



PROCEDURES FOR THE DEVELOPMENT AND IMPLEMENTATION OF METHODOLOGY UNDERPINNING EDP DATA

0 BACKGROUND

1. The compilation of Excessive deficit procedure (EDP) data and government finance statistics (GFS) data is based on national accounts (NA) concepts and definitions as set out in the European System of Accounts (ESA 2010). This is the European equivalent of the internationally agreed System of National Accounts (SNA)¹.
2. ESA 2010 is an EU regulation that gives the Commission (Eurostat) a special mandate to provide clarification and advice on the correct implementation of ESA 2010 accounting rules². A similar provision is set out also in the Council Regulation on the application of the Protocol on the excessive deficit procedure³.
3. Eurostat executes both of these mandates with the assistance of several European Statistical System (ESS) expert groups, i.e. the Excessive Deficit Procedure Statistics Working Group (EDPS WG) and its sub-groups, the National Accounts Working Group (NAWG), as well as, where necessary, the Directors of Macro-Economic Statistics (DMES). The European Statistical System (ESS) is the partnership between the Community statistical authority, which is the Commission (Eurostat), and the national statistical institutes (NSIs) and other national authorities responsible in each Member State for the development, production and dissemination of European statistics. This partnership also includes the EEA and EFTA countries.⁴ In addition, the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), a body established by a Council Decision⁵ whose members include representatives from the Commission, the European Central Bank and from the National Statistical Offices and National Central Banks, shall be consulted when so provided under Council Regulation (EC) No 479/2009 or other Union legislation.
4. The conceptual framework and rules set out in ESA 2010 are clarified and complemented by methodological guidelines in various forms. This document aims to define the different types of guidelines and the procedures for each of them.
5. The EDPS WG and DMES have been consulted on this document by written procedure.

¹ ESA 2010 and 2008 SNA respectively.

² See Article 2(3) of Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union.

³ See Article 10 of Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community.

⁴ See Eurostat website: [Overview - European Statistical System \(ESS\) - Eurostat \(europa.eu\)](http://europa.eu).

⁵ Council Decision 2006/856/EC of 13 November 2006 establishing a Committee on Monetary, Financial and Balance of Payments Statistics.

1 METHODOLOGICAL GUIDELINES

6. Eurostat publishes the Manual on Government Deficit and Debt (MGDD) to provide additional guidelines on the appropriate treatment of statistical issues regarding government finance statistics. It also helps to understand the methodology applied to government finance data for the EDP/GFS. This manual therefore complements and clarifies ESA 2010.
7. The MGDD update is generally aligned with the National Accounts benchmark revision carried out once every five years to ensure stability, aiming to publish it two years before the National Accounts benchmark revision to provide sufficient lead-time for the implementation of methodological changes.
8. Where there is a need to update the MGDD outside the regular update cycle, the *Guidance note amending the latest MGDD* is used. The purpose of such a note is to amend the existing MGDD in a targeted and timely way (see Paragraph 14).
9. Among the general guidelines, the *MGDD update* and *Guidance notes amending the latest MGDD* require a formal consultation of various ESS expert groups and a consultation of the CMFB as provided for in Paragraph 12. Before the final written consultations, extensive work takes place in various ESS expert groups, in particular, discussions in the EDPS WG and relevant task forces as well as written consultations, for example on CIRCABC are organised.
10. When a Member State requests an opinion on a specific statistical issue, Eurostat either provides the respective Member State with *bilateral advice* or, if the issue might also affect other Member States, may issue instead a general guideline relevant to all Member States.
11. *General guidelines* affect all Member States and generally require a comprehensive and formal consultation of the ESS expert groups. By contrast, *bilateral advice* (related to a country case) given by Eurostat to a Member State does not involve consultation of the ESS expert groups. These opinions on the recording of a specific transaction are based on existing NA rules and principles.
12. The following table contains the guidelines for clarifying or complementing ESA 2010 together with the ESS consultation requirements and publication policy:

