



COMMISSION OF THE EUROPEAN COMMUNITIES

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2005/0013 (CNS)

Proposal for a

COUNCIL REGULATION

amending Regulation (EC) No 3605/93 as regards the quality of statistical data in the context of the excessive deficit procedure

(presented by the Commission)

EXPLANATORY MEMORANDUM

In the context of the excessive deficit procedure, as laid down in Article 104 of the EC Treaty, the Commission monitors the development of the budgetary situation and the stock of government debt in the Member States. Article 4 of the Protocol on the excessive deficit procedure annexed to the EC Treaty further specifies that “*The statistical data to be used for the application of this Protocol shall be provided by the Commission*”.

On behalf of the Commission, Eurostat has assumed the role of statistical authority in the context of the Excessive Deficit Procedure (EDP) and exercises its remit pursuant to Commission Decision of 21 April 1997 on the role of Eurostat as regards the production of Community statistics¹.

Eurostat does not directly compile the fiscal data of the Member States, but depends on data compiled and reported by the national authorities. Council Regulation (EC) No 3605/93², as amended by Council Regulation (EC) No 475/2000³ and Commission Regulation (EC) No 351/2002⁴, defines the rules and coverage of such reporting by the Member States. It also lays down a timetable for the reporting to the Commission of annual data on government deficit/surplus and on government debt.

On 18 February 2003, the Council of Ministers (ECOFIN) adopted a Code of Best Practice in an attempt to clarify and streamline the procedures for compiling and reporting data for government deficit and debt in the context of the excessive deficit procedure.

Past developments have shown that substantial revisions of fiscal data may occur, which can harm the credibility of budgetary surveillance as a whole. It is the Commission’s responsibility to assume the highest degree of awareness and concern for the quality of the statistical data used in budgetary surveillance. At the same time, the Council has explicitly invited the Commission to strengthen the monitoring of the quality of the reported fiscal data.

The Commission adopted on 22 December 2004 the Communication to the European Parliament and the Council “Towards a European governance strategy for fiscal statistics”⁵, which included three lines of action for the improvement of fiscal statistics: completing the legal framework, developing the operational capacity, and the development of European minimum standards for the institutional set-up of statistical authorities.

The measures proposed in this draft Regulation relate to the first and second lines of action. They are designed to set up surveillance mechanisms, define procedures to resolve methodological issues and increase accountability and transparency throughout the whole process.

Council Regulation (EC) No 3605/93 contains the relevant definitions for the purpose of the excessive deficit procedure and lays down a timetable for the reporting by Member States to the Commission of annual government deficit and debt and of other annual government data.

¹ OJ L 112 of 29.4.1997, p. 56.

² OJ L 332, 31.12.1993, p. 7.

³ OJ L 58, 3.3.2000, p. 1.

⁴ OJ L 55, 26.2.2002, p. 23.

⁵ COM(2004) 832.

There is, however, no reference in this Council Regulation to the assessment of the quality of the data reported by Member States or to the provision of data by the Commission.

In order to develop these aspects, this draft Regulation builds on the experience gained in the implementation of the Council Regulation (EC) No 3605/93 and of the Code of Best Practice. In proposing measures to strengthen the statistical monitoring in the context of the excessive deficit procedure, consideration has also been given to existing procedures and checks on the calculation of gross national income figures, as laid down by Council Regulation (EC, Euratom) No 1287/2003 of 15 July 2003 on the harmonisation of gross national income at market prices (GNI Regulation)⁶.

As for the second line of action described in the Communication mentioned above, the proposed measures included in this draft Regulation allow for in-depth monitoring visits in addition to the dialogue visits which are currently carried out, and for the mobilisation of all of the existing expertise in this field in order to assist the Commission in these visits. The resource requirements for the goal of reinforcing and making systematic the checks on the accounts of national public administrations are described in the attached financial legislative statement.

The Commission will develop administrative arrangements related to this draft Regulation, in particular the practical modalities for the in-depth monitoring visits and the modalities for selection of the experts assisting the Commission in these visits.

