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COMMISSION STAFF WORKING DOCUMENT

evaluating the progress made on the statistical accounts of the institutions and bodies of the Union

COMMISSION STAFF WORKING DOCUMENT

evaluating progress made on developing the statistical accounts of the institutions and bodies of the European Union

1. BACKGROUND

Following the outbreak of the COVID-19 pandemic specific measures were designed and implemented at EU level to mitigate its social and economic effects. Notable among these were the NextGenerationEU (NGEU) recovery instrument, which included the Recovery and Resilience Facility (RRF), and the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE).

The implementation of these instruments brought an increase in EU financial support to Member States both in the form of loans and grants. These were funded through debt raised by the European Commission on capital markets.

These developments mean the deficit and debt of the EU general governments[1] can no longer be compiled as the simple sum of the general government accounts of the 27 Member States. This is because the relevant deficits and debts now incurred by the EU institutions and bodies are no longer reflected in these aggregate figures. In this new situation, fiscal policy and economic analysis can only be meaningful and fit for purpose if a complete financial picture of the EU is captured in a comprehensive, comparable and transparent manner.

Member States and international organisations such as the European Central Bank and the International Monetary Fund have raised with Eurostat the need to compile and publish these essential data that would complete the picture for the EU as a whole. Responding to these repeated calls and to user needs, in the second half of 2021 Eurostat launched a new project to develop the statistical accounts of the EU institutions and bodies.

In its conclusions of 9 November 2021 on EU statistics, the Council welcomed *the involvement and efforts of Eurostat, in close cooperation with the Member States, for providing guidance on the statistical aspects of some policy measures, in particular business and employment support measures in the context of the COVID-19 pandemic, the initiatives within the 'Next Generation EU' programme, and notably the Recovery and Resilience Fund' and called for 'the expansion of statistical accounts for European Union institutions to reflect the impact of these initiatives in the statistics*.

Against this background, as part of the review of Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union, the co-legislators raised the issue of the statistical accounts of the institutions and bodies of the European Union.

Consequently, Article 3 of Regulation (EU) 2023/734 of the European Parliament and of the Council of 15 March 2023 amending Regulation (EU) No 549/2013 on the European system of national and regional accounts in the European Union and repealing 11 legal acts in the field of national accounts provides that, by 31 March 2024, *the Commission (Eurostat) shall submit to the European Parliament and to the Council a report evaluating the progress made on the statistical accounts of the institutions and bodies of the Union, including on the ESA 2010 net lending / net borrowing and the outstanding Maastricht debt liabilities*.

[1] 'EU general governments' refers to the 'general government' sector of the total economy in the sense set out in the European system of national and regional accounts in the European Union (ESA 2010), which was established by Regulation (EU) 549/2013. The general government sector is generally characterised by the fact that it has the power to raise taxes and other compulsory levies and to pass laws affecting the behaviour of economic units.

In this staff working document, Eurostat evaluates the progress made on the compilation of statistical accounts of the institutions and bodies of the European Union. More particularly, the report provides both an overview and a detailed breakdown of the methodology applied, the data sources used, the structure of the data sets compiled and the readiness of these datasets for dissemination.

2. COVERAGE AND STATUS OF THE STATISTICAL ACCOUNTS OF THE INSTITUTIONS AND BODIES OF THE EUROPEAN UNION

2.1. Coverage

The statistical accounts of the institutions and bodies of the European Union cover the EU institutions and bodies financed by the EU budget (such as the European Commission, the European Parliament and the Council). They also cover the European Stability Mechanism (ESM) and the European Financial Stability Facility (EFSF), which are classified under the 'European institutions and bodies' sector of the ESA 2010.

2.2. Using robust statistical methodology

The statistical accounts of the institutions and bodies of the European Union have been compiled using the ESA 2010 methodology, in particular that part which provides a methodological framework for the government finance statistics (GFS). This allows these statistical accounts to follow, in terms of concept, scope and structure, the general government accounts data compiled and reported by the Member States under the ESA 2010 transmission programme.

The accounts compiled were non-financial accounts, financial accounts and Maastricht debt, as defined in ESA 2010. The non-financial accounts show the main aggregates of the EU institutions and bodies, including current and capital transactions and the net lending (+) / net borrowing (-) as the balance between revenue and expenditure. The financial accounts provide detailed information on how surpluses are invested or deficits are financed, covering transactions in financial assets, financial liabilities and other economic flows, as well as stocks of assets and liabilities at market value. Maastricht debt shows the nominal value of currency and deposits, debt securities, and loans liabilities.

