



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 9.12.2003
COM(2003) 761 final

2003/0295 (CNS)

Proposal for a

COUNCIL REGULATION

concerning the compilation and transmission of data on the quarterly government debt

(presented by the Commission)

EXPLANATORY MEMORANDUM

According to Article 104(2) of the EC Treaty, the Commission “*monitors the development of the budgetary situation and of the stock of government debt in Member States*”. This monitoring is based on two criteria in particular: government deficit/surplus and government debt, both being expressed as a ratio of GDP.

Council Regulation (EC) No 3605/93,¹ as amended by Council Regulation (EC) No 475/2000² and Commission Regulation (EC) No 351/2002³, defines the government debt outstanding at the end of the year (hereinafter annual government debt) that is relevant for the excessive deficit procedure. It also lays down a timetable for the reporting to the Commission of annual government deficit/surplus and of annual government debt.

Notwithstanding the reliance placed on annual government deficit/surplus and debt data for the formal implementation of the excessive deficit procedure, closer monitoring of the budgetary situation in Member States requires more detailed information, for example detailed data on government revenue and expenditure, and more frequent data. Therefore, in recent years, the European Parliament, the Council and the Commission have adopted several legal acts in accordance with which the Member States are required to compile and transmit to the Commission detailed annual and quarterly government accounts. In particular, Commission Regulation (EC) No 1500/2000⁴ moved the date of the first transmission of detailed annual government expenditure and revenue data from August to March each year and revised the contents of the government account, while Commission Regulation (EC) No 264/2000⁵ and Regulation (EC) No 1221/2002 of the European Parliament and of the Council⁶ concern the compilation and transmission of quarterly government non-financial accounts, including quarterly government deficit/surplus data.

The proposal for a regulation of the European Parliament and of the Council on quarterly financial accounts for general government, which the Commission adopted on 8 May 2003 (COM (2003) 242 final), will also contribute to increasing the detail and frequency of government data. The proposal concerns the compilation of quarterly financial accounts for general government, including quarterly government outstanding liabilities. However, such figures will not allow government debt to be compiled quarterly because of differences in the valuation rules. Those differences arise because the outstanding government liabilities that will be compiled according to the proposal referred to above are valued at market value, that is, according to the valuation rules of the European System of National and Regional Accounts (ESA 95), while the government debt that is relevant for the excessive deficit procedure is compiled on the basis of nominal values. Therefore, there is currently no legal act relating to the quarterly compilation of government debt.

The extra work required for the Member States to compile the government debt on a quarterly basis is very limited, in particular when compared with the obligations of the draft regulation on quarterly financial accounts for general government. In fact, government debt is no more than a subset of government financial liabilities with specific valuation rules.

¹ OJ L 332, 31.12.1993, p. 7.

² OJ L 58, 3.3.2000, p. 1.

³ OJ L 55, 26.2.2002, p. 23.

⁴ OJ L 172, 12.7.2000, p. 3.

⁵ OJ L 29, 4.2.2000, p. 4.

⁶ OJ L 179, 9.7.2002, p. 1.

The attached Commission proposal starts by explicitly defining quarterly government debt (Article 1). This explicit definition of quarterly government debt – rather than a cross-reference to Council Regulation (EC) No 3605/93 – is necessary since the definition that features in Article 1(5) of Council Regulation (EC) No 3605/93 refers to the “*outstanding debt at the end of the year*”, and therefore does not cover the possibility of compiling the government debt with a frequency other than annual. Moreover, given the specific role of Council Regulation (EC) No 3605/93 in the implementation of the excessive deficit procedure, it is preferable that the compilation and transmission of quarterly government debt data is dealt with in an autonomous legal act. However, in spite of the difference concerning the moment at which the debt is compiled (that is, end of each quarter instead of end of the year), the definitions of quarterly government debt and of annual government debt are consistent. Furthermore, the proposed regulation includes provisions that guarantee that the two definitions remain consistent in case Regulation (EC) No 3605/93 is amended by the Council, or in case the Commission introduces new references to ESA 95, in accordance with Article 7 of that Regulation.

The proposal provides that, as a rule, quarterly data on government debt should be transmitted to the Commission at the latest three months after the end of the quarter to which they refer (Article 2). This is the same transmission lag laid down by Regulations (EC) No 264/2000 and No 1221/2002 for quarterly non-financial government accounts, and by the proposal for a regulation on quarterly financial accounts for general government. Moreover, to ensure the availability of a long statistical series, the proposed regulation lays down that back data will be compiled from the first quarter of 2000 (Article 3).

