

## **Cooperative Agreement between the Ministry of Finance and Statistics Denmark**

### **Background**

The Danish EDP-debt and EDP-deficit are estimated as part of the procedure associated with excessive public deficits in the Economic Monetary Union, known as Excessive Deficit Procedure (EDP), which is incorporated into the Treaty of the European Union and the Stability and Growth Pact. The statistics are used by the EU Commission for monitoring trends in Denmark's public budget and public gross debt and for assessing whether the convergence criteria are fulfilled.

During the last couple of years, attention has increasingly focused on quality assurance of upstream data as well as on the statistical production and submission of statistics on government finances in connection with the EDP notifications of debt and deficit.

Measures for imposing fines have recently been introduced in conjunction with the so-called *Six Pack* with respect to intended errors and unintended serious errors associated with the production of statistics on public finances in connection with the EDP notifications of debt and deficit. This will also apply to new countries in the euro area, with re-trospective effect upon entry into the euro cooperation (Regulation (EU) No 1173/2011 of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area).

### **Purpose**

The Ministry of Finance and Statistics Denmark cooperate with regard to the two annual EDP notifications to the EU Commission on EDP-deficit and EDP-debt, before 1 April and 1 October, respectively.

The purpose of the cooperative agreement is to determine the area of responsibility and ensure high quality and punctuality in submitting EDP data.

### **Tasks and activities of the Ministry of Finance**

The Ministry of Finance is responsible for preparation of forecasted figures for general government and its sub-sectors, for years not yet completed. The preparation of forecasted figures is based on the most recently published Danish Economic Survey, to which corrections are made, ensuring that the forecasted figures comply with the European System for National Accounts 1995 (SNA95), which is replaced by SNA2010 as from 2014. The forecasted figures are reported to the EU Commission and Statistics Denmark.

In addition to this, the Ministry of Finance assists in compiling the table "Supplementary table for the financial crisis".

## **Tasks and activities of Statistics Denmark**

Statistics Denmark is responsible for production and dissemination of the national accounts statistics for general government and its sub-sectors and is, in this context, responsible for compilation and notification of EDP data covering historical years. In this context, Statistics Denmark determines the delimitations and methods, ensuring that the statistics are compiled in accordance with the European System for National Accounts, SNA 95, which is replaced by SNA 2010 as from 2014.

Statistics Denmark uses accounting data from the institutions and corporations that are inside the delimitation of the public sector in accordance with the above-mentioned system for national accounts. For the sub-sector, *Central Government* the principal source is the Danish state accounts, which are submitted electronically at detailed level by the Agency for the Modernization of Public Administration. During the accounting year, Statistics Denmark receives quarterly extracts from the bookkeeping records and after closing of the accounting year, provisional as well as final state accounts are received.

Statistics Denmark is legally obliged to submit quarterly as well as annual national accounts statistics for the public sector to the European Commission, Eurostat. Preliminary statistics for the accounting year T is submitted, for the first time, before 1 April T+1, and are based on the year's first reporting of the comprehensive primary data, which constitute the central data basis for the *Excessive Deficit Procedure* (EDP). The second revision of the national accounts statistics are compiled and published June T+1 on the basis of final central and local government accounts. These statistics are the basis for the EDP notification before 1 October. The third revised national accounts statistics for the year T are finalized and published at the beginning of November T+1, when close to final source data for taxes and institutions outside the scope of the central and local government accounts are available. These statistics are incorporated in the subsequent EDP notification year T+2 for the years T, T-1 and T-2. Final statistics for a given year are estimated and submitted year T+3. During the period from the third revised compilation of statistics and to the final compilation of statistics, all source data become final and processing and quality assurance of the national accounts are performed for the last time.

Statistics Denmark is also responsible for publishing EDP data on Statistics Denmark's website and for providing replies to clarifying questions relating to data and methodology that are put forward by Eurostat in conjunction with the two annual notifications of EDP data. Statistics Denmark is responsible for conducting the annual EDP-dialogue visits and the follow-up activities on these visits. The same applies to the "upstream-dialogue visits" conducted approximately every second year concerning checks of the source-data quality.

Moreover, Statistics Denmark is responsible for preparing comprehensive and detailed documentation of the methods, procedure and data sources applied in the EDP notifications. To this is added a number of quality initiatives in relation to the Commission Communication (2011) 211.

### **Cooperative agreement**

#### **Obligations of Statistics Denmark**

1. Appointment of a contact person.
2. Information submitted by the Ministry of Finance can be incorporated in the EDP notifications to Eurostat/EU Commission.
3. Submit information to the Ministry of Finance with regard to real- coded budget figures for the EDP transition table 2A by the end of March, which are needed by the Ministry of Finance for preparing forecasted figures for years not yet completed in the EDP notifications.
4. Statistics Denmark submits EDP data on the actual figures (historical figures) to the Ministry of Finance, not later than when figures are submitted by Statistics Denmark to Eurostat/EU Commission.

#### **Obligations of the Ministry of Finance**

1. Appointment of a contact person.
2. Identify and disseminate relevant information related to the EDP notifications to Statistics Denmark, including data related to swap and the financial crisis: Before 1 March submissions of the first set of available preliminary information which may be of interest to the EDP notification. Subsequently, information is submitted concerning cases of interest to the EDP data reports before 15 May and 15 September, respectively.
3. Pass on questions from Statistics Denmark to relevant persons at the Ministry of Finance and provide replies, as Statistics Denmark can put forward requests to the Ministry of Finance concerning relevant information on new and/or complex accounting transactions, which are of importance to the EDP notifications that may be available to the Ministry of Finance.

4. The Ministry of Finance also submits the EDP notifications, supplemented by the forecasted figures prepared by the Ministry of Finance for the years not yet completed to Eurostat/EU Commission as well as to Statistics Denmark.

### **Steering group**

1. A steering group is set up, charged with the tasks of supervising and evaluating the implementation of the agreement and to propose improvements of the agreement considered desirable by the steering group and to discuss issues in relation to the EDP notifications that are of interest to either parties of the agreement. The steering group is composed of the following representatives from the two institutions:

From the Ministry of Finance: The Director for Economic Policy and the responsible Head of Division in the area.

From Statistics Denmark: The Director for Economic Statistics and the Head of Division for Government Finance Statistics.

2. Contact persons from both institutions participate at the meetings of the steering group and submit reports with regard to implementation of the agreement.
3. Meetings of the steering group take place at least once every year, with alternating chairmanship between the two institutions. Meetings are always held in conjunction with completion of the October EDP notifications, where Statistics Denmark, as a fixed agenda item, will inform of the results from the control conducted by Eurostat of the most recently reported EDP data.
4. This agreement comes into force on September 1, 2013.

Copenhagen September 1, 2013

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Statistics Denmark

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Ministry of Finance