

**Proposal for a Council Regulation on the harmonisation of Gross National Income at market prices  
(‘GNI Regulation’)**

(2003/C 45 E/06)

COM(2002) 558 *final* — 2002/0245(CNS)

*(Submitted by the Commission on 15 October 2002)*

**EXPLANATORY MEMORANDUM**

1. Gross National Product (GNP) and Gross Domestic Product (GDP) play a major role in the own resource system and various Community policies, notably since the fourth GNP resource was set up in 1988. This makes it necessary to reinforce the comparability, reliability and exhaustiveness of Member States' GNP data.
2. Up to now, GNP calculations were based on the former European System of Integrated Economic Accounts, the so-called ESA 79. Based on a Commission proposal, the Council adopted GNP Directive 89/130/EEC, Euratom setting up a procedure to assess the comparability, reliability and exhaustiveness of GNP. This procedure is centred on the GNP Committee in which Member States and the Commission co-operate closely in order to further harmonise and improve the quality of GNP.
3. Starting from the budgetary year 2002, the new European System of Accounts (the ESA 95) will be used to calculate GNP (now called GNI or Gross National Income) according to Decision 2000/597/EC, Euratom on own resources. It is therefore necessary to redefine the legal framework for harmonisation and improvement work on GNI, taking account of ESA 95 specificities.
4. This proposal for a Council GNI Regulation addresses this objective. Following the example of the current GNP Directive, this proposal:
  - defines the methods of calculation of GNI based on ESA 95,
  - specifies Member States' obligations concerning data transmission,
  - sets up the GNI Committee as the new forum for co-operation between Member States and the Commission concerning verification and improvement work on GNI.
5. This proposal for a Regulation has been thoroughly discussed with Member States' representatives in the GNP Committee.

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the proposal from the Commission,

Having regard to the Treaty establishing the European Community,

Having regard to the opinion of the European Parliament,

Having regard to the Treaty establishing the European Atomic Energy Community,

Whereas:

Having regard to Council Decision 2000/597/EC, Euratom of 29 September 2000 on the system of the Communities' own resources <sup>(1)</sup>, and in particular Article 8(2) thereof,

- (1) The increasing share of the Community's own resource based on the gross national product at market prices (hereinafter referred to as GNPmp) of the Member States, makes it necessary to further reinforce the comparability, reliability and exhaustiveness of this aggregate.

<sup>(1)</sup> OJ L 253, 7.10.2000, p. 42.

- (2) These data are also an important analytical tool for the coordination of national economic policies and for various Community policies.
- (3) For own resource purposes, Council Decision 2000/597/EC, Euratom states that GNP<sub>mp</sub> is equal to gross national income at market prices (hereinafter referred to as GNI) as provided by the Commission in application of the European system of national and regional accounts (hereinafter referred to as ESA 95) in accordance with Council Regulation (EC) No 2223/96 <sup>(1)</sup>.
- (4) GNI data must be comparable. These data can be comparable only if the relevant definitions and accounting rules of ESA 95 are complied with. For that purpose, the assessment procedures and the basic data actually used should permit the correct application of the definitions and accounting rules of ESA 95.
- (5) The sources and methods used to compile GNI must be reliable. This means that sound techniques should be applied to robust and suitable basic statistics as much as possible.
- (6) GNI data must be exhaustive. This means that they should take account also of the activities that are not reported in statistical surveys or to fiscal, social and other administrative authorities. Improved GNI coverage presupposes developing suitable statistical bases and assessment procedures and making adequate adjustments.
- (7) In order to fulfil its mission of providing GNI data for own resource purposes, the Commission shall take measures aimed at improving the comparability, reliability and exhaustiveness of Member States' GNI.
- (8) Council Directive 89/130/EEC, Euratom of 13 February 1989 on the harmonization of the compilation of gross national product at market prices <sup>(2)</sup> has set up a procedure to verify and assess the comparability, reliability and exhaustiveness of GNP within the GNP Committee in which Member States and the Commission co-operate closely. This procedure should be adjusted to take account of the use of ESA 95 GNI for the purposes of own resources.
- (9) In accordance with Article 2 of Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission <sup>(3)</sup>, measures for the implementation of this Regulation should be adopted by use of the advisory procedure provided for in Article 3 of that Decision.
- (10) The Statistical Programme Committee (SPC) has been consulted in accordance with Article 3 of Decision 89/382/EEC, Euratom <sup>(4)</sup>,

HAS ADOPTED THIS REGULATION:

#### CHAPTER I

### Definition and calculation of gross national income at market prices

#### Article 1

1. Gross National Income at market prices (GNI) and Gross Domestic Product at market prices (GDP) shall be defined in accordance with the European System of National and Regional Accounts (ESA 95).
2. GDP is the final result of the production activity of resident producer units. It can be defined in three ways:
  - (a) GDP is the sum of gross value added of the various institutional sectors or the various industries plus taxes and less subsidies on products (which are not allocated to sectors and industries). It is also the balancing item in the total economy production account.
  - (b) GDP is the sum of final uses of goods and services by resident institutional units (actual final consumption and gross capital formation) plus exports and minus imports of goods and services.
  - (c) GDP is the sum of uses in the total economy generation of income account (compensation of employees, taxes on production and imports less subsidies, gross operating surplus and mixed income of the total economy).

