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EDP Dialogue Visit to the Netherlands
1-2 September 2015

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Executive summary

Eurostat undertook an EDP dialogue visit to the Netherlands on 1-2 September 2015. Its purpose was to review the compliance of the Dutch EDP and Government Finance Statistics ('GFS') data with the accounting rules of the European System of Accounts 2010 ('ESA 2010') and with the existing guidance set out in the ESA2010 Manual on Government Deficit and Debt ('MGDD').

Firstly, Eurostat and the Dutch statistical authorities reviewed institutional arrangements, data sources and procedures for the compilation of EDP statistics. Eurostat recommended that the attribution of responsibilities for the EDP reporting should be revisited, given that, in other Member States, the reporting was commonly within the purview of the national statistical institute's mandate. The process of formalising co-operation between key institutions involved in collecting and compiling EDP data was found well advanced. Eurostat noted that respective agreements were subject to periodic reviews and updates and supported that, for transparency reasons, the formal co-operation agreements should be published on the website of Statistics Netherlands.

Secondly, Eurostat took note that no major changes in quality assurance and risk management procedures had been undertaken at Statistics Netherlands since the April 2013 discussion on the matter. The Dutch statistical authorities followed - for all statistical fields - a standard quality management approach, and no customised process was in place for EDP/ GFS. Eurostat noted the explanations of Statistics Netherlands on the extent of validation procedure and of feedback to data providers.

Thirdly, Eurostat welcomed enhancements in the quality of the Dutch government finance statistics following the 2014 benchmark revision, notably changes to the presentation of statistical discrepancies and a substantial reduction of their levels. Progress in the use of direct and more comprehensive data sources and streamlining of estimation procedure (for a number of government entities, including schools, and for the compilation of government financial accounts) were also highlighted. Eurostat took note that the use of counterparty information should overall remain without impact on the measurement of government deficit and debt except for the balancing of grants between government entities. Addressing specifically the treasury banking transactions, Eurostat requested that the sector delimitation of participants in the cash pooling system operated by the Dutch Treasury should be consistent across the various source data used for compilation of EDP statistics.

Moreover, Eurostat insisted that the Dutch statistical authorities should extend the scope of the systematic data collection in order to comprehensively cover all government units, including non-profit institutions at local government level. Consequently, the quality of estimates produced for the latter bodies could be regularly controlled and adjusted in due course.

While recognising the need to formulate country-specific revision policies for macroeconomic statistics, Eurostat urged the Dutch statistical authorities to undertake revisions to government deficit and debt figures once the impacts of changes to concepts, sources and methods were identified and could be reliably estimated, instead of waiting until the benchmark revisions. Eurostat specifically pointed out that the Dutch authorities should seek to quantify as soon as possible the effect of the changes to the general government perimeter arising from the research on the register of public entities. If reliable estimates of the impacts on deficit and debt figures could be produced and the amounts were material (i.e. larger than 0.1 percent of GDP), Eurostat considered that the revisions should be implemented for the October 2015 EDP reporting.

It was also agreed that the ESA 2010-compliant EDP inventory would be sent to Eurostat by end-2015 at the latest, and that a sample of bridge tables for compilation of financial accounts would be provided after the meeting. Following the review of the state of completion of the

action points of the 2013 EDP dialogue visit, the Dutch authorities undertook to provide an outstanding note on the 2012 changes to the financing of the Dutch health care.

Subsequently, a number of matters relating to the EDP reporting were addressed. Eurostat acknowledged progress of the Dutch authorities in reconciling the working balance of the State and net lending/ borrowing of the central government sub-sector, and supported that the issue should be further examined. Furthermore, Eurostat welcomed the extended versions of EDP tables 2 and 3, for local government and social security funds, compiled by group of local government bodies/ social security schemes. The upcoming changes to the presentation of adjustments in table 2C were noted and Eurostat requested, as a follow-up to the discussion, additional information on the accounting/ statistical concepts underlying the reporting of working balance for social security funds in table 2D.

Statistics Netherlands presented interim findings of the feasibility study into the use of direct sources to compile data on trade credits and advances. It was agreed that Eurostat would be informed of the final outcome of the analysis. Progress of the Dutch statistical authorities in devising a new template for the reconciliation of data on interest payable by the State was recognised by Eurostat, and a need for further analysis of these data inputs was noted.

Eurostat encouraged further efforts by the Dutch statistical authorities to improve completeness of the reporting in a number of tables of the questionnaire relating to the EDP notification tables (the '*EDP questionnaire*'). In addition, Statistics Netherlands should review the composition of specific financial transactions in the State's working balance (table 2) and the detail of information on revisions (table 1). Eurostat, on its part, agreed to clarify the reporting convention in table 13 (on re-routing) and outstanding matters in connection with the scope of guarantee arrangements covered in table 9.

Particular attention during the meeting was devoted to sector classification issues. Firstly, Eurostat recommended that Statistics Netherlands should review, and if necessary adjust, the procedures for sector classification of entities in order to test the largest bodies on an annual basis. Secondly, Eurostat noted that the review of the sector classification of public entities continued under the newly launched project '*ROME*' and the project's scope was extended to cover the existing government units. Thirdly, Eurostat acknowledged progress in availability of the information requested in the questionnaire on government controlled entities, and encouraged Statistics Netherlands to further improve its exhaustiveness and completeness. As a follow-up to the discussions, detailed information was requested: (i) on the algorithm for the calculation of ratios in the quantitative test for market producers (the '*50%-test*') (for all government controlled entities and specifically for social housing corporations), and (ii) on the outcome of the test for specific units, including local transport providers and university hospitals. Moreover, the Dutch statistical authorities were invited to review the sector classification of government controlled entities with none or few employees.

Eurostat took note of the Dutch statistical authorities' views that further clarifications on how to implement in practice the rules on government controlled entities with features of captive financial institutions would facilitate the classification of relevant bodies. It was agreed that the discussion on specific entities active on the Dutch financial and housing markets would continue after the meeting.

Eurostat also recommended that Statistics Netherlands should closely monitor government involvement in the Netherlands Investment Institution ('*NLIIF*'), and its exposure to risks relating to the operation of the entity. It was pointed out that sector classification of Energie Beheer Nederland ('*EBN*') and the qualitative and quantitative aspects of the classification of social housing corporations should be re-examined as well. Given that the Dutch deposit protection scheme was being re-designed to comply with Directive 2014/49/EU, Eurostat requested the documentation on the newly established scheme once the relevant legislation would have been adopted. Finally, Eurostat noted that the on-going restructuring of the Dutch public sector would affect the perimeter of the general government sector, notably as a consequence of decentralisation of youth and health care provision.

Furthermore, implementation of the accruals principle in the Dutch national accounts was briefly reviewed. The discussion covered the recording of property income, the time of recognition of cancellations of taxes assessed but unlikely to be collected at local government level, and of post-payments of social contributions arising from the final assessment of wage tax. The Dutch statistical authorities expressed some doubts over the time of recording of a specific component of compensation of employees (i.e. 'holiday allowances') and Eurostat acknowledged a need to clarify with other Member States how to interpret the specific ESA 2010 guidance so that its consistent implementation across countries would be ensured.

In addition, a number of specific methodological and accounting matters were addressed, including the recording of PPPs and capital injections. As a result of the discussions, Eurostat agreed to re-examine the treatment of loss allowances recognised in the Dutch public accounts in relation to the export guarantee scheme. Eurostat also took note of the envisaged changes to the student loans scheme. Eurostat held the view that there was no need to recognise upfront (i.e. once the loan was granted) a deficit impact of the expected cancellations of the loans unlikely to be repaid. Moreover, Statistics Netherlands was requested to reconsider the recording of the year-end balances of the European Commission's account with the Dutch Treasury, and Eurostat supported that Statistics Netherlands should have access to all relevant information on financial derivatives collected by the Dutch authorities and private institutions.

Eurostat and the Dutch authorities agreed that outstanding issues relating to the integration of the Dutch public defeasance structure's financial results into government accounts, the recording of EU grants, interest, disposals and acquisitions of land by local government and other relevant transactions would be discussed in the following months (in the clarifications on the October 2015 EDP reporting and during the review of the draft EDP Inventory).

Eurostat appreciated the openness and transparency demonstrated by the Dutch statistical authorities during the meeting and the documentation provided before and during the dialogue visit.

EDP dialogue visit to the Netherlands

1-2 September 2015

Provisional findings

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009, as amended, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty on the Functioning of the European Union, Eurostat carried out an EDP dialogue visit to the Netherlands on 1-2 September 2015.

The delegation of Eurostat was headed by Mr Eduardo Barredo, Director of Eurostat Directorate D '*Government finance statistics (GFS) and quality*'. The Directorate General for Economic and Financial Affairs of the European Commission ('*DG ECFIN*') and the European Central Bank ('*ECB*') participated in the meeting as observers. The Dutch statistical authorities were represented by Statistics Netherlands ('*CBS*'), the Dutch Central Bank ('*DNB*'), and the Dutch Ministry of Finance ('*MoF*'). A list of the meeting's attendees is annexed to the report (Annex 1).

The purpose of the EDP dialogue visit was to review the compliance of the Dutch EDP and Government Finance Statistics data with the accounting rules of the European System of Accounts (ESA 2010) and with the existing guidance set out in the Manual on Government Deficit and Debt – Implementation of ESA 2010 (MGDD). The following conceptual and compilation issues were addressed: the sector classification procedure and classification of specific entities controlled by government, the time of recording of taxes and other government transactions, and the treatment of end-year balances on the European Commission's account with the Dutch Treasury. Moreover, the recording and reporting of guarantees, property income payable and receivable, student loans, and of recent operations to unwind the government's financial positions resulting from supporting Dutch banks during the financial crisis, as well as the outcome of Statistics Netherlands analysis of the PPP project Nieuwe Keersluis Limmel were briefly covered in the discussions. It was agreed that clarifications on the matters would continue in the following months, notably in the context of the assessment of EDP data to be reported in October 2015 and finalisation of the work on the Dutch EDP Inventory.

In addition, the institutional and quality assurance arrangements for collecting, compiling and reporting Dutch EDP data to Eurostat were discussed and progress in the availability and use of direct information from public accounts, and in reconciliation of various data inputs for EDP data computation and reporting, were reviewed. Finally, Eurostat stressed the need to change the revision schedule for Dutch EDP data so that major revisions to government deficit and debt could be implemented in a timely manner.

With regard to procedural arrangements, Eurostat indicated that shortly after the meeting the main conclusions and action points would be sent to the Dutch authorities for their comments. Within weeks, the draft provisional findings would be sent to the Dutch authorities in draft form for review. The final findings would be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat very much appreciated the openness and transparency of the Dutch statistical authorities during the meeting and the documentation provided before the dialogue visit.

1. Review of institutional arrangements, EDP data sources and procedures

1.1 Governance and co-operation

(1) 1.1.1 Co-ordination role of Statistics Netherlands

Introduction

Eurostat reviewed with the Dutch statistical authorities the institutional arrangements for collecting and compiling EDP statistics for the Netherlands.

Before the EDP dialogue visit, Statistics Netherlands sent an update of relevant process documentation (including the questionnaire on national quality management systems in relation to EDP Statistics), and of its memorandum of understanding with the Dutch Central Bank.

