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**- FINAL FINDINGS -**

**EDP Mission to the Netherlands**

**13 December 2007**

## **Executive summary**

An EDP dialogue visit to the Netherlands took place on 13 December 2007

Eurostat carried out this EDP dialogue visit with the aim to analyse the October 2007 EDP notification, to review the sectorisation of some units, to ensure that the provisions from the ESA95 Manual on government deficit and debt (MGDD) and the recent Eurostat decisions are implemented and that specific government transactions are appropriately recorded in the Dutch EDP notifications and national accounts.

First, Eurostat enquired about the institutional arrangements and division of responsibilities with respect to the reporting of data under EDP. The whole set of EDP tables relating to actual data is compiled by Statistics Netherlands (CBS). The Ministry of Finance (MOF) compiles the planned deficit and debt data. EDP tables are reported by the MOF. Formal co-operation exist between the two institutions. The National Central Bank is not involved in compilation of EDP tables. Eurostat took note of the situation.

Second, the data sources for the main sub-sectors were discussed. Eurostat was informed about the efforts to improve the data quality for Local government and about the temporary difficulties with the data relating to the new Health Care Insurance Act. Eurostat took note of the situation about data sources.

Concerning the EDP tables, Eurostat focused mainly on the availability of the working balance for the Local government sub-sector. The CBS agreed to fill in for the year 2007 Table 2C, currently reported empty. Regarding the EDP Table 3, the CBS will provide explanation on how table 3B is compiled.

Particular attention was given to the sectorisation of some units: railways, motorways, transportation companies, public hospitals, public TV and Radio. In the Netherlands, the CBS is responsible for the delimitation of the government sector for national accounts purposes. Eurostat took note of the classification of the railway infrastructure company Prorail inside general government. Railway operators, transportation companies and public hospitals are classified in S.11. Eurostat noted that the classification of public hospitals in relation to the new health care insurance system needs further reflection. The Dutch broadcasting system is classified in the sector of Non-profit institutions serving households.

As far as the compliance with the rules established by the MGDD are concerned, e.g. treatment of government guarantees, debt assumptions, debt cancellations, debt write-offs, dividends, military expenditures, EU flows, Eurostat took note of the explanations provided regarding the export credit insurance system and the ongoing public-private partnership projects. Further information on the treatment of EU flows and some detail on the recording of guarantees will be provided by CBS. The non existence of securitisation operations was noted. Regarding the recording of accrual interest, Eurostat confirmed its recommendation to report that accrued interest should be reported under D.41 and not under F.7. Further clarification on the recording of Dutch trade certificates is to be provided by the CBS.

The meeting was constructive and Eurostat welcomed the transparent, well structured and comprehensive approach undertaken by the Dutch authorities to the EDP related work. Eurostat also appreciated the documentation provided by the Dutch authorities prior to the dialogue visit.

## **Final findings**

### **Introduction**

In accordance with article 8d of Council Regulation (EC) No 2103/2005 of 12 December 2005, amending Council Regulation (EC) No 3605/93 as regards the quality of statistical data in the context of the excessive deficit procedure, Eurostat carried out an EDP dialogue visit in the Netherlands on 13 December 2007.

The delegation of Eurostat was headed by Mr. Nørlund, Director of National and European Accounts. The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers.

The Dutch authorities were represented by Statistics Netherlands (CBS), the Ministry of Finance (MOF) and the National Central Bank (De Nederlandsche Bank).

Eurostat carried out this EDP dialogue visit with the aim to assess existing statistical capacity, to review the division of responsibilities concerning the compilation of EDP statistics and government accounts, to discuss the quality and exhaustiveness of primary data sources, to clarify the issues relating to EDP tables raised in the context of previous notifications, to review the progress achieved in implementing ESA 1995 methodology (sectorisation of units, accrual principle), to assure that the provisions of the ESA 1995 Manual on Government Debt and Deficit and the recent Eurostat decisions are duly implemented and that specific government transactions are properly recorded in the Dutch EDP tables and national accounts.

