

**Inventory of the methods, procedures and sources
used for the compilation of deficit and debt data and
the underlying government sector accounts
according to ESA 2010**

Netherlands

15 January 2020 FINAL DRAFT

Background

Compilation and publishing of the Inventory of the methods, procedures and sources used to compile actual deficit and debt data is foreseen by Council Regulation 479/2009, as amended.

According to Article 8.1: *“The Commission (Eurostat) shall regularly assess the quality both of actual data reported by Member States and of the underlying government sector accounts compiled according to ESA 95.... Quality of actual data means compliance with accounting rules, completeness, reliability, timeliness, and consistency of the statistical data. The assessment will focus on areas specified in the inventories of Member States such as the delimitation of the government sector, the classification of government transactions and liabilities, and the time of recording.”*

In line with the provisions of the Regulation set up in Article 9, *“Member States shall provide the Commission (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 shall be prepared in accordance with guidelines adopted by the Commission (Eurostat) after consultation of CMFB. The inventories shall be updated following revisions in the methods, procedures and sources adopted by Member States to compile their statistical data”*.

The content of the Inventory and the related guidelines have been endorsed by the Committee on Monetary, Financial and Balance of Payments statistics in June 2012 and are followed by all EU Member States. This version introduces references to the ESA 2010 and the updates mirroring the changes introduced by the ESA 2010. It also includes changes introduced by the August 2019 MGDD version.

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Annex I – list general government units

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

This chapter provides a summary description on the general government sector components and specifies institutional responsibilities and basic data sources used for EDP tables and for the compilation of general government national accounts. Special attention is given to EDP tables: detailed description of components of the working balance and the transition into B.9 (net lending/net borrowing); compilation of Maastricht debt and of stock-flow adjustments; explanation of the link between EDP table 2 and 3, balancing process and statistical discrepancies.

1. General Government

This section describes the coverage of the General Government sector and the sub-sectors for the Netherlands.

The general government sector is composed by 3 sub-sectors: S.1311, S.1313 and S.1314. It includes:

1.1. Central government subsector (S.1311)

The central government subsector comprises:

- The State (1 unit): ministries, 6 budget funds, about 50 state agencies and a few artificial subsidiaries of which Energie Beheer Nederland B.V. is the most prominent one;
- Universities (17 units);
- Public Corporate Organisations (dissolved in 2015);
- Other non-profit institutions and organisations (NPIs) controlled and financed by other central government units and having a national function, including public corporations operating on non-market basis. They include among others: Central Refugee Centre Organisation (COA), Chamber of Commerce (since 2013, before regional institutions classified in the local government sector), Culture Funds, Dutch Investment Bank for Developing Countries (NIO), and National police (since 2013, before police districts classified in the local government sector), Open University, Railway Infrastructure Corporation (Prorail), Scientific Research Organisations, Statistics Netherlands (CBS).

A full list of legal entities included in the central government sector is provided in the Annex I.

1.2. State government subsector (S.1312)

Not applicable in the Netherlands.

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1.3. Local government subsector (S.1313)

The local government subsector comprises:

- Municipalities (355);
- Provinces (12);
- Public Water Boards (21);
- Local intergovernmental organisations (about 300);
- Educational institutions (about 1900 units);
- Other non-profit institutions and organisations (NPIs) controlled and financed by other government units and/or having a regional function, including public corporations operating on non-market basis. They include among others: Chambers of Commerce (before 2013), Legal aid organisations, Police districts (until 2012, 25 units), Public museums, Public libraries, Sheltered workshops, Youth welfare work organisations.

A full list of legal entities included in the local government sector is provided in the Annex I.

1.4. Social security funds subsector (S.1314)

The social security funds subsector comprises:

- Health Care Institute Netherlands (ZIN), responsible for:
 - Health care insurance act (ZVW);
 - Exceptional medical expenses act (AWBZ)/ Long care act (WLZ);
- Institute for employee benefit schemes (UWV), responsible for:
 - Disablement benefit scheme with differentiated contributions (AOK);
 - Act on work and income based on work capacity (WIA);
 - Reintegration to work fund (WHK);
 - General unemployment fund (AWF);
 - Short time unemployment funds (SFN);
 - Executive fund of the government (UFO);
- Social Insurance Bank (SVB), responsible for the national insurance schemes:
 - General old age pensions act (AOW);
 - Surviving relatives act (ANW);
- Central administration office special medical costs (CAK);
- Dutch Health Care Authority (NZA).

Further details relating to practical aspects of sector classification for individual units into general government sector could be found in Chapter B, section 1.

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2. Institutional arrangements

This section provides general information on institutional arrangements relating to the production and dissemination of government deficit and debt statistics:

- responsibility of national authorities for compilation of individual EDP tables and underlying government national accounts, as defined by ESA 2010 Transmission Programme;
- institutional arrangements relating to public accounts which are used by statistical authorities for compilation of government national accounts and EDP tables;
- general overview about bookkeeping system used by public units, internal quality checks and external auditing;
- communication between individual national authorities involved in EDP;
- publishing of deficit and debt statistics.

Legal basis for the compilation of GFS and EDP data

Statistics Netherlands is responsible for collecting and processing data in order to publish statistics to be used in practice, by policymakers and for scientific research. In addition to its responsibility for (official) national statistics, Statistics Netherlands also has the task of producing European (community) statistics. The legal basis for Statistics Netherlands and its work is the Act of 20 November 2003 last amended by the Act of 15 December 2004 governing the central bureau of statistics (Statistics Netherlands).

Statistics Netherlands aims to reduce the administrative burden for companies and the public as much as possible. To this end it uses existing administrative data and registers of both government and government-funded organisations. The information from these files is supplied to Statistics Netherlands free of charge. Only if they do not contain sufficient information, Statistics Netherlands is allowed to conduct supplementary surveys among companies and private persons. Companies are usually obliged by law to supply information to Statistics Netherlands and can be forced to cooperate under certain circumstances; Statistics Netherlands may use sanctions such as administrative fines. For its part, Statistics Netherlands is obliged to keep all individual data confidential. As an exception data sharing with Eurostat, NSIs in EU member states, Dutch Central Bank and academic researches is allowed under certain restructures.

Sections 33 through 36 of the Statistics Act specify the legal mandate under which the Statistics Netherlands collects data and ensures reporting. Under these provisions, the Statistics Netherlands is authorised to use, for statistical purposes, data from government registers, legal persons, companies, independent professionals, and institutions to fulfil its duties. Sections 43 through 52 of the Statistics Act relate to measures encouraging response. These sections of the Statistics Act specify the fines and penalties that the Statistics Netherlands can impose on legal persons, companies, independent professionals, and institutions that fail to provide the data in full or in time.

On 3 January 2004, Statistics Netherlands became an autonomous agency with legal personality (in Dutch: zelfstandig bestuursorgaan, abbr. ZBO). There is no longer a

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hierarchical relationship between the Minister of Economic Affairs and the organisation. However, the Minister is responsible for setting up and maintaining a system for the provision of government statistical information, i.e. the minister is politically responsible for legislation and budget, for the creation of conditions for an independent and public production of high quality and reliable statistics.

Statistics Netherlands is the sole institution in the Netherlands responsible for the data compilation of Dutch government finance statistics. The role of Statistics Netherlands is laid down by law and by different mutual agreements with government institutions such as ministries, state agencies and social security institutions. Most notably, there exists a cooperation agreement between Statistics Netherlands and the Ministry of Finance. This agreement anchors that Statistics Netherlands is responsible for compiling data on government deficit and debt for the past years for the Excessive Debt Procedure (EDP) of the Maastricht Treaty. Furthermore, the agreement prescribes that the Ministry of Finance is responsible for the estimates of the planned year, based on budget figures. The agreement confirms the independence of Statistics Netherlands in estimating government deficit and debt.

2.1. Institutional responsibilities for the compilation of general government deficit and debt data

This section describes institutional responsibilities for compilation of Government Finance Statistics (national accounts for general government and EDP tables). Further related information is described in section 2.3 Communication.

National accounts data for general government are transmitted to Eurostat¹ via the following tables (see the related EU legislation)² :

Table 2 – Main aggregates of general government (annual data)

Table 6 – Financial accounts by sector (annual data)

Table 7 – Balance Sheets for financial assets and liabilities (annual data)

Table 801 – Non-financial accounts by sector (quarterly)

Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector (annual data)

Table 11 – Expenditure of General Government by function (annual data)

Table 25 - Quarterly Non-financial Accounts of General Government

Table 26 – Balance sheets for non-financial assets (annual data)

Table 27 – Quarterly Financial Accounts of General Government

Table 28 – Quarterly Government Debt (Maastricht Debt) for General Government

Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables³.

Table 1. - Institutional responsibilities for the compilation of general government national accounts and EDP tables

¹ <https://ec.europa.eu/eurostat/data/database>

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:174:0001:0727:EN:PDF>

³ <https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>

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Institutional responsibilities <i>(the appropriate cells are crossed)</i>		NSI	MOF	NCB	Other	
Compilation of national accounts for General Government:						
Nonfinancial accounts	annual	X				
	quarterly	X				
Financial accounts	annual	X				
	quarterly	X				
Maastricht debt	quarterly	X				
Compilation of EDP Tables:						
EDP table 1	actual data	deficit/surplus	X			
		debt	X			
		other variables	X			
	planned data	deficit/surplus		X		
		debt		X		
		other variables		X		
EDP table 2 (actual data)	2A central government		X	X		
	2B state government		n.a.			
	2C local government		X			
	2D social security funds		X			
EDP table 3 (actual data)	3A general government		X			
	3B central government		n.a.			
	3C state government		X			
	3D local government		X			
	3E social security funds		X			
EDP table 4		X				

NSI - National statistical institute including units subordinated to the NSI (the latter is to be specified in comments)

MOF – Ministry of Finance/Economy including units subordinated to the MOF (to be specified in comments)

NCB – National Central Bank

Other – other national body, to be specified in comments

Statistics Netherlands (in Dutch: *Centraal Bureau voor de Statistiek*, abbr. CBS) is responsible for data collection, data processing and publication regarding government finance statistics and EDP. This relates to estimates on past periods. The role of the Ministry of Finance (in Dutch: *Ministerie van Financiën*) in the EDP notification process is:

1. Provider of data on the State's accounts to CBS;
2. Provider of the working balance in table 2A of the EDP notification and some data reported in this table;
3. Provider of the planned data based on forecasts of the Dutch Bureau of Economic Policy.

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As of 2016, Statistics Netherlands is also responsible for transmitting GFS data to the European Central Bank relating to the GFS Guideline and the more detailed regulations contained in the ECB Booklet on the exchange of government finance statistics within the ESCB. Statistics Netherlands derives the data for these deliveries from the government accounts, which have been compiled in accordance with ESA 2010 and the Manual on Government Deficit and Debt. Statistics Netherlands provides the data on behalf of the Central Bank of the Netherlands (*de Nederlandsche Bank*, abbr. DNB). This is laid down in the cooperation agreement between Statistics Netherlands and DNB.

2.1.1 Existence of an EDP unit/department

Statistics Netherlands has a separate department responsible for GFS and EDP (also including consumer price statistics). The department of Government Finance Statistics and Consumer Price Statistics (EOC) is part of the directorate Economy, Business and National accounts (EBN).

Within this department, the unit directly responsible for GFS and EDP output is the project group Integration of team Integration and Support Government accounts (OIO). It coordinates the compilation process of GFS within the department of Government Finance Statistics and Consumer Price Statistics (EOC). It also maintains the contacts with the department of National accounts (ENR) and with the Ministry of Finance (directorate Budget Affairs, unit BBL).

The main tasks of the project group are:

- collecting data from the two data collecting units Central Government (OCO) and Local Government (ODO), which are also part of the department of Government Finance Statistics and Consumer Price Statistics. These two units collect, process and compile data according to ESA 2010;
- integrating / balancing the data to consistent GFS data between government subsectors, and in the framework of National accounts;
- assessing complex transactions and deciding on their recording in GFS / EDP;
- publishing data and transmitting to national (CPB, DNB, Ministry of Finance) and international users (Eurostat, ECB, IMF, OECD).

The unit within the Ministry of Finance responsible for EDP is the unit BBL of the directorate Budget Affairs (BZ), part of the directorate-general State's budget ("Rijksbegroting").

There is a close cooperation on a working level between team Integration of the CBS and unit BBL of the Ministry of Finance.

2.1.2 Availability of resources for the compilation of GFS data

Three units within the department of Government Finance Statistics and Consumer Price Statistics (EOC) are responsible for compiling GFS data. They employ about 50 full time equivalents. The organisation chart can be found on the CBS website⁴.

⁴ <https://www.cbs.nl/en-gb/about-us/organisation>

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The unit Central Government (OCO) collects, processes and compiles data on the State, social security funds, schools/universities and other NPIs (central and local). Aside from GFS data compilation according to ESA 2010 standards, the unit is also responsible for the ESSPROS statistics on social protection and for statistics on finances of education based on the OECD guidelines. The data on educational institution are collected by the Ministry of Education. All the other data are collected from various sources by the unit itself.

The unit Local Government (ODO) collects, processes and compiles data on local government: municipalities, local intergovernmental organisations, provinces and water boards. It concerns data compilation both according to GFS and according to national accounting standards for local government. The unit is responsible for the design of the questionnaires (so-called Iv3) that local governments have to complete (budget, quarterly and annual).

The third GFS unit (OIO) is responsible for integrating the data within the framework of National Accounts in cooperation with the National Accounts Department. Furthermore, the unit provides guidelines on application of ESA 2010 and produces all GFS publications based on ESA 2010 and IMF's GFSM 2014, including transmissions to international organisations (Eurostat, ECB, IMF, OECD). Also, the unit is responsible for maintaining a list with public sector entities.

The department has also a separate automation group. The group develops designated software for the three GFS units and is also responsible for the maintenance of the software. The director of the department decides on its work programme. Human resource management is the responsibility of one of the unit managers.

2.2. Institutional arrangements relating to public accounts

Generally, “public accounts” are basic source data for GFS compilation, i.e. EDP tables as well as annual and quarterly accounts for general government. Public accounts are used by public units and refer to accounting records and relating accounting outputs (e.g. financial statements) based on the accounting framework defined by a national legislation. This section provides a general overview on institutional responsibilities relating to public accounts. Further details on public accounts for individual government subsectors are described under relevant sections on data sources and EDP tables.

2.2.1 Legal / institutional framework

Government entities established under public law should apply accounting rules which are referred to in the law that gives them legal personality. The main government entities have their own accounting rules.

The Government Accounts Act (“Comptabiliteitswet, abbr. CW2016)⁵ sets the budgeting and accounting rules for the State. The accounting framework is based on recording of cash and commitments for ministries, and accrual recording for state agencies.

⁵ <https://wetten.overheid.nl/BWBR0039429/2018-01-01>

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Accounting rules for municipalities, provinces and local intergovernmental organisations are laid down in the act “Besluit Begroting en Verantwoording gemeenten en provincies” (BBV)⁶. The Ministry of the Interior is responsible for the bookkeeping standards. The accounting rules are based on accrual recording. A committee (“Commissie BBV”)⁷ provides clarifications and more detailed guidelines. Its members are representatives from the Ministry of the Interior, local governments, accounting firms and Statistics Netherlands. Public water boards have to comply with a different law but it is more or less similar to the BBV: the ‘Besluit Begroting en Verantwoording Waterschappen’ (BBVW)⁸.

Other government entities established under public law apply accounting rules that are imposed by the government entity that finances and supervises them, and/or apply the accounting rules that are applicable to entities established under private law like foundations. The recording base is (modified) accrual. For instance, social security funds have to apply accrual-like accounting rules imposed by the supervisory ministry in question, i.e. the Ministry of Health or the Ministry of Social Affairs, in combination with the general accounting rules set by Part 9 Book 2 of Dutch Civil Code.

Part 9 of Book 2 of the Dutch Civil Code contains the basic accounting standards applicable to entities (i.e. limited liabilities companies) established under private law in the Netherlands. These accounting standards are supplemented by standards from the accounting standard setter in the Netherlands, the *Dutch Accounting Standard Board* (in Dutch: “Raad voor de Jaarverslaglegging”)⁹. It should be noted that these supplementary standards do not have formally the force of law, but they can be seen to rightfully interpret the law, as proven by court decisions.

The tasks of the Dutch Accounting Standard Board are:

1. The Foundation's objectives are set forth as follows in its Constitution: The Foundations object's shall consist in fostering, within the Netherlands, the quality and practicality of external reporting, particularly when it concerns the financial statements, by corporations and legal entities.
2. The quality of external reporting is of interest to the users of information. The latter category comprises actual and prospective investors, employees, financial backers, suppliers and other trade creditors, clients, supervisors, authorities and the latter institutions, and the general public.
3. It seeks to achieve the aforementioned object by:
 - a) publishing (draft) standards and other communications relating to annual reporting of which so-called authoritative statements and recommendations on the topic of external reporting form part;
 - b) providing authorities and other regulatory organisations with advice, be it on request or of its own accord or, on external reporting activities;
 - c) participating in international organisations involved in enhancing the quality of, or developing, standards for the benefit of external reporting.

⁶ <https://wetten.overheid.nl/BWBR0014606/2019-07-01#Opschrift>

⁷ <https://www.commissiebbv.nl/>

⁸ <https://wetten.overheid.nl/BWBR0024848/2014-01-01/>

⁹ <https://www.rjnet.nl/>

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Each year in September the DASB publishes two sets of Guidelines in Dutch (Dutch Accounting Standards): Dutch Accounting Standards for small legal entities and Dutch Accounting Standards for medium sized and large legal entities. The last English version of the Guidelines is from 1998. A more recent translation has not been published, nor is a recent translation in progress. The DASB furthermore prepares comment letters to all Exposure Drafts and Discussion Papers of EFRAG and IASB, attends EFRAG-CFFS meetings and provides members for some EFRAG and IASB working groups. The DASB seeks to ensure that the Dutch Accounting Standards cover most of the questions arising in practice. The Dutch Accounting Standards proceed from the company law and statutory regulations governing consolidated and individual financial statements and directors' reports as principally contained in Part 9, Book 2 of the Dutch Civil Code. The Dutch Accounting Standards also incorporate the rulings of the Enterprise Chamber of the Court of Appeal at Amsterdam and of the Supreme Court where these are considered of general relevance. In its deliberation for the Dutch Accounting Standards, the DASB also considers the applicable International Financial Reporting Standards as endorsed by the EU (hereinafter: IFRS-EU).

The accounting standards applied depend on the size of the entity¹⁰. In this respect, entities are grouped into four categories: micro, small, medium sized and large

Small (and micro) entities have to choose between:

- Part 9 of Book 2 of the Dutch Civil Code combined with fiscal valuations principles;
- Dutch Accounting Standards for small legal entities;
- Dutch Accounting Standards for medium sized and large legal entities; or
- EU-IFRS (including some parts of the Dutch Civil Code elaborated in the Dutch Accounting Standards for medium sized and large legal entities);

IFRS for SMEs (small and medium sized companies) are formally not allowed, though may be implemented if not violating the provisions in Part 9 of Book 2 of the Dutch Civil Code¹¹.

Medium sized and large entities have to choose between:

- Dutch Accounting Standards for medium sized and large legal entities; and
- EU-IFRS (including some parts of the Dutch Civil Code elaborated in the Dutch Accounting Standards for medium sized and large legal entities).

Listed entities (independent of size) must apply EU-IFRS (including some parts of the Dutch Civil Code elaborated in the Dutch Accounting Standards for medium sized and large legal entities).

Universities and schools have to draw up public accounts in compliance with the standards set by the Ministry of Education (“Regeling jaarverslaglegging onderwijs”). The accounting standards refer to Part 9 of Book 2, but they also include specific accounting guidelines for educational institutions, produced by the Dutch Accounting Standard Board (RJ 660, “Onderwijsinstellingen”)^{12,13}.

¹⁰ <https://www.rjnet.nl/engelse-pagina/>

¹¹ <https://www.nba.nl/themas/externe-verslaggeving/ifrs-for-smes/>

¹² <https://www.rjnet.nl/uitingen/2016/2/>

¹³ <https://www.rijksoverheid.nl/documenten/brochures/2015/05/21/brochure-richtlijn-jaarverslag-onderwijs>

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The Dutch Accounting Standard Board has also issued several supplementary standards for specific branches such as social housing corporations (RJ-645)¹⁴ and health care institutions (RJ-655)¹⁵.

2.2.2 Auditing of public accounts

2.2.2.1 General government units

The accounts of all general government units that are included in the general government sector according to ESA 2010, are audited. The auditing may be different for specific government subsectors:

Central Government

The Government Accounts Act (“Comptabiliteitswet, abbr. CW2001) defines internal control responsibilities for the individual ministers (politically responsible) and the Financial Economic Affairs Departments operating in all ministries. The annual financial statements of the individual ministries are certified twice: first internally by the Central Government Audit Department (audit opinions for the ministers, CW2001 article 66), then externally by the Netherlands Court of Audit (audit opinions for Parliament, CW2001 article 82). Both the Central Audit Department and the Netherlands Court of Auditors also report on financial management. The audit standard used by the Central Government Audit Department are compliant with the national ISAs standard from the NBA (professional association of accountants), those used by the Netherlands Court of Audit are compliant with the international standards ISSAIs.

More specific information on the internal control and internal audit arrangements in the ministries can be found in the Compendium of Public Control Internal systems in EU Member States¹⁶. The financial statements of other entities categorised under the central government for statistical purposes are generally audited by private audit firms.

Local government

The Municipality Law (“Gemeentewet”)¹⁷ and the Provinces Law (“Provinciewet”)¹⁸ prescribe that the councils of municipalities and provinces should adopt regulations for financial management and financial control, in order to ensure that the requirements of regularity, accountability and audit are met. These regulations should be implemented under the responsibility of the political administration. Financial management in municipalities is supervised by the provinces and ultimately by the Ministry of the Interior. Financial management in provinces is supervised by the Ministry of the Interior. The annual financial statements of both the provinces and municipalities are audited by private audit firms (audit opinions covering both true and fair view and regularity). In addition, a ministerial decree on financial audits for municipalities and provinces is applicable¹⁹.

¹⁴ <https://www.rjnet.nl/uitingen/2019/18/>

¹⁵ <https://www.rjnet.nl/uitingen/2019/10/>

¹⁶ <http://ec.europa.eu/budget/pic/lib/book/NL/HTML/index.html>

¹⁷ <https://wetten.overheid.nl/BWBR0005416/2019-01-01>

¹⁸ <https://wetten.overheid.nl/BWBR0005645/2019-01-01>

¹⁹ <https://wetten.overheid.nl/BWBR0015524/2017-12-09>

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For example, Article 213 of the “Gemeentewet” arranges the audit of the financial organisation of municipalities. It stipulates that the city council is responsible for establishing rules on the audit of the financial management and the implementation of financial organisation. Furthermore, the city council must also assign an external accountant in agreement with article 393, Book 2 of the Civil Code, that audits the annual accounts and discloses its findings. The declaration of the external accountant should amongst other indicate whether the annual accounts give a fair and true of revenue, expenses and its capital, whether revenue, expenses and capital have been established legitimately and whether annual accounts and annual report are consistent. The findings should include an assessment whether the financial management and the implementation of financial organisation enable a fair and true accounting and they should contain illegitimacies found as a result of the audit.

Social security funds

Internal control responsibilities relating to these funds are legally attributed to the public entities responsible for their management. The entities are supervised by the Ministry of Social Affairs. The financial statements of the social security funds are audited by private audit firms.

2.2.2.2 Public units, not part of general government

In the Netherlands, it is required that accounts of all entities, including public units, are audited, except very small entities. Financial accounts of (public) corporations are audited by independent private accountant firms.

The scope of the auditing in general regards:

- True and fair view: information gives a true and fair view of the profit and loss account, cash-flow statement and the financial position;
- Compliance: all accounting rules and standards in force are met.

Audit reports do usually not include an explicit risk analysis, e.g. on payables, contingent liabilities. However, such analysis should be done implicitly in order to assess if the financial report complies with the accounting standards, e.g. on recognition of impairments.

The official letter with the opinion of the accountant is usually publicly available and included as an annex to the financial report. The detailed findings (for the management of the entity in question) are usually not available to the public. The auditing takes place in T+1 as the financial report has to be published before end T+1 according to private law.

2.3. Communication

2.3.1 Communication between actors involved in EDP

2.3.1.1 Agreement on co-operation

In the Netherlands, Statistics Netherlands is responsible for EDP statistics and GFS. Statistics Netherlands and the Ministry of Finance have signed a co-operation agreement regarding GFS and EDP statistics. The agreement has been signed by the Director-General of Statistics Netherlands and the Director-General of State's Budget of the Ministry of Finance. The agreement arranges amongst others i) the procedures and communication related to the April

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and October EDP notifications, ii) consultation of Statistics Netherlands and/or Eurostat by the Ministry of Finance concerning the recording of new government measures or complex transactions in GFS and EDP, and iii) mutual provision of data. It is regularly reviewed. The first agreement dates from 2004 and it has been updated several times since then.

Statistics Netherlands and the Ministry of Finance have meetings at all levels: working level (regular), heads of departments (every quarter), directors (bi-annual). At working level, two fixed meetings are organised each year. The first meeting in February discusses the recording of new policy measures and complex transactions in EDP and GFS. This results to the settlement of a note compiled by Statistics Netherlands with main recording issues in previous year. The second meeting is held in March and its objective is to inform the Ministry of Finance on preliminary results for the April notification and to verify table 2A of the EDP notification for previous year. Besides these two regular meetings, there can be various ad hoc meetings at working level between Statistics Netherlands and the Ministry of Finance, for example on recording of capital injections by the State or a new template for interest for table 2A. Statistics Netherlands is involved when the Ministry of Finance changes the accounting provisions and data information from the line ministries to the Ministry of Finance each year.

Statistics Netherlands also maintains regular contact with the Ministry of the Interior with regard to local government accounting rules and data provisions.

The Central Bank does not have a role in Dutch GFS. The co-operation between Statistics Netherlands and DNB is laid down in a co-operation agreements as well. This agreement mainly arranges the co-operation in the field of financial accounts and Balance of payment statistics. For GFS, it concerns only a few pages mainly related to GFS data transmissions to the ECB.

Statistics Netherlands has agreements with all other data suppliers.

2.3.1.2 Access to data sources based on public accounts

Public accounts data for all individual units/groups of units are delivered to Statistics Netherlands in electronic format, mainly MS Excel but also in pdf (financial reports). The main data for the State have a predefined format. Several supplementary data sources for the State may be delivered in a format that differs from one to the other year. Aggregates from these data sources can deviate from the aggregates in the official reports. For the main local government entities and educational institutions, the electronic format of the data transmissions is fixed.

Statistics Netherlands uses mainly certified data for its final estimates. The main final data for the State are from the official Budget Memorandum. Main local government data should be accompanied by a signed letter that certifies that the data are according to the reporting guidelines. The data sources for the other general government units comprise audited annual reports.

Statistical Netherlands does not have access to public accounts databases. However, the Ministry of Finance provides data from its budgeting database (IBOS) on a monthly basis. In

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addition, ministries supply very detailed extracts from their accounts databases. Furthermore, financial data of the State are disclosed as publicly available data (so-called open data)²⁰.

2.3.2 Publication of deficit and debt statistics

2.3.2.1 Publication of EDP data

Statistics Netherlands publishes the April EDP notification figures on deficit and debt on T-1 at national level by end-March when the data on the fourth quarter of T-1 are sent to Eurostat. The October EDP notification figures on deficit and debt are published at national level by end June when the revised annual data are published.