Discussion

Firstly, the Dutch statistical authorities confirmed that there had been no changes to the legal mandate, responsibilities, resources and financing of Statistics Netherlands which could impact on the professional independence of the institution, and, consequently, on the quality of EDP statistics for the Netherlands.

Statistics Netherlands was the sole compiler of the integrated GFS, comprising ESA 2010-compliant non-financial and financial annual and quarterly government accounts and EDP statistics. For most of the datasets, the National Statistical Institute (NSI) transmitted them directly to international organisations. Eurostat took also note that Statistics Netherlands was in charge of collecting and disseminating the fiscal data and information on government contingent liabilities, potential obligations and other indicators, as provided for in Council Directive 85/2011/EU.

Secondly, Statistics Netherlands confirmed that its legal mandate gave it the right to collect all data inputs essential for the compilation of EDP statistics from all government controlled entities. It was pointed out though that the scope of data requests should not unnecessarily increase the reporting burden, and that – in the first instance – information disseminated by reporting entities, or collected by statisticians, for other purposes should be used.

Statistics Netherlands was also involved in discussions of *a national working group on accounting issues for the public sector* (*Platform Publieke Jaarverslaglegging*). Participation in the project offered insights into prospective changes to the accounting rules for all public bodies, and a possibility to influence the modifications. Notwithstanding, public bodies in the Netherlands, as in other countries were granted discretion with regard to the interpretation of accounting rules and the application of standards in place. Hence, fully harmonised and detailed classifications would not necessarily improve the quality of source data.

Thirdly, the co-operation with other institutions involved in the process of GFS and EDP data compilation (the MoF, DNB) was reviewed. Eurostat was informed of an annual meeting on methodological issues, which served mainly as a platform for sharing information and an exchange of views. Statistics Netherlands decided independently on the statistical treatment of specific government operations in national accounts. Nevertheless, should the decisions be relevant to related statistical fields or to forecasting work (e.g. sector delimitation), this was communicated to the MoF.

Apart from that, Statistics Netherlands presented the status of the review of formal co-operation arrangements with the Dutch Ministry of Finance and the Dutch Central Bank. It was explained that the process of the update of the 2010 Protocol with the MoF was supposed to be finalised in the following months. The Dutch statistical authorities clarified that no reports evaluating the co-operation between the institutions had been drawn up. For this

reason, Eurostat could not receive the evaluation report of the Protocol requested as a follow-up to the past EDP dialogue visits (cf. action point 1 of the 2013 EDP dialogue visit to the Netherlands).

Shortly before the EDP dialogue visit an update of the Memorandum of Understanding signed between Statistics Netherlands and the Dutch Central Bank was provided to Eurostat. The document encompassed all statistical fields in which the two institutions co-operated, with a brief section devoted to GFS. The Dutch statistical authorities explained that the document was subject to annual reviews and updates, and that its new revisions were already under discussion. It was requested that the revised formal co-operation agreements should be sent to Eurostat once the review process had been completed. Eurostat recommended that, for transparency reasons, the memoranda of understanding central to EDP data collection and compilation should be published on the website of Statistics Netherlands.

Moreover, Eurostat was informed of a seven-points action plan resulting from co-operation between Statistics Netherlands, MoF and the Dutch Court of Auditors, aiming at improving the quality of the EDP data. The Dutch statistical authorities undertook to provide Eurostat with specifics on the matter after the EDP dialogue visit.

Finally, given the role of Statistics Netherlands as the sole compiler of EDP statistics, Eurostat sought to understand better the reasons for which the Dutch Ministry of Finance, and not the national statistical institute, was designated as the formal EDP reporting authority for the Netherlands. The Dutch authorities explained that the division of responsibilities between Statistics Netherlands and the Dutch MoF was formalised in the co-operation agreement on EDP Statistics. It was underlined that the arrangement remained without an impact on the independence of Statistics Netherlands with regard to the data's compilation and its accountability for their quality. It was up to the national statistical institute to complete and revise the actual data in the EDP notification tables, to compile other datasets required under the EDP reporting and to prepare the replies to Eurostat's requests for clarification. It was pointed out that the Dutch Ministry of Finance's task was restricted to the compilation of the planned data for year (n), completion of related entries in the EDP notification tables, and to sending on the tables, and clarifications prepared by the CBS, to Eurostat.

Given that the discussion on the revision to the 2010 Protocol was on-going, even though there were good practical reasons for retaining the existing arrangement, the Dutch statistical authorities informed Eurostat that they might revisit the responsibilities for the EDP reporting with a view to rendering the replies to the EDP clarification questions faster and more efficient.

In Eurostat's opinion, whilst there were no grounds to doubt the independence of Statistics Netherlands in relation to EDP data compilation, the switch of responsibilities for the EDP reporting would better reflect Statistics Netherlands's role as the sole compiler of EDP statistics, and common arrangements in relation to the EDP reporting observed EU-wide. Finally, Eurostat pointed to the amendments, by Regulation 2015/759 of 29 April 2015, to Regulation 223/2009 on European Statistics as an essential reference point in the process of reviewing the institutional arrangements for the EDP data compilation and reporting¹.

Findings and conclusions

1. Eurostat thanked the Dutch authorities for the comprehensive and up-to-date process documentation sent prior to the EDP dialogue visit.
2. The Dutch statistical authorities will provide Eurostat with a copy of the revised Memorandum of Understanding between Statistics Netherlands and the Dutch Ministry of Finance (*'the 2010 Protocol'*), and with copies of the new cooperation agreements with

¹ Notably article 5 thereof, which attributes to national statistical institutes the responsibility for coordinating all activities at national level in connection with the development, production and dissemination of European statistics, explicitly mentioning in this context data transmission

major data suppliers (such as the Dutch Ministry of Economic Affairs or key social security bodies), once they have been signed. Eurostat recommends that the main cooperation agreements are made public on the CBS's website. Moreover, the Dutch statistical authorities will keep Eurostat informed on progress in putting in place practical arrangements for cooperation with the national court of auditors. [*Action point 1*²]

Deadline: *Available documents and a progress note will be sent to Eurostat by end-March 2016.*

3. Eurostat recommends that the CBS, in line with its mandate and the arrangements in place for reporting of EDP data in other Member States, should take responsibility for the transmission of the EDP notification tables to Eurostat. The CBS will keep Eurostat informed about progress in the discussion on the matter between the Dutch authorities. [*Action point 2*³] Deadline: As soon as possible.

1.1.2 Formal agreements with data suppliers

Introduction

In the past EDP dialogue visits, Eurostat was informed of the formal co-operation agreements between Statistics Netherlands and key data suppliers at various government levels. As a follow-up to the discussions, Eurostat requested that the Dutch statistical authorities should provide copies of the agreements (e.g., action point 1 of the 2013 EDP dialogue visit).

At the beginning of June 2015, Eurostat received the co-operation agreements signed by Statistics Netherlands with data providers at central government and social security funds level. At the same time, Statistics Netherlands presented their plans concerning drafting new co-operation agreements with data suppliers and revision of the existing agreements.

Discussion

Firstly, Eurostat requested that the state of formalisation of the co-operation with suppliers of data for local government entities should be clarified. The Dutch statistical authorities confirmed that, for the main local government entities (provinces, municipalities, waterboards) no formal co-operation agreements were signed given that the data collection was based on a strong legal mandate (a ministerial decree on the information for third parties). Provision of data for schools was covered under an agreement with the Ministry of Education, and the data were collected through its agency DUO ('Dienst Uitvoering Onderwijs'). For local non-profit institutions, data was not regularly collected by the GFS department and Statistics Netherlands estimated deficit and debt for the entities partially based on information collected by the other departments. Secondly, the existing co-operation agreements were briefly reviewed. Before the 2015 EDP dialogue visit, Eurostat received copies of eleven co-operation agreements, signed by Statistics Netherlands with nine ministries and with the Social Security Bank (SVB). The scope of two agreements (with the Dutch Ministry of Education, Culture and Science and with Social Security Bank), extended beyond the EDP and GFS data needs, encompassing all statistical fields at Statistics Netherlands producing data on education and social security.

The EDP/GFS-specific agreements signed with ministries were very concise and followed a standard model. Two separate agreements were signed with the Ministry of Finance: i) as a data supplier, and ii) with its services in charge of the administration of state-owned moveable property (*de dienst Domeinen van het ministerie van Financien*). Eurostat noted that, apart from references to the legislation underpinning the reporting of the data, the agreements with

² Completion of the follow-up action is in progress, the numbering of the follow-up actions has been amended to follow the sequence in the agenda for the 2015 EDP dialogue visit compared to the report: 'Main conclusions and action points' (of September 2015).

³ Completed.

the ministries comprised the specification of budgetary categories for which figures should be reported, and stated frequency and deadline by which the data should be provided. They also stipulated restrictions on the use and release of the data by Statistics Netherlands.

For a majority of ministries, a clause was included in the agreement referring to the Interdepartmental Budgetary Consultation System (*'Interdepartementaal Budgettaire Overleg System'*, *'IBOS'*). The Dutch statistical authorities explained that the system was operated by the Ministry of Finance to monitor the expenses and revenues of other ministries, on a monthly and quarterly basis. The Ministry of Finance reviewed the quality of the data available through the system, and for the yearly figures the entries were aligned with the ministries' annual reports, which were subject to a regular audit procedure. The IBOS data were shared with Statistics Netherlands, relying on them as the main source for compilation of preliminary estimates for the State's ESA accounts (for the first EDP notification). In addition to the data provided by the Ministry of Finance via IBOS, some ministries provide additional data on a voluntary basis. This data is used by Statistics Netherlands to check the IBOS data.

Thirdly, progress in formalising the co-operation with other central government data providers and social security institutions was reviewed. Eurostat was informed that the preparation of the co-operation agreements with the Ministry of Foreign Affairs and with the Ministry of Economic Affairs was well advanced, and that with the Institute for Employee Benefit Schemes (*'UWV'*) first drafts had already been exchanged. It was also mentioned that the co-operation arrangements with the third large social insurance body, the Health Care Insurance Board (*'CVZ'*), necessitated an update which could, however, – given its scope – be only undertaken within a longer timeframe.

Finally, Statistics Netherlands commented that the compliance with the agreements by the data suppliers could not be enforced by statisticians since no sanctions for non-reporting could be imposed on public bodies. However, the formal agreements increased transparency with regard to the scope and timetable of data flows and fostered the direct co-operation between the institutions. No major breaches of mutual trust had been observed in the past, and, overall, data suppliers adhered to the agreed modalities for the data reporting.

In conclusion, Eurostat welcomed the advancements of Statistics Netherlands in formalising their co-operation with data suppliers and in securing direct data flows from specific ministries and social security bodies. Similarly to formal co-operation agreements with GFS data co-compilers, Eurostat supported that the agreements with the key data suppliers should be published.

Findings and conclusions

The Dutch statistical authorities will provide Eurostat with copies of the new cooperation agreements with major data suppliers (such as the Dutch Ministry of Economic Affairs or key social security bodies), once they have been signed. Eurostat recommends that the main cooperation agreements are made public on the CBS's website (refer to findings and conclusions under agenda point 1.1).

1.2 Quality and risk management of EDP/GFS processes at Statistics Netherlands

Introduction

Although no EDP upstream dialogue visit to the Netherlands had been carried out, in April 2013 Eurostat visited Statistics Netherlands to discuss how the overall quality management system at the CBS was implemented specifically in the statistical field of GFS/EDP to ensure the proper quality of EDP Statistics.