In relation to procedural arrangements, Eurostat explained the new procedure, in accordance with article 8 of Regulation 3605/1993 as amended, indicating that the *Main conclusions and action points* would be sent within days to the Dutch statistical authorities, who may provide comments. Within weeks, the *Provisional findings* would be sent to the Dutch statistical authorities in draft form for their review. After adjustments, *Final Findings* will be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

### **1. Statistical capacity issues**

#### **1.1. Institutional responsibilities in the framework of reporting of data under the EDP and government statistics compilation**

##### *Introduction*

The whole set of EDP tables relating to actual data is compiled by the CBS. The MOF compiles planned deficit and debt data. EDP tables are reported by the MOF.

The CBS is also responsible for compiling and reporting government finance statistics (GFS) according to the ESA95 Transmission Programme.

Eurostat inquired about the co-operation and division of responsibilities between the CBS and the MOF, as well as on the role of the National Central Bank (NCB).

##### *Discussion and methodological analysis*

The Dutch statistical authorities explained that a *Protocol on EDP reporting* is signed between

the CBS and the MOF. The protocol specifies the responsibilities and involvement of these two institutions in data delivery, compilation of EDP tables, submission of EDP tables to the European Commission, publishing of the press releases and other. Eurostat asked the Dutch authorities to provide (for information purposes) the *Protocol on EDP reporting*.

The Dutch statistical authorities clarified that the NCB is not involved in compilation of EDP tables.

The co-operation between the CBS and the MOF has been organised in a way that every year the MOF sends regular request to CBS on the recording of new policy issues. Towards the end of February a reply from CBS is sent to the MOF. On specific significant methodological issues the CBS produces a note with a methodological analysis and afterwards the results are discussed in a bilateral meeting. On an ad-hoc basis, when an important methodological change occurs, some meetings with the aim to inform the main users are organised at Statistics Netherlands.

EDP tables are compiled by the CBS, and then transmitted to the MOF for submission to Eurostat. The MOF cannot change the figures in the EDP tables without consulting the CBS.

### *Findings and conclusions*

Eurostat took note of institutional arrangements between the CBS, the MOF and the NCB and of their respective roles in EDP reporting. In this context, the CBS will provide to Eurostat (for information purposes) a copy of the protocol signed with MOF, as well as a copy of the annual letter sent by the MOF to the CBS asking the opinion of CBS on the accounting treatment of current and new policy issues<sup>1</sup>.

## **1.2. EDP inventory, Data sources**

### *Introduction*

The data sources used for the main sub-sectors were discussed in detail.

### *Discussion and methodological analysis*

The CBS confirmed the information provided in October 2007, that the EDP Consolidated Inventory of sources and methods is not published nationally. Currently a new GFS EDP page on the website of Statistics Netherlands is being developed with the intention to publish the EDP inventory and some additional related information.

Sub-sector central government. In the working balance of table 2A appears the balance of the State, comprising all ministries, budgetary funds and State agencies. The Dutch EDP consolidated inventory on sources and methods provides that the ministries and budget funds have cash based accounting. The Dutch statistical authorities explained that despite the fact that state agencies have an accrual base accounting system, their cash data are used in the working balance. The working balance in table 2A is on a cash basis.

Eurostat enquired whether the CBS has any plans to move towards accrual accounting. The Dutch statistical authorities answered that no concrete plans exist for the future. The CBS mentioned an ongoing pilot project launched in 2007 for the Ministry of Agriculture aiming to

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<sup>1</sup> The documents were received on 14 December 2007

introduce accrual based accounting on the basis of IPSAS standards.

Sub-sector local government. The progress made in improving data quality for Local government was discussed. Since 2004 a new regulation obliges municipalities, provinces and communes to send their quarterly and annual data in a unified form of "Iv3" questionnaire. The CBS has to transform the data received from municipalities into ESA1995 definitions and classifications. The Dutch statistical authorities explained the quality test applied to assure the reliability of B.9 for municipalities. The internal consistency test is applied for each data delivery. B.9 is calculated from current and capital accounts, from financial accounts and as a change in balance sheet items. These are compared and the data quality is marked as positive, negative or doubtful. Currently 85 % of all municipalities are ranked as "positive". Those having negative score are firstly approached by the supervisor and possible improvements are discussed. In case the problem is not solved, a municipality at its own expense has to hire an expert. The CBS informed that there are plans to introduce financial penalties for the future. There are plans to introduce the tests for data completeness and the right classification of transactions. The Dutch statistical authorities informed that data quality improvements are expected in the years 2008-2009.