The Commission is currently working to develop the third line of action included in the Communication. There is a need to establish European-wide minimum standards in the domain of statistics, which reinforce the independence, integrity and accountability of the National Statistical Institutes and of Eurostat, in order to respond to the invitation of the ECOFIN Council by June 2005. The Commission therefore plans to make proposals in this area before that date. The proposals will take into account the work of a task force in the framework of the Statistical Programme Committee which has drafted a European statistics Code of Conduct. This Code aims at improving trust and confidence in the independence, integrity and accountability of both National Statistical Authorities and Eurostat, and in the credibility and quality of the statistics they produce and disseminate. It also aims at promoting the application of best international statistical principles, methods and practices by all producers of European Statistics in order to optimise their quality.

⁶ OJ L 181, 19.7.2003, p. 1.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular the third subparagraph of Article 104(14) thereof,

Having regard to the proposal from the Commission⁷,

Having regard to the opinion of the European Parliament⁸,

Whereas:

- (1) Statistical data to be used for the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community must be provided by the Commission. The Commission does not directly compile these data but relies on data compiled and reported by the national authorities pursuant to Article 3 of that Protocol.
- (2) The role of the Commission, as statistical authority, in that context is specifically exercised by Eurostat, on behalf of the Commission. As the Commission department responsible for carrying out the tasks devolving on the Commission as regards the production of Community statistics, Eurostat is required to execute its tasks in accordance with the principles of impartiality, reliability, relevance, cost-effectiveness, statistical confidentiality and transparency, as laid down in Commission Decision of 21 April 1997 on the role of Eurostat as regards the production of Community statistics⁹.
- (3) Council Regulation (EC) No 3605/93 of 22 November 1993 on the application of the Protocol on the excessive deficit procedure¹⁰ annexed to the Treaty

⁷ OJ C, p. .

⁸ OJ C, p. .

⁹ OJ L 112, 29.4.1997, p. 56.

¹⁰ OJ L 332, 31.12.1993, p. 7, as last amended by Commission Regulation (EC) No 351/2002 (OJ L 55, 26.2.2002, p. 23).

establishing the European Community contains the relevant definitions for the purpose of the excessive deficit procedure and lays down a timetable for the reporting to the Commission of annual government deficit and debt and of other annual government data. In its current wording, the Regulation does not contain provisions concerning the assessment of the quality of the data reported by Member States or to the provision of data by the Commission.

- (4) Following a proposal by the Commission¹¹, the Council (ECOFIN) adopted on 18 February 2003 a Code of Best Practice on the compilation and reporting of data in the context of the excessive deficit procedure, in an attempt to clarify and streamline procedures, at both Member States and Commission levels, when compiling and reporting government accounts, and in particular data for government deficit and debt, in the context of the excessive deficit procedure.
- (5) The credibility of budgetary surveillance crucially hinges upon reliable budgetary statistics. It is of the utmost importance that data reported by Member States under Regulation (EC) No 3605/93 and provided by the Commission to the Council in accordance with the Protocol are of high quality.
- (6) It is necessary to specify measures to improve the quality of actual government data reported in the context of the excessive deficit procedure which build on existing best practices and which would allow the Council and the Commission to perform their duties under the Treaty. Core elements to evaluate the quality are laid down in the Quality Declaration of the European Statistical System, adopted by the Statistical Programme Committee in September 2001.
- (7) The compilation of budgetary statistics are governed by the principles laid down in Council Regulation (EC) No 322/97 on Community statistics¹², most notably the principles of impartiality, reliability, relevance and transparency.
- (8) Eurostat shall be responsible, on behalf of the Commission, to assess the quality of the data and to provide the data to be used in the context of the excessive deficit procedure, in accordance with Commission Decision of 21 April 1997.
- (9) A permanent dialogue should be established between the Commission and the Member States' statistical authorities in order to ensure the quality both of the actual data reported by Member States and of the underlying government accounts. To that end, both dialogue visits and in-depth monitoring visits may be carried out regularly by the Commission thus enhancing the monitoring of the reported data and providing a permanent assurance of the quality of the data. Member States have to promptly provide the Commission with access to the information.

¹¹ COM(2002) 670.

¹² OJ L 52, 22.2.1997, p. 1.