Before the 2015 EDP dialogue visit, Statistics Netherlands sent updated process documentation (*‘EDP flowcharts 2015’*), a note describing key features of quality and risk management systems, *‘Quality Guidelines 2014’* presenting Statistics Netherlands’ quality assurance framework at process level, and an update of the Dutch return to the questionnaire on national quality management systems in relation to EDP Statistics.

Discussion

Eurostat thanked Statistics Netherlands for the detailed and up-to-date description of processes and of the quality management system. It was noted that no major changes had occurred since the discussion during Eurostat’s visit of April 2013.

At the 2013 meeting, Eurostat considered the approach employed by Statistics Netherlands as quite comprehensive given that it integrated European, international and national requirements. Moreover, the approach was found sufficiently flexible to incorporate domain-specific requirements, and containing *‘good practice’* elements, such as internal audits and self-assessment.

Eurostat followed up on the progress with regard to the quality standards set for statistical returns from data suppliers. In Statistics Netherlands’ view, source data validation and the feedback on the data quality to the data suppliers were properly integrated in the overall quality framework. For local government entities, systematic provision of feedback to the data suppliers, through standard reports, was in place. In fact, Statistics Netherlands envisaged the streamlining of the existing procedure by targeting its feedback solely at the largest municipalities.

It was clarified that source data issues discussed in past clarifications had not resulted from incorrect reporting of data in statistical returns, but rather from the changes to the accounting rules and a large degree of discretion of public bodies over implementation of the rules. The latter was in Statistics Netherlands’ opinion beyond the scope of quality and risk management system of GFS data compilation. Statistics Netherlands explained that the robustness of the EDP compilation processes was on a regular basis subject to internal audits (the most recent one conducted in 2014). Consequently, the specification and enforcement of proper quality of statistical inputs was systematically reviewed and monitored.

Finally, Statistics Netherlands recalled the seven-point action plan aiming at improving the quality of EDP Statistics drawn up with the Dutch MoF and Court of Auditors, referred to also in the discussion under the earlier agenda item.

Findings and conclusions

Eurostat took note of the explanations.

1.3 Sources and data compilation methods (progress in use of direct data sources for compilation of EDP/ GFS statistics)

1.3.1 Public accounts (legal framework, classifications and data quality) and bridge tables

Introduction

Statistics Netherlands introduced important changes to data sources used for the compilation of EDP statistics in the context of the 2014 benchmark revision of national accounts. Notably for schools, annual financial statements of government-funded school boards provided by DUO became a leading source for the production of final figures, and for the local governments a switch to the third-party information (*‘IV3’*) and integration of the source data had been completed.

Statistics Netherlands presented major sources, and their processing, in the EDP flowcharts, and in the first draft of the new EDP Inventory. Before the EDP dialogue visit, bridge tables

for compilation of: (i) the State's non-financial accounts, and (ii) for non-financial and financial data of local government units and educational institutions were supplied.

Eurostat was aware of Statistics Netherlands' assessment of the suitability of the Dutch public accounts for compilation of ESA accrual data, as provided in the September 2014 return to Eurostat's dedicated survey.

Discussion

Firstly, Eurostat thanked Statistics Netherlands for all background information provided before the meeting and recalled the important changes to data sources used for local government sector (with regard to the use of IV 3 and DUO data). Statistics Netherlands underlined that for the third party information, deficit data from the returns of the local entities was used already under the compilation system based on ESA 95.

Subsequently, Eurostat enquired about implications for the scope and frequency of the existing data collection arising from the changeover to ESA 2010, the reinforced fiscal surveillance framework (including the provisions of Council Directive EU/2011/85 relating to statistical data), on-going process of restructuring of the Dutch public sector, improved accessibility of government data under '*Open Government Data*' project and the launch of digital data exchange between the government and businesses. Statistics Netherlands confirmed that the data collection remained largely unaffected by the developments.

In relation to the Open Government Data project, Statistics Netherlands clarified that under the initiative, with a view to enhancing transparency in fiscal outcomes of municipalities, the statistical authorities had been authorised to disseminate all data provided by the entities in their returns of the information for third parties ('IV3').

Secondly, it was noted that for local non-profit institutions, no regular data collection was in place and Statistics Netherlands estimated deficit and debt for the entities based on publicly available information and data from other SN departments. In Eurostat's view, the quality of the estimates needed to be verified, at regular intervals, by cross-checking with direct information collected from the units' accounts. Thus, Statistics Netherlands was requested to take the steps necessary to adjust accordingly the population of the reporting entities to the relevant statistical surveys.

Thirdly, certain aspects of public accounting systems as key sources of information for the data compilation were discussed. Council Directive 2011/85/EU stipulated inter alia that the public accounts for government finance statistics compilation should be subject to internal control and independent audit. Dutch statistical authorities provided a description of the arrangements in place in the Netherlands (by sub-sector) and references to relevant publications as a response to Eurostat's survey on internal audit and independent control.

Statistics Netherlands expressed certain reservations about attaching excessive importance to auditors and/or accountants' statements as statistical quality references. The findings of public accounts' audits needed to be used by statisticians with caution and statistical quality checks were essential. Statistics Netherlands cited also key problems of the data sources from public accounts of government bodies, such as inconsistency between quarterly and annual information, or frequent (even annual) changes to the accounting rules. It was underlined that the issues could not be solved by reinforcing or streamlining the arrangements for internal control and independent audit of public accounts.

Eurostat enquired about Statistics Netherlands' possibilities to influence relevant public accounting standards and their implementation by government bodies. Statistics Netherlands mentioned co-operation with the supervisory bodies, working groups and committees involved in the process of setting standards for public accounts. Overall, Eurostat understood that even though the scope of the information reported in the accounts and definitions of specific accounting categories could be harmonised and adjusted to statistical needs, statisticians could not affect the choice of accounting rules by the reporting entities and their implementation, where a certain degree of flexibility existed.

Subsequently, Statistics Netherlands explained how cross-codification tables between ESA categories and public accounts items were used in the process of data compilation. The bridge tables were not derived directly from a chart of accounts, focusing on the inputs used in the data processing. Attribution of specific accounting items to one or several ESA codes presented in the tables was reviewed on an annual basis, and updated for newly introduced policies.

Given that the scope of bridge tables discussed during the meeting was limited to government non-financial transactions, as a follow-up to the discussion, Statistics Netherlands was requested to send to Eurostat the cross-codification tables supporting computation of the financial accounts and Maastricht debt.

Findings and conclusions

1. The Dutch statistical authorities will extend the scope of the existing systematic data collection in order to comprehensively cover all government units, including non-profit institutions. Eurostat will be provided with a note summarizing progress by the end of 2015. [**Action point 3⁴**] Deadline: *A progress report will be sent by end-December 2015.*
2. CBS will provide a sample of bridge tables in place for compilation of financial accounts and Maastricht debt for the Dutch State (including the bridge tables used for processing of data inputs from MoF and the Dutch State Treasury Agency). [**Action point 4⁵**] Deadline: *A sample of the bridge tables should be sent to Eurostat by end-October 2015.*

1.3.2 Use of counterparty statistics in the compilation process

Introduction

For certain transactions and entities, the process of EDP/GFS data compilation appeared to rely strongly on indirect data sources, predominantly counterparty information (notably for the first estimations sent in the April notification). Under this agenda point, Eurostat sought to understand better how the indirect source data was integrated in the data production process, and possible implications for the quality of EDP statistics.

Discussion

Eurostat noted that, according to relevant statistical manuals for compilation of government accounts, information from indirect sources was used by Statistics Netherlands to refine breakdowns of specific reporting categories, without an impact on the measurement of the deficit and Maastricht debt.

In recent EDP notifications, Eurostat observed though that early estimates of fiscal positions of certain government bodies were calculated relying primarily on data on the value of transfers the entities received from the Dutch State. During the discussion, Eurostat was assured that the use of counterparty information in all cases should remain without impact on the quality of government deficit and debt figures with the exception of other investment income and grants between governments units. Consolidation was regarded as an overall demanding process where the accounting rules of a transfer's provider and the recipient differed, notably for intergovernmental transfers of the State. During the 2014 benchmark revision of the national accounts of the Netherlands, the relevant procedure was streamlined to ensure proper measurement of other accounts receivable and payable for government sector, by anchoring the cash/accrual adjustments to the data on intergovernmental transfers recorded by entities with accrual accounting system. On the other hand, the high-frequency data from the State were available earlier and contained more detailed information than the

⁴ Completed.

⁵ Completed.

returns from other sub-sectors. Thus, in the absence of other information, the production of early estimates needed to rely on the State's cash figures.

Specifically, the use of indirect source data and counterparty information for schools, health care and Treasury banking was briefly reviewed under the agenda point.

For schools, it was explained that no data from accounts of the entities were available for compilation of the year (n-1) figures for the first and second EDP notification in year n. Hence, data on transfers from the State and labour accounts was the only information which could feed into the first estimates. It was acknowledged that there might be a bias in the estimation procedure owing to different accounting regimes in place for the State and educational institutions. However, given that new sources for schools had been put in place relatively recently (during the 2014 benchmark revisions) a possible magnitude of subsequent revisions could not yet be analysed.

In the recent EDP reporting, revisions to the presentation of the transactions relating to the Treasury's cash pooling system ('*Schatkistbankieren*') were observed. Statistics Netherlands recalled that the mandatory cash management system had been introduced in 2013 for main local government bodies. Data from the Treasury were considered as a main source for the recording of the transactions in the national accounts for all participants of the scheme, notably government units. Given confidentiality restrictions, Statistics Netherlands did not have access to detailed data on financial positions of each body participating in the cash management system. The data received was broken down by economic (sub)-sector. The breakdown had been verified by Statistics Netherlands in the context of the changeover to ESA 2010 (see also agenda point 3.2 for a more detailed discussion).

Statistics Netherlands confirmed that for health care bodies' data from Vektis, an independent information centre for health insurers was used solely for cross-checking purposes.

Findings and conclusions

Eurostat took note that the use of counterparty information should overall remain without impact on the measurement of government deficit and debt, given that it related predominantly to the recording of intergovernmental operations, and supported the production of early estimates and compilation of detailed breakdowns for certain variables.

1.3.3 Estimations, imputation and (re-)balancing procedures

Introduction

Eurostat recommends that the EDP statistics compilation process should, to the extent possible, rely on direct source data, and that the direct information should be integrated into the data compilation process at an early stage. Under this agenda point, progress in using direct data sources and the reliance on estimations, imputation and (re-)balancing procedures for producing GFS/EDP statistics for the Netherlands were briefly reviewed.

Discussion

Before the 2014 benchmark revision of the Dutch national accounts, Statistics Netherlands reported impacts of a rebalancing procedure as a component of other accounts receivable and payable. Since October 2014, no such adjustments had been shown in tables 4.1.1 and 4.1.2 of the EDP questionnaire given an amended policy of Statistics Netherlands for the reporting of statistical discrepancy. Consequently, the difference between capital and financial accounts (B.9-B.9f) was displayed transparently in EDP tables 3. In the clarifications on the April 2015 EDP reporting, adjustments for balancing purposes to data on acquisitions and disposals of land were noted. Statistics Netherlands described the approach in a document. The matter was briefly reviewed under agenda point 4.3.3.