The data are disclosed in the electronic database Statline. It is accompanied by a press release on the website of Statistics Netherlands. The press release provides explanations on the changes of deficit and debt.

After verification by Eurostat in April and October, Statistics Netherlands discloses the full EDP notification tables as transmitted to Eurostat²¹. It includes the table on intervention in the financial sector but excludes the EDP questionnaire.

The Ministry of Finance sends the main EDP tables as transmitted to Eurostat by end-March to parliament. The EDP data on deficit and debt are also published in several documents by the Ministry of Finance throughout the year such as the Budget Memorandum (“Miljoenennota”) in September. The Bureau for Economic Policy (CPB) also publishes the deficit and debt data when they publish forecasts including time series.

2.3.2.2 Publication of underlying government ESA 2010 accounts

GFS data are published quarterly and annually. The quarterly data are published at T+85 days (or before if T+85 is not a working day) after the quarter concerned. The first annual data on T-1 are published by end-March (T+85 days). The deadlines are in accordance with the data transmissions to Eurostat.

Revised annual data on T-1 are published by end-June. Then, also non-financial accounts data on T-2 and financial accounts data for the full time series can be revised. Quarterly data are benchmarked to the new annual data ensuring consistency between quarterly and annual data.

GFS data are published quarterly and annually. They are published on the online database of Statistics Netherlands (*StatLine*). The main tables concern (tables marked by * concern only annual data):

- Key figures;
- Revenue, breakdown into ESA transactions and subsectors;
- Expenditure, breakdown into ESA transactions and subsectors;
- Tax revenue and social contributions, breakdown into national schemes;
- Social benefits, breakdown into national schemes*;
- Expenditure and government consumption by functions (COFOG)*;

²⁰ <http://opendata.rijksbegroting.nl/>

²¹ <http://www.cbs.nl/en-GB/menu/themas/overheid-politiek/publicaties/tekort-schuld-emu-normen/default.htm/>

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- Government production and consumption*;
- Government deficit and debt;
- Debt (face and market value) broken down into ESA instruments and creditors;
- Financial accounts and balance sheets, breakdown into ESA transactions and subsectors;
- Balance sheet of general government, breakdown into ESA instruments*.

All tables are available in both Dutch and English.

The tables present larger breakdown into transaction categories than the tables transmitted to Eurostat. In addition, extensive breakdowns for taxes, social contributions and social benefits are published in separate tables. In some tables, the subsector central government is broken down into the State and other central government, and the subsector local government is broken down into municipalities and other local government units.

In addition, annual tables on contingent liabilities are published. They are:

- Debt guarantees provided by government;
- Debt of public corporations (only if individual debt figures are larger than 0.01 per cent of GDP);
- Adjusted capital value of off-balance sheet public private partnerships (PPP);
- Non-performing loans.
- Equity in government participations.

The publication of these tables meets one of the requirements of Directive EU 2011/85, part of the Enhanced Economic Governance package ("Sixpack") adopted by the European Council in 2011.

Statistics Netherlands also publishes some tables that cannot be found in Statline. It concerns the EDP tables²² and the National Taxation List (part of ESA table 9 of the ESA transmission programme)²³.

Every quarter, Statistics Netherlands publishes a press release on GFS on its website (main page) accompanied by an electronic document ("Kwartaalmonitor") with brief articles²⁴.

²² <http://www.cbs.nl/en-GB/menu/themas/overheid-politiek/publicaties/tekort-schuld-emu-normen/default.htm>

²³ <http://www.cbs.nl/nl-NL/menu/themas/overheid-politiek/publicaties/belastingontvangsten-volgens-eu-classificaties/default.htm>

²⁴ <https://www.cbs.nl/nl-nl/economie/overheid-en-politiek/kwartaalmonitor-overheidsfinancien>

3. EDP tables and data sources

This section reports on availability and use of basic data sources for the compilation of national accounts and EDP tables, by general government subsectors and main units/groups of units. It also aims at describing adjustments to basic data source in order to compile ESA 2010 based deficit/surplus; EDP tables compilation techniques, balancing practices; link between EDP table 2 and 3.

3.1. EDP table 1

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation²⁵: net borrowing(-)/net lending(+)(B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (D.41) .

This section focuses on Maastricht debt only. A detailed description of B.9 calculation and data sources for individual subsectors is covered under section 3.2.

2.2.1 Compilation of Maastricht debt

3.1.1.1 Specification of debt instruments

The Maastricht debt instruments in the Netherlands can be specified as follows:

Currency and deposits (ESA AF.2):

- Deposits held at the State in the context of Treasury banking;
- European Commission's account with the Dutch Treasury opened and administered under the relevant provisions of Council Regulation No 609/2014 (on the methods and procedure for making available the traditional, VAT and GNI-based own resources and on the measures to meet cash requirements) and the accounts related to the European Development Fund;
- Notional claim of DNB related to euro coins issued by the State, recorded by ESA 2010 convention under deposits.

Short-term securities other than shares (ESA AF.31):

- Dutch Treasury Certificates (DTC);
- European Commercial Paper (ECP), issued in foreign currency are valued at the hedged face value. Creditors are mainly foreign investors. DTCs and ECPs are issued with a discount. There are no coupon payments.

Long-term securities other than shares (ESA AF.32):

- Dutch State Loans (DSL) issued by the State, mostly denominated in euros, occasionally in US dollars;
- Debt issued by the Dutch Antilles valued in Netherlands Antillean Guilder (ANG) which the Dutch State assumed in 2010;

²⁵ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2014:069:0101:0101:EN:PDF>

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- Bonds issued by the De Nederlandse Investeringsbank voor Ontwikkelingslanden (NIO), a non-profit institution classified within general government’;
- Bonds issued by other government units, mainly issued by EBN;
- Medium Term Notes and other bonds issued by municipalities.

The DSLs issued in foreign currency are valued at the hedged face value. The debt issued in ANG are valued at the face value using the market exchange rate (no hedge). All other bonds are valued at face value. Maturity is by definition more than one year after issuance. The creditors are mainly foreign investors and financial institutions.

Short-term loans (ESA AF.41):

- Loans Treasury banking;
- Cash collateral related to the State’s financial derivatives;
- Buy-sell-back loans;
- Short-term loans issued by the Treasury;
- Short-term loans provided by financial institutions to educational institutions, local government units and non-budgetary central government units.

Maturity is by definition within one year of issuance.

Long-term loans (ESA AF.42):

- Long-term loans provided by financial institutions to educational institutions, local government units and non-budgetary central government units;
- Incidental loans incurred by the State: loans from Fortis Bank, loans from ING for the Illiquid Asset Back-up Facility (in US dollars), and non-negotiable loans from insurance corporations and pension funds;
- Imputed loans related to public private partnerships;
- Imputed loans related to the EFSF;
- Loans taken by public water boards in the context of cross-border-leases denominated in US dollars.

Maturity is by definition longer than one year after issuance.

Long-term trade credits (at inception) are not very relevant in the Netherlands. Only long-term trade credits related to military acquisitions (advance payments, i.e. assets) occur. If observed, they are recorded as long term-loans. Deposits with capitalised interest and capitalised interest bonds have not been observed by Statistics Netherlands.

3.1.1.2 Data sources used for the compilation of Maastricht debt

Statistics Netherlands used the following data sources for its estimates of Maastricht debt:

Central government:

- Monthly reports on the State’s debt from the Dutch State Treasury Agency;
- Quarterly stock data on financial transactions of the State translated into ESA 2010 codes by the Ministry of Finance;
- Quarterly overview on debt from the former Dutch Antilles assumed by the State;
- Quarterly overview on Treasury banking;
- Annual reports of ministries;
- Annual reports of state agencies;
- EFSF data from Eurostat;

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- Annual reports of universities from the state agency Dienst Uitvoering Onderwijs (DUO);
- Annual reports on other non-profit institutions controlled by central government.

Local government:

- Iv3 questionnaires (translated as ‘information for 3rd parties’) covering non-financial transactions, financial transactions and balance sheets of municipalities, local intergovernmental organisations, provinces and public water boards, available on a quarterly and an annual basis;
- Treasury banking data from the Ministry of Finance;
- Data on local government bonds from the Central Bank;
- Annual reports of educational institutions from the state agency Dienst Uitvoering Onderwijs (DUO);
- Annual reports on other non-profit institutions controlled by local government.

Social security funds:

- Annual reports of social security funds;
- Treasury banking data from the Ministry of Finance.

3.1.1.3 Amendments to basic data sources

Statistics Netherlands may adjust basic source data when debt denominated in foreign currency is swapped against the euro (MGDD 8.3.2). This is relevant for debt issued by EBN, which reports its debt at prevailing currency exchange rates.

3.1.1.4 Consolidation of Maastricht debt

The largest government debt held by other government sectors concerns deposits and loans in the framework of Treasury banking. Detailed data from the Treasury broken down into subsectors and groups of subsectors allow the elimination of intragovernmental debt (= consolidation). To this aim, Statistics Netherlands provides the sector classification of all entities participating in Treasury banking to the Treasury on an annual basis. Due to the confidentiality of individual banking data, Statistics Netherlands has only access to the individual stocks on an incidental basis (once in five years)

Elimination of incidental other intergovernmental loans involving the State can be achieved by detailed data on the State accounts. Consolidation of debt securities by the State held by other government subsectors, mostly provinces, are based on data in annual reports of the government units holding the assets.

Consolidation of debt between local government units is based on data in the Iv3-questionnaire, which has an item on loans provided to other local government entities. Furthermore, annual reports of NPIs and universities are used to eliminate intergovernmental debt.

Note that Statistics Netherlands does not adjust the non-consolidated amounts due to consolidation issues in the compilation process. If amounts between debtor and creditor

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government units/sectors do not match, the difference is attributed to wrong classification of the counterparty sectors in the source data.

3.2. Central Government sub-sector, EDP table 2A and 3B

Information provided in this section refers to data sources available for the Central Government (S.1311), indicates what sources are used for compilation of non-financial and financial accounts and EDP tables for S.1311, and explains the adjustments made in order to comply with ESA 2010.

3.2.1 Data sources for main Central Government unit : “The State”

This section describes data sources available and used for compilation of national accounts and EDP tables for the main Central Government unit:

- Basic data sources
- Complementary data sources used for the purpose of special ESA 2010 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

The main central government unit, as reported in the working balance of EDP T2A, refers to all ministries and budget funds, excluding state agencies and artificial subsidiaries.

Table 2 – Availability and use of basic source data for the main central government unit

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	M	T+20	T+5	(3) Current and capital revenue and expenditure and financial transactions		X	X
C	A	T+45	T+5	(4) Balance Sheets			X
				Financial Statements			
A	A	T+45	T+5	(5) Profit and loss accounts		X	X
A	A	T+45	T+5	(6) Balance sheets		X	X
A	A	T+45	T+5	(7) Cash flow statement		X	X
				Other Reporting			
				(8) Statistical surveys			
C	M/Q/A	T+45	T+4	(9a) Other: Detailed data ministries		X	X

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C	Q		T+2	(9b) Other: Overview financial transactions Ministry of Finance			X
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Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2): M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

3.2.1.1 Details of the basic data sources

Data sources used for compilation of national accounts

The main data source used for the April T+1 EDP notification is budget execution data (IBOS) from the Ministry of Finance provided to Statistics Netherlands on a monthly basis (see table 2 item 3). It concerns cash revenue and cash expenditure, including financial transactions, of ministries and budget funds by budget item. The ministries provide these data to the Ministry of Finance. Interest payable (and receivable) related to financing is reported on an accrual basis. In general, a budget item is heterogeneous in terms of ESA 2010 transaction categories. Only by exception a budget item corresponds to one single transaction category (for instance interest payable on State debt). To describe the ESA 2010 transactions of the State, a breakdown of each budget item is necessary. On an annual basis, additional information is available to establish this breakdown. The breakdown for the latest year examined is used as a key for the estimates of monthly, quarterly and the first annual estimate in April T+1.

The monthly cash information reported by the Ministry of Finance does not cover all revenue and expenditure of the Dutch State. The state agencies are not included. They are more or less independent bodies with a specific operational task. For example, one agency (*Rijksvastgoedbedrijf*) is responsible for managing real estate owned and used by government. Agencies have their own bookkeeping applying accrual accounting. State agencies make up a small part (about 5 per cent) of total expenditure and revenue of the State. Statistics Netherlands has also classified a few artificial subsidiaries in the subsector the State. No data for state agencies and artificial subsidiaries are collected on a quarterly basis. Estimates are based on budgets and extrapolations.

Most ministries also provide comprehensive quarterly ledger data (see table 2 item 9a), which are used by Statistics Netherlands to refine the estimates for these ministries.

Provisional annual reports of ministries, budget funds and state agencies (see table 2 items 3-7) become available to Statistics Netherlands in February and March T+1, which are used in the estimates on T+1 in the April T+1 notification, though extensive analysis can only be done for the October T+1 EDP notification.

The Ministry of Finance provides separately quarterly overviews of financial transactions and related stocks (see table 2 item 9b). These data are the primary source for financial accounts and the resulting net lending/ net borrowing (B.9f).

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The main data sources used for the October T+1 EDP notification are the annual accounts of ministries, budget funds, state agencies and artificial subsidiaries (see table 2 items 3-7). In addition, the ministries provide detailed ledger data on transactions (see table 2 item 9a), including counterparties and descriptions of the transactions.

After the October T+1 EDP notification, only supplementary data are used to refine the cash-accrual adjustments, e.g. related to natural gas revenues and VAT.

Working balance (WB)

The working balance in EDP table 2A is the cash balance to be financed (In Dutch: *Feitelijk tekort / Financieringstekort*). It is published in the Budget Memorandum in September each year and in the annual Financial Report in May each year.

By definition, it should equal the cash balance as determined by the Treasury. This balance can be calculated on the basis of the financial instruments used by the Treasury as follows:

I a	Issuance long-term debt (face value)
I b	Premiums / discounts at issuance
II a	Redemption long-term debt (cash)
II b	Correction repurchase debt
III	Changes T-bills (face)
IV	Changes EPCs (face)
V	Changes Buy and Sell-back transactions
VI	Changes deposits borrowing and lending
VII	Changes cash collaterals
VIII	Unallocated
IX	Changes cash
X	Cash balance from financing (IX+X)

Obviously, the cash balance equals:

- all cash inflows and cash outflows of ministries and budget funds recorded in the budgetary accounts, excluding those from the Treasury involving financing (proceeds from the issuance of debt and repayments of debt);
- all cash inflows and cash outflows of the ministries and budget funds recorded in the extra-budgetary accounts.

The link between budgetary revenue and expenditure and the cash balance is as follows:

I	Budgetary revenues
II	Budgetary expenditures (interest on accrual basis)
III	Balance (I-II)
IV a	Financing issuance long-term debt (-/-)
IV b	Financing issuance short-term debt (-/-)
IV c	Redemption long-term debt
IV d	Redemption short-term debt

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IV e	Correction repurchase debt
IV f	Excluding Fortis loan
IV	Balance excluding financing (=III+IVa+IVb+IVc+IVd+IVe+IVf)
V a	Second party accounts
V b	Adjustment accrual interest debt and Treasury banking (incl. swaps)
V c	Changes EU accounts
V d	Changes reserves
V e	Foreign bank accounts
V f	Balance budget funds
VI	Cash balance to be financed

The working balance does not include cash transactions of State agencies with third parties. Only the cash transactions with the ministries are included. However, note that state agencies can only borrow from ministries and do have an account with the Treasury. This means that their cash balance is nil.

Statistics Netherlands does not use the working balance as starting point for the calculation of net lending/ net borrowing. Instead, it uses the budgetary revenues and expenditure (the upper lines in the derivation of the cash balance to be financed, i.e. I and II, see above) as starting point to calculate net lending/ net borrowing. Note that the other items in the derivation of the cash balance are financial transactions or an adjustment to go from accrual to cash data.

The ministries provide very detailed data which enables bridging the data to ESA 2010 classification and identifying non-financial versus financial flows. However, consolidation of flows between ministries and between ministries on the one hand and State agencies on the other hand is difficult. An important check by Statistics Netherlands is that the consolidation amounts for revenue and expenditure are the same, thus not affecting government balance.

3.2.1.2 Statistical surveys used as a basic data source

No statistical surveys are used as a basic source data for nonfinancial accounts and for financial accounts compilation of central government.

The GFS department collects quarterly data for the ten largest State agencies for the purpose of compiling quarterly government accounts. Due to data quality problems, these data cannot be used as basic data source for State agencies.

3.2.1.3 Supplementary data sources and analytical information

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA 2010 requirements, supplementary data could be used for e.g. for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

3.2.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

Statistics Netherlands uses the following supplementary data:

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- Tax data provided by the Authority on a monthly basis with an overview of the cash receipts of each tax levied by the Tax Authority, which is used for time of recording adjustments to taxes (ESA D.2, D.5, D.91, F.89);
- Data on accrual adjustments to interest (coupon, discounts/premiums, amortisations of discounts/premiums, and so on) provided by the Ministry of Finance broken down into financial instruments;
- Accrual data on natural gas revenues provided by the Ministry of Economic Affairs (ESA D.45/AF.89 assets);
- Data on advance payments related to purchase and sale of military equipment from the Ministry of Defence (ESA P.51g/AF.42 assets);
- Data on stocks of military goods (ammunition) from the Ministry of Defence (ESA P.52, P.2);
- Financial reports of State owned enterprises to perform the super-dividend test (ESA D.41/F.51);
- Financial reports of foreign direct investments (Urenco Ltd. and Air France / KLM) to calculate reinvested earnings (ESA D.43/F.51);
- Data from Eurostat on the European Financial Stability Facility (ESA P.2, D.41, F.42, F.51)
- Counterpart data from other government units (ESA D.73, D.92);
- National accounts data on:
 - Compensation of employees based on Tax Authority data and additional estimates (ESA D.1);
 - Own account production based on estimates (ESA P.12, P.51g);
 - Consumption of fixed capital (ESA P.51c);
 - FISIM (ESA D.41/P/2).

Note that the National accounts data do not impact net lending/net borrowing.

3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

Statistics Netherlands uses the following supplementary data:

- Data on Treasury banking broken down into instruments and counterparties (aggregated to groups);
- Data on accounts of the European Commission at the Treasury related to GNI own resources and the European Development Fund (F.2 liabilities);
- Data on second-party accounts for all ministries (F.89);
- Tax Authority provided on a monthly basis with an overview of the cash receipts of each tax levied by the Tax Authority, which is used for time of recording adjustments to taxes (ESA D.2, D.5, D.91, F.89);
- Accrual data on natural gas revenues provided by the Ministry of Economic Affairs (ESA D.45/F.89 assets);
- Data on advance payments related to purchase and sale of military equipment from the Ministry of Defence (ESA P.51g/F.42 assets);
- Financial reports of State owned enterprises to perform the super-dividend test (ESA D.41/F.51) and to calculate the stock of equity (ESA F.51);
- Financial reports of foreign direct investments (Urenco Ltd. and Air France / KLM) to calculate reinvested earnings (ESA D.43/F.51);
- Data from Eurostat on the European Financial Stability Facility (ESA P.2, D.41, F.42, F.51) ;

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- Data on derivatives used by the Treasury (F.71);
- Data on derivatives used by the Ministry of Defence (F.71).

3.2.1.4 Extra-budgetary accounts (EBA)

Usually, not all flows of a non-financial nature are recorded in the so called budgetary accounts which enter the WB, as reported in the first line of EDP table 2. Some funds could be put aside as reserves, special purpose funds and are booked in so called “extra-budgetary accounts” - EBA. In some cases, according to national legislation, transactions which are not scrutinised by budgetary rules can be booked in EBA and not in ordinary budgetary accounts. It is very important that all non-financial flows of the main entity, including those entering EBA, are appropriately incorporated into calculations of deficit.

Extra-budgetary accounts are included in the working balance of the State.

They are also so-called second party accounts (in Dutch: “tweederekeningen”) which means that they regard payables/receivables that the State pays/receives on behalf of other entities. Thus, they cannot be considered as State’s expenditure and revenue. The legal basis of the recording of extra-budgetary revenue of expenditure is article 2.7 of the Government Accounts Act. For instance, EU agricultural subsidies that the State receives from the European Union only to further distribute to the final beneficiaries, farmers in the Netherlands. At the end of the year, not all subsidies received from the EU have been transferred to the final beneficiaries. Hence, the State records them as extrabudgetary payables. This is in accordance with the MGDD section 2.6 to record them as other accounts payable. Second party accounts may also contain fines and penalties already received but pending appeal and court decisions.

Extra-budgetary accounts are recognised in the State’s quasi-balance sheets (“saldibalansen”)²⁶.

Non-financial flows recorded in EBA

Not relevant in the Netherlands as the extra-budgetary accounts included in the working balance do only include financial transactions (see text above).

Financial flows recorded in EBA

As described above, the extra-budgetary accounts (included in the working balance) concern financial transactions with the characteristics of other accounts receivable and payable (see text above). The corresponding amounts are eliminated from the working balance through the adjustment line “Other financial transactions (+/-)”, item “Second party accounts (F.8)”. In future, Statistics Netherlands will report the adjustments in the lines “Other accounts receivable (+)” and “Other accounts payable (-)” pending full reconciliation with data from the Ministry of Finance.

3.2.2 Data sources for other Central Government units

²⁶ <https://rbv.rijksfinancien.nl/modellen/2020/verantwoording/3.31>

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This section describes data sources available and used for compilation of national accounts and EDP tables for other Central Government units (those not reported in the working balance in EDP T2A).

Table 3 – Availability and use of basic source data for other central government units:

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+months</i>			
				Budget Reporting		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
				(3) Current and capital revenue and expenditure and financial transactions		
				(4) Balance sheets		
				Financial Statements		
A	A		T + 3 .. 9	(5) Profit and loss accounts	X	X
A	A		T + 3 .. 9	(6) Balance sheets	X	X
A	A		T + 3 .. 9	(7) Cash flow statement	X	X
				Other Reporting		
A	Q	T+20		(8) Statistical surveys	X	X
				(9) Other:		

See notes to table 2, on the used abbreviations.

3.2.2.1 Details of the basic data sources

Universities only report financial data through annual financial reports. Statistics Netherlands does not collect infra-annual or provisional annual data for these entities.

Therefore, the annual estimates for the April T+1, October T+1 and April T+2 EDP notification is based on indirect data sources. For example, universities and schools are mainly financed by the Dutch State. Information on State contributions is available from the Ministry of Finance (on a cash basis). In addition, information on compensation of employees is available from labour accounts compiled by the national accounts department, which are mainly based on wage tax data from the Tax Authority. However, no provisional direct data on intermediate consumption and gross fixed capital formation (which both make up a large part of the expenditures) is available. Estimations on these variables are based on extrapolations and expert's guesses.

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The basic data source for the final estimate, implemented in the October T+2 EDP notification, is the financial data in the financial reports. Universities report them in a standardised way to the Ministry of Education, Culture and Science (through state agency DUO). The data are also available to the general public as open data²⁷. After processing and checking the data, the Ministry provides these data to Statistics Netherlands (table 3 items 5-7) in September / October T+1. Due to the revision policy of Dutch national accounts, these data are incorporated in the October T+2 EDP notification rather than the April T+2 EDP notification.

The main basis data source for Other non-profit institutions (part of central government, S.1311) are annual financial reports (table 3 items 5-7). This group is very heterogeneous and contains many institutions. The availability of these reports to Statistics Netherlands depends on the entities in question. Usually, the first reports are available in March. This means that the data from the annual reports are partially implemented in the October T+1 EDP notification and fully for the October T+2 EDP notification. Due to resource limitations, Statistics Netherlands analyses only the largest institutions each year, whereas smaller entities are analysed once in five years.

Given the merit and cost ratio, efforts of Statistics Netherlands have not concentrated on non-profit institutions in the past. However, data collection for the largest units based on a survey has taken place since the first quarter of 2019 (table 3 item 8). These data are (partially) incorporated in the first provisional estimates. Further analysis of the data is needed by Statistics Netherlands to fully incorporate them in the estimates.

If the financial report of an entity is not available (first annual estimates) or not analysed (small entities) and no reliable data from the quarterly survey can be used, the estimates are based on extrapolations of data in the last analysed financial report and on indirect data sources (similar to the provisional estimates for universities described above). For some units such as the national police, also budgets are available for producing provisional estimates.

3.2.2.2 Statistical surveys used as a basic data source

Data collection for the largest non-profit institutions (local and central government) based on a survey has taken place since the first quarter of 2019 (table 3 item 8). These data are (partially) incorporated in the first provisional estimates. Further analysis of the data is needed by Statistics Netherlands to fully incorporate them in the estimates. Currently, about thirty entities, of which only a few concern local government non-profit institutions, are included in the survey based on size total expenses and size of the balance sheet.

Statistical surveys by other departments of Statistics Netherlands may be used as supplementary data for extra-budgetary central government units.

3.2.2.3 Supplementary data sources and analytical information

This section describes supplementary data sources which are used to amend basic data sources while compiling national accounts. In order to meet ESA 2010 requirements, supplementary data could be used for, e.g., accrual adjustments, reclassification of specific transactions,

²⁷ https://www.duo.nl/open_onderwijsdata/publicaties/financien/xbrl.jsp

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consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

3.2.2.3.1 Supplementary data sources used for the compilation of non-financial accounts

Statistics Netherlands uses the following supplementary data:

- Counterpart data from other government units (ESA D.73, D.92);
- National accounts data on:
 - Compensation of employees based on Tax Authority data and additional estimates (ESA D.1);
 - Own account production based on estimates (ESA P.12, P.51g);
 - Consumption of fixed capital (ESA P.51c);
 - FISIM (ESA D.41/P/2)

Note that the National accounts data do not impact net lending/net borrowing.

3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts

Statistics Netherlands uses the following supplementary data:

- Data on Treasury banking broken down into instruments and counterparties (aggregated to groups).

3.2.3 EDP table 2A

This section provides detailed information on individual lines reported in EDP T2A.

3.2.3.1 Working balance - use for the compilation of national accounts

The Ministry of Finance provides the figure for the working balance to Statistics Netherlands, including a breakdown into financing instruments (“method 1”) and a breakdown into items that need to be financed (“method 2”); refer to section 3.2.1.1. The latter includes the total of revenues and the total of expenditures of ministries. The source data for non-financial accounts and the resulting net lending/ net borrowing for Statistics Netherlands are the budgetary accounts of all ministries of which the totals correspond with one of the aggregates in the breakdown of the working balance method 2.

Note that the figure for the working balance as calculated according to method 1 differs from the working balance as calculated according to method 2. The differences last years are not higher than 30 million euros. The figure from method 1 is considered the correct figure.

3.2.3.2 Legal basis of the working balance

The working balance is published in the Financial Annual Report of the Ministry of Finance published in May and in the Budget Memorandum (“Miljoenennota”) published in September.

The working balance in EDP table 2A has no legal basis. It is also not subject to voting in Parliament, but underlying items do. The underlying items such as the budgetary and the extra-budgetary accounts are audited by the State’s accountant service (“Rijksaccountantsdienst”, part of the Ministry of Finance) and by the Court of Auditors (“Algemene Rekenkamer”). Auditing takes place between January and May after the reporting year. The report by the Court of Auditors is published at the same day when the financial reports of the ministries and the State are published (third Wednesday in May). The audit

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reports can be found on the website of the Court of Auditors²⁸. The results from the auditing do usually not impact net lending/ net borrowing in non-financial accounts (ESA B.9) or in financial accounts (ESA B.9f).