- (10) Detailed inventories of the methods, procedures and sources used for the compilation of actual deficit and debt data and the underlying government accounts have to be provided to the Commission, updated regularly and made public by the Member States.
- (11) Prompt decisions by the Commission (Eurostat) on the correct accounting treatment of a transaction in accordance with Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community (ESA95)¹³ are needed in cases of doubt as to correct accounting treatment of a government transaction or in cases which are either complex or of general interest.
- (12) Rules governing the provision of data by the Commission (Eurostat) have to be clarified in terms of the time limit of this provision and possible reservations and amendments.
- (13) Coverage of the reporting needs to be brought in line with the data currently reported by the Member States. More generally, Regulation (EC) No 3605/93 needs to be updated in the light of the experience gained through the implementation of the Code of Best Practice.
- (14) Regulation (EC) No 3605/95 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 3605/93 is hereby amended as follows:

- (1) Article 4 is amended as follows:
 - (a) In paragraph 2, the second, third and fourth indents are replaced by the following:
 - ‘– shall simultaneously provide the Commission for years n, n-1, n-2, n-3 and n-4 with their corresponding public accounts budget deficits according to the definition which is given most prominence nationally and with the figures which explain the transition between the public accounts budget deficit and their government deficit. The figures explaining this transition for years n-1, n-2, n-3 and n-4 which are provided to the Commission shall include the transition between the working balances of each government sub-sector and the net borrowing of the sub-sectors S.1311, S.1312, S.1313 and S.1314,

¹³ OJ L 310, 30.11.1996, p. 1, as last amended by Regulation (EC) No 1267/2003 of the European Parliament and of the Council (OJ L 180, 18.7.2003, p. 1).

- – shall report to the Commission their planned level of government debt at the end of year n, an estimate of the level of government debt at the end of year n-1 and their levels of actual government debt for years n-2, n-3 and n-4,
- – shall simultaneously provide the Commission for years n-1, n-2, n-3 and n-4 with the figures which explain the contribution of the government deficit and the other relevant factors to the variation in the level of their government debt by sub-sector.’

(b) In paragraph 3, the second indent is replaced by the following:

- “– their updated planned level of government debt at the end of year n and their levels of actual government debt for years n-1, n-2, n-3 and n-4, and shall comply with the requirements of the fourth indent of paragraph 2.”

(2) Articles 7 and 8 are replaced by the following:

“Article 7

1. Member States shall promptly inform the Commission of any significant revision in their actual and planned government deficit and debt figures already reported.
2. Significant revisions in the actual deficit and debt figures already reported shall be properly documented.

Article 8

Member States shall make public the actual deficit and debt data and other data for past years reported to the Commission in accordance with Articles 4, 5, 6 and 7.”

(3) After article 8, the following sections 3, 4 and 5 are inserted:

“SECTION 3

Quality of data

Article 9

1. The Commission (Eurostat) shall assess the quality both of actual data reported by Member States and of the underlying government accounts. Quality of actual data means the compliance with accounting rules, completeness, reliability, timeliness, and consistency of the data.
2. Member States shall promptly provide the Commission (Eurostat) with access to the information requested for the purposes of the data quality assessment.

Article 10

1. Member States shall provide the Commission (Eurostat) with a detailed inventory of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts.
2. The inventories shall be prepared in accordance with guidelines adopted by the Commission (Eurostat) after consultation of the Committee on Monetary, Financial and Balance of Payments Statistics (hereinafter referred to as 'CMFB') established by Council Decision 91/115/EEC¹⁴.
3. The inventories shall be updated regularly following revisions in the methods, procedures and sources adopted by Member States to compile their statistical data.
4. Member States shall make their inventories public.
5. The issues referred to in paragraphs 1, 2 and 3 may be addressed in the visits mentioned in Article 12.

Article 11

1. In the case of a doubt regarding the correct accounting treatment of a government transaction, the Member State concerned shall request clarification from the Commission (Eurostat) on the correct accounting treatment of the transaction in accordance with ESA 95.
2. The Commission (Eurostat) shall promptly examine the issue, take a decision and communicate the decision to the Member State concerned and to the CMFB. For cases which are either complex or of general interest, the Commission (Eurostat) shall consult the CMFB before taking a decision.
3. The Commission (Eurostat) shall make its decisions public, together with the opinion of the CMFB, if there is one.

Article 12

The Commission (Eurostat) ensures a permanent dialogue with the Member States' statistical authorities. To this end, the Commission (Eurostat) will regularly carry out in all Member States dialogue visits as well as in-depth monitoring visits.

The dialogue visits are designed to review reported data, to examine methodological issues, and to assess compliance with the accounting rules. The in-depth monitoring visits are designed to monitor the processes and accounts which justify the reported data and to

¹⁴ OJ L 59, 6.3.1991, p. 19.

draw detailed conclusions as to compliance with accounting rules and the completeness, reliability, timeliness and consistency of the reported data.

