects are verified, such as internal consistency, statistical discrepancies, large revisions, outliers and specific events. The GFS team has close bilateral contact with Member States during the verification process, systematically sends transmission reports on the data transmitted and, at the end of the process, a quality report is produced and presented to the GFS Task Force and EDP Statistics Working Group (EDPS WG). Eurostat also publishes detailed metadata for all reporting tables and countries. The validated quarterly government finance data are published in Eurostat's database as well as in an integrated publication for all Member States. Quarterly debt and quarterly deficit (seasonally adjusted) press releases are published around T + 114 days.

The EDP Desk officers also review the quarterly data, as a way of anticipating important issues before the annual data are prepared. In collaboration with ESA data managers, they focus on the analysis of outliers and exceptional events, including the recording of issues which are already
known via regular monitoring and EDP visits. Efforts are concentrated in July and January, whereas the October transmission will normally only be analysed after the EDP notification process has been finalised.

**Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States** requires sub-annual cash data (monthly, except for quarterly data) and a description of the methodology of transition from the cash figures to ESA 2010-based data. The implementation of the new requirements was discussed in a special task-force organised by Eurostat during 2012/13 and resulted in delegated acts on the two-pack and the six-pack which i.a. require quarterly GFS data.

**The control of the integrity of the institutional arrangements**

The respect of the Statistical Code of Practice and Regulation 223/2009 in establishing independent and profession institutional arrangements is as important for EDP as for other statistics. Whilst there are general procedures in place for assessing the institutional arrangements of Member States, including through the ESGAB framework, some specifics of EDP statistics will be assessed against these standards.

**Quality management of EDP processes**

The **European Statistics Code of Practice** provides the framework for quality management of statistics. However, it was the task of the GFS Quality Management Working group to develop a set of quality management indicators specific to EDP.

Eurostat has introduced a harmonised and robust approach to quality management for EDP purposes, taking into account the relevant risk factors in its risk assessment model. This approach focuses on the effectiveness, reliability, integrity and transparency of the process of data flows between public entities and the statistical authorities in charge of the final compilation of EDP data. It covers an analysis of arrangements regarding the responsibility of national officials and staff involved in these workflows, the verification of the completeness and accuracy of the registry of entities controlled by units of the general government; the verification of accounting data by Member States at all levels of general government, as well as robust and effective supervisory and control systems at national level.

**Revisions**

With each notification, Member States shall report deficit and debt figures for the past four years. The reported figures frequently differ from the same figures reported at earlier notifications due to revisions in the underlying statistical sources or for other reasons such as errors and omissions, changes to the interpretation of rules, or clarifications of rules.

It is important for policy purposes that EDP figures are reliable - significant revisions may undermine the confidence of users. At the same time, it is not possible in a statistical framework to avoid revisions altogether.

Eurostat undertakes a regular analysis of EDP figures to ensure that the size of 'normal' revisions does not impair the interpretation of the data, and that significant revisions can be explained by specific well-documented events. A specific concern may be raised if there is a pattern in a sequence of revisions.
For further details, see Revision of EDP data.

**Publication processes**

Eurostat publishes EDP News Releases twice per year, three weeks after the deadlines for transmission of the EDP notification tables. If this date falls on a weekend, and after consultation of the Eurostat Press Office, a decision is taken on the publication date. The procedure for EDP News Releases or related GFS publications follow the global policies of Eurostat (Protocol on Impartial Access to Eurostat data; Working Arrangements with the Commissioner[1]).

The EDP News Release has a standard structure, and is completed in English by Eurostat Units D1, D2 and D3 through successive drafts from mid-April/mid-October. The data tables are prepared by Unit D4. The News Release is sent to the Press Office for editing suggestions, and is then translated into French and German.

At the same time as the EDP News Releases, Eurostat publishes the following documents on its GFS website:

- EDP Notification tables for all Member States are published in pdf format.
- Supplementary tables on the financial turmoil accompanied by a background note on government interventions to support financial institutions during the financial crisis.
- A note on the (debt/deficit) stock-flow adjustment.
- A note on trade credits

Eurostat also publishes EDP notification and ESA tables data on Eurobase.

In addition, Eurostat publishes each quarter data from the quarterly ESA tables (25, 27 and 28) and, three times per year (January, July and October), a News Release on quarterly government debt. This News Release is published around at T + 114 and is strictly consistent with the latest published annual debt notification. The publication for the fourth quarter (due in April) is merged with the News Release of the April annual notification. A press release on seasonally adjusted quarterly deficit is published four times a year at around t+114 days. Eurostat periodically release others publications on EDP and GFS issues, usually in the form of Statistics Explained. The most comprehensive publication on GFS are the annual and quarterly GFS template tables. For more information on the Eurostat GFS presentation comprising EDP and GFS data, see Integrated government finance statistics presentation.