3.2.3.3 Coverage of units in the working balance

Two adjustment lines due to sector delimitation appear in EDP T2. The purpose of the first adjustment is to exclude flows relating to units which do not belong to the government sector (or to the particular subsector) according to ESA 2010 definition. The second adjustment refers to B.9 of other units which are classified within the particular government subsector, but related inflows/outflows are not included in the working balance.

3.2.3.3.1 Units to be classified outside the subsector, but reported in the WB

There are no units reported in the working balance that do not belong to the central government subsector as defined by ESA 2010.

3.2.3.3.2 Units to be classified inside the subsector, but not reported in the WB

The line “Net lending (+)/ net borrowing (-) of other central government bodies” includes the balance of universities and other non-profit institutions and organisations belonging to central government. The reported figures are in accordance with the definitions of ESA 2010 i.e. on an accrual basis and including impacts of ESA 2010 rules on debt cancellations, debt assumptions, EU flows, dividends, capital injections, etc. For most of the units, underlying ESA 2010 accounts are compiled on an individual basis.

3.2.3.4 Accounting basis of the working balance

The working balance for the State is purely on a cash basis.

3.2.3.4.1 Accrual adjustment relating to interest D.41, as reported in EDP T2

The accounting basis used for recording of interest expenditure and revenue in the working balance is cash. All interest expenditure of the ministries are recorded in the working balance. Payments of discounts and receipts from premiums related to bonds are included in the working balance.

The line “Accrual adjustment relating to interest D.41” includes all the accrual adjustments related to the financing instruments (aside from debt instruments it also concerns selected assets) of the Dutch State Treasury Agency and to Treasury banking (cash pooling for other public institutions like social security funds and municipalities).

Aside from the interest amounts described above, Statistics Netherlands only makes accrual adjustments to interest on student loans based on data provided by DUO (agency of the Ministry of Education). They are included under the line “Loans, granted”.

It should be noted that the interest related to financing and Treasury banking is on accrual basis in the State’s budget. The Ministry of Finance calculates the accrual adjustments mainly based on ESA 2010 guidelines. The accrual adjustments by the Ministry of Finance are included in the line “Accrual adjustment relating to interest D.41”. Small discrepancies between ESA 2010 guidelines and the implementation by the Ministry of Finance concern

²⁸ <https://www.rekenkamer.nl/onderwerpen/verantwoordingsonderzoek>

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accrual interest on hedged debt in foreign currencies; the Ministry calculates interest after hedging, whereas ESA 2010 prescribes to calculate accrued interest before hedging.

3.2.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2

Statistics Netherlands makes a limited number of accrual adjustments to the cash working balance.

Regarding receivables, it concerns:

- Adjustments to cash based taxes (ESA codes D.2 and D.5), see section 6.1 of this inventory;
- Adjustments to VAT- and GNI-based third and fourth EU own resources (ESA D.76), see section 6.2;
- Adjustments to acquisitions and sales of military equipment (ESA P.51), see section 6.3;
- Adjustment to social assistance benefits (ESA D.623, D.632), which are mainly paid in advance one month before the month they refer to;
- Adjustments to current and capital transfers to/from other general government units (ESA D.73, D.92, D.99), using accrual data from other governments units with regards to earmarked grants ;
- Adjustment to prepayment public transport students;
- Other adjustments if relevant.

Regarding payables, it concerns:

- Adjustments to proceeds of emission permits allowances, see section 7.12;
- Adjustments to proceeds radio/television/mobile phone frequencies, see section 7.9;
- Adjustments to current and capital transfers to/from other general government units
- Other adjustments if relevant.

The adjustments above are recorded in the financial accounts (and thus EDP table 3D) as other accounts receivable/payable. As a consequence, EDP tables 2A and 3D are fully consistent.

3.2.3.4.3 Other accrual adjustments in EDP T2A

There are no other accrual adjustments in EDP table 2A.

3.2.3.6 Completeness of non-financial flows covered in the working balance

Non-financial transactions not included in the working balance comprise non-financial transactions of government entities classified as part of the State, but not included in the working balance. It regards state agencies and entities not considered institutional units such as Energie Beheer Nederland and the Deposit Guarantee Fund.

For transparency reasons, Statistics Netherlands presents the net impact of PPPs of state agencies (imputed gross fixed capital formation and interest minus cash flows), currently only state agency *Rijksvastgoedbedrijf* (RVB), and the revenue from the national resolution fund and deposit guarantee fund levies as separate item in EDP table 2A. Consequently, the amounts on PPPs and levies are deducted from non-financial transactions state agencies and other entities within the State” in EDP table 2A.

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Thus, the breakdown disclosed in EDP table 2A is:

- Non-financial transactions state agencies and other entities within the State (excluding the amounts in the items below);
- PPPs state agencies on balance agencies (RVB);
- Levy national resolution fund and DGF.

3.2.3.6 *Financial transactions included in the working balance*

The working balance includes all financial transactions in the budget of ministries except financing. Financing items in the budget are the transactions recorded under National Debt (part 9A of the budget), such as debts securities (bonds, T-bills, European Commercial Paper), collaterals related to derivatives and some loans (buy and sell-back transactions).

As a consequence, most financial transactions are included in the working balance, for instance:

- Acquisition and sales of equity and shares;
- Loans, of which the largest amounts are student loans;
- Deposits held at the State by government units (Treasury banking);
- Settlement of derivative contracts.

The ministries are usually not engaged in many financial transactions. Statistics Netherlands uses explanatory notes in the budget reports and financial reports by ministries and so-called quasi-balance sheets to identify financial transactions. Furthermore, each year Statistics Netherlands and the Ministry of Finance share information on financial transactions in the budget.

3.2.3.8 *Other adjustments reported in EDP T2*

The other adjustments in EDP table 2A are:

- Adjustments due to bank accounts embassies;
- Discrepancy in the working balance;
- Financial flows between entities within the State;
- Other.

The line “Adjustments due to bank accounts embassies” refers to one of the lines in the breakdown of the working balance provided by the Ministry of Finance. This line seems to concern deposits held by Dutch embassies abroad (ESA F.2 with counterpart rest of the world). However, these deposits have not yet been recorded in financial accounts pending further analysis by Statistics Netherlands. If it can be confirmed that it concerns deposits, the financial accounts of central government need to be adjusted, and this adjustment line will move to the line “Other financial transaction (+/-)” in EDP table 2A. The amounts are small.

The line “Discrepancy in the working balance” refers to the difference between the cash balance of the Treasury’s financing (method 1) and the cash balance of revenue and expenditure financed by the Treasury (method 2). The amounts are usually small.

The line “Financial flows between entities within the State” concerns financial flows, which are however not considered transactions in ESA 2010 because transactions within the same

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institutional unit should be eliminated. It essentially concerns deposits of state agencies at the Treasury and loans provided by Treasury to state agencies. Aside from state agencies, it may also regard extra-budgetary entities such as the Deposit Guarantee Fund, which has to deposit its funds at the Treasury. The amounts may be about a few hundred million euros or more in exceptional cases.

The line “Other” is the residual item to reconcile the working balance with net lending/ net borrowing. Last years it concerns small amounts related to rounding off.

3.2.3.8 Net lending/net borrowing of central government

Statistics Netherlands does not calculate net lending/ net borrowing of central government on the basis of EDP table 2A. However, the basic data sources are the same, only the starting point is different. Statistics Netherlands starts with the balance of budgetary revenue and expenditure, see section 3.2.1.1. The difference between the working balance and the balance of budgetary revenue and expenditure (excluding financing) comprises the following adjustment lines:

- Adjustment accrual interest debt and Treasury banking (incl. swaps);
- Changes EU accounts;
- Changes reserves;
- Foreign bank accounts;
- Balance budget funds.

Since budgetary revenue and expenditure excluding financing are the main part of the cash balance to be financed and the remaining adjustments items are all financial transactions, net lending/ net borrowing should yield the same result, irrespective of the starting point (working balance versus balance budgetary revenue and expenditure).

Budgetary revenue and expenditure are audited and published. Note that the working balance is not audited, but only the underlying financial flows, of which budgetary revenue and expenditure.

Contrary to Statistics Netherlands, the Ministry of Finance calculates net lending/ net borrowing on the basis of the working balance.

3.2.4 EDP table 3B

3.2.4.1 Transactions in financial assets and liabilities

Table 4. Data used for compilation of transactions and of stocks of financial assets and liabilities

Source Data	Assets							Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	Calculation of transactions													
Transaction data (integrated in public accounts)	X	X	X	X		X	X	X	X	X	X		X	X
Other														

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transaction data														
Stock data														
	Calculation of stocks													
Transaction data	X	X	X	X		X	X	X	X	X	X		X	X
Stock data	X	X	X	X		X	X	X	X	X	X		X	X

Table 3B is completed using financial accounts data for the general government sector in GFS.

The main data sources for financial accounts of central government are:

- Quarterly stock data on financial transactions of the State translated into ESA 2010 codes by the Ministry of Finance;
- Monthly reports on the State's debt from the Dutch State Treasury Agency;
- Quarterly overview on debt from the former Dutch Antilles assumed by the State;
- Quarterly overview on Treasury banking;
- Annual reports of ministries and budget funds;
- Annual reports of state agencies and artificial subsidiaries (EBN);
- EFSF data from Eurostat;
- Annual reports of universities from the state agency Dienst Uitvoering Onderwijs (DUO);
- Annual reports on other non-profit institutions controlled by central government.

3.2.4.2 Other stock-flow adjustments

The Ministry of Finance provides data on discounts/premiums and the differences between interest accrued and paid for the State. This enables to complete the lines "Issuance above/below nominal value", "Difference between interest accrued and paid" and "Redemptions/repurchase of debt above/below nominal value" in EDP table 3B. Since other general government units hold government securities, Statistics Netherlands estimates the amounts that need to be eliminated in these lines due to consolidation. In addition, the line "Difference between interest accrued and paid" also includes estimates for other central government units. Since the accounts of these units include interest accrued not yet paid in other accounts payable, the estimated amount is merely a shift from the line "Net incurrence (-) of other accounts payable (F.8)" to "Difference between interest accrued and paid".

The line "Appreciation/depreciation of foreign currency debt is generally not relevant as debt denominated in foreign currency is usually hedged by currency swaps. However, there are some exceptions. Debt of the former Dutch Antilles was assumed by the Dutch State in 2010. No hedging took place so that changes in currency rates impacting outstanding debt is reflected in this line.

Changes in sector classifications do not occur frequently. A large amount appears in the line "Changes in sector classifications" for 2016 related to the sale of Propertize, resulting in reclassification of the unit outside general government.

The line "Other volume changes in financial liabilities" is not relevant.

3.2.4.3 Balancing of non-financial and financial accounts, transactions in F.8

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This section aims at describing of techniques and methods for balancing non-financial and financial accounts applied generally for the **whole general government sector**.

Allocation of discrepancy B.9 vs B.9f

Any observed difference in net lending/ net borrowing from non-financial accounts (B.9) and financial accounts (B.9f) at the level of source data should be solved at the level of individual units. If the discrepancy cannot be solved at the level of individual source data, the statistical discrepancy is not adjusted.

Changes to intermediate data

Counterpart data from non-government sectors are not used for the aggregates of non-financial and financial transactions in GFS. They only impact the breakdown into counterpart subsectors of certain transactions such as current and capital transfers. Therefore, no statistical discrepancies appear due to the use of counterpart data.

Accrual counterpart data from other government sectors are used for current and capital transfers of the State since the State records them on cash basis. Differences in the amounts between the data sources are ascribed to time of recording and therefore allocated in the financial accounts as other accounts receivable (ESA F.89). Statistics Netherlands assumes that the differences mainly relate to advance payments by the State to other government units.

Complementary elements on stocks

Counter entries in other accounts payable/receivable, if relevant, related to solving discrepancies between non-financial and financial accounts do also lead to adjustments to stocks.

Accruals

The observed discrepancies are not related to time of recording problems.

Ex-post monitoring

Statistical discrepancies are continuously monitored during the statistical compilation process and the balancing process. Statistics Netherlands does not apply a specific threshold to launch an enquiry, but statistical discrepancies should be far below 0.1 per cent of GDP after the compilation process. Balancing in the framework of national accounts may not lead to increase of statistical discrepancies.

3.3. State government sub-sector, EDP table 2B and 3C

This section is not relevant for the Netherlands as there is no State government.

3.4. Local government sub-sector, EDP table 2C and 3D

3.4.1 Data sources for Local Government main unit:

Municipalities, local intergovernmental organisations, provinces and public water boards

Table 5. Availability and use of basic source data for main local government units

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Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
A	A	-	T+6/7	(5) Profit and loss accounts	X	X	X
A	A	-	T+6/7	(6) Balance sheets	X	X	X
				(7) Cash flow statement			
				Other Reporting			
A	Q/A	T+60	T+6/7	(8) Statistical surveys	X	X	X
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

3.4.1.1 Details of the basic data sources

The main units for local government (S.1313) are municipalities, local intergovernmental organisations, provinces and public water boards. In close cooperation with the Ministry of Interior Affairs, legislation has been made requiring municipalities, local intergovernmental organisations and provinces to report data on ESA 2010 based classifications on a quarterly and annual basis as of reporting year 2004. Statistics Netherlands entered into an agreement with the Union of Water Boards (in Dutch: *Unie van Waterschappen*, abbr. UvW) for the quarterly and annual data on public water boards, In 2009 this agreement was replaced by a new regulation ("Regeling Beleidsvoorbereiding en -verantwoording Waterschappen" by the State Secretary of Transport and Infrastructure) which provides for data deliveries to Statistics Netherlands and carries penalties in accordance to the Public Water Board Law (Art. 98a).

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The financial information on municipalities, local intergovernmental organisations and provinces is presented in a matrix-format (the Iv3-matrix). In relation to the flows, two matrices are used. In the matrices, a classification is presented of functions/tasks (current revenue and expenditure) and changes of balance sheet items (capital and financial revenue and expenditure) crossed with economic categories. The economic categories (about thirty for revenue expenditure) and are classified mainly according to ESA 2010, though the information on transactions is not very detailed. Counterpart information concerning other government sectors has been extended from 2017 onwards. The templates with instructions are available on the website of Statistics Netherlands²⁹.

The main local government units provide the Iv3 data on a quarterly basis (deadline one month after the end of a quarter) and on an annual basis (deadline 15 July after the end of the year concerned), refer to line 8 in table 5 above. They also provide budget data in the same manner, through the Iv3 questionnaire. The data template for quarterly and annual data is the same. However, only the financial balance sheet has to be reported quarterly, whereas a full balance sheet has to be reported on an annual basis. Furthermore, the coverage is different for municipalities. All municipalities have to submit completed Iv3 questionnaires to Statistics Netherlands for the annual data, but the quarterly Iv3 questionnaire have to be completed only by municipalities with more than twenty thousand inhabitants. All provinces and public water boards must report to Statistics Netherlands.

Although the classification is according to ESA 2010, the accrual based accounting rules slightly differ from ESA 2010. They also leave room for interpretation, sometimes leading to ESA 2010 heterogenous aggregates.

In addition to the questionnaires, Statistics Netherlands uses data in the annual accounts of main local government units (lines 5 and 6 in table 5). This enables Statistics Netherlands to check the data quality and edit the data if needed. Statistics Netherlands also discloses raw Iv3 data³⁰.

3.4.1.2 Statistical surveys used as a basic data source

The statistical surveys used a basic data source are the Iv3 questionnaires. More information is provided above.

The quarterly cut-off sample of municipalities makes up about 80 percent of total revenue and expenditure of municipalities. The sample of local intergovernmental institutions is based on the size of expenditure and the size of the balance sheet. About 100 out of the more than 300 units are included in the sample, covering more than 80 per cent of expenses and the balance sheet. The response rate is usually very high, more than 90 per cent.

The estimating of non-reporting entities is done separately for each subsector of local government, further stratified to number of inhabitants (municipalities) or activity (local intergovernmental organisations).

3.4.1.3 Supplementary data sources and analytical information

²⁹ <https://www.cbs.nl/kredo>

³⁰ <https://www.cbs.nl/nl-nl/onze-diensten/open-data/iv3>

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3.4.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

Statistics Netherlands uses the following supplementary data:

- Financial reports of largest public corporations to perform the super-dividend test (ESA D.41/F.51);
- Data from the Dutch Central Bank on shares in investment funds (ESA D.44, F.52);
- Annual reports landfill funds controlled by provinces (several ESA transactions);
- Counterpart data from other government units (ESA D.73, D.92);
- Data on the VAT compensation fund to gross the amounts for intermediate consumption and gross fixed capital formation, which are included net of compensated VAT in main local government accounts (ESA D.73, D.92, P.2, P.51);
- National accounts data on:
 - Compensation of employees based on Tax Authority data and additional estimates (ESA D.1);
 - Own account production based on estimates (ESA P.12, P.51g);
 - Consumption of fixed capital (ESA P.51c);
 - FISIM (ESA D.41/P/2).

Note that the National accounts data do not impact net lending/net borrowing.

Note that Statistics Netherlands also uses the annual accounts of main local government units (lines 5 and 6 in table 5) as supplementary data sources. This enables Statistics Netherlands to check the data quality and edit the data if needed. Especially, the explanatory notes to the annual reports may be useful.

3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts

Statistics Netherlands uses the following supplementary data:

- Financial reports of largest public corporations to perform the super-dividend test (ESA D.41/F.51);
- Data from the Dutch Central Bank on shares in investment funds (ESA D.44, F.52);
- Annual reports landfill funds controlled by provinces (several ESA transactions);
- Data on Treasury banking broken down into instruments and counterparties (aggregated to groups).

3.4.2 Data sources for other Local Government units

Table 6 – Availability and use of basic source data for other local government unit

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and			

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				expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
A	Y	-	T+7	(5) Profit and loss accounts	X	X	X
A	Y	-	T+7	(6) Balance sheets	X	X	X
		-		(7) Cash flow statement			
				Other Reporting			
A	Q/Y	T+30	T+7	(8) Statistical surveys	X	X	X
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2): M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

3.4.2.1 Details of the basic data sources

Data collection for educational institutions (referred to as schools hereafter) and non-profit institutions in the local government sector are similar to the data collection for universities and non-profit institutions in the central government sector.

Schools only report financial data through annual financial reports. Statistics Netherlands does not collect infra-annual or provisional annual data for these entities. Therefore, the annual estimates for the April T+1, October T+1 and April T+2 EDP notification is based on indirect data sources. For example, schools are mainly financed by the Dutch State. Information on State contributions is available from the Ministry of Finance (on a cash basis). In addition, information on compensation of employees is available from labour accounts compiled by the national accounts department, which are mainly based on wage tax data from the Tax Authority. However, no provisional direct data on intermediate consumption and gross fixed capital formation (which both make up a large part of the expenditures) is available. Estimations on these variables are based on extrapolations and expert's guesses.

The basic data source for the final estimate, implemented in the October T+2 EDP notification, is the financial data in the financial reports. Schools report them in a standardised way to the Ministry of Education, Culture and Science (through state agency DUO). The data are also available to the general public as open data. After processing and checking the data, the Ministry provides these data to Statistics Netherlands (table 6 items 5-7) in September / October T+1. Due to the revision policy of Dutch national accounts, these data are incorporated in the October T+2 EDP notification rather than the April T+2 EDP notification.

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The main basis data source for Other non-profit institutions (part of local government, S.1313) are annual financial reports (table 6 items 5-7). This group is very heterogeneous and contains many institutions. The availability of these reports to Statistics Netherlands depends on the entities in question. Usually, the first reports are available in March. This means that the data from the annual reports are partially implemented in the October T+1 EDP notification and fully for the October T+2 EDP notification. Due to resource limitations, Statistics Netherlands analyses only the largest institutions each year, whereas smaller entities are analysed once in five years.

Given the merit and cost ratio, efforts of Statistics Netherlands have not concentrated on non-profit institutions in the past. However, data collection for the largest units has taken place since the first quarter of 2019 (table 6 item 8). These data are incorporated in the first provisional estimates.

If the financial report of an entity is not available (first annual estimates) or not analysed (small entities) and no reliable data from the quarterly survey can be used, the estimates are based on extrapolations of data in the last analysed financial report and on indirect data sources (similar to the provisional estimates for universities described above). For some units such as the national police, also budgets are available for producing provisional estimates.

3.4.2.2 Statistical surveys used as a basic data source

Data collection for the largest non-profit institutions (local and central government) based on a survey has taken place since the first quarter of 2019 (table 6 item 8). These data are (partially) incorporated in the first provisional estimates. Further analysis of the data is needed by Statistics Netherlands to fully incorporate them in the estimates. Currently, about thirty entities, of which only a few concern local government non-profit institutions, are included in the survey based on size total expenses and size of the balance sheet.

Statistical surveys by other departments of Statistics Netherlands may be used as supplementary data for extra-budgetary central government units.

3.4.2.3 Supplementary data sources and analytical information

Statistics Netherlands uses the following supplementary data:

- Counterpart data from other government units (ESA D.73, D.92);
- National accounts data on:
 - Compensation of employees based on Tax Authority data and additional estimates (ESA D.1);
 - Own account production based on estimates (ESA P.12, P.51g);
 - Consumption of fixed capital (ESA P.51c);
 - FISIM (ESA D.41/P/2);
- Data on Treasury banking broken down into instruments and counterparties (aggregated to groups) (ESA F.2);
- Data on local government bonds from the Central Bank (ESA F.31, F32);

Note that the National accounts data do not impact net lending/net borrowing. The counterparty data used for financial accounts generally lead to a shift in financial transactions. The reason is that Iv3 questionnaires contain some items in the balance sheet that may be classified to different ESA 2010 categories. Furthermore, some local government do not

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report financial instruments under the correct balance sheet category (for example Medium Term Notes reported under loans instead of debt securities).

3.4.3 EDP table 2C

3.4.3.1 Working balance - use for the compilation of national accounts

The working balance is comprised of:

- The operational result of municipalities, provinces, public water boards, local intergovernmental institutions after allocation to reserves;
- The operational result of educational institutions, excluding financial revenues and expenses (for October T+2 and later EDP notifications).

3.4.3.2 Legal basis of the working balance

The legal basis for the working balance of the main local government units is the accounting act for local government, specifically article 27 stipulating the reporting of accrual revenue and expenditure (sub 1.c) and the balance after allocation to reserves (sub 1.e).

The legal basis for the working balance of educational institutions is the accounting regulation for educational institutions (RJ 360), which stipulates the reporting of the balance of accrued operational revenue and expenditure (“saldo baten en lasten uit de gewone bedrijfsvoering”).

3.4.3.3 Coverage of units in the working balance

3.4.3.3.1 Units to be classified outside the subsector, but reported in the WB

The working balance only refers to units classified in the subsector local government.

3.4.3.3.2 Units to be classified inside the subsector, but not reported in the WB

Units included in the subsector not included in the working balance are:

- All local government units excluding municipalities, provinces, public water boards, local intergovernmental institutions and educational institutions, i.e. all NPIs controlled by government units and having a regional function;
- Municipalities and local intergovernmental institutions that do not report data to Statistics Netherlands;
- For the April T+1, October T+1 and April T+2 EDP notifications: educational institutions as data on the working balance of these institutions are not yet available or not yet processed.

3.4.3.4 Accounting basis of the working balance

3.4.3.4.1 Accrual adjustments relating to interest D.41, as reported in EDP T2C

Since the working balances of local government units are on an accrual basis, Statistics Netherlands does not make accrual adjustments to interest.

3.4.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2C

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Since the working balances of local government units are on an accrual basis, Statistics Netherlands does usually not make accrual adjustments reported under other accounts receivable/payable.

An exception is if the time of recording of accruals in local government accounts differs from the ESA 2010. Currently, it concerns only proceeds from leaseholds paid off in one instalment.

3.4.3.4.3 Other accrual adjustments in EDP T2C

There are no other accrual adjustments in EDP table 2C.

3.4.3.5 *Completeness of non-financial flows covered in the working balance*

The adjustments in order to cover all non-financial transactions of the entities that are included in the working balance are due to non-financial transactions included in the balance sheet of these entities. It regards investments in fixed assets, inventories and withdrawals of provisions. Moreover, investments in fixed assets and provisions accrue in the expenses of accrual accounts through depreciation and addition to provisions. Therefore, depreciation and addition to provisions have to be eliminated from the amounts of the working balance. The eliminated amounts are also included in the adjustment line “Non-financial transactions not included in the working balance”. The adjustments are needed for both the main local government bodies (municipalities, local intergovernmental, provinces and public water boards) and schools. One additional adjustment is needed for schools since its working balance excludes financial revenues and expenses.

So, the adjustment line for non-financial transactions not covered in the workings balance equals:

- Transactions in balance sheets (investments, withdrawals of provisions, etc.) municipalities, provinces, etc.;
- Flows (depreciation, additions to provisions) in WB not being transactions municipalities, provinces, etc.;
- Changes in non-fin. assets in BS schools;
- Changes in provisions in BS schools;
- Interest expenditure/revenue schools.

3.4.3.6 *Financial transactions included in the working balance*

Since the local government units apply accrual accounting, financial transactions are generally not included in the working balance, which is on accrual basis. However, realised holding gains or losses (the amount of the transaction in excess of the book value) are included in the working balance. The effect on government balance is neutralised in EDP table 2C in the line financial transactions included in the working balance (usually item “Equities (+/-)”).

3.4.3.7 *Other adjustments reported in EDP T2C*

The other adjustments include several adjustments to source data of main local government bodies (municipalities, local intergovernmental, provinces and public water boards). These adjustments might be better included in the adjustments related to time of recording, i.e. under other accounts receivable/payable (ESA F.8).

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Since the operational result of municipalities, provinces, public water boards, local intergovernmental institutions do also include transfers to and from to reserves, these flows, not being transactions according to ESA 2010, are eliminated in the line “Other adjustments (+/-)”, item “Transfers from / to reserves”.

3.4.3.8 Net lending/net borrowing of local government

Statistics Netherlands uses the same data sources for the estimation of net lending/ net borrowing for local government and EDP table 2C. Therefore, there should be no discrepancy (except due rounding off the numbers) between net lending/ net borrowing reported by Statistics Netherlands and net lending/ net borrowing derived from the working balance and the adjustment lines in EDP table 2C.

3.4.4 EDP table 3D

3.4.4.1 Transactions in financial assets and liabilities

Table 7. Data used for compilation of transactions and of stocks of financial assets and liabilities

	Assets							Liabilities						
Source Data	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	Calculation of transactions													
Transaction data (integrated in public accounts)	X	X	X	X		X	X		X	X	X		X	X
Other transaction data														
Stock data	X	X	X	X			X		X	X	X			X
	Calculation of stocks													
Transaction data														
Stock data	X	X	X	X			X		X	X	X			X

Table 3D is completed using financial accounts data for the general government sector in GFS.

The main data sources for financial accounts of local government are:

- Iv3 questionnaires (translated as ‘information for 3rd parties’) covering non-financial transactions, financial transactions and balance sheets of municipalities, local intergovernmental organisations, provinces and public water boards, available on a quarterly and an annual basis;
- Treasury banking data from the Ministry of Finance;

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- Data on local government bonds from the Central Bank;
- Annual reports of educational institutions from the state agency Dienst Uitvoering Onderwijs (DUO);
- Annual reports on other non-profit institutions controlled by local government or with predominant local economic interest.

3.4.4.2 Other stock-flow adjustments

The lines "Issuance above/below nominal value" and "Redemptions/repurchase of debt above/below nominal value" are usually not relevant for EDP table 3D. Dutch local government units mainly take out loans, whereas the issuance of debt securities is limited to a small part of municipalities. These municipalities issue Medium Term Notes without a discount or premium.

