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Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the European system of national and regional accounts in the European Union**

**(Text with EEA relevance)**

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE PROPOSAL**

The overall aim of the project is to revise ESA 95 in order to bring national accounts in the European Union, in line with new economic environment, advances in methodological research and needs of users.

It is therefore essential to have a Regulation of the European Parliament and of the Council on the European system of national and regional accounts in the European Union of 2010 (ESA 2010).

The revised ESA should be the appropriate methodological reference for the production of the high quality national accounts data required to support the implementation of major EU policies.

The revision will also be the occasion to further improve the standards of ESA 95 and make them more targeted to the various uses in the EU.

ESA is an essential tool at European level, used for major administrative purposes (e.g. own resources, excessive deficit procedure, structural funds) and for the analysis of the coordination and convergence of Member States' economic policies.

To achieve the objectives set forth in the Treaty on the European Union, the Treaty on the Functioning of the European Union, and more specifically, the Economic and Monetary Union, the ESA provides EU institutions, governments and economic and social operators with a set of harmonised and reliable statistics on which to base their decisions.

The ESA revision follows the revision of the International System of National Accounts (SNA 93). The new SNA (2008 SNA) was published in 2009 by the five international organisations which worked on the new Manual (IMF, OECD, UN Statistical Division, World Bank and Eurostat).

ESA is broadly consistent with the SNA as regards the definitions, accounting rules and classifications. It nevertheless incorporates certain differences, particularly in its presentation which is more in line with its use within the European Union. This specific use requires in fact greater accuracy in the definitions, classifications and accounting rules. Unlike the SNA, the ESA is based on a Regulation comprising binding rules to ensure comparability at EU level, and a compulsory data transmission programme.

### **2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENT**

The revision of ESA has been discussed in several groups:

A Steering group of Directors of National Accounts has been set up in order to support the Directors of National Accounts Group in its tasks of:

- providing the required strategic guidance for the success of the project;

- giving advice at the different phases of the project;
- deciding on important methodological issues.

The expertise of the National Accounts Working Group (NAWG) in general, and of the Financial Accounts Working Group (FAWG) on more specific aspects, is an essential element for the success of the ESA 95 revision project. Intensive discussions through meetings and written consultations were necessary to ensure the technical quality of the project. Alongside the NAWG, an ESA 95 Revision Group has been set up in the form of joint meetings of the NAWG and the FAWG, to address issues of common interest to these two working groups.

A technical ECB – Eurostat group on consistency has worked on the harmonisation of the financial and non-financial parts of the system.

A regular reporting to the European Statistical System Committee (ESSC) has been made at each step of the revision process. The Committee on Monetary, Financial and Balance of Payments statistics (CMFB) has been regularly informed.

There were regular contacts with other Directorates General, in particular Economic and Financial Affairs DG and Budget DG.

Eurostat organised a Conference on National Accounts in September 2009 in Brussels, with the participation of users and stakeholders.

## IMPACT ASSESSMENT

If ESA was not revised, this would weaken the comparability of national accounts and aggregates, first between Member States as the revision will be the occasion to specify new methodological rules for issues that have emerged in the fifteen last years, secondly at international level as SNA has just been revised.

ESA should continue to be a version of the SNA adapted to the structures of the Member States' economies and to follow the layout of the SNA to the greatest possible extent so that the European Union's data are comparable with those compiled by its main international partners.

An analysis of the consequences of the introduction of the revised ESA on the main national accounts aggregates has been discussed by the Sub-Committee on statistics of the Economic and Financial Committee in view of an orientation discussion by the ECOFIN Council in November 2010.

## 3. LEGAL ELEMENTS OF THE PROPOSAL

The objective of the Regulation is to revise ESA both concerning the methodology on common standards, definitions, classifications and accounting rules, and the programme for transmitting for Union purposes accounts and tables compiled according to the methodology.

Article 338 of the Treaty on the Functioning of the European Union provides the legal basis for the European statistics. Acting in accordance with the ordinary legislative procedure, the European Parliament and the Council shall adopt measures for the production of statistics, where necessary, on the performance of the activities of the Union. It sets out the

requirements relating to the production of European statistics, stating that they must conform to standards of impartiality, reliability, objectivity, scientific independence, cost-effectiveness and statistical confidentiality.