Article 13

1. When carrying out in-depth monitoring visits in Member States, the Commission (Eurostat) can be assisted by experts, most notably from other Member States, national authorities of the Member States being visited who have a functional responsibility for the control of the government accounts, and other Commission departments.

2. Member States shall take all measures required to facilitate the in-depth monitoring visits. Member States shall ensure that their services directly or indirectly involved in the production of government accounts provide the officials of the Commission or other agents with the assistance necessary to carry out their duties, including making documents available to justify the reported actual deficit and debt data and the underlying government accounts.

3. The Commission (Eurostat) shall ensure that the proportionality principle is respected when organising these visits, and that its officials and experts participating in these visits meet every guarantee as regards technical competence, professional independence and observance of confidentiality.

Article 14

The Commission (Eurostat) shall report to the Economic and Financial Committee on the findings of dialogue and in-depth monitoring visits. These reports shall be made public.

SECTION 4

Provision of data by the Commission

Article 15

1. 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 referred to in Article 4(1) or after revisions as referred to in Article 7(1). This provision of data shall be effected through publication.

2. The Commission (Eurostat) shall not delay the provision of the actual government deficit and debt data of Member States where a Member State has not reported its own data.

Article 16

1. The Commission (Eurostat) may express a reservation on the quality of the actual data reported by the Member States. No later than two working days before the planned publication date, the Commission (Eurostat) shall communicate to the Member State concerned and to the President of the Economic and Financial Committee the reservation it intends to express and make public. Where the issue is resolved after publication of the data and the reservation, withdrawal of the reservation is made public.

2. The Commission (Eurostat) may amend actual data reported by Member States and provide the amended data and a justification of the amendment where there is evidence that actual data reported by Member States do not comply with the requirements of Article 9 (1) of this Regulation. No later than two working days before the planned publication date, the Commission (Eurostat) shall communicate to the Member State concerned and to the President of the Economic and Financial Committee the amended data and the justification for the amendment.

SECTION 5

General provisions

Article 17

1. Member States shall certify that the actual data reported to the Commission are provided in accordance with the principles established by Article 10 of Council Regulation (EC) No 322/97.

2. Member States shall take all necessary measures to ensure that officials responsible for the reporting of the actual data to the Commission and of the underlying government accounts act in accordance with the principles established by Article 10 of Council Regulation (EC) No 322/97.

Article 18

In the event of a revision of ESA 95 or of an amendment to its methodology to be decided on by the European Parliament and the Council or the Commission in accordance with the rules of competence and procedure laid down in the Treaty and in Regulation (EC) No 2223/96, the Commission shall introduce the new references to ESA 95 into Articles 1, 2 and 4.

Article 19

This Regulation shall enter into force on 1 January 1994.”

Article 2

Entry in force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

This document is intended to accompany and complement the Explanatory Memorandum. As such, when completing this Legislative Financial Statement, and without prejudice to its legibility, an attempt should be made to avoid repeating information contained in the Explanatory Memorandum. Before filling in this template, please refer to the specific Guidelines that have been drafted to provide guidance and clarification for the items below.

1. NAME OF THE PROPOSAL

Proposal for a Council Regulation amending Regulation (EC) No 3605/93 as regards the quality of statistical data in the context of the excessive deficit procedure

2. ABM/ABB FRAMEWORK

Policy Area(s) concerned and associated Activity/Activities:

Statistics – production of statistical information (3403)

3. BUDGET LINES

3.1. Budget lines (operational lines and related technical and administrative assistance lines (ex- B.A. lines)), including headings :

N/A

3.2. Duration of the action and of the financial impact:

N/A

3.3. Budgetary characteristics (*add rows if necessary*) : N/A

Budget line	Type of expenditure		New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
	Comp/ Non-comp	Diff ¹⁵ / Non-diff ¹⁶				
	Comp/ Non-comp	Diff ¹⁵ / Non-diff ¹⁶	YES/ NO	YES/NO	YES/NO	No

¹⁵ Differentiated appropriations.

¹⁶ Non-differentiated appropriations, hereinafter referred to as NDA.

