EUROPEAN
COMMISSION

Brussels, 27.6.2013
C(2013) 4164 final

COMMISSION DELEGATED REGULATION (EU) No …/..

of 27.6.2013

supplementing Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

Regulation (EU) No 473/2013 of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area (OJ L140, 27.5.2013) entered into force on 30 May 2013. It builds on and complements within the euro area (EA) the Stability and Growth Pact (SGP), the European framework for fiscal surveillance. In particular, it allows for a strengthened surveillance of euro area Member States which are subject to an excessive deficit procedure, by means of additional reporting requirements, aiming at ensuring prevention and early correction of any deviations from the Council recommendations or decisions to give notice to correct the excessive deficit.

In accordance with Article 10 of Regulation (EU) No 473/2013, the existing reporting requirements under Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure are complemented by additional reporting, including more frequent reports, from Member States whose currency is the euro which are in excessive deficit. The latter will have to report to the Commission and to the Economic and Financial Committee (EFC) every six months if subject to a Council recommendation made in accordance with Article 126(7) and every three months if subject to a Council decision to give notice in accordance with Article 126(9) TFUE on the action taken to correct the excessive deficit. This more frequent reporting will help the Commission and the Council to continuously monitor whether the Member State concerned is on track to correct its excessive deficit. As established in Article 10(3) of Regulation (EU) No 473/2013, "the Commission shall be empowered to adopt delegated acts […] specifying the content of the regular reporting."

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

In line with the common understanding on delegated acts, the Commission services, when preparing and drawing up this delegated Regulation, have ensured a simultaneous, timely and appropriate transmission of the relevant documents at expert level, to the European Parliament (Committee on Economic and Monetary Affairs, whose Chair Sharon Bowles provided comments via a letter sent on 18 June 2013 to Vice-President Rehn) and to the Council (Alternates of the Economic and Financial Committee, which discussed it on 24 April and 5 June 2013). Those informal consultations have allowed taking into account respective comments in the draft delegated Regulation which is proposed for adoption to the College.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

This delegated Regulation puts forward a harmonised framework for euro area Member States in excessive deficit procedure to submit the regular reporting provided for by Article 10(3) of Regulation (EU) No 473/2013. The delegated Regulation includes in particular a set of template tables, to be found in the Annex, covering the key budgetary and macroeconomic data which would allow monitoring the correction of the excessive deficit, as required by Regulation (EU) No 473/2013. In order to allow a better understanding of the dynamics of the budgetary situation, Member States concerned are expected to report annual and quarterly data, while data on the in-year budgetary execution should be reported on a cash and accrual basis (according to the European System of National Accounts ESA). In addition, a detailed reporting on measures taken or planned to address the excessive deficit, with their budgetary impact, will allow a detailed assessment of the actions taken by the Member States. The reporting established by this delegated Regulation will provide a structured view of the budgetary situation and strategy of the Member States concerned, ensuring an appropriate follow-up of the correction of their excessive deficit.

COMMISSION DELEGATED REGULATION (EU) No …/..

of 27.6.2013

supplementing Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area[1], and in particular Article 10(3) thereof,

Whereas:

(1) Regulation (EU) No 473/2013 sets up a closer monitoring for Member States whose currency is the euro in excessive deficit procedure by means of additional reporting requirements aiming at ensuring prevention and early correction of any deviations from the Council recommendations or decisions to give notice to correct the excessive deficit.

(2) Such monitoring complements the existing reporting obligations set out in Article 3(4)(a) and Article 5(1)(a) of Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure which require that a Member State in excessive deficit procedure subject to a Council recommendation made in accordance with Article 126(7) of the Treaty or a notice made in accordance with Article 126(9) of the Treaty shall report to the Council and the Commission on action taken to correct the excessive deficit. This report shall include the targets for government expenditure and revenue and for the discretionary measures on both the expenditure and the revenue side consistent with the Council's recommendation, as well as information on the measures taken and the nature of those envisaged to achieve the targets.

(3) Regulation (EU) No 473/2013 complements this initial reporting requirement by requiring a more frequent reporting from Member States whose currency is the euro which are in excessive deficit. The latter will have to report to the Commission and to the Economic and Financial Committee (EFC) every six months if subject to a Council recommendation made in accordance with Article 126(7) and every three months if subject to a Council decision to give notice in accordance with Article 126(9) TFUE on the action taken to correct the excessive deficit. The reporting should contain, for the general government and its sub-sectors, the in-year budgetary execution, the budgetary impact of discretionary measures taken on both the expenditure and the revenue side, targets for the government expenditure and revenues and information on the measures adopted and the nature of those envisaged to achieve the targets. This

[1] OJ L 140, 27.5.2013, p. 11.

more frequent reporting will help the Commission and the EFC to continuously monitor whether the Member State concerned is on track to correct its excessive deficit.

