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**EDP dialogue visit to The Netherlands
30 November - 1 December 2020**

- Final findings -

Executive Summary

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009, as amended, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty on the Functioning of the European Union, Eurostat carried out an EDP dialogue visit (in the form of a video-conference) to the Netherlands on 30 November - 1 December 2020.

The delegation of Eurostat was headed by Mr Luca Ascoli, Director of Eurostat Directorate D 'Government finance statistics (GFS)'. The European Central Bank ('ECB') participated in the meeting as observer. The Dutch authorities were represented by Statistics Netherlands ('CBS'), the Dutch Central Bank ('DNB'), and the Dutch Ministry of Finance ('MoF'). A list of the meeting's attendees is annexed to the report (Annex 1).

The purpose of the EDP dialogue visit was to review the compliance of the Dutch EDP and Government Finance Statistics data with the accounting rules of the European System of Accounts (ESA 2010) and with the existing guidance set out in the Manual on Government Deficit and Debt – Implementation of ESA 2010 (MGDD).

With regard to the institutional cooperation in the context of EDP Data reporting, the Dutch Statistical Authorities explained that they would examine whether using the 'AnaCredit' data provided by the Dutch Central Bank on a pilot basis might further improve the overall quality of the Financial Accounts. Eurostat invited Statistics Netherlands to provide up-to-date bridge tables for the main ministries.

Some conceptual and procedural issues were addressed, notably the interactions between Eurostat and Statistics Netherlands in certain areas. Prior to the meeting, Statistics Netherlands provided a detailed note and made a presentation that fed the discussions. Participants exchanged views about the timing and the organisation of dialogue visits as well as the ensuing reporting, in particular regarding the significance of the action points raised. Moreover, Statistics Netherlands opined that Eurostat should implement thresholds for its data validation procedures.

Eurostat followed-up on a number of unresolved action points from the prior dialogue visit. Eurostat and Statistics Netherlands agreed to make further progress in addressing outstanding action points and Statistics Netherlands was invited report to Eurostat on the progress achieved in implementing pending action points on a quarterly basis.

The participants discussed briefly the main issues raised during the October 2020 EDP notification. Eurostat welcomed the progress made in the reporting of certain items e.g. for EU related flows and central government claims in EDP Questionnaires. Nonetheless, Eurostat invited Statistics Netherlands to provide a more detailed breakdown of the claims reported in the related EDP questionnaire table 8.

Eurostat and Statistics Netherlands also debated on the changes made to the questionnaire on public corporations since the previous dialogue visit. Eurostat and Statistics Netherlands agreed that the classification of some limited partnerships required further investigations and that the discussions would resume based on a note from Statistics Netherlands. Moreover, the Dutch Statistical Authorities would investigate if foreign subsidiaries (e.g. TenneT Germany has been signalled to be one case) of resident parents are included in the list of public corporations.

Statistics Netherlands and Eurostat discussed further the progress made on the analysis of the classification of social housing corporations. Statistics Netherlands committed to reply to Eurostat's questions on Social housing corporations that it submitted as a follow up of the 2018 dialogue visit and to draw its conclusions on the classification of these units and the related guarantee fund soon after the meeting.

During the 2018 Dialogue Visit, Statistics Netherlands and Eurostat had agreed that '*Energie Beheer Nederland*' (EBN) should be reclassified in the central government subsector, given the nature of EBN as an artificial subsidiary of government. The main issue related to the recording of fixed assets in joint undertakings that is not specifically addressed in ESA 2010. During this meeting, Statistics Netherlands discussed further some recording aspects (mainly with regard to non-financial accounts) pertaining to the statistical consolidation of EBN with the State. Statisticians explained that until now, they had assumed that net lending/net borrowing B.9 of EBN was very close to zero since it was presumably returning most of its profits to the State. Some assumptions pertaining to some entries (mainly for provisions and fixed assets) in the non-financial and financial accounts proved not satisfactory and required further research. The Dutch Statistical Authorities committed to provide Eurostat with a full-fledged analysis of the proposed revised recording of '*Energie Beheer Nederland*' non-financial and financial transactions before implementing the necessary corrections.

Eurostat inquired on the role and sector classification of the care offices ('*zorgkantoren*') in the context of the implementation of the long-term healthcare system of the Netherlands. These bodies appear to have a legal personality and to be linked to a specific healthcare insurance company. The Dutch Statistical Authorities explained that it will analyse the financial reports of the 'Care Offices' and verify if these entities are institutional units that should be reclassified inside government in accordance with ESA requirements.

Eurostat followed up on earlier commitments made by Statistics Netherlands to reassess the recording of some payments to the '*Financieringsmaatschappij voor Ontwikkelingslanden (FMO)*' - a public limited company with a majority shareholding of the Dutch State - for activities in development projects in the light of the new MGDD guidelines on re-arranged transactions. Statistics Netherlands and Eurostat agreed that some funds managed by FMO on behalf of the State should be re-arranged and recorded in the State's accounts since it bears the risks and it is entitled to the rewards of the funds. Eurostat drew Statistics Netherlands attention to the fact that some other smaller transactions/loans (unrelated to the funds referred to above) worked directly by the FMO are guaranteed by the State. Statistics Netherlands agreed that a deeper analysis of the activities of FMO would be needed.

Eurostat and Statistics Netherlands discussed further the classification of radio and TV broadcasters based on the information provided by the Dutch Statistical Authorities. Eurostat was of the opinion that the criteria and reasoning followed when deciding on the classification of public broadcasters in the Netherlands needed clarifications notably with regard to their ability to decide on their general policy and/or their market or non-market behaviour.

A long-standing issue concerned the adjustments to the time of recording of transfers within the general government sub-sector, notably for transfers from/to the State based on the information from accrual accounts of counterparties, mainly local government. Eurostat and Statistics Netherlands followed up on past discussions (during dialogue visits and EDP notifications). Statistics Netherlands explained that it has currently no intention of changing its current approach (adjustment of cash-based accounts of the State based on data reported by the local government) since the current method is neutral to the net lending/net borrowing of general government. However, as a next step, Statistics Netherlands will evaluate if the 'SiSa' data - whereby municipalities and provinces must report each year to central government whether and how they have spent earmarked grants - might provide better insight and improve the differences in the reporting between the State and local government. Moreover, the stocks of receivables/payables of the State might need recalibration based on more reliable data sources than Iv3 questionnaires, such as annual reports of local government units.

With regard to military expenditure, Statistics Netherlands explained that payments and deliveries pertaining to the acquisition of the '*Joint Strike Fighters*' ('JSFs') are not recorded in compliance with ESA. In particular, some cash payments were recorded as expenditure instead of prepayments. Hence, expenditure was recorded in 2017 and 2018 although no delivery of aircraft took place. Statistics Netherlands explained that it would liaise with the Ministry of Defence in

order to improve the recording of transactions based on better data sets. Eurostat took note that the revisions are likely to improve the general government B.9 for the years 2017 and 2018.

Deliberations about the accounting treatment of the student loan schemes were re-opened. In 2018, Eurostat and Statistics Netherlands had considered that the treatment of the grandfathered scheme needed amendments given that a majority of the loans granted under the old (but still in effect) scheme were eventually converted into grants. Statistics Netherlands made a presentation outlining three possible approaches and their impact on general government B.9 for the recording of student loans. Eurostat was of the opinion that, given the particular circumstances of the conditional student loans in the Netherlands, any of the three methods proposed was acceptable. Eurostat invited Statistics Netherlands to report on the method chosen and to correct the current recording for the April 2021 EDP reporting.

Participants discussed in more detail some of the Dutch Government's measures taken to date in the context of the COVID-19 pandemic concerning expenditure that required specific attention for EDP purposes. To this end, Statistics Netherlands provided a note outlining the measures taken by Government with their proposed recording. For the 'TOZO' scheme ('Temporary bridging scheme for self-employed professionals') Statistics Netherlands explained that the data that is necessary for the recording of the statistical implications for the 'TOZO' scheme might not be fully captured by the local government surveys. Statistics Netherlands will inquire if other data sources could be identified and report to Eurostat on the outcome of its investigations. Statistics Netherlands and Eurostat also discussed the various options concerning the time of recording of the 'TVL' scheme (Support for 'Fixed Expenses for SMEs'). Eurostat was in favour of using the date of approval of the grants but suggested Statistics Netherlands to adopt a pragmatic approach for deciding on the most adequate time for recording the 'TVL' subsidies.

Moreover, Eurostat and Statistics Netherlands discussed tax and social contribution measures implemented by the Dutch government in the context of the pandemic, in particular tax deferral measures. Following the discussions, Eurostat requested Statistics Netherlands to prepare, for the upcoming notification, a table (broken down by tax) detailing the taxes and social contributions related measures, including tax deferrals, and showing the expected impact of their recording in the fiscal years concerned.

Besides, the participants further discussed the COVID-19 pandemic countermeasures relating to loans and guarantee schemes implemented by the Dutch government. The Ministry of Finance made a general presentation of the schemes and discussions resumed on that basis. The participants paid particular attention to the government's financial support package to the KLM airline. Eurostat also inquired on the role and activities of 'Qredits Microfinance' an entity classified as a private financial institution (S.12) that provides micro-financing and entrepreneurship support to various private and public partners. Statistics Netherlands agreed to investigate the classification of 'Qredits' and inquire if some of the operations carried out by that unit on behalf of Government might need rerouting.

Statistics Netherlands and Eurostat briefly discussed the statistical implications of the establishment of an investment fund named the 'National Growth Fund' ('*Nationale Groeifonds*') based on a presentation by the Ministry of Finance. According to Statistics Netherlands, the 'National Growth Fund' is a budget fund and thus incorporated in the budget of the State. The fund will therefore significantly add to the deficit and debt in the coming years, also making it relevant in the context of fiscal surveillance and the EDP reporting.

Eurostat inquired on the classification of 'Invest International' (IIF), a foreign investment institution set up as a joint venture of the State (51 %) and FMO (49 %) aiming at helping Dutch businesses to develop and finance projects abroad. Statistics Netherlands confirmed that it will classify the IIF inside general government given that government has control over the entity and that IIF will operate on a non-market basis.

During the meeting, Statistics Netherlands informed Eurostat about a number of revisions for the next benchmark revision scheduled for 2024. To this end, Statistics Netherlands agreed to

prepare a summary table (covering the last four years and the next three years) detailing the revisions currently foreseen for the upcoming benchmarking, including their expected quantitative impacts on annual deficit and Maastricht debt.

With regard to procedural arrangements, the Main conclusions and action points were sent to Statistics Netherlands for comments. Then, within weeks, the Provisional findings would be sent to Statistics Netherlands for review. After this, the Final Findings will be sent to Statistics Netherlands and the Economic and Financial Committee (EFC) as well as published on the website of Eurostat.

Eurostat very much appreciated the openness and transparency of the Dutch authorities during the meeting, the extensive documentation provided before the dialogue visit as well as the constructive and fruitful discussions.

Introduction

For the purpose of the biennial dialogue visit and in accordance with Council Regulation (EC) No 479/2009 of 25 May 2009, as amended, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat and Statistics Netherlands agreed to hold the meeting by video-conference on 30 November -1 December 2020.

The delegation of Eurostat was headed by Mr Luca Ascoli, Director, Directorate D Government Finance Statistics (GFS). Eurostat was also represented by Mr Jukka Jalava, Mrs. Rasa Jurkoniene, Mr. Didier Lebrun and Mr Levente Szekely. Representatives of the Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers.

The Kingdom of the Netherlands was represented by Statistics Netherlands, the Dutch Ministry of Finance, and the Dutch Central Bank (DNB). A full list of participants is provided in Annex 1.

The previous Eurostat EDP dialogue visit to the Netherlands had taken place on 22-23 January and 26 February 2018.

The overall purpose of this EDP dialogue visit was mainly to review EDP arrangements in place and to ensure that the provisions of the European System of National and Regional Accounts (ESA 2010), of Eurostat's Manual on Government Deficit and Debt (2019 MGDD), as well as Eurostat's decisions, are duly implemented as regards the production of the Dutch EDP and Government Finance Statistics (GFS) data.

The visit aimed to review, in particular, the existing institutional responsibilities as regards the compilation of EDP statistics and government accounts, to discuss the quality and exhaustiveness of data sources, risk management processes and revision policy, to discuss the main results of the latest EDP notification, to examine the classification of some categories of institutional units, and to review the recording of specific transactions, in particular in the context of the COVID-19 crisis.

With regard to procedural arrangements, the 'Main conclusions and action points' were sent to Statistics Netherlands for comments. Then, within weeks, the 'Provisional findings' would be sent to Statistics Netherlands for review. After this, the 'Final Findings' will be sent to Statistics Netherlands and the Economic and Financial Committee (EFC) as well as published on the website of Eurostat.

Eurostat was grateful that the Dutch Statistical Authorities accepted to hold a virtual meeting for the 2020 dialogue visit in view of the travelling restrictions imposed on the institutions concerned. Eurostat very much appreciated the openness and transparency of the Dutch authorities during the meeting, the extensive documentation provided before the dialogue visit as well as the constructive and fruitful discussions.

1. Statistical capacity issues

1.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation

Introduction

Under the current arrangements, Statistics Netherlands is entirely responsible for the compilation of actual EDP data (both deficit and debt) that it has to transmit to Eurostat under Council Regulation 479/2009. Eurostat and the Dutch Statistical Authorities reviewed briefly the current arrangements with the Dutch Ministry of Finance and the Dutch Central Bank (DNB) for the production of EDP and GFS Statistics.

Discussion

The ‘Statistics Netherlands Act’ defines the scope of Statistics Netherlands’ data collection and the use of the data collected. It also entails the rules regarding the provision to Eurostat and national statistical authorities of Member States, the members of the ‘European System of Central Banks’ (ESCB) as well as to the Dutch Central Bank (DNB). Statistics Netherlands is also responsible for the transmission of the EDP tables and all related correspondence such as the replies to Eurostat’s requests for clarifications. This is laid down in a co-operation agreement between Statistics Netherlands and the Ministry of Finance. There is also an agreement with the Dutch Central Bank (September 2017). The document encompassed all statistical fields in which the two institutions co-operate and is not specific to GFS/EDP. Eurostat drew Statistics Netherlands attention to the fact that the agreement with the DNB still refers to the old version of the ‘Manual on Government Deficit and Debt’ (MGDD) and suggested that it might need updating. Statistics Netherlands also provided for the current mission a Dutch document called ‘2020 additional cooperation agreements’ (‘2020 Nadere Samenwerking Afspraken’, NSA). These NSAs provide further substance to the cooperation agreement concluded between Statistics Netherlands and DNB on 18 September 2017. Hence, Statistics Netherlands informed Eurostat that the Central Bank has started to provide granular ‘Anacredit’¹ data on a pilot basis, which might also improve the financial accounts of general government in the future. Statistics Netherlands explained that the ‘Anacredit’ data was still subject to investigations while having the potential to improve the quality of the financial accounts e.g. for the recording of interest accruals. It is expected that the results of Statistics Netherlands investigations will be available by the end of the year 2021.