Eurostat acknowledged progress in the use of direct and more comprehensive data sources and the streamlining of estimation procedures (for a number of government entities, including

schools, and for the compilation of government financial accounts). It was noted though that government data retained a status of estimates i) over the entire data compilation cycle for local non-profit institutions and for certain transactions (e.g. trade credits), or ii) for a number of other government bodies for three first submissions of EDP data for a given year. Eurostat understood that the feasibility of a greater use of direct information was being examined (notably in relation to trade credits). Nevertheless, it was pointed out that the need to resort to estimations could never be entirely eliminated.

Subsequently, transactions re-routed through government accounts, and reasons for the re-routing, were briefly discussed.

As background information for the discussion, Statistics Netherlands completed a new table on large transactions and assets/liabilities re-routed through government accounts and impacting government deficit and debt⁶, and provided data on re-arranged transactions without impact on EDP deficit. No large re-routed transactions impacting government deficit were identified in the Dutch national accounts, and two types of imputed loans increasing government debt were reported: i) in relation with cross border lease transactions of waterboards and ii) in connection with government economic ownership of securities held under the ING Illiquid Asset Back-up Facility ('*IABF*'). Moreover, Statistics Netherlands provided information on revenue and expenditure re-routed through government accounts in relation to the Health Care Insurance Act. It was confirmed that the re-routing of the scheme's transactions remains without impact on government deficit and debt.

The cross-border lease operations (considered as a double-lease scheme) were described by the Dutch authorities in more detail. The transactions dated back to 1990s. They were carried out by public waterboards with the US residents seeking to undertake environmental investments eligible for US tax allowances. Under the arrangement, a water purification plant was first leased to an US company and, in parallel, leased back to the waterboards operating the plant. Consequently, Statistics Netherlands imputed two transactions on the government balance sheet, a deposit of the waterboards with the rest of the world sector, and the latter's loan claim vis-a-vis the Dutch waterboards. Both the deposit asset of the waterboards and the loan liabilities recognised as a result of the arrangement on the waterboards' balance sheet gave rise to interest (receivable and payable). Thus, the flows under the scheme impacted neither on government net lending/borrowing nor on net debt. The one-off character of the arrangement in question was confirmed; the waterboards did not engage in similar transactions after relevant tax loopholes were closed.

Finally, Statistics Netherlands shared their feedback on the first-time completion of a table on transactions and assets/liabilities re-routed through government accounts (table 13 of the EDP questionnaire). Problems with interpreting the instructions for filling-in the template were highlighted, notably in respect of the compilation of the net impact on debt of assets and liabilities re-routed through government accounts. Apart from that, for the cross-border lease operations of the waterboards, it was mentioned that the double-lease was not reported in table 12 of the EDP questionnaire (on the sale and lease back transactions). Eurostat pointed out that the instructions for the scope of reporting in table 12 should be interpreted more broadly, and requested that the transactions should be reported in the ensuing notifications.

Findings and conclusions

1. Eurostat welcomed the enhancements in the quality of the Dutch government finance statistics following the 2014 benchmark revision, notably the changes to the presentation of statistical discrepancies and a substantial reduction of their levels. Progress in the use of direct and more comprehensive data sources and the streamlining by Statistics Netherlands

⁶ Included as table 13 of the EDP questionnaire starting from the October 2015 EDP reporting; only transactions and assets/ liabilities with impact on government deficit or debt at over 0.05% of GDP were supposed to be reported in the table.

of estimation procedures (for a number of government entities, including schools, and for the compilation of government financial accounts) were also highlighted.

2. Eurostat will clarify the reporting convention in table 13 of the EDP questionnaire on re-routing, notably how NET impact of reported transactions and balances should be calculated to identify large imputations and report them correctly in the tables. [**Action point 5⁷ (ex-19)**] Deadline: *Eurostat will provide the requested clarifications in the context of updating instructions to the EDP questionnaire for the April 2016 EDP reporting, i.e. by end-February 2016.*

1.4 Revision policy

Introduction

For compiling EDP and GFS data, Statistics Netherlands follow the revision policy in place for the whole of national accounts. The revision policy encompasses: (i) regular data revisions, based on the update of existing data sources, undertaken once a year (in June) for the past three years, and (ii) benchmark revisions, incorporating new data sources, concepts, definitions, classifications and corrections of errors, carried out every 5-10 years.

Discussion

Under the revision policy followed by Statistics Netherlands, important data sources' updates and methodological changes were implemented only during the major (so called 'benchmark') revisions and not as soon as the need for the update was identified (i.e. in the ensuing EDP reporting exercise). In Eurostat's view, this approach did not assure the proper quality of EDP statistics considering that a large update of deficit and debt figures could be pending for longer than six months (i.e. the period between two consecutive EDP notifications).

Eurostat was specifically concerned about the possible impact of reclassifications arising from the project on a register of public units. Following the existing revision policy, Statistics Netherlands intended to undertake the update of the government perimeter during the next benchmark revision (scheduled for 2018-2019). Eurostat pointed out that the Dutch authorities should seek to quantify as soon as possible the effect of the reclassifications. If reliable estimates of the impacts on deficit and debt figures could be produced and the amounts were material (> 0.1 percent of GDP), Eurostat considered that the revisions should be implemented for the October 2015 EDP reporting.

Moreover, Eurostat considered that more detailed information about the reasons for revisions should be reported in table 1 of the EDP questionnaire in order to support Eurostat's analyses during the biannual EDP data assessment process. This issue was also discussed under agenda point 3.2.

In response to Eurostat's remarks, the Dutch statistical authorities pointed out the importance of the coherent macroeconomic statistics for users of the national accounts data in the Netherlands. Consequently, the data production system at Statistics Netherlands was fully integrated for the whole of national accounts, including GFS. Implementation of unscheduled changes, irrespective of their size, necessitated a thorough examination of impacts on various components of the system, e.g. the input-output tables, and added substantively to the regular work burden of statisticians.

Subsequently, Statistics Netherlands mentioned that the revision policy calendar might be revisited in the future. The following modifications were under consideration:

- an option to revise the financial balance sheet data more frequently (i.e. on an annual basis) and backwards for the entire time series;

⁷ Completed.

- an advancement of the data finalisation process so that the data compilation procedure for year (n) could be completed by spring of year (n+2);
- implementation of major/ benchmark revisions more frequently (at regular intervals);
- an option to implement incidental revisions to the data where a need for a substantial update has been identified.

Statistics Netherlands acknowledged the need for accurate and high-quality EDP statistics to be reported in a timely manner, as provided for under Council Regulation 479/2009. It was explained that temporary deviations between national accounts and EDP statistics could be acceptable under the existing revision policy if the quality issues leading to an update of deficit or debt figures would be material, and that such consistency problems could be justified from the users' perspective. In the opinion of the Dutch statistics authorities, to correctly identify such cases, a materiality threshold would have to be defined. Eurostat recommended that, as in other Member States, all revisions giving rise to a change in EDP deficit or debt by over 0.1% of GDP should be implemented in the next EDP notification. Statistics Netherlands considers a threshold of 0, 1% for debt as too low, but it will implement this threshold for coming notifications.

Statistics Netherlands agreed to use the 0.1%-GDP threshold as a reference for their decision on the time of implementation of reclassifications decided as a result of the research project on the public register. Notwithstanding, it was pointed out that the matter of the timing of EDP/GFS revisions overall necessitated further consideration given the on-going discussions at EU level on the harmonised revision policy for national accounts data. It was concluded that the issue would be brought to the attention of the Task Force on the benchmark revisions.

Findings and conclusions

1. While recognizing the need for flexibility of the revision policy in place for macroeconomic statistics, Eurostat urged the Dutch statistical authorities to undertake revisions to government deficit and debt figures once the impacts of changes to concepts, sources and methods were identified and could be reliably estimated, instead of waiting until the benchmark revisions. Statistics Netherlands will inform Eurostat of developments in their internal discussion on this issue. [**Action point 6⁸ (ex-5)**] Deadline: *A progress note will be sent to Eurostat by end-December 2015.*
2. CBS will estimate the impact on EDP deficit and debt arising from the reclassification of units identified as government bodies in the project on register of public entities, and, if above 0.1% of GDP, these estimations will be included in the Dutch EDP deficit and debt data notified in autumn 2015. [**Action point 7⁹ (ex-6)**] Deadline: *Statistics Netherlands will include in the autumn 2015 notification estimates of impacts on EDP data resulting from reclassification of entities with large deficit and debt (if overall the impacts exceed 0.1% of GDP). A note with a brief description of the estimation procedure and its outcome should be sent to Eurostat by end-September 2015.*

1.5 EDP Inventory

Introduction

Under article 9 of Council Regulation 479/2009, the EU Member States shall provide Eurostat with a description of the methods, procedures and sources in place for compilation of EDP data and of the underlying government accounts (the 'EDP Inventory'). Eurostat designed a standard template which should be used to this end, endorsed by the Committee on Monetary,

⁸ Completed.

⁹ Completed.

Financial and Balance of Payments Statistics (the ‘*CMFB*’) in June 2012. The template was modified in 2014, in view of the changeover to ESA 2010. The Member States were requested to update and transfer relevant descriptions to the ESA 2010-compliant template by end-2015.

Discussion

Eurostat recalled that, as a follow-up to the 2013 EDP dialogue visit (under action point 3), Statistics Netherlands provided (in February 2014) a draft version of the EDP Inventory in the new template. In the draft EDP Inventory, some sections were well advanced whilst for others no descriptions were available. In June 2015, Statistics Netherlands sent also bridge tables used for processing the data from Dutch ministries (one of the EDP Inventory’s annexes). Notwithstanding, no progress was noted in respect of the update by Statistics Netherlands of the ESA 2010-compliant EDP Inventory.

Eurostat mentioned that a country's EDP Inventory was open to revisions. In fact, Eurostat awaited updates of the EDP Inventory on an annual basis (by year-end). In this context, descriptions of methods, procedures and sources could be elaborated and refined. It was also underlined that Council Regulation 479/2009 stipulated that the EDP Inventory should be made public by the EU Member States.

The Dutch authorities agreed to send the ESA 2010-compliant EDP Inventory as follow-up to the EDP dialogue visit.

Findings and conclusions

The Dutch authorities will transmit to Eurostat as soon as possible, but before the end of 2015, the ESA 2010 compliant EDP inventory, including an updated list of entities classified to the general government sector. [**Action point 8¹⁰ (ex-7)**]

Deadline: *Eurostat will receive the final version of the ESA2010-compliant EDP Inventory by the end of 2015. Sections of the EDP Inventory, once completed by the CBS, should be provided for Eurostat’s review (over the period October – early December 2015).*

2. Follow-up of the 2013 EDP dialogue visit

Introduction

Eurostat undertook a standard EDP dialogue visit to the Netherlands on 26 November 2013. As a result of this visit, nineteen action points were formulated, which primarily concerned the recording of specific government operations, EDP reporting, data sources, delimitation of the general government sector and process documentation.

The Dutch statistical authorities were solely responsible for seventeen of the follow-up actions. Two points, relating to data on other accounts receivable/payable (action point 10) and recording of transactions in connection with nationalisation of SNS Reaal (action point 18), necessitated a follow-up by both Eurostat and Statistics Netherlands.