The proposal complies with both the subsidiarity and the proportionality principles.

Concerning the subsidiarity principle, the objectives of the proposal do not fall within the exclusive competence of the European Union and at the same time cannot be sufficiently achieved by the Member States.

The Member States cannot achieve the central quality concern to the necessary extent without a clear European framework, i.e. European legislation laying down common national accounts methodology and transmission programme.

This is particularly important in the area of national accounts where aggregates are used for multiple purposes at regional and national levels and also at European level (e.g. own resources, excessive deficit procedure, and structural funds).

The objectives of the proposal can be better achieved at European Union level on the basis of a European legal act, because only the Commission can coordinate the necessary harmonisation of national accounts methodology and statistical information at European Union level; the collection of data and compilation of comparable statistics on national accounts, on the other hand, can be organised by the Member States. The European Union may therefore take action to this end in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty.

Concerning the proportionality principle, the Regulation confines itself to the minimum required to achieve its objective and does not go beyond what is necessary for that purpose. It does not specify the national accounts data collection mechanism for each Member State, but merely defines the data to be supplied so as to ensure harmonised structure and timing.

The proposed legal instrument on ESA 2010 is a European Parliament and Council Regulation. A regulation is preferable because it lays down the same provisions throughout the European Union, leaving the Member States with no leeway to apply it incompletely or selectively. It is directly applicable, which means that it does not need to be transposed into national law.

#### **4. BUDGETARY IMPLICATION**

The proposal has no implication for the EU budget.

#### **5. ADDITIONAL INFORMATION**

The proposed act concerns an EEA matter and should therefore extend to the European Economic Area.

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the European system of national and regional accounts in the European Union**

**(Text with EEA relevance)**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 338(1) thereof,

Having regard to the proposal from the Commission<sup>1</sup>,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Central Bank<sup>2</sup>,

Acting in accordance with the ordinary legislative procedure<sup>3</sup>,

Whereas:

- (1) The monitoring of the economies of the Member States and of the economic and monetary union (EMU) requires comparable, up-to-date and reliable information on the structure and developments in the economic situation of each Member State or region.
- (2) The Commission should play a part in the monitoring of the economies of the Member States and of EMU and, in particular, report regularly to the Council on the progress made by the Member States in fulfilling their obligations under EMU.
- (3) Union citizens need economic accounts as a basic tool for analysing the economic situation of a Member State or region. For the sake of comparability, such accounts should be drawn up on the basis of a single set of principles that are not open to differing interpretations.
- (4) The Commission should use aggregates of national accounts for Union administrative purposes and, in particular, budgetary calculations.
- (5) In 1970 an administrative document entitled 'European System of Integrated Economic Accounts' (ESA) was published, covering the field governed by this Regulation, which had been drawn up solely by the Statistical Office of the European

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<sup>1</sup> OJ C [...], [...], p. [...].

<sup>2</sup> OJ C [...], [...], p. [...].

<sup>3</sup> OJ C [...], [...], p. [...].

Communities and on its responsibility alone. That document was the outcome of several years' work by the Statistical Office of the European Communities, together with Member States' national statistical institutes, to devise a system of national accounts meeting the requirements of the European Communities' economic and social policy. It constituted the Community version of the United Nations System of National Accounts which had been used by the Community up to that time. In order to update the original text a second edition of the document was published in 1979<sup>4</sup>.