The adjustment line "Difference between interest accrued and paid" includes estimates for all local government units. Since the interest accrued not yet paid in public accounts is included in other accounts payable, the estimated amount is merely a shift from the line "Net incurrence (-) of other accounts payable (F.8)" to "Difference between interest accrued and paid".

The line "Appreciation/depreciation of foreign currency debt is generally not relevant for local government. Small amounts reported until 2018 regards debt in the framework of cross border leases of public water boards (refer to section 7.10 for more information).

Changes in sector classifications do not occur frequently.

Statistical discrepancies for net lending/ net borrowing between non-financial accounts and financial accounts due to the use of integrated accrual data sources. Small amounts relate to reporting errors by the main local government units (reported in Iv3) or compilation errors due to incorrect analysis of annual financial reports. Due to small inconsistencies in stocks of liabilities in the Iv3 data from one year to the other, Statistics Netherlands makes corresponding stock-flow adjustments in the adjustment line "Other statistical discrepancies (+/-)".

3.5. Social security sub-sector, EDP table 2D and 3E

3.5.1 Data sources for Social Security Funds main unit:

Health Care Institute Netherlands (ZIN), Institute for employee benefit schemes (UWV) and Social Insurance Bank (SVB)

Table 8 – Availability and use of basic source data for social security funds

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				

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1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+55	T+6	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
A	Q	T+55	T+6	(4) Balance sheets	X	X	X
				Financial Statements			
A	A	T+150	T+13	(5) Profit and loss accounts	X	X	X
A	A	T+150	T+13	(6) Balance sheets	X	X	X
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

3.5.1.1 Details of the basic data sources

All the necessary information is available for each institutional unit.

3.5.1.2 Statistical surveys used as a basic data source

Statistical surveys are not used as a basic data source for social security funds in EDP statistics.

3.5.1.3 Supplementary data sources and analytical information

3.5.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

Statistics Netherlands uses the monthly receipts of social contributions from the Tax Authority instead of the contributions as reported by the institutional units. This has an impact on net lending/borrowing. The differences between both source data relates to a different time of recording in the annual accounts. As a result, counter entries in other accounts receivable are made. Therefore, these adjustments do not lead to a discrepancy between non-financial and financial accounts.

3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts

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Data from the Ministry of Finance are used for the deposits assets and loans liabilities in the context of Treasury banking. These figures are in correspondence with the figures in the annual accounts of social security funds.

3.5.2 Data sources for other Social Security units

This section provides information on the so called "extra-budgetary accounts" of the main local government entities, i.e. about flows, which are not recorded in budgetary accounts which enter the WB, as reported in the first line of EDP table 2.

There are no other social security units than mentioned in section 3.5.1.

3.5.3 EDP table 2D

3.5.3.1 Working balance - use for national accounts compilation

The working balance of social security funds is compiled on the basis of the annual reports of UWV, SVB and ZiN. In addition to these annual reports, data from the Ministry of Health and NZA are used for the rerouting transactions of the Health Insurance Act.

For the first preliminary annual sector accounts of the social security funds, the annual reports are not yet available. The annual reports of the UWV and SVB are available for the second annual estimate on social security funds and the annual report of the ZiN is available for the third annual estimate. This third annual estimate will be the final annual realisation for the delivery of the National Accounts in the near future

3.5.3.2 Legal basis of the working balance

Each social security institution / fund has the obligation to compile annual reports, which consist of a profit and loss account and a balance sheet.

3.5.3.3 Coverage of units in the working balance

3.5.3.3.1 Units to be classified outside the subsector, but reported in the WB

No entities other than social security funds are included in the working balance.

3.5.3.3.2 Units to be classified inside the subsector, but not reported in the WB

The units Central administration office special medical costs (CAK) and Dutch Health Care Authority (NZA) are not included in the working balance.

3.5.3.4 Accounting basis of the working balance

3.5.3.4.1 Accrual adjustments relating to interest D.41, as reported in EP T2D

Interest in the accounts of social security funds is on an accrual basis. Statistics Netherlands only makes a small adjustment to align with the data on interest from the Ministry of Finance related to Treasury banking. The cause of the small discrepancies is under investigation by Statistics Netherlands.

3.5.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2D

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Statistics Netherlands reports two adjustments under other accounts receivable/payable:

- Adjustments due to alignment with data from the Tax Authority on social contributions (other accounts receivable);
- Alignment with data of the Ministry of Finance on accrued interest (other accounts payable).

The adjustments to social contributions is related to the use of the cash-based Tax Authority data on taxes and social contributions (refer to section 6.1). Whereas Statistics Netherlands uses one-month adjusted cash (i.e. cash in month T is recorded in month T-1), social security funds use a slightly other method to record social contributions on an accrual basis.

In the past, Statistics Netherlands also made some other adjustments, mainly related to health care. These adjustments comprised amongst others:

- Adjustments to mental health care expenses due to different time of recording of source data (affecting other accounts payable);
- Transfer of financing regarding geriatric rehabilitation from the AWBZ scheme to the ZVW scheme (affecting other accounts payable).

The reason of these adjustment is that health care costs under the ZVW scheme are recorded at time of the start of a treatment, more precisely at the start of the opening of a diagnosis treatment combination (DBC) by health care providers. Since the opening of DBCs is also the time of recording by health care insurers, the time of recording for the payments from the Health Care Insurance Fund is also the moment of starting the treatment. However, the consumption of health care services by social securities should be recorded at time of production, i.e. spreading the costs over the time of the treatment.

3.5.3.4.3 Other accrual adjustments in EDP T2D

There are no other accrual adjustments in EDP table 2D.

3.5.3.5 *Completeness of non-financial flows covered in the working balance*

The working balance of social security funds is adjusted for net fixed capital formation, because gross fixed capital formation is not included in the working balance, but must be included in net lending/ net borrowing. The opposite is true for depreciation (included in the working balance, but excluded from net lending/ net borrowing). Therefore, net fixed capital formation has to be added to the working balance to derive net lending/ net borrowing.

Similarly to local government, an adjustment is needed for provisions as the working balance includes the transfer to provisions, whereas Statistics Netherlands records the use of provisions as expenditure.

In summary, Statistics Netherlands makes the following adjustments to complement the non-financial transactions in the working balance:

- Net fixed capital formation;
- Changes in provisions.

3.5.3.6 *Financial transactions included in the working balance*

Financial transactions are not included in the working balance of social security funds. Therefore, no amounts have to be eliminated.

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3.5.3.7 Other adjustments reported in EDP T2D

The other adjustments include operating revenue and expenses that cannot be allocated to a specific fund, which are not reported in the working balance of the social security funds. Statistics Netherlands envisages to report these amounts in the adjustment line for “Non-financial transactions not included in the working balance”.

3.5.3.8 Net lending/net borrowing of social security funds

Statistics Netherlands uses the same data sources for the estimation of net lending/ net borrowing for social security funds and EDP table 2D. Therefore, there should be no discrepancy (except due rounding off the numbers) between net lending/ net borrowing reported by Statistics Netherlands and net lending/ net borrowing derived from the working balance and the adjustment lines in EDP table 2D.

3.5.4 EDP table 3E

3.5.4.1 Transactions in financial assets and liabilities

Table 9. Data used for compilation of transactions and of stocks of financial assets and liabilities

Source Data	Assets							Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	Calculation of transactions													
Transaction data (integrated in public accounts)														
Other transaction data														
Stock data	X		X				X			X				X
	Calculation of stocks													
Transaction data														
Stock data	X		X				X			X				X

Statistics Netherlands completes EDP table 3D using financial accounts data for the general government sector in GFS. Balance sheets are used to compile both stocks and flows, i.e. flows are derived from changes in stocks.

Stocks and flows for the final estimate can be derived from the balance sheets of the social security funds UWV, SVB and ZiN. Transactions currency and deposits (ESA F.2) and loans (ESA F.4) are aligned with treasury data from the Treasury.

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The annual reports (including balance sheets) of the UWV and SVB are available for the second annual estimate of the social security funds and the annual report of the ZiN (including balance sheet) is available for the third annual estimate, or even later.

When balance sheets are not yet available, mainly in the first estimate, other sources are used to estimate transactions. The main source is the Treasury for deposits assets (ESA F.2) and loans assets (ESA F.4) in the framework of Treasury banking. Statistics Netherlands uses non-financial accounts data to estimate other accounts receivable and payable. Thus, other accounts receivable (ESA F.8) is partially derived from information from the Tax Authority by calculating the difference between the social contributions on a time-adjusted cash basis and on a cash basis. Furthermore, counterparty information on grants from the State is used for other accounts receivable and other accounts payable (ESA F.8). Also, the monthly cash data provided by social security funds is used to estimate the difference between cash and accrual data, leading to entries in other accounts receivable and payable. Finally, the residual gap between net lending/ net borrowing calculated as above and net lending/ net borrowing in non-financial accounts is allocated to other accounts payable.

3.5.4.2 Other stock-flow adjustments

Statistics Netherlands does not make any other stock-flow adjustments for social security funds. Social security funds are not allowed to borrow from parties other than the State. Therefore, the Treasury finances social security funds by providing loans.

3.6. Link between EDP T2 and related EDP T3

The monitoring of the link between the individual adjustments in EDP T2 and the related transactions reported in EDP T3 is important for the assessment of GFS data quality.

It is not expected that the adjustments from EDP T2 would be clearly identified in EDT3.

- First, this is due to different coverage of units, because the adjustments in EDP T2 should refer only to the main entity reported in the WB, while transactions in EDP T3 reflect the whole subsector.
- Second, due to the accounting basis and coverage of transactions reported in the WB. For the former, if the WB is on accrual basis, theoretically there is no need for adjustments in other accounts receivable/payable F.8 in EDP T2, but it should be ensured that the accrual recordings in non-financial accounts are linked to transactions in F.8 reported in EDP T3 and in FA. For the latter (coverage of transactions), the WB balance as reported in EDP T2 typically does not cover all financial flows, since some are booked in the so called extra-budgetary accounts of the main entity.
- Third, adjustments/transactions reported in EDP T2A are non-consolidated, since they refer to the main entity only, as recorded in the working balance (e.g. loans, other accounts receivable/payable, etc.), while financial transactions recorded in EDP T3 refer to the whole subsector and they are consolidated.

As far as specific imputations are concerned, such as debt cancellation, debt assumption etc., which are reported in EDP T2, these should be reflected also in financial accounts and EDP T3 under the related financial instrument.

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Therefore, in order to ensure consistency between non-financial and financial accounts and quality of GFS data, statisticians are to be able to explain and to quantify a link between flows reported in EDP T2 and EDP T3.

3.6.1 Coverage of units

The same register of units is used for non-financial and financial accounts compilations (and for EDP tables 2 and 3) for all subsectors.

3.6.2 Financial transactions

In general, there is no link between financial transactions reported in EDP tables 2 and those in EDP tables 3. The financial transactions in EDP tables 2 concern financial transactions in the working balance and thus they are only a part of the complete financial transactions reported in tables 3.

Because the working balances for tables 2C and 2D are on an accrual basis, financial transactions (excluding other accounts receivable/payable) are in general not reported as adjustments in tables 2C and 2D. There is one exception:

- Table 2C: realised holding gains/losses are included in the working balance of local government, and therefore eliminated through the corresponding line in the EDP table 2C. These holdings gains/losses are linked to disposals of equity as reported in the line “Equity and investment fund shares/units (F.5)” of table 3D. However, in table 2C it only refers to holdings gains/losses whereas the amounts reported in table 3C includes both the book value and the holding gains/losses (= difference between book value and transaction value).

A link between financial transactions in EDP table 2A and EDP table 3B is observable as the working balance of the State also includes almost all financial transactions of the State (excluding debt transactions). The difference between EDP table 2A and EDP table 3B therefore is mainly due to coverage of units. Table 2A includes financial transactions of ministries, but excludes financial transactions of other central government units, including state agencies and artificial subsidiaries (main entity is EBN).

3.6.3 Adjustments for accrued interest D.41

The adjustment in EDP table 2A for accrued interest refers to interest expenditure related to financial instrument used by the Treasury. It may also concern small amounts of interest revenue related to liquidity management by the Treasury.

The reasons for differences in the adjustment for accrued interest in EDP tables 2A and 3B are:

- Coverage (ministries in table 2A versus central government in table 3B);
- Inclusion of discount on T-bills as prepaid interest in the working balance and thus in the adjustment line of table 2A;
- Adjustments to interest revenue on assets of the Treasury are included in table 2A but not in table 3B;
- Consolidation of interest payable, mostly related to Treasury banking.

These differences are usually small relative to the amounts reported in tables 2A and 3B.

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No adjustments for accrued interest are needed in tables 2C and 2D due to the accrual working balance, whereas tables 3D and 3E contain amounts needed to reconcile net lending/net borrowing (including interest accrued not paid) with the change in debt at face value (excluding interest accrued not paid).

3.2.2 Other accounts receivable/payable F.8

In general, there is no link between other accounts receivable and payable reported in EDP tables 2 and those in EDP tables 3.

However, since the working balance for the State in table 2A is on a cash basis, the other accounts receivable and payable are also reflected in table 3B. The difference in the amounts reported in tables 2A and 3B is due to coverage of units (ministries in table 2A versus central government in table 3B).

Because the working balances for tables 2C and 2D are on an accrual basis, other accounts receivable/payable are in general not reported as adjustments in tables 2C and 2D, except for:

- Table 2D: time of recording adjustments related to social contributions and social benefits are made, which are reflected in the adjustment lines for other accounts receivable and payable of table 2D. These adjustments are however not the full other accounts receivable and payable as reported in table 3E.

Note that some adjustments to other accounts receivable and payable for local government are reported under “Other adjustments” (item “adjustments to source data”) in table 2C.

3.6.5 Other adjustments/imputations

The methodological adjustments reported under the heading “other adjustments” in EDP table 2A constitute three types:

- No corresponding adjustments needed in tables 3 due to the definition of the working balance including flows that are not recognised as transactions in ESA 2010:
 - Table 2A: Financial transactions between entities within the State;
 - Table 2C: Transfers from/to the reserves.
- Corresponding adjustments implemented in tables 3:
 - Table 2C: Adjustments to source data (counterpart transactions in table 3D are other accounts receivable and payable);
- Unclear adjustments, which may give rise to statistical discrepancies:
 - Table 2A: Discrepancy in the working balance (due to inconsistent source data);
 - Table 2A: Adjustments due to bank accounts embassies;
 - Table 2A: Other
 - Table 2D: Other.

The amounts concerning the last category are small. Statistics Netherlands will investigate the issues.

3.7. General comments on data sources

The data sources used by Statistics Netherlands are not specifically designed for statistical purposes. Therefore, data sources may not be coherent over time. Large revisions to accounting rules took place in 2004 and 2017 for municipalities, provinces, public water boards and local intergovernmental organisations. Aside from incidental large revisions, there

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can be frequent changes to accounting rules due to developments of international accounting frameworks (IFRS, IAS), new decisions by national accounting standard setters or due to new regulations. Data sources could also be incoherent within the group of entities for which data are collected. Accounting frameworks usually provide several accounting options and it is within the discretion of the reporting entity to apply one of the options. They constitute major challenges to convert the source data to ESA 2010 concepts.

3.8. EDP table 4

Table 4 – The statements on the provision of additional data contained in the Council minutes of 23/11/1993 request the submission of trade credits and advances, amounts outstanding in the government debt from the financing of public undertakings, differences between the face value and the present value of government debt and GNI at market prices.

3.8.1 Trade credits and advances

The amount of trade credits and advances reported in table 4 is consistent with the trade credits and advances reported as part of the line "net incurrence of other accounts payable (F.8)" in EDP table 3.

In Statistics Netherlands' data sources, other accounts receivable and payable cannot be easily broken down into trade credits and advances on the one hand and other accounts receivable and payable (excluding trade credits and advances) on the other hand. Therefore, Statistics Netherlands uses model based estimates next to direct source data. First the model is discussed below, followed by an explanation of for subsectors where direct sources are (partially) available.

Model based estimates

The model estimates is applied to the subsectors of the State, municipalities, provinces, public water boards and local intergovernmental organisations. Financial reports of municipalities, provinces, public water boards and local intergovernmental organisations data do not yield enough information for developing a robust method for separating trade credits and advances from other accounts receivable and payable. The inclusion of a separate item for trade credits and advances in the local government questionnaires (so-called "Iv3-matrix") is not deemed feasible yet.

Since the ministries uses a "cash commitment" accounting framework (in Dutch: "kas-verplichtingen stelsel"), they do not draw up full balance sheets. They produce so-called quasi-balance sheets (in Dutch "saldi-balansen"). However, they are not very comprehensible as they have a subordinate role in the budget execution process. So, it is currently not possible to estimate trade credits and advances based on the quasi-balance sheets. State agencies apply accrual accounting, and thus report full balance sheets. Direct information on other accounts receivable and payable of the agencies based on the annual reports are used to estimate trade credits and advances and other accounts receivable and payable excluding trade credits and advances. It should be noted that although direct source data are used, still some assumptions need to be made to split balance sheet items.

The model for the main local government subsectors and the ministries is based on assumptions about the average arrears (e.g. 30 days) on purchases (i.e. ESA transactions

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intermediate consumption and gross fixed capital formation) and sales (market production, sales of non-market production and disposals of fixed non-financial assets) of goods and services. Other accounts receivable and payable related to social benefits in kind are not included in trade credits and advances, but in the ESA category other accounts receivable and payable excluding trade credits and advances.

The amount on trade credits and advances obtained through this model estimate is subtracted from the total other accounts receivable and payable as measured through direct source data to arrive at the other accounts receivable and payable excluding trade credits and advances for all government subsectors excluding the State. For the State, the procedure is different because the State accounts are on a cash basis, and hence there are no complete other accounts receivable and payable in the source data. Therefore, the estimate of trade credits and advances for the State is not deducted from total other accounts receivable and payable, but added to the ESA 2010 financial balance sheet. This may lead to a small statistical discrepancy between financial and non-financial accounts in GFS as the estimated amounts of transactions in trade credits and advances for the State, obtained as the difference between stocks, are not fully reflected in the non-financial accounts; time of recording adjustments to production transactions in non-financial accounts are only applied to purchases and sales of military goods and a very few other production transactions.

Educational institutions and universities

Trade credits and advances of educational institutions (part of local government) and universities (part of central government) have been based on direct source data since June 2017. The State agency “Dienst Uitvoering Onderwijs” (DUO) provides data on both educational institutions and universities to Statistics Netherlands in a standardised format.

Statistics Netherlands investigated items in the balance sheets for universities that are classified as “other accounts receivable and payable” by analysing annual reports data and by inquiring further information from universities by email. It was found that some of the items in the balance sheets of the universities comprise mainly trade credits and advances (in Dutch “debiteuren”, “crediteuren”, “voortuitvangenen termijnen”). For some other items, it was found they can only partly be classified as trade credits and advances. Therefore, for these variables (in Dutch: “overige overlopende activa”, “overige overlopende passiva”, Statistics Netherlands decided to classify 50 per cent as trade credits and advances and 50 per cent as other accounts receivable and payable. Several other items remain fully classified as other accounts receivable and payable excluding trade credits and advances .

Since local educational institutions use the same standardised format and the same accounting rules as universities for producing their financial report data, the method of bridging the balance sheet items to ESA categories was extended to the local educational institutions data.

Non-profit institutions

The estimates for NPIs (both local and central government) is based on annual reports for the largest entities and grossing up for the remaining entities. Although the estimates are based on direct data, assumptions to translate balance sheet items to trade credits and advances and to other accounts receivable and payable are still necessary.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

Long-term (at inception) trade credits liabilities for general government have not been observed by Statistics Netherlands.

Factoring or restructuring without recourse is not material for government units in the Netherlands.

3.8.2 Amount outstanding in the government debt from the financing of public undertakings

In the Netherlands, it is not common that government entities borrow on behalf of public enterprises. Of course, government entities can provide loans to public enterprises, but these loans are usually not financed by earmarked debt instruments. Amount outstanding in the government debt from the financing of public undertakings cannot be identified in the data sources available to Statistics Netherlands.

4. Revision policy used for annual GFS

4. Revision policy used for annual GFS

This section relates to the revision policy concerning annual non-financial and financial government accounts. It describes the country policy for revisions with and without impact on the deficit (non-financial accounts for general government) and debt (financial accounts for general government).

4.1. Existence of a revision policy in your country

The revision policy for GFS and EDP is based on the revision policy for national accounts in the Netherlands.

The first annual estimate concerning GFS for year T is published by end-March T+1. The second estimate of GFS for year T is published by end-June T+1. The final estimate for non-financial accounts is published by end June T+2. Whereas the non-financial accounts are definitive in June T+2, the estimates of financial accounts for past years can be revised every year in June (T+2, T+3, etc.). All the revised estimates are published at the same time once a year in June when the full national accounts are published.

In addition, the complete system of the national accounts, including GFS, will be subject of a benchmark revision every five years. In line with this policy, the next benchmark revision will be for the year 2021, to be published in 2024. The publication will include time series for the full system of national accounts and GFS. New internationally decided (changes in) methods or ESA concepts are then implemented simultaneously with revisions related to new data sources, new methodology and correction of compilation errors. The benchmark revision concerns the full times series as required by the ESA i.e. starting from 1995 for financial and non-financial accounts.

4.1.1 Relating to deficit and non-financial accounts

The general revision policy is described above. Statistics Netherlands applies a special revision procedure if it is found that government deficit and debt need to be adjusted between times after last publication of annual GFS in June. This may occur due to new interpretation of ESA guidelines or due to compilation errors. In that case, Statistics Netherlands includes the revised estimates immediately in the next EDP notification (and in GFS if possible) if the cumulative effect of the correction(s) on deficit amounts to more than 0.1 per cent of GDP. However, national accounts will in general be aligned with the revised GFS/EDP figures alongside all the other revisions when the new national accounts are published in June. This means that there may be a temporary inconsistency between GFS/EDP and national accounts.

Adjustments smaller than 0.1 per cent of GDP will be included in the course of the regular revision policy of non-financial accounts or in the benchmark revision (if the revision of deficit concerns a reporting year of which the non-financial accounts are considered to be definitive).

4.1.2 Relating to debt and financial accounts

The general revision policy is described above. Statistics Netherlands applies a special revision procedure if it is found that government deficit and debt need to be adjusted between

4.Revision policy used for annual GFS

times after last publication of annual GFS in June. This may occur due to new interpretation of ESA guidelines or due to compilation errors. In that case, Statistics Netherlands includes the revised estimates immediately in the next EDP notification (and in GFS if possible) if the cumulative effect of the correction(s) on debt amounts to more than 0.1 per cent of GDP. However, national accounts will be aligned with the revised GFS/EDP figures alongside all the other revisions when the new national accounts are published in June. This means that there may be a temporary inconsistency between GFS/EDP and national accounts.

Adjustments smaller than 0.1 per cent of GDP will be included in the course of the regular revision policy of financial accounts.

4.2. Reasons for other than ordinary revisions

The revision policy described above is also applicable to revisions due to the existence of new figures for State budget, due to the existence of new data sources/details, which were not available in the past, due to changes in methodology or due to other reasons (e.g. errors).

4.3. Timetable for finalising and revising the accounts

The timetable for the general revision policy (excluding benchmark revisions) is as follows:

	March T+1	June T+1	June T+2	June T+3	June T+4
Non-financial accounts	1 st est.	Revised	Def est.	-	-
Financial accounts	1 st est.	Revised	Revised	Revised	Revised

The next benchmark revision will be implemented in 2024.

B. Methodological issues

5. Sector delimitation – practical aspects

5.1. Sector classification of units

General government is defined by ESA 2010 §2.111 as "... institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth". Moreover, §20.05 specifies that the general government sector "consists of all government units and all non-market non-profits institutions (NPIs) that are controlled by government units. It also comprises other non-market as identified in paragraphs 20.18 to 20.39".

It is necessary to determine:

- a. if it is an institutional unit (ESA 2010 2.12 describes the rules according to which an entity can be considered as an institutional unit)
- b. if it is a public institutional unit (ESA 2010 §20.18 and MGDD I.2.3 – define the notion of control by the government over an entity as "the ability to determine the general policy or programme of that entity"... According to the list of criteria listed in ESA 2010 §20.309)
- c. if it is a non-market public institutional unit - reference to "Market-non-market delineation" (ESA 2010 §20.19 to §20.28 and MGDD I.2.4)"

A designated team within the GFS department is responsible for maintaining the register of government controlled entities. It uses computer guided decision trees. Complex cases are assessed by a designated committee. This committee comprises representatives from different teams of the GFS department and the department of National Accounts (ENR).

The detailed criteria are operationalised through computer-guided sub-decision trees according to the legal forms of the entities. The legal form is essential because the ultimate decision-making authority of a unit can be derived in most cases from the legal form. The criteria for the market/nonmarket test are the same for all legal forms. Two legal forms are commonly used for entities established under private law in the Netherlands: limited company and foundation.

In general, the following documents are used for the assessment:

- 1) Annual reports;
- 2) Articles of association;
- 3) Registers of shareholders (for companies);
- 4) Decisions of establishment (for local intergovernmental organisations);
- 5) Business plan/budget plan (for new units).

Units are assessed individually except for public libraries, subsidised universities, subsidised schools and hospitals.

The consecutive steps of the assessment are described below.

A. Is the unit an institutional unit (IU)?

Statistics Netherlands takes legal units as a starting point for the delimitation of the general government sector. Legal units are grouped into institutional units based on an assessment of autonomy of decision of subsidiaries and affiliated entities of the mother unit. To establish the grouping in practice, the GFS department links legal units to statistical units (“enterprises”) in the business register of Statistics Netherlands. An enterprise in the business register consists of one or more legal units grouped together based on control. However, the GFS department checks if the enterprise fulfils the criteria of an institutional unit and if all constituents lack autonomy of decision. For example, if the unit carries out ancillary activities described in ESA 2010 paragraph 3.12, it is an ancillary unit of the controlling unit. Captive financial institutions, artificial subsidiaries and special purpose units of general government with no independence of action are also allocated to the sector of their controlling unit (see also paragraph 5.2). If necessary the enterprises in the business register are modified based on the result of the assessment of the GFS department.

B. Is the unit controlled by public units?

Control is assessed by taking into account the legal form of the unit.

- A limited company/a corporation is deemed to be controlled by public units if 50 per cent or more of its shares are held by public units in case only normal shares exist and the unit has no task defined by law. In case of the existence of multiple share-types or a task defined by law, control is assessed by the classification committee. In case of limited partnerships a similar rule is applied.
- A foundation is controlled by public units if public units:
 - have the statutory right to appoint at least half of the board *or*
 - have the statutory right to block statutory changes *or*
 - provide subsidies that constitute at least 50 per cent of the revenue *and*:
 - appoint one or more of the board members *or*
 - have the right based on subsidy acts to approve or block one of the following decisions of the unit:
 - statutory changes
 - acquiring credit or loans
 - participation in another legal person
 - standing surety*or*
 - have the right based on subsidy acts to approve or block two of the following decisions of the unit:
 - reserve funds
 - changes in tariffs
 - entering bankruptcy or liquidation
 - buying registered goods with subsidies

In case a foundation has guarantees from the government, the unit will be assessed by Statistics Netherlands’ designated committee.

C. Is the unit a market producer?

Sector delimitation – practical aspects - Existence and classification of specific units

After control has been confirmed and the entity thus belongs to the public sector, the next question to be addressed is whether the unit belongs to the government sector or it is a public corporation: the market/non-market assessment.