Sub-sector social security funds. The data used are monthly data, quarterly data and annual reports from the bodies executing the social security funds, data on the social contributions from the National tax authority, as considerable part of social contributions are paid together with wage. Data from the NCB are used on social benefits and contributions related to the new Health Care Insurance Act. The CBS indicated that more detailed information relating to the New Health Care Act will be available.

### *Findings and conclusions*

Eurostat took note of the sources used for the sub-sector of central government.

On the issue of the local government sub-sector, Eurostat took note on the sources used and on the improvements which CBS intends to introduce in the system, in the next two years, as far as the recording of transactions of local government in the EDP tables are concerned.

Eurostat took note of the sources used for the sub-sector of social security and of the fact that new information will become available due to the health care insurance act.

## **2. Actual data – EDP reporting, analysis of EDP tables**

### *Introduction*

During the meeting, the EDP notification tables from October 2007 were analysed. In some cases references to previous notifications were also made.

### **EDP Table 1**

#### *Discussion*

Following communications during the October 2007 notification, Eurostat enquired about the revision in B.9 for the social security funds sector for the year 2004 and asked for an explanation

for the 0.2% revision in general government debt for the year 2006.

Eurostat invited the Dutch statistical authorities to consider the possibility to fill the table on revisions in the Annex to the request for clarification and to specify the nature of revisions for the April 2008 notification.

### *Conclusion*

The CBS will inform Eurostat on the reasons for the revision of data for the social security sub-sector in 2004, between the April 2007 and the October 2007 notification, as well as the revision in general government debt for the year 2006.

## **EDP Table 2A-2D**

### *Discussion*

#### Table 2A

Eurostat congratulated the Dutch statistical authorities for providing a detailed breakdown of other accounts receivable/payable in EDP Table 2A for the October 2007 notification.

In Table 2A, the item "*Third party accounts*" was discussed. The CBS explained that this line captures accounts of units that are not classified in the sub-sector "The State" but are included in the working balance. As an example the CBS named EU accounts, accounts of some State agencies and some non-profit institutions.

For Table 2A, the CBS agreed to move an amount of 200 million EUR related to sales of KPN shares in 2005 currently reported under "*other adjustments*" to item "*Equity sales*".

#### Table 2C

Eurostat discussed the availability of working balance, for the Local government subsector. In October 2007 the EDP Table 2C was submitted empty.

The CBS promised to fill in the data for the year 2007 in April 2008<sup>2</sup> and to consider the possibility to fill in the data for the earlier years.

#### Table 2D

The availability and compilation practise in place for the working balance for the social security funds subsector was discussed. The CBS explained that for the subsector social security funds the working balance is not easily available thus the table 2D is compiled bottom-up.

### *Conclusion*

The CBS will, in the next EDP notification, shift an amount equal to 210 million EUR from the item "*other adjustments*" to item "*equity sales*" in Table 2A for the year 2005 as the amount referred to a disposal of equity undertaken in the same year<sup>3</sup>.

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<sup>2</sup> Table 2C was filled in for 2006 and 2007 in the April 2008 notification.

<sup>3</sup> Issue solved in the April 2008 notification.

The CBS stated that Table 2C (local government) for the year 2007 will be filled in the April 2008 notification. The CBS will also investigate whether it will be feasible to fill Table 2C ex-post for the years previous for 2007, in subsequent EDP notifications.

### **EDP Table 3**

#### *Discussion*

The data sources used for compilation of EDP Table 3 were discussed. The CBS explained that the data sources are the same as used for compilation of EDP Table 2, and proposed to provide to Eurostat for more details a document prepared for the IMF mission.

The issue of the statistical discrepancies in Table 3B was discussed. In April of the year n+1, the figures for the year n are based on the quarterly figures and the discrepancy between financial and capital account is shown explicitly in EDP Table 3B. Whereas in October n+1, the figures for the year n are based on annual figures the statistical discrepancy is attributed to specific transactions and a discrepancy of 0 is reported. In this context Eurostat asked CBS to provide a note explaining how EDP Table 3B is compiled in April and in October.

