

# **Code of best practice on the compilation and reporting of data in the context of the excessive deficit procedure**

**(As endorsed by the Ecofin Council on 18 February 2003)**

This code of best practice aims at clarifying and streamlining procedures, both at the Member States and the Commission levels, when compiling and reporting government accounts, in particular data for government deficit and debt, covering the previous four years (actual data) and the current year (planned data) in the context of the Excessive Deficit Procedure (EDP).

The code respects the definitions, deadlines or obligations established by the legal acts in force. The reporting procedure is governed by Regulation 3605/93<sup>1</sup>. The Protocol on the EDP annexed to the Treaty stipulates in Article 4 that “*The statistical data to be used for the application of this Protocol shall be provided by the Commission*”. Therefore, the Commission fulfils the role of statistical authority. However, it does not directly compile government data in the Member States but depends on data compiled and reported by the national authorities. For that reason, the accurate and speedy compilation of budgetary data and their prompt reporting to the Commission is of utmost importance.

The Commission’s role as statistical authority in the context of the EDP is exercised by Eurostat, on behalf of the Commission.

## **1. Compilation of budgetary data by Member States**

Actual data: The actual data of the ESA 95 government accounts shall be compiled by the National Statistical Institutes (NSIs), and where applicable by the National Central Banks (NCBs). In certain Member States, in view of current national institutional arrangements actual data can be compiled by the Ministries of Finance (MOF). The NSIs act in full scientific independence, in strict respect of the accounting rules as defined in Regulation 3605/93, Regulation 2223/96<sup>2</sup> (the ESA-95 Regulation), and in the ESA-95 Manual on Government Deficit and Debt. Central, regional and local government and the social security funds shall ensure that the accurate basic data and other information needed for compiling

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<sup>1</sup> OJ No. L 332 of 31 December 1993, p. 7, as amended by Council Regulation (EC) 475/2000 (OJ No. L 58 of 3 March 2000, p. 1), and Commission Regulation (EC) 351/2002 (OJ No. L 55 of 26 February 2002, p. 23).

<sup>2</sup> OJ No. L 310 of 30 November 1996, p. 1, as amended. The amendments most relevant for general government data are Regulation (EC) 1500/2000, OJ No. L 172 of 12 July 2000, p. 3, Regulation (EC) 2516/2000, OJ No. L 290 of 17 November 2000, p. 1, Regulation (EC) 995/2001, OJ No. L 139 of 23 May 2001, p. 3, and Regulation (EC) 2558/2001, OJ No. L 344 of 28 December 2001, p. 1.

reliable ESA-95 accounts is made available to the compiling authorities in time and with sufficient detail.

Planned data: The planned data are, in general, provided by the Ministries of Finance on the basis of the ESA 95 government accounts. They shall be the most recent official forecasts, taking into account the most recent budgetary decisions and economic developments and prospects, and should be produced shortly before the reporting deadline where possible. The planned data together with the actual data must form a consistent time series.

## **2. Reporting of budgetary data by Member States to the Commission**

Reporting deadlines: Member States shall strictly comply with the reporting deadlines before 1 March and before 1 September as laid down by Regulation 3605/93<sup>3</sup>. The reporting institutions – for actual data in general the NSI (in co-operation with the NCB, where applicable) or in certain cases the MOF, and for planned data in general the Ministry of Finance - take responsibility for the content, timeliness and transmission of their respective part of the report.

Reporting tables: The Commission shall, in co-operation with the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), as soon as possible put forward a more detailed set of reporting tables and required supplementary information, on the basis of the legal acts in force<sup>4</sup>. This shall be implemented by the March 2004 notification.

Revisions: Member States shall inform the Commission, as soon as they become available, of revisions of the actual accounts and of major revisions of the planned data. Major revisions should be properly documented including a breakdown of the revisions. In any case, revisions have to be reported and properly documented if the reference values as specified in the relevant Treaty Protocol are being surpassed.

## **3. Securing the quality of the actual budgetary data**

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<sup>3</sup> Should a Member State because of unexpected and unforeseen reasons be unable to comply with the deadlines, it will promptly inform the Commission of the reasons for the delay and inform them of the expected reporting date. In case such unexpected and unforeseen reasons concern planned data, the Member State could report planned and actual data separately. The Member States shall inform the Commission which national institutions are responsible for the EDP reporting.

