

## I

*(Acts whose publication is obligatory)*

**COUNCIL REGULATION (EC) No 475/2000**  
**of 28 February 2000**  
**amending Regulation (EC) No 3605/93 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community**

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),

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament <sup>(1)</sup>,

Whereas:

- (1) The definitions of 'government', 'deficit' and 'investment' are laid down in the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community and in Regulation (EC) No 3605/93 <sup>(2)</sup> by reference to the European system of integrated economic accounts; Regulation (EC) No 2223/96 <sup>(3)</sup> replaced that system with the European system of national and regional accounts in the Community (hereinafter referred to as 'ESA 95').
- (2) The definition of 'government debt' laid down in the Protocol on the excessive deficit procedure and in Regulation (EC) No 3605/93 needs to be further amplified by a reference to the classification codes of ESA 95; in the case of financial derivatives, as defined in ESA 95, there is no nominal value identical to that for other debt instruments; therefore, financial derivatives must not be included with the liabilities making up government debt for the purposes of the Protocol on the excessive deficit procedure; for liabilities which are subject to agreements fixing the exchange rate, this rate should be taken into account in the conversion into national currency.
- (3) ESA 95 provides a detailed definition of gross domestic product at current market prices, which is appropriate for the calculation of the ratios of government deficit to gross domestic product and of government debt to gross

domestic product referred to in Article 104 of the Treaty.

- (4) Consolidated government interest expenditure is an important indicator for monitoring the budgetary situation in the Member States; interest expenditure is intrinsically linked to government debt; government debt to be reported to the Commission by the Member States has to be consolidated within the government sector; the levels of government debt and of interest expenditure should be made mutually consistent; the methodology of ESA 95 (point 1.58) recognises that, for certain kinds of analysis, consolidated aggregates are more significant than overall gross figures; the way in which the figures on interest expenditure are to be provided to the Commission by the Member States should be clarified.
- (5) The definitions and classification codes of ESA 95 may be subject to revision in the context of the necessary harmonisation of national statistics or for other reasons; revisions of ESA 95 or amendments to its methodology are decided by the Council or the Commission in accordance with the rules on competence and procedure laid down in the Treaty and in Regulation (EC) No 2223/96.
- (6) Article 8(2) of Regulation (EC) No 2223/96 stipulates that the former European system of integrated economic accounts was to continue to be used for the purposes of Member States' reports to the Commission under the excessive deficit procedure during a transitional period until the reporting exercise of 1 September 1999,

HAS ADOPTED THIS REGULATION:

*Article 1*

Regulation (EC) No 3605/93 is hereby amended as follows:

1. Articles 1 and 2 shall be replaced by the following text:

<sup>(1)</sup> Opinion delivered on 17 February 2000 (not yet published in the Official Journal).

<sup>(2)</sup> OJ L 332, 31.12.1993, p. 7.

<sup>(3)</sup> OJ L 310, 30.11.1996, p. 1.

*Article 1*

1. For the purposes of the Protocol on the excessive deficit procedure and of this Regulation, the terms given in the following paragraphs are defined according to 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. "Government" means the sector of "general government" (S.13), that is "central government" (S.1311), "state government" (S.1312), "local government" (S.1313) and "social security funds" (S.1314), to the exclusion of commercial operations, as defined in ESA 95.

The exclusion of commercial operations means that the sector of "general government" (S.13) comprises only institutional units producing non-market services as their main activity.

3. "Government deficit (surplus)" means the net borrowing (net lending) (B.9) of the sector of "general government" (S.13), as defined in ESA 95. The interest comprised in the government deficit is the interest (D.41), as defined in ESA 95.

4. "Government investment" means the gross fixed capital formation (P.51) of the sector of "general government" (S.13), as defined in ESA 95.

5. "Government debt" means the total gross debt at nominal value outstanding at the end of the year 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).

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 the year 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 the year.

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

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 year.

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*

For the purposes of the Protocol on the excessive deficit procedure and of this Regulation, gross domestic product means gross domestic product at current market prices (GDP mp) (B.1\*g), as defined in ESA 95.

(\* Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community (OJ L 310, 30.11.1996, p. 1).'

2. In Article 4(2), at the end of the second indent, the terms 'subsectors S61, S62 and S63' shall be replaced by 'subsectors S.1311, S.1312, S.1313 and S.1314'.

3. At the end of Article 5, the terms 'and interest expenditure' shall be replaced by 'and interest expenditure (consolidated)'.

4. Article 7 shall be replaced by the following text:

*Article 7*

In the event of a revision of ESA 95 or of an amendment to its methodology to be decided on by the Council or the Commission in accordance with the rules on competence and procedure laid down in the Treaty and in Regulation (EC) No 2223/96, the Commission shall introduce the new references to ESA 95 into Articles 1, 2 and 4.'

*Article 2*

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

It shall apply from 1 January 2000.

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

Done at Brussels, 28 February 2000.

*For the Council*

*The President*

J. PINA MOURA