Discussion

Eurostat confirmed with the Dutch statistical authorities the state of completion of the action points from the 2013 EDP dialogue visit. As of end-August 2015, eleven follow-up actions were considered to be accomplished, whilst for seven action points deliverables had been, at least partially, provided (also as background information to the discussions during the EDP dialogue visit) and further discussions on the matters were envisaged under the agenda points. For one follow-up action no progress had been noted (cf. action point 5 relating to the developments in the Dutch health care system since 2012).

¹⁰ Completion of the follow-up action is in progress.

Statistics Netherlands confirmed that they shared Eurostat's views concerning the state of completion of action points and undertook to provide the outstanding note on the Dutch health care system shortly after the meeting.

Findings and conclusions

The Dutch authorities will send before the end of September 2015 a note requested by Eurostat as follow-up action 5 of the 2013 EDP visit ('on the latest developments in the Dutch health care – notably the system for payments between insurance institutions and government'). [**Action point 9¹¹ (ex-8)**] Deadline: *The outstanding note will be sent by end-September 2015.*

3. Review of the October 2014 and April 2015 EDP reporting

3.1 EDP notification tables

3.1.1 EDP table 2A: Progress in reconciliation of working balance and B.9

Introduction

Government non-financial accounts for central government are compiled by Statistics Netherlands on the basis of independent sources. This is the case for the State's working balance reported in the first line of EDP table 2A. As a result, the reconciliation of top and bottom line in EDP table 2A leads to unexplained residuals.

In the past, considerable amounts of unexplained residuals were observed for some reporting periods. Consequently, Statistics Netherlands in co-operation with the Dutch Ministry of Finance initiated analyses aiming at identifying key factors leading to the discrepancies. To this end, a thorough review of the working balance's composition, alternative methods of its calculation and its links with the State's balance sheet and examination of the intra-sub-sector flows (between the State and other agencies of central government) were carried out.

A note summarising further progress in reconciliation the State's working balance and B.9 was provided as a background document for the discussion under this agenda point.

Discussion

The Dutch statistical authorities presented briefly the steps taken hitherto and their findings. It was recalled that the aim of the research undertaken was twofold:

- 1) to analyse the working balance's composition and the discrepancy arising from the two different approaches to the calculation of the working balance, i.e., as: (i) the amount to be financed by the Treasury and (ii) the balance of cash flows to/from the specific ministries;
- 2) to review the accuracy of the figures entered under specific correction lines.

The first module of the research resulted in a comprehensive report by the Dutch Ministry of Finance, improving the understanding by statisticians of the concept and composition of the working balance, and leading to a substantial decrease in the discrepancies for the reporting year 2013. The second part of the examination did not, however, produce new insights, and it basically confirmed the correctness of the reported adjustments for the corrections related to financial transactions.

It was underlined that the research had not resulted in a switch in the working balance concept. The calculation of the amount to be financed by the Treasury remained the leading method, and continued to be reported in the first line of EDP table 2A. Eurostat was informed that an extended template for reconciliation of data (with transaction-level detail) had been

¹¹ Completed.

agreed between Statistics Netherlands and the Dutch Ministry of Finance, and was being used for the data compilation on a regular basis.

Even though it was not possible to entirely eliminate the differences between the working balance data calculated under the two approaches, the discrepancies for 2013 were considerably reduced. The compilation method of Statistics Netherlands, in terms of source data used, corresponded better to the second approach for the working balance's calculation (as under point (ii) above, i.e. the balance of cash flows to/from specific ministries; not reported in the starting line of EDP table 2A). Thus, the Dutch authorities concluded that the process of reconciliation of statistical discrepancies in the table should eventually lead to aligning their level with the value of the difference between working balance figures calculated under the two methods (*'the discrepancy in the working balance'*). For the reporting year 2013, the two discrepancies were indeed of a similar magnitude, whilst for 2014 a larger difference between the amounts reported as 'unexplained residuals' in EDP table 2A and the discrepancy in the working balance was observed. The larger size of the difference for 2014 could, however, be explained by the status of the deficit figures (a provisional estimate, compiled based on first (quarterly) returns from the reporting entities).

Eurostat acknowledged progress in the work on the reconciliation of the working balance and B.9 data for central government and noted the reduction of statistical discrepancies in EDP table 2A for 2013. It was observed that the findings from the research point to the need for disaggregation of the line with 'unexplained residuals'. Consequently, for the October 2015 reporting, the amounts of the discrepancy in the working balance figures calculated under the two methods should be reported under a separate line, with the remaining statistical discrepancies presented as the 'unexplained residuals'.

Finally, further steps envisaged under the reconciliation project were mentioned, in particular an examination of the treatment of coinage and of the recording of revenue and expenditure of agencies. No material changes were expected with respect to the recording of coinage given the small amounts involved. The further analysis of the data for agencies would concentrate on cash/accrual adjustments of transfers they received from the State. Overall it was assumed that no impacts on government net lending/borrowing would arise in this context either, given the consolidation of the data at central government level.

Eurostat supported further efforts of the Dutch statistical authorities to explain statistical discrepancies in table 2A, and requested to be regularly informed of progress.

Findings and conclusions

For the October 2015 EDP reporting, the Dutch authorities will change the presentation of the residuals line in table 2A, breaking it down into 1) the difference arising from compiling working balance under the two methods followed ((i) the balance to be financed by the Dutch Treasury and (ii) consolidated cash balances of individual ministries), 2) unexplained residuals. Eurostat supports further cooperation between the Dutch authorities on reconciliation of working balance and B.9 data, and will receive a progress note before the April 2016 notification. [**Action point 10¹² (ex-9)**] Deadlines: *Change to the presentation of the residuals line should be implemented for the **October 2015 reporting**; progress report on reconciliation between working balance and B.9 data, and available supporting documents (e.g. research report of the Dutch Ministry of Finance), will be sent to by Eurostat **by April 2016**.*

¹² Completed.

3.1.2 EDP table 2C: Concept of working balance, recording of provisions and transfers from/to reserves and upcoming changes to presentation of adjustments

Introduction

Prior to the EDP dialogue visit, Eurostat requested EDP table 2C by group of local government units. The need for amendments to the presentation of reconciliation between the working balance and net lending/borrowing of local government was briefly discussed under this agenda item.

Discussion

A direct comparison of the data presented in an extended version of EDP table 2C with figures reported in April 2015 was not possible. The table provided before the dialogue visit was updated and included the results of the annual revision of national accounts of June 2015. Moreover, the presentation of several adjustments had been amended in the table.

Eurostat welcomed a more detailed split of corrections for non-financial transactions not included in the working balance. It was underlined that a greater level of granularity would facilitate the clarification process during the biannual EDP data assessment.

Statistics Netherlands briefly explained the concept of working balance used for the data compilation. Overall, it was important to distinguish between four main types of government bodies (municipalities, provinces, local intergovernmental institutions and waterboards), with broadly comparable accounting systems, and local government educational institutions, whose system of accounts differed. For the four key groups of government bodies, 'a balance after the transfers to reserves' was reported in the first line of table, whilst the working balance of schools was calculated as 'a result (profit/loss) before interest'.

Furthermore, it was mentioned that the rule for the recording of provisions followed in the accounts of local government bodies was similar to a related principle in the business accounting.

Findings and conclusions

Eurostat took note of the explanations provided by the Dutch statistical authorities and of an amended presentation of adjustments in table 2C for the October 2015 EDP reporting.

3.1.3 EDP table 2D: Working balance data: recent revisions, the data's comparability over time and a need for one-off adjustments

Introduction

Prior to the EDP dialogue visit, Eurostat requested EDP table 2D by social security body. Under this agenda item, the concept of the working balance reported in table 2D and the adjustments undertaken for the data's reconciliation with net lending/ borrowing of the social security funds sub-sector were reviewed.

Discussion

Since October 2014 a new definition of the working balance was used for the Health Insurance Scheme and Exceptional Medical Expenses Scheme (based on the annual financial reports of ZVW and AWBZ). Substantial revisions to the working balance data were observed on several occasions, and a number of one-off adjustments were reported in table 2D. At Eurostat's request, Statistics Netherlands presented briefly the accounting items used as references for the compilation of the working balance of the entire social security funds sub-sector. It was agreed that more detailed information would be provided as a follow-up to the EDP dialogue visit.

The Dutch statistical authorities provided an extended version of table 2D as background information for the discussion. The table presented the data separately for three social security

bodies: UWV, SVB, ZIN. The figures were updated, compared to the April 2015 EDP reporting, following the annual revision of national accounts of June 2015.

Eurostat noted a large revision to adjustment ‘Data from the Tax Authority for social contributions’ (under ‘other accounts receivable’) and elimination of the correction for ‘Clearance between social security funds’ (under ‘other adjustments’) as a result of the 2013 working balance update. Moreover, a new line was reported for 2013 under ‘other accounts payable’ section. The amount entered under the line was small and Eurostat understood that the correction concerned the accounts of the health care scheme. The one-off adjustment was undertaken in connection with a transfer of responsibilities for compensation of geriatric rehabilitation expenses to the health care fund.

Findings and conclusions

1. Statistics Netherlands will provide Eurostat, as soon as possible but not later than end-October 2015, with a brief description of accounting/ statistical concepts underlying the reporting of the working balance for social security funds (by entity). [**Action point 11¹³ (ex-10)**] Deadline: *A brief note should be provided to Eurostat by end-October 2015*
2. Eurostat took note of major revisions to the 2013 data in EDP table 2D which would be implemented in the EDP notification tables reported by the Dutch authorities at end-September 2015.

3.1.4 EDP tables 3 and EDP table 4: Other accounts receivable and payable and compilation of government trade credits liabilities

Introduction

Over several years, the Dutch statistical authorities had been examining shortages and limitations of the system for compilation of other accounts receivable and payable. Following-up on the 2013 EDP dialogue visit discussions, Statistics Netherlands had also investigated the availability of direct information on other accounts receivable/payable of other central government bodies and reported its findings to Eurostat in 2014.

Under this agenda point, progress in enhancing the quality of data on both transactions and stocks of other accounts payable and receivable of government units was reviewed¹⁴. Eurostat appreciated the background information for discussion prepared by the Dutch authorities: a progress report and detailed data on transactions in other accounts receivable/ payable by group of local government bodies and social security fund presented in a set of extended tables 3D and 3E.

Discussion

The Dutch statistical authorities briefly reported on progress in the recently initiated feasibility study into a possible switch from a model-based calculation to direct source data for compilation of government trade credits and advances. In this study, the available information from the 2013 balance sheets and explanatory notes to the annual financial statements was analysed. The examination was carried out by group of units, including ministries, state agencies, non-profit institutions at central government level, universities, provinces and a random sample of municipalities.

For a large portion of other accounts receivable and payable reported in the source data, the research’s initial findings pointed out problems with distinction between ESA trade credits and advances (AF.81) and ESA other accounts receivable and payable (AF.89). Further information would be essential to correctly split and classify the relevant accounting items

¹³ Completed.

¹⁴ The draft agenda for the EDP dialogue visit (as in Annex 2) envisaged two separate points (3.1.4-5) for the discussion.

from the ESA perspective. Overall, sizeable discrepancies were observed between the amounts which - based on descriptions in the source data – could be confirmed to comply with ESA definition of trade credits and advances, and the figures on trade credits and advances receivable and payable estimated by Statistics Netherlands under the model.