The Dutch statistical authorities explained that the splits for loans and equity in EDP Table 3E are not available for the moment. The CBS stated that from 2006 onwards the entries reported under equity will be 0 in Table 3E, as all financial assets in F.5 were held by "ziekenfondsen", bodies executing the former social security scheme, which under the New Health care insurance Act, became part of S.125 *Insurance corporations and pension funds*.

Eurostat enquired about substantial revision in *other financial assets* and *net incurrence of other liabilities* in Table 3E for the year 2006 observed in October 2007. The CBS explained that the revision occurred due to the introduction of the new Health care insurance system, as the data sources were not of adequate quality and the estimates were less reliable in April 2007. The CBS confirmed that for the April 2008 notification direct source data will be used. Eurostat noted that this was a one-off situation due to the introduction of this new policy issue.

#### *Conclusion*

The CBS will send to Eurostat a document, previously prepared for the IMF, describing data sources for the different sub-sectors of government used for the compilation of GFS data and EDP tables<sup>4</sup>.

The Dutch statistical authorities will send to Eurostat a document explaining in detail the way in which Table 3B is compiled.

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<sup>4</sup> The document was received on 14 December 2007.



### **3. Methodological issues and recording of specific government transactions**

#### **3.1. Delimitation of general government sector**

##### *Introduction*

Eurostat enquired about the process for assessing the classification of existing units in national accounts and also about the sectorisation of some units, such as public infrastructure units, railways, motorways, transportation companies, as well as public hospitals and public TV and Radio.

##### **Sectorisation practices**

##### *Discussion and methodological analysis*

In the Netherlands, the CBS is responsible for the sectorisation of units in national accounts. The 50 percent rule is not applied to individual entities but to groups of entities (such like museums, libraries, etc) and not for one year but for several years. Once the sector classification is determined, the CBS does not reconsider it, unless some important changes occur (i.e. change in financing system or control). Currently no changes in the classification of units are foreseen.

##### *Findings and conclusions*

Eurostat took note of the way sectorisation of units in the government sector is undertaken in the Netherlands.

##### **Public infrastructure companies**

##### *Discussion and methodological analysis*

##### ***Railways***

It was recalled that the railway infrastructure company Prorail is considered as being a non-market producer and is classified inside general government.

The main railway company Nederlandse Spoorwegen (NS) (100% owned by the State) is classified in S.11 *Nonfinancial corporations*. A few private passenger operators (Arriva, Syntus) have a small part of Dutch market.

##### ***Motorways***

The CBS informed that in the Netherlands maintenance of and investment in public infrastructure is a government task and is financed by the budgets of government entities. There are no private highway or toll roads.

##### ***Transportation companies***

The CBS informed that most transportation companies are classified in S.11 *Nonfinancial corporations*. Some transport companies such as RET, public transport company in the city of Rotterdam, and GVB, public transport company in the city of Amsterdam, are considered as quasi-corporations, classified outside general government (in S.11).

#### *Findings and conclusions*

Eurostat took note of the explanations provided by the CBS.

### **Public Hospitals**

#### *Discussion and methodological analysis*

The CBS explained that in the Netherlands public hospitals are non-profit units classified in S.11 *Non-financial corporations*. The decisions on daily operations of a hospital are taken by their boards, and as no government officials are members neither in executive nor in supervisory boards of the public hospitals, the CBS considers that there is no government control. On the other hand, government is a main financier of public hospitals by means of social security benefits in kind under the new Health insurance act. It is government who decides on the budget expenditure ceiling for the health care and for the basic insurance government defines premiums and what is included in the policy. According to CBS, most hospitals have more or less balanced accounts. Under the new health care insurance system, care insurers are choosing hospitals and negotiate the prices. One could identify some elements of market competition in this system. Eurostat took note of the explanations provided by the CBS and considered this issue open for a more detailed analysis.

In connection to the discussion on sector classification of hospitals, the new health care insurance system was discussed. It was recalled that in the new system which was introduced in 2006 the basic insurance policy applied to all the citizens. The benefits under the Health care insurance act are considered by the CBS as social security benefits in kind. Care insurers are classified under insurance corporations.

#### *Findings and conclusions*

Eurostat took note of the classification of public hospitals outside government and of the classification of units and recording of transactions in the new Dutch Health care system. Eurostat will examine the issue in detail in the forthcoming weeks and provide to the CBS its own opinion.