The primary underlying data for this compilation exercise consists of the annual accounts of the European Union, as provided to Eurostat by the European Commission's Directorate-General for Budget (DG Budget). It also comprises the data underlying the ESM and EFSF annual reports provided by the ESM. The data have been used and processed according to the principles of the ESA 2010 framework and the specific GFS rules in the Manual on Government Deficit and Debt (MGDD). This ensures the compiling of comprehensive and consistent accrual-based macroeconomic statistical accounts.

In the ESA 2010 framework, a transaction is recognised and recorded when economic value is created, transformed, exchanged, transferred or extinguished. There is therefore a sizeable overlap between the official accounts published by DG Budget and the ESM, and the statistical accounts compiled according to the ESA 2010. However, it is neither possible nor valid to achieve a one-to-one comparison between, on the one hand, the financial statements observed in the consolidated annual accounts of the European Union and the annual reports of the ESM and the EFSF, and on the other, the data published by Eurostat.

2.3. Identifying and evaluating the data sources

Working in close cooperation with DG Budget and the ESM as data providers, Eurostat analysed the existing source data and mapped the financial statements published by those entities onto the relevant ESA 2010 categories for 2021 and 2022. Where it was needed, Eurostat asked them to provide further breakdowns and details.

The first pilot compilation of annual statistical accounts of the EU institutions and bodies subsector followed the same approach as that used by the Member States to compile their national general government sector accounts: starting from a public administrative source and applying the ESA 2010 methodology to it.

For the part of the EU institutions and bodies that is financed by the EU budget, Eurostat received both the complete budget implementation (cash) accounts for each of the institutions, including all line items for revenue and payments made, and the trial balances concerning the Consolidated annual accounts of the European Union. Eurostat also received structured ad hoc information from DG Budget on stocks of liabilities at nominal value and all relevant information to capture and compile accrued interest, and from DG Defence Industry and Space information on investments in space assets.

In some cases Eurostat used information reported by the Member States' statistical authorities. One such case concerns expenditure, that is funded by the RRF. In this case, after careful evaluation of the available source data, Eurostat decided to take as the EU institutions' RRF-related grants expenditure in a given year the revenue reported by the Member States in that financial year. In this way Eurostat was able to reflect the actual yearly expenditure in the accounts and to allocate between the ESA categories more precisely.

All these actions were taken as part of the first phase of preparing the underlying data from DG Budget, the Member States and the ESM, so that they can be used to compile the statistical accounts of the EU institutions and bodies.

2.4. Compiling the statistical accounts

For the non-financial accounts of the budgetary EU institutions, the compilation exercise started from the budget (cash) accounts and then moved to accrual-based transactions by introducing accrual adjustments. For the most part these are available in the Consolidated annual accounts of the European Union and in the supplementary information (e.g. on accrued interest).

To compile the non-financial accounts, Eurostat also needed to identify and separate transactions that in the statistics are considered purely financial in nature. We further had to identify transactions for which specific ESA 2010 rules apply, such as financial guarantee programmes, the time at which ETS-related revenue was recorded or contributions from the UK linked to the Withdrawal Agreement.

The financial accounts of the budgetary EU institutions were compiled at the same time as the non-financial accounts. Compiling the financial accounts required Eurostat to correctly identify and separate transactions and other economic flows, to appropriately identify cash and non-cash events, to apply correct valuation and recording for borrowing and on-lending, and to do a complex analysis and recording of financial instruments and budgetary guarantees.

For the ESM and the EFSF, the exercise started from information from those bodies' financial statements that was already accruals-based. Eurostat then applied several structural, conceptual and methodological adaptations to this information. Most notably, made adjustments to the valuation of assets and liabilities and to the reclassification of interest-related entries.

While some of the processes described above are predominantly quantitative and technical, several transactions and events required comprehensive analysis of qualitative information and complex methodological decisions. This was the case for methodological decisions on the time of recording of UK contributions linked to the Withdrawal Agreement and the time of recording of fines imposed by the European Commission that are under appeal, for example.

To that end, over the last few years Eurostat has conducted extensive written and oral exchanges with the data providers. It is important to note that both DG Budget and the ESM have clarified information when this was necessary and have provided a significant amount of ad hoc data. They have done this whenever requested and to short deadlines. Eurostat has benefited greatly from the close cooperation with DG Budget and the ESM and recognises their essential contribution to its reporting.