The study is supposed to be completed by the end of 2015. Eurostat requested to be informed of the outcome of the research once the final findings would be available.

Even though the research project aimed at enhancing the quality of trade credits and advances data, it was expected that it would overall contribute to the improved quality of other accounts receivable and payable figures compiled for government. A possible switch to the direct data sources in the future would nevertheless have to be supported by estimations. It was explained that, for certain units, the information would never be provided in sufficient detail or within the timeframe envisaged for the data compilation. Hence, Statistics Netherlands intended to review the existing method for estimation of trade credits and advances and the existing model's refinement was sought based on the insights offered by the cross-check with direct observation.

Eurostat specifically enquired about the use of the quasi-balance sheet information, mentioned in the past discussions as a possible data source for compilation of trade credits for the State. It was clarified that the analyses were on-going. No conclusions on the quality of the potential data inputs could be drawn at that stage; however, it was highlighted that the levels reported in the quasi-balance sheet by the ministries were affected by internal flows.

Eurostat pointed also to the need to improve the completeness of the detailed breakdowns of other accounts receivable and payable data reported in the EDP questionnaire (refer also to agenda point 3.2).

Findings and conclusions

Statistics Netherlands will provide Eurostat, by April 2016, with a note summarizing progress in the feasibility of using direct source data, including saldi-balances of ministries, to enhance quality of data on trade credits and advances. In this context, Statistics Netherlands will also seek to improve completeness of entries in table 4 of the EDP questionnaire. [**Action point 12 (ex-11)**¹⁵] Deadline: *Eurostat will receive a progress report and the relevant changes to the EDP questionnaire's table 4 for the April 2016 EDP reporting*

3.2 Questionnaire relating to the EDP notification tables

Introduction

The discussion under this agenda item concentrated on the completeness and reporting convention in certain tables of the EDP questionnaire, and the consistency of the reported figures with data in related EDP and ESA tables.

Discussion

Firstly, Eurostat noted that further efforts should be undertaken by the Dutch statistical authorities to improve completeness of a number of entries in tables 4, 5, 6 and 7 of the EDP questionnaires relating to specific cash/accrual adjustments. Statistics Netherlands considered that a very detailed reporting of other accounts receivable/ payable (at a transaction level) for the general government sector would not be feasible unless specific (ESA-compliant) public accounting standards were applied by public bodies (e.g. EPSAS).

During the discussion, the Dutch authorities pointed to a need to clarify the reporting convention for table 7 of the EDP questionnaire, notably whether the table covered also cash/accrual adjustments relating to disposals of military equipment.

¹⁵ No progress yet.

Secondly, it was confirmed that no improvements to completeness of table 8 of the EDP questionnaire could be implemented without more detailed information on changes to claims (other than foreign claims and claims vis-à-vis public corporations) in source data. Progress was noted with respect to the reporting of data on government guarantees. Starting from end-October 2014, more complete information (for all government sub-sectors) was released at national level, and – subsequently (at end-2014) – reported to Eurostat in table 1 of the supplement to the EDP questionnaire on government contingent liabilities, potential obligations and other indicators.

Furthermore, Eurostat enquired about a more detailed split of financial transactions of the Dutch State with social security institutions reported in table 2 of the questionnaire. According to the instructions, totals at or over 0.05% of GDP were supposed to be broken down in specific components (e.g. by counterparty, type of transaction).

The Dutch statistical authorities clarified that the operations in question were mainly performed under the cash pooling system operated by the Dutch Treasury (apart from social security funds also for other central government bodies and local governments). For confidentiality reasons, it was not allowed to exchange information on transactions under the treasury banking scheme at a participant level. Eurostat was, however, assured that Statistics Netherlands co-operated closely with the Dutch Ministry of Finance to ensure that the list of participants to the scheme contained a correct sector attribution of the bodies. The information was, however, not always available in a timely manner and could be verified by Statistics Netherlands before the data entered the process of compilation of both quarterly and annual accounts. Eurostat considered that up-to-date and consistent information should be secured in all relevant sources.

Finally, Eurostat invited the Dutch authorities to provide more detailed information on reasons for revisions to government deficit and debt between subsequent EDP notifications in table 1 of the EDP questionnaire.

Findings and conclusions

1. Eurostat noted that further efforts should be undertaken by the Dutch statistical authorities to improve completeness of a number of tables of the EDP questionnaire.
2. Statistics Netherlands will review the reporting of revisions to EDP deficit and debt data, notably the revisions due to data sources update, with the aim of providing more disaggregated information on reasons for the revisions (e.g. by type of sources, entities concerned, impact on specific flows and stocks, adjustment lines). [**Action point 13¹⁶ (ex-12)**] Deadline: *Changes to the presentation in tables 1.1.2 and 1.2.2 of the EDP questionnaire will be implemented for the April 2016 EDP reporting*
3. By October 2015, Statistics Netherlands will review the composition of transactions reported under the line 'Regulations with legal assignment and other institutions' in table 2 of the EDP questionnaire, distinguishing between flows relating to Treasury Banking (to be presented as a separate adjustment) and other flows. Statistics Netherlands and Ministry of Finance will ensure that the sector delimitation of counterparties to Treasury banking transactions is consistent across various data sources used for compilation of EDP data. A progress note will be provided by the end of 2015. [**Action point 14¹⁷ (ex-21)**] Deadlines: *The change to the presentation of relevant adjustments in table 2 of the EDP questionnaire will be implemented for the October 2015 EDP reporting, and the requested note on progress will be sent to Eurostat by end-December 2015.*

¹⁶ Completed for the October 2016 EDP reporting (due to the revision policy in place for the Dutch national accounts).

¹⁷ Completed.

3.3 Supplementary tables for the financial crisis

Introduction

Under this agenda point, the reporting of impacts on government deficit and debt arising from government interventions to support the financial institutions during the crisis was discussed.

Discussion

Eurostat appreciated an extended version of the supplementary tables for the financial crisis, reported on a regular basis by Statistics Netherlands. The dataset contained the operation-level detail and references to sources of the reported information.

The Dutch authorities pointed to a need to clarify further the scope and valuation of transactions and balance sheet items of government defeasance structures (for the discussion on the status of data for the Dutch defeasance structure Propertize, refer to agenda point 4.3.1).

A negative value of a capital injection to SNS Reaal was also clarified. It was explained that the dataset presented transparently corrections to source data carried out by statisticians. In national accounts, part of the capital injection was recorded as government expenditure (capital transfer payable). For this reason, the ‘gross’ reporting of the injection in the source data needed to be rectified.

Findings and conclusions

Eurostat took note of the explanations.

4. Methodological issues and recording of specific government transactions

4.1 Sector delimitation

4.1.1 Practical aspects of sector classification

Introduction

The changeover to ESA 2010, subsequent modifications to the relevant guidance in the MGDD, and quality enhancements to the reporting of data on government controlled entities have led many Member States to revisit and streamline procedures for the sector classification.

Under this agenda point, the sector classification procedure in place for the compilation of the Dutch government accounts and the way-forward envisaged under the project on the register of public units were discussed.

Discussion

An updated version of the EDP flowcharts depicted the work on government register as the starting point of the process. During the meeting, the Dutch statistical authorities described briefly the classification procedure.

The responsibility for the regular maintenance and update of the government register has been assigned at Statistics Netherlands to the GFS unit Integration and support. The population of entities necessitating the assessment was established through analyses of listings and registers of bodies with important links to the government sector, either given their activity profile (e.g. entities entrusted with ‘public tasks’ determined by law), their legal status, or through equity (shareholding) relation. The listings and registers were maintained by other bodies (e.g. the Court of Auditors, and governments at central and government level). The GFS department had also access to the business register of Statistics Netherlands. The business register

includes all state owned enterprises but also other entities owned by local governments and is used as complementary source of information. A complete list of state-owned enterprises is also published by the Ministry of Finance.

In view of the benchmark revision that is carried out every three years Statistics Netherlands verified the exhaustiveness of the register, updated relevant information and decided on reclassifications to/from the public and general government sector. In addition, ad-hoc analyses were carried out for the cases where activities of an entity had changed. Eurostat requested that, at least for the largest units (with debt at over 0.01% of GDP), the examination should be carried out on an annual basis. Statistics Netherlands informed that a more frequent testing of the largest entities was being put in place to prepare the annual returns to Eurostat's questionnaire on government controlled entities.

Statistics Netherlands developed a number of decision trees to support the work of the analysts responsible for the sector classification of entities. The algorithms ensure an efficient (computer-guided) and comparable examination of: 1) whether an entity is an institutional unit, 2) whether it is controlled by government, 3) whether it is a market producer.

The algorithms, however, cannot be employed to assess sector classification of newly established entities and of complex cases, including captive institutions and regulatory bodies. Classification of such entities is decided by GFS experts in a special committee. All Statistics Netherlands' GFS units, government register group and national accounts department are represented in the assessment committee.

It was confirmed during the discussion that the decisions of the committee were not public. Statistics Netherlands does not disseminate the list of public entities either, even though relevant information is shared with other institutions involved in the process of data compilation.

The Dutch statistical authorities explained that the statistical classification is generally decided at a unit level. Cases have been cited where unit-by-unit analyses led to classification of institutional units within an enterprise group to various sectors (with a non-market producer classified to the general government sector).

For the entities subject to a detailed sector classification assessment, the following information is collected by Statistics Netherlands: lists of shareholders, articles of association, deeds of foundation and annual financial reports. The Dutch statistical authorities confirmed that for social housing corporations, recently re-classified to the public sector, the relevant data was also collected on a regular basis.

Given that the calculation of 50%-test was not covered in detail in the discussion, Eurostat requested a note specifying how the ratio was calculated, with references to relevant accounting items, as a follow-up to the meeting.

Finally, Eurostat noted that after the completion of the research project on the register of public units (for the discussion on the time of implementation of its findings, refer to agenda point 1.4), the Dutch statistical authorities continued to review the sector classification of public entities. To this end, a new project ('ROME') was initiated. The scope of investigation under the project was extended and covered also bodies classified to the general government sector. Eurostat requested to be informed in due course of progress in the statistical analyses.

Findings and conclusions

1. Statistics Netherlands will review, and if necessary adjust, its procedures for sector classification of government controlled entities in order to test the largest entities on an annual basis. [**Action point 15¹⁸ (ex-20)**] Deadline: *Eurostat will receive a note on progress by end-December 2015*

¹⁸ Completed.

2. CBS will send a note to Eurostat presenting in detail the algorithm for calculation of ratios in the quantitative test for market producers (the '50%-test'), including references to specific accounting items used as inputs to the test [or available process documentation containing the information]. [**Action point 16¹⁹ (ex-14)**] Deadline: *The note will be sent to Eurostat by end-December 2015.*
3. Statistics Netherlands will provide Eurostat with a note presenting its progress on newly launched 'ROME' project (following up on the findings of the project on the register of public units and aiming at review of the population of the whole of the public sector, including the entities currently classified to the general government sector). [**Action point 17 (ex-18)**] Deadline: *The progress report will be sent to Eurostat by end-June 2016.*

4.1.2 Questionnaire on government controlled entities

Introduction

Statistics Netherlands replies in a timely manner to the Eurostat questionnaire on government controlled entities. In the 2014 data transmission, significant improvements have been observed by Eurostat, reflecting predominantly Statistics Netherlands' progress in its work on the register of the public units.