(4) According to Article 10(3) of Regulation (EU) No 473/2013, the content of this additional reporting is to be specified by the Commission. This delegated act provides a clear framework for the information to be reported by Member States whose currency is the euro and which are subject to an excessive deficit procedure. The reporting established by this delegated Regulation will provide a structured and harmonised view of the budgetary situation of the Member States concerned. The report should contain annual and quarterly data in order to provide details on the on-going correction. Data should be reported on a cash and accrual basis (according to the European System of National Accounts ESA) in order to allow a better understanding of the dynamics of the budgetary situation. Given that an excessive deficit procedure can be open on the basis of non-compliance with either or both the deficit and the debt-to-GDP Treaty reference values, the evolution of the main components of the general government deficit and debt developments should be reported.

(5) Actual data reported under this delegated act should be consistent with data reported to Eurostat in the context of the excessive deficit procedure,

HAS ADOPTED THIS REGULATION:

Article 1

Subject matter

This Regulation lays down specifications concerning the content of the reports that may be requested by the Commission from Member States whose currency is the euro which are subject to an excessive deficit procedure.

Article 2

Structure and content of the reporting

1. The reports referred to in Article 1 shall have the following structure:

   - Actual balances, debt developments, and updated budgetary plans for the period of correction for the general government and its sub-sectors;
   - Description and quantification of the fiscal strategy in nominal and structural terms (cyclical component of the balance, net of one-off and temporary measures) to correct the excessive deficit by the deadline set by the Council in the view of the latest Council recommendation or decision to give notice in accordance with Article 126(7) or Article 126(9) TFUE, including detailed information on budgetary measures planned or already taken to achieve these targets and their budgetary impact.

2. The reports shall include tables as indicated in the Annex to this Regulation.

Article 3

Entry into force

This Regulation shall enter into force on the third 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 the Member States in accordance with the Treaties.

Done at Brussels, 27.6.2013

For the Commission
The President
José Manuel BARROSO

ANNEX - Tables to be included in the reports to be submitted in accordance with Article 10(3) of Regulation (EU) No 473/2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area

NB: In tables below, Year t corresponds to the year of submission of the report. Reporting for the items indicated in bold is compulsory. The conceptual framework agreed in the context of Council directive 2011/85 should be implemented.

Table 1a –In-year quarterly budgetary execution on cash basis[a] for the general government and its sub-sectors[b]

EUR millions	**Year t ***			
	Q1	**Q2**	**Q3**	**Q4**
Overall balance by sub-sector (6-7)				
1. General government				
2. Central government				
3. State government				
4. Local government				
5. Social security funds				
For each sub-sector (please indicate which)				
6. Total revenue / inflows				
Of which (indicative list)				
Taxes, of which:				
Direct Taxes				
Indirect taxes, of which:				
VAT				
Social contributions				
Sales				
Other current revenue				
Capital revenue				
Inflows from operations in financial instruments				
7. Total expenditure / outflows				
Of which (indicative list)				
Purchase of goods and services				
Compensation of employees				
Interest				
Subsidies				
Social benefits				
Other current expenditure				
Capital transfers payable				

Capital investments				
Outflows from operations in financial instruments				

[*] The reporting is mandatory up to the current quarter included. If the data for the current quarter is not available, please provide latest available monthly data, indicating which month it corresponds to. For the overall balance of the general government, please provide the information until the latest available quarter (i.e. q-1). The normal quality assurance and revision policy should apply.

[a] Equivalent figures from public accounting may be provided if cash-based data are not available; please specify the accounting basis used to fill all the information provided in this table.

[b] Corresponding to the reporting to be provided in accordance with Article 3(2) of Council Directive 2011/85/EU.

Table 1b – In-year quarterly budgetary execution and prospects in accordance with ESA standards and seasonally non-adjusted[a] for the general government and its sub-sectors

The data of budgetary execution provided in Table 1a and 1b should be consistent; a reconciliation table showing the methodology of transition between the two tables should be communicated.