	Consultation requirements ⁶	Publication
<i>General guidelines</i>		
MGDD update - publication	EDPS WG, CMFB ⁷ and DMES by written procedure	Yes
Eurostat decision, as defined in <i>Article 10(2) of Council Regulation (EC) No 479/2009</i> ,	EDPS WG and CMFB by written procedure	Yes
Guidance note amending the latest MGDD	EDPS WG, CMFB ⁷ and DMES by written procedure	Yes
Other guidance notes and GFS interpretation	EDPS WG by written procedure, which can be extended to the DMES (if requested by Member States)	Yes

⁶ The National Accounts Working Group (NAWG) should be informed or consulted in relevant cases.

⁷ The exact scope of the consultation on MGDD chapters will be decided in consultation with the CMFB chair and in accordance with Article 2 of Council Decision 2006/856/EC.

	Consultation requirements ⁶	Publication
Clarification (general advice)	-	Yes
Guide	-	Yes
<i>Bilateral guidelines</i>		
Bilateral advice, as defined in <i>Council Regulation (EC) No 479/2009, Article 10(1)</i>	-	Yes
Final findings of EDP visits	-	Yes
Other bilateral advice, such as emails or requests for clarification during the notification	-	No

2 DELINEATION BETWEEN VARIOUS GUIDELINES

2.1 General guidelines

13. An *MGDD update* involves a general review of the whole manual.
14. *Guidance notes amending the latest MGDD* only envisage a specific change, such as introducing a new section or deleting/adding a few sentences or paragraphs in a given chapter. This type of guideline is used to amend or complement the MGDD beyond routine updates, for example, when a new phenomenon arises and requires a formal MGDD treatment or when a change is required to the MGDD. A *Guidance note amending the latest MGDD* contains a section or annex with new or updated MGDD text.
15. The *MGDD update* and the *Guidance notes amending the latest MGDD* follow the same approval procedure. Both are subject to EDPS WG, CMFB and DMES written consultations as defined in Paragraph 12.
16. Eurostat occasionally takes *decisions* that also provide general guidance to countries following a written consultation of the EDPS WG and the CMFB. The possibility for Eurostat to issue such decisions follows from Article 10(2) of Council Regulation (EC) No 479/2009. Eurostat makes every effort to take a decision within four months after completion of the CMFB consultation. Both the Eurostat *decision* and the *CMFB opinion* are made public.
17. *Guidance notes amending the latest MGDD* differ from *other guidance notes* in that the former contain a section or annex with new or updated MGDD text. *Other guidance notes* need the approval of the EDPS WG, which can be extended to the DMES, if requested by Member States or Eurostat. Both types of guidance notes represent an ESS view on a type of methodological treatment obtained through a formal consultation process. If those guidance notes contain issues which are either complex or of general interest, in the view of the Commission or Member States, the consultation may be extended to the CMFB by request of the Commission or Member States.
18. The *GFS interpretation* involves GFS classification issues that do not impact government deficit/surplus and debt data in principle. The procedure to be followed is the same as for *other guidance notes* after consultation of the task force on GFS or on COFOG (Classification of the Function of Government).
19. *Clarifications* solely represent Eurostat's view and do not introduce new methodological elements or changes to the MGDD. They explain how the existing rules are applied to a certain phenomenon or provide additional details on existing rules. As a result, they may be issued without formal consultation of the ESS expert groups.

20. *Clarifications* are issued either because the treatment is noncontroversial, presumably involves few Member States, or where the actual meaning of an existing provision is called into question by one Member State in such a way that a formal consultation is not deemed necessary. In exceptional cases, they can be used when Member States appear to have a different reading of the existing rules and an interim position is needed.
21. However, the EDPS WG or the Task Force on EDP Methodological Issues may also be asked to provide input on *clarifications*.
22. If Member States consider an issued *clarification* controversial, Eurostat shall subsequently launch a consultation of the EDPS WG that may possibly result in another form of *general guideline* and amend the original *clarification*.
23. *Guides* aim at explaining particular EDPS issues in a clearer language to professionals that are not national accountants. *Guides* must be consistent with and not go beyond the existing statistical guidance.

