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New decision of Eurostat on deficit and debt

The treatment of transfers from the EU budget to the Member States

Around 80% of the EU central budget goes back to the Member States for the financing of common policies in the agricultural sector, as well as for regional development and social policies amongst other. Following the work undertaken in 2004 in cooperation with EU Member States and different international bodies, **Eurostat, the Statistical Office of the European Communities**, has taken a decision on the treatment, in national accounts, of these transfers from the EU budget to the Member States. The decision is in line with the European System of Accounts (ESA95) and is consistent with the opinion of the Committee on Monetary Financial and Balance of Payments Statistics (CMFB).

The exact time when the transfers must be recorded, in particular as revenue or expenditure in the government accounts, is of crucial importance with regards to the budgetary surveillance obligations established in the Stability and Growth Pact.

This decision provides precise guidance on how these transfers should be recorded in order to ensure a full comparability of data between EU Member States. **Whatever the case, the decision¹ specifies that EU transfers should have no impact on government deficit/surplus regardless of the timing differences between the moment of a government pre-financing and the moment of effective reimbursement by the EU.**

In the case where the final beneficiary of a transfer from the EU budget is not a government unit (for example a farmer receiving agricultural subsidies), and the government advances payments to the final beneficiary, the government must be considered as acting "on behalf" of the EU. Neither the transfer from government to the beneficiary, nor the transfer from the EU to government has to be recorded in the government accounts. Therefore, there is no impact on the deficit government or surplus.

In the case where the final beneficiary is a government unit (for example when this unit carries out an expenditure for training or social assistance), the time of recording of the transfer by the EU to government, shall be the time when the government unit makes the expenditure, as government will be reimbursed by the EU only after having made the expenditure and sent the relevant documents for reimbursement. Therefore there is no temporary impact on government deficit.

In the case of prepayments by the Commission to Member States at the beginning of a multi-year programme, these initial payments are to be treated as financial advances.

1. The detailed content of the decision is available on Eurostat website directly from the homepage, under Eurostat news.

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