### **Public TV and Radio**

#### *Discussion and methodological analysis*

The Dutch statistical authorities explained the main features and arrangements within the existing broadcasting system. The national public radio and television is called the NPO, *Nederlandse publieke omroep*. It consists of public broadcasting organisations and NOS and NPS, broadcasting organisations established by law, providing general broadcasting services. Public broadcasting organisations are associations with members who control the executive board, thus there is no control by government. In the Netherlands, public broadcasting organisations are

classified as S.15 *Non-profit institutions serving households*. Public broadcasters are mainly financed from the State budget.

#### *Findings and conclusions*

Eurostat took note of the explanations provided by the CBS

### **3.2. Implementation of accrual principle**

#### **3.2.1. Accrual taxes and social contributions**

##### *Introduction*

Some aspects related to the recording of taxes described in the Dutch *EDP Consolidated inventory of sources and methods* were clarified.

##### *Discussion and methodological analysis*

In the Netherlands, for the recording of a majority of taxes, a time adjusted cash method is used. The time shift is one month. The time-adjusted taxes represent about 75% of all taxes received by the government. 20% of all taxes received by the government are recorded in National accounts on cash basis with no time-adjustment. For a number of levies as well as the Real estate tax and Motor vehicle tax collected by local government assessments and declarations are used. Data on taxes collected by local government is on an accrual basis. The part unlikely to be collected is calculated and deducted at source (i.e. by local government units). The CBS does not estimate a part unlikely to be collected for individual categories of taxes and social contributions.

Eurostat enquired about the practice in place regarding so called *final tax liability settlement*. The CBS explained that in the Netherlands there are two taxes on personal income: wage tax (pre-taxation of income) and Income tax, which is a residual. For such taxes cash recording is applied.

##### *Findings and conclusions*

Eurostat took note of the recording of taxes in the Netherlands.

It was agreed that the Dutch statistical authorities will correct, in the next version of the EDP inventory, some incorrect sentences describing the system of recording of taxes.

#### **3.2.2. Calculation of accrued interest**

##### *Introduction*

The issue relating to the recording of interest has been the object of discussions between Eurostat and the Dutch statistical authorities since some time.

##### *Discussion and methodological analysis*

In the Netherlands accrued interest is included under the item "*Other financial assets*" (F.7) of the table 3B. The item "*Difference between interest (EDP D.41) accrued (-) and paid (+)*" include only the correction for swaps.

Eurostat confirmed its view that the accrued interest should not be reported under F.79 "Other accounts payable, except trade credits and advances", at least for securities and it would not be recommended for the other debt instruments. Eurostat recalled that MGDD Part III. 3.3 (p.133) states: "the reinvestment of accrued interest should be recorded under the same item as for the underlying instrument. (...) This treatment applies to all kinds of debt instruments".

The CBS will consider the possibility to report accrued interest under the item "Difference between interest (EDP D.41) accrued (-) and paid (+)" of EDP table 3 for the sub-sector central government for which data is likely to be available.

Eurostat enquired about the recording of the Dutch trade certificates. The Dutch trade certificates are issued below par, thus EDP Table 3B has an entry in "Issuance above (-) /below(+) nominal value". It appears that accruing interest on those Dutch trade certificates is not recorded under item "Difference between interest (EDP D.41) accrued (-) and paid (+)". The CBS proposed to investigate the issue further and inform Eurostat whether an implicit accrued interest is included in the item "Issuance above (-) /below(+) nominal value" of EDP Table 3B.

#### *Findings and conclusions*

As far as the calculation of accrued interest is concerned, Eurostat confirmed its view that the calculation of accrued interest should be reported under the item "Difference between interest (EDP D.41) accrued (-) and paid (+)" of the table 3B and not under the item "Other financial assets" (F.7)". The CBS will evaluate the feasibility of doing so in the next EDP notification, for the sub-sector of central government.

As far as the Dutch trade certificates are concerned, the CBS will check whether the recording of this instrument under the item "Issuance above (-)/below (+) nominal value" includes also the element relating to implicit accrued interest.

### **3.3. Recording of specific government transactions**

#### **3.3.1. EU flows (table II of the Questionnaire related to the notification tables)**

##### *Introduction*

Eurostat enquired about the treatment of the funds received from the EU in national accounts.