2.2 Bilateral guidelines

24. When requested by a Member State, Eurostat provides *bilateral advice* to the requesting Member State on a specific case. This may be before or after the related transactions have been carried out (ex-ante advice or ex-post advice respectively). The *advice* takes the form of a letter addressed to the requesting national statistical institute. Such *advice* is referred to in Article 10(1) of Council Regulation 479/2009 on the quality of statistical data in the context of the excessive deficit procedure. The background and procedures to be followed are explained in detail in *Eurostat's ex-ante and ex post advice on methodological issues*.⁸
25. *Advice* from Eurostat to Member States has the same status as *clarifications* and both are made public.
26. *Bilateral advices* might also provide guidance to other Member States confronted with seemingly similar cases while taking also into account the specificities of each case. If, in that way, a *bilateral advice* gains in relevance or in the view of Member States is considered as controversial, Member States or Eurostat may propose to include this point on the agenda of the next meeting of the EDPS WG. This consultation process may result in the issuing of a new *general guideline*.
27. To ensure a permanent dialogue with Member States' statistical authorities, Eurostat carries out in all Member States regular EDP dialogue visits. Eurostat submits draft *Main conclusions and action points of EDP visits* to the concerned Member State for comment within four weeks after the visit. The Member State provides comments within two weeks. Eurostat makes every effort to submit the *Provisional findings of EDP visits* to the concerned Member State for comment within four months after the visit. The Member State provides comments to the *Provisional findings of the EDP visit* within four weeks.
28. Eurostat makes every effort to finalise the *Final findings of EDP visits* within six months after the EDP visit. The *Final findings of EDP visits* reflect in a balanced way the discussions undertaken and conclusions reached during the visit, including any comments on these findings made by the Member State concerned. Eurostat reports to the Economic and Financial Committee (EFC) the *Final findings of EDP visits* and publishes them afterwards on the Eurostat website⁹.

⁸ [Eurostat's ex-ante and ex-post advice \(clarifications and decisions\) on methodological issues - Government finance statistics and EDP statistics - Eurostat \(europa.eu\)](#).

⁹ [Eurostat EDP visits to Member States - Government finance statistics and EDP statistics - Eurostat \(europa.eu\)](#)

29. The *Main conclusions and action points* as agreed are published temporarily on the Eurostat website in case it was not possible to publish the *Final findings of EDP visits* within six months after the EDP visit. The *Main conclusions and action points* are replaced by the *Final findings of EDP visits* as soon as feasible.
30. Besides formal *bilateral advice* and *Final findings of EDP visits*, Eurostat provides its views on a less formal basis through the *Request for clarification* rounds during the EDP data assessment period and informal emails. This represents a flexible way of communication between Eurostat and Member States.