A thorough analysis of the source data has shown that they are sufficient to allow Eurostat to compile a full set of ESA 2010 accounts for the EU institutions and bodies. The analysis also showed that the availability of the source data will allow Eurostat to compile and publish statistical annual accounts of the EU institutions and bodies by the end of July each year (i.e. 7 months after the end of the reference year).

2.5. First results

Eurostat has compiled a complete set of annual non-financial accounts, financial accounts and (Maastricht) debt for 2021 and 2022, for all EU institutions and bodies financed by the EU budget, the ESM and the EFSF, in a consolidated way.

The non-financial accounts depict expenditure and revenue items in accordance with the structure of the reporting table 'Main aggregates of general government' of the ESA 2010 transmission programme. They cover non-financial transactions of EU institutions and bodies, and include both current and capital transactions. The EU institutions' net lending (+) / net borrowing (-) is calculated as the difference between total revenue and total expenditure.

The financial accounts show transactions in financial assets and liabilities. The financial transactions describe the net acquisition of financial assets or the net incurrence of liabilities for each type of financial instrument. Such transactions can occur both as counterparts of non-financial transactions (such as the provision of a grant) or as transactions involving only financial instruments (the granting of a loan, for example). The balancing item of the financial accounts is defined as the difference between the net acquisition of financial assets and the net incurrence of financial liabilities.

The first pilot estimates of both financial and non-financial accounts have been compiled from integrated data sources simultaneously, with full support from the data providers. This has allowed Eurostat to ensure a good level of consistency in the accounts, resulting in a negligible discrepancy between net lending and net borrowing in the non-financial accounts and in the equivalent balancing item in the financial accounts.

Eurostat's compilation also shows Maastricht debt liabilities outstanding at the end of the year (at face value). Maastricht debt comprises the following financial instruments: currency and deposits, debt securities, and loans, as defined in ESA 2010.

In addition, Eurostat has produced a debt figure that is consolidated with the 27 EU Member States, eliminating the assets of the EU institutions and bodies that correspond to Member States' (Maastricht) liabilities. This is for transparency reasons, so that the users can see the debt raised by the EU and not lent out to the EU Member States. The majority of the Maastricht debt of the EU institutions and bodies subsector concerns issuances with the aim of on-lending to Member States. Loans like these already represent debt of the Member States concerned.

Disseminating this figure therefore allows analysts to complete the Maastricht debt of EU general governments by adding the Maastricht debt of the EU institutions and bodies – after consolidation of assets against the Member States – to the EU-27 aggregate of Maastricht debt.

Most of the debt of the EU institutions and bodies that is not on-lent to Member States concerns grants provided under the NGEU/RRF. A smaller proportion of the debt of the EU institutions and bodies that is not on-lent to Member States consists of loans to non-EU countries (under the macro financial framework (MFA), for instance), financial leasing, repurchase agreements and cash collateral received for financial derivatives contracts.

These data were published in the form of a Statistics Explained article on 21 December 2023. The first set of accounts can be downloaded from Eurostat's database.

3. CONCLUSIONS AND WAY FORWARD

This staff working document provides an overview of the work Eurostat has undertaken and the results of the compilation of the statistical accounts of EU institutions and bodies.

The compilation exercise started with an analysis of the existing source data. Eurostat worked intensively to map the public accounts and EU budget reporting onto the national accounts categories and to develop appropriate statistical adjustments. The perimeter of the accounts was subsequently extended, in particular by including the EFSF and the ESM. Eurostat has established appropriate contacts, and data are delivered in a structured and regular way.

Eurostat has compiled a complete set of annual non-financial accounts, financial accounts and Maastricht debt, for 2021 and 2022, for all EU institutions and bodies. The EU institutions and bodies' statistical accounts follow, in both concept and structure, data compiled and reported by the Member States under the ESA 2010 transmission programme.

On 21 December 2023, for the first time, Eurostat published the statistical accounts of the institutions and bodies of the European Union, for 2021 and 2022. Eurostat is now ready to publish this complete set of accounts annually in July, after the publication of the consolidated annual accounts of the European Union.

Eurostat will cooperate closely with data providers to regularly compile and further develop the methodology for the annual statistical accounts of EU institutions and bodies. Newly available source data will also be taken into account and fully explored. After the implementation of the revised ESA 2010 Transmission Programme in September 2024, national statistical authorities will be required to provide non-financial accounts transactions between the EU and the general government sector, and it is expected that this complementary data source will allow to improve further and align EU accrual-based expenditure (i.e., flows between the EU and the Member States).