##### *Discussion and methodological analysis*

During the discussion it became clear that only the amounts relating to the GNI own resources flows are reported in table II of the *Questionnaire related to the notification tables*. Eurostat indicated that in addition to the reported F.7 on the dutch contributions to the EU, the receivables/payables occurring due to timing differences when government units benefit from EU flows and F.7 from EU flows towards non-government units transitioning via treasury/government accounts, should be reported in table II of the *Questionnaire related to the notification tables*. The CBS will need to analyse the issue in depth and will provide clarifications to Eurostat.

### *Findings and conclusions*

As far as EU grants are concerned, the CBS will confirm what the current practice for the recording of EU grants is, especially in cases where government is the final beneficiary. The CBS will correct, if available, in the next EDP notification, the data imputed in Table II of the *Questionnaire related to the notification tables* concerning receivables and payables of general government relating to the EU. It was made clear by Eurostat in this respect that the data should refer to all receivables and payables to be recorded by general government in relation with transactions with the EU.

### **3.3.2. State guarantees (table IIIa, IIIb, IIIc of the Questionnaire related to the notification tables)**

#### *Introduction*

The recording of guarantees and data availability for guarantees issued by the Local Government was discussed.

#### *Discussion and methodological analysis*

In the tables III of the *Questionnaire related to the notification tables* data on guarantees provided by Central Government are reported. Eurostat enquired about the data availability on the guarantees provided by the Local government. The CBS informed Eurostat that the information on the stocks of outstanding guarantees, the amounts of new guarantees provided and guarantees that expired are not currently available. Eurostat asked the CBS to clarify whether the calls on guarantees are treated as local government expenditure.

Eurostat noted that in general the CBS follows the principle that a call on guarantee is to be recorded through a capital transfer payable in the government accounts, while possible repayments related to guarantees called are treated as capital transfers received by government. Nevertheless, some calls on guarantees are treated as acquisitions of loans and these amounts are reported in item 7 of table IIIb of the *Questionnaire related to the notification tables*. The CBS agreed to provide further clarification on what kind of guarantees calls are recorded as acquisition of loan assets and on what are the criteria to apply this recording.

#### *Findings and conclusions*

The CBS will check whether the guarantees called provided by local government are recorded as local government expenditure in the books of local government and exactly under which item.

The CBS will check which kind of guarantees called are treated as acquisition of loans (reference is made here to the table IIIb of the *Questionnaire related to the notification tables*) and according to which criteria this is done and for which kind of transactions and entities.

### **3.3.3. Debt assumptions, debt cancellations (table IV of the Questionnaire related to the notification tables)**

### *Introduction*

The Dutch reply to the Table IV of the *Questionnaire related to the notification tables* was discussed.

### *Discussion and methodological analysis*

The CBS has provided information concerning debt cancellations of the State. These mainly pertain to cancellations of the third countries debt as well as to cancellations of student's loans. The CBS explained that some student loans are conditional, i.e. performance based, thus provided a student successfully finishes his/her study within the given period, the loan in question is converted into a grant. Debt cancellations are included in the working balance, the starting line of table 2A. The CBS will clarify the recording of debt cancellations in the context of the Paris Club.

### *Findings and conclusions*

The CBS will inform Eurostat on which line of table 2A are included debt cancellations undertaken in the context of the Paris Club (all the other debt cancellations being already recorded as government expenditures in the working balance of table 2A)<sup>5</sup>.

## Atradius Dutch State Business NV

### *Introduction*

Under this item of the agenda, the activities of Atradius Dutch State Business NV, the export credit insurance company, as well as the existing export insurance scheme were discussed.

### *Discussion and methodological analysis*

Atradius Dutch State Business NV is a subsidiary of the Atradius Group, the large insurance company. Atradius Dutch State Business NV is classified outside the general government sector (S.12).

According to the information obtained, Atradius Dutch State Business NV insures export transactions which then are reinsured/ guaranteed by the Dutch government. When a guarantee is called, a capital transfer (D.9) from government to Atradius Dutch State Business NV is recorded in the books of the State. The repayments by the debtor are recorded as capital transfers receivable from Atradius to the Dutch State.

### *Findings and conclusions*

Eurostat took note of the explanations provided.

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<sup>5</sup> Clarified in the context of the April 2008 EDP reporting.