3 PROCEDURES AND CONSULTATION PROCESS

31. The EDPS WG is consulted to collect and prioritise the methodological issues in need of additional guidance. In addition, Eurostat may also bring forward other items.
32. Eurostat maintains a list of pending issues, together with a short text (*Problem statement*). Progress on this list is presented on a regular basis in the EDPS WG and to the DMES.
33. Each consultation of the EDPS WG must adhere to a certain process:
 - If the issue is complex, it might be discussed first in the task force on methodological issues or in dedicated experts meetings (DEM). The results are reported to the EDPS WG;
 - The issue is then discussed in the EDPS WG according to the “Rules of Procedure of the EDPS WG”¹⁰;
 - Member States are encouraged to present specific or special cases related to the methodological issue at hand in the EDPS WG or its sub-groups in order to provide additional insight;
 - The EDPS WG may be asked for its opinion on which type of guideline a given methodological issue should result in. The EDPS WG should be consulted on the appropriate implementation deadline.
34. The table in Paragraph 12 above sets out the consultation requirements for each type of general guidelines. In line with these requirements Eurostat consults the EDPS WG and (where applicable) the DMES and the CMFB by written procedure. At the same time, according to CMFB practice, a Member State might also decide to consult the CMFB on matters falling within its competence ¹¹.
35. Whenever a body (EDPS WG, its sub-groups, DMES or CMFB) is consulted on a topic on which another body has already formulated an opinion or a view, this opinion or view is provided as input to the consultation process, possibly including received comments.
36. The consultation documents state a clear purpose and present different accounting options and the proposed solution and rationale. They summarise major possible changes to the statistical recording and indicate a possible impact on deficit/surplus and Maastricht debt.
37. In the course of a consultation process, Eurostat could, amongst others, use questionnaires, surveys or other tools to support the methodological discussion ahead of a final vote. The above-mentioned tools could be used to collect general country-specific information (stocktaking) or to gather preliminary views on statistical treatments. If

¹⁰ [Register of Commission expert groups and other similar entities \(europa.eu\)](http://europa.eu)

¹¹ See Articles 2 and 3 of Council Decision 2006/856/EC of 13 November 2006 establishing a Committee on Monetary, Financial and Balance of Payments Statistics.

appropriate and time permitting, the questionnaires and possible background documents are discussed in advance in or submitted for comments to the EDPS WG or one of its sub groups.

38. Eurostat and the EDPS WG members contribute to methodological discussions and consultations solely based on statistical considerations¹².

4 IMPLEMENTATION

39. Compilation of EDP data requires a substantial amount of resources, both at the level of the Commission as well as in all Member States. While the Commission – in line with Recital (9) of Regulation (EC) No 479/2009 – should execute its tasks in accordance with the general principle of cost-effectiveness, the specific provisions on quality of EDP data as set out in Article 8 of that same Regulation have to be respected fully by the Commission and by Member States.
40. *Bilateral advice* given to a Member State is expected to be implemented without delay (unless a different implementation deadline is provided in the bilateral advice) in the following EDP notification, at least for the last four years reported and for issues that impact the deficit/surplus or debt. Implementation in national accounts (with the exception of GFS) also takes into account the Member States revision policy agreed with Eurostat¹³.
41. Similar to *bilateral advice*, new *general guidelines* would in principle be expected to be implemented by all Member States without delay, at least for the last four years reported (unless the ratio of the headline indicators¹⁴ remains unchanged). For all other cases, the implementation deadline should be defined in agreement with the EDPS WG, taking into account the revision policy of Member States, the nature of the *general guideline* and the Member States' time and resource constraints for the implementation.
42. Implementation schedules set minimum standards. In general, they cannot prevent a Member State from implementing the newly published guideline faster.
43. However, new *methodological guidelines* should be fully implemented at least by the time of the next benchmark revision for the whole time series (e.g. from 1995 onwards) and not only for the last four reporting years.
44. Revisions are expected to be time-consistent, in particular:
- Consistency is required at least for each individual operation (such as licences etc.). Partial implementation might therefore result in different accounting treatments for similar contracts depending on the contract date and pending the next benchmark revision.
 - Reclassification of units may not be extrapolated backwards (retropolated) before the next benchmark revision. This leads to entries in the other changes in volume of assets or liabilities and to breaks in time series at some point before the four years of notification. Such breaks in time series should be removed at the next major revision.

¹² Principle 6 of the European statistics Code of Practice: [European statistics Code of Practice — revised edition 2017 - Products Catalogues - Eurostat \(europa.eu\)](#).

¹³ [Practical guidelines for revising ESA 2010 data — 2019 edition - Products Manuals and Guidelines - Eurostat \(europa.eu\)](#).

¹⁴ General government gross debt (% of GDP) and/or General government deficit/surplus (% of GDP).