Eurostat also requested to be kept abreast of changes made to agreements with various ministries as far as the supply of data is concerned. In particular, Eurostat emphasised that the agreement with the Ministry of Defence should address the provision of data on derivatives.

Findings and conclusions

Action point 1

Eurostat was informed that the Central Bank provides granular ‘AnaCredit’ data to Statistics Netherlands on a pilot basis. This data set might improve the financial accounts of general government in the future. The Dutch Statistical Authorities will examine whether using the ‘AnaCredit’ data set might further improve the overall quality of the Financial Accounts.

Deadline: December 2021.

1.2. Quality and risk management of EDP/GFS processes at Statistics Netherlands (of which procedures for implementation new guidelines and action points, materiality thresholds)

Introduction

Under this topic, Statistics Netherlands and Eurostat discussed the current procedures for the implementation of new guidelines issued by Eurostat, the clearance of action points pursuant to EDP visits, and the possible application of materiality thresholds.

Discussion

Prior to the meeting, Statistics Netherlands provided a note and made a presentation that fed the discussions. During its presentation, Statistics Netherlands explained that the experience showed

¹ ‘AnaCredit’ is a dataset containing detailed information on individual bank loans in the euro area, harmonised across all Member States. ‘AnaCredit’ stands for ‘analytical credit datasets’. The project was initiated in 2011 and data collection started in September 2018.

that there is a need to improve the interactions with Eurostat in certain areas such as the timing of recording instructions given to Statistics Netherlands, the need to focus on material issues including for action points, the length of the missions and the level of detail of the mission reports. Statistics Netherlands also indicated that there is room for improvement with regard to internal communication within Eurostat in particular with Directorate C. Moreover, Statistics Netherlands argued that materiality thresholds would also help all parties better focussing on significant issues but also indicate which corrections need immediate implementation. Finally, Statistics Netherlands recalled its EDP/GFS data release calendar both for quarterly and annual publications explained again that the system of accounts is a fully integrated one with the consequence that national accounts data, government data and balance of payments data are released simultaneously for each production cycle. Hence, the consistency of data across releases is key for Statistics Netherlands when considering data revisions, which translates into a strict revision policy.

Statistics Netherlands emphasised that the desk-to-desk relations with Eurostat have intensified over the years and are currently very good. Statistics Netherlands also underlined the constructive approach followed by Eurostat in providing timely advice with regard to methodological issues.

Eurostat stated that the preparation of the missions can be burdensome and recalled that the standard length of the dialogue visits is two days. This rule is however subject to modifications depending on the number and significance of the issues at stake. In this context, it was recalled that Eurostat is itself subject to audits (internal and external), and auditors have suggested Eurostat to carry out longer and more frequent EDP missions. However, the proposed agendas usually mainly concern issues that should be known to the statistical authorities since they typically concern methodological issues that were identified during EDP notifications. Eurostat was also of the opinion that the agenda points are not set in stone and that new issues might appear during the mission depending on the outcome of the discussions. Eurostat also recalled that the deadline for issuing the final findings has been shortened to six months after the visit. Eurostat participants re-affirmed that they would continue collaborating closely with colleagues of other directorates. Eurostat also confirmed that internal risk assessments are carried out each year for each Member State. Risk assessments are part of the EDP process although they are not shared with outside parties. As far as materiality thresholds are concerned, Eurostat recalled that discussions in the methodological fora are ongoing and that no final decision had been taken. Eurostat explained that one possible option would be to not to limit the number of actions points *per se* but to categorise them into two separate groups: action points that would require immediate follow-up and/or corrections, and other concerns that might need follow-up at a later stage. With regard to revisions, Eurostat was also of the opinion that some flexibility is necessary with regard to the application of the revision policy. This is particularly true in the context of the COVID-19 pandemic, which implies that the recording of many extraordinary measures taken by government rely on estimations and imputations instead of actual data sources.

Eurostat took note of the approach followed by Statistics Netherlands when applying its own corrections' thresholds in relation to GDP for EDP reporting purposes. Eurostat questioned the meaningfulness of considering corrections individually, and not as the aggregate.

Findings and conclusions

No action point identified.

1.3. Data sources and revision policy, EDP inventory

1.3.1. Bridge Tables

Introduction

A bridge table is a table matching public accounts items (e.g. budgetary classification) with their corresponding national accounts' codes, which is a fundamental tool needed for compiling national accounts and its subsequent EU reporting. All Member States should provide bridge

tables with their EDP Inventory for the accounts reported in the working balance. In this section, Statistics Netherlands and Eurostat discussed recent developments with respect to the bridge tables.

Discussion

Non-financial accounts bridge tables with a sample of source data were provided to Eurostat in 2015 for seven ministries and one budget fund with the largest contributions to the State's budget expenditure. During past discussions, Eurostat had been informed that the attribution of specific accounting items to one or several ESA codes presented in the tables is in principle reviewed on an annual basis for newly introduced policies but also following changes to the charts of accounts (COA).

Statistics Netherlands stated that it is also working on a more automated coding of bridge tables using the COA more systematically, so that only new accounting items have to be analysed every year. In this context, Statistics Netherlands explained that the project is still work-in-progress, the main difficulty being that ministries' accounting items are not always arranged and presented in a uniform manner. The implementation and the use of a single database is challenging. Statistics Netherlands agreed to provide Eurostat with a set of new bridge tables for the main ministries.

For the financial accounts of the State, Eurostat inquired on any progress² in relation to cross-codification tables supporting the financial accounts and Maastricht Debt. Statistics Netherlands specified that for the financial accounts, the system relies strongly on receipts and payments data reported by the Treasury and not by each Ministry. While acknowledging that no bridge table exists yet, the codification of the Treasury data has improved significantly over the years and its automation is still under development. For extra-budgetary accounts, it was mentioned that the codification did not raise any difficulty mainly because it concerns payables and receivables and does not relate to non-financial transactions.

Findings and conclusions

Action point 2

In principle, the State's charts of accounts are revised on an annual basis and bridge tables of the ministries need updating accordingly. The Dutch Statistical Authorities will provide Eurostat with up-to-date bridge tables for the main ministries. Statistics Netherlands will also annex revised bridge tables to the ESA 2010 compliant inventory of the methods, procedures and sources used for the compilation of deficit and debt data.

Deadline: July 2021.

1.3.2. Treasury's cash pooling system ('Schatkistbankieren')

Introduction

Eurostat and Statistics Netherlands briefly discussed the actions undertaken by Statistics Netherlands and the Dutch Ministry of Finance for improving the quality of the data on the Treasury's cash pooling system.

Discussion

² As a follow up of action point 4 of the 2015 Dialogue Visit, Statistics Netherlands had stated that *'It should be noted that the bridge table is still work in progress since the MoF has stopped the compilation of the State's balance sheet in 2014'*.

Eurostat inquired on any development regarding the information that the cash pooler at the Treasury has to provide to Statistics Netherlands, to ensure the appropriate measurement of (gross) general government debt³. Specific cash pooling arrangements exist in the Netherlands, whereby some units are obliged to place their funds at the Treasury while, at the same time, they are also able to draw from the cash pool. Data from the Treasury are considered as a main source for the recording of the transactions in the national accounts for all participants of the scheme, notably government units. During the 2018 mission, Statistics Netherlands mentioned data constraints owing to confidentiality issues. In addition, out of the one thousand units participating in the cash pool scheme, a few (about 20) units are still classified outside government ('Kadaster') although some (about 10) might be reclassified into S.13 in the next benchmark revision. Given the confidentiality restrictions, Statistics Netherlands does not have access to detailed data on financial positions of each body participating in the cash management system.

Statistics Netherlands explained that the recurrent dataset provided by the Ministry of Finance now includes information that is more detailed but not yet at the individual level. However, the Ministry of Finance will provide individual data on an ad hoc basis. In particular, data broken down per sub-sector (Provinces, municipalities, water boards, etc.) of the local government is available. Discussions for providing individual data consistently are ongoing and Statistics Netherlands confirmed that a formal agreement with the Ministry of Finance could be concluded soon and that Eurostat would be informed in due time.

Findings and conclusions

No new action point identified.

1.3.3. EDP Inventory

Introduction

Under this agenda point, Eurostat inquired on the situation with regard to finalisation of the ESA 2010 compliant inventory of the methods, procedures and sources used to compile EDP data.

Discussion

Eurostat recalled that under article 9 of Council Regulation 479/2009, the EU Member States should provide Eurostat with a detailed inventory of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts. The inventories are to be prepared in accordance with guidelines adopted by Eurostat after consultation of the CMFB⁴. Eurostat designed a standard template, which should be used to this end. The template was last modified in March 2020 to reflect recent changes to the Eurostat Manual on Government Deficit and Debt (MGDD). Eurostat recalled that it had received and commented on several draft versions of the ESA 2010 EDP Inventory while recognising progress in its elaboration. Statistics Netherlands informed Eurostat that the remaining sections were subject to final checks and that a full-fledged inventory would be sent to Eurostat soon after the meeting.

Findings and conclusions

Action point 3

The Dutch Statistical Authorities informed Eurostat that their ESA 2010 compliant inventory of the methods, procedures and sources used for the compilation of deficit and debt data was almost

³ Follow-up of Action Point 1 of the 2018 Dialogue Visit.

⁴ Committee on Monetary, Financial and Balance of Payments Statistics.

finalised. Statistics Netherlands committed to provide its final inventory to Eurostat after the meeting.

Deadline: December 2020⁵

2. Follow-up of previous EDP visits

Introduction

In this section, Eurostat and Statistics Netherlands reviewed the state of play regarding the implementation of action points agreed during the 2018 Dialogue Visit.

Discussion

Eurostat undertook a standard EDP dialogue visit to the Netherlands in January – February 2018. Action points were subject to extensive discussions with Statistics Netherlands after the dialogue visit. Following these discussions, Eurostat formulated 32 action points agreed by Statistics Netherlands, which primarily concerned the delimitation of the general government sector and the recording of specific government operations. The Dutch statistical authorities were responsible for completion of 25 of the action points while Eurostat and Statistics Netherlands shared the responsibility for the completion of the rest (i.e. Action Points 4, 9, 13, 16, 17, 23, and 26). Progress has been rather slow in implementing some action points. Statistics Netherlands informed Eurostat that it would complete a number of action points soon, or very soon, notably in the context of the December 2020 meeting.

Concisely, the situation on the implementation of action points as of end-November 2020 was as follows:

- Completed and closed: 3, 6, 7⁶, 8, 10, 14, 16, 18, 20, 22, 25, 27, 28, 31
- Completed (under Eurostat examination): 21, 23
- Implementation initially agreed for the next benchmark revision: 5, 11, 29, 32
- In progress (subject to the on-going discussions at GFS Task Force/ EDPS Working Group level): 15, 26
- In progress (late): 1, 2, 4, 9, 17, 19, 24
- No progress (late): 12, 13, 30

Some items were specifically followed-up under separate agenda points of this meeting: the recording of joint strike fighters (Action Point 9, see section 4.2.2), the classification of social housing corporations (Action Point 17, see section 4.1.2), the consolidation of 'Energie Beheer Nederland' (Action Point 19, See Section 4.1.3), the consolidation of transfers and grants within government (Action Point 24, see section 4.2.1) and the recording of student loans (Action Point 29, See section 4.2.3).

During the discussions, Eurostat inquired on the status of action points for which it noted no progress to date (Action Points 12, 13 and 30). Statistics Netherlands reported that Action Point 30 concerning the entities situated in the Caribbean is not material and, according to them, has a lower priority. Eurostat explained that in case issues are not material, it is acceptable that Statistics Netherlands undertakes the necessary corrections at a later stage, typically in the context of benchmark revisions. This should not prevent Statistics Netherlands and Eurostat from informing each other on the progress made since all action points need follow up even if not material. In this regard, it was confirmed that Eurostat and Statistics Netherlands communicate

⁵ Completed

⁶ Corrected for the year 2017. Data for previous years will be corrected in the next benchmark revision.

regularly on the status of action points. Eurostat recalled that auditors pay close attention to the monitoring of action points in the courses of their audits. Statistics Netherlands acknowledged that the two other action points concerning the local government sector were delayed. In particular, the reporting on derivatives (interest rate swaps) by local government (Action Point 30 of the 2018 dialogue visit) proved difficult to resolve. Recent estimations showed that the stock of derivatives was around 600 million euros and was expected to decrease since no new transactions had been identified. In addition, the expected impact on B.9 was estimated at +20 million euro since interest rates were much higher at the time the local government entities concerned entered into IRS contracts than they are now.

Eurostat then confirmed that the note provided by Statistics Netherlands pursuant to action point 23 concerning the recording of quarterly VAT (mainly a GFS issue) had been scrutinised although no final conclusion was yet drawn.

Finally, Eurostat representatives informed Statistics Netherlands that they had consulted the Eurostat GNI team of Directorate C in relation to the recording of the balancing (P.2) negative transaction between health insurers and social security funds (Action Point 4 of the 2018 Dialogue Visit). The GNI colleagues had opined that the fact that the transaction could turn negative was not per se an undisputable justification for changing the current recording since there are many other examples of transactions that can be negative in ESA. It was also confirmed that the current recording is embedded in the GNI Inventory approved by Eurostat.

Findings and conclusions

Action point 4

Following the discussions on the status of implementation of action points of the latest dialogue visit, it was agreed that Statistics Netherlands will report to Eurostat on the progress achieved in implementing pending action points on a quarterly basis.

Deadline: continuous.

