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(iv) Managing credibility in good times and in bad

**THE ODYSSEY OF GREEK PUBLIC FINANCE STATISTICS
– a serious communication issue**

Submitted by Eurostat¹

I. INTRODUCTION

1. For many years, the Eurostat policy on communicating government debt and deficit data has remained the same – twice a year, around the third week of April and the third week of October Eurostat publishes a News Release with data for the previous four years on the ratio of government debt and deficit to GDP notified by each of the 27 Member States, plus aggregates calculated by Eurostat for the EU and Euro area. If Eurostat has doubts on the quality of the reported data for any Member State, it "expresses a reservation". This means that technical issues need to be resolved, and the published figure for that Member State cannot yet be considered fully in accordance with the rules. Starting last year, Eurostat has in addition organised a background briefing on the day of the news release for the media accredited to the European Commission in Brussels, in order to explain the technical aspects of the notification. In general, over recent years, the publication of these releases has generated a relatively limited number of questions from journalists to the Eurostat Press Office.

2. On Thursday 22 October 2009, I stood in one of the press rooms in the European Commission's Berlaymont building to give this background briefing to the media on the publication of government debt and deficit data by Eurostat. In particular I noted that the 2008 deficit for Greece had been revised upwards from the 5.0% of GDP notified in April 2009, to 7.7% of GDP in October, and that "Eurostat has expressed a reservation on the data reported by Greece due to significant uncertainties over the figures notified by the Greek statistical authorities". At the same time, the Greek authorities also revised their forecast deficit for 2009 from 3.7% of GDP (the figure reported to the Commission in spring) to 12.5% of GDP.



Provision of deficit and debt data for 2009 - first notification
**Euro area and EU27 government deficit at 6.3%
and 6.8% of GDP respectively**
Government debt at 78.7% and 73.6%

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3. Exactly 6 months later, on Thursday 22 April 2010, I found myself in the same room, facing many of the same people, to again give the background briefing to the media on the publication of government debt and deficit data. On this occasion I announced that the Greek deficit for 2009 that we were publishing was in fact 13.6% of GDP, and that Eurostat "is expressing a reservation on the quality of the data reported by Greece, due to uncertainties on the surplus of social security funds for 2009, on the classification of some public entities and on the recording of off-market swaps", and that "this could lead to a revision for the year 2009 of the order of 0.3 to 0.5 percentage points of GDP for the deficit and 5 to 7 percentage points of GDP for the debt".

4. The six months in between these two dates, and the two months since April, have seen Eurostat's work, particularly on government finance statistics, subject to an unprecedented level of media interest. While we are still too close to the events to properly assess what we got right and what we got wrong in terms of communicating with the media, we can at least make some comments.

II. A LONG VOYAGE...

5. What has happened since October 2009 follows on from a long voyage through the choppy seas of Greek data. Eurostat's reservation on the revised data notified by Greece in October 2009 was not the first such reservation. Between 2005 and 2009 Eurostat had expressed reservations on the Greek data in the biannual press release on five occasions. But even this is not the beginning of the story: in November 2004 a Report on the revision of Greek government deficit and debt figures was released by Eurostat, which showed that figures had been misreported in the years preceding 2004.

6. Two weeks after the publication of the Eurostat News Release on 22 October 2009, the ECOFIN Council asked the the Commission to prepare a report on the 'renewed problems in the Greek fiscal statistics'. The Council also invited the Commission 'to propose the appropriate measures to be taken in this situation'.

7. In response to this request, the Commission published on 8 January 2010 a report by Eurostat on "Greek Government Deficit And Debt Statistics":

http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/COM_2010_REPORT_GREEK/EN/COM_2010_REPORT_GREEK-EN.PDF.

Rather than recite a lengthy epic, I invite you to read this report, as well as the 2004 report, which can be found at: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/GREECE/EN/GREECE-EN.PDF.

