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**European Parliament – ECON Committee Hearing  
"Fiscal Crisis in the European Union - Lessons from Greece:  
economic surveillance, statistics, off-balance sheet operations and  
sovereign debt"  
14 April 2010**

**Speech of Mr Walter Radermacher – Director General of  
Eurostat  
How to improve the reliability of national statistics**

Madam Chair, Honourable Members of the Committee, Ladies and Gentlemen,

Good afternoon. My name is Walter Radermacher, and I am the EU's Chief Statistician, and the Director General of Eurostat, the Statistical Office of the European Commission. I would like to thank you for your invitation to appear for the first time before this Committee.

Eurostat has a coordinating role within the European Statistical System, which is made up of Eurostat and the national statistical authorities. Eurostat therefore does not compile data directly – this is the responsibility of the national authorities – but it sets common methodological standards, ensures data quality and publishes the data with European aggregates.

As you are probably aware, the events surrounding Greek fiscal data in 2004 – which were the subject of an extensive Eurostat report at the time – led to a major strengthening of the governance structure for European statistics, with a view to improving quality assurance. A series of initiatives have been implemented – the Statistics Code of Practice, Self-assessments and peer reviews of national statistical systems, a legal basis for the European Statistical System, and the establishment of two advisory bodies – the European Statistical Governance Advisory Board and the European Statistical Advisory Committee. All of these tools helped us to elevate the quality in Official European Statistics.

But it should be noted that the eventual tools granted to Eurostat (both generally and more specifically on EDP data) and the European Governance Advisory Board, were more limited than the Commission had asked for. So, our toolbox has not been as good as we had wanted it to be.

At the same time there has been an acknowledgement of the need to adequately resource the production of official statistics, government resources are very tight across the EU. Last year's Commission's **Communication 404** set out a vision for the production of European statistics that would alleviate resource pressures through the introduction of more efficient, and coordinated, production process in the European Statistical System.

Turning specifically to **public finance** statistics, Eurostat's role in Excessive Deficit Procedure statistics started after the Maastricht Treaty, which established that the data used should be based on statistics (national accounts) and not on national budgetary procedures. This is set down – together with the relevant procedures and powers of the Commission - in Council Regulation 479/2009, which was last revised in 2005. The methodological basis for these statistics is the European System of Accounts, or "ESA95", an EU Regulation. It is important to underline that Eurostat is only concerned with the facts and events that have already happened, and – contrary to what one might read in the press – has no role in assuring the quality of fiscal forecasts.

Since the ESA95 sets out general rules, and there may be new developments – for example governments undertake new forms of transactions – Eurostat is responsible for an ongoing process of issuing relevant Decisions and methodological guidance notes to ensure a continued harmonisation of reporting by countries. It is clear that the faster pace of "innovation" by governments in the 2000s, using more complex structures and instruments, has made this process more time-consuming and technically challenging. It is also the case that these structures and instruments are often quickly replicated across countries, and that a much wider audience than just statisticians is looking closely at statistical guidance.

The government responses to support financial institutions during the financial crisis – for which Eurostat developed specific statistical guidance – is one example of the need for statisticians to respond to new developments.

Following the 2005 revision of Eurostat's powers in the area of EDP data, there was an acceleration of Eurostat's work. Eurostat now visits all countries more regularly, and has conducted so-called methodological visits to Greece. There has also been a major improvement in the transparency of Eurostat's work, with a wide range of information published on Eurostat's website.

Given this important background, I would turn to the specific issue of Greek public finance statistics. On 8<sup>th</sup> January 2010, the Commission published a detailed report on Greek government deficit and debt statistics which described the background and specific issues raised by events during the October 2009 reporting of Greek EDP data. During this reporting period, substantial revisions were introduced by the Greek authorities to 2008 deficit data, from 5% of GDP to 7.7% of GDP.

The January 2010 Commission report identified severe irregularities in the Greek EDP notifications of April and October 2009. The revisions in the deficit data were due to failings in the institutional setting in Greece and in the specific procedures used for compiling government deficit and debt data. In particular, there was inappropriate governance, poor cooperation and allocation of responsibilities between Greek public institutions, diffuse personal responsibilities, ambiguous empowerment of officials, and a general absence of written instructions and documentation.

It also became clear that the Greek government has been using certain financial derivatives for the purposes of artificially reducing its reported debt, and had not reported them to Eurostat.

As a follow-up of the Commission report, and the Report of the Independent Experts Committee established by the Greek authorities in November 2009, a set of recommendations and follow-up actions were established. Eurostat has also requested a large amount of information from Greece, and has conducted two extended visits to

Greece during March 2010. This work is continuing during the ongoing EDP notification process and will be taken forward in the coming months. I am convinced that we can continue to work closely together to build up an independent and strong Hellenic Statistical System.

In parallel, Eurostat has initiated an infringement procedure towards the Greek authorities due to a number of short-comings and violations of the relevant European legislation.

The Greek statistical issues, whilst exceptional amongst EU countries in terms of the sums involved and the very serious institutional failures identified, has led Eurostat to reflect carefully on what can be done to improve the monitoring of national EDP statistics.

On 15 February the Commission has adopted a Proposal for adjusting the legal rules with the view of enhancing the quality of fiscal data for EDP, by revising Council Regulation 479/2009.

In particular, this Proposal opens the possibility for Eurostat to access relevant sources of information, such as public accounts. The Proposal also allows Eurostat, under exceptional and strictly defined conditions, to monitor the processes and verify the accounts which justify the reported actual data in the context of the existing methodological visits. These have been described as “audit-like powers”.

The proposal, if adopted, would mean a significant reinforcement, mainly by internal redeployment, of Eurostat staff working in the area of EDP data. This will allow an increased rhythm of EDP visits to countries.

However, I would also underline that these enhanced powers that are being requested would not eliminate the risk of deliberate misreporting, but only **reduce** it. Since Eurostat does not compile the national statistics directly, it relies on the professional independence, competence and resourcing of the national statisticians involved.

It is important to stress the issue of **resources**. As I mentioned earlier, the vision for European Statistics – with its focus on improved **efficiency** – is intended to free up resources for redeployment to

priority areas. But it must be accompanied by **proper resourcing** of national statistical authorities.

And there is a wider picture to take into account. Official statisticians also rely on the development and maintenance in EU countries of reliable and transparent **public accounting** systems, with appropriate audit arrangements, to ensure the completeness and integrity of source data for use in compiling statistics.

Looking further forward, we are working on the **revision of the European System of Accounts** and this will include – for the first time - a specific chapter on government data. The Commission proposal for a new ESA Regulation will be made this year, with the aim to introduce the new approach for data reported in 2014. During our preparation, we are taking a full account of our experience in the Greek affair.

Thank you for your attention. I would be happy to answer any questions you may have.