



## CMFB WORKSHOP ON THE CLASSIFICATION OF DEVELOPMENT BANKS

# The Excessive Deficit Procedure framework

Directorate D – Government finance statistics (GFS) and quality

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## Protocol 12 of TFEU gives details on EDP

- Defined EDP reference values: 3% for deficit and 60% for debt.
- Defined what 'deficit' and 'debt' mean.
- MSs should report their actual and planned deficits and debt levels promptly and regularly to the Commission (Eurostat).
- Statistical data to be used for the application of the Protocol should be provided by the Commission (Eurostat).

# Council regulation 479/2009

- References to ESA 2010.
- Definition of debt – ESA 2010 categories.
- The quality of data: EDP Inventories, EDP visits.
- Commission (Eurostat) power to express a reservation or amend actual data.
- MSs shall ensure that the NSIs are provided with access to all relevant information to perform their tasks.

COUNCIL REGULATION (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on EDP, amended by Council Regulations (EU) No 679/2010 and 220/2014

# The main role of Eurostat in the context of the EDP

- Check and **validate** actual data reported by Member States.
- Publish validated data in bi-annual press releases.
- **Clarify application of accounting rules.**
- Organisation of task forces.
- EDP dialogue and methodological visits.

## EDP methodological governance

- The compilation of EDP data is based on ESA 2010, an EU regulation.
- The Commission (Eurostat) is responsible for its interpretation, when necessary.
- The Commission (Eurostat) conducts this task with the assistance of the European Statistical System (ESS) statistical groups or committees, such as:
  - MGDD Task-Force on methodological issues;
  - EDPS Working Group.
- Questionnaires sent to MS for consulting and fact-finding purposes – increasingly used.

# Methodological issues under discussion

- Rerouting issues: the case of development banks.
  - Discussed in the May and Dec 2017 TF, March 2018 TF, June 2018 EDPS WG.
  - State of play: updated guidance being drafted – new MGDD due in 2019.
- Borderline government vs financial corporations: entities specifically designed for lending to local governments.
  - Discussed July and Dec 2017 EDPS WG, March 2018 TF.
  - State of play: results of the Questionnaire scheduled for the TF of September 2018.

# Development banks: why now?

- New wave of development banks
- Since 2008, mostly to mitigate the consequences of the financial crisis
  - New development banks created (e.g. PT, UK, IE)
  - Existing development banks were reorganized
  - Increased cooperation between development banks
  - Juncker Plan promotes the creation of development banks
    - Provision of financial means for co-financing
    - Identifying or preparing suitable project for EFSI support

## Statistical issues in EDP

- In which sector should a development bank be classified?
  - General government sector
  - Financial corporations sector
- Are some activities of a development bank to be rearranged?
  - Acting as an agent of government
  - Exposure to risks and rewards
  - Non-market activity



# Entities lending to local governments: why now?

- Focus: Specific case of government-controlled entities lending to local government units.
- Such entities exist in several MS.
- Sector classification discussed bilaterally in EDP Dialogue Visits.
- Discussion in EDP TF to develop homogenous criteria?

## Statistical issues in EDP

- Borderline: market behaviour on the one hand – public policy purpose on the other hand.
- Main purpose: direct access to borrowing from capital markets for smaller regional or municipal entities, which could encounter difficulties in obtaining cost-effective conditions in funding their financing needs.

# Conclusions

- *Activities of development banks are a challenging area for government statistics, as they are strongly oriented towards some of the essential qualities describing government.*
- *On-going methodological work to harmonise national accounting practices in the Member States.*
- *Case-by-case analysis.*