

## **Conference "Towards implementing European Public Sector Accounting Standards"**

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### **Sharon Bowles speech**

Statistics, and their relationship with the sovereign debt crisis and the steps taken since for stability of the Eurozone should not be under-estimated. Standards of governance can match the standards of statistics as a maximum. Too often the political will has been to undershoot what the statistics reveal.

First we had a national statistics crisis in 2004, which led to Eurostat asking for more inspecting powers. This notion was supported by the Parliament, indeed, not just supported by us, but urged - I recall the Parliament being quite vociferous. However, the Council shied away from granting Eurostat more powers.

And so it has been throughout, with the Parliament systematically on the side of statisticians when it comes to ensuring dependable data, especially for statistical series which are essential to the proper management of modern economies. I will try to give some flavour of what we have done and where we are still pressing the Council.

Following that statistics crisis, a code of conduct and peer review process for the EU's national statistical offices was established and the European Statistical Governance Advisory Board set up - for which I was the rapporteur and negotiated with Walter Radermacher during the German Presidency, finishing off under the Portuguese Presidency in October 2007. I didn't get everything I wanted, especially with regard to more intrusive checking of Member States upstream data, because the Member States would not accept it – back then we delicately called it 'sensitivity'. Certainly Germany was not going to supply data from their Regions. One is tempted to say 'if only'.

However, as Walter knows, that was not the end of the story and a huge amount more has been done since then: much of it as a consequence of the financial and sovereign crisis.

Often the Eurozone crisis is charted back to the financial crisis, back to dodgy financial instruments and inadequate regulation that meant Member States had to put lots of money into banks. If only it were so simple, and in some instances if only they had! The truth is that there was also bad economic governance and bad discipline which was hidden, sometimes deliberately, sometimes masked by the financial money-go-round and sometimes as contingent liabilities that eventually worked through to realisation, and we still have more of the latter to come.

Anyway in June 2010 the sovereign debt crisis brought us back to the issue of increasing Eurostat powers. Parliament again was not backward in its statements: it was the first litmus test to see whether Member States would act on their words. We suggested, this time in the Karas Report, that Eurostat should be given 'dawn raid' powers like the Commission's competition services. Statistics really was getting sexier – quality was no longer a boring issue but a really vital necessity.

I checked the committee's first exchange on the June 2010 proposals and I said "Accurate statistics and improved verification of the reliability of aggregate data provided to Eurostat are essential prerequisites for any improvements of economic governance in the Union. The Commission proposal is the minimum needed as a result of the lessons of the Greek case, and reporting obligations need

to be enforced among all Member States. This reporting should include details of any off balance sheet activity.”

We followed up that line of thinking in the 6-pack, making it clear that there should be reporting of all off balance sheet activity and contingent liabilities. Indeed I think it was quite remarkable how much we did get into the budgetary framework directive, given that it was a council directive. A lot of that is due to the rapporteur Vicky Ford, aided and abetted by myself on these matters. I seeded a few other things into other parts of the 6-pack, and I will come back to that in a few minutes.

But on this off balance sheet and contingent liabilities point, the 6-pack was only the start as I was later to discover when, among the mini tsunami of statistics files along came ESA 2010, for which I was the rapporteur. We thought that it should be a straightforward matter to deliver the framework for data submission of the off balance sheet and contingent liabilities that had been covered in the Budgetary Framework Directive. And of course we wanted this to be genuine data, and not leave off things that happened in regions and local government.

It soon became apparent that some Member States wanted to back track and did not want to transmit this data in a useful way and this remained the final point to be resolved. There was an eclectic ‘alliance of the shy’ as we dubbed the four holdouts. It seemed incomprehensible that at the same time as regional liabilities were causing concern, Member States wanted to hide them or only have them from others who were in trouble. However, unlike 2007, now we had public opinion on our side. Suddenly this statistical issue and the identities of information-hiding holdouts yielded as many column inches as a banker’s bonus. Eventually a solution was reached, as usual slightly pushed into the future but there now for posterity, and we have among other things mandatory publication of data on pension contingent liabilities.

As I said there have been quite a few statistics files that have passed through the committee - quietly, and often done from the Chair by myself or one of the vice-chairs, but each time making progress to embed statistical independence and more rigorous enforcement of the European Statistics Code of Practice.

In our report on quality management for European statistics, by Edward Scicluna - now of course the Maltese finance minister - we encouraged the European Statistical System to favour a preventive approach over a corrective one. The European Statistical System should adopt a proactive approach to monitoring and assessing public finances at an early upstream stage. So we are back to where I said I failed in 2007. We still press for:

A greater capacity for Eurostat to go on inspection in Member States;

Closer collaborations between courts of auditors and statisticians;

Progress towards a professional culture in which warnings are publicly expressed when the quality of data is in doubt, and for Eurostat to make clear when it has reservations, and

Better compliance with the European Statistics Code of Practice, notably through the commitments on confidence to be adopted by Member States.

And currently we are pushing in that direction in the framework of triologue discussions on the revision of the statistical framework regulation 223/2009.

One key issue that remains is that of professional independence of statisticians. This is in fact something else, as I mentioned, that I embedded in other parts of the 6-pack, notably in regulation 1175/2011 on the preventative arm which has section 3A on the Principle of Statistical Independence.

This provides for transparent recruitment and dismissal processes, based solely on professional criteria. Now we are pushing further for the heads of statistical offices, both Eurostat and National Statistical Institutions, to be appointed after consultation of the relevant Parliament, akin to the current procedure for appointing the head of OLAF. This is the only way to ensure the appropriate level of democratic accountability and transparency.

Not only that, but we must strive to ensure that the dismissal of heads of NSIs is not politically-motivated: we need to separate the running of statistical institutions from elections and political change in a Member State. And of course we in the Parliament are determined to weave gender balance commitments throughout all our legislation so as to provoke a real change in the culture of all public service organisations, though we may have a battle on our hands here with the Council.

The push for better statistics has come from all political groups, and we are finding many opportunities to embed principles within various other files too - most notably on economic governance of which it is an integral part and which depends upon it. And of course we are ever mindful of the ECB as a major user - indeed how can we forget when the timings for transmission of data are determined by the pre-published ECB meeting cycle!

As I have mentioned, we are in triologue on Regulation 223, and in that there is the issue of National Statistical Institutions signing up to a Commitment on Confidence in Statistics. The current state of play is that the Parliament sees ways to use this as a significant discipline with some teeth: so far the majority of Member States don't share that vision - yet!