	Comp/ Non- comp	Diff/ Non- diff	YES/ NO	YES/NO	YES/NO	No
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4. SUMMARY OF RESOURCES

4.1. Financial Resources

4.1.1. Summary of commitment appropriations (CA) and payment appropriations (PA)

EUR million (to 3 decimal places)

Expenditure type	Section No		Year n	n + 1	n + 2	n + 3	n + 4	n + 5 and later	Total
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Operational expenditure¹⁷

Commitment Appropriations (CA)	8.1	a							
Payment Appropriations (PA)		b							

Administrative expenditure within reference amount¹⁸

Technical & administrative assistance (NDA)	8.2.4	c							
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TOTAL REFERENCE AMOUNT

Commitment Appropriations		a+c							
Payment Appropriations		b+c							

Administrative expenditure not included in reference amount¹⁹

Human resources and associated expenditure (NDA)			0.9	1.7	1.7	1.7	1.7	1.7/year	EUROSTAT
			0.2	0.5	0.5	0.5	0.5	0.5/year	ECFIN
TOTAL	8.2.5	d	1.1	2.2	2.2	2.2	2.2	2.2/year	TOTAL

¹⁷ Expenditure that does not fall under Chapter xx 01 of Title xx concerned.

¹⁸ Expenditure within Article xx 01 04 of Title xx.

¹⁹ Expenditure within Chapter xx 01 other than Articles xx 01 04 or xx 01 05.

Administrative costs, other than human resources and associated costs, not included in reference amount (NDA)	8.2.6	e	0.07	0.28	0.28	0.28	0.28	0.28/year	EUROSTAT
			0.02	0.075	0.075	0.075	0.075	0.075/year	ECFIN
TOTAL			0.09	0.355	0.355	0.355	0.355	0.355/year	TOTAL

Total indicative financial cost of intervention

TOTAL CA, including cost of Human Resources		a+c +d+ e	0.97	1.98	1.98	1.98	1.98	1.98	EUROSTAT
			0.22	0.575	0.575	0.575	0.575	0.575/year	ECFIN
TOTAL PA, including cost of Human Resources		b+c +d+ e	0.97	1.98	1.98	1.98	1.98	1.98	EUROSTAT
			0.22	0.575	0.575	0.575	0.575	1.98/year 0.575/year	ECFIN

Co-financing details

Where the proposal involves co-financing by Member States, or other bodies (please specify which), an estimate of the level of this co-financing should be indicated in the table below (additional lines may be added where different bodies are expected to provide co-financing):

EUR million (to 3 decimal places)

Co-financing body		Year n	n + 1	n + 2	n + 3	n + 4	n + 5 and later	Total
.....	f							
TOTAL CA, including co-financing	a+c +d+ e+f							

4.1.2. Compatibility with Financial Programming

- Proposal is compatible with existing financial programming.
- Proposal will entail reprogramming of the relevant heading in the financial perspective.

- Proposal may require application of the provisions of the Interinstitutional Agreement²⁰ (i.e. flexibility instrument or revision of the financial perspective).

4.1.3. Financial impact on Revenue

- Proposal has no financial implications on revenue
- Proposal has financial impact – the effect on revenue is as follows:

NB: All details and observations relating to the method of calculating the effect on revenue should be shown in a separate annex.

EUR million (to one decimal place)

Budget line	Revenue	Prior to action [Year n-1]	Situation following action						
			[Year n]	[n+1]	[n+2]	[n+3]	[n+4]	[n+5] ²¹	
	<i>a) Revenue in absolute terms</i>								
	<i>b) Change in revenue</i>	Δ							

(Please specify each revenue budget line involved, adding the appropriate number of rows to the table where there is an effect on more than one budget line.)

4.2. Human Resources FTE (including officials, temporary and external staff) – see details under point 8.2.1.

Annual requirements	Year n	n + 1	N + 2	n + 3	n + 4	n + 5 and later
Total number of human resources	9 * 2#	17* 5#	17* 5#	17* 5#	17* 5#	17* 5#
TOTAL	11	22	22	22	22	22

²⁰ See points 19 and 24 of the Interinstitutional Agreement.

²¹ Additional columns should be added if necessary, i.e. if the duration of the action exceeds 6 years.

5. CHARACTERISTICS AND OBJECTIVES

Details of the context of the proposal are required in the Explanatory Memorandum. This section of the Legislative Financial Statement should include the following specific complementary information:

5.1. Needs to be met in the short or long term

Recent events relating to the revision of budgetary figures and recent discussion conducted at ECOFIN Council and Commission levels have shown that there is an urgent need to continue improving the quality of fiscal statistics through enhanced monitoring of the data reported by Member States and Candidate Countries. There is also an urgent need for a detailed study of the statistical systems put in place in Member States and Candidate Countries in order to assess to what extent they are properly suited to providing good quality data.

