

CMFB opinion
concerning the draft Third Edition of the Manual on Government Debt and Deficit
(MGDD)

1. At Eurostat's request the CMFB Chairman, with the assistance of the CMFB Executive Body, asked the CMFB Members on 25 June 2010 to state their opinion on the draft Third Edition of the Manual on Government Debt and Deficit (MGDD). The initial deadline was extended to 23 July 2010. Twenty-one (21) national statistical institutes and twenty (20) national central banks from the EU Member States returned the questionnaire within the specified time. A total of forty-one (41) national institutions responded to the questionnaire. The ECB and Statistics Norway also provided their opinions.
2. Based on a very large majority of the replies received, the CMFB agrees with the draft Third Edition of the Manual on Government Debt and Deficit.
3. The CMFB considers that the third edition of the MGDD is a substantial improvement compared to the second edition. The enhancements to the text in terms of content, presentation, and overall consistency are making the MGDD much easier to use by EDP compilers.
4. The CMFB notes that the usability will be enhanced by the foreseen addition of an index. Furthermore, it would be useful to mention in the introduction that the MGDD may be supplemented by other chapters and guidance notes in future and to provide a reference to where they may be found.
5. Most of the specific comments concern further improvements to concepts, definitions, and explanations in the form of additional clarifications or drafting proposals. In some cases, specific examples are used to illustrate the issues. Some other remarks relate to apparent inconsistencies in the MGDD, incorrect references, or typing errors. It is also proposed to amend some of the accounting examples throughout the manual.

Regarding the content, comments have been provided on the treatment of capital injections in sections III.2 and III.3, and a number of remarks concern section III.5 Dividends, super dividends, interim dividends, as well as the reference to super dividends in section VII.4 on government guarantees. There are also some calls for further clarification and guidance related to the treatment of swap operations, mainly in sections VIII.3-5.

6. It was also suggested to clarify the scope of the 15 July 2009 Eurostat Decision on the statistical recording of public interventions to support financial institutions and financial markets during the financial crisis, and the subsequent guidance note on the Decision published 29 September 2009, since this Decision will continue to have an impact on the EDP recording for several years to come, even if it will only be effective in a limited period.
7. Finally, the CMFB supports the National Accounts principles (ESA 95) that imply that the accounting treatment of operations should reflect economic reality (nature of entities and their economic behaviour), and not only legal or administrative criteria. The changes introduced in the third edition of the MGDD aim at improving and clarifying the content. These clarifications might affect the recording of a limited number of borderline cases. The CMFB

encourages Eurostat to take the necessary steps to provide bilateral advice, where appropriate, and to ensure that the Third Edition of the MGDD is published well in advance of the April 2011 notification.

8. Accordingly, the CMFB recommends that Eurostat take account of the specific remarks raised before finalising the Third Edition of the MGDD.
9. In addition to this opinion, all the anonymised answers from the CMFB Members have been transmitted to Eurostat and will be kept in the records of the CMFB secretariat.

(Signed)

Peter van de Ven
CMFB Chairman

Den Haag, 7 September 2010