European system of national accounts ESA 95: excessive deficit procedure, protocol (amend. Regulation (EC) No 3605/93)

1999/0196(CNS) - 13/09/1999 - Legislative proposal

PURPOSE : this proposal has the objective of making amendments to Council Regulation 3605/93/EC which are necessary following the introduction of the European System of National and Regional Accounts in the Community (ESA 95). CONTENT : Regulation 3605/93/EC provides precise definitions of the public finance aggregates monitored in the excessive deficit procedure by reference to the classification codes of the European System Integrated Economic Accounts (ESA 79). The replacement of ESA 79 by the European System of National and Regional Accounts in the Community (ESA 95) during 1999 in accordance with Council Regulation makes it necessary to introduce certain amendments. No major changes are being made to the definition of government debt nor to its valuation basis, which according to the Protocol (No 5) on the excessive deficit procedure is at a nominal value. However, the components of the debt are to be slightly adjusted to take into account the new ESA financial asset categories. It should be noted that financial derivatives, a relatively new type of financial instrument covered for the first time by ESA 95, will not be included in total debt because they do not have a nominal value like other debt instruments. However, for liabilities denominated in foreign currency which are subject to agreements fixing the exchange rate the conversion to national currency must take account of this rate. This also applies when agreements relate to the exchange rates between foreign currencies. A small change is also made by the proposed regulation to "interest payments" to make clear that these should be reported on a consolidated basis. In addition, in order to ensure full coherence between the figures used for the calculation of the ratio of deficits and debt to gross domestic product, the regulation adopts a definition of gross domestic product according to ESA 95. Finally, it is proposed that the amending regulation come into force on 01/01/2000 so that the first reporting of 2000 (1 March) will be based on the new ESA 95 basis.