## Constitutional reform of the Dutch Antilles

### *Introduction*

Eurostat enquired about the upcoming Dutch constitutional reform and its possible impact on the government finances.

### *Discussion and methodological analysis*

The CBS explained that the Netherlands Antilles comprise 5 islands. These are in *the Rest of the World* (S.2) in National Accounts. According to an agreement signed, the islands of Curaçao and St. Maarten will become independent countries and the three remaining islands will have a status of municipalities within the Netherlands. Under the agreement, in the coming years the Dutch government will take over the debt as well as the other accounts payable of the government of the Netherlands Antilles. The total amount is around 2 billion EUR (0.4% of GDP). The debt will be taken over only when certain conditions will be fulfilled, thus the amount taken over in 2007 is only around 75 million EUR.

### *Findings and conclusions*

Eurostat took note of the explanations provided.

## **3.3.4. Capital injections, super-dividends (table V of the Questionnaire related to the notification tables)**

### *Introduction*

The information available at Eurostat, Table V of the Questionnaire, as well as some additional information provided prior to the meeting were analysed under this point.

### *Discussion and methodological analysis*

Relating to the coverage of Table Va and Vb of the *Questionnaire related to the notification tables*, Eurostat asked the CBS about the possibility to fill items 32-36 of the Table Va, *Earnings of public corporations*. The CBS stated that the information for Local government sub-sector is not currently available, thus only the data related to the sub-sector of the central government can be filled in.

The CBS informed Eurostat that there were only minor capital injections by central government into public corporations and the amounts are duly reported in table Va. There were no cases where capital injections were treated as acquisition of shares.

The CBS described the way in which the super-dividend test is applied. For Central government the information on all the companies in which the government holds equity is available. CBS checks the amounts of distributed dividend. In case a substantial increase is observed, the CBS applies the super-dividend test.

For the Local government sector the majority of dividend revenue is coming from public utility companies. The information on all Local government participations in the corporations is not

complete, thus monitoring dividends paid requires an additional effort by the CBS. To gather relevant information, the CBS uses press releases and monitors the revenue from dividend as reported in the source data from government units. In case a large increase is observed, the specific government unit is contacted for obtaining detailed information.

Eurostat enquired about the occurrences of the so called interim dividend payments (dividends attributed to the year (n) paid partially in year (n), the remainder being paid in the year (n+1)). The CBS indicated that in recent years there were interim dividend payments from the Central Bank to government. The CBS will analyse this issue further and provide Eurostat with more detailed information on the amounts involved as well as with detail on which are the years concerned<sup>6</sup>.

#### *Findings and conclusions*

The Dutch statistical authorities will, in the context of the next EDP notification, fill the part of Table Va of the *Questionnaire related to the notification tables* relating to the earnings of public corporations, at least for the sub-sector of central government.

The CBS will look into the issue of an advanced dividend paid by the NCB to government in recent years. Eurostat expressed a view that advanced dividend could be recorded in the following year.

### **3.3.5. Military equipment expenditure (table VI of the Questionnaire related to the notification tables)**

#### *Introduction*

Following the communication during the October 2007 notification concerning the recording of the resale of military equipment, Eurostat asked the CBS to follow the ESA 1995 para. 3.150 (f): "*when existing military durables are sold abroad by the government, this should be recorded as an export of goods and as negative intermediate (and final) consumption by the government*".

#### *Findings and conclusions*

Eurostat reaffirmed its view that the resale of military equipment should not be recorded as a sale and appear as negative intermediate consumption as stated in ESA 1995 par 3.150 (although the change in the way of recording would not impact the deficit).

### **3.3.6. Public Private Partnerships (table VII of the Questionnaire related to the notification tables)**

#### *Introduction*

Eurostat enquired about the existence of contracts of a private-public-partnership character.

#### *Discussion and methodological analysis*

During the meeting the CBS described the state of play of the ongoing PPP projects. In addition

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<sup>6</sup> Information received on 14 December 2007



to the two projects reported in the Table VII of the *Questionnaire related to the notification tables*, three ongoing projects were identified: the PPP project HSL – Infraprovider on construction of high speed rail infrastructure, the PPP project N 31 on reconstruction of the existing highway and the PPP project on renovation of the building of the Ministry of Finance. In the framework of cooperation with the MOF, the CBS conducted methodological analyses of the HSL and N31 projects and consequently the PPP assets were recorded off the balance sheet of government. The project on renovation of the Ministry of Finance is currently under examination of the CBS. The CBS indicated that they are considering asking to Eurostat an advice on this issue.