- (6) Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community<sup>5</sup> set up a system of national accounts meeting the requirements of the economic, social and regional policy of the Union. That system was broadly consistent with the international System of National Accounts adopted by the United Nations Statistical Commission in February 1993 (SNA 1993) so that the results in all member countries of the United Nations should be internationally comparable.
- (7) SNA 1993 was updated in the form of a new System of National Accounts (2008 SNA) adopted by the United Nations Statistical Commission in February 2009 in order to bring national accounts more in line with the new economic environment, advances in methodological research, and needs of users.
- (8) There is a need to revise the European system of accounts (ESA 95) set up by Regulation (EC) No 2223/96 in order to take into account these new developments so that that system constitutes a version of 2008 SNA adapted to the structures of the Member States' economies, and so that the data of the Union are comparable with those compiled by its main international partners.
- (9) Attention should be paid in the case of environmental and social accounts to the Communication from the Commission to the European Parliament and the Council of 20 August 2009 entitled "GDP and beyond - Measuring progress in a changing world"<sup>6</sup>. Therefore, further methodological studies and data tests may be required.
- (10) The revised European System of Accounts set up by this Regulation (ESA 2010) includes a methodology and a transmission programme (which defines accounts and tables to be provided by all Member States according to specified deadlines). The Commission should make those accounts and tables available to users on precise dates, particularly with regard to monitoring the economic convergence and achieving close coordination of the Member States' economic policies.
- (11) ESA 2010 is gradually to replace all other systems as a reference framework of common standards, definitions, classifications and accounting rules for drawing up the accounts of the Member States for the requirements of the Union, so that results that are comparable between the Member States can be obtained.
- (12) In accordance with Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of

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<sup>4</sup> Eurostat : "European System of Integrated Economic Accounts (ESA), second edition, Statistical Office of European Communities, Luxembourg, 1979

<sup>5</sup> OJ L 310, 30.11.1996, p.1.

<sup>6</sup> COM(2009) 433 final.

territorial units for statistics (NUTS)<sup>7</sup>, all Member States' statistics transmitted to the Commission which are broken down by territorial units are to use the NUTS classification. Consequently, in order to establish comparable regional statistics, the territorial units should be defined in accordance with the NUTS classification.

- (13) A task force has been set up to further examine the issue of the treatment of financial intermediation services indirectly measured (Fisim) in national accounts. Taking into consideration the findings of the task force, it may be necessary to amend the methodology for the calculation and allocation of Fisim, by means of a delegated act before the end of 2012, in order to provide more reliable results.
- (14) Research and development expenditure has the nature of investment and should therefore be recorded as fixed capital formation. However, it is necessary to specify the format of the data to be recorded as fixed capital formation by means of a delegated act when a sufficient level of confidence in the reliability of the data is reached through a test exercise based on the development of supplementary tables.
- (15) There is a need to pursue studies and work, in particular on issues related to GDP and beyond and Europe 2020 with the aim of developing a more comprehensive measurement approach for wellbeing and progress in order to support the promotion of a smart, sustainable and inclusive economy. These studies and work will help to further improve data availability, transmission and quality, to enhance methodologies, so as to prepare for future developments.
- (16) The Commission should be empowered to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union for the purposes of amending the Annexes to this Regulation. It is of particular importance that the Commission carries out appropriate consultations during its preparatory work, including at expert level.
- (17) Since the implementation of this Regulation might require major adaptations in the national statistical systems, derogations may be granted by the Commission to Member States.
- (18) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission<sup>8</sup>.
- (19) Since the objective of this Regulation, namely the establishment of a revised European System of Accounts (ESA 2010), cannot be sufficiently achieved by the Member States and can be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty of the European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.

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<sup>7</sup> OJ L 154, 21.6.2003, p. 1.

<sup>8</sup> OJ L 184, 17.7.1999, p. 23.



- (20) The European Statistical System Committee set up by Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics<sup>9</sup> has been consulted.
- (21) The Committee on Monetary, Financial and Balance of Payments Statistics set up by Council Decision 2006/856/EC of 13 November 2006<sup>10</sup> and the Gross National Income Committee (GNI Committee) set up by Council Regulation (EC, Euratom) N°1287/2003 of 15 July 2003 on the harmonisation of gross national income at market prices (GNI Regulation)<sup>11</sup> have been consulted.

HAVE ADOPTED THIS REGULATION:

### *Article 1*

#### **Subject matter**

1. This Regulation sets up the European System of Accounts 2010 (ESA 2010).
2. ESA 2010 provides for:
  - (a) a methodology (Annex A) on common standards, definitions, classifications and accounting rules that shall be used for compiling accounts and tables on comparable bases for the purposes of the Union, together with results as required by Article 3;
  - (b) a programme (Annex B) setting forth the time limits by which Member States shall transmit to the Commission (Eurostat) the accounts and tables to be compiled according to the methodology referred to in point (a).
3. Taking into account Articles 5 and 12, this Regulation shall apply to all Union acts that refer to the ESA or its definitions.
4. This Regulation does not oblige any Member State to use the ESA 2010 in compiling accounts for its own purposes.