The Communication adopted by the Commission on 1 December 2004 on accountability issues stemming from the revision of Greek budgetary data clearly shows that there is a need to reinforce the legal basis and to develop the operational capacities of Commission departments dealing with data monitoring. There is at present an urgent need to address the following issues:

- Minimise risks that data reported by Member States in the context of the excessive deficit procedure do not meet the required quality and level of reliability.
- Extend Commission controls to an appropriate set of public finance indicators (especially short-term indicators) needed to countercheck the quality of debt and deficit figures.

The communication entitled "Towards a European governance strategy for fiscal statistics" adopted by the Commission on 22 December proposes that the existing legal framework be completed by stronger data monitoring mechanisms designed to improve the operational capacities of Eurostat and ECFIN, and to develop minimum European standards for the institutional set-up of statistical authorities. The proposed measures cover the two first lines of action included in this Communication. As for the third line of action, the Commission is working on a proposal for adoption by the College before June 2005. This will be based on a Code of Conduct currently being drawn up by the Commission together with Member States

5.2. Value added of Community involvement and coherence of the proposal with other financial instruments and possible synergy

The Commission has a major direct responsibility in analysing and assessing deficit and debt figures for correct implementation of the Stability and Growth Pact, and is obliged to provide the statistics on the excessive deficit procedure, based on data reported by Member States and Candidate Countries. This is an important role to be played by the Commission given the fact that the Member States constitute an interested party. This enhanced Community involvement will also increase harmonisation of national approaches and tap into potential synergies by including experts from other Member States in in-depth monitoring visits.

5.3. Objectives, expected results and related indicators of the proposal in the context of the ABM framework

The Commission has a major responsibility to provide an independent view on data quality under the protocol attached to the Maastricht Treaty and Council Regulation (EC) No 3605/1993. The main objectives would be to establish further monitoring of national systems for the production of budgetary statistics and to minimise cases of incorrect reporting of deficit and debt figures (as exemplified by the recent case in Greece). Better quality data are expected to result, based on a more reliable and consistent approach. Detection of structural weaknesses in the system (systemic risk) and unreliable data will indicate progress. Key indicators will be the number of ex-post corrections of data by Eurostat and the number of in-depth monitoring visits.

5.4. Method of Implementation (indicative)

Indicate the method(s)²² chosen for implementation of the action.

Centralised Management

- Directly by the Commission
- Indirectly by delegation to:
 - Executive Agencies
 - Bodies set up by the Communities as referred to in Art. 185 of the Financial Regulation
 - National public-sector bodies/bodies with public-service mission

Shared or decentralised management

²² Where more than one method is indicated please provide additional details in the "Relevant comments" section.

- With Member States
- With third countries
- Joint management with international organisations (please specify)*

Relevant comments:

6. MONITORING AND EVALUATION

6.1. Monitoring system

The quality of the data reported will be monitored by way of application of the provisions of the European system of national and regional accounts in the Community, as adopted by Regulation (EC) No 2223/96 (ESA 95), which forms the basis for the reporting and provision of statistical data in the context of the excessive deficit procedure. The statistical systems put in place by Member States and Candidate Countries will be checked against those systems already providing good quality figures.. Regular reports on the functioning of the systems and the results of the monitoring process (countries visited, problems encountered and solutions envisaged) will be submitted to the Commission, the Parliament and the Council.

6.2. Evaluation

6.2.1. Ex-ante evaluation

Recent Council meetings have concluded that the independence and quality of statistics need to be improved and the Commission has been asked to make proposals in this area. Given the urgency imposed by the Council, the Commission has recently adopted two communications on this issue.

6.2.2. Measures taken following an intermediate/ex-post evaluation (lessons learned from similar experiences in the past)

This is a new measure.

6.2.3. Terms and frequency of future evaluations

In-depth monitoring visits will take place in each Member State in principle once every two years. The results of such evaluations will be brought to the attention of the Commission, the EFC/Council, the Parliament and the CMFB. The suitability of systems providing public finance data in application of the Maastricht Treaty will be regularly monitored by Eurostat. The possibility of moving to a risk-based approach to determine the visits could be considered. However, this will only be possible after each country concerned has been visited at least once, in order to provide the essential input to such a decision.