8. The 2010 Report put in question the reliability of Greek deficit and debt figures provided by the Greek statistical authorities and concluded that Greek authorities had not demonstrated the co-operation and transparency needed for the proper assessment by Eurostat of the quality of deficit and debt figures. It mentioned clearly instances of deliberate misreporting by the Greek authorities.

9. Each of these three events – the October 2009 and April 2010 news releases and the publication of the report in January 2010 – generated a notable rise in requests from the media. Many of the questions were on the technical issues underlying the problems with the Greek data, and on the role of Eurostat in public finance statistics. In addition, some journalists also posed questions that showed a serious misunderstanding of the role and powers of Eurostat, or confusing the status of data contained in forecasts and in notifications.

10. However it was another part of the story that generated the most intense period of media interest.

III. THE OFF-MARKET SWAP

11. At the beginning of February 2010, a German newspaper mentioned for the first time that in 2001 Greece had been able to borrow a significant sum of money without recording it in its government debt. This was made possible through a complex financial operation (an off-market currency swap), carried out with the support of Goldman Sachs. This article, and subsequent articles in other European and American media on the same subject, created an explosion of questions around mid-February to the Eurostat Press Office.

12. The questions covered the following points:

- Was Eurostat aware of this specific operation?
- What was the value of the operation, and had it been included in the data notified by Greece?
- Had Goldman Sachs or the Greek authorities asked Eurostat's advice on recording of the operation?
- Are there rules for recording this type of operation, and when did they come into force?

13. In parallel with these questions, the Press Office received in a period of a few days around 30 requests to interview our Director General.

III. THE MEDIA RESPONSE

14. In total, we have handled nearly 100 written requests for information on all aspects of the Greek situation from the media over the last 8 months, and while many of the questions could be answered relatively quickly, some – particularly those on the swap operation or those showing misunderstandings of the situation – required a considerable amount of work and input from a number of colleagues to prepare a good answer. In addition a very large number of journalists - those seeking general background rather than the answer to specific questions - were dealt with by phone. Certain media outlets were particularly aggressive in asking about particular aspects of the Greek situation...

15. The most difficult period was after the revelation of the off-market swap operation, not only because it was yet another proof of the misreporting of data by Greece, but also because it involved Goldman Sachs, one of the most well-known financial services companies. At that time the number of questions was so large that we decided not to reply individually to each journalist, but to publish on our website an information note covering the main issues. This note was published on 24 February 2010, and was used widely by journalists. It can be found at: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/INFO-GREECE/EN/INFO-GREECE-EN.PDF.

16. Apart from the questions posed by journalists to the Press Office, we received many requests for interviews with our Director-General. Due to the overload of work created by the Greek situation, it was not possible to reply positively to all requests. Since October 2009, he has made ten interviews – five TV and five press – on Greek data and Eurostat's role.

IV. CONCLUSION

17. I do not have specific lessons to give as a result of this experience, but I do have some personal comments on our performance.

18. On the negative side, at points over these eight months we have been caught by surprise by the media reaction to particular issues such as the off-market swap operation, for which it was clear from the outset that the potential amount involved was relatively small compared to the total Greek debt. And also, in a period of intense media interest such as this, it has not been possible to maintain our usual speed of response to all requests – the limited resources available to the Press Office being designed to handle the routine workload.

19. However, more positively, my impression is that Eurostat has come through these events with its credibility globally intact, and perhaps even reinforced. Firstly, we were able to point to the history of reservations on Greek data, showing that in the absence of auditing power we had for many years been able to identify areas of concern. Secondly, senior European politicians recognised that they should have agreed in 2005 to Eurostat's request for auditing powers, following the 2004 report. Thirdly, the 2010 report was not only perceived as a comprehensive review of the technical issues to be resolved, but also as a concrete analysis of institutional failures in the Greek statistical system.

20. As for the future, Eurostat has established a common action plan with the Greek authorities, which aims to restore the quality and credibility of Greek fiscal data.