### *Article 2*

#### **Methodology**

1. The methodology of the ESA 2010 referred to in Article 1 (2) (a) is set out in Annex A.
2. The Commission may adopt, by means of delegated acts in accordance with Articles 7, 8 and 9, amendments to the ESA 2010 methodology which are intended to specify and improve its content provided that they do not change its underlying concepts, do

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<sup>9</sup> OJ L 87, 31.3.2009, p. 164.

<sup>10</sup> OJ L 332, 30.11.2006, p.21.

<sup>11</sup> OJ L181, 19.7.2003, p.1.

not require additional resources for their implementation and do not cause an increase in own resources.

3. In the event of doubt regarding the correct implementation of the ESA 2010 accounting rules, the Member State concerned shall request clarification from the Commission (Eurostat). The Commission (Eurostat) shall promptly examine the issue and communicate its decision on the requested clarification to the Member State concerned.
4. Member States shall carry out the calculation and allocation of financial intermediation services indirectly measured (Fisim) in national accounts in accordance with the methodology described in Annex A. The Commission may lay down before the end of 2012, by means of delegated acts in accordance with Articles 7, 8 and 9, a methodology for the calculation and allocation of Fisim.
5. Research and development expenditure shall be recorded, by Member States, as fixed capital formation. The Commission may adopt delegated acts, in accordance with Articles 7, 8 and 9, to ensure the reliability of the data to be recorded as fixed capital formation. Such delegated acts shall specify the format of those data.

### *Article 3*

#### **Transmission of data to the Commission**

1. The Member States shall transmit to the Commission (Eurostat) the accounts and tables set out in Annex B within the time limits specified for each table.

The Commission, after consulting the European Statistical System Committee, shall report to the European Parliament and the Council not later than 1 July 2018 on the application of the derogations granted in accordance with Article 6 in order to verify whether they are still justified.

2. Member States shall transmit to the Commission (Eurostat) the data and metadata required by this Regulation in accordance with an interchange standard specified by the Commission (Eurostat).

Data shall be transmitted or uploaded by electronic means to the single entry point for data at the Commission (Eurostat).

3. The Commission shall adopt delegated acts in accordance with Articles 7, 8 and 9 for the purpose of amending or supplementing the tables and time limits in Annex B to take into account methodological, economical and technical developments. Those acts shall be based in particular on the evaluation by the Commission of the results from voluntary studies or data transmission by Member States. In making that evaluation, the Commission shall take due account of the benefits of the availability of the data in relation to the cost of collection and the response burden.

### *Article 4*

#### **Quality assessment**

1. For the purpose of this Regulation, the quality criteria referred to in Article 12(1) of Regulation (EC) No 223/2009 shall apply to the data to be transmitted.
2. Member States shall provide the Commission (Eurostat) with a report on the quality of the data transmitted in accordance with Article 3.
3. In applying the quality criteria referred to in paragraph 1 to the data covered by this Regulation, the modalities, structure and periodicity of the quality reports shall be defined in accordance with the procedure referred to in Article 10.
4. The Commission (Eurostat) shall assess the quality of the data transmitted.

#### *Article 5*

##### **Date of application and of first transmission of data**

1. The ESA 2010 shall be applied for the first time to data established in accordance with Annex B to be transmitted in September 2014.
2. The data shall be transmitted to the Commission (Eurostat) in accordance with the time limits laid down in Annex B.
3. In accordance with paragraph 1, until the first transmission based on the ESA 2010, Member States shall continue to send to the Commission (Eurostat) the accounts and tables established by applying the ESA 95.
4. Without prejudice to Article 19 of Council Regulation (EC, Euratom) No 1150/2000<sup>12</sup> the Commission and the Member State concerned shall check that this Regulation is being applied and shall submit the outcome of those checks to the Committee provided for in Article 10(1) of this Regulation.