Action point 5

Eurostat and Statistics Netherlands agreed to make further progress in addressing outstanding action points from the 2018 Dialogue Visit, in particular for Action Points N°4 (Purchase of services from healthcare insurers) and N°23 (VAT recording). To this end, Eurostat will report to Statistics Netherlands on the on-going internal consultations with Eurostat Directorate C (Action Point N°4) and GFS (Action Point N°23) after the meeting.

Deadline: Eurostat will report to Statistics Netherlands before March 2021. Statistics Netherlands will provide its conclusions to Eurostat before end June 2021.

3. Follow-up of the October 2020 EDP reporting – analysis of EDP tables and EDP questionnaire tables

Introduction

In this section, Eurostat and Statistics Netherlands discussed briefly the outcome of the previous EDP notification (October 2020) and examined a number of pending issues relating to the clarification round.

Discussion

Eurostat explained that the latest notification went smoothly. In this context, Eurostat mentioned that the EDP Inventory is key for the review process and insisted that a final inventory should be provided for the next notification. Eurostat then introduced some issues raised during the clarification process that, in its view, deserved some follow-up.

Extra-budgetary accounts

Firstly, Eurostat recalled that the reporting of extra-budgetary accounts in Table 2A required some clarifications. As their name indicates, extra-budgetary accounts⁷ record flows (in and out) that are not accounted for in the budget. Hence, they do not concern state agencies that are subject to separate adjustments in EDP Table 2A. Reporting of extra-budgetary accounts is made in the so-called ‘quasi-balance sheets’ of various ministries. Upon Eurostat’s request, the Dutch Statistical Authorities confirmed that these extra-budgetary accounts are included in the working balance reported in Table 2A since the latter corresponds to the cash balance that needs to be financed. All cash inflows and outflows of the ministries, including those reported in the quasi-balance sheets, are included in the working balance in Table 2A. Eurostat inquired about the reasons for the differences in the reconciliation of extra-budgetary accounts as was reported by the Ministry of Finance and Statistics Netherlands throughout the most recent notifications. Statistics Netherlands explained that its own analysis of extra-budgetary accounts is a recent exercise while the Ministry of Finance usually compiles data for the purpose of the calculation of the working balance. Differences were, however, small and residual differences found are being corrected (mainly internal flows within the state). Eurostat inquired if extra-budgetary accounts have any impact on the calculation of general government net lending/net borrowing (B.9) deficit or surplus. It was clarified that the extra-budgetary accounts do not have currently any influence on the calculation of B.9. As discussed during the 2018 dialogue visit, the time of recording of fines⁸ will be reassessed in the context of the next benchmark revision. Statistics Netherlands confirmed that these transactions were also booked directly in the budget. Amounts concerned are however small.

‘Energie Beheer Nederland’ - EBN

Eurostat reported that two separate issues about EBN needed further clarifications. In the course of the last October notification, Eurostat had been informed on the correction of the recording of 450 million euro capital strengthening of EBN settled through special profits levy related to 2018 and 2019 (dividends). Eurostat recalled that the recording of the EBN’s operations in the non-financial accounts would be discussed in more details under item 4.1.3 of the agenda.

Finally, it was recalled that Statistics Netherlands had found that the debt of EBN was erroneously recorded “before swaps” instead of at its hedged value. Statistics Netherlands explained that it had investigated the issue and would revise the data in June 2021. Maastricht debt is expected to drop by about 200 million euro (see also Section 4.1.3).

Long-Term Trade Credits

Eurostat inquired on the existence of long-term trade credits and advances other than those relating to the recording of military equipment. In this context, Eurostat recalled the rules (embedded in the recent MGGD guidelines) that prescribe the recording of loans (and thus in the Maastricht debt) for long-term trade credits. Statistics Netherlands explained that long-term trade credit and advances unrelated to military equipment are not common in Dutch accounts. Moreover, trade credits and advances reporting mainly relies on estimations (30 days payments assumption for intermediate consumption and gross fixed capital formation) since direct data sources are mostly not available. In addition, for military equipment, trade credits and advances concern assets.

EDP Questionnaire Tables 4 and 6

Eurostat underlined the improvements made to the questionnaire Tables 4 and 6 in relation to the reporting of EU flows. In particular, data pertaining to EU flows (grants) that Statistics

⁷ Extra-budgetary accounts are equivalent to ‘second party’ accounts, ‘tweederekeningen’ in Dutch.

⁸ A fine should be recorded as revenue when the possibility for appeal has lapsed, not when it is cashed.

Netherlands previously reported within the line ‘extra-budgetary accounts’ are now reported in the ‘EU flows payables/receivables’ lines in questionnaire Table 4 and aligned to Questionnaire Table 6.

EDP Questionnaire Table 8

Eurostat recalled that, in October 2020, Statistics Netherlands had significantly revised the data reported in Questionnaire Table 8 regarding central government claims. Statistics Netherlands confirmed that the breakdown for increases and decreases of claims in the block concerning ‘other claims’ is calculated as a residual item after all other blocks (‘Foreign claims’, ‘claims against public corporations’, ‘claims against other government sectors’) are completed. Eurostat inquired on the methodology and data sources used for the reporting of central government claims in this table. Statistics Netherlands clarified that original data sources present transactions for claims either on a gross (for long-term loans granted by ministries) or on a net (for treasury banking short term loans) basis, which calls for significant efforts to break down the data on claims into increases and decreases. Overall, questionnaire Table 8 is fully aligned with EDP Table 3B stock-flow adjustments relating to F.4 financial transactions. Following a question raised by Eurostat about which entity of Central Government is the main lender, it was agreed that Statistics Netherlands would provide (for the first notification of 2021) a breakdown of Questionnaire Table 8 between transactions and stocks relating to the State and transactions and stocks relating to other entities of central government sub-sector.

EDP Questionnaire Table 10

As far as foreign direct investments (FDIs) by the Dutch State are concerned, Eurostat inquired if there were other cases than KLM and Urenco that were known to Statistics Netherlands. Statistics Netherlands stated that some minor D.43 reinvested earnings on foreign direct investments for some small public corporations located in the Dutch Caribbean are under scrutiny although not yet reported in GFS. In addition, Eurostat recalled the question raised by Statistics Netherlands on the adequacy of a capital injection test in the case of FDIs. Statistics Netherlands was of the opinion that it is not fully clear if, in the case of a FDI, a capital injection/super dividend test needs to be carried out and, if a D.9 capital transfer has to be recorded up-front. In case negative reinvested earnings would be recorded (D.43 in subsequent years), this would cause recording part of the financial losses twice in B.9. It was recalled that D.43 reinvested earnings on foreign direct investment do not include all future losses (e.g. capital transfers and other economic flows) contrary to the recording of a D.9 capital transfer pursuant to the capital injection test. Thus, in case the capital injection would be recorded as a financial transaction, the losses would not be recorded in full in B.9. Following a preliminary discussion, Eurostat stated that it would be worth consulting other Member States on the matter and to bring the issue to the EDPS working group.

Findings and conclusions

Action point 6

Statistics Netherlands explained the revisions made to the EDP Questionnaire Table 8 on the State’s claims data reported in the context of the October 2020 EDP notification. The Dutch Statistical Authorities agreed to provide Eurostat once with separate tables for the State and other central government entities in order to ease the reconciliation with the main EDP Tables.

Deadline: March 2021.

Action point 7

Eurostat will investigate if a capital injection test would be adequate in case capital is injected in foreign corporations (foreign direct investments, FDIs) which could be subject to losses in the future. In this context, Statistics Netherlands explained that the recording of negative reinvested earnings (D.43) might not capture future losses in full since other economic flows and capital transfers are excluded. Eurostat will consider bringing the issue to the EDPS WG.

Deadline: December 2021.

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of the general government sector, application of the 50% rule and the qualitative criteria in national accounts

4.1.1. *Improvements made to the public corporations questionnaire (corporations with no or almost no staff)*

Introduction

In this part, Eurostat and Statistics Netherlands discussed the changes made to the questionnaire on public corporations since the previous dialogue visit, in particular in relation to the number of staff employed.

Discussion

During the 2015 dialogue visit, Eurostat had noted⁹ that a number of public corporations of the questionnaire had zero employees. The topic was re-opened during the 2018 dialogue although no new action point was raised. Statistics Netherlands explained that this could be the case for some categories of public corporations, (a) SPVs of enterprise groups, (b) entities managed through boards (members collecting presence fees rather than wages), (c) joint ventures, and in case of data source issues.

Eurostat observed that Statistics Netherlands did not report any unit with zero employees in the most recent questionnaire. Instead, about 185 units were reported with an 'L' (meaning that no data was available), almost all of them being units with liabilities below 0.01% of GDP. Eurostat sought explanations and justifications for the changes since the previous visit. The Dutch Statistical Authorities explained that the 'L' could also flag entities with no employees, thus raising some doubts about their classification in the S.11 sector. The issue was that, in its present form, the questionnaire hampers connecting the number of employees to some institutional units. Hence, the public corporations listed in the questionnaire do not always qualify as institutional units since Statistics Netherlands uses lists of units (i.e. Statistics Netherlands Business Register) as a starting point for the sector delimitation¹⁰. The business register includes three categories of units (legal units, business units and enterprise groups) that do not necessarily comply with the ESA definition of institutional units. Therefore, Statistics Netherlands' GFS department has to regroup Business register's units into ESA compliant institutional units, the grouping being based on the control exercised by the controlling unit. To this end, Statistics Netherlands may need to adopt a pragmatic approach in case some units do not publish detailed public accounts but are consolidated with their parents company. The distinction between legal units and institutional units of the sector S.11 proved sometimes very difficult. In addition, the identification of the number of employees derives from data sources owned by the Tax Authority that rely on 'fiscal units' being conceptually different than institutional units. It was recalled that in the case of holding companies with participations in subsidiaries (e.g. TenneT), some with one or no employees, Statistics Netherlands considers the group as being one institutional unit (following the so-called 'Downwards Consolidation' approach). Eurostat did not object to the downwards consolidation approach but supported the view that statisticians should always check corporations based on a case-by-case analysis.

Overall, Eurostat was concerned by the fact that Statistics Netherlands needed to ascertain whether units with few or zero employees should be considered either as being subsidiaries of other units or as distinct institutional units. In that regard, Statistics Netherlands expressed some

⁹ See action point 18 of the 2015 Dialogue Visit.

¹⁰ During the 2018 Dialogue Visit, Eurostat recalled that the questionnaire should cover institutional units, but recognised that, in practice, the entities reported by the NSIs are often merely legal units.

doubts about some units included in the list, in particular entities with the specific legal form of ‘*commanditaire vennootschappen*’ (equivalent to ‘limited partnerships’) since these companies are not liable for their debt. In that case, they should not be considered as institutional units but part of the units that control them. Statistics Netherlands recalled that such units used to be common in the Netherlands, where real estate joint ventures were created by municipalities (which bring land) and entrepreneurs (who build the fixed assets on the land)¹¹. Eurostat and Statistics Netherlands agreed that the classification of these partnerships required further investigations and that the discussions would resume based on a note from Statistics Netherlands.

Eurostat inquired on the accounting treatment of the participation of the Dutch State in TenneT Holding¹². In this context, Eurostat recalled that the Dutch State is the only shareholder of TenneT Holding whereas its subsidiary, TenneT Germany, is not a resident unit. TenneT Holding is consolidated in the Netherlands and therefore its foreign subsidiary should not be considered as a foreign direct investment of general government but of the non-financial corporations sector (S.11). Statistics Netherlands also explained that in the case of corporations’ groups, the list of public corporations only includes resident/domestic units, thus excluding foreign subsidiaries. Foreign subsidiaries are not included in the business register and data concerning these subsidiaries are not collected by Statistics Netherlands via the usual questionnaires. Therefore, the total debt of public corporations is currently underestimated for the part of debt belonging to non-resident subsidiaries. Statistics Netherlands will correct the debt data reported in the new list of public corporations accordingly. Since the latest questionnaire transmitted to Eurostat was based on 2017 data, Eurostat inquired if Statistics Netherlands could provide an update of the questionnaire based on more recent data, including for the calculation of the market/non-market test. Statistics Netherlands confirmed that it would send a new list (based on 2018 data) to Eurostat in the context of the regular annual transmission before the end of December.

Findings and conclusions

Action point 8

Statistics Netherlands explained that its ‘business register’ does not record institutional units, but so-called business units and corporation groups. To this end, Statistics Netherlands collects data (SFGO - Annual Statistics of Finances of Large Enterprises) for (the resident part of) non-financial corporation groups used for national accounts. The Dutch Statistical Authorities are investigating if foreign subsidiaries (e.g. TenneT Germany has been signalled to be one case) of resident parents are included in the list of public corporations. Statistics Netherlands will correct the list accordingly.

Deadline: December 2021 in the context of the mandatory annual reporting of government-controlled entities classified outside general government¹³.

Action point 9

The Dutch Statistical Authorities will also investigate if the ‘*commanditaire vennootschappen*’ (C.V.s corporations) are correctly reported in the list of public corporations classified outside general government since such entities do not appear to be liable for their debt. Statistics Netherlands will provide a note to Eurostat specifying the criteria used for their classification.

Deadline: March 2021.

4.1.2. *Social housing corporations and 'Waarborgfonds Sociale Woningbouw'*

Introduction

¹¹ See Action Point 12 of the 2018 Dialogue Visit

¹² [See also the ‘Eurostat Ex-post methodological advice on the statistical treatment of the transactions between the Kingdom of the Netherlands and TenneT’](#)

¹³ Completed in the context of the mandatory December 2020 reporting.

The classification of social housing corporations has been discussed on several occasions since 2015 and was the subject of an Action Point¹⁴ after the previous dialogue visit. Under this heading, Statistics Netherlands and Eurostat discussed the progress made since the 2018 dialogue visit.