Under this agenda point, outstanding issues relating to the completeness of the Dutch return to the questionnaire on government controlled entities were discussed.

Discussion

Firstly, a specific convention followed by Statistics Netherlands for the reporting of data on government controlled entities was mentioned; i.e. the provision of separate listings of public units classified outside government sector for two past years (2012-2013). The reporting convention was appreciated by Eurostat given that it facilitated the monitoring of changes to the population of reported units over time and tracing revisions to the perimeter of the public and government sectors.

Statistics Netherlands confirmed that the list of government controlled entities would be updated for the December 2015 submission, taking into consideration the findings of the research project on the register of public units. Eurostat understood that small corrections were envisaged to ensure correct measurement of debt of public corporations – as quality enhancing measures to data disseminated under Council Directive 85/2011/EU. It was clarified that the corrections concerned small entities (with liabilities below 0.01% of GDP).

Secondly, Eurostat pointed out that completeness of the reported information required further improvements. Statistics Netherlands underlined that efforts were being made to calculate the market/non-market test ratio for the past three years for all large government controlled entities classified outside the general government sector. Particular attention was given in this context to social housing corporations. The entities were confirmed to be government controlled entities under the extended concept of government control in ESA 2010. Consequently, they were listed in the questionnaire as of end-2014. However, not all relevant information for the entities could be collected before the 2014 return of the questionnaire. Considerable progress in this regard was expected before December 2015.

Moreover, it was explained that only for few entities data on debt owed to government was easily available for Statistics Netherlands. Eurostat noted that reporting of the latter information in the questionnaire was optional. The Dutch authorities clarified also that data on the number of employees was sourced from the business register. Eurostat observed that for several small entities the information was not provided and for certain units the number of employees was reported at zero or close to zero. The Dutch statistical authorities agreed, as a

¹⁹ Completed.

follow-up to the discussion, to review the reporting and to re-examine sector classification of the bodies.

Finally, doubts arose whether all entities reported in the questionnaire should be regarded as ESA institutional units. Eurostat considered that the matter should be further discussed. In the first instance, it requested that all bodies included in the December 2015 questionnaire which do not comply with ESA definition of institutional unit should be flagged accordingly.

Findings and conclusions

1. Statistics Netherlands will review the sector classification of entities included in the questionnaire on government controlled entities with none or few (up to five) employees, and will provide a note with findings of the examination to Eurostat. [**Action point 18²⁰ (ex- 16)**] Deadline: *The note should be provided to Eurostat by end-December 2015.*
2. Eurostat acknowledges progress of Statistics Netherlands in the provision of data on government-controlled entities to Eurostat, in terms of the number of entities, and information on their liabilities and operating profit, reported in Eurostat's questionnaire on public corporations. However, Eurostat considers that further action is needed to enhance exhaustiveness of the list and completeness of the dataset.
3. Before the December 2015 submission of the questionnaire, Statistics Netherlands will update the dataset with the findings of its project on public register, and it will further improve completeness of the questionnaire, providing all entries requested on a compulsory basis. Statistics Netherlands will flag in the questionnaire all entities which are not recognized as institutional units in national accounts, indicating in each case the unit's (direct) controlling entity. [**Action point 19²¹ (ex-17)**] Deadline: *The improvements should be implemented for the end-December 2015 submission of Eurostat's questionnaire on government controlled entities*

4.1.3 Sector classification of specific entities

Introduction

Under this agenda point, Eurostat and Statistics Netherlands discussed the approach to the sector classification of specific entities, and the classification of several public corporations, including the Bank Nederlandse Gemeenten (Dutch Municipal Bank, 'BNG'), the Nederlandse Waterschapsbank ('NWB Bank') and Energie Beheer Nederland ('EBN').

Discussion

- Foundations and autonomous government bodies

In the process of review of the perimeter of the public and general government sectors, the classification of foundations ('*Stichting*') and autonomous government bodies ('*Zelfstandige bestuursorganen*') was re-examined. Eurostat understood that based on the analysis, some of the autonomous government bodies were found not compliant with the ESA definition of institutional unit. For the Dutch foundations in turn, the application of the ESA concept of government control was not straightforward and a special algorithm (decision tree) was devised to this end.

Eurostat and the Dutch statistical authorities reviewed briefly the listing of over 2000 foundations which had been considered controlled by government under the approach developed by Statistics Netherlands. Eurostat noted that the sector classification of the foundations varied.

²⁰ In progress. The requested note has been provided to Eurostat and is being evaluated.

²¹ Considered as completed in relation to the December 2015 submission of the questionnaire.

Larger groups of units classified to the general government sector were observed (e.g. schools, libraries). For other types of foundations, the classification was decided based on the quantitative criterion for the sector classification ('50%-test'). Nevertheless, certain activity branches appeared to include predominantly the market producers, e.g. NACE divisions E (Water supply, sewerage, waste management and remediation activities) and F (Construction), as well as provision of financial and insurance services and real estate services. On the other hand, all foundations performing public administration and related activities and nearly all foundations entrusted with provision of educational activities were classified to the general government sector.

Moreover, Eurostat noted that two government controlled hospitals established in the legal form of foundation were classified outside the general government sector. Information on the outcome of the recent 50%-test for the entities was requested as a follow-up to the discussion.

- Public transport and utility corporations

The application of ESA 2010 qualitative criteria affected the classification of local public transport and utility providers in the Netherlands. Some of the corporations sold (part of) their services directly to government and enjoyed a monopolist status, with the relevant 'market' closed to potential competitors given the absence of a tendering for procurement contracts with government. Consequently, the revenue generated from the 'sale' of services to government was disregarded in the calculation of the market/non-market ratio, resulting in re-classifications of a number of entities to the general government sector.

For other public transport providers it was confirmed that the services sold to government were contracted under a tendering procedure. Eurostat enquired also about transport infrastructure operators. It was noted that airports and harbours were classified outside the general government sector. As a follow-up to the discussion, Eurostat requested that the outcome of the 50% test should be provided for the most recent years for public harbours, airports and public transport providers.

- Public TV and radio broadcasters

Under ESA95, all Dutch public TV and radio broadcasters were classified to the non-profit institutions serving households ('NPISH') sector. Given the extended scope and multiple criteria of control by government introduced under ESA 2010, the classification of the entities necessitated a re-analysis.

Eurostat was informed that for two national broadcasters (Nederlandse Omroep Stichting and Stichting Nederlandse Publieke Omroep), the statistical authorities had already completed their examination and their re-classification to the general government sector had been decided. It was clarified that the entities were considered as controlled by government given the special legislative framework under which they operated, and the fact that they were financed via the government budget.

For regional entities, however, the classification was still under examination. The entities received substantial financial support from government in the form of subsidies. Eurostat understood that an analysis of the entities' sector classification would continue under the recently launched research project 'ROME'.

- Statutory market regulators

In their return to Eurostat's questionnaire on the implementation and impacts of ESA 2010 general government delimitation, Statistics Netherlands pointed to a need to clarify the definition of market regulatory bodies. In the discussion, Eurostat presented aspects central to a comparable treatment of the bodies across the Member States.

Overall, Eurostat distinguished between two cases: (i) entities of which primary activity was to support the functioning of the market and (ii) professional associations which were entrusted with some regulatory tasks in addition to the services they provided to their members. In Eurostat's opinion, the regulatory tasks were undertaken in the context of public

policy implementation. Consequently, they would need to be attributed to government either through classification of relevant bodies to government sector or through re-routing of related flows.

Eurostat outlined the key points to consider in the statistical analysis. Firstly, it was important to examine the role of the market regulators: whether they both set quality standards and verified compliance with the norms, or they were in charge of only one of the regulatory functions. Secondly, it would need to be confirmed whether quality standards set by the regulatory bodies were mandatory to all suppliers of specific goods or services or they were binding solely for the members of a professional association. Where the regulators verified compliance with the norms, their power to impose sanctions (e.g. fines, penalties or a ban on sales of products by a given supplier) had to be investigated. Statisticians should also seek to determine the source of financing of the bodies' activities, notably whether the entities were financed by government, could levy taxes or were funded by contributions from their members (provided that the membership in a professional association was voluntary).

The authorities confirmed that the major problem in the Netherlands concerned professional associations and that the classification of the bodies would have to be re-analysed. Eurostat was informed that impacts on government deficit and debt of possible reclassification of such units to government sector would, however, be marginal.

- *Social housing corporations and institutions supporting functioning of the Dutch housing market (WEW, WSW, NHI),*

Social housing corporations

Before the 2015 EDP dialogue visit, a note was provided describing the governance, activities and financing of social housing corporations (*woningcorporaties*) in the Netherlands, and their sector classification.

There have been more than 350 of such non-profit institutions in the Netherlands, established in the legal form of a foundation or association. The specificity of social housing consisted in means-tested access of households to this type of housing. Thus, social housing corporations were obliged to let 90% of the housing stock to households with income not exceeding a specific threshold or to households with special needs (e.g. for their disabled members) .

Apart from letting the existing housing stock, the social housing corporations construct new dwellings, a portion of which is sold to individual households or private investors, and the remainder increases their stock of social housing for rent. Housing corporations finance their investment projects by loans from sector banks (such as BNG and NWB). Their borrowing is commonly secured by their assets, and it is guaranteed by the Guarantee Fund Social Housing (*Waarborgfonds Sociale Woningbouw*, *WSW*) for the housing corporations which are members of the guarantee scheme.

In national accounts, the social housing corporations are classified to the non-financial corporations sector. Statistics Netherlands have concluded that, under ESA 2010, the entities should be considered as controlled by government (jointly by the State and municipalities) given the special regulation for the provision of social housing under the Social Housing Management Decree (*Besluit beheer sociale-huursector*; *Bbsh*) and the Housing Act (*Woningwet*). In order to start its activities, a social housing provider needs to be registered, and its operation is supervised by the State. The Dutch statistical authorities confirmed that social housing corporations enjoyed an autonomy of decision as to where and what type of housing facilities should be constructed. Even though for the new buildings negotiations between the corporations and municipalities were commonplace, the final decision was to be made by the social housing corporation.

Pricing policy was also briefly discussed during the meeting. Eurostat understood that the level of rentals was determined by social housing corporations themselves, even though the price-setting process needed to respect rules imposed by government. Statistics Netherlands

pointed also to a competition between individual social housing corporations. Frequently, several such bodies could provide social housing services in a given region.

Statistics Netherlands confirmed that they carried out market-non-market test for all social housing corporations for which relevant information was available. It was explained that for a majority of the housing corporations the ratio calculated for the market-non-market test was above 80-90%. In order to ensure the reliability of estimates for the consumption of fixed capital, depreciation from accounts of the social housing corporations was multiplied by a factor of 2, and that the capital costs (net interest charge) were taken account of in the ratio's calculation.

Eurostat noted that certain housing corporations appeared to have encountered major problems during the financial crisis. The Dutch authorities acknowledged that some units were in the past excessively exposed to risks (incurred through derivative transactions and commercial activities), and needed to resort to a temporary support from the Central Fund for Social Housing ('CFV'). Overall, as a result of the crisis, a special levy was introduced to ensure sustainability of the financing of social housing. Many housing associations had also to adjust their rental policy and reduce costs to maintain solvency and restore profitability.