#### *Findings and conclusions*

The CBS will send Eurostat the accounting analysis which they undertook on existing PPP projects in the Netherlands<sup>7</sup>, as well as a copy of the contract of project HSL (high speed line).

### **3.3.7. Securitisation operations (table VII of the Questionnaire related to the notification tables)**

#### *Introduction*

Eurostat asked about the existence of sale and leaseback operations.

#### *Discussion and methodological analysis*

The CBS confirmed that until the end of 2007 there were no securitisation operations undertaken by general government.

#### *Findings and conclusions*

Eurostat took note of the non-existence of such operations.

### **3.3.8. Swaps**

#### *Introduction*

The issue of recording of swaps has been the object of discussions between Eurostat and the Dutch statistical authorities since some time.

#### *Discussion and methodological analysis*

The CBS confirmed that only interest swaps (IRS) are used by the State government. And there were neither early terminations of swaps nor occurrences of off-market swaps over the period 2003-2006. The CBS confirmed that derivative instruments are not used at the local government level.

The unit of the MOF dealing with derivatives is the Agentschap. The transactions on derivatives are reported net on the assets side. Currently in EDP Tables 3A and 3B, transactions on swaps are reported under F.7 and the EDP correction for swaps is recorded under "*Difference between interest (EDP D.41) accrued(-) and paid(+)*".

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<sup>7</sup> Documents were sent on 14 December 2007

Additionally, the recording applied for EDP (derivatives under F.7) is similar for the annual National accounts reported in ESA Table 6, but on a quarterly basis (ESA Table 27) swaps are reported under F.34.

The Dutch statistical authorities indicated that the recording of swaps in annual national accounts and in EDP will be changed in the next publication of Dutch national accounts by reporting transactions on derivatives under F.3 and keeping the adjustment under the line "*Difference between interest (EDP D.41) accrued(-) and paid(+)*".

#### *Findings and conclusions*

The CBS will in the future treat transactions on derivative swap arrangements in the line "*Securities other than shares (F.3)*" and not under F.7 with a correction under the line "*difference between interest accrued and paid*".<sup>8</sup>

### **3.3.8. Other issues**

#### Carbon trading rights

##### *Introduction*

The Dutch statistical authorities provided to Eurostat an explanation of the current treatment of carbon trading rights in national accounts.

##### *Discussion and methodological analysis*

The CBS recalled that in the October 2007 notification, there was no impact on government B.9 from the free allocation of carbon allowances. In autumn 2007 some of the carbon allowances were sold for an amount of 2 million EUR. Thus in National accounts this transaction will be recorded as a sale of intangible non-financial non-produced assets and will have a positive impact on B.9

##### *Findings and conclusions*

Eurostat took note of the explanations provided and will reflect on the issue.

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<sup>8</sup> Implemented in the April 2008 EDP reporting

## Annex I: List of participants

Name	Institution	
Laurs Nørlund	Eurostat	Director of National and European Accounts
Luca Ascoli	Eurostat	Head of Unit C.3 - Public Finance
Jean-Pierre Dupuis	Eurostat	Unit C.3 - Public Finance
Rasa Sodeikaite	Eurostat	Unit C.3 - Public Finance – desk officer for NL
Bouke Buitekamp	DG ECFIN	
Julia Catz	ECB	
Peter van de Ven	CBS	Head of the department of National accounts
Jan Berdowski	CBS	Manager Government, Financial Institutions and Rest of the World Accounts (department of National accounts)
Léonard Haakman	CBS	Project Manager Government Finance Statistics (department of National accounts)
Dick van Tongeren	CBS	Manager Local Government Authorities (department of Financial Institutions and Government )
Mark Roscam Abbing	MoF	Head of the Budgetary Policy Division
Michiel Becker	MoF	Coordinator fiscal data (Budgetary Policy Division)
Patrick Schuerman	MoF	Coordinator fiscal rules and EDP (Budgetary Policy Division)
Henk Lub	NCB	Senior economist, Statistics and Information Division