EUR millions	ESA code	**Year t ***			
		Q1	**Q2**	**Q3**	**Q4**
Net lending (+)/ net borrowing (-)					
1. General government [a]	S.13				
2. Central government	S.1311				
3. State government	S.1312				
4. Local government	S.1313				
5. Social security funds	S.1314				
For the general government (voluntary for the sub-sectors)					
6. Total revenue [a]	TR				
Of which					
Taxes on production and imports	D.2				
Current taxes on income, wealth, etc.	D.5				
Capital taxes	D.91				
Social contributions	D.61				
Property income	D.4				
Other[b]					
7. Total expenditure [a]	TE				
Of which					
Compensation of employees	D.1				
Intermediate consumption	P.2				
Social payments	D.62, D.632[c]				
Interest expenditure	D.41				
Subsidies	D.3				
Gross fixed capital formation[a]	P.51				
Capital transfers	D.9				
Other[d]					
8. Gross debt[e]					

[*] The reporting shall span until the end of the current Year t; quarterly prospects are not binding and reported as estimates (possibly subject to revisions) for informational and monitoring purposes.

[a] For the general government, the items labelled with "[a]" are to be additionally provided in seasonally-adjusted terms; if it cannot be provided by the national authorities, the seasonal adjustment will be performed by Eurostat, in liaison with the Member State concerned.

[b] P.11+P.12+P.131+D.39rec +D.7rec +D.9rec (other than D.91rec) .

[c] Under ESA95: D6311_D63121_D63131pay; in ESA2010 D632pay

[d] D.29pay+D.4pay (other than D.41pay) +D.5pay+D.7pay+P.52+P.53+K.2+D.8.

[e] As defined in Regulation (EC) No 479/2009.

Table 1c – Annual budgetary targets in accordance with ESA standards for the general government and its sub-sectors

	ESA Code	Year t-1	Year t	Year t + … *
Net lending(+)/ net borrowing (-) by sub-sector (% GDP)				
1. General government	S.13			
2. Central government	S.1311			
3. State government	S.1312			
4. Local government	S.1313			
5. Social security funds	S.1314			
General government (S.13) (% GDP)				
6. Total revenue	TR			
7. Total expenditure	TE			
8. Interest expenditure	D.41			
9. Primary balance[a]				
10. One-off and other temporary measures[b]				
		rate of change	rate of change	rate of change
11. Real GDP growth				
12. Potential GDP growth				
contributions:				
- labour				
- capital				
- total factor productivity				
		% potential GDP	% potential GDP	% potential GDP
13. Output gap				
14. Cyclical budgetary component				
15. Cyclically-adjusted balance (1 – 14)				
14. Cyclically-adjusted primary balance (13 + 6)				
15. Structural balance (13 – 10)				

* Following the request from the Commission to activate the reporting requirements provided for by Article 10(3) of Regulation (EU) No 473/2013, the reporting starts from the year of the opening of the excessive deficit procedure in accordance with Article 126(6) TFEU, and spans until the excessive deficit is planned to be corrected, in accordance with the deadline set by the Council recommendation in accordance with Article 126(7) TFEU or decision to give notice in accordance with Article 126(9) TFEU.

[a] The primary balance is calculated as (B.9, item 8) plus (D.41, item 9).

[b] A plus sign means deficit-reducing measures.

Table 2 – Targets for the expenditure and revenues of the general government (S.13) in accordance with ESA standards

% GDP	ESA Code	**Year t-1**	**Year t**	**Year t+1**	Year t + … *
1. Total revenue target (= table 1c. 6)	TR				
Of which					
1.1. Taxes on production and imports	D.2				
1.2. Current taxes on income, wealth, etc.	D.5				
1.3. Capital taxes	D.91				
1.4. Social contributions	D.61				
1.5. Property income	D.4				
1.6. Other[a]					
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)[b]					
2. Total expenditure target (= table 1c.7)	TE[c]				
Of which					
2.1. Compensation of employees	D.1				
2.2. Intermediate consumption	P.2				
2.3. Social payments	D.62, D.6311, D.63121, D.63131[f]				
of which Unemployment benefits[d]					
2.4. Interest expenditure	D.41				
2.5. Subsidies	D.3				
2.6. Gross fixed capital formation	P.51				
2.7. Capital transfers	D.9				
2.8. Other[e]					

* Following the request from the Commission to activate the reporting requirements provided for by Article 10(3) of Regulation (EU) No 473/2013, the reporting starts from the year of the opening of the excessive deficit

procedure in accordance with Article 126(6) TFEU, and spans until the excessive deficit is planned to be corrected, in accordance with the deadline set by the Council recommendation in accordance with Article 126(7) TFEU or decision to give notice in accordance with Article 126(9) TFEU.

[a] P.11+P.12+P.131+D.39rec+D.7rec+D.9rec (other than D.91rec).

[b] Including those collected by the EU and including an adjustment for uncollected taxes and social contributions D.995), if appropriate.

[c] TR-TE = B.9.

[d] Includes cash benefits (D.621 and D.624) and in kind benefits (D.631) related to unemployment benefits.

[e] D.29+D.4 (other than D.41) +D.5+D.7+P.52+P.53+K.2+D.8.