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular the third subparagraph of Article 104(14) thereof,

Having regard to the proposal from the Commission⁷,

Having regard to the opinion of the European Parliament⁸,

Whereas:

- (1) Council Regulation (EC) No 3605/93 of 22 November 1993 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community⁹ contains the definition of government debt outstanding at the end of the year that is relevant for the purpose of the excessive deficit procedure and lays down a timetable for the reporting to the Commission of annual government debt and of other annual government data.
- (2) The availability of government data, including government debt data, with a quarterly frequency is of the utmost importance for the economic analysis and proper monitoring of the budgetary situation in the Member States. Commission Regulation (EC) No 264/2000 of 3 February 2000 on the implementation of Council Regulation (EC) No 2223/96 with respect to short-term public finance statistics¹⁰, Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002 on quarterly non-financial accounts for general government¹¹ and Regulation (EC) No [.../....] of the European Parliament and of the Council of [date] on quarterly financial accounts for general government¹² cover the compilation and transmission of quarterly data on government non-financial and financial accounts, but do not extend to quarterly government debt.
- (3) For the sake of clarity, and given the specific role of Regulation (EC) No 3605/93 in the implementation of the excessive deficit procedure, the compilation and

⁷ OJ C, p. .

⁸ OJ C, p. .

⁹ OJ L 332, 31.12.1993, p. 7; Regulation as last amended by Commission Regulation (EC) No 351/2002 (OJ L 55, 26.2.2002, p. 23).

¹⁰ OJ L 29, 4.2.2000, p. 4.

¹¹ OJ L 179, 9.7.2002, p. 1.

¹² OJ L, p. .

transmission of quarterly government debt data should be governed by an autonomous legal act.

- (4) Quarterly government debt should be defined in a way that ensures consistency with the definition of government debt outstanding at the end of the year of Regulation (EC) No 3605/93. This consistency should be maintained, in the event that the Council amends Regulation (EC) No 3605/93 or the Commission introduces new references to the European system of accounts ("ESA 95") set up by Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community¹³ into Regulation (EC) No 3605/93.
- (5) Regulations (EC) No 264/2000, No 1221/2002 and [.../....] state that quarterly data on non-financial and financial accounts of general government are to be transmitted three months after the end of the quarter to which they refer. This transmission lag is also appropriate for quarterly government debt data,

HAS ADOPTED THIS REGULATION:

Article 1

Definition of quarterly government debt

1. For the purposes of this Regulation, "government" means the sector of general government as defined in the European system of national and regional accounts in the Community (hereinafter referred to as 'ESA 95'), adopted by Regulation (EC) No 2223/96. The codes in brackets refer to ESA 95.
2. The quarterly government debt means the total gross debt at nominal value outstanding at the end of each quarter of the sector of general government (S.13), with the exception of those liabilities the corresponding financial assets of which are held by the sector of general government (S.13).

The quarterly government debt is constituted by the liabilities of general government in the following categories: currency and deposits (AF.2); securities other than shares, excluding financial derivatives (AF.33) and loans (AF.4), as defined in ESA 95.

The nominal value of a liability outstanding at the end of each quarter is the face value.

The nominal value of an index-linked liability corresponds to its face value adjusted by the index-related change in the value of the principal accrued to the end of each quarter.

Liabilities denominated in a foreign currency, or exchanged from one foreign currency through contractual agreements to one or more other foreign currencies shall be converted into the other foreign currencies at the rate agreed on in those contracts and shall be converted into the national currency on the basis of the

¹³ OJ L 310, 30.11.1996, p. 1. Regulation as last amended by Regulation (EC) No 1267/2003 of the European Parliament and of the Council (OJ L 180, 18.7.2003, p. 1.)

representative market exchange rate prevailing on the last working day of each quarter.

Liabilities denominated in the national currency and exchanged through contractual agreements to a foreign currency shall be converted into the foreign currency at the rate agreed on in those contracts and shall be converted into the national currency on the basis of the representative market exchange rate prevailing on the last working day of each quarter.

Liabilities denominated in a foreign currency and exchanged through contractual agreements to the national currency shall be converted into the national currency at the rate agreed on in those contracts.

Article 2

Timetable for the compilation and transmission of data on the quarterly government debt

1. Member States shall compile and transmit to the Commission data on the quarterly government debt at the latest three months after the end of the quarter to which the data refer.

Any revision of data for previous quarters shall be transmitted at the same time.

2. The first transmission of the data on the quarterly government debt shall take place by 30 June 2004 at the latest.

Article 3

Provisions related to back data

Back-data relating to the first quarter of 2000 onwards should be transmitted by 31 December 2004 at the latest. Where necessary, such data may be provided using a best-estimate approach.

Article 4

Amendments

1. If the Council decides to amend Regulation (EC) No 3605/93, in accordance with the rules on competence and procedure laid down in the Treaty, the Council shall simultaneously amend this Regulation, so that the definitions of quarterly government debt and of government debt outstanding at the end of the year are kept consistent.
2. If the Commission introduces new references to ESA 95 into Article 1(5) of Regulation (EC) No 3605/93, in accordance with Article 7 thereof, the Commission shall simultaneously introduce the same new references into this Regulation, so that the definitions of quarterly government debt and of government debt outstanding at the end of the year are kept consistent.

Article 5

Entry in force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President