Statistical inventory: For the purpose of data quality assessment by the Commission, the NSIs (in co-operation with the NCBs and the MOFs, where applicable) shall, following a proposal by Eurostat and after consultation of the CMFB, during 2004 provide a detailed inventory of the methods, procedures and sources used for the compilation of actual government deficit and debt data.<sup>5</sup> This inventory shall be updated regularly.

Resolving methodological issues: When there are doubts on the correct accounting treatment of a specific government measure, without prejudice to the authority exercised by Eurostat on behalf of the Commission, Member States are strongly advised to at the earliest stage organise consultations at national level between the Finance Ministry, the NSI, and where applicable the NCB. In cases where the doubts prevail, the NSI shall formally ask Eurostat to rule on the matter. Eurostat shall liaise with other Commission departments, and if necessary with the ECB, and give prompt advice about the recording of the government transaction in question in the ESA-95 accounts<sup>6</sup>. In cases which are not covered adequately by ESA-95, or are particularly complex or of general interest, Eurostat shall consult the CMFB before taking a decision<sup>7</sup>. The Member States shall provide Eurostat and the CMFB with the information necessary to decide on any accounting issue. Eurostat as a general rule shall publish its decision, together with the CMFB opinion, within the timetable laid down in the CMFB rules of procedure for consultations on EDP statistics. The decisions of Eurostat shall be systematically presented in the ESA-95 Manual on Government Deficit and Debt, which is regularly updated and which may lead to amendments of ESA-95 in case of substantial clarifications. In case amendments are required, the Commission shall initiate secondary legislation in conformity with the rules on competence and procedure laid down in the Treaty and Regulation (EC) No. 2223/96 (the ESA-95 Regulation). Eurostat can also take decisions on the accounting of government transactions on its own initiative. The CMFB may also provide opinions on its own initiative.

Monitoring of data: Eurostat assesses the compliance of the reported data with the accounting rules, including the completeness, plausibility and consistency of the data. The Member States shall promptly provide the Commission access to the information required for

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<sup>4</sup> More detailed information at the level of government sub-sectors (central, regional and local government and social security funds) is needed on actual data.

<sup>5</sup> Such an inventory already exists for the compilation of GNP/GNI and GDP in the context of the Communities' 4<sup>th</sup> resource (Council Directive 89/130/EC of 13 February 1989 on the harmonisation of the compilation of GNP at market prices, OJ No. L 49 of 21 February 1989, p. 26).

<sup>6</sup> The formal request including the necessary information for an Eurostat ruling should be made in due time to ensure that no accounting issue is left pending at the time of the notifications.

<sup>7</sup> The CMFB is a consultative body and its opinion is therefore not binding for Eurostat. However, Eurostat takes the utmost account of the opinions expressed by the CMFB.

the purpose of this assessment. Eurostat may when necessary examine in depth the ESA-95 government accounts of each Member State. Eurostat may request the assistance of other parties represented in the CMFB, and may publish the results, taking due account of the confidentiality of statistical data.

#### **4. Publication of the budgetary data by the Commission**

Actual data: Eurostat shall assess and publish for each Member State the actual government deficit and debt figures, within two weeks after the reporting deadline. Delays in the reporting by any Member State do not constitute a motive for Eurostat to delay its publication. Any reservation expressed when publishing the actual data, including if necessary and possible amendments by Eurostat and a reference to the objected figures, shall be communicated no later than two working days before this publication, to the Member State concerned and to the EFC President. When the issue is subsequently resolved, the withdrawal of the reservation is also published. Following revisions, the Commission (Eurostat), recording the results of the debate with the Member State, shall within two weeks publish on their website the updated government accounts and the effects on government deficit and debt.

Planned data: The Commission does not publish the reported planned data. However, the planned data are communicated by the Commission to the EFC. These data do not preclude the Commission (DG ECFIN) to publish their own forecasts.

Reporting to the EFC: In a report on the *main reporting results* to the EFC within one month after the reporting deadline, the Commission shall summarise major issues or problems in the reporting tables submitted by the Member States, with a view to find solutions and to constantly improve the quality and timeliness of data. The EFC may request further information or a follow-up to the report.

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