Units with financial activities are assessed by the classification committee. Other units are assessed by staff using the computer-guided decision trees. The criteria used are described below.

Firstly, an assessment on qualitative criteria as described in MGDD paragraph I.2.4.1 takes place:

- If the unit is a non-market producer according to the qualitative criteria, the unit is classified in the general government sector.
- If the qualitative criteria are not decisive, the unit is subjected to the 50 per cent criterion.

3.1 Qualitative criteria

There are three situations where a unit is classified as general government (non-market) based on qualitative criteria:

<i>Criteria</i>	<i>Situation 1</i>	<i>Situation 2</i>	<i>Situation 3</i>
Are the sales to non-government more than 50 per cent of total output?	No	No	No
Is the output of the public unit sold only to government?	Yes	Yes	No
Is the output of the public unit sold only to the controlling unit?	Yes	No	Not relevant
Is the public unit the only supplier of government and no tendering procedure is taken?	Not relevant	Yes	Not relevant
Is the public unit the only supplier?	Not relevant	Not relevant	Yes
Does it compete with private producers through tendering for contracts?	Not relevant	Not relevant	No
Conclusion	Ancillary unit of the controlling government unit	General government unit	General government unit

In any other situation, the unit has to be assessed using the 50 per cent criteria (ESA 2010 paragraphs 3.19 and 20.29 and MGDD section 1.2.4.3).

3.1: 50 per cent criterion

If the unit covers 50 per cent of its costs by its sales over the past three years, it is a market producer. The 50 per cent criterion is met if:

- Over 3 years the ratio sales/production costs is >0.5 in every year *or*
- Over 3 years the ratio sales/production costs is >0.5 on average and >0.5 in the last 2 years and is bigger in the last year than in the year before that *or*
- Over 3 years the ratio sales/production costs is >0.6 on average and in the last year >0.5.

The sales are calculated based on ESA 2010 paragraphs 3.33 and 20.30, whereas production costs based on ESA 2010 paragraph 20.31. When calculating production costs, the following treatments are applied:

- Depreciations (in historic prices) reported in annual financial reports are multiplied by the factor 2 to obtain an estimation for consumption of fixed capital according to the perpetual inventory method (PIM) in current prices (ESA 2010 3.141). The factor 2 is an estimate by the department of Government Finance Statistics and Consumer Price Statistics (EOC).
- When the net interest charge is negative, it is set to zero so that no impact on the production costs will result (MGDD section 1.2.4.3).

If the 50 per cent criterion is met, the unit is classified as a public corporation. Otherwise the unit is classified in general government.

D. Is the unit controlled by central or local government?

The subsector of the unit is determined by the subsector of the controlling unit and the economic territory where the unit has its center of predominant economic interest. For a unique individual unit, the unit is classified in the subsector of the controlling unit. For example, the Dutch Association of Municipalities (in Dutch: *Vereniging Nederlandse Gemeenten*, abbr. VNG) has been classified in the local government subsector because it is established and controlled by municipalities (local government). Statistics Netherlands is part of central government because the State appoints the director of Statistics Netherlands. For a large group of similar units the subsector classification is determined on the basis of their predominant economic territories. Both schools and universities are controlled by central government. Due to their economic territories, Statistics Netherlands has classified all schools to local government whereas universities have been classified as central government.

The following documents are being used for the assessment:

- Annual reports;
- Statutes;
- Registers of shareholders;
- Decisions of establishment.

5.1.1 Criteria used for sector classification of new units

The department of Government Finance Statistics and Consumer Price Statistics uses various information channels to find out when a new unit is created. Firstly, information on creations of new units can be obtained from the regular data sources as government budgets and annual reports. Secondly, new units can be found from monitoring media, legislation and parliamentary papers. Thirdly, newly established units can be found during the update of the register (see paragraph 5.1.2). Finally, an important source is the register of the Chambers of Commerce, which is the primary source for the statistical business register of Statistics Netherlands. Information on the majority ownership for individual companies/corporations is available in the business register. These information channels provide Statistics Netherlands also with information on units dissolved, sold, merged or renamed.

Efforts are made to classify a new unit ex-ante (i.e. before a unit becomes economically active). Basically the above mentioned decision tree is used. Very often the assessment of public control can be made based on the articles of association and/or the list of shareholders. The market/non-market question may be answered based on the business plan/budget plan. Sometimes decisions on sector classifications can be made without the market/non-market

Sector delimitation – practical aspects - Existence and classification of specific units

tests. For instance, captive financial institutions such as revolving funds controlled by general government will be directly classified in the government sector.

If not enough information is available to make a solid ex-ante classification, the automatically derived sector classification from the business register is used. This derived sector classification is based on combinations of legal form, ownership and NACE code.

Large new units (the total balance and/or revenue is at least 50 million euros if this information is available) are assessed by the designated classification committee.

For all new units, the market/non-market assessment are conducted again when the actual annual financial data are available for three successive years. If necessary, the ex-ante sector classifications are revised.

5.1.2 Updating of the register

A small designated group within the team Integration Government accounts (OIO) is responsible for updating the register of public units.

Different sources of information are used to trace possible changes:

- 1) Lists of related parties (in Dutch: “Verbonden partijen”) in the annual reports of municipalities, public water boards and provinces;
- 2) List of legal persons with a legal task (in Dutch: “rechtspersonen met een wettelijke taak (RWT)”);
- 3) List of independent government bodies (in Dutch: “zelfstandige bestuursorganen (ZBO)”);
- 4) List of State-owned enterprises;
- 5) General business register of Statistics Netherlands, which is based on the register of the Chambers of Commerce;
- 6) List of educational institutions from the Ministry of Education (DUO);
- 7) Lists of subsidiaries of universities;
- 8) Lists of legal persons under the law of Public and Semi-public Senior Officials (Standard Remuneration) Act (WNT).

Moreover, the units will be reviewed if new facts emerge from the information channels mentioned in the previous paragraph 5.1.1.

Statistics Netherlands verifies the compliance with the 50 per cent test for the largest public corporations (Maastricht debt \geq 0.01 per cent GDP, circa EUR 65 M). This test has shown hardly any significant changes. Starting from 2017, the same threshold has also been used to reassess the 50 per cent test for the largest government units. If the test result is stable after a few years, the 50 per cent test will be only repeated if new facts emerge necessitating a classification re-examination. Minor fluctuations in the ratio of sales to production costs from one year to another will not lead to reclassifications from public corporations to government sector or vice versa (MGDD 2019 1.2.4.3).

Revisions to classifications are implemented in accordance with the revision policy described in chapter 4 of this inventory.

5.1.3 Consistency between different data sources concerning classification of units

Statistics Netherlands maintains a general business register which is the central register for all statistical surveys at Statistics Netherlands. The basis of the general business register is the business register of the Chambers of Commerce, in which all legal units must be registered. The business register of Statistics Netherlands includes a classification of enterprises and enterprise groups according to NACE (activity) and one according to institutional sectors. The general business register uses the notion of enterprise, which may not be fully equivalent to an institutional unit according to ESA 2010. For example, one enterprise may consist of several legal entities that are classified in different institutional sectors and some enterprises may not be an institutional unit.

Updates to institutional sector classification from the public sector register are fed into the general business register so that both registers are consistent with respect to sector classifications of legal units. Note that the classification to institutional sectors is only used by Statistics Netherlands in the context of national accounts (sector accounts), balance of payments and GFS. Therefore, there is in general no coherence between GFS and other statistics (e.g. statistics on R&D, health and education) with regards to government data. Consequently, other statistics with data on government cannot be incorporated in GFS without adjustments.

Regular exchanges between Statistics Netherlands and the Central Bank ensure that there is a large coherence between GFS and statistics compiled by the Central Bank (e.g. monetary and banking statistics). Since Statistics Netherlands is responsible for financial and non-financial accounts of general government, there is no issue of incoherence here.

A list of entities classified in the general government sector is published at the Statistics Netherlands' website and in Annex I of this inventory. The list contains legal entities, the constituents of institutional units. Legal entities rather than institutional units are disclosed as legal entities can be more easily identified by stakeholders and the general public.

5.2. Existence and classification of specific units

5.2.1 Non-profit institutions (NPIs)

The legal form for NPIs most commonly used in the Netherlands is foundation (“Stichting”) and to a lesser extent association (“Vereniging”). Entities with these legal forms do not strive for making profits. However, these entities may be considered as market producers based on the quantitative market/non-market test. The criteria for classification of public NPIs according to ESA 2010 and MGDD are implemented by Statistics Netherlands in the decision trees mentioned in the previous paragraph.

5.2.2 Quasi-corporations

Until the year 2013 Statistics Netherlands has recognised only a very limited number of quasi-corporations (ESA 2010 paragraph 2.13f). The quasi-corporations included amongst others the *Port of Rotterdam* (until 2004), the *Port of Amsterdam* (until 2013) and the *Amsterdam Municipal Services Waste-to-Energy* (until 2014). Due to corporatisation, these quasi-corporations do not exist anymore since 2014.

5.2.3 Infrastructure companies

Railways

Sector delimitation – practical aspects - Existence and classification of specific units

The Dutch rail infrastructure is managed and maintained by one company, *Railway Infrastructure Corporation* (ProRail B.V., abbr. ProRail). ProRail is clearly a general government unit since the State is the only shareholder and the ratios of sales to production costs are below 0.5 over the past ten years. This is because grants from the State constitute the major part of its income.

A number of companies have concessions to run their trains. The biggest is the *Dutch Railways* (*N.V. Nederland Spoorwegen*, abbr. NS). The NS is classified as a public non-financial corporation. The State is the only shareholder and the ratios of sales to production costs are around 0.8 over the past three years. The sales come from passenger transportation (excl. government payments for student travel cards) and railway station exploitation. Statistics Netherlands checked that adjusting the market test for the indirect subsidy due to the use of the railway infrastructure below market prices leads to a significantly lower value, but still above the 0.5.

There are also a few private railway companies which have gained concessions to operate by rail, such as Arriva Netherlands, Breng, Syntus and Connexxion. They belong to private non-financial corporations.

Roads and metro

In the past, four municipal public transport companies and about ten public provincial/regional transport companies existed. As of 2001, market competition has been introduced by granting concession contracts through public tendering procedures. Most of the public owned transportation companies have been privatised. Only the transport companies in the three main cities (The Hague, Rotterdam and Amsterdam) are still public units as they were excluded from the legally required tender procedures on European level.

Statistics Netherlands has assessed the sector classification of the public transport companies of the three main cities individually. Due to the majority ownership of shares of the municipalities in question, public control is clear. For the market/non-market test, the qualitative criteria and the quantitative test mentioned in the previous paragraph have been applied. The 50 per cent test has to be conducted after exclusion of payments by government that cannot be considered as sales, consistent with the qualitative criteria. As a result, *RET Services B.V.* and *GVB Holding B.V.* are seen as market producers and classified as public non-financial corporations. The other companies are non-market producers and classified in the local government subsector.

The Netherlands has three metro systems. They operate in Amsterdam, Rotterdam and between Rotterdam and The Hague. They are run by the public transport companies in Amsterdam and Rotterdam, respectively GVB and RET.

Public utility companies

The Netherlands comprises ten water companies. They have a regional monopoly. The shares are held by local government units. The water companies are classified as public non-financial corporations since the productions costs are mainly financed by sales.

Former public electricity production companies – Essent (2009), Nuon (2009) and Eneco (2020) – have been privatised, and thus they are not included in the public sector. They compete with the remaining public electricity companies. The regional electricity network operators (7 units of which *Enexis*, *Alliander* and *Stedin* are the largest one) have been

separated from the electricity providers and are still public units controlled by local government authorities. The high voltage electricity network is managed by the state-owned enterprise *Tennet TSO B.V.* which owns the high voltage electricity network.

Most Dutch gas companies are private. Only a few of them belong to public non-financial corporations, such as *N.V. Nederlandse Gasunie* and *Cogas Holding N.V.*

All public utility companies are classified as public non-financial corporations since the production costs are mainly financed by sales.

Ports

The main public ports are:

- *Port of Amsterdam;*
- *Port of Rotterdam.*

Dutch ports are usually owned by municipalities. The State holds 29.2 per cent of the shares in the Port of Rotterdam. There are also a few private ports. The costs of public ports are mainly covered by fees paid by the users. Therefore, public ports with autonomy of decision (i.e. separate legal units) are classified as public non-financial corporations.

Airports

The main Dutch airport is Schiphol Airport Amsterdam, owned by the city of Amsterdam and the State (69.77 per cent).

Other airports are:

- *Rotterdam Airport;*
- *Eindhoven Airport;*
- *Maastricht Aachen Airport;*
- *Groningen Airport Eelde.*

They are owned by municipalities, provinces and Schiphol Airport. They are classified as public non-financial corporations. Maastricht Aachen Airport had been temporarily privatised but the concession was given back to government. Groningen Airport Eelde is loss-making and heavily subsidised by government. Maastricht Aachen Airport and Groningen Airport Eelde may be reclassified to general government in the 2024 benchmark revision.

5.2.4 Universities, schools

The far majority of the universities and schools in the Netherlands are classified in the general government. There are 17 universities in the central government and 1900 schools (primary, secondary and higher professional) in the local government. These educational units are almost fully financed by government. The State can dictate the general policies of these units in the area of creating new classes, specialising in some teaching areas, making significant investments and preventing the unit to close down (ESA 2010 paragraph 20.309i).

There are only a small number of Dutch private universities and schools. They are mainly financed by the private sector.

5.2.5 Public TV and radio

The Dutch public broadcasting system is a set of organisations that together take care of public service television and radio broadcasting in the Netherlands. It is composed of a foundation, *Nederlandse Publieke Omroep (NPO)*, which acts as its governing body, and a number of broadcasting associations. The Dutch *Media Act 2008* regulates the division of air

time and puts the administration of the public broadcasting system in the hands of the Board of Directors of NPO.

At the national level, public media services (the television and radio broadcasting using public airwaves) are provided by two task-based foundations and a number of broadcasting associations, which have decided to enter the public media system. Rights for advertising on public airwaves are sold through the foundation Stichting Ether Reclame (STER).

The two task-based foundations, *Nederlandse Omroep Stichting (NOS)* and *Stichting NTR (NTR)*, are given by law (*Media Act 2008*) the task to broadcast certain programmes. On the other hand, broadcasting associations need a permission every five years to provide public media services. The applications for this permission are open to every broadcasting association. However, the State may give permission to a limited number of broadcasting associations for providing public media services. The broadcasting associations usually represent a group in the Dutch society (e.g. based on religion, political background, age). The members of these broadcasting associations are individuals, who support the media programmes of the association and pay a membership fee. The number of hours allocated to each broadcaster is related to the number of members who support the association.

The public media services are financed from general taxation supplemented by advertising proceeds of the STER. The broadcasting foundations and associations that are allowed to provide public media services, are allocated with annual budgets. These flows are treated as current transfers.

The State has the right to appoint the members of the governing boards/supervisory boards of NPO, NTR, NOS and STER. NPO, NTR and NOS are classified in the central government. The STER is part of the State because selling advertising rights on behalf of the State is the only activity of the STER. Statistics Netherlands has classified the member-based broadcasting associations in the private sector (non-profit institutions serving households), because it considers the associations to be controlled by its members rather than by government. The members of the associations decide to enter the public media system or to leave (e.g. to start a commercial station).

At the regional level, regional broadcasting foundations can provide public media services. The State assigns only one regional public broadcaster per province. Open competition to get this assignment is allowed. There are about thirteen regional broadcasting foundations. The coordinating body is *Stichting Regionale Publieke Omroep (RPO)*, a foundation. The State appoints the supervisory board of this foundation. Similar with the member-based broadcasting associations at national level, a regional broadcasting foundation has to get permission from the State to provide regional public media services. After obtaining this permission, the regional broadcasting foundation will get an annual budget from the media funds.

The RPO and seven of the thirteen regional broadcasting foundations have been classified in the local government because their supervisory boards are appointed by the local government. The other six regional broadcasting foundations have been classified in the private sector as there is no government control through appointment of main personnel or supervisory board or through other provisions. In fact, a foundation decides itself on entering into public media services and on termination of the five years concession.

At the local level, the State assigns also only one local public broadcasting foundation per municipality. Each assignment is also for five years. Open competition is also allowed. However, the local public broadcasting foundations do not get financial support from the media funds of the State. They are financed by the local government and donations. These foundations are much smaller compared to the national and regional ones. Most of them are treated as private organisations.

Statistics Netherlands monitors the changes of the assignments for national and regional public broadcasting foundations in the context of sector reclassifications.

5.2.6 Public hospitals

In the Netherlands, there are seven university hospitals which are classified as public non-financial corporations and about hundred general hospitals which are classified in the private sector.

Public control over the university hospitals is established as follows. Six of the eight university hospitals are established under public law, the State has the right to appoint the members of the supervisory board. The other two university hospitals are established under private law. Statistics Netherlands considers them public units because they are controlled by the supervisory board of the affiliated universities. Moreover, they are financed by the State under the same conditions as the six publicly owned university hospitals.

Statistics Netherlands has assessed no public control over the general hospitals because government is not involved in the appointment of the board, major decisions such as big investments, borrowing money and bankruptcy. A large majority of the hospitals in the private sector has the legal status of a foundation (a non-profit institution). In the Netherlands, a foundation may make small profits. But the profits cannot be distributed, have to be used for the purpose of the foundation. Some private hospitals may have the legal form of a corporation, which allows the distribution of profits to private investors under strict conditions.

Hospitals can get debt guarantees from the public entity, the *Foundation Guarantee fund for the Health Care Sector* (in Dutch: *Stichting Waarborgfonds voor de Zorgsector*, abbr. WFZ). The main task of the WFZ is to provide guarantees to health care institutions. The WFZ is financed by premiums paid by the participating health care institutions. The State has provided certain guarantees to the WFZ in case of financial distress (see <http://www.wfz.nl/>). The State and some municipalities have granted guarantees to hospitals in the past before the establishment of the WFZ. The State does not provide guarantees to hospitals anymore. Dutch hospitals can go bankrupt without financial consequences for the State.

Dutch hospitals operate mainly on the market of basic and essential medical care. Private health insurers play a prominent role in the Dutch health care system. All persons resident in the Netherlands are obliged to have a basic health insurance (with the parameters set by government) from one of the private health care insurers. Private insurers conclude contracts with individual hospitals. They negotiate the prices for medical treatments. The prices of the hospital services are based on the diagnosis treatment combinations (in Dutch: *Diagnose Behandel Combinaties*, abbr. DBC). For about 70 cent of the market segment, the price is negotiable between hospitals and health insurers. For 30 per cent, it is negotiable up to a (by government) predefined maximum price. Prices differ across hospitals. Customers are free to

choose the hospital to visit. However, if the insurer has no contract with the hospital, the customer has to pay a significant amount of the medical treatment himself.

Therefore, the main revenue for hospitals is from the health care insurers, who pay for the medical treatments of their customers. The health care insurers are financed by insurance premiums paid by their customers and additionally by government transfers to compensate for the obligatory free insurance provided to persons below the age of 18 years and for the obligation to provide a basic insurance to all persons, irrespective of their health condition, age, etc. The government transfers are paid from the *Health care insurance fund (ZVF)*, classified in the social security funds subsector of general government.

Direct payments by government to hospitals related to health care services are not significant. Government grants some "subsidies" for some specific health services that cannot be paid out of individual insurance policies (e.g. transport of patients by helicopter in case of emergencies) and for non-medical activities such as providing education to young doctors.

Statistics Netherlands deems the prices charged by hospitals economically significant. Therefore, all Dutch hospitals are considered to be market producer – though operating on a market regulated strongly by government – and thus classified outside the general government sector.

5.2.7 SPEs/SPVs

SPEs are not institutional units and classified within the controlling unit. In the Netherlands, a limited number of public units are “labelled” as SPEs/SPVs. For instance, the State-owned enterprise *Ultra Centrifuge Nederland N.V. (UCN)* is classified as part of the State. On behalf of the State, UCN participates the Dutch-German-British consortium of *URanium ENrichment COmpany (URENCO)*. Its major task is channelling investments and receiving profits.

5.2.8 Specific public units involved in financial activities

The major specific public units involved in financial activities are described below.

Public sector banks

In the Netherlands, two public sector banks exist:

- *BNG Bank*;
- *Nederlandse Waterschapsbank (NWB)*.

They are specialised banks in providing services to the public sector. The clients are municipalities, provinces, public water boards, social housing corporations, local intergovernmental organisations, healthcare institutions and public utilities. Their financial services consist of lending, consultancy, electronic banking, asset management and area development. The majority of the loans provided to parties outside government (housing corporations and health care organisations) are covered via guarantees provided by the Guarantee Fund Social Housing (*Waarborgfonds Sociale Woningbouw*, abbr. WSW) and the Guarantee Fund Healthcare Sector (*Waarborgfonds voor de zorgsector*, abbr. WFZ). They can also engage in such operations with other entities, however only at low risk, which means under the protection of government guarantees (generally not specific for the customers of these banks). They have a banking license granted by the Dutch Central Bank.

Half of BNG Bank’s share capital is held by the Dutch State and the other half by municipal authorities, provincial authorities and a public water board. The shares of the NWB are mainly held by public water boards, and a minority is held by the State and

provinces. Therefore, Statistics Netherlands has classified them in the public sector.

The two banks do not take deposits from the public or corporations at large. However, the banks engage in financial activities at their own risk and finance their activities by borrowing on the capital market, mostly debt securities. The Dutch State has not issued explicit guarantees on the bank's borrowings. Therefore, Statistics Netherlands considers the two banks to be financial intermediaries, and thus classified to the financial corporations sector.

Specific entities related to nationalised banks

Stichting Administratiekantoor Beheer Financiële Instellingen (NLFI)

NLFI's prime mandate is exercising the shareholder rights in the nationalised financial corporations in the context of the 2008/2009 financial crisis. The establishment of NLFI was the result of a parliamentary resolution to ensure a commercial, non-political governance of financial institutions, and a transparent separation of interests. The State decides on privatisation of the corporations based on NLFI's divestment proposals. NLFI is not deemed an institutional unit, and therefore classified as part of the State.

Originally, the NLFI held the shares in Fortis NL (later renamed as ABN AMRO), ASR, SNS REAAL and RFS Holdings B.V. After the privatisation of ASR Nederland in 2017 and the liquidation of RFS Holdings B.V. in 2019, the NLFI holds shares in ABN AMRO and the Volksbank (as SNS REAAL has been renamed).

ABN AMRO bank N.V.

AMRO Group N.V. was established by the State on 19 December 2009 as a holding company for ABN AMRO bank N.V. NLFI was the sole shareholder of AMRO Group N.V. which was in its turn the only owner of ABN AMRO bank N.V. Both entities have the same supervisory board and management board. AMRO Group N.V. was dissolved in 2019. Thus, the NLFI now holds direct shares in ABN AMRO bank N.V. Both AMRO Group N.V. and ABN AMRO bank N.V. and its subsidiaries have been classified as public financial corporations.

ASR Nederland N.V.

ASR Nederland N.V. was a head office of the nationalised insurance group. Therefore, the entity and its subsidiaries had been classified as public financial corporations after the nationalisation in 2008 until the privatisation in 2017.

RFS Holdings B.V.

The State did not have majority shares in RFS Holdings B.V., neither had the State the power to dictate the general policy of this entity. Therefore, the entity had been classified in the private sector until its liquidation in 2019.

SRH N.V. and SNS holding B.V.

In January 2013 the Dutch State nationalised SNS Bank (public limited company) and its subsidiary SNS Property Finance. In 2015 the former head office SNS REAAL was transformed into a holding company SRH N.V. that owns two subsidiaries: REAAL Vivat N.V. (the insurance division of the former SNS REAAL) and SNS bank N.V. The major task of SRH N.V. is the dismantling of SNS REAAL.

On 26 July 2015, REAAL Vivat N.V. was sold to a private party. On 30 September 2015, all the shares of the bank division (SNS bank N.V.) were transferred to the newly set up SNS holding B.V. NLFI is the sole shareholder of SNS holding B.V. From then on, SRH N.V.

does not have subsidiaries any more. It does have a management team whose sole task is the accomplishment of the dismantling of SNS REAAL. After this task is completed, SRH N.V. will be dissolved. SRH N.V. has therefore been classified in the central government subsector.

SNS holding B.V. does not have business activities except for holding shares for the State (via NLF). The governance is taken place at the level of his 100 per cent subsidiary SNS bank N.V. However, both SNS holding B.V. and SNS bank N.V. have the same supervisory board and management board. Currently, SNS holding B.V. is not considered as an institutional unit and is classified as part of the State. SNS bank N.V. is a public financial corporation. From 1 January 2017 the names of SNS holding B.V. and SNS bank N.V. have been changed to De Volksholding B.V. respectively De Volksbank N.V. However, this will not change the sector classifications. The change of the names is the result of a new branding and a new name of the bank permit (under the name ‘De Volksbank N.V.’ together with other 3 private banks).

The subsidiaries of De Volksbank N.V. (formerly SNS bank N.V.) are public financial corporations.

Propertize B.V.

Propertize B.V., formerly SNS Property Finance, was a subsidiary of the SNS REAAL nationalised on 1 February 2013. Due to its high risk real estate portfolio, it was separated from the SNS bank on 31 December 2013. Statistics Netherlands considered it a defeasance structure. On 27 September 2016 Propertize B.V. was sold to private investors. Therefore, it had been classified in the central government subsector from 1 January 2014 until 27 September 2016.

National promotional banks

In 2019, the State has established the national promotional bank *InvestNL*. This bank is fully financed by capital injections (equity) from the State and thus it is not a financial intermediary. Furthermore, it is not allowed to compete with commercial banks, its financing activities are restricted and the return on investment is expected to not be a market return. Therefore, the entity has been classified in the general government sector.

Regional development agencies (in Dutch: regionale ontwikkelingsmaatschappijen, abbr. ROMs)

The Dutch local government set up several regional agencies (or funds) to stimulate regional development. Such agencies have features of captive financial institutions. They have been classified in the local government subsector. The main units are:

- *N.V. Nom, Investerings- en Ontwikkelingsmaatschappij Voor Noord-Nederland*
- *Ontwikkelingsmaatschappij Oost Nederland N.V.*
- *Brabantse Ontwikkelings Maatschappij Holding B.V.*
- *Ontwikkelingsbedrijf Noord-Holland Noord N.V.*
- *N.V. Industriebank, Limburgs Instituut voor Ontwikkeling en Financiering (industriebank LIOF)*

International promotional banks

The Netherlands has two financial institutions providing financing to projects in development countries:

- *Dutch development bank (in Dutch: Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. abbr. FMO)*

- *Dutch investment bank for developing countries* (in Dutch: *De Nederlandse Investeringsbank voor Ontwikkelingslanden N.V.* abbr. NIO)

FMO has been classified as a public financial corporation. The bank is owned for 51 per cent by the Dutch State, for 42 per cent by private banks and for 7 per cent by employers' associations, trade unions and approximately 100 Dutch companies and individual investors. It has a banking licence given by the Dutch central bank. It places itself at risk by acquiring financial assets or incurring liabilities, and hence it is considered a financial intermediary. FMO also manages government funds on behalf of the Dutch State. They are not recognised in the accounts of FMO, but included in the budget.

NIO has been classified as part of the State. It not deemed an institutional unit because its sole task is the provision of concessional loans granted in the past to developing countries on behalf of the Dutch State. The Dutch State has not granted any bilateral loans to developing countries any more. As a consequence, the entity is only involved in settlements of old loans.