Discussion

Eurostat recalled that it had sent a comprehensive list of questions in accordance with the conclusions reached at the time, while no replies have been provided to date. Eurostat inquired on the status of Statistics Netherlands' analysis regarding the classification of housing corporations. Statistics Netherlands explained that in its opinion, the Housing Corporations are public institutional units since government exercise control to a large extent. Statistics Netherlands main concern pertains to the determination of the market (or non-market) behaviour of these units. According to the statisticians, the qualitative criteria are not relevant in the case of social housing corporations, a situation that requires the application of the quantitative 50% test. Since rents are by far the main revenue sources for these units, they could be considered as being market producers in ESA 2010. Eurostat argued that given the nature of their activities, social housing corporations pursue general public policy objectives. Statistics Netherlands opined that this is likely to be true for all public corporations while not all public corporations are classified in general government. Hence, the situation and therefore the classification of social housing corporations varies among the Member States concerned. Eurostat was of the opinion that no conclusion could be drawn at this stage and that the determining factors should be further assessed. In this context, elements that need further examination concern the level of influence of government on rentals or the other limitations imposed by government on social housing corporations given that they are pursuing social policy objectives. Statistics Netherlands agreed that the rules and criteria are not straightforward and that a stock taking exercise involving other Member States could be needed. Eurostat confirmed that two other countries had reclassified social housing corporations in S.13 based on specific considerations, while acknowledging that it would be worthwhile discussing the issue within the Eurostat methodological fora. In the meantime, Statistics Netherlands confirmed that they would provide detailed replies to Eurostat as a follow-up of the previous dialogue visit.

Eurostat also recalled that Statistics Netherlands had not yet provided its conclusions on the guarantee fund for the housing corporations ('*Waarborgfonds Sociale Woningbouw*'- WSW). Statistics Netherlands mentioned that the conclusions are expected to be similar to the proposal to classifying the guarantee fund for healthcare sector¹⁵ ('*Waarborgfonds voor de Zorgsector*' WFZ) in S.12. Eurostat confirmed that it was still analysing the conclusions of Statistics Netherlands regarding the 'WFZ' and that it would provide its own assessment after the dialogue visit.

Findings and conclusions

Action point 10

Statistics Netherlands committed to reply to Eurostat's questions on Social housing corporations that it submitted as a follow up of the 2018 Dialogue Visit (action point 17). Statistics Netherlands will draw its conclusions on the classification of housing corporations and report them to Eurostat.

Deadline: February 2021.

Action point 11

¹⁴ Action Point 17 of the 2018 Dialogue Visit

¹⁵ Action Point 21 of the 2018 Dialogue Visit

Statistics Netherlands will provide its conclusions on the classification of the guarantee fund for the housing corporations ('WSW - *Waarborgfonds Sociale Woningbouw*'). Statistics Netherlands explained that the approach followed will be similar to the one applied for the classification of the healthcare guarantee fund for the health care sector ('WFZ-*Waarborgfonds voor de Zorgsector*'). According to Statistics Netherlands, the 'WFZ' fund has the features of a publicly controlled financial intermediary with the characteristics of an insurance company and should be classified in sector public insurance corporations S.12801).

Deadline: Eurostat will provide its views on some aspects relevant for the classification of WFZ by February 2021 based on which Statistics Netherlands will provide its analysis on the classification of WSW by May 2021.

4.1.3. *Energie Beheer Nederland (and gas revenue)*

Introduction

During the 2018 Dialogue Visit, Statistics Netherlands and Eurostat had agreed that '*Energie Beheer Nederland*' (EBN) should be reclassified in the central government subsector, given the nature of EBN as an artificial subsidiary of government. Under this agenda point, Statistics Netherlands discussed further some recording aspects (mainly with regard to non-financial accounts) pertaining to the statistical consolidation of EBN with the State.

Discussion

Eurostat introduced this agenda point and explained that, following the reclassification of '*Energie Beheer Nederland*' (done in the context of the 2018 benchmark revision), some aspects relating to its consolidation with the State needed further analysis and corrections. This was also embedded in an action point¹⁶ agreed during the 2018 dialogue visit. Eurostat recalled that to date, Statistics Netherlands has focussed on the consolidation of EBN in the financial accounts (in particular the impact on debt) as well as the recording of property income (interest, rent and dividends recorded as D.45 rent) based on data provided by the Ministry of Economic Affairs. At the same time, Statistics Netherlands postponed the recording of some more complex accounting issues (such as the recording of fixed assets relating to joint investments and receivables/payables) pertaining to the non-financial accounts.

For the purpose of the current visit, Statistics Netherlands provided a note detailing how it is proposing to account for the remaining facets of the consolidation. Discussions resumed on that basis. Statisticians explained that until now, they had assumed that net lending/net borrowing B.9 of EBN was very close to zero since it was assumed to be returning most of its profits to the State, except in 2018 when the capital reserves of EBN had been reinforced. This assumption proved wrong because of the recording of depreciation on investments and the recording of provisions in application of general accounting rules that are different from the ESA framework. The new recording would entail changes in the assumptions for the recording of the shared part of the fixed assets¹⁷ attributable to government by recording them on its balance sheet. Statistics Netherlands' reasoning appeared to be justified by the fact that EBN had recognised the ownership of these assets on its balance sheet and had carried all associated risks and rewards. Overall, the revised recording would be based on the compilation of EBN's data from annual financial reports both for financial and non-financial accounts, as is the case for other entities consolidated within the State. Statistics Netherlands' note provides for proposals with regard to the adjustments needed (mainly for provisions and fixed assets) while specifying that some

¹⁶ Action Point 19

¹⁷ The fact that the profits of EBN were recorded as 'rent' prevented the recording of fixed assets in the balance sheet of government since they were not considered to be used as input for production (sales).

elements still need investigations, notably for small inconsistencies between non-financial and financial accounts.

Statistics Netherlands confirmed that, overall, the expected revisions would lead to an upward revision of net lending/net borrowing ranging from 400 million to 700 million euros for the period 2016-2019. It was also confirmed that mainly the line 'non-financial transactions not included in the working balance' and the line 'natural gas revenue' under the heading 'other accounts receivable' would be impacted by the revisions.

Following a question by Eurostat, Statistics Netherlands explained that the upwards revision (thus differences between profits currently recorded as D.45 and the newly calculated B.9 of EBN) would mainly concern fixed assets and provisions, but also other adjustments e.g. for corporate tax accruals. Eurostat mentioned that it would like to obtain the results of Statistics Netherlands' analysis in the form of a detailed breakdown (a table) of all transition adjustments.

Finally, Statistics Netherlands stated that the EBN financial reports (that would be used as the main data sources) would be available at the end of April each year and thus compiled for each EDP October notification. Statistics Netherlands would however attempt to request provisional data to EBN end March so that data would be available for each April notification.

Statistics Netherlands reaffirmed that the revision of non-financial accounts would not be implemented before the next benchmark revision (2024) in compliance with its revision policy. Eurostat was of the opinion that Statistics Netherlands should first provide Eurostat with a full-fledged analysis of the proposed revised recording of 'Energie Beheer Nederland' and the non-financial and financial ESA accounts of the EBN before taking a decision as regards the date of implementation of the necessary corrections.

Finally, Eurostat referred to the issue of the EBN derivatives not yet accounted for in the financial accounts (see Section 3 above). Statistics Netherlands confirmed that it had investigated the issue and will revise the financial accounts in June 2021 in accordance with its revision policy.

Findings and conclusions

Action point 12

The Dutch Statistical Authorities confirmed that the entity 'Energie Beheer Nederland' uses currency swaps as an instrument for hedging its foreign exchange rate risk on its debt. The debt of the unit was, however, recorded before swaps (thus unhedged). Statistics Netherlands has investigated the issue and will revise the data in accordance with its revision policy. As a result, the Maastricht debt of general government will drop by about 200 million euros.

Deadline: June 2021.

Action point 13

'Energie Beheer Nederland' was reclassified in the general government sector in June 2018. To date, Statistics Netherlands has focussed its attention on the correct reporting of the debt and the financial accounts. Some assumptions pertaining to some entries (mainly for provisions and fixed assets) in the non-financial and financial accounts proved not satisfactory and required further research. The Dutch Statistical Authorities will provide Eurostat with a full-fledged analysis of the proposed revised recording of 'Energie Beheer Nederland' non-financial and financial transactions before implementing the necessary corrections.

Deadline: EBN ESA Accounts and central government impact before February 2021 – Revisions of central government non-financial accounts to be decided bilaterally.

4.1.4. *'Zorgkantoren' and 'Centrum indicatiestelling zorg (CIZ)'*

Introduction

Under this agenda point, Eurostat and Statistics Netherlands discussed about the role and sector classification of the care offices (*‘zorgkantoren’*) in the context of the implementation of the long-term healthcare system of the Netherlands.

Discussion

Statistics Netherlands provided a note to Eurostat before the meeting that aided the discussions. A care office appears to be an implementing body of the *‘Long-Term Care Act’* (*‘Wet Langdurige Zorg’* – Wlz). The main objective of the Wlz is to provide suitable care for people with a long-term care indication issued by the *‘Care Assessment Center’* (*‘Centrum Indicatiestelling Zorg’*, CIZ), an entity classified in the subsector central government (S.1311). This concerns, for example, elderly people with dementia or people with a mental disability. The Netherlands has been divided into regions, with a healthcare insurer being designated by government as the Wlz implementing body in one particular region. These bodies appear to have a legal personality and are linked to a specific healthcare insurance company. The Wlz implementing bodies are responsible for purchasing care, providing information to citizens, client support, care mediation and processing invoices and payment orders to the Central Administration Office (CAK), an entity classified in the subsector social security funds (S.1314).

Implementing bodies have delegated their main tasks to their so-called regional *‘care offices’*, although the Wlz implementing bodies remain ultimately responsible for these tasks. The tasks and responsibilities of Wlz implementing bodies and care offices are defined in the main legislation. Care offices must provide their services to all people living in a specific region, not only to the clients of their parent insurance company.

The *‘National Health Care Institute’* (*‘Zorginstituut Nederland’*, ZIN) pays a fee to care offices to cover their operating costs, i.e. compensation of employees and intermediate consumption¹⁸. The fees amount to about 160 million euros on an annual basis. Households do not pay fees to the Wlz implementing bodies and care offices.

According to Statistics Netherlands, care offices have a similar role as health insurers. The *‘implementing bodies’* have therefore been classified in the S.128 sector since their apparent controlling units are their parent insurance companies. Statistics Netherlands recalled that insurance companies are not obliged to establish such implementing bodies or care offices.

Overall, Eurostat stated that Statistics Netherlands should first verify if these entities have the features of institutional units. Hence, Eurostat was of the opinion that the classification of *‘Wlz implementing bodies’* (and therefore the *‘zorgkantoren’*) should be re-examined since they appear to exclusively carry out tasks (set out in the legislation) on behalf of government. In addition, government appears to be the only client since it pays all the fees collected by such bodies. Although these fees seem to be proportional to the volume and type of activities, the way they are calculated needs further clarification. Eurostat also noted that these entities must keep legal reserves and could seemingly not distribute profits. Eurostat invited Statistics Netherlands to consider both qualitative and quantitative criteria before taking a final decision. Hence, Statistics Netherlands suggested that checking annual financial reports would be helpful in this regard. Statistics Netherlands advocated that the reclassification of these entities into S.13 would have a limited impact on EDP data and thus should have a lower priority.

Findings and conclusions

Action point 14

The Dutch Statistical Authorities will analyse the financial reports of the *‘Care Offices’* (*‘Zorgkantoren’*), the regional implementing bodies of the *‘Long Term Healthcare Act’* (*‘Wlz’*),

¹⁸ These do not concern payments to healthcare providers, which are also ultimately settled by ZIN. The healthcare expenses related to the *‘Wlz’* are recorded in the accounts of ZIN.

and verify if these entities are institutional units that should be reclassified inside government in accordance with ESA requirements.

Deadline: December 2021.

4.1.5. *Rerouting of 'Financieringsmaatschappij voor Ontwikkelingslanden' ('FMO') transactions carried out on behalf of the State*

Introduction

In this section, Eurostat followed up on the commitment made by Statistics Netherlands (during the 2018 October notification) to reassess the recording of payments to the '*Financieringsmaatschappij voor Ontwikkelingslanden (FMO)*' for activities in development projects in the light of the new MGDD guidelines on re-arranged transactions.

Discussion

For this agenda point, Statistics Netherlands provided a detailed note. Discussions resumed on that basis. The FMO is a public limited company with 51 per cent of its shares held by the Dutch State. Its main activities involve provision of loans, guarantees and equity capital to the private sector in developing countries. Acting like a development bank, it invests in over 85 countries, supporting job creation and income generation in order to improve people's lives in those parts of the world. Its role extends beyond financing, as it helps businesses to operate and grow transparently in an environmentally and socially responsible manner. Most of its activities are carried out at its own initiative and its own risk. Therefore, Statistics Netherlands has classified the FMO in the public financial corporations sector (S.12001).

On the other hand, the FMO is managing a number of funds on behalf of the State (Ministry of Foreign Trade and Development) that are recorded off balance sheet by the FMO and reported by the State as quasi-balance sheet items. Some of these funds appeared to be limited in time, although their validity had been extended in the past. The 'MASSIF Fund', the 'Access to Energy Fund', and the 'Building Prospects Fund' are the largest funds measured in net assets as of end 2019. For some funds, no public data is available. According to Statistics Netherlands, the total net assets¹⁹ of the funds (for which data is available) appeared to be higher than the capital injected by the State suggesting that in general these funds yield some return (interests, dividends and holding gains). FMO also holds equity in some funds (e.g. MASSIF), but in very small amounts. These funds are mostly financed by the Dutch State. Statistics Netherlands has recorded all payments of the State to these funds as capital transfers D.99 while no financial transactions have been re-routed to the State.

Statistics Netherlands and Eurostat agreed that these funds should be re-arranged and recorded in the State's accounts since it bears the risks and is entitled to the rewards of the funds. In particular, Eurostat noted that the funds must be returned to the State when lapsing and/or being liquidated. In addition, Eurostat underlined that the fact that these funds were recorded as off balance sheet items in the FMO accounts was a strong indicator that these funds actually belong to the State.

The re-arrangement would imply that assets of the funds are recorded on the balance sheet of the State. Hence, flows (e.g. property income and holding gains or losses) would be recorded in the corresponding State accounts while payments from the government to the funds are eliminated in the consolidation process. Statistics Netherlands stated that the re-arrangement of the funds would improve net lending/net borrowing since no capital transfer would be recorded anymore while property income is reinvested each year in the funds. According to Statistics Netherlands,

¹⁹ For those funds for which data is available, the aggregated invested amount by the State was 869.9 million euros at the end of 2019. The funds' net worth was 996.6 million euros.

no capital injection impacting deficit should be recorded since overall these funds appear to yield a positive return²⁰. Hence, there would be no impact on debt. Statistics Netherlands confirmed that the revisions would concern the whole time series.

