

Eurostat General Director Walter Radermacher talks with Alexander Dill



On the occasion of the **Eurostat Conference** on Public Accounting Standards in Bruxelles Alexander Dill talked with Walter Radermacher, General Director of Luxembourg based Eurostat, on Accounting Standards and the interpretation of data on sovereign debt and revenues. The talk has been published in Germany **as well**.

Dill: *In point 5 of the rule 223/2009 of the European Parliament costs for statistics caused by requirements from the EU Commission will be carried over by the EU. Since March 2012 the Commission urges the countries to switch their accounting to the IPSAS standard. What are the advantages?*

Radermacher: First of all let's put certain things right. To our knowledge the European Commission/Eurostat

have never proposed that EU Member States should rebase their systems on IPSAB guidelines. On the contrary, the European Commission(Eurostat) are proposing a European system of Public Sector Accounting Standards (EPSAS) based on a strong EU governance system. However, the IPSAS standards represent an indisputable reference for potential EU harmonised public sector accounting standards.

Moreover, we consider the harmonisation of public sector accounting standards and the alignment of public sector financial reporting standards with ESA financial reporting standards as a precondition for the further improvement and assurance of the quality of the statistical data used for the purposes of fiscal coordination and surveillance in the EU level (in particular the excessive deficit procedure (EDP)). Improved public sector management, governance and accountability are considered to be additional important benefits. Furthermore, harmonisation of public sector accounting would allow financial markets to better judge the financial situation of the many government entities issuing debt. It would also provide greater transparency for the proper functioning of the internal market in financial services, in that owners of government securities would be entering into transactions on the basis of a better understanding of the level of associated risk.

Dill: *The EU estimated the extra costs of IPSAS between 50 and 150 million Euro per country. Although all countries have working statistical offices - does this money go to the external accountants that released those standards?*

Radermacher: As an order of magnitude, and based on the experience of those countries for which cost data are available, the Commission report suggested that the possible cost for a medium-sized EU country of moving from a cash-based accounting system to an accruals-based accounting system, for central government but no other layers of government, could be up to EUR 50 million. This is an indicative amount which would include, for example, the expense of putting in place the new standards and the associated central IT accounting tools, but not the costs associated with a complete reform of the system of financial reporting. For larger Member States and, for example, those with systems of autonomous regional government or more complex government systems, and those which have not made progress on accruals accounting, the costs could be much higher, especially if the transition to a harmonised accruals system is combined with wider reforms of accounting and financial reporting practices.

To our knowledge there is by far more than one reference to IPSAS on the market, produced by various people. Nevertheless if I may link this to your first question concerning Commission's financial support to MS for implementing EU statistical requirements under Reg 223/2009, one needs to stress that financial support is primarily meant to those national administrations that are to implement the required statistical measures and

are not related to the functioning of statistical offices or other purposes. In particular we will not bear the transaction costs or even production costs for the application of public accounting standards.

Dill: *Don't you fear that the IPSAS will lead to a disempowerment of Eurostat as well as for the national statistical offices?*

Radermacher: On the contrary, while the Commission report expresses its appreciation for the work done so far by the IPSAB, in fact our proposal is for decoupling the proposed EU governance from that of the IPSAB. Notwithstanding the fact that, since IPSAS are meant to be international standards, we think that the future EU governance structure should maintain active links to the IPSAB and its work.

Dill: *The scandal around Rogoff/Reinhart showed, that the interpretation of statistics featuring sovereign debt are highly political. Did you know, that only two out of 27 EU members had significant decreased revenues in 2012? This couldn't be found in the Eurostat press release of April 22nd. Why were only the failures reported?*

Radermacher: The Maastricht criteria are set out in EU legislation, as is the requirement for Eurostat to publish the figures for government debt and deficit in April and October of each year. The News Release of 22.04.2013 that you mention has as its purpose the publication of the first notification of government debt and deficit data for the Member States. A large amount of supporting information is presented in the tables such as the ones you mention for government revenue, but for reasons of clarity not every indicator can be commented on.

Dill: *Being a Eurostat user i have to admit that I don't know any public administration that delivers current figures faster and better. The European Commission seems to ignore these figures deliberately. What if Eurostat would interpret the data by itself too? Everybody can see for himself beside.*

Radermacher: Eurostat's roles and responsibilities are set out in EU legislation. In particular Eurostat publishes European statistics in an independent and neutral manner. The socio-economic interpretation of the data is the responsibility of the policy General Directorates of the Commission. By making the data widely available Eurostat allows, as you say, everybody to draw their own picture.

Dill: *While comparing the figures of Eurostat of the 27 EU states with those of the United States it becomes hard to talk of a European debt and financial crisis. In comparison with the US the EU27 are in an outstanding condition.*

Radermacher: As the statistical office of the EU, Eurostat has the role of providing harmonised, comparable data on the EU, the euro area and the Member States. We provide data for the US (and indeed other international partners) in those of our economic news releases where comparable figures are available.

The English version has been approved by Timothy Allen from the Press Office of Eurostat.