The State will establish a new international development bank in 2021: Invest International. This bank will be fully financed by capital injections (equity) from the State and thus it is not a financial intermediary. Furthermore, it is not allowed to compete with commercial banks, its financing activities are limited and the return on investment is expected to not be a market return. Therefore, the entity will be classified in the general government sector.

Municipal credit banks

There are six municipal credit banks controlled by local government:

- *Stichting Kredietbank Nederland*
- *Gemeenschappelijke Regeling Gemeentelijke Kredietbank Drenthe*
- *Volkskredietbank Noordoost Groningen*
- *Stadsbank Oost Nederland*
- *Krediet- en handelsmij. "de zuidelijke provincien" B.V.*
- *Gemeenschappelijke Regeling voor Sociale Kredietverlening en Schuldhulpverlening in Limburg*

These entities provides loans to individuals who cannot borrow from banks and provide various kind of financial services such as debt assistance and revenue management to individuals in their working area. Statistics Netherlands does not consider them as financial intermediaries, and has classified them in the local government subsector.

5.2.9 Protection funds

The national protection and resolution entities are:

- *Depositogarantiefonds* (Deposit guarantee funds DGF);
- *Afwikkelingsfonds* (National Resolution funds NRF).

The Dutch Central Bank manages the two funds. The two statutory funds are classified inside the general government sector in accordance with the MGDD 2019. The contributions to DGF/NRF are legally not refundable, but upon liquidation of the funds residual assets will be shared with the participants. Contributions to DGF/NRF cannot be paid with irrevocable payment commitments.

5.2.10 Other specific units

Statistics Netherlands has identified a limited number of other specific units which need special attention in the light of special provisions in the MGDD.

Market regulatory bodies

Market regulatory bodies (paragraph 1.6.5.1, MGDD 2019) are the following inspection agencies in the agriculture sector:

- *Stichting Bloembollenkeuringsdienst;*
- *Stichting Centraal Orgaan voor Kwaliteitsaangelegenheden in de Zuivel (COKZ);*
- *Stichting Skal (stichting keur alternatief voortgebrachte landbouwproducten);*
- *Stichting Kwaliteits-controle-bureau;*
- *Stichting Nederlandse algemene Keuringsdienst voor zaaizaad en pootgoed van landbouwgewassen (NAK);*
- *Stichting Nederlandse algemene Kwaliteitsdienst Tuinbouw.*

They are deemed to be controlled by government. Each agency is entitled to have some regulatory and supervisory powers based on a special law. Each agency can make rules or guidelines that the branch is mandatory to obey. The agency can impose sanctions on the actors that violate the rules. The major income of the agency comes from conducting inspection tasks defined by law. The tariffs are costs-based and have to be approved by government. Therefore, they are market regulatory bodies that are classified in the central government subsector.

Professional associations

The following professional associations (paragraph 1.6.5.2, MGDD 2019) are established based on the constitution (article 134):

- *De Nederlandse Loodsencorporatie (NLC);*
- *Koninklijke Beroepsorganisatie van Gerechtsdeurwaarders (KBvG);*
- *Koninklijke Notariële Beroepsorganisatie (KNB);*
- *Nederlandse Beroepsorganisatie van Accountants (NBA);*
- *Nederlandse Orde van Advocaten (NOvA);*
- *Orde van Octrooigemachtigden (OvO).*

Laws additional to the constitution are applicable which give these associations the power to make rules that the members have to obey. The membership to these associations is compulsory by law. Therefore, these associations are classified in the central government subsector.

Social housing corporations

Social housing corporations in the Netherlands are autonomous legal persons. They are controlled by general government due to several acts imposing constraints on the activities and governance of social housing corporations. Since the main revenue of social housing corporations are rentals from households, these housing corporations are considered to be market-producers in accordance with the quantitative market test. However, the quantitative market test does not incorporate indirect subsidies from government to social housing corporations, such as social benefits in kind related to rentals to household with low incomes, a government backstop scheme enabling cheap financing and land purchases below market price.

6. Time of recording

This section describes the time of recording for taxes and social contributions, EU flows, military expenditure, interest and other transactions (subsidies, current and capital transfers and financial transactions).

The time of recording is defined in ESA 2010 §1.101. It is the accrual basis, meaning when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.

6.1. Taxes and social contributions

ESA 2010 states that taxes and social contributions are derived from two sources: amounts evidenced by assessments and declarations or cash receipts.

If assessments and declarations are used, amounts should be adjusted by a coefficient reflecting assessed and declared amounts never collected. An alternative treatment foresees recording tax/social contribution revenue on a gross basis and adjusting this amount by a capital transfer to the relevant sectors equal to the amounts unlikely to be collected.

If cash receipts are used, the amounts should be time adjusted so that the cash is attributed to the time when the underlying activities, transactions or other events took place to generate the tax/social contribution liability, or when the amount of tax was determined, in the case of some income taxes.

6.1.1 Taxes

This section describes the methods of recording of taxes on an accrual basis. The time of recording of taxes is defined in ESA 2010 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

Statistics Netherlands compiles the tax data for EDP tables and related questionnaires. It uses different data sources.

The main data source for taxes is the Tax Authority (TA) which collects the taxes for the State. The TA data are provided monthly to Statistics Netherlands. They are on cash basis. A few national taxes are not collected by the TA but by ministries or by other organisations in case of specific levies (e.g. resolution levy for banks).

Statistics Netherlands applies the one-month adjusted cash method for most national taxes such as wage tax and excises. The rationale is that these taxes have to be paid within one month after (the month of) the taxable event. Some taxes are recorded on a cash basis as no simple adjusted cash method can be applied. This applies to income tax for households, corporation tax and dividend tax. As a consequence, almost all tax data on the State for EDP and GFS purposes are usually already final in February T+1 (i.e. April T+1 notification) although very small adjustments may occur when the audited annual accounts of the State are published in May.

Special attention is paid to value added tax (VAT). Statistics Netherlands has observed large repayments, even one year after the taxable events take place, which may be volatile.

Time of recording -Time of recording of other transactions

Therefore, a simple adjusted cash method is not a good approximation of accrual taxes. Instead, Statistics Netherlands uses detailed monthly data from the TA which assigns the cash inflows and outflows to the current year T or to the previous year T-1. This means that the final estimate on VAT can only be made when data on December T+1 are available, i.e. in January T+2. Thus, the final figure is reported in the October T+2 EDP notification (reporting in April T+2 is not possible due to national accounts revision policy). The April T+1 EDP notification contains one-month adjusted cash VAT data and the October T+1 / April T+2 EDP notifications contains updated one-month adjusted cash, where new data for February – April T+1 on year T are taken into account. However, the provisional estimates may be adjusted if analysis of the monthly data points out that the pattern of monthly payments is distorted, for instance related due to a change in time of payment of refunds.

Taxes for other central government bodies and local government are recorded as included in the financial reports, i.e. on accrual basis.

Statistics Netherlands does not apply specific treatments related to reimbursements and refunds final settlement, tax amnesties and tax credits. Note that tax credits in the Netherlands cannot exceed tax liabilities, i.e. they are non-payable tax credits. Therefore, they are recorded net as negative tax revenue according to ESA 2010 paragraph 4.81. One exception to non-payable tax credits regards energy tax, where everyone gets a standard reduction on its energy tax, irrespective of the energy tax that has to be paid. Although it is a payable tax credit in the sense of ESA 2010 paragraph 4.81, Statistics Netherlands does not apply gross recording as it considers that the tax credit is non-payable in substance i.e. the tax credit will only be paid out in case of exceptional cases.

Interest on late payments, fines and penalties for non-payment are reported separately by the Tax Authority and thus not recorded in GFS as tax but as interest and fines respectively. The instructions for the local government Iv3 questionnaire also state that those transactions should be excluded from the category taxes. For other taxes, Statistics Netherlands verified that these transactions are not included in taxes as reported by government units in their financial reports.

6.1.2 Social contributions

The time of recording of social contributions is defined in ESA 2010 §4.94 as "... the time when the work that gives rise to the liability to pay the contribution is carried out..." for employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

Statistics Netherlands compiles the social contribution data for EDP tables and related questionnaires.

It uses mainly data provided by the Tax Authority (TA) since the TA collects social contributions, together with wage and income tax, on behalf of social security funds. Some social contributions (mainly voluntary contributions) are collected directly by social security funds themselves, but amounts are small. Source data for these contributions are annual accounts of the social security funds. Furthermore, Statistics Netherlands uses data reported by the ministry of health and the ZiN to compute the total nominal health care premiums collected by insurance companies which are rerouted to social security funds.

Time of recording -Time of recording of other transactions

Statistics Netherlands applies the one-month adjusted cash method for social contribution collected as part of wage tax. The rationale is that wage tax and related social contributions have to be paid within one month after the taxable event. Cash data are used for social contribution collected as part of personal income tax. Similar to income taxes, no simple adjusted cash method can be applied to transform the cash data to accrual data.

Since the share of social contributions in the total amount of wages and income levies can only be determined after the year of taxation, the amounts transferred by the Tax Authority during the year are provisional based on keys. The final settlement of social contributions between the Tax Authority and social security funds UWV and ZiN takes place after two years for social contributions collected together with wage tax and after four years for social contributions collected together with income tax. Statistics Netherlands records the amounts settled on a cash basis as reduction or increase in social contributions with counter entries in wage and income tax. This may lead to some volatility in the time series of these figured and incoherence with the taxation base. Statistics Netherlands envisages to record the final settlement as current transfers between the Tax Authority and social security after the next benchmark revision in 2024. This does not impact total fiscal burden of general government.

Interest on late payments, fines and penalties for non-payment are not recorded as social contributions but as interest and fines respectively.

6.2. EU flows

The issue of recording EU flows is important for national accounts, especially government accounts, because – due to the institutional arrangements – in general all amounts transit via government accounts. In order to avoid potential effects on the level of government deficits, countries have to eliminate these flows from public accounts.

ESA 2010 paragraphs 20.294-20.300 foresee that when non-government units are beneficiaries from EU grants, all the flows to and from government should be recorded as financial transactions, without any impact on government net lending/borrowing (B.9).

When final beneficiary is a government unit, the neutrality of EU flows is ensured by matching the time of recording of government revenue from the EU and the time of recording of the government expenditure covered by the EU grant.

The ESA 2010 Manual on government deficit and debt Chapter 2.6 “*Grants from and contributions to the EU budget*” provide further details concerning the recording of these flows.

6.2.1 General questions

A. Grants from the EU budget

a) *Agricultural Funds (EAGF and EAFRD)*

The Ministry of Economic Affairs is responsible for transfers of the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) regarding the Netherlands. The transfers from the EU agricultural funds in the Netherlands are managed by the *Netherlands Enterprise Agency* (in Dutch: “*Rijksdienst voor Ondernemend Nederland*”, abbr. RVO), a state agency operating under the auspices of the Ministry of Economic Affairs and Climate Policy³¹.

³¹ <https://www.rvo.nl/onderwerpen/agrarisch-ondernemen/glb>

The EAGF and EAFRD transfers from the EU and payments to the final beneficiaries are recorded in the extra-budgetary accounts (“second party accounts”) of the Ministry of Economic Affairs and Climate. These “second party accounts” are included in the working balance of EDP table 2A and eliminated in table 2A as part of the line “other financial transactions”.

The EAGF finances direct payments to farmers and take measures to respond to market disturbances, such as private or public storage and export refunds. The EAFRD finances the rural development programmes of the Member States. Dutch National accounts records the transfers of EAGF and EAFRD to final beneficiaries (as subsidies (D.3) payable by the European Union. Therefore, there is not impact on general government revenue and expenditure, and consequently no impact on net lending/ net borrowing.

b) European Social Fund (ESF)

The Ministry of Social Affairs is responsible for the transfers from the ESF regarding the Netherlands³². Until 2018, the state agency “*Agentschap SZW*”, under the auspices of the Ministry of Social Affairs, was responsible for the implementation of the ESF in the Netherlands.

The ESF transfers from the EU and payments to the final beneficiaries are recorded in the extra-budgetary accounts (“second party accounts”) of the Ministry of Social Affairs. These “second party accounts” are included in the working balance of EDP table 2A and eliminated in table 2A as part of the line “other financial transactions”.

The recording of the ESF transfers in Dutch National accounts depends on the sector of the beneficiaries. In case the State is the final beneficiary and thus receives payments from the ‘ESF-account’, these payments are recorded on a cash basis in the State accounts. Statistics Netherlands is not able to make time of recording adjustment in accordance with ESA. However, amounts are small (far below EUR 100 M for the State).

Statistics Netherlands cannot easily identify specific ESF grants to other general government units as final beneficiary and to match ESF revenue with the related expenditure as prescribed by ESA 2010 (neutrality principle). The main local government entities have to report revenue from the European Union (ESF and other grants) as a separate revenue item in the Iv3 questionnaire. They report also separately on other accounts receivable and payable related to the European Union. Reliability of the reported data is not clear, but amounts are usually small. For other government entities, data are extracted from financial reports, if separately disclosed. The accrual accounting principles applied by these entities should comply with the matching principle, i.e. revenue and related expenses must be neutralised. Therefore, Statistics Netherlands assumes that the matching principle in public accounts complies with the neutrality principle in ESA 2010.

Statistics Netherlands also uses data from the dedicated websites on ESF expenses^{33 34}. ESF transfers to general government are recorded in GFS as current transfers related to international cooperation (D.74).

³² <https://www.uitvoeringvanbeleidszw.nl/>

³³ <https://www.uitvoeringvanbeleidszw.nl/projecten/overzichten-verleende-subsidies>

³⁴ <https://cohesiondata.ec.europa.eu/funds/esf>

Time of recording -Time of recording of other transactions

c) *European Regional Development Fund (ERDF)*

The ERDF funds are currently organised in eleven regional programmes in the Netherlands. There are four regional programmes within the Netherlands and seven interregional programmes in cooperation with neighbour regions in other countries.

The municipality of Rotterdam is responsible for the management of the ERDF programme in the western region, the province of Gelderland for the eastern region, the province of Noord-Brabant for the southern region. A special local intergovernmental organisation, the “*Samenwerkingsverband Noord-Nederland*”, is responsible for the fourth regional programme in the northern region. An up-to-date overview of the management authorities is disclosed on the internet³⁵. These authorities transfer the funds for the regional ERDF programmes to the final beneficiaries.

Statistics Netherlands verifies whether the transfers from the EU to these four local government units are not recorded as revenue. Only *Samenwerkingsverband Noord-Nederland* recorded the transfers as revenue in the past. Statistics Netherlands has eliminated these revenues in GFS.

Interregional ERDF programmes

Several interregional ERDF programmes exist for border regions where the Netherlands cooperate with neighbouring countries. The management authorities of these funds are seated outside the Netherlands except for the Interreg V-A - Belgium-Germany-The Netherlands (Euregio Maas-Rijn).

Refer to the text on the ESF above for the data sources used for GFS and EDP as well as the recording. The transfers from ERDF are recorded in GFS as investment grants (D.92) paid by the European Union.

d) *Other funds*

There are a number of other (relatively smaller) EU funds that provide transfers to the Netherlands: amongst others European Fishery Fund, External Borders Fund, European Return Fund, European Refugee Fund and European Fund for the integration of third-country nationals and the European (EFF, EBF, RF, ERF and EIF). The transfers from the EU and the transfers to the final beneficiaries are recorded like the ESF, i.e. recording in “second party accounts”.

Refer to the text on the ESF above for the data sources used for GFS and EDP as well as the recording. If the final beneficiaries of these funds are general government units, the grants are recorded as current transfers related to international cooperation (D.74);

B. EU third own resources

Statistics Netherlands makes time of recording adjustments to the cash data on GNI and VAT own resources. The adjustments are conducted in co-operation with the Ministry of Finance.

³⁵ https://ec.europa.eu/regional_policy/en/atlas/managing-authorities//

Time of recording -Time of recording of other transactions

6.2.2 Cash and Schengen facility:

The time of recording of payments received by the beneficiary Member States through Schengen and Transitional Facilities would be accounted according to the Eurostat decision on EU flows, while the time of recording of Cash-flow Facility is when the transfers are to be made by the Commission. In practice, in this particular case, the amounts would be recorded as revenue in the years in which they were received by the beneficiary countries.

The Cash and Schengen facility is not relevant for the Netherlands as only newly acceded EU Member States are eligible for these facilities.

6.2.3 EU financial instruments

The EU has been providing measures of financial support from EU structural and investment funds ‘financial instruments’ (FI). These instruments may be ‘equity or quasi equity investments, loans or guarantees’ and they are intended to support activities that will generate income, or result in saving on future expenditure. Unlike grants, they do not constitute a gift to the final recipient, which will typically be a small or medium-sized enterprise (SME) since, under normal circumstances, the funds are expected to be repaid to the creditor and produce a return on the investment (such as interest on the loan, or profit on subsequent sale of equity). EU legislation allows for a choice on how the financial instruments are implemented nationally: the Implementing Authorities can choose whether to assign the implementing task to a newly created entity or contract out the management to the EIF/EIB or to existing financial institutions.

In the EU the Jeremie/Jessica programmes were established under the 2007-2013 structural funds. Only a very few small programmes existed in the Netherlands amounting to about 20 million euros. The municipality of the Hague established a holding fund (“*Holdingfonds Economische Investerings Den Haag*”, abbr. *HEID*) with two urban development funds, currently extended by more funds³⁶. The eight other programmes concerned fund of funds. Please refer to the EC’s website on financial instruments related to structural funds³⁷.

Statistics Netherlands has not analysed the recording of the transactions through these funds giving the small amounts concerned. The holding fund is not classified in the general government sector. The type of government transfer to the holding fund is not known to Statistics Netherlands.

Under the 2014-2020 structural funds, the use of financial instruments remained. Total amount paid to financial instruments until 2018 is EUR 20 M and the committed amount is about EUR 100 M . The entities involved were *VvE Duurzaamheidsfonds Den Haag*, *Investeringsimpuls Energiefonds Den Haag*, *UNIQ: Proof of concept fonds voor Zuid-Holland* (all three funds under the umbrella of *HEID*), *Innovatiefonds Noord-Holland*, *InnovationQuarter fonds*, *TMI-POC fonds Flevoland* and *Investeringsimpuls Fonds SOFIE GTI*.

6.2.4 Market Regulatory Agencies

³⁶ <https://stichting-heid.nl/>

³⁷ https://ec.europa.eu/regional_policy/en/funding/financial-instruments/

Time of recording -Time of recording of other transactions

Market regulatory agencies are bodies whose intervention activities are mostly characterised by buying and selling products, often on behalf of the EU, with an aim to stabilise prices and to maintain purchasing prices to farmers at a sufficiently high level: they offer buying agricultural products from domestic producers at a predetermined price (often higher than "market" prices) and reselling them usually at a lower price later on and occasionally arranging for giving them away free of charge. These agencies can be involved in storing agricultural inventories, or in arranging for storage, as well as in distributing subsidies.

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

The Netherlands Enterprise Agency (in Dutch: Rijksdienst voor Ondernemend Nederland, abbr. RVO) is the national paying agency for the EU common agricultural policy. It operates under the auspices of the Ministry of Economic Affairs and Climate Policy. Its activities are commissioned by various Dutch ministries and the European Union.

It is also responsible for public interventions on the agricultural markets on behalf of the European Union in accordance with EU regulation 1306/2013³⁸. It regards amongst others purchases, transport, storage and sales of the inventories. The value of the agricultural stocks is recorded in the extra-budgetary accounts of the Ministry of Economic Affairs and Climate Policy as it is considered a claim on the EU. Since the extra-budgetary accounts are recorded as other accounts payable/receivable, the transactions related to market regulatory interventions do not impact net lending/ net borrowing.

6.3. Military expenditure

The ESA 2010 principle on accrual recording, when applied to military expenditure, is generally the time when the economic ownership of the good occurs, which is usually when delivered.

ESA 2010 paragraphs 20.190-20.192 define the rules for the statistical recording of military equipment. Chapter 2.5 in Part 2 of the ESA 2010 MGDD details the rules concerning the recording of military expenditure.

³⁸ <https://www.rvo.nl/onderwerpen/agrarisch-ondernemen/marktordening/interventieregelingen-opslag>

6.3.1 Types of contracts

Usually for large contracts, government agrees on sales in advance with industrial suppliers with government pre-financing. There are no payables related to purchases of military equipment.

Statistics Netherlands uses detailed data provided by the Ministry of Defence. Aside from cash data, the Ministry of Defence also provides information on deliveries of military equipment and trade credits related to military equipment.

6.3.2 Borderline cases

Since 2002 the Dutch State has contributed financially to the international collaboration programme for the development of the Joint Strike Fighter (JSF). However, in the following years it had been uncertain if the Dutch JSF collaboration would be continued or terminated. Only just in November 2013 the Dutch parliament finally decided that JSF aircraft will replace the current fleet of F-16 fighter planes.

Applying the MGDD chapter 2.5 paragraphs 42-43, Statistics Netherlands recorded the payments in the so-called System Development and Demonstration (SDD) phase as gross fixed capital formation in the asset research and development (ESA AN.1171). The payments for the SDD-phase were made independently from the (final) numbers of ordered JSF aircraft. There were no reimbursements in the case of a severe cut down of the initially envisaged numbers of ordered JFSs or in the case of the termination of the SDD MoU. By participating in the SDD-phase the Dutch State becomes the partial owner of the intellectual property rights (research and development) of the JSF. This ownership entitles the Dutch State to receive royalties if JSF aircraft are sold to non-consortium countries. As the payments were not linked to the number of ordered JSFs the time of recording is when the transfer is made by government.

The payments are made by the Dutch Ministry of Defence to the USA Department of Defence. Statistics Netherlands has recorded these payments as (short-term) trade credits (ESA F.81, assets of the State). When the USA Department of Defence provided evidence that the payments were passed through to the related companies these trade credits have been redeemed and gross fixed capital formation (research & development AN. 1171) has been recorded in Dutch GFS.

The payments for the Production, Sustainment and Follow-on-Development (PFSD) phase were based on the initially envisaged Dutch JFS orders. Two test planes were ordered by the Dutch State in 2009 and 2010 and delivered in 2013. According to the provisions the MGDD chapter 2.5, Statistics Netherlands has recorded the upfront cash payments as long-term loans (ESA F.42 assets of the State). Gross fixed capital formation (ESA AN.114 weapon systems) has been recorded in the third quarter of 2013, and simultaneously a decrease in loans. The first regular plane was delivered in 2019. Unfortunately, the recording of advances paid prior to 2019 have been erroneously recorded as gross fixed capital formation on a cash basis instead of long-term loans. The MGDD stipulates the recording of acquisition of military goods at time of delivery. The correct recording has been applied as of 2019. The incorrect recording of expenditure will be rectified in the next benchmark revision (2024).

The Netherlands also participate in the multinational multirole tanker transport project (MRTT). The project will lead to the purchase of nine tanker planes. The first three planes

were delivered in 2020. The delivery of the remaining six planes is foreseen until 2024. Several countries participate in this project based on cost sharing. The NATO will be the legal owner of the assets. Eurostat and Statistics Netherlands have assessed that the participating countries are the economic owners. Therefore, the payments for the acquisition have to be recorded at time delivery. Statistics Netherlands has implemented this as of 2020. However, prepayments in 2016-2019 have been recorded erroneously as gross fixed capital formation (ESA P.51), thus having a negative impact on net lending/net borrowing, cumulatively amounting to EUR 300 M. Statistics Netherlands will rectify the errors in the next benchmark revision (2024).

6.3.3 Recording in national accounts

Purchases of military equipment are recorded as gross fixed capital formation (ESA P.51g) at the time of delivery based on the data provided by the Ministry of Defence. Upfront payments are recorded as trade credits receivable (F.81) or long-term loans assets (F.42), depending on the maturity of the advances.

Note that gross fixed capital formation also comprises sales of military equipment (with a negative sign). They are also recorded at the time of delivery. Usually, payments are made in instalments. Therefore, a trade credit or long-term loans, depending on maturity, is (partially) the counter entry of gross fixed capital formation and future payments lead to a reduction in trade credits or long-term loans.

6.4. Interest

This part aims at describing accrual adjustment for interest.

ESA 2010 paragraph 20.178 reads: "*In the system, interest is recorded on an accrual basis, i.e. interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding*"

ESA 2010 MGDD part 2, chapter 2.4 is dealing with some practical aspects of the recording of interest.

6.4.1 Interest expenditure

Table 10. Availability and basis of data on interest

Instrument	S.1311		S.1312		S.1313		S.1314	
	State	OCGB	Main unit	OSGB	Main unit	OLGB	Main unit	OSSB
Deposits (AF.2)	A	A	M	M	M	M	M	M
Debt Securities (AF.3)	A	A	M	M	A	A	M	M
Loans (AF.4)	A	A	M	M	A	A	A	A
Other accounts receivable (AF.8)	M	A	M	M	A	A	A	A

Cash/accrual, M (not applicable) or L (not available)

The data sources used for interest payable are the same as used for expenditure. Statistics Netherlands does not use specific data sources for interest.

The Ministry of Finance records interest on financing instruments of the State (debt securities and some loans liabilities as well as some loans assets used for financing policy) and interest related to Treasury banking (deposits liabilities and loans assets) on an accrual basis in its

Time of recording -Time of recording of other transactions

budget and financial reports, applying the ESA guidelines. Though interest payable is mainly recorded on an accrual basis in the source data, the working balance in EDP table 2A is a cash balance. Therefore, the accrual adjustment to the working balance related to interest payable is included in the line “Difference between interest paid (+) and accrued (D.41)(-)”.

Other government units apply accrual accounting rules and therefore interest is also recorded on an accrual basis although there may be small deviations from ESA guidelines.

Only for the State interest data on an instrument by instrument basis is available to Statistics Netherlands. The Ministry of Finance provides detailed data by instrument on interest paid, interest accrued, discounts and premiums. No such detailed data are available for other government units.

The principle of recording accrued interest under instrument is not being followed in the source data. The detailed data for the State enables Statistics Netherlands to assign interest accrued not paid to instruments. For other government units, Statistics Netherlands makes assumptions to assign interest accrued not paid to ESA categories.

The accrual adjustments to interest are conceptually almost the same in EDP table 2A and 3B. The adjustment line in EDP table 2A also concerns adjustment to interest receivable on financial instrument used by the Dutch State Agency in the context of its financing policy. Furthermore, the amounts may differ as the adjustment line in table 2A only concerns the State whereas the adjustment line in EDP table 3B also concerns other central government units, which may issue debt securities.

6.4.2 Interest Revenue

The data sources used for interest receivable are the same as used for revenue. Statistics Netherlands does not use specific data sources for interest.

The Ministry of Finance records interest on financing instruments of the State (including some loans assets used for financing policy) and interest related to Treasury banking (loans assets) on an accrual basis applying the ESA guidelines. Interest on policy loans are recorded on a cash basis. Statistics Netherlands does not make accrual adjustments due to the small amounts involved, except for student loans for which data on interest accrued not received are provided by the state agency DUO. Other government units apply accrual accounting rules and therefore interest is also recorded on an accrual basis although there may be small deviations from ESA guidelines (especially related to the debtor principle of ESA 2010 relevant for premiums and discounts on debt securities purchased).

Accrual adjustments related to interest revenue from financing and Treasury banking of the State are included in the line “Difference between interest paid (+) and accrued (EDP D.41)(-)” of EDP table 2A. The accrual adjustments related to student loans are included in the line “Loans, granted (+)” of EDP table 2A. There are no accrual adjustments included in EDP tables 2B-2D since interest accrued not received are included both in the working balance and the financial instruments involved.