Eurostat drew Statistics Netherlands' attention to the fact that some other transactions/loans (unrelated to the funds referred to above) undertaken directly by the FMO appear to be guaranteed by the State. Eurostat also noted that the FMO annual financial reports also refer to other transactions managed on behalf of the State (also different from the funds to be possibly rerouted). Eurostat inquired if Statistics Netherlands had undertaken any review of these transactions in the light of the most recent MGDD guidelines on re-arranged transactions. Statistics Netherlands' understanding was that the guarantee arrangements have a more general nature (blanket guarantee) and are not linked to specific transactions. Statistics Netherlands however agreed that a deeper analysis of the activities of FMO was needed.

Findings and conclusions

Action point 15

Eurostat and Statistics Netherlands agreed that the funds managed by 'FMO' on behalf of the State are government assets, which have to be incorporated in government accounts. Eurostat also took note that two funds ('MASSIF' and 'Building Prospects') will be settled at the end of 2026 and 2028 respectively.

Deadline: June 2021.

Action point 16

The Dutch Statistical Authorities shall investigate the activities of the public development bank FMO, other than the ones recorded off balance sheet, and report to Eurostat whether any transaction carried out by 'FMO' should be rearranged through government accounts, in the light of the updated MGDD guidance.

Deadline: 31 March 2021²¹

4.1.6. Regional Public TV and radio broadcasters

Introduction

During the 2018 Dialogue Visit, Statistics Netherlands agreed to provide explanations and relevant documentation in relation to the classification of regional broadcasters (Action Point 22) outside the general government sector. Under this agenda point, Eurostat and Statistics Netherlands discussed further the classification of radio and TV broadcasters based on the information provided by the Dutch Statistical Authorities.

Discussion

Eurostat briefly recalled that, given the extended scope and multiple criteria of control by government introduced under ESA 2010, the Dutch Statistical Authorities had already completed the examination of two national broadcasting organisations '*Nederlandse Omroep Stichting*' (NOS) and '*Stichting Nederlandse Publieke Omroep*' (NPO) and had decided on their classification into the general government sector²². The entities were considered being controlled

²⁰ For some funds, this is not the case. However, this would not impact B.9 since the decrease in value would be recorded as an 'other economic flow'

²¹ Completed in the context of the April 2021 notification.

²² See Final Findings of the 2015 Dialogue Visit

by government, given the special legislative framework under which they operate and the fact that they are non-market producers (they are mainly financed by government). The same reasoning applied to some (but not all) regional broadcasters. Hence, the classification of the regional units still recorded outside government had been briefly discussed in the course of the 2018 dialogue visit and Statistics Netherlands had agreed to provide explanations and documentation supporting its decision.

As a result, Statistics Netherlands had re-examined the classification of the thirteen units concerned and had concluded that all units were deemed being non-market producers since they are almost totally financed by government grants. However, Statistics Netherlands was of the opinion that only four units are subject to local government control, in particular via appointments or dismissals of board members or other key personnel, control of changes to the articles of association, control over financial affairs or special veto powers. Therefore, Statistics Netherlands classified the four broadcasters concerned into S.1313.

For the remaining nine entities, Statistics Netherlands concluded on the absence of control by government. According to Statistics Netherlands, the excessive regulation criteria (ESA 20.309 h) is not applicable because the entities concerned remain free to choose to operate as regional public broadcasters. Statistics Netherlands was of the opinion that, this liberty, is in itself, a sufficient criterion for deciding on the absence of government control. Hence, Statistics Netherlands concluded that the dependence on government funding does not limit the determination of its policy or programs to a significant extent, and therefore no government control is exercised via the funding.

While sympathising with Statistics Netherlands explanations, Eurostat explained that statisticians should also verify other criteria in the present case. In particular, ESA 20.309 i) foresees that when an entity that is fully, or close to fully, financed by the public sector, it is considered to be controlled by government if the controls on that funding stream are restrictive enough to dictate the general policy in the area. Given that public sector broadcasters operate in highly regulated environment and that they are mainly funded by government, it could be inferred that these units are actually controlled by government.

Statistics Netherlands pointed out that ESA 20.15 explicitly mentions that in the case of ‘Non-Profit Organisations’, the public intervention in the form of general regulations applicable to all units working in the same activity is seemingly irrelevant when deciding whether the government holds control over an individual unit. Eurostat agreed, but mentioned that ESA 20.15 further stated that in the case of a NPI mainly financed by government, it remains to be seen if the NPI’s policy or program is determined by government, notably by the means of its enabling instrument and contractual obligations.

Statistics Netherlands acknowledged that these organisations are obliged to provide radio and television broadcasts as a public service whose content is regulated by law. However, they remain relatively independent in the way they operate. Eurostat had a different view in the sense that the obligations imposed on public broadcasters might well lead to the conclusion that the general policy and program are actually determined by government.

While agreeing in principle with Eurostat’s approach, the Dutch Statistical Authorities argued that clearer general guidelines are needed for assessing situations when the general policy of units is determined by government. Statistics Netherlands gave the example of private rail companies that provide public transport services via concessions arrangements and subsidised by government independently from the number of passengers carried. Eurostat stated that in case the public funding is linked to the number of passengers, the rail company could be considered a market producer. For the public broadcasters, there is no apparent direct link between the number of beneficiaries (the viewers) of the service and the magnitude of public funding.

Statistics Netherlands also argued that the approach should be consistent for all broadcasters, should they be active at the local or regional level, since they are subject to the same legislation. Statistics Netherlands was aware of cases where local broadcasters (active in some municipalities) received licences through a tendering process. According to the Dutch Statistical

Authorities, this would favour the classification of these units in the NPISH sector and not in government. Statistics Netherlands also confirmed the existence of about ten to twenty TV broadcasters active at the national level that are classified outside government. Consequently, Eurostat was of the opinion that the criteria used by the Dutch statisticians for the classification of broadcasters at all levels (national, regional and local) needed further clarifications. To this end, Eurostat requested Statistics Netherlands to provide a note specifying clearly the criteria used when assessing the sectorisation of the units concerned. The criteria should cover the government control aspects as well as the market/non-market behaviour of the units.

Findings and conclusions

Action point 17

Concerning regional television and radio broadcasters not yet classified inside government, Eurostat was of the opinion that the criteria and reasoning followed when deciding on the classification of public broadcasters in the Netherlands needed clarifications. To this end, Eurostat and the Dutch Statistical Authorities agreed that the latter would provide a note clarifying the criteria used for classifying local, regional and national radio/television broadcasters as a whole, notably with regard to their ability to decide on their general policy and/or their market or non-market behaviour.

Deadline: December 2021.

4.2. Implementation of the accrual principle

4.2.1. Current and capital transfers between government units

Introduction

A long-standing issue concerns the adjustments to the time of recording of transfers within the general government sub-sector, notably for transfers from/to the State based on the information from accrual accounts of counterparties. In this section, Eurostat and Statistics Netherlands followed up on past discussions (during dialogue visits and EDP notifications), in particular on the actions taken by Statistics Netherlands since the previous dialogue visit (Action Point 24).

Discussion

Eurostat recalled that Statistics Netherlands undertakes adjustments to the time of recording of current and capital transfers notably for those from/to the State based on counterparty information. Adjustments in Table 2A are resulting from balancing the transfers within general government for consolidation purposes. For this purpose, accrual accounts of the local government sector take precedence over cash accounts of the State. In past discussions, Statistics Netherlands explained that cash-accrual adjustments in EDP Table 2A (implemented for the determination of B.9 of central government) do not reconcile with other accounts payable and receivable of the financial accounts from local government data sources. Eurostat had also expressed some concern that the State often seemed to report lower transfers than what the local government sector does with the consequence that large stocks of payables/receivables are reported²³. One possible cause of distortion concerns the deficient quality of local government data sources regarding counterparty information. As a follow-up to the 2018 dialogue visit (action point 24), Statistics Netherlands provided a detailed note analysing grants paid by the State to the local government entities (mainly municipalities and provinces). Discussions continued on that basis. Briefly, the Dutch Statistical Authorities explained that the grants paid by the State to the provinces and municipalities are broadly categorised in two distinct groups: general grants (paid from the provinces & municipalities funds) and earmarked grants (paid from

²³ In general, the State pays advances, thus balancing adjustments are usually recorded in the accounts receivable of the State. There are however specific situations when the imputation concerns the accounts payable. Hence, the compensation of VAT accrues on the accounts payable.

ministries lines). In addition, the State compensates municipalities and provinces for VAT. Statistics Netherlands confirmed that data sources for the State (Ministry of Finance and other Ministries) are on a cash basis while Municipalities and Provinces report (in the so-called Iv3 questionnaires) data on accrual basis. The main source for distortions seems to concern earmarked grants paid by Ministries to municipalities, while earmarked grants to provinces appear to have decreased drastically during the recent years.

Statistics Netherlands also referred to the ‘SiSa’²⁴ System, whereby municipalities and provinces must report each year to central government whether and how they have spent earmarked grants. Data recorded in ‘SiSa’ includes cash amounts received from the State, expenditure and related accruals. Statistics Netherlands is exploring if the ‘SiSa’ data could improve the reconciliation between the central government and the local government sub-sectors. A salient advantage of the ‘SiSa’ data is that independent auditors audit it.

In its note, Statistics Netherlands explained that the size of the accrual adjustments is likely to decrease due to the expected lowering of earmarked grants paid by the State to municipalities and provinces. As far as current stocks of payables/receivables vis-à-vis the State reported by the municipalities and provinces are concerned, a full reconciliation with the cash data still proved difficult. Moreover, State grants to other entities belonging to the local government sector (local intergovernmental organisations, water boards²⁵, schools and NPIs) and other types of transactions (investment grants or grants within the local government sub-sector) may add another layer of difficulty.

The comparison of the data on balancing adjustments and adjustments recorded in Table 2A for grants receivable and payable, as well as for VAT compensation payables showed some discrepancies that need further analysis by Statistics Netherlands. Concerning the stocks (levels) of other accounts receivable of the State vis-à-vis the local government sub-sector, Statistics Netherlands observed a general negative trend since 2010. The data on stocks of the State was, however, calibrated in 2018, whereas data reported by municipalities about stocks vis-à-vis the State do not appear reliable due to the shortcomings in the reporting of counterparty information. It could be observed, however, that the total of other accounts payable (thus not only concerning grants from the State) reported by local government is decreasing as well since 2010, mainly for the municipalities and provinces. Unfortunately, the part of the stock of payables that can be attributed to State grants is lacking, which makes the comparison with the stocks of receivables of the State quite unreliable. In any event, the current stock of receivables of the State still appear to be very large (7.9 billion euros), even after elimination of well-known items, such as taxes due to be paid by local government to the State.

Statistics Netherlands explained that, in the short term, it has no intention of changing the current approach (adjustment of cash-based accounts of the State based on data reported by the local government) and that changing it (using cashing data from the State instead of accrual data local government) would only lead to changes to B.9 of central government and local government sub-sectors separately but not of B.9 of general government as a whole. However, as a next step, Statistics Netherlands will evaluate if the ‘SiSa’ data might provide better insight and improve the differences in the reporting between the State and local government. In addition, the stocks of receivables/payables of the State might need recalibration based on more reliable data sources than Iv3 questionnaires, such as annual reports of local government units.

Finally, Statistics Netherlands also reported a recording error with regard to wage tax receivables of the State. The counterpart sector of these receivables was imputed by error to households

²⁴ ‘Single Information, Single Audit’ System.

²⁵ In the Netherlands, water boards (In Dutch: ‘waterschappen’ or ‘hoogheemraadschappen’) are regional government bodies charged with managing water barriers, waterways, water levels, water quality and sewage treatment in their respective regions

instead of employers. There is no impact on net lending/borrowing of the State. The correction will be implemented in June 2022 for the whole time series.

Findings and conclusions

Action point 18

Statistics Netherlands needs to investigate further the recording of intra-government transfers paid by the State to the local government. Currently, the local government data source - 'Iv3' survey is privileged to the cash data from the State, which results in an accumulation of stocks of other accounts payable. Statistics Netherlands will investigate if 'SiSa' ('Single information, Single audit') data sources might provide the required detail and improve the reliability of the stocks data.

Deadline: Progress report September 2021.

4.2.2. Military Expenditure

Introduction

In this section, Eurostat and Statistics Netherlands followed up on the recording of large payments in relation to gross fixed capital formation for military expenditure, in particular for the 'Joint Strike Fighters' program. Eurostat raised the topic already in the context of the 2018 Dialogue Visit and more discussions took place during the October 2020 notification clarification rounds. Statistics Netherlands prepared a detailed note for the following considerations.

Discussion

During the October 2020 notification, Statistics Netherlands reported large payments for gross fixed capital formation (ESA P.51g) involving the 'JSF' aircraft ('*Joint Strike Fighters*' or F.35) lump sum payments in 2017 and 2018. Statistics Netherlands questioned this recording in the context of the October 2020 notification as there were apparently no deliveries of aircraft in 2017 and 2018, while ten JSF aircraft were delivered in 2019. It was agreed that the recording of military deliveries would need an in-depth investigation by Statistics Netherlands and Eurostat. This investigation would also partially address the Action Point 9 raised during the 2018 visit, whereby Eurostat invited Statistics Netherlands to report on the counterparty of the transactions recorded for R&D for the JSF program and on the related stocks of receivables (AF.81) recorded since 2006.

The 'Joint Strike Fighters' (JSF) program has several phases involving different types of payments, as follows:

- SDD Phase (System Development and Demonstration): The Netherlands joined this phase in 2002 with nine partner countries. Payments for this phase are recorded as gross fixed capital formation in the asset research and development (AN.1171). As the payments are not linked to the number of ordered JSFs, the time of recording was at the time when the transfer was made by government²⁶.
- PSFD phase (Production, Sustainment and Follow-on Development): in accordance with 2019 MGDD chapter 2.5, Statistics Netherlands has recorded the upfront cash payments related to the PSFD phase as trade credits (F. 81 assets of the State).
- IOT&E phase (Initial Operating Test and Evaluation): In the third quarter 2013, when two test planes were delivered, gross fixed capital formation (AN.114 'weapon systems') has been recorded, offsetting trade credits previously accrued in the PSFD phase.