<sup>(1)</sup> OJ L 310, 30.11.1996, p. 1.

<sup>(2)</sup> OJ L 49, 21.2.1989, p. 26.

<sup>(3)</sup> OJ L 184, 17.7.1999, p. 23.

<sup>(4)</sup> OJ L 181, 28.6.1989, p. 47.

3. GNI represents total primary income receivable by resident institutional units: compensation of employees, taxes on production and imports less subsidies, property income (receivable less payable), gross operating surplus and gross mixed income. GNI equals GDP minus primary income payable by resident units to non-resident units plus primary income receivable by resident units from the rest of the world.

## CHAPTER II

### Forwarding of GNI data and additional information

#### Article 2

1. Member States shall establish GNI in accordance with Article 1 in the context of regular national accounting.

2. Before 15 September each year, Member States shall provide the Commission (Eurostat), in the context of national accounting procedures, with figures for aggregate GNI and its components, according to the definitions referred to in Article 1. Totals for GDP and its components may be presented according to the three approaches mentioned in Article 1, paragraph 2. The figures provided shall cover the preceding year and any changes made to the figures for previous years.

3. When they communicate the data foreseen in paragraph 2, Member States shall transmit a report on the quality of GNI data to the Commission (Eurostat). The report shall supply the information necessary to show how the aggregate was reached, and in particular describe any significant changes in the procedures and basic statistics used and explain the revisions made to earlier GNI estimates. The content and format of this report shall follow the guidelines laid down by the Commission after consulting the committee referred to in Article 4.

#### Article 3

Member States shall provide the Commission (Eurostat), in accordance with the guidelines laid down by the latter after consulting the committee referred to in Article 4, with an inventory of the procedures and basic statistics used to calculate GNI and its components according to ESA 95. Member States shall improve and update their inventory according to these guidelines.

## CHAPTER III

### Procedures and checks on the calculation of GNI

#### Article 4

1. The Commission shall be assisted by a committee, referred to as the GNI Committee, composed of representatives of the Member States and chaired by the representative of the Commission.

2. Where reference is made to this paragraph, the advisory procedure laid down in Article 3 of Decision 1999/468/EC shall apply, in compliance with Article 7(3) thereof.

3. The Committee shall adopt its rules of procedure.

#### Article 5

1. The Commission shall verify the sources and methods used by Member States to calculate GNI. Measures to make GNI data more comparable, reliable and exhaustive shall be adopted in accordance with the procedure referred to in Article 4 paragraph 2.

2. The Committee referred to in Article 4 shall examine questions raised by its Chairman, either on his own initiative or at the request of the representative of a Member State, relating to the implementation of this Regulation, in particular with regard to:

- (a) Compliance each year with the definitions referred to in Article 1.
- (b) The examination each year of the data forwarded under the terms of Article 2(2) and the information forwarded under the terms of Article 2(3) concerning the statistical sources and the procedures for calculating GNI and its components. This examination shall lead to a GNI Committee's opinion on the appropriateness of Member States' GNI data for own resource purposes with respect to reliability, comparability and exhaustiveness. This opinion will indicate the main documents on which the examination is based. Reliability, comparability and exhaustiveness of GNI and its components must be assessed taking account of the cost-benefit principle.

In this context, the cost-benefit principle entails a judgement on the potential size and significance of specific activities or transactions based on whatever information is available. This information is often qualitative, though it may be quantitative in some cases. The Commission (Eurostat) examines the comparability in the treatment of similar cases in the Member States and reports to the GNI Committee on all cases where the cost-benefit principle is considered to apply. The application of this principle should avoid committing disproportionate resources to calculate insignificant items.

- (c) Expressing its views, without prejudice to Article 4, on Commission proposals aiming to improve GNI calculations, including interpreting ESA 95 definitions where necessary and quantifying the impact of these proposals on GNI.

3. The Committee shall dedicate particular efforts to the improvement of Member States' GNI compilation practices and to the dissemination of best practices in this domain.

It shall also deal with questions relating to the revision of GNI data and the problem of the exhaustiveness of GNI.

It shall, if necessary, suggest to the Commission measures to make GNI data more comparable and more reliable.

*Article 6*

Without prejudice to the inspections foreseen in Article 19 of Council Regulation (EEC, Euratom) No 1150/2000 <sup>(1)</sup>, joint GNI information visits may, where deemed appropriate, be carried out to Member States by the Commission's services and representatives from other Member States in consultation with the Member States visited. The participation of Member States in these visits is voluntary.

CHAPTER IV

**Final provisions**

*Article 7*

Before the end of 2005, the Commission shall submit a report on the application of this Regulation to the European Parliament and to the Council.

*Article 8*

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

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

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<sup>(1)</sup> OJ L 130, 31.5.2000, p. 1.