6.4.3 Consolidation

Consolidation of interest within general government mainly relates to Treasury Banking. The Ministry of Finance provide breakdowns on interest payable and receivable related to Treasury banking loans and deposits. Statistics Netherlands uses these breakdowns to

Time of recording -Time of recording of other transactions

eliminate interest flows between the State and other government units, mainly social security funds. Interest between government units other than the State is eliminated in consolidated general government accounts by using the direct data sources described in chapter 3 and additional estimates.

Consolidation of interest does not impact net lending/net borrowing. Statistics Netherlands assumes that the same amounts of interest are recorded by the borrowing unit and the lending unit. This assumption is not correct for debt securities but consolidated amounts are small.

6.4.4 Recording of discounts and premiums on government securities

Flows associated to premium and discount for the State enter the working balance of EDP tables 2A. They are recorded on a cash basis in the working balance and therefore adjustments are made in EDP table 2A in the line "Difference between interest paid and accrued". Since other government units apply accrual accounting rules, no adjustments are made in tables 2C for local government. Flows associated to premium and discount are not relevant for table 2D since social security funds do not issue debt securities. Note that some entities in central and local government that are not included in the working balance, but are reported under "other government bodies" in EDP tables 2A and 2C do also issue debt above/below par. Hence, the accrual adjustment are also recorded in the "other government bodies".

Premiums and discounts are spread over the life of an instrument whereby amortised premiums are treated in national accounts as negative expenditure. Data on repayment of discount is separately provided by the Ministry of Finance and thus identifiable from the repayment of debt.

6.4.5 Recording of interest accrued on intergovernmental loans in dispute and interest accrued on intergovernmental loans unlikely to be repaid

No cases of intergovernmental loans that are in dispute are known to Statistics Netherlands. Non-performing loan unlikely to be repaid (intergovernmental or others) are not recorded as loans by Statistics Netherlands, but as expenditure impacting net lending/ net borrowing.

6.5. Time of recording of other transactions

All transactions from audited accrual data sources are assumed to be broadly in line with ESA 2010 rules. If deviations from ESA 2010 are known to Statistics Netherlands, the source data are adjusted. Since all data sources except those from the State are on accrual basis and audited by external accountants, the number of adjustments related to time of recording made by Statistics Netherlands is small. Statistics Netherlands does not explicitly check if all receivables, as booked in public accounts, are finally cashed (e.g. revenue from fees, penalties, etc). Statistics Netherlands is not aware of accumulated arrears / payables of government. Both issues are not material for EDP and GFS of the Netherlands.

Since data on the State are on a cash basis, Statistics Netherlands applies several so-called cash-accrual adjustments to the source data. See section 3.2.3.4.2 Accrual adjustments reported under other accounts receivable/payable (ESA F.8) in EDP table 2A. Note that all cash-accrual adjustments for the State have counter entries in other account payable/receivable, thus ensuring consistent recording in financial accounts of general government.

7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA 2010), 2019 edition³⁹.

7.1. Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of the debtor is normally recorded as government expenditure. In case of repeated guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to a one-off increase of government debt as well as of deficit. The accounting rules are explained in the Chapter 7.4 on Government guarantees of the ESA 2010 Manual on government deficit and debt. This chapter describes also specific cases and related treatment in national accounts.

7.1.1 Guarantees on borrowing

7.1.1.1 *New guarantees provided*

Recording in public accounts

Debt guarantees are mainly provided by the State and to a smaller extent by municipalities and other government entities. An overview of State guarantees is disclosed in the annual financial report of the State as well as in the Budget Memorandum⁴⁰. The overview presents outstanding amounts of guarantees (including increases and decreases) as well as outflows related to guarantee calls and cash inflows related to fees and repayments of claims for all schemes. Note that these overviews do not only include debt guarantees but also back stop schemes.

The State provided a large amount of guarantees on borrowing for interbank loans during the financial crisis. The last guarantees under this scheme were terminated in 2014. Smaller schemes for the State guarantees on borrowing include guarantees granted to a large variety of institutions and corporations such as health care institutions and enterprises in the context of government policy on agriculture, environment and stimulation of certain economic activities. Most of the guarantees of the State are provided to private corporations.

Local government, mainly municipalities, provide guarantees to both private and public corporations and institutions, mostly operating in the field of culture, sport, housing, health care, energy and water. The amounts are usually small. Local government authorities have to report contingent liabilities such as guarantees in the explanatory notes to the annual reports

³⁹ <https://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/manuals>

⁴⁰ https://www.rijksbegroting.nl/2019/kamerstukken.2020/5/20/kst278902_10.html

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(e.g. refer to article 57 of the accounting act for local government authorities, BBV⁴¹). Note that these overviews do not only include debt guarantees but also back stop schemes.

Statistics Netherlands is not aware of debt assumption at inception related to guarantees.

Recording in national accounts

The Ministry of Finance provides to Statistics Netherlands an extended list with details on guarantees provided by the State including stocks and flows for the EDP April notification. The data are provided somewhat earlier than the official public reports. The list comprises all debt guarantee schemes and new schemes are marked. The new schemes are classified by Statistics Netherlands using background information about the scheme. The reported amounts are also checked by Statistics Netherlands and discussed with the Ministry. After official publication Statistics Netherlands verifies the received list with the amounts in the official overviews. All debt guarantees provided are reported as contingent liabilities in GFS and Dutch national accounts.

Statistics Netherlands collects debt guarantees granted by other government entities through the overviews provided in the explanatory notes. Local government authorities provide the annual reports on year T before mid-July T+1. Statistics Netherlands processes these data from August to October.

Statistics Netherlands discloses the stock of debt guarantees in the context of “six pack” statistics on contingent liabilities by end-October each year.

Statistics Netherlands does not record debt assumption in GFS and national accounts.

7.1.1.2 Treatment of guarantees called

Recording in public accounts

Calls of State guarantees are reported by scheme in the annual financial report of the State as well as in the Budget Memorandum. Guarantee calls lead to cash outflows included in the working balance. The reporting requirements for ministries is included in the State’s accounting provisions⁴².

Calls of guarantee granted by other government units are not separately disclosed other than through the explanatory notes to the financial reports. As these units apply accrual recording, losses on guarantees including calls are recorded as expenditure when they are likely to appear and can be estimated reliably.

Recording in national accounts

A guarantee call results normally in a full cash payment of the guaranteed debt. Therefore, no assumption of the outstanding amount is recorded in GFS and national accounts if not recorded in public accounts. Correspondingly, the cash payments related to State guarantees are recorded in GFS and national accounts as expenditure. Statistics Netherlands does not make time of recording adjustments to the cash amounts of the State or the accrual data of other government entities.

⁴¹ <https://wetten.overheid.nl/BWBR0014606/2019-07-01>

⁴² <https://rbv.rijksfinancien.nl/voorschriften>

Statistics Netherlands is not aware of large amounts involved with repeated guarantee calls in the Netherlands. Therefore, no specific adjustments are made.

7.1.1.3 Treatment of repayments related to guarantees called

Recording in public accounts

Cash repayments of debt guarantees on borrowing are recorded as revenues in the working balance of the State. In the public accounts fees and repayments are reported together as a revenue item in the annual account of the Ministry of Finance.

Recording in national accounts

All repayments of called debt guarantees on borrowing are recorded as revenue in the national accounts.

7.1.1.4 Treatment of write-offs by government in public accounts of government assets that arose from calls, if any

There are no government assets that arise from calls recorded in public accounts.

7.1.1.5 Data sources

The annual report of the State and the Budget Memorandum disclose data on guarantees granted to individual entities and groups of entities. They also include information on fees, repayments and calls. In addition, the Ministry of Finance also provides data on guarantees. The cash amounts enter into the working balance of the State.

In addition, Statistics Netherlands collects information on stocks of guarantees from annual reports of government units in the context of the EU directive 2011/85 on requirements for budgetary frameworks of the Member States. The explanatory notes to the accounts provide information on guarantees to discern debt guarantees as defined in ESA 2010. No information other than stocks such as fees and calls are collected by Statistics Netherlands.

7.1.2 Guarantees on assets

7.1.2.1 New guarantees provided

Recording in public accounts

The stocks and newly provided debt guarantees on assets are reported together with other guarantee schemes in the annual accounts of the Ministry of Finance. The Export Credit Insurance is a debt guarantee on assets and has one of the largest amounts on outstanding stocks of guarantees.

Recording in national accounts

The stocks of debt guarantees are recorded as contingent liabilities.

7.1.2.2 Treatment of guarantees called

Recording in public accounts

Guarantee calls by scheme of the State are reported in the annual account of the Ministry of Finance. The guarantee call is a cash expenditure in the working balance.

Recording in national accounts

A guarantee call results normally in a full cash payment of the guaranteed debt. Since the Export Credit Insurance leads to a large percentage of repayments and thus the resulting loss is small, indemnities lead to the recording of a claim. Correspondingly, recoveries are recorded as disposal of part of such claim, and only claims write-offs or cancellations (notably in the context of the Paris Club) lead to an expenditure and an impact on net lending/ net borrowing.

7.1.2.3 Treatment of repayments related to guarantees called

Recording in public accounts

Both fees received and repayments of guarantees called for the Export Credit Insurance are recorded as cash revenues in the annual account of the Ministry of Finance, and included as revenues in the working balance.

Recording in national accounts

All repayments of called debt guarantees on borrowing are normally recorded as revenue in the GFS and EDP. Since the Export Credit Insurance leads to large percentage of repayments and thus the resulting loss is small, indemnities lead to the recording of a claim (ESA F.42). Correspondingly, recoveries are recorded as disposal of part of such claim, and only claims write-offs or cancellations (notably in the context of the Paris Club) lead to an expenditure and an impact on net lending/ net borrowing.

7.1.2.4 Treatment of write-offs

Write-offs of claims related to Export Credit Insurance (notably in the context of the Paris Club) lead to an expenditure and an impact on net lending/ net borrowing.

7.1.2.5 Data sources

The annual report of the State and the Budget Memorandum disclose data on guarantees granted to individual entities and groups of entities. They also include information on fees, repayments and calls. In addition, the Ministry of Finance also provides data on guarantees, specifically for Export Credit Insurance. The cash amounts enter into the working balance of the State.

In addition, Statistics Netherlands collects information on stocks of guarantees from annual reports of government units in the context of the EU directive 2011/85 on requirements for budgetary frameworks of the Member States. The explanatory notes to the accounts provide information on guarantees to discern debt guarantees as defined in ESA 2010. No information other than stocks such as fees and calls are collected by Statistics Netherlands.

7.1.3. Standardised Guarantees

No standardised guarantee schemes are reported in Dutch GFS. The scheme BMKB (*Besluit Borgstelling MKB-kredieten*) may qualify as a standardised guarantee scheme. The number of guarantees outstanding averages around 3,000 per year and the number of guarantees issued is below 1,000 each year. The guarantee calls amount to less than EUR 100 M each year, whereas the outstanding amount is about EUR 2 billion. However, since the scheme is not substantial and it is difficult to estimate a reliable default rate the BMKB scheme is recorded in GFS as a one-off guarantee.

7.2. Claims, debt cancellations and debt write-offs

Providing loan capital is generally a financial transaction not impacting the net borrowing/net lending (B.9). Government, as a lender, is expecting that the debtor will be in a position to repay the loans, according to a schedule agreed at inception. However, if the loan is non-recoverable, the recording of government expenditure might be considered. The related accounting rules are set up in ESA 2010 and further clarified in the Chapter 3.2 on Capital injections and Chapter 7.2 on Debt assumption and cancellation of the ESA 2010 Manual on government deficit and debt.

7.2.1 New lending

Dutch government units grant many different loans. The largest amounts on loans granted by the State are loans to other government units in the context of Treasury banking (mainly social security funds) and student loans. Student loans consist of real loans and contingent loans. The latter are performance-related loans that are forgiven if students have their diplomas within ten years, which occurs for more than 90 per cent of these contingent loans. The contingent loans are not recorded as loans. Other loans granted by the State involve the civil servants pension fund, international organisations and small / medium enterprises.

Statistics Netherlands has direct data on transactions on new lending and on the related repayments when it concerns long-term loans granted by the State and loans granted by municipalities, local intergovernmental organisations, provinces and public water boards. Data on short-term loans granted by the State are only available on a net basis whereas transactions in loans granted by educational institutions, non-profit institutions and social security funds are derived from stocks. The data on transactions derived from stocks are from annual accounts i.e. integrated data sources.

Recoverability of a loan is not regularly considered. Only in case of a new loans scheme of large individual loans recoverability is taken into account when Statistics Netherlands assesses the transaction classification.

Statistics Netherlands has recorded granted loans as a transfer (expenditure) in national accounts instead of financial transaction if the expectation of repayment is low. For example, it concerns specific loans to refugees.

Statistics Netherlands is not aware of government claims that are kept in books of public corporations, thus outside general government.

7.2.2 Debt cancellations

General provisions on debt cancellation by the State are laid down in a decision on financial management by the Ministry of Finance⁴³. Ministries may cancel claims at their own discretion. The Minister of Finance must grant permission for cancellations of debt higher than EUR 1 M. Ministries must inform the debtors in question in case of debt cancellation. Since debt cancellations do not lead to cash inflows or outflows, amounts on debt cancellations are not recorded in the State's budget, which is on a cash basis. However,

⁴³ <https://wetten.overheid.nl/BWBR0040757/2018-03-27>

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according to the decision of the Minister of Finance ministries should maintain overviews of claims and debt cancellations. Such overviews are not reported to Statistics Netherlands.

It is not known to Statistics Netherlands under which circumstance other government units (applying accrual accounting) may cancel debt. Debt cancellation usually leads to an expense in the profit and loss accounts of these government entities, except if the claim has already been written off. It is not possible for Statistics Netherlands to identify flows on the cancellation for these units.

Thus, Statistics Netherlands does not have specific data on debt cancellations, stocks on bad loans and related accrued interest revenue available at all government levels. Statistics Netherlands uses public information on large debt cancellations. Also, explanatory notes to the account may provide information on debt cancellations. Based on these information sources, Statistics Netherlands may adjust the source data to record debt cancellation in accordance with ESA 2010. The impulse for recording a debt cancellation in national accounts may be based on government decisions and/or recording in public bookkeeping records. Cases of recording debt cancellation on the basis of a decision of statisticians are not known.

In order to identify possible occurrence of a debt cancellation, significant differences between the change in stocks of claims and transactions are investigated during Statistics Netherlands' compilation process on a best efforts basis. The explanatory notes to the financial statements might give a clue, whether the change relates to debt cancellation. If affirmative, the decrease is recorded as capital transfer (ESA D.9) rather than a decrease in loans.

Provisions on claims from public bookkeeping records are generally not recorded in GFS and EDP as the nature of such provisions can be different, so that an automatic recording compliant with ESA 2010 is not possible. Furthermore, ESA 2010 requires valuation at nominal value rather than market value, which may explain the largest part of the provisions.

The time of recording of debt cancellation in GFS and EDP is when the official decision on cancellation is taken. Statistics Netherlands may record debt cancellation for non-recoverable loans or other accounts receivable, even in the absence of any official decision on debt cancellation. However, such cases are not very frequent. In such cases, accrued interest revenue is not recorded.

In case of accrual data sources, the recording of accrued interest on bad loans might be included in "other claims" (e.g. other accounts receivable). However, public accounting provisions do in general not allow the recording of revenue that will not be received. The amount of debt cancellation may also include interest accrued, if interest has been accrued but not received in the past.

The specific case when foreign claims, governed by the Paris club agreements or by other agreements, are maintained in the books of public corporations instead of in those of the Treasury, has not occurred in the Netherlands.

Please note that debt cancellations may also be applicable to other accounts receivable (ESA F.8).

7.2.3 Repayments of claims

The data sources for repayment of claims are the same as related data on new lending.

Repayments of claims in ESA 2010 accounts are generally recorded as financial transactions. However, receipts from repayments of claims that were previously cancelled, are recorded as non-financial transactions (capital transfers receivable) if the cancellation was also recorded as non-financial transactions (capital transfers payable).

Statistics Netherlands has not observed repayments in kind, e.g. via delivery of goods and services or via transfer of assets. As a consequence, repayments in kind have been recorded the same in GFS and public accounts, if it would have occurred.

7.2.4 Debt write-offs

Debt write-offs in public accounts are not recorded in national accounts.

7.2.5 Sale of claims

Statistics Netherlands is not aware of (large) sales of bad loans, well performing loans and claims in other accounts receivable. No specific data collection has been implemented. Information on such events should reach Statistics Netherlands through public information (newspapers, official government announcements, etc.).

7.3. Capital injections in public corporations

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalise or recapitalise them. The accounting rules are set out in ESA 2010 paragraphs 20.197-20.203 and clarified in the Chapter 3.2 on Capital injections of the ESA 2010 Manual on government deficit and debt. These chapters devote considerable space to set the operational rules for the recording of capital injections in national accounts either as transactions in equity (financial transaction = financing = “below-the-line”), or as capital transfers (non-financial transaction = expenditure = “above-the-line”).

It is recalled that the MGDD also indicates that payments by government to public units, structured in the legal form of a loan or a bond, might be considered in specific circumstances as capital injections, and to be classified in certain cases as a non-financial transaction (predominantly capital transfer D.9); cf. MGDD 3.2.3.2.2.

Statistics Netherlands generally detects capital injections through specific items reported in the data sources, which show an incidental large increase in the expenditures or in the balance sheet in such cases. Large capital injections are usually known to Statistics Netherlands prior to collecting the source data since such transactions are published in newspapers, magazines, budgets, letters to Parliament and so on. The Ministry of Finance may also notify Statistics Netherlands, especially when it needs to know the impact of a capital injection on deficit and debt. Capital injections in kind (both in non-financial or financial assets) are detected similarly.

Statistics Netherlands applies the capital injection test for all capital injections by the State. It uses financial reports from the entities in which capital has been injected. Also, reports and analyses by financial experts/advisors hired by the State are used. Capital injections tests for

the State are usually conducted well before the April EDP notification to discuss the results with the Ministry of Finance and implement them in the April EDP notification.

Capital injections at the local government level (or central government level except the State) are only assessed if they are large. No specific threshold is being used. Sizeable (more than 20 million euros) capital injections by local government entities are rare. Capital injections into quasi-corporations are not applicable since 2014.

7.4. Dividends

The accounting rules are set out in ESA 2010 paragraphs 20.205-20.207. It is recalled, that the ESA 2010 Manual on Government Deficit and Debt chapter 3.5 indicates that large and exceptional payments out of reserves which significantly reduce the own funds of the corporation should be treated as super-dividends, i.e. transaction in shares and other equity (a capital withdrawal). It also sets out that the resource available for distribution by a unit (a corporation) is the *distributable income* of the unit, as defined in the ESA 2010, paragraph 4.55.

Total distributions could therefore comprise one part recorded as distributed income of corporations, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA 2010 table 2 and table 8 within “other property income” category, and the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Central Bank, and amounts received from other public corporations.

Data sources on dividends received by government are the same as for other revenue and expenditure.

The data sources for the State are very detailed and provide data on cash revenue from dividends. Sometimes it may be difficult to distinguish between repayment of dividend taxes (as the State is exempt of dividend tax) and actual dividend revenue.

Statistics Netherlands performs the super-dividend test for dividends distributed to the State applying the guidelines from the MGDD chapter 3.5. The test is applied during the compilation process.

The data sources for the main local government units (Iv3 questionnaire) provide a separate item for dividends. Iv3 guidelines stipulate that super-dividend should be recorded as financial transactions (i.e. reduction of equity).

Statistics Netherlands verifies for large reported amounts of dividend whether no super-dividend is reported under the item dividend in the questionnaire. Hereby, it uses annual financial reports of corporations regarding T-1 which usually become available in the months July and August at the latest, and investigates the dividends that are to be paid in year T to local government. Twelve large corporations controlled by local governments are investigated by checking the annual financial reports on:

- Dividends paid (including interim dividend);
- Specific information about (possible) super-dividends;
- Profits.

For each of the twelve corporations Statistics Netherlands checks if the (regular) dividends paid are larger than the profit in a single year in order to determine if (part of the) dividend should be treated as super-dividends. In addition to the analyses based on annual financial reports in July/August Statistics Netherlands monitors the news regarding possible sales of

(parts of) corporations and the possible (resulting) payment of a super-dividend throughout the year.

For other units, dividends are extracted from financial reports, but amounts are small. Statistics Netherlands only verifies the dividend recording in case of large and unexpected amounts.

Government may receive interim dividends, but to the knowledge of Statistics Netherlands it is rare. In the past it occurred for dividends paid by the Central Bank.

Statistics Netherlands uses the profits/losses after deduction of income tax as reported in the consolidated financial reports of the (public) corporations but adjusted for holding gains. In general, the super-dividend test is applied to the company group as a whole (consolidated) and not to dividend of the mother company. Therefore, testing dividend flows within a company group separately is not relevant for Statistics Netherlands.

7.5. Privatisation

The accounting rules are set out in ESA 2010 paragraphs 20.210-20.213. The proceeds collected by government when disposing of shares in public corporations are often called privatisation proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatisation can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter 5.2 indicates that such indirect privatisation proceeds are not government revenue. MGDD chapters 5.3 and chapters 5.4, respectively, provide the guidance on the treatment of privatisation proceeds from public corporations and restitution and use of vouchers for privatisation.

Specifically, chapter 5.3.1 of the ESA 2010 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set-up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

The main issue is: what is the relevant sector classification of this sort of unit managing privatisation and possibly making grants to other enterprises? Should this activity be considered as taking place on behalf of the government?

In the Netherlands there is no separate institutional unit or extra-budgetary fund involved in privatisation as described above. Note that the Dutch State has established the unit NLFI, NL financial investments. Its prime mandate is exercising the shareholder rights in ABN AMRO and Volksholding B.V. (previously also ASR, SNS Reaal and RFS Holdings B.V.). However, privatisation will be decided on by the Minister of Finance. NLFI will submit such divestment proposals and later prepare and execute the transactions. Statistics Netherlands has assessed that NLFI is not an institutional unit under ESA 2010 and its accounts are thus consolidated within the State in EDP and GFS. Proceeds from privatisation by the State goes through the working balance of the State.

For the main local government entities privatisation proceeds are included in the working balance for the amount in excess of the book value, whereas the residual i.e. decrease of book value is booked in the balance sheet. The effect on government balance is neutralised in EDP

table 2C in the line financial transactions included in the working balance (usually item “Equity, sales (-)”).

Transactions in equity (ESA F.51) due to privatisation are recorded on an accrual basis. Thus, they are recorded when the shares are transferred, also when the cash is paid in tranches. In such cases, Statistics Netherlands records the agreed sales prices as sales of equity with a counter entry in loans granted (ESA F.4).

7.6. Public Private Partnerships

The term “Public-Private Partnerships” (PPPs) is widely used for many different types of long-term contracts between government and corporations for the provision of public infrastructure. In these partnerships, government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific “dedicated assets”, such that the non-government unit builds a specifically designed asset to supply the service. The accounting rules are set out in ESA 2010 paragraphs 20.276-20.282 and clarified in the Chapter 6.4 of the ESA 2010 Manual on government deficit and debt.

The key statistical issue is the classification of the assets involved in the PPP contract – either as government assets (thereby immediately influencing government deficit and debt) or as the partner’s assets (spreading the impact on government deficit over the duration of the contract). This is an issue similar to the one of distinguishing between operating leases and finance leases, which is explained in Chapter 15 of ESA 2010.

As a result of the methodological approach followed, in national accounts the assets involved in a PPP can be considered as non-government assets only if there is strong evidence that the partner is bearing most of the risk attached to the asset of the specific partnership. In this context, it was agreed among European statistical experts that, for the interpretation of risk assessment, guidance should focus on three main categories of risk: “construction risk” (covering events like late delivery, respect of specifications and additional costs), “availability risk” (covering volume and quality of output) and “demand risk” (covering variability of demand).

PPP assets are classified in the partner's balance sheet if both of the following conditions are met: the partner bears the construction risks and the partner bears at least one of either availability or demand risk, as designed in the contract.

If the conditions are not met, or *if government assumes the risks through another mechanism*, (e.g. guarantees, government financing) then the assets are to be recorded in the government's balance sheet. The treatment is in this case similar to the treatment of a financial lease in national accounts requiring the recording of government capital expenditure and borrowing. In borderline cases it is appropriate to consider other criteria, notably what happens to the asset at the end of the PPP contract.

Most PPPs in the Netherlands are established by the State which uses standard DBFM(O) contracts to this aim. The PPPs Delfluent and A59 were established by local government entities. PPPs are distinguished from concessions or operative lease by the specific conditions of the contract. PPP contracts are about design, build, finance, maintain (and operate) of assets for which government pays an annual so-called availability fee in exchange.

There is not a specific unit established to deal with PPPs in the Netherlands. However, the Ministry of Finance monitors all DBFM(O) contracts for the State. Each quarter the Ministry of Finance receives status reports of all DBFM(O) contracts in investigation, negotiation,

construction or operation phase. These status reports are sent to Statistics Netherlands. Therefore, Statistics Netherlands can easily monitor developments of PPPs at the State level.

It is more difficult to track PPPs of other government units. DBFM(O) contracts at other government sectors are monitored at the website of PPS network⁴⁴.

Statistics Netherlands assesses which party bears the construction, availability and demand risk. Dutch PPP contracts are drawn using a standardised contract format. Statistics Netherlands analyses all new versions of the standard contract, and requests the parameters in the contract through a ‘fact sheet’ to be provided by the government unit involved in the contract. As a consequence of changes in the 2016 edition of the MGDD, PPPs established through standard DBFM(O) contracts are recorded on government balance sheet in GFS and EDP.

Government does not provide any guarantees to the partner. At the end of the construction phase it is quite common that government pays a lump sum of approximately 30 per cent of the contractual capital value of the asset to the provider.

Two state agencies are primarily involved in the establishment of PPPs:

- Infrastructure PPPs like roads, tunnels and locks are managed by the *Waterways and Public Works Agency* (“*Rijkswaterstaat*”).
- Real estate like offices, prisons, and museums are managed by the *Central Government Real Estate Agency* (“*Rijksvastgoedbedrijf*”).

The standard DBFM(O) contracts of both agencies are comparable, but recording in their accounts is different. Hence, the transformation of the source data to ESA 2010 concepts differs although Statistics Netherlands applies the same on balance sheet treatment to both categories of PPPs.

A. Data

Statistics Netherlands classifies all standard DBFM(O) on government balance based on the MGDD chapter 6.4 paragraphs 52 and 61, because government can receive rewards for part of the profits and refinancing gains. Government financing through loans or shares and government guarantees are not relevant in the Netherlands. It is common that government pays a milestone payment at the end of the construction phase of approximately 30 per cent of the construction costs.

After financial close of a new DBFM(O) contract, Statistics Netherlands requests information from the involved state agency about the PPP through a fact sheet. This fact sheet comprises:

- Short description of the PPP;
- Name of the provider;
- Name of the project;
- Construction cost (without VAT);
- Interest cost during construction phase;
- Availability fees;
- Start date of the construction phase;
- End date of the construction phase;

⁴⁴ <https://www.ppsnetwerk.nl/onderzoeksprojecten/>

Specific government transactions - Public Private Partnerships

- Duration of the contract in the exploitation phase;
- Lump sum payment such as milestone payments;
- Investors and providers of loans (name and amounts).