7. ANTI-FRAUD MEASURES

The proposal itself can be considered to be a measure designed to detect and mitigate any potential non-compliance of MS/CC with the established rules. In addition, to ensure the continuing independence and integrity of the inspection capability, a policy of strict rotation of personnel involved in visits to specific Member States and Candidate Countries will be introduced.

8. DETAILS OF RESOURCES

8.1. Objectives of the proposal in terms of their financial cost

Commitment appropriations in EUR million (to 3 decimal places)

(Headings of Objectives, actions and outputs should be provided)	Type of output	Av. cost	Year n		Year n+1		Year n+2		Year n+3		Year n+4		Year n+5 and later		TOTAL	
			No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost								
OPERATIONAL OBJECTIVE No.1 ²³																
Action 1.....																
- Output 1																
- Output 2																
Action 2.....																
- Output 1																
Sub-total Objective 1																
OPERATIONAL OBJECTIVE No.2 ¹																
Action 1.....																
- Output 1																
Sub-total Objective 2																
OPERATIONAL OBJECTIVE No.n ¹																
Sub-total Objective n																
TOTAL COST																

²³ As described under Section 5.3.

8.2. Administrative Expenditure

8.2.1. Number and type of human resources

Types of post		Staff to be assigned to management of the action using existing and/or additional resources (number of posts/FTEs)					
		Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5
Officials or temporary staff ²⁴ (XX 01 01)	A*/AD	5 Eurostat	10 Eurostat	10 Eurostat	10 Eurostat	10 Eurostat	10 Eurostat
		2 ECFIN	5 ECFIN	5 ECFIN	5 ECFIN	5 ECFIN	5 ECFIN
	B*, C*/AST	4 Eurostat	7 Eurostat	7 Eurostat	7 Eurostat	7 Eurostat	7 Eurostat
Staff financed ²⁵ by Art. XX 01 02							
Other staff ²⁶ financed by Art. XX 01 04/05							
TOTAL		11	22	22	22	22	22

The needs for human and administrative resources shall be covered within the allocation granted to the managing Service in the framework of the annual allocation procedure.

These staff needs could be met by up to a maximum of one third being non-statutory staff, it being essential to maintain the core of a team responsible for independent validation of Member States data as permanent staff. The requirements after year (n+5) would depend on the possibility of moving to a risk-based approach for determining the frequency of visits.

8.2.2. Description of tasks deriving from the action

A. Country-specific issues

1. Analysis of the collection and reporting systems put in place in Member States and Candidate Countries for government accounts (EDP reporting), and identification of systemic risks

²⁴ Cost of which is NOT covered by the reference amount.

²⁵ Cost of which is NOT covered by the reference amount.

²⁶ Cost of which is included within the reference amount.

2. Analysis of all data reported by Member States and Candidate Countries in the context of government accounts (financial accounts, quarterly sector accounts, revenue and expenditure, EDP figures, figures published by other international organisations, etc.)
3. Analysis of the collection and reporting systems put in place in Member States for economic accounts, and identification of systemic risks
4. Analysis of all data reported by Member States and Candidate Countries in the context of economic accounts
5. Fundamental in-depth quality checks by analysing in detail the sources and methods used in the “inventories” of Member States for economic and government accounts (these documents could each be +/- 400 pages long)
6. In-depth monitoring visits to Member States and Candidate Countries after analysis of these inventories (the organisation of these visits would be similar to those conducted by other international organisations, such as the IMF)
7. Mission reports, which will deal with systemic issues linked to the collection and reporting of fiscal and economic accounts (in line with the IMF reports on fiscal transparency on the basis of the reports on observance of standards and codes)

B. General horizontal issues

8. Design of a specific structure for the EDP inventories together with check-lists for each section to ensure that the descriptions are systematic, consistent and comparable across countries
9. Set-up of evaluation/monitoring mechanism
10. Definition of an appropriate set of indicators needed to counter-check the quality of debt and deficit statistics
11. Production of the methodology for visits
12. Production of the methodology for reports
13. Development of the legislative framework and follow-up
14. Development of the Code of Practice and follow-up
15. Set-up of data requirements to support the visits
16. Training of new staff