[f] In ESA2010: D.62, D.632

Table 3a – Budgetary measures adopted and envisaged by the general government and its sub-sectors on both the expenditure and the revenue side to achieve the targets presented in Table 2

Expected budgetary impact of measures adopted and envisaged[a]										
List of measures	**Detailed description[b]**	**Target (Expenditure / Revenue) ESA Code**	**Accounting principle[c]**	**Adoption Status**	**Incremental budgetary impact (EUR million) on year**					
						t-1	**t**	**t+1**	**t+2**	**t + ***
					TOTAL					

[*] Year when the excessive deficit is planned to be corrected, in accordance with the deadline set by the Council recommendation in accordance with Article 126(7) TFEU or decisions to give notice in accordance with Article 126(9) TFEU.

[a] Only measures sufficiently detailed and credibly announced should be reported.

[b] Including reporting on which sub-sector is taking the measure.

[c] By default, the impact of the measures will be reported on accrual basis, but, if impossible and reporting is in cash, it should be indicated explicitly. The impact is to be recorded in incremental terms – as opposed to levels – compared to the previous year's baseline projection. Simple permanent measures should be recorded as having an effect of +/- X in the year(s) they are introduced and zero otherwise (the overall impact on the level of revenues or expenditures must not cancel out). If the impact of a measure varies over time, only the incremental impact should be recorded in the table. By their nature, one-off measures should be always recorded as having an effect of +/-X in the year of the first budgetary impact and -/+ X in the following year, i.e. the overall impact on the level of revenues or expenditures in two consecutive years must be zero.

Table 3b –In-year quarterly reporting on the budgetary impact of the measures presented in Table 3a

<table>
<tr><th rowspan="3">List of measures[a]</th><th colspan="5">In-year reporting for measures having an effect on year t (choose one of the alternatives below)[b]</th><th rowspan="3">Expected annual budgetary impact for year t
(EUR million)
(= Table 3a)</th></tr>
<tr><th colspan="4">Quarterly observed budgetary impact (EUR million)[c]</th><th rowspan="2">Cumulative observed budgetary impact since the start of the year (EUR million)</th></tr>
<tr><th>Q1</th><th>Q2</th><th>Q3</th><th>Q4</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>TOTAL</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

[a] Select the measures reported in Table 3a which have a budgetary impact in year t.

[b] Filling one of the two alternatives is mandatory: quarterly reporting (estimates possibly subject to revisions) at least until the current quarter and/or sum of the observed budgetary impact until the current date.

[c] Indicate for each quarter whether the data reported corresponds to observed data; the reporting is mandatory up to the current quarter included.

Table 4 – General government (S.13) debt developments and prospects

		Year t-1	Year t	Year t + … [*]
	ESA Code	% GDP	% GDP	% GDP
1. Gross debt[a] (=Table 1b.8 for the general government)				
2. Change in gross debt ratio				
Contributions to changes in gross debt				
3. Primary balance (= Table 1c. 9)				
4. Interest expenditure (= Table 1c.8)	D.41			
5. Stock-flow adjustment				
of which:				
- Differences between cash and accruals[b]				
- Net accumulation of financial assets[c]				
of which:				
- Privatisation proceeds				
- Valuation effects and other[d]				
p.m.: Implicit interest rate on debt[e] **(%)**				
Other relevant variables				
6. Liquid financial assets[f]				
7. Net financial debt (7=1-6)				
8. Debt amortization (existing bonds) since the end of the previous year				
9. Percentage of debt denominated in foreign currency (%)				
10. Average maturity (years)				
11. Real GDP growth (%) (= Table 1c row 11)				

[*] Following the request from the Commission to activate the reporting requirements provided for by Article 10(3) of Regulation (EU) No 473/2013, the reporting starts from the year of the opening of the excessive deficit procedure in accordance with Article 126(6) TFEU, and spans until the excessive deficit is planned to be corrected, in accordance with the deadline set by the Council recommendation in accordance with Article 126(7) TFEU or decision to give notice in accordance with Article 126(9) TFEU.

[a] As defined in Regulation (EC) No 479/2009.

[b] The differences concerning interest expenditure, other expenditure and revenue could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

[c]: Liquid assets (currency), government securities, assets on third countries, government controlled enterprises and the difference between quoted and non-quoted assets could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

[d] Changes due to exchange rate movements, and operation in secondary market could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

[e] Proxied by interest expenditure divided by the debt level of the previous year.

[f] Liquid assets are here defined as AF.1, AF.2, AF.3 (consolidated for general government, i.e. netting out financial positions between government entities), A.F511, AF.52 (only if quoted in stock exchange).