#### *Article 6*

##### **Derogations**

1. Insofar as the national statistical system necessitates major adaptations for the application of this Regulation, the Commission may grant derogations to Member States in accordance with the procedure referred to in Article 10 from its application until 1 January 2020.
2. To that end, the Member State concerned shall present a duly justified request to the Commission not later than three months after the entry into force of this Regulation.

#### *Article 7*

##### **Exercise of the delegation**

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<sup>12</sup> OJ L 130, 31. 5. 2000, p. 1.

1. The powers to adopt the delegated acts referred to in Articles 2(2), (4) and (5) and Article 3(3) shall be conferred on the Commission for a period of five years following the entry into force of this Regulation. The Commission shall make a report in respect of the delegated powers at the latest six months before the end of the five-year period. The delegation of powers shall be automatically extended for periods of an identical duration, unless the European Parliament or the Council revokes it in accordance with Article 8.
2. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
3. The powers to adopt delegated acts are conferred on the Commission subject to the conditions laid down in Articles 8 and 9.

#### *Article 8*

##### **Revocation of the delegation**

1. The delegation of powers referred to in Articles 2(2), (4) and (5) and 3(3) may be revoked at any time by the European Parliament or by the Council.
2. The institution which has commenced an internal procedure for deciding whether to revoke the delegation of powers shall endeavour to inform the other institution and the Commission within a reasonable time before the final decision is taken, indicating the delegated powers which could be subject to revocation and possible reasons for a revocation.
3. The decision of revocation shall put an end to the delegation of the powers specified in that decision. It shall take effect immediately or at a later date specified therein. It shall not affect the validity of the delegated acts already in force. It shall be published in the *Official Journal of the European Union*.

#### *Article 9*

##### **Objections to delegated acts**

1. The European Parliament or the Council may object to a delegated act within a period of two months from the date of notification.

At the initiative of the European Parliament or the Council that period shall be extended by two months.

2. If, on expiry of the period referred to in paragraph 1, neither the European Parliament nor the Council has objected to the delegated act, it shall be published in the *Official Journal of the European Union* and shall enter into force on the date stated therein.

The delegated act may be published in the *Official Journal of the European Union* and enter into force before the expiry of that period, if the European Parliament and the Council have both informed the Commission of their intention not to raise objections.

3. If the European Parliament or the Council objects to the adopted delegated act, it shall not enter into force. The institution which objects shall state the reasons for objecting to the delegated act.

#### *Article 10*

##### **Committee**

1. The Commission shall be assisted by the European Statistical System Committee.
2. Where reference is made to this paragraph, Article 5 and Article 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof.

The period laid down in Article 5(6) of Decision 1999/468/EC shall be set at three months.

#### *Article 11*

##### **Cooperation with other committees**

1. On all matters falling within the competence of the Committee on Monetary, Financial and Balance of Payments Statistics the Commission shall request the opinion of that Committee in accordance with Article 2 of Decision 2006/856/EC.
2. The Commission shall communicate to the Gross National Income Committee (GNI Committee), set up by Regulation (EC, Euratom) No 1287/2003, any information concerning the implementation of this Regulation which is necessary for the performance of its duties.

#### *Article 12*

##### **Transitional provisions**

1. For budgetary and own resources purposes and by way of derogation from Article 1(3) and Article 5, the European system of accounts in force within the meaning of Article 1(1) of Regulation (EC, Euratom) No 1287/2003 and the legal acts relating thereto, in particular Regulation (EC, Euratom) No 1150/2000 and Council Regulation (EEC, Euratom) No 1553/89<sup>13</sup>, shall be the ESA 95 while Council Decision 2007/436/EC, Euratom<sup>14</sup> remains in force.
2. For the purpose of determination of the VAT-based own resource, and by way of exception from paragraph 1, the Member States may use data based on ESA 2010 while Decision 2007/436/EC, Euratom remains in force, in cases where the required detailed ESA 95 data are not available.

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<sup>13</sup> OJ L 155, 7.6.1989, p.9.

<sup>14</sup> OJ L 163, 23.6.2007, p.17.

*Article 13*

**Entry into force**

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

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

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*