²⁶ The payments are made by the Dutch Ministry of Defense to the US Department of Defense (DoD). Statistics Netherlands recorded these payments as trade credits (F.81, assets of the State). When the US DoD provided evidence that the payments were passed through to the related companies these trade credits were redeemed and gross fixed capital formation (research & development AN. 1171) was recorded in Dutch GFS.

The acquisition of the 44 additional jets has to take place during the so-called ‘Production and Sustainment’ phase. This phase is not *per se* part of the JSF program and started in 2019.

Statistics Netherlands uses data and information provided by the Ministry of Defence. The data sources did not, however, enable Statistics Netherlands to identify all cash amounts paid specifically for the acquisition of the aircraft. Statistics Netherlands has thus requested the Ministry to provide additional information.

Statistics Netherlands reported a number of provisional findings. Firstly, Statistics Netherlands has recorded prepayments as trade credits (F.81) for the acquisition of planes since 2012. This seemed to be incorrect, since such prepayments started already in 2009. The main reason was that Statistics Netherlands recorded lump sum payments as expenditure and not as prepayments/assets based on Ministry of Defence considerations, while no delivery of military equipment occurred. Furthermore, it was not yet clear if the jets’ purchase prices were reported gross or net of discounts. Secondly, Statistics Netherlands announced that it would categorise the payment transactions as long-term loans (F.42) instead of trade credits (F.81), as prescribed by the most recent MGDD guidelines. This will be corrected in June 2021. Thirdly, time of recording adjustments for payments made during the SDD phase seemed necessary, because some R&D spending was likely to be linked to the delivery of jets already since 2013. This needed further analysis. Fourthly, some ESA categorisations also seemed to be incorrect (e.g. acquisitions of weapons were incorrectly recorded as P.2) as well as COFOG classifications of payments that would be better reflected in the R&D function. Finally, Statistics Netherlands confirmed that it had wrongly recorded gross fixed capital formation related to the acquisition of JSFs in the years 2017 and 2018 prior to the actual delivery of the planes in 2019.

As a conclusion, Statistics Netherlands explained that it would provide an overview of the necessary corrections after having received all data and detailed information from the Ministry of Defence. Overall, Statistics Netherlands expected that the revisions would have a positive impact on B.9 for the reporting years. Data for the year 2019 would be revised in June 2021 in accordance with Statistics Netherlands’ policy, while the full time series would be corrected in the context of the 2024 benchmark revision. In this context, Eurostat recalled and insisted that the delivery of the MRTT aircraft in 2020 (recording of an expenditure in 2020 instead of 2017 and 2018) should also be corrected for the April 2021 notification, similarly to all other Member States concerned.

Findings and conclusions

Action point 19

Statistics Netherlands explained that payments and deliveries pertaining to the acquisition of the ‘Joint Strike Fighters’ (‘JSFs’) are not recorded in compliance with ESA. In particular, some cash payments were recorded as expenditure instead of prepayments. Hence, expenditure was recorded in 2017 and 2018 although no delivery of aircraft took place. Statistics Netherlands will liaise with the Ministry of Defence in order to improve the recording of transactions based on better data sets. Eurostat took note that the revisions are likely to improve the general government B.9 for the years 2017 and 2018. Statistics Netherlands will make the necessary corrections in the State accounts and adjust data reported in EDP Questionnaire table 7 for the next EDP Notification.

Deadline: March 2021²⁷.

²⁷ Revisions were implemented for the year 2020 in March 2021. Revisions for the year 2019 will be implemented in June 2021. Years prior to 2019 will be revised in the context of the next benchmark revision.

4.2.3. *Student Loan Schemes incl. advance payments for transport cards*

Introduction

Statistical implications of the student loan schemes have been discussed at length during the 2015 and 2018 dialogue visits. An action point (Action Point 29 of the 2018 Dialogue Visit) was still open in this regard. The revision of the MGDD guidelines in 2019 gave a new impetus to the discussions and Statistics Netherlands agreed to submit proposals for correcting the recording of conditional loans.

Discussion

During the 2018 dialogue visit, deliberations about the accounting treatment of the student loan schemes were re-opened. At the time, Eurostat and Statistics Netherlands had considered that the treatment of the grandfathered scheme needed amendments (for the 2024-benchmark revision) given that a majority of the old loans were eventually converted into grants. Statistics Netherlands had agreed that they should be recorded as government expenditure (social benefits) at inception, thus when the 'loans' are provided. For the current meeting, Statistics Netherlands made a presentation outlining three possible approaches and their impact on general government B.9 for the recording of student loans under the old/grandfathered scheme:

- Recording of the 'loans' as expenditure ('Social benefits D.6' or 'Capital Transfer D.9') in full at the time of the payment (100% method)
- Recording of the 'loans' as expenditure ('Social benefits D.6' or 'Capital Transfer D.9') in full at inception, while reclassifying a portion of the loans as long-term loans (AF.42) when this portion of the claims becomes unconditional when settled (settlement method).
- Recording of loans as expenditure ('Social benefits D.6' or 'Capital Transfer D.9') up to a certain percentage (say 95%) and classify the residual part as granted loans (AF.42) at the time of the payment (reference: 95%-method)

Eurostat thanked Statistics Netherlands for the detailed presentation. Eurostat recalled that the MGDD guidelines provide for three options²⁸ when considering the recording of contingent loans, one case of which is where the expected loss is extremely high. In such a case, an expenditure should be recorded in full at inception and refunds should be recorded as revenue. The same rule should generally apply if no satisfactory estimation of the expected loss could be assessed. Statistics Netherlands confirmed that the 5% - 95% approach used for the above scenarios was realistic.

Eurostat was also concerned that the second approach would entail frequent revisions of the data. Statistics Netherlands explained that no revision of past expenditure would occur, since the retained approach would entail a capital transfer from the households sector to the State against the recording of a claim (loan) by government vis-à-vis the households sector at the time of settlement.

Overall, Eurostat was of the opinion that all three options envisaged would be acceptable, provided that a good estimation of the expected loss can be made in case option 3 is retained. At the same time, as discussed above, the 2019 MGGD-recommended approach in case the expected loss is extremely high, would also be an acceptable solution. Statistics Netherlands found that option 2 has the strong advantage of recognising an unconditional loan on households at the time of settlement.

Finally, Statistics Netherlands recalled that student loan schemes also concern payments made for public transports. Transactions are currently recorded as loans at inception. Loans are cancelled after graduation since repayment of loans is conditional on failure to complete studies. Statistics Netherlands requested some clarifications with respect to the applicable ESA category for such transactions: 'Social transfers in kind (D.632)' implying that services should qualify as market

²⁸ See 2019 MGDD, Section 4.7, Par. 12)

production, or ‘Other subsidies on production’ (D.39). Eurostat considered both options viable and proposed to discuss the matter with the GFS team and to report on the outcome of the discussions after the meeting.

Findings and conclusions

Action point 20

Statistics Netherlands proposed three different approaches for correcting the recording of the conditional Student Loans in line with the new MGDD guidelines: 1) recording an expenditure in full at the time of payment, 2) same as (1) but followed by the recording of a loan if/when it becomes unconditional, and, 3) recording one part of the payment as an expenditure and the other part as a loan. Eurostat was of the opinion that, given the particular circumstances of the conditional Student Loans in the Netherlands, any of the three methods proposed was acceptable. Statistics Netherlands will inform Eurostat of the method chosen and correct the current recording for the next EDP Reporting.

Deadline: March 2021²⁹.

Action point 21

Eurostat will confirm the best approach for recording payments relating to the student transport card scheme: subsidies or social benefits in kind.

Deadline: Mid-February 2021³⁰.

4.3. Recording of specific government transactions

4.3.1. COVID-19: Expenditure

Introduction

In this section, participants discussed some of the Dutch Government’s measures taken to date in the context of the COVID-19 pandemic concerning expenditure that required specific attention for EDP purposes. To this end, Statistics Netherlands updated a note outlining the measures taken to date by Government, with their proposed recording. Eurostat took note that the information and data presented in the note were provisional since government measures were subject to frequent changes and the actual impact of the COVID crisis on government accounts was still uncertain.

Discussion

The macroeconomic and fiscal outlook was affected by high uncertainty due to the COVID-19 pandemic. Deficit-increasing measures to fight the pandemic and to assuage its adverse socio-economic effects amounted to 4.3%³¹ in relation to GDP in 2020. These measures aimed to avoid structural damage to the economy by focussing on employment protection, sustaining household purchasing power, avoiding liquidity problems and building a more resilient economy. Liquidity measures and public guarantees aimed to support firms, amount to about 7.4% of GDP in 2020 and do not entail any direct budgetary impact.

The extension of the emergency measures together with a new set of measures supporting the recovering economic activity into 2021 and beyond, amount to 1.6% of GDP in 2021. The extension concerns the three most important 2020 emergency measures (NOW, TOZO and TVL)

²⁹ Completed.

³⁰ Eurostat has provided its preliminary views and discussions with Statistics Netherlands are ongoing.

³¹ The amounts presented derived from budgetary data and were neither based on actual expenditure or guarantees reported for EDP purposes nor aligned with ESA requirements.

focussing on preserving employment. Additional support is foreseen for health care, culture and education.

Temporary wage supplement scheme ('Tijdelijke Noodmaatregel Overbrugging voor Werkbehoud', NOW)

In March, the Dutch government announced an emergency and temporary subsidy scheme for salaries – also known as “NOW”. The scheme applied to all employers, big and small, whose revenues had been reduced by at least 20% since 1 March 2020 because of the Coronavirus outbreak and by the governmental measures taken to prevent the virus from rapidly spreading. The condition for the compensation is that a company had a turnover loss of at least 20 % for a period of three consecutive months (March-May, April-July or May-July). The compensation amounted to 90 per cent of the wage bill (including holiday pay) times the loss of turnover. Therefore, the subsidy was based on the percentage of the fall in the turnover. An advance of 80 % of the estimated subsidy was paid. This advance will be offset against the final grant amount. The first application period was closed on 5 June. The scheme has been adapted and extended twice: the NOW 2.0 scheme applied to wages from June 2020 to September 2020 and the Now 3.0 scheme from October 2020 to June 2021. Some conditions have been modified. NOW 3.0 was for entrepreneurs with staff who expected at least 20% less turnover over a 3-month period. From January, this threshold increased from 20% to 30%.

The time of recording has been subject to interpretation and discussions with Eurostat. Eurostat’s advice was that wage subsidies should be recorded when the transaction or the event (production) which give rise to the subsidy occurs (ESA 4.39). The scheme was applicable with retroactive effect from 1 March. Since the subsidies were directly linked to the loss of sales, Eurostat questioned whether a reliable estimate could already be made for March 2020. For this reason, Eurostat advised that the subsidies should be booked only from the second quarter onwards. The national accounts department decided to depart from the opinion and to enter an amount of 770 million euro in March 2020, thus, in the first quarter.

While recognising that this decision would not affect the annual data, Eurostat was concerned by the fact that the eligible expenditure subject to the subsidisation scheme preceded the adoption of the related legislation. The issue was likely to concern EU-related schemes, such as the Recovery and Resilience Facility (RRF). Eurostat stated that a consultation of Member States might be necessary to clarify the rules (See also section 4.3.3).

Eurostat also inquired if the extension of the NOW scheme to June 2021 would not generate a time of recording risk for the EDP reporting in April 2021. Statistics Netherlands confirmed that the final settlement of the subsidies for NOW 1.0 would not be carried out before the April 2021 notification, while for NOW 2.0 the time horizon would be the summer 2021. For NOW 3.0, Statistics Netherlands inferred that the final settlement would only take place in 2022. Statistics Netherlands also explained that subsidies recorded for the first two quarters³², thus for the first versions of the scheme (NOW 1.0 and part of NOW 2.0), involved the payment of large advances for about 8 billion euros, with the result that the corresponding expenditure recorded in 2020 amounted already to about 10 billion euros. Since applications had to be submitted at the start of each eligibility period (e.g. in April for the period April-June), applicants had to make estimates of their turnover downturns which inevitably led to inaccuracies³³.

The final calculation of the entitlements was expected to take time with the consequence that the reporting for the two 2021 EDP notifications will have to rely partly on estimations. Based on preliminary information, Statistics Netherlands has announced that some beneficiaries have

³² The data of the third quarter had not yet been compiled at the time of the video-conference.

³³ In June, the lockdown restrictions have been relaxed, and the economic activity was better than April forecasts. Advances paid for this period had, however, not been revised.

probably received overpayments of about 1 billion euros in 2020. One issue concerns, for example, aid provided to specific sectors (such as transport companies) which cannot be combined with the aid already provided under the NOW schemes. These companies would have to reimburse the aid already received. While reckoning that these issues concerned several Member States, Eurostat explained that the underlying elements (actual turnover downturns) of schemes, the legislative changes with regard to the eligibility conditions or the final calculations of the subsidies could trigger significant annual revisions. In this regard, Eurostat underlined that it needed to clarify what the triggering event for the correction is. In particular, it remained to be determined if the final settlement of the calculation could be considered as the triggering event for the recording of the correction. In this case, the correction could be processed in 2021 when the final entitlements are calculated. In case final entitlements would account for less than total expenditure (advances paid and amounts accrued), a revenue (or a negative expenditure) could possibly be recorded in 2021. Eurostat was of the opinion that it needed to be confirmed how the mechanism would work in detail, in particular if government would make an assessment and would take a formal decision. Statistics Netherlands confirmed that the assessment and the final decision on final subsidies should be strictly formalised. The assessment of subsidies granted to large companies would involve independent audits, while underlying evidence would have to be checked in all cases. The Dutch Statistical Authorities stated that the ESA rules in relation to the recording of subsidies were generally not very clear and that the problems with the recording of COVID subsidies magnified these shortcomings. Eurostat and Statistics Netherlands agreed that this issue would need further analysis in consultation with other Member States concerned before any conclusion could be drawn.