C. Management, logistics and secretariat

17. Management and overall coordination of the activities
18. Relations with Member States for the selection of experts
19. Working arrangements with EU committees and groups
20. Preparation of documents for the various committees (CMFB, SPC, NAWP, FAWP, EFC, etc.)
21. Secretariat assistance

8.2.3. Sources of human resources (statutory)

(When more than one source is stated, please indicate the number of posts originating from each of the sources)

- Posts currently allocated to the management of the programme to be replaced or extended
- Posts pre-allocated within the APS/PDB exercise for year n Posts to be requested in the next APS/PDB procedure
8 (5 A*/AD + 3 B*, C*/AST) EUROSTAT
3 (3 A*/AD) ECFIN
- Posts to be redeployed using existing resources within the managing service (internal redeployment)
5 (3 A*/AD + 2 B*, C*/AST) EUROSTAT (new redeployment 2005)
p.m. ECFIN undertook extensive internal redeployment in 2004
- Posts required for year n although not foreseen in the APS/PDB exercise of the year in question
4 (2 A*/AD + 2 B*, C*/AST) EUROSTAT
2 (2 A*/AD) ECFIN

8.2.4. Other Administrative expenditure included in reference amount (XX 01 04/05 – Expenditure on administrative management)

EUR million (to 3 decimal places)

Budget line (number and heading)	Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later	TOTAL
1 Technical and administrative assistance (including related staff costs)							
Executive agencies ²⁷							
Other technical and administrative assistance							
- <i>intra muros</i>							
- <i>extra muros</i>							
Total Technical and administrative assistance							

8.2.5. Financial cost of human resources and associated costs not included in the reference amount

EUR million (to 3 decimal places)

Type of human resources	Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later
Officials and temporary staff (XX 01 01)	0.9 * 0.2#	1.7* 0.5#	1.7* 0.5#	1.7* 0.5#	1.7* 0.5#	1.7 /year* 0.5#/year
Staff financed by Art. XX 01 02 (auxiliary, END, contract staff, etc.) (specify budget line)						
Total cost of Human Resources and associated costs (NOT in reference amount)	1.1	2.2	2.2	2.2	2.2	2.2/year

* EUROSTAT

²⁷ Reference should be made to the specific legislative financial statement for the Executive Agency(ies) concerned.

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Calculation– **Officials and Temporary agents**

Reference should be made to Point 8.2.1, where applicable

“Guidelines on the drafting of the legislative financial statement” used, i.e. EUR 100 000 per post indicated in § 8.2.1.

Calculation– **Staff financed under Art. XX 01 02**

Reference should be made to Point 8.2.1, where applicable

8.2.6 Other administrative expenditure not included in reference amount

EUR million (to 3 decimal places)

	Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later	TOTAL
XX 01 02 11 01 – Missions	0.03 * #0.02	0.10* 0.075#	0.10* 0.075#	0.10* 0.075#	0.10* 0.075#	0.10* /year 0.075#/ year	
XX 01 02 11 02 – Meetings & Conferences	0.04*	0.18*	0.18*	0.18*	0.18*	0.18* /year	
XX 01 02 11 03 – Committees ²⁸							

²⁸ Specify the type of committee and the group to which it belongs.

XX 01 02 11 04 – Studies & consultations							
XX 01 02 11 05 - Information systems							
2 Total Other Management Expenditure (XX 01 02 11)							
3 Other expenditure of an administrative nature (specify, including reference to budget line)							
Total Administrative expenditure, other than human resources and associated costs (NOT included in reference amount)	0.07* 0.02#	0.28* 0.075#	0.28* 0.075#	0.28* 0.075#	0.28* 0.075#	0.28* /year 0.075# year	

* EUROSTAT # ECFIN

Calculation - ***Other administrative expenditure not included in reference amount***

- year n: 4 in-depth monitoring visits + planning missions

- future years: 16 inspections per year

- each inspection visit:

- 1 A, 1 B staff EUROSTAT

- 2 external experts to assist EUROSTAT (the external experts will be paid by Member States, and only mission costs will be covered by the Commission).

- total duration for EUROSTAT staff and external experts: 4 weeks: 1 week preparation in Luxembourg, 2 weeks field, 1 week conclusion in Luxembourg

- 2 A ECFIN

- total duration for ECFIN staff: 1 preparation day in Luxembourg, 1 week field, 1 conclusion day in Luxembourg

* *EUROSTAT*

#*ECFIN*