The information from the fact sheets is the main source for the data compilation. The “contractual capital value” is the sum of the construction cost (without VAT) and interest expenses during the construction phase. The aforementioned state agencies only provide estimates on the constructions costs. The real costs of PPPs incurred by the provider are not available to Statistics Netherlands. Hence, the “contractual capital value” will never be revised.

Based on the information from the fact sheet, Statistics Netherlands makes a forecast of the expected cash flows and ESA transactions related to the PPP in question. The forecast enables monitoring of the PPP and tracking deviations from the initial schedule. It also helps to track differences between lump sum payments (milestone payment or additional work) and unitary charge payments (availability fees).

B. Recording

The imputed gross fixed capital formation (ESA P.51g) is the value of the contractual capital value calculated from the fact sheet (see above) plus an imputed VAT. Statistics Netherlands computes the latter by multiplying with the applicable VAT rate. The imputed gross fixed capital formation is balanced by an imputed loan (ESA AF.42L) at the same time.

The time of recording of the imputed gross fixed capital formation in Dutch GFS and EDP is during the construction phase although the construction risk is generally at the private partner. This is in accordance with ESA 2010 paragraphs 3.55 and 3.134, which clarify that gross fixed capital formation is to be recorded gradually during the construction phase. Since Statistics Netherlands does not have information on the progress of the construction phase, the contractual capital value is recorded as gross fixed capital formation proportional over the construction period. The counter entries to the imputed gross fixed capital formation are imputed loans (ESA AF.42). Milestone payment to the provider are recorded as a redemption of the imputed loans. Some projects have a construction phase split into separate phases yielding multiple milestone payments.

Redemption of the principal of the imputed loan is recorded as a result of:

- Lump sum payment, which concerns a milestone payment in the contract;
- Linear redemption of the principal as part of the availability fees.

A linear redemption of the principal F.42L(t) in year t is calculated by:

$$F.42L(t) = - AF.42L(CB, t-1) / (T - (t-1))$$

where AF.42L(CB, t-1) is the closing stock of the imputed PPP loan by end year t-1, and T the end year of the contract.

The interest D.41(t) in year t is calculated by:

$$D.41(t) = IR * (AF.42L(CB, t-1) + AF.42L(CB, t))/2$$

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where IR is the interest rate and $\frac{AF.42L(CB, t-1) + AF.42L(CB, t)}{2}$ the average stock during the year t. The interest rate is taken from the fact sheets and they may differ across the projects.

Finally, intermediate consumption (ESA P.2) is calculated as the residual of the cash payments (decrease in ESA F.2) for the availability fee, after calculating the amounts of linear redemption of the imputed loan (decrease in ESA F.42L) and interest (ESA D.41):

$$P.2 = F.42L - F.2 - D.41$$

C. Transformation of source data

The infrastructure PPPs are accounted for in the Infrastructure Fund, which is included in the working balance of the State (EDP table 2A). The accounts of the Infrastructure Fund are on a cash basis, like the accounts of ministries and other budget funds. Hence, these data need to be adjusted in order to arrive at ESA transactions. Statistics Netherlands can identify records related to PPP projects in the Infrastructure Fund's accounts. All payments to the specific operators, which operate only one specific PPP, are visible. These records include an administrative label which indicates the nature of the payment. The amount of euros, the labels and the forecast based on the fact sheet (discussed above) enable to classify the cash transactions into unitary charge payments and lump sum payments.

It is also possible that government pays another kind of lump sum payment to the provider. For example, lump sum payments for additional work requested by government may be observed. In that case, the cash payment for additional work is counter balanced with gross fixed capital formation in GFS.

If the unitary charge payment is associated with the availability fees during the exploitation phase, this payment is split into redemption of the principal, interest and intermediate consumption as explained above in section B. Dutch quarterly GFS is mostly based on forecasts from the fact sheets. As soon as actual data are available, redemption of the principal and the interest is recalculated on the actual imputed loans in the balance sheet. Actual data are usually available within a few months after the year has ended.

An availability fee is also possible during the construction phase as a compensation for keeping the old infrastructure available during the renovation or extension of the fixed asset. The fee during the construction phase is usually 10 per cent of the availability fee during the exploitation phase, and completely recorded in GFS as intermediate consumption.

The adjustments to the working balance in EDP table 2A is reported under "Other financial transactions (+/-)", detail 3 "Debt liabilities (F.42) related to PPPs in budget on balance sheet". Please note that the adjustment could also be included in the line "Non-financial transactions not included in the working balance", since the amount on imputed financial transactions equals the amount on imputed debt.

The real estate PPPs are accounted for in the annual accounts of the state agency "*Rijksvastgoedbedrijf*". As all state agencies, it applies full accrual accounting standards and correspondingly records all PPPs in its balance sheet. The balance sheet provides separate data on the part of DBFMO fixed assets that are still to be paid through the milestone and unitary payments. The value of the DBFMO fixed assets is balanced by the same amount of

loans liabilities. The part of the DBFMO assets that have already been redeemed, is recorded under the fixed assets category buildings, which also includes other than DBFMO buildings.

Redemption of the principal and depreciation of the PPP assets in its accounts are linear over the contract time. Interest and use of goods and services for PPPs are also recorded.

Statistics Netherlands applies essentially the same calculation as in section B above, but needs to reconcile the amounts from its own calculations with the amounts in the financial report of the *Rijksvastgoedbedrijf*. The liabilities of loans in the financial report largely correspond to the liabilities in GFS for these real restate PPPs.

Since state agencies are not part of the working balance of EDP table 2A, the adjustment is reported – similarly to other non-financial transactions of state agencies – under the line “Non-financial transactions not included in the working balance”.

7.7. Financial derivatives

This part describes the use of financial derivatives and the recording of derivative related flows in EDP tables and national accounts.

Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union does not distinguish between the ESA and EDP definition of interest. The Regulation No 549/2013 paragraph 4.47 reads: *Payment resulting from any kind of swap arrangement is recorded as a transaction in financial derivatives in the financial account, and not as interest recorded as property income. Transactions under forward rate agreements are recorded as transactions in financial derivatives in the financial account, and not recorded as property income.*

ESA 2010 paragraph 20.133 specifies the treatment of so called of market swaps: “*Lump sums exchanged at inception on off-market swaps are classified as loans (AF.4) when the lump sum is received by government. Off-market swaps are partitioned in the balance sheet into a loan component and a regular, 'at-the-money' swap component.*”

7.7.1 Types of derivatives used

Government units in the Netherlands mainly use interest swaps. Interest swaps are used by all levels of government, such as the State, municipalities, provinces, universities and non-profit institutions. They are usually plain vanilla swaps, but some local government also use caps.

The Ministry of Finance, Dutch Treasury State Agency, also uses foreign exchange (FX) swaps and cross currency swaps (CCS) to hedge debt in foreign exchange currency. The Ministry of Defence uses currency swaps with the Central Bank for purchases in foreign currencies.

Social security funds are not engaged in financial derivatives contracts.

7.7.2 Data sources

At the level of the State, the ministries of Finance and Defence use financial derivatives as well as the artificial subsidiary *Energie Beheer Nederland (EBN)*. The main data on interest swaps (including CCS) and currency swaps (FX) used by Statistics Netherlands are those recorded in the accounts of the Ministry of Finance. However, the Ministry of Finance records

accrual transactions for interest swaps, i.e. including the net interest flows under swaps contracts accrued in the past but to be settled in the future at the regular annual settlement date. Statistics Netherlands records the cash amounts as transactions under financial derivatives. The market value of swaps provided by the Treasury to Statistics Netherlands includes accrued interest flows not settled (i.e. dirty price) in accordance with ESA 2010. In addition, the Ministry of Defence provides data on currency swaps, related to contracts payable in US dollars, to Statistics Netherlands. The amounts are small. The data source for EBN's currency swaps is its financial report, which discloses data on revenue, expenses and stocks related to currency swaps.

Data sources for interest swaps used by universities, schools and non-profit institutions are annual financial reports. Positions in swaps are usually disseminated in the explanatory notes to the balance sheet under "Other commitments and contingencies, not recorded in the balance sheet". The other flows are calculated as the change in stocks. The data sources do not provide information on transactions as the paid interest under the contract is usually recorded as expense, whereas the original interest expenditure related to the hedged debt is not disclosed.

Data sources for interest swaps used by the main local government units are annual financial reports since the dedicated Iv3 questionnaire does not provide (correct) data on derivatives. Currently, the stocks of financial derivatives published by main local government units in their annual accounts are not reported in EDP and GFS pending further research. The outstanding stock of derivatives (net liabilities) is about EUR 600 M.

Information on swap renegotiations is not available to Statistics Netherlands.

As reporting convention, Statistics Netherlands records all stocks on derivatives on the asset side. Currently, the stock is positive for the State and negative for other government units.

7.7.3 Recording

Payments and receipts resulting from any kind of swap arrangement by the State are entering the working balances of the EDP table 2A and neutralised under line "of which: net settlements under swap contracts (+/-)", thus not affecting government balance.

Payments and receipts resulting from swap transactions by other central government units and by local government units are not corrected for in the calculation of net lending/net borrowing. The amounts involved are small (below 100 million euros per subsector).

Statistics Netherlands is not aware of off-market swaps over the period 2000-till now. The Ministry of Finance has confirmed that it is not engaged in off-market swaps.

Statistics Netherlands does also not apply any threshold for swap operations (e.g. amounts below this threshold are considered negligible and thus rules on off-market swaps are not applied), though analyses of swaps used by other units than the State are not thorough due to the small amounts involved.

7.8. Payments for the use of roads

The main issue is whether payments for road, both in the case of tolls and vignettes, should be considered as sale of services or as a tax, when the infrastructures are owned by public units.

The issue is important also because the classification of payments made for the usage of roads, either as sales or taxes, influences the assessment of the 50% criterion, which is fundamental for the purpose of assessing whether a given institutional unit (in some cases, a government-controlled entity receiving the payment of the toll or vignette) is a market or a non-market producer.

Payments for the use of roads will generally be classified as a sale of a service in the case of tolls. They will also be classified as a sale of a service in the case of vignettes whenever users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time for the vignette.

Toll roads are not very common in the Netherlands. Currently, it regards two toll tunnels: Westerscheldetunnel and Tunnel Dordtse Kil. They are operated by two public entities, *Westerschuldetunnel N.V.*, a limited liability company fully owned by the province of Zeeland, and *Wegschap Tunnel Dordtse Kil*, a local intergovernmental institution governed by the province of Zuid-Holland and three municipalities. Both entities are included in general government as they operate a single concession (see MGDD 6.3 para 20). The tolls are recorded as sales of services, non-market production (ESA P.131).

Regarding vignettes, the Netherlands has only the so-called eurovignette. The eurovignette is paid by trucks using motorways, under certain conditions. The payment is proportional to the size and emissions of the truck. The Tax Authority levies the eurovignette in the Netherlands. Although it has the features of a tax, the eurovignette is classified as sales of services, non-market output, as Eurostat assessed that users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time.

7.9. Emission permits

There are two main trading systems, where European Union Member States can participate:

The Kyoto Protocol is a 1997 international treaty which came into force in 2005. In the treaty, most developed nations agreed to legally binding targets for their emissions of the six major greenhouse gases.[33] Emission quotas (known as "Assigned amounts", AAUs) were agreed by each participating 'Annex 1' country,

The European Union Emission Trading Scheme (or EU ETS) is the largest multi-national, greenhouse gas emissions trading scheme in the world. It is one of the EU's central policy instruments to meet their cap set in the Kyoto Protocol. The so-called EU emission Allowance (EUA) is traded.

The ESA 2010 MGDD part 6, chapter 6.5 is dealing with the statistical recording of the emission trading allowances.

The Dutch government has issued emission permits since 2005. In the beginning, they were issued for free, since 2010 companies have to pay. The government entity "*Nederlandse Emissie Autoriteit*" (*NeA*) is the executive and supervisory body with regards to emission permits.

The permits are recorded as other taxes on production (ESA D.29) in GFS and EDP. When permits are issues/auctioned, they are recorded as other accounts payable (F.89). Revenues are recorded once the permits are surrendered to the NeA. The tax revenues are recorded as "auctioned" allowances surrendered times the associated average auction price of stock of

allowances. The average auction price of stock of allowances is calculated as total stock of payables (ESA AF.89) relating to sales of allowances divided by total number of “auctioned” issued allowances that have not yet been surrendered. This is in accordance with the MGDD 4.5. Statistics Netherlands calculates the average auction price based on data by end of March, to be close to the moment when the permits have to be surrendered.

Occasionally, the Dutch government purchased emission allowances from foreign governments. They are recorded as acquisitions less disposals of non-produced non-financial assets (ESA NP).

7.10. Sale and leaseback operations

Government sells an asset and immediately leases it back from the purchaser. The issue is whether the sale is to be considered as a "true sale" (transaction in GFCF improving B.9) or the transaction is to be treated differently and an asset should remain on government's balance sheet.

MGDD chapter 6.2 is dealing with sale and lease back operations

Sale and leaseback operations by government in the Netherlands mainly relate to Cross Border Leases (CBLs) by public water boards. Local government units and utility companies engaged on a large scale in CBL contracts with USA counterparties in the 1990's and 2000's. The incentives for these contracts were tax refunds from the USA government. These “profits” were shared between the Dutch units and the USA counterparties. The vast majority of CBLs became unprofitable by the passage of the American Jobs Creation Act of 2004. As a consequence, local government units did not enter into new CBL contracts since then. All CBL contracts have been terminated by 2019.

Statistics Netherlands used data on CBLs from the financial reports of public water boards. It has recorded the CBLs as long-term loan liabilities, with a corresponding amount in deposits, both denoted in US dollars. The contracts are not available to Statistics Netherlands.

Statistics Netherlands is not aware of other sale and leaseback operations by government units. If they would exist for the State, the procedure is that they are reported by the Ministry of Finance to Statistics Netherlands in the context of the annual meeting on new policies and transactions by the State. For other government units, the basis data sources are financial reports.

7.11. Securitisation

Securitisation is when a government unit transfers the ownership rights over financial or nonfinancial assets, or the right to receive specific future cash flows, to a special-purpose vehicle (SPV) which in exchange pays the government unit by way of financing itself by issuing, on its own account, asset backed bonds.

The classification of the proceeds received by government as disposal of an asset may lead to an impact on the government deficit, when the asset is a nonfinancial asset or if it is determined that a revenue should accrue. All securitisation of fiscal claims should be treated as borrowing, as well as all securitisation with a deferred purchase price clause and all securitisation with a clause in the contract referring to the possibility of substitution of assets.

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Also if the government compensates the SPV ex-post, although this was not required according to the contract, the operation should be reclassified as government borrowing.

ESA 2010 paragraphs 20.260-20.271 establish securitisation operations accounting rules. The MGDD part 5 chapter 5.5 is dealing with securitisation operations.

Securitisation operations did not occur over the period 2000 till now.

7.12. UMTS licenses

The receipts of government following the allocation of mobile phone licenses to operators are to be recorded as rent (D.45) over the whole time of the licence.

In cases when licenses are sold in advance of their actual availability, any prepayment collected by government should be recorded as other accounts payable (F.8).

The ESA 2010 MGDD part 6, chapter 6.1 is dealing with the sale of mobile phone licenses.

Several sales of radio and mobile phone licenses by the Dutch government took place over the period 1998-till now. They concerned sales of GSM-frequencies in 1998 (EUR 827 M proceeds), UMTS-frequencies in 2000 (EUR 2,686 M proceeds), radio-frequencies in 2003 and 2011 (proceeds EUR 303 M and EUR 99 M, respectively), 4G-frequencies in 2013 (proceeds EUR 3,804 M) and extension of UMTS-frequencies in 2016 (proceeds EUR 71 M).

Statistics Netherlands applies the guidelines in chapter 6.1 of the MGDD. The proceeds from the sale of all radio and mobile frequencies licenses is recorded as rent (ESA D.45) spread over the lifetime of the contract. The sale of radio frequencies in 2003 and 2011 were paid in eight and six instalments respectively. The sale in 2013 was in one instalment and its proceeds have been spread over the lifetime of the license, with counter entries in other accounts payable (ESA F.89).

There have been no cases of sale of mobile phone licences (far) ahead of their availability. In other words, proceeds are recorded in the period when providers can use the licenses.

7.13. Transactions with the Central Bank

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes, may generate capital gains for central banks which are liable to be distributed to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but have to be recorded as financial transactions.

It also proposes to apply the rules on capital injections when government makes a payment to the Central Bank. Such payments by government may be made to cover losses made by the Central Bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses cannot be recorded as equity injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

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Transactions between the State and the Dutch Central Bank (DNB) regard:

- Annual dividends paid by DNB to the State;
- Financial transactions and interest related to the accounts held by the State at DNB;
- Payments by the State for services delivered by DNB.

In the past, the State also made incidental advance payments to DNB related to the deposit guarantee scheme in case of bankruptcy of a financial institution. The advances were paid back after the financial institution paid their obligatory ex-post contributions. Hence, they were recorded as financial transactions, other accounts receivable.

Statistics Netherlands applies on a regular basis the super-dividend test to the amounts of dividends paid by DNB. The super-dividend test is based on the information from the annual report of DNB and it complies with the guidelines in the MGDD chapter 4.2. If it is found that the amount of dividend is higher than the operational income, the amount exceeding the operational income is recorded as a financial transaction (equity withdrawal). Operational income is defined as profit ('Winst') minus net income from financial transactions and write-offs ('Netto baten uit financiële transacties en afwaarderingen'). Until 2010, DNB paid the main part as interim-dividend in December of the year when the profit was realised. They have been recorded as ESA dividends in the year of payment, except when the total amount of dividend (interim plus final dividend) exceeded the operational income and the calculated super-dividend appeared to be higher than the final dividend. In that case, a part of the super-dividend was attributed to the interim dividend payment which has been recorded as financial transaction.

Statistics Netherlands also pays attention to non-returned banknotes and coins as a consequence of the euro changeover. When DNB distributes profits from non-returned banknotes and coins to the State, they are recorded as financial transactions (MGDD chapter 4.2). This happened in 2003 and 2007, when the profits were paid out as part of the regular dividend payments. The amounts of profits were eliminated from the dividend proceeds to arrive at ESA dividend.

Finally, it should be noted that euro coins, which are issued by the State, are recorded in national accounts as debt of DNB (ESA AF.21) as stated in ESA 2010 Box 5.2. As a counterpart, the central bank holds an asset, and the State incurs a liability, which is recorded in EDP and national accounts, by convention, as another deposit (ESA AF.29).

7.14. Lump sum pension payments

ESA 2010 paragraphs 20.273-20.275 define the accounting rules for recording of the lump sum pension payments. The related accounting rules are further described in the ESA 2010 MGDD and debt Part 3.6 Impact on government accounts of transfer of pension obligations.

Lump sum pension payments as described in the MGDD has not taken place in the Netherlands.

7.15. Pension schemes

The Dutch pension system comprises three pillars:

- State pension (AOW);
- Occupational pension schemes;
- Individual saving schemes.

Specific government transactions - Transactions with the Central Bank - Lump sum pension payments - Pension schemes

The State pension AOW is a social security scheme. It is a pay-as-you-go system. The Dutch old age pension AOW is a pension for everyone aged 65 and over who lives or has lived in the Netherlands. Persons living in the Netherlands build up rights to an old age pension automatically. The old age fund is financed by employees' social contributions. The rate is flat and the social contributions are levied as part of the wage tax by the Tax Authority which disburses the amounts to the Social Security Bank, the unit that is responsible for the old age fund. The amount of the benefits depends on the number of years that a person has lived in the Netherlands, and on the fact that the person lives alone or together.

The second pillar is made up of occupational pension schemes. These pensions relate to old age, surviving relatives and disability. They regard private funded schemes administered by insurance companies or autonomous pension funds. A pension fund can be set-up for pensions of employees of either a single organisation/company or branches of companies and organisations. They are mostly defined benefit schemes, but also defined contribution schemes exist. There is one autonomous pension fund (in Dutch: "*Algemeen Burgerlijk Pensioenfonds*", abbr. *ABP*) for civil servants, covering pensions for employees of ministries, municipalities, provinces, public water boards, schools, universities and other government institutions. Also, former public entities like utility companies may have their pensions managed by the ABP. The pension fund is funded by contributions from employees and employers. It is a defined benefit scheme. Lump-sum payments from government institutions have not taken place, recently. Employers are not liable to automatically cover deficits of the pension fund. Decisions on the rate of the pension contributions and on the covering of deficits are taken jointly by the employees and the employers. The employees and employers appoint representatives in the supervisory board. In the Dutch national accounts the ABP is classified as a pension fund (S.129), and thus not included in the general government sector.

Since the status of employees (civil servant) is not a relevant criterion for delimitation of sector general government, employees of general government entities may also have their pensions with pension funds other than the ABP, but this is only a small part.

Military pensions are partly funded and run by the ABP, and partly financed through a pay-as-you-go scheme (unfunded) run by the State.

Two pension schemes that are not classified as social security schemes are regularly financed by the State:

- The public institution "*Stichting Administratie Indonesische Pensioenen*" (*SAIP*) manages the pensions of the civil servants of the former Dutch colonies (Indonesia, Suriname and the Dutch Antilles). It is regularly financed by the State.
- The FVP fund provides premium payments for the unemployed. It is financed by the State.

Both entities are currently classified outside general government, in the sector pension funds (S.129). Statistics Netherlands has not thoroughly analysed the sector classification of these entities in the framework of the ESA 2010 as the impact on net lending / net borrowing and debt is small. Re-assessment will be conducted as part of the 2024 benchmark revision of national accounts.

7.16. Rearranged transactions

Transactions are rearranged to recognise the principal party of the transactions involved. Rearrangements concern:

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- Employers' social contributions (ESA paragraph 1.74);
- Nominal health care premiums collected by health care insurers and basic health care expenses paid by health care insurers as the basic health care scheme (ZVW) is considered to be a government scheme, where government determines all parameters (e.g. coverage of insurance);
- Revenue collected by government on behalf of other government units (e.g. social contributions collected by the Tax Authority, surplus on motor vehicle tax collected by the Tax Authority on behalf of provinces, passport fees collected by municipalities partially transferred to the State);
- Revenue collected by government on behalf of non-government units (e.g. import duties on behalf of the European Commission);
- Revenue collected by non-government units on behalf of government (e.g. agricultural levies);
- Social assistance schemes carried out by social security funds on behalf of ministries (e.g. child allowances);
- Loans provided in the context of the European Financial Stability Facility (MGDD section 1.9.2);
- Assets managed by other units on behalf of government and at the risk of government (e.g. some funds such as MASSIF at the risk of the State managed by the *Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden*).

Statistics Netherlands identifies transactions that need to be rearranged by reading relevant laws, ministerial decrees and explanatory notes to financial statements of government and public units.

7.17. Decommissioning costs

There are no material decommissioning activities in the general government sector in the Netherlands. Decommissioning is in general the responsibility of the corporations that run the sites.

The dismantling of the two existing nuclear reactors (Borssele, operational until 2033, and Dodewaard, inactive since 1997 and to be dismantled in 2045) is a task for the private and public corporations owning the facilities. The corporations also have to reserve funds to finance the decommissioning. The State refused the transfer of the decommissioning of Dodewaard to the State in 2017. In addition to these reactors, the Netherlands have two small reactors, one in Delft (research reactor of the university, classified in general government) and two in Petten (used for research and the production of isotopes owned by the European Commission and operated by the public entity *Energieonderzoek Centrum Nederland*). One of the reactors in Petten was dismantled in 2018.

Dismantling of landfills is the responsibility of the corporations operating these sites. The corporations can be both public and private entities. Provinces are obliged to have dedicated funds ("*Nazorgfondsen*") to finance cleaning-up of landfills and any future costs after dismantling. The corporations in question have to pay a levy to the provinces, which invest the income in securities through the landfill funds. As a consequence, property income (ESA D.4) accrue on these funds. The levies are advances and the final amounts to be paid are determined at time of closure, also depending on the return on its investment portfolio. The levies and investment portfolio varies by landfill, even if the same landfill fund is managing the funds.

These landfill funds have been classified in the local government sector. Currently, Statistics Netherlands records the levies as government revenue at time of obligation of the advance, whereas it should be recorded as advances until the funds are used to finance the actual decommissioning (MGDD 3.7.2.2). The recording will be revised in the 2024 benchmark revision.

Statistics Netherlands has not yet observed any transfer of obligations to government against lump sum/assets related to decommissioning.

7.18. Income contingent loans

Income contingent loans in the Netherlands may relate to some loans provided to finance education. An example is the provisions of loans by the State to refugees that only have to be repaid if their income is sufficient. Such loans provided by the State have been recorded fully as social benefits since contingent loans do not meet the ESA 2010 definition of loans. Income contingent loans at local government level cannot be easily observed. No specific adjustments to the source data of local government are implemented. Sales of income contingent loans are not known to Statistics Netherlands.

Statistics Netherlands does not apply partitioning to income contingent loans, as partitioning might lead to frequent revisions due to unreliable information needed for partitioning.

7.19. Concessions

Concessions can refer to a pure service contract (to undertake a specific activity) between government and corporations as well as to contracts to operate an asset over a long-term between government and corporations. Intermediate cases do also exist in the Netherlands. Examples of concessions in the Netherlands are those for public transport, which are mainly granted by a tendering procedure. There are also permanent concessions granted by law, mainly related to public utilities (water companies and energy transport companies).

The MGDD uses the term concessions specifically for contracts to operate an asset over a long-term between government and corporations (MGDD 6.3.1.5). The main example of such concessions is the Westerscheldetunnel, (since 2003)⁴⁵. A concession for 30 years has been granted to the public unit *N.V. Westerscheldetunnel*, which is fully owned by the province of Zeeland. It levies toll to cover its costs. The entity also operates the Sluiskiltunnel (since 2015), with a concession for 10 years. Another example is the Kiltunnel (since 1977). The Kiltunnel is a toll tunnel operated by the local intergovernmental organisation *Wegschap Tunnel Dordtse Kil*, a joint organisation of the province of South-Holland and two municipalities. Both units have been classified to the general government sector as government partially subsidises their activities and is also responsible for the financing of the assets.

Statistics Netherlands is not able to assess all concession contracts satisfying the MGDD definition as a data source with a complete overview of all such contracts is not available. However, concession contracts involving public corporations are analysed in the context of the sector classification of public units. Concession contracts with private corporations to operate government assets (excluding PPPs) are rare or even non-existent in the Netherlands.

⁴⁵ https://www.westerscheldetunnel.nl/app/uploads/2020/05/Tunnelwet_westerschelde.pdf

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As a consequence, there are no assets under concessions (with public or private corporations) that are classified on government balance sheet.

7.20. Energy Performance Contracts

On 19 September 2017, Eurostat published the Guidance note on the recording of energy performance contracts in government accounts and on 8 May 2018, Eurostat published, in cooperation with the EIB), the Guide on statistical treatment on EPC.

In the Netherlands, Energy Performance Contracts (EPCs) are also known as Energy Performance Service Companies (ESCOs). Statistics Netherlands is not able to make specific adjustments related to EPCs for GFS and EDP since the basic data sources do not provide this information. It does also not collect specific data as this is deemed too burdensome whereas Statistics Netherlands considers that the aggregated amounts are not yet material⁴⁶. The State has entered into a few EPCs. EPCs are more widespread under other government units, especially municipalities and schools/universities. Such contracts can have various forms.

⁴⁶ <https://www.rvo.nl/onderwerpen/duurzaam-ondernemen/gebouwen/technieken-beheer-en-innovatie/energiebesparing-garanderen-met-energieprestatiecontracten>