Temporary bridging scheme for self-employed entrepreneurs ('Tijdelijke overbruggingsregeling zelfstandig ondernemers' - TOZO)

Eurostat introduced the agenda point by explaining that Statistics Netherlands had not formally consulted Eurostat on the recording of this particular scheme. This scheme was aiming at providing some temporary income support for self-employed and independent contractors ('*Tijdelijke Overbruggingsregeling Zelfstandig Ondernemers*' – 'TOZO'). This measure supported up to the social minimum (1050 euro per month for singles and 1500 euro for couples). Moreover, self-employed with liquidity problems were eligible for a government-supplied loan in the form of a credit line to supplement their working capital. The estimated cost for the budget was 4.9 billion euro (0.7% in relation to GDP), of which 2.2 billion euro consisted of direct support to self-employed, 2.4 billion euro consisted of credit lines, and 300 million euro consisted of implementation costs for local governments. It was initially implemented for three months, but was extended and modified several times until April 2021. From 1 April to 1 July 2021, a new TOZO 4 scheme will be implemented. The credit lines were recorded as loan (F.4) transactions in GFS since they had to be repaid and were bearing interests. The income support was recorded as a subsidy on production (D.39) since Statistics Netherlands considered that the subsidies concerned support to households in their self-employed (producers) capacity. An alternative to D.39 would have been to record the support as social assistance (D.62), provided that the scheme was aimed at maintaining household income rather than supporting their businesses. Since the scheme was targeting self-employed and not households as a whole, the Dutch Statistical Authorities have chosen the D.39 recording while the time of recording was the moment when the application was granted, i.e. starting in the second quarter for the first scheme.

Statistics Netherlands explained that the main issue with the TOZO scheme concerned the quality of the data sources. In this context, the Dutch Statistical Authorities explained that the local government provides the data on TOZO in the Iv3 questionnaires. It appeared that the available current data showed a low level of spending in comparison to expectations, either because municipalities understate the expenditure or more simply because the schemes did not attain their objectives. The use of the loan component was apparently very limited in comparison to the subsidy element of the scheme. For the latter, Statistics Netherlands also relies on another source (social assistance benefits) that is, however, available with a certain delay.

Eurostat was of the opinion that the scheme should better not be recorded as D.39 subsidies on production, in case there is an income testing (for the partner) criteria for the granting of the

benefits. In this case, the recording of a D.62 might be more appropriate. Statistics Netherlands argued that the wealth of the beneficiaries had no impact on the eligibility for the first version of the TOZO scheme and consequently wealthy people were entitled to the benefits. In the second scheme, the eligibility criteria seemed to be stricter, since they also took into account the wealth (assets held at the bank) of the applicants. Statistics Netherlands stated that the true purpose of the scheme was aiming at maintaining the economic activities of the beneficiaries in their capacity as market producers. In this context, Statistics Netherlands also mentioned that according to the recent guidance of the OECD and IMF, subsidies specifically targeting self-employed people should be recorded as subsidies on production. Eurostat accepted the approach proposed, while recalling that the matter would be discussed in the December 2020 EDPS working group and that a note clarifying the recording of subsidies would be circulated in this context.

Support for entrepreneurs in affected sectors ('Tegemoetkoming Ondernemers Getroffen Sectoren', TOGS)

This measure had been implemented for entrepreneurs of specific sectors (food, bars, cinemas, hairdressers, etc.) directly affected by the Coronavirus crisis. Companies with fewer than 250 employees received a one-off contribution of EUR 4,000 in order to be able to pay their fixed costs, in particular. The condition was that the fixed charges amount to at least EUR 4,000 during the period 16 March — 15 June and that a loss of turnover of at least EUR 4,000 had been expected. The scheme had entered into force in March 2020. Government had enlarged the scheme at various points in time to include other sectors including camping farms, tattoo-shops and taxi companies, as well as healthcare entrepreneurs. Statistics Netherlands had consulted Eurostat on the ESA recording of the scheme in June 2020. It was agreed to record the scheme as subsidy on production (D.39) in accordance with ESA 4.39 (b), since the aim of the subsidy was clearly to compensate for the economic loss. Eurostat had also favoured as time of recording the moment when applications were lodged, because the right to receive the subsidy seemed to be virtually guaranteed for the applicants concerned and would have better coincided with the time when claims arose. The scheme was replaced by the TVL scheme (see next item).

Support for 'Fixed Expenses for SMEs ('Tegemoetkoming Vaste Lasten mkb', TVL)

The TVL scheme was the successor to the TOGS scheme. The scheme had not been discussed with Eurostat before the virtual meeting. Although the scheme differed significantly from TOGS, the initial target group was the same. The 'Fixed Expenses Allowance' was for SME entrepreneurs and self-employed persons who faced a significant turnover downturn due to the Corona measures and incurring significant fixed costs. The TVL subsidy depended on the amount of the fixed costs and the loss of turnover (a specific formula applies). The first TVL scheme (July 2020 until end September 2020) has been extended (October 1, 2020 to June 2021), but the conditions and determination of the subsidies have changed. Overall, the second scheme was accessible to more sectors and the maximum subsidy has increased from 50,000 euro to 90,000 euro. The scheme could be combined with the NOW scheme for certain sectors. The budget earmarked for this measure was 1.8 billion euro. Similarly to the NOW scheme, 80% of the estimated subsidies were paid in advance. The ESA recording was as subsidy on production (D.39).

Eurostat noted for the NOW scheme, that the time of recording was the reference period of applications and not the time when the subsidies were approved. Eurostat recalled that ESA 4.39 (b) requires that the time of recording of subsidies intended to cover a loss should correspond to the time of the decision by government to provide the financial aid. Eurostat inquired if the payment of the 80% was subject to a formal decision and substantiated by a detailed analysis of the applications. Statistics Netherlands confirmed that the NOW scheme was aiming at compensating for the drop in income (wages) whereas the TVL subsidy targeted the production downturn (turnover loss). In the opinion of Statistics Netherlands, the government has to take two decisions (one for the 80% advance and one for the final settlement). The final assessment for the first version of the scheme will take place only after 1 April 2021 when the complete set of underlying documentation would be provided, but the main decision is the initial approval of the

applications. In this context, Statistics Netherlands explained that the applications were scrutinised in detail and that the decision to grant the subsidies were on average taken eight weeks after the submission of applications. Moreover, data on VAT could also serve as evidence for checking the eligibility of the applications. The Dutch Statistical Authorities also explained that the first applications had been submitted in July only and therefore the compilation of the underlying data would only affect the third quarter and thereafter until the completion of the scheme. Statistics Netherlands had not yet decided on the time of recording considering that eight weeks separate the time of applications and the time when a formal decision to grant the advances is taken. One of the issues concerned the quality of data. Statistics Netherlands could not ascertain that the data would contain the dates when decisions were taken. In view of the lack of information, Eurostat recommended using a pragmatic approach, by estimating the number of weeks that lapsed after the date of applications.

Temporary Bridging Scheme for Flexible Labour Force ('Tijdelijke Overbruggingsregeling voor Flexibele Arbeidskrachten' – TOFA)

Eurostat mentioned briefly that a more recent temporary support system for flex workers ('Tijdelijke Overbruggingsregeling voor Flexibele Arbeidskrachten' – TOFA) had also been implemented with retroactive effect for the period March to May 2020. The recording was as social benefits in cash (D.623) paid to households. Statistics Netherlands confirmed that the amounts involved were not significant (about 20 million euro).

Subsidies to agricultural sectors

Statistics Netherlands had previously consulted (before the summer 2020) Eurostat on the recording of the government scheme for compensating the turnover losses of operators active in the ornamental sector³⁴ and in the food horticulture sector i.e. a specific scheme for the transformed potatoes³⁵ sector (frying). Producers were eligible for the scheme if they experienced an acute drop in demand of perishable products during the eligibility period. The ornamental cultivation scheme covered shortfalls in demand until 12 June while the 'frying' scheme covered losses until 31 August. The recording chosen in national accounts was other subsidies on production (D.39) with the counterpart sectors non-financial corporations (S.11) and households (S.14). The time of recording for the ornamental cultivation scheme was the time of the provisional application (quarter 2), and for the frying scheme (quarter 3), the time when financial losses were established. Eurostat took note of the approach followed by Statistics Netherlands and underlined that the amounts involved also appeared to be small.

Findings and conclusions

Action point 22

The 'Temporary bridging scheme for self-employed professionals' (TOZO) provides support for self-employed professionals in the context of the Corona crisis via municipalities. Statistics Netherlands explained that the data that is necessary for the recording of the statistical implications for the TOZO scheme might not be fully captured by the 'Iv3' surveys. Statistics Netherlands will inquire if other data sources could be identified and report to Eurostat on the outcome of its investigations.

Deadline: March 2021.

Action point 23

Under the 'TVL' scheme, SMEs may be eligible for the reimbursement of fixed costs. While beneficiaries are entitled to receive an advance of 80 percent of the estimated financial support,

³⁴ About 100 million euro had been paid in cash and another 100 million euro had been accrued in the second quarter.

³⁵ About EUR 50 million was recorded for this scheme in the third quarter

the final assessment and the settlement of the grants may take place several months after the end of the eligibility period. Statistics Netherlands and Eurostat discussed the various options concerning the time of recording of the TVL schemes: reference periods, time of applications or the time of approval of the grant. Although available data sources do not seem to include the information needed, Eurostat was in favour of using the date of approval of the grants and suggested Statistics Netherlands to adopt a pragmatic approach for deciding on the most adequate time for recording the TVL subsidies. Statistics Netherlands will investigate the possible options and report to Eurostat.

Deadline: February 2021.

4.3.2. COVID 19: Taxes and Social Contributions

Introduction

In this section, Eurostat and Statistics Netherlands discussed tax and social contribution measures implemented by the Dutch government in the context of the pandemic. Discussions focussed on tax deferral measures.

Discussion

Tax deferrals

In early March the government announced the possibility to defer taxes including income tax, wage tax, VAT, etc. Hence, entrepreneurs and enterprises could request tax payment deferrals (3 months) in the context of the COVID-19 pandemic since the beginning of April. The measures concerned a wide array of taxes: gambling tax, excise duty, consumption tax on non-alcoholic beverages, insurance tax, property owners' tax, energy tax and other environmental taxes including for the Caribbean Netherlands. The deferral of payments scheme was initially applied for a period of three months, until 19 June and was further extended until 1 October. At the same time, the government had temporarily reduced the tax and recovery interest rates from four per cent to almost zero per cent until 1 October. Government has announced the phasing-out of the deferral scheme on 28 August. Payment obligations of all operators would resume with effect from 1 January 2021. Therefore, taxpayers would have to pay their tax on time (in 2021) again for the fourth quarter 2020. A generous arrangement has been implemented for the repayment of the tax debt (for wage taxes and corporate income taxes) that has been estimated to 10 billion euros. Until 1 January 2023, taxpayers will have the opportunity to redeem their tax debt in (up to) 24 equal monthly instalments (subject to an interest rate of 2%, instead of a rate of 0.01%, as of 2022). The Ministry of Finance had assumed in the so-called '*Miljoennota 2021*' that 70% of the outstanding debt would be repaid in 2021, and the remaining 30% in 2022. The government has not implemented tax cancellation programs in the context of the Corona measures. Still according to the '2021 Financing Memorandum' ('*Miljoennota 2021*'), deferred taxes would reach as much as 12.2 billion euro at the end of 2020. According to CBS, the taxes deferred amounted to 10 billion euro at the end of August.

Eurostat inquired on the method that Statistics Netherlands intends to use to estimate taxes to be accrued in 2020 given that the usual recording relies primarily on cash or cash adjusted payments. Statistics Netherlands explained that at the end of February 2021, the tax debt should be known with more accuracy and by then it would be in a better position to make reliable estimates of taxes to be imputed in 2020. Statistics Netherlands confirmed that imputations have already been recorded for the first and second quarter. Amounts imputed were adjusted for uncollectible taxes (about 6.8%). Similar imputations would be recorded for the third and four quarters and at the same time previous quarters would be revised in order to ensure that the 2020 annual data is correct. If not done, this would inevitably have an impact on the quality of the reporting for the following two years. Statistics Netherlands stated that it is also bound by its revision policy and it would therefore be very difficult to revise 2020 data. Consequently, part of the 2020 taxes would (possibly) be recorded in 2021. However, the data of the tax authority provided to date appeared to be reliable and provided for a breakdown of tax deferrals per quarter. Hence, data provided to date actually showed in August a decrease of stocks of VAT-

related tax accruals indicating that corporations had already started to redeem their fiscal debt. All in all, the Dutch Statistical Authorities were confident that the stock of taxes to be accrued in 2020 will be assessed with a high degree of certainty. Eurostat concluded that this issue will be closely followed up in the context of the upcoming EDP notification and requested Statistics Netherlands to provide a detailed breakdown (per category) of taxes accrued at year-end.

'Tax reserve'

Generally, corporate income tax is recorded on a cash basis. One of the fiscal measures adopted in the context of the Corona crisis was to allow corporate income taxpayers to offset the expected losses in 2020 due to the Corona virus crisis against the 2019 profits³⁶. The creation of this so-called "Coronavirus Tax Reserve" allowed companies to apply for a reduction of their provisional corporation tax assessment in 2020. In this way, taxpaying corporations could claim a tax reduction already in 2020 before the submission of the 2020 tax return in 2021.

The impact was (to a large extent) a tax cash shift from 2020 to 2021. According to the '*2021 Miljoennota*', the implementation of the 'Coronavirus Tax Reserve' for the corporate income tax in 2020 would lead to an increase in corporate tax revenues of about 6 billion euros in 2021 compared to 2020 although this amount could be much smaller following more recent data updates.

Eurostat inquired if Statistics Netherlands would impute a time of recording adjustment for this scheme in 2020 and 2021. Statistics Netherlands stated that it had not taken such a decision since corporate income tax is generally recorded on a cash basis. It further explained that it is generally very difficult to identify the previous (2019 and before) years of taxations in the corporate tax cash data sources. The corporate tax system is complex in the sense that already at the beginning of year t, corporations pay taxes based on estimates, while tax authorities can also reimburse surpluses within the same year. A final assessment is made in year t+1 (or sometimes even later) which can concern not only year t, but also earlier years. Overall, time adjustments, if applied systematically, would distort B.9 significantly in comparison to the simple cash method, as is the case in other Member States.

Eurostat was of the opinion that, as a matter of principle, the effects arising from Corona-related measures should be adjusted as much as possible, since they might add a significant distortion to the time series arising from the non-compliance of the accrual recording principle. Hence, Eurostat stated that in its view, an adjustment should be implemented under the condition that the necessary data is available. Statistics Netherlands informed Eurostat that it had already adjusted the first quarter since the first estimates were made before the start of the pandemic, which led to subsequent refunds, by the tax authority.

