

CMFB opinion

concerning the treatment in national accounts of transfers from the EU budget to the Member States

1. On Eurostat's request the CMFB Chairman, with the assistance of the CMFB Executive Body, asked the CMFB Members to state their opinions on the treatment in national accounts of transfers from the EU budget to the Member States. Twenty-one (21) national statistical institutes and twenty-three (23) national central banks from the Member States returned the questionnaire. A total of forty-four (44) national institutions, from all twenty-five (25) Member States, responded to the questionnaire. The ECB also provided a reply.
2. The results of the consultation were as follows:
 - 2.1 Based on a very large majority of the replies received, the CMFB considers that:

In the case that the beneficiary of a transfer from the EU budget is an institutional unit classified outside the general government sector and the government of the Member State of the beneficiary advances a payment to the beneficiary, acting on behalf of the EU Commission, the following treatment should be applied:

- a) The transfer is recorded as an expenditure of the EU budget and a revenue of the (non-government) beneficiary. There is no entry in the non-financial accounts of the general government of the Member State of the beneficiary and its general government deficit does not change.
 - b) The counterpart financial transaction to the transfer is a liability of the EU to the general government, to be recorded in other accounts receivable/payable (AF.7). This liability is cancelled once the EU makes the payment to the general government of the Member State of the beneficiary.
- 2.2 Based on a large majority of the replies received, the CMFB considers that:

Given the case in section 2.1 above, but the advance payment from the government to the beneficiary exceeds the payment from the EU budget to government following the checking procedure by the EU Commission, the following treatment of the amount in excess should be applied:

- a) If the amount in excess is definitively acquired by the beneficiary, this amount is reclassified from expenditure by the EU to government expenditure at the time of the payment by the government.

b) If the amount in excess is not definitively acquired by the beneficiary, this amount is deducted from the government expenditure in the year when the payment by the government took place (or in case of subsidies, in the year when the underlying production or event took place).

2.3 Based on a majority of the replies received, the CMFB considers that:

In the case that the final beneficiary of a transfer (not a subsidy) from the EU budget is a government unit of a Member State, the time of recording as government revenue should be when the government unit that is the final beneficiary made the expenditure.

2.4 Based on a large majority of the replies received, the CMFB considers that:

An initial payment by the EU budget to the government of a Member State, in the framework of multi-year programmes, should be treated as a financial advance (AF.7: government liability, EU asset), recorded as such until the accumulated payments (including the initial payment) by the EU budget have reached 95% of the total amount.

3. Further details on these accounting treatments are provided in the background document prepared by the Task Force in support of this CMFB consultation. The CMFB suggested that the background document should be revised to include the clarifications recommended by CMFB Members, notably concerning revisions to data for earlier years, in so far as they do not change the substance.
4. This opinion has been transmitted to Eurostat and will be kept in the records of the CMFB secretariat.

(Signed)

Jean CORDIER
CMFB Chairman

Paris, 14 December 2004