'Social Contributions'

Statistics Netherlands confirmed that the deferral schemes would also have an impact on social security contributions since they are collected with the wage taxes. Social contributions would be subject to a time adjustment for the upcoming EDP reporting.

Findings and conclusions

Action point 24

Following the discussions on taxes and social contribution measures, that were implemented in the context of the Corona crisis, Eurostat requested Statistics Netherlands to prepare a table (broken down by tax) detailing the taxes and social contributions related measures, including tax deferrals, and showing the expected impact of their recording in the fiscal years concerned. Statistics Netherlands will provide the table before the next EDP notification.

Deadline: March 2021.

³⁶ Profits declared in 2019.

4.3.3. *Loans and Guarantees*

Introduction

Under this agenda point, the participants discussed the COVID-19 pandemic countermeasures relating to loans and guarantee schemes implemented by the Dutch government. The Ministry of Finance made a general presentation of the schemes and discussion resumed on that basis.

Discussion

The Ministry of Finance explained that the Dutch State generally follows a restricted policy in relation to the issuance of new loans and guarantees backed by the budget. Hence, government has granted new loans and guarantees in the context of the Corona crisis since these instruments were deemed useful and efficient in the fight against the economic downturn. In 2020, the volume of loans and government guarantees had significantly risen (mainly guarantees) as was the case during the global financial crisis. Loans and guarantees granted in this context have a short duration (1 to 2 years), thus it was expected that the surge in loans and guarantees observed would be only temporary. The Ministry of Finance explained that one key element for transactions to qualify as loans is the prospect of redemption, not their legal definition.

As of 2020, the volume of new loans was contained (1.8 billion euro), the largest one being the loan granted to KLM (subject to a ceiling of 1 billion euro). In contrast, the volume of the new Corona guarantees reached 61 billion euro in September 2020, broadly equally broken down into guarantees related to EU instruments³⁷ and national guarantee schemes³⁸. The Ministry of Finance recalled that these guarantees have the features of contingent liabilities, thus an expenditure would be only recorded in the case a guarantee is called. The guarantees issued in the context of the Corona crisis were considered to be one-off instruments. Overall, it was difficult for the Ministry of Finance to estimate the expenditure that might arise from the guarantees, since no historical data exists. In this regard, the Ministry of Finance gave the example of the trade credit re-insurance scheme. For the latter, the Ministry of Finance had initially (May 2020) estimated that calls would reach 0.6 billion euros in 2020, whereas the most recent data showed that no guarantee was called due to the very low number of companies going bankrupt.

In addition, the Ministry of Finance raised a specific question (although not directly related to the guarantee scheme) in relation to the time of recording of transfers from the ‘Recovery and Resilience Facility’ (RRF) pertaining to expenditure incurred before the adoption of the implementing legislation as well as for potential repayments to the RRF. Eurostat explained that the guidelines published by Eurostat did not cover these specific issues while confirming that the topic would be addressed in the (virtual) EDPS Working Group scheduled for December 2020.

Eurostat also stated that, given the fact that the duration of the Corona guarantee schemes was limited to 2 years and that the Dutch Statistical authorities could not estimate the expected guarantee calls in the absence of historical data, they should not be considered as standardised schemes but rather as one-off guarantees. This, however, should not prevent the Dutch Statistical Authorities to record a capital transfer in case they expect government to incur a loss both in the case of loans and in the case of guarantees granted.

³⁷ In September 2020, 34.8 billion euro of these guarantees related to EU instruments (Recovery and Resilience Facility or RRF, SURE, EIB)

³⁸ The main national guarantee schemes concern the ‘Trade Credit Reinsurance Scheme’ (‘Herverzekering leverancierskredieten’, 12 billion euro), the extended ‘Corporate Finance Guarantee scheme’ (‘Garantie Ondernemingsfinanciering’, GO, + 9.6 billion euro), the extended ‘Small and Medium Size Credit Guarantee’ scheme (‘Borgstelling MKB Kredieten’, BMKB, +0.7 billion euro), the ‘Small Credit Corona Guarantee Scheme’ (‘Klein Krediet Corona garantieregeling’, KKC, + 0.7 billion euro).

The Ministry of Finance provided an overview of the government's financial support package to the KLM airline. The package offered by government consisted of a mix of loans and guarantees. The State provided a loan of 1 billion euro consisting of a revolving credit facility. Interest charged is high (12-month Euribor plus a margin of 6.25% the first year, 6.75% for the second and third year, and 7.75% for the fourth, fifth and sixth year) and the maturity is 2025.

Additionally, 2,4 billion euro was raised from the banks, 90% of the loan was guaranteed by the State (against the payment of a fee). Statistics Netherlands confirmed that the State loan to KLM would be disbursed in tranches and redeemed no later than after 5.5 years (this will be a so called bullet loan). The underlying assumption of the support package was that the volume of the airline activities would return to its pre-crisis level in 2023. The reimbursement of the State loan was not subject to special conditions and the Ministry of Finance did not expect any guarantee call on the bank loan.

Eurostat mentioned the existence of another recent case, where the loan granted to an airline as Covid support measure had been rerouted via government accounts. The Dutch Statistical Authorities did not see a need for re-routing the KLM support measures.

Eurostat inquired on the role and activities of 'Qredits Microfinance'³⁹, an entity classified as a private financial institution (S.12), in particular in the context of the Corona measures implemented by the Dutch Government. Companies participating in the 'Qredits' program were granted a grace period of up to three months with a discount on interest. According to preliminary information, the State had paid a 'fee' of about 6 million euros to 'Qredits' to this end. In May 2020, the financing by government (subsidies) had been increased by 25 million euros for providing bridging loans at low interest rates.

Eurostat underlined that the current classification of 'Qredits' should be reassessed. In particular, the Dutch Statistical Authorities were invited to check if government has control over the entity via the terms of the financing (loans) provided by the Ministry of Economic Affairs. Eurostat also suggested that Statistics Netherlands should investigate if the bridging loans should be rerouted via government, considering that these loans are subsidised by the State.

Findings and conclusions

Action point 25

Statistics Netherlands will further investigate the classification of 'Qredits' and inquire if some of the operations carried out by that unit on behalf of Government might need rerouting.

Deadline: March 2021.

4.3.4. Transactions relating to the upcoming 'National Growth Fund'

Introduction

In September 2020, the Dutch government formally announced the establishment of an investment fund named the 'National Growth Fund' ('*Nationale Groeifonds*'), ahead of the presentation of the 2021 budget. In this section, Statistics Netherlands and Eurostat briefly discussed the ensuing statistical implications based on a presentation by the Ministry of Finance.

Discussion

³⁹ The web site of 'Qredits' mentions that it is a non-profit organisation. Its main objective is to provide micro-financing and entrepreneurship support to various private and public partners. It cooperates with governments at national, provincial and municipal level. The Ministry of Economic Affairs was involved in setting up 'Qredits' back in 2008.

The ‘National Growth Fund’ aims at providing additional investments of up to 4 billion euro (0.5% in relation to GDP) annually for the coming five years (i.e. 20 billion euros cumulatively over 2021-2025) in the areas of infrastructure, research and innovation and skills, with the purpose of strengthening the economy and making it more resilient against future shocks. An independent committee would assess incoming project proposals and Parliament must approve the distribution of the money across the three investment areas. Projects must have a minimum size of 30 million euro.

According to Statistics Netherlands, the ‘National Growth Fund’ is a budget fund and thus incorporated in the budget of the State. It will fall under the responsibility of the Ministry of Economic Affairs. The expenditure would entail subsidies and capital transfers that can either be paid directly by the fund, or indirectly via other budget lines of other departments. The fund will not provide financing in the form of loans or equity injections. The fund will therefore significantly add to the deficit and debt in the coming years, also making it relevant in the context of fiscal surveillance and the EDP reporting. Statistics Netherlands confirmed that the fund is not an institutional unit.

Findings and conclusions

No action point identified.

4.3.5. Transactions relating to the ‘Invest International Fund’

Introduction

In this section, Eurostat inquired on the statistical implications of the ‘Invest International’ project, a foreign investment institution that will help Dutch businesses to develop and finance projects abroad.

Discussion

Prior to the meeting Statistics Netherlands had provided a batch of documents (in Dutch) concerning the creation of the ‘Invest International Fund’. The fund was not yet operational at the time of the discussions. IIF would be a financing institution aiming at supporting Dutch corporations involved in the development and the financing of projects in foreign countries. This institution is set up as a joint venture of the State (51 %) and FMO (49 %).

In the current set up, IIF would have three subsidiaries. The main one should benefit from an investment capacity of about 800 million euro, while the two other subsidiaries would take over the responsibility of some subsidy schemes managed by the ‘Foreign Trade and Development Cooperation’ (*‘Buitenlandse Handel en Ontwikkelingssamenwerking’*, BHOS) and the grant schemes currently falling under the responsibility of the ‘Netherlands Enterprise Agency’ (*‘Rijksdienst voor Ondernemend Nederland’*, RVO).

Statistics Netherlands confirmed that it will classify the IIF inside S.13, based on the following considerations:

- Government has control on the entity based on the capital structure of the entity and it is entitled to receive almost all profits;
- The investment subsidiary operates on a non-market basis and there is no financial intermediation (no debt is raised);
- The two other subsidiaries are also non-market entities;
- The government capital injection will be treated as a financial transaction (a sufficient rate of return is expected and the transaction is carried out on an arms-length basis vis-à-vis other similar undertakings such as ‘Invest NL’⁴⁰).

⁴⁰ Statistics Netherlands had consulted Eurostat on the recording of the capital injections in the unit

Findings and conclusions

No action points identified.

5. Other issues

No other issue was raised. However, Eurostat and Statistics Netherlands had agreed throughout the discussions that, in view of the number of potential revisions and their impact on (past and future) financial and non-financial accounts, the latter would provide a table summarising all necessary revisions identified to date.

Action point 26

Statistics Netherlands proposed to implement a number of revisions for the next benchmark revision scheduled for 2024. To this end, Statistics Netherlands agreed to prepare a summary table detailing the revisions currently foreseen for the upcoming benchmarking, including their expected quantitative impacts on annual deficit and Maastricht debt. The table (broken down per year and item) will cover the last four years as well as the next three years.

Deadline: September 2021.

‘Invest NL’ in May 2020. Eurostat did not oppose to the recording of the capital injection in Invest NL as a F.5 transaction on the condition that ‘Invest NL’ would be classified inside Government. Invest NL was set up at the end of 2019 with an initial capital of 50 million EUR and it was foreseen to increase it to 1.7 billion euro within 5 years.

Annex 1 – List of participants to the dialogue visit

Dutch Statistical Authorities

Statistics Netherlands:

- Gerard Eding, Director of National Accounts (ENR)
- Henk Verduin (Director of Government Finance Statistics and Consumer Prices)
- Mark de Haan, Head of Unit (team OIO, EOC)
- Léonard Haakman, Expert (team OIO, EOC)
- Marten Jan van Rijn, Senior Statistician Integration (team OIO, EOC)
- Joseph Haynes, Statistician Classifications (team OIO, EOC)
- Stephan Boxem, Senior Statistician state accounts (team OCO, EOC)

Ministry of Finance:

- Nathalie Jongmans, Coordinator budgetary data and reports (Fiscal Policy Unit).
- Patrick Schuerman, Coordinator fiscal rules and EDP (Fiscal Policy Unit).

Dutch Central Bank (DNB):

- Paul Witteman, Economist (Statistics and Information Division)

Eurostat

- Luca Ascoli, Director Government finance statistics (GFS)
- Jukka Jalava, Head of Unit, Excessive deficit procedure (EDP) 2
- Rasa Jurkoniene, Head of Unit Excessive deficit procedure, methodology and GFS
- Didier Lebrun, EDP Desk Officer for the Netherlands
- Levente Szekely, EDP Desk Officer for Germany and Hungary, Back-up for the Netherlands

DG ECFIN

Mrs Vandermeulen Valerie, (Observer)

ECB

Mrs Dagmar Hartwig, (Observer)

Annex 2 – Agenda of the dialogue visit

1. Statistical capacity issues

- 1.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation – Changes since the last visit
- 1.2. Quality and risk management of EDP/GFS processes at Statistics Netherlands (of which procedures for implementation new guidelines and action points, materiality thresholds)
- 1.3. Data sources and revision policy, EDP inventory

2. Follow-up of previous EDP visit

3. Follow-up of the October 2020 EDP reporting – review of EDP tables and EDP questionnaire tables

4. Methodological issues and recording of specific government transactions

- 4.1. Delimitation of the general government sector, application of the 50% rule and the qualitative criteria in national accounts
 - 4.1.1. Improvements made to the public corporations questionnaire (corporations with no or almost no staff)
 - 4.1.2. Social housing corporations and ‘Waarborgfonds Sociale Woningbouw’
 - 4.1.3. Energie Beheer Nederland (and gas revenue)
 - 4.1.4. ‘Zorgkantoren’ and ‘Centrum indicatiestelling zorg (CIZ)’
 - 4.1.5. Rerouting of FMO (‘Financieringsmaatschappij voor Ontwikkelingslanden’) transactions carried out on behalf of the State
 - 4.1.6. Regional Public TV and radio broadcasters
- 4.2. Implementation of the accrual principle
 - 4.2.1. Current and capital transfers between government units
 - 4.2.2. Military expenditure (Joint Strike Fighters)
 - 4.2.3. Students Loan Schemes incl. advance payments for transport cards
- 4.3. Recording of specific government transactions
 - 4.3.1. COVID-19: Expenditure and non-tax revenue
 - 4.3.2. COVID-19: Taxes and social contribution
 - 4.3.3. COVID-19: Loans and guarantees
 - 4.3.3.1. Extension of old-Standardised Guarantees Schemes
 - 4.3.3.2. ‘Leverancierskredieten’ scheme
 - 4.3.3.3. ‘Klein Krediet Corona garantieregeling (KKC)’ scheme
 - 4.3.3.4. ‘KLM loans and guarantees’
 - 4.3.3.5. ‘Qredit’ support measures to small enterprises
 - 4.3.4. Transactions relating to the upcoming Dutch Growth Fund (20 Bn EUR)
 - 4.3.5. Transactions relating to the ‘Invest International’ fund (800 Mn EUR)

5. Other issues

6. Conclusions