During the discussion, Eurostat was also informed of the ongoing process of the restructuring of the social housing system in the Netherlands. Given both liquidity and solvency problems of social housing corporations observed during the crisis, and distortion of the competition on the housing market through their involvement in commercial activities, it was decided to alter their business model. Consequently, the entities were supposed to concentrate their activities on the core tasks, i.e. provision of housing to low-income households, with limited share of housing stock let exclusively under commercial considerations, and with a clear organisational and financial separation between the two groups of activities. Certain changes to the administration and supervision of the social housing sector were also envisaged. As a result, the Central Fund for Social Housing ('CFV') was being liquidated and some of its tasks were being transferred to Guarantee Fund Social Housing ('WSW').

Eurostat considered that the discussion on the sector classification of the units should continue after the meeting, focusing on the new arrangements being put in place. Eurostat recalled also that the information on how the 50%-test is calculated for social housing corporations and the outcome of the test for the recent years, entity-by-entity, should be provided.

- Other entities active on the housing market

The sector classification of several other entities active on the Dutch housing market was also briefly reviewed. For two bodies: Guarantee Fund Social Housing ('WSW') and Guarantee Fund Private Housing ('WEW'), a more detailed discussion followed.

It was confirmed that for Central Fund for Social Housing ('CFV') is a government controlled non-market producer and, accordingly, it is classified to the general government sector. The body monitored financial performance of the housing corporations, assessing the risks caused by their operation to the financing model in place for the entire system of provision of social housing in the Netherlands. It also offered financial assistance to bodies with financial difficulties. As of 1 July 2015, as a consequence of the amendment of the Housing Act, CFV ceased its operation. Its supervisory tasks were transferred to the Ministry, whilst its financial assistance tasks were supposed to be assumed by WSW.

In their note, the Dutch statistical authorities mentioned also Aedes, which is a voluntary association of the social housing corporations in the Netherlands. Aedes represented the interest of social housing corporations vis-à-vis other stakeholders (e.g., government, and special interest groups). Members of Aedes paid an annual membership fee, varying according to the number of rental units they owned. Social housing corporations affiliated with Aedes were obliged to comply with governance rules agreed within the association, i.e.

its statutes and regulations of the “Aedes Code”. In national accounts, Aedes was classified, as a government controlled market producer, to the non-financial public corporation sector.

The Guarantee Fund Social Housing (*WSW*) supported the provision of social housing in the Netherlands by guaranteeing payment of principal and interest on loans taken out by member housing corporations. With a view to ensuring sustainability of its business model, WSW accepted as its member institutions solely the housing corporations satisfying a set of predetermined criteria. Moreover, WSW controlled and managed the risk to which its members were exposed. It also had an option to intervene in the process of restructuring of a housing corporation experiencing financial distress (and calling on WSW’s guarantee). Eurostat understood that since 1 July 2015 (following the liquidation of CFV) the WSW has also taken over its responsibilities for the provision of financial assistance to the social housing corporations. In national accounts, WSW was classified to the financial corporations sector.

The following safeguards were in place to ensure that WSW can meet its obligations arising from the guarantees issued: (i) its own capital, (ii) contingency reserve in the form of callable capital from member institutions, (iii) unlimited fall-back facility provided jointly by the State and municipalities.

In the discussion two points were highlighted: (1) the high liquidity of assets of WSW, ensuring unrestricted access to financial resources in the event of guarantee calls, (2) a strong reliance of the system’s financial stability on mutual support between housing associations. It was recalled that during the financial crisis, a special levy was imposed on housing corporations, to finance support measures.

WSW’s new responsibility for the provision of financial assistance appeared to impact on the governance of the institution. At the time of the discussion, the statistical implications of the change were not clear though. Eurostat raised doubts whether WSW could be considered as bearing all risks arising from the guarantees issued and whether it enjoyed the autonomy of decision in respect of its principal function. Statistics Netherlands confirmed that the entity had the right to set the level of guarantee fees, even though the amounts were subsequently subject to authorisation by the Dutch government. It was also acknowledged that the fee-setting process did not take into consideration the credit risk of the borrower. Government, however, did not issue counter-guarantees to WSW and/or explicit guarantees on its assets and liabilities. For this reason, questions arose whether WSW could be regarded as government controlled entity with features of a captive financial institution. It was concluded that the matter would be further discussed after the meeting. Eurostat noted though that even if WSW remained classified outside the general government sector, some of its operations might need to be re-routed through government accounts.

The Guarantee Fund Private Housing (WEW) was in charge of the design, implementation, risk management and provision of National Mortgage Guarantee (*Nationale Hypotheek Garantie*; *NHG*). It was established to insure the risks of a default of households on their mortgage loans. The reduction in credit risk of the borrowers permitted the banks to charge lower interest on the mortgage loans. In national accounts, the body was classified to the financial corporations sector.

Eurostat pointed out that key parameters determining the scope of WEW’s activity and risk incurred by the institution appeared to be decided by government. It was acknowledged in the discussion that government determined the maximum value of mortgage loans eligible for the NHG guarantee, supervised the scheme and provided safeguards in the form of a fallback facility (granted jointly by the State and municipalities). The Dutch statistical authorities considered though that the guarantee scheme operated independently from the State. It was confirmed that private banks were involved neither in management nor financing of the scheme. The predetermined schedule for amortisation of the guarantee, set irrespective of the actual redemption schedule of the mortgage loans covered by the guarantee, pointed in Eurostat’s view to a quasi-auto-pilot functioning of the scheme. As for WSW, it was agreed

that the discussion on classification on WEW should continue to ensure a comparable classification solution.

Finally, it was recalled that several weeks before the EDP dialogue visit the Dutch government reported to the Parliament on the progress in putting in place in the Netherlands a structure designed to centralise the funding of guaranteed mortgage loans: the Dutch Mortgage Institute (*'Nederlandse Hypotheek Instelling'*, *'NHI'*). Following the consultations on the intended scheme with major stakeholders in the Netherlands and at the EU level, it was decided to discontinue the work on the project.

- Public banks and funding agencies at local government level (BNG, NWB)

Eurostat explained that in several Member States a discussion on the sector classification of public banks and/or funding agencies at local government level was initiated in the light of ESA 2010 clarifications on the treatment on government controlled entities with features of captive financial institutions.

In the Netherlands, two banks specialised in the provision of financial services to public sector bodies at local level: Bank Nederlandse Gemeenten (*'BNG'*) and Nederlandse Waterschapsbank (*'NWB'*). All shares in the banks' equity were owned by the State and local government bodies. The banks held a MFI licence. They provided financing solely to local government bodies and public sector institutions, e.g., social housing corporations. A large portion of the banks' non-government loan portfolio was 'insured' under specific guarantee schemes, e.g. by WSW. Eurostat understood that the banks decided what types of loans to provide and negotiated individual loan contracts with borrowers. They competed with other banks on the financial markets and determined by themselves the conditions of new financing programmes. In order to finance its assets, the banks predominantly issued debt securities and relied on wholesale funding. It was confirmed that the Dutch State did not issue explicit guarantees on the entities' borrowing.

In the Dutch national accounts, the banks were classified to the financial corporations sector. They paid regularly bank levies and other taxes, and did not necessitate government financial support even during the crisis. BNG paid regularly dividends to government.

Eurostat noted that the entities' characteristics only to a certain extent overlapped with features of captive financial institutions. Given that background documents for the discussion could not be examined in detail before the meeting, Eurostat decided that the matter needed further clarifications as a follow-up to the EDP dialogue visit.

- The Netherlands Investment Institution (NLII)

The Netherlands Investment Institution (NLII) was established in October 2014 by a group of institutional investors. The entity was supposed to act as broker/ private intermediary, and did not provide loans itself. Its main purpose was to facilitate financing of smaller projects by institutional investors. To this end, the body combined specific projects in portfolios, pooling and making more transparent related risks, and monitored performance of the projects over time.

Government appeared not to have influence on the scheme's governance and its operation. According to the Dutch authorities, government did not hold shares in NLII, even though it transferred a negligible amount to the body as a starting capital. Eurostat pointed out that, according to press reports, government might influence the design of specific funding devices operated under the scheme, and one of the two first funds managed by the scheme was granted a government guarantee.

It was acknowledged though that the entity was relatively new, the scope of its operation was evolving and it was difficult at the time of the discussion to determine whether it was controlled by government. Eurostat recommended that the Dutch statistical authorities should closely monitor government involvement in the scheme's functioning and its exposure to related risks.

- Energie Beheer Nederland

The sector classification of Energie Beheer Nederland was discussed between Eurostat and the Dutch statistical authorities in December 2011. Eurostat explained then that any considerations about the change in treatment of EBN in national accounts needed to take into account the conclusions on the recording of the division of the Nederlandse Gasunie.

Ongoing discussions with the Member States (bilateral discussions and EU-wide methodological discussions) result in further clarification of the ESA 2010 sector classification criteria (notably in terms of their practical implementation). The additional insights and the need to ensure comparability of EDP statistics across the EU countries have led Eurostat to the conclusion that the matter would have to be revisited.

Overall, the key point under consideration was EBN's autonomy of decision. Government involvement in the entity's operation appeared to go beyond a shareholder's capacity to determine general corporate policy of the company. For entering into certain contracts, EBN needed an authorisation from the Dutch State. Even though the entity's activities seemed to encompass exploration and exploitation of natural gas, Eurostat understood that EBN's participation in the projects was commonly limited to a financial share in a joint venture and costs-sharing (rather than direct involvement in exploration or exploitation process).

Most of the revenue generated by EBN's operation was transferred to government either in the form of dividends or as taxes or royalties. Thus, Eurostat noted that the entity apparently functioned primarily as a government agent, which raised doubts whether EBN could be recognised as an institutional unit under ESA. In Eurostat's view, the entity resembled an investment fund, holding stakes in joint ventures exploring or exploiting natural gas. Eurostat had also doubts whether EBN was indeed an economic owner, in the ESA meaning of the term, of non-financial assets presented – in its financial statements – on its balance sheet.

Based on the review of the entity's business model, Eurostat took note that there were strong indications that EBN should be considered as a government body. It was concluded that the discussion on the matter would continue to ensure a sustainable classification decision.

- The Dutch Deposit Guarantee Scheme under Directive 2014/49/EU

During the meeting, progress in the redesign of the Dutch Deposit Guarantee Scheme, to ensure its compliance with provisions of Directive 2014/49/EU, was examined. Under the existing arrangement, the deposit protection was considered as one of the Central Bank's activities and the scheme was based on ex-post funding. Only when a bank was declared insolvent, other financial institutions had to contribute to the scheme to refinance redemption of the deposits accepted by the bank. For this reason, related transactions were attributed in the national accounts to the Dutch National Bank (and the financial corporations sector).

Under a re-designed scheme, the banks were supposed to pay ex-ante contributions to accumulate sufficient resources to efficiently handle claims of protected depositors. Eurostat was informed that the EU Directive on Deposit Guarantee Schemes (Directive 2014/49/EU) was being transposed into the Dutch national legislation, and the process was supposed to be completed by the end of autumn 2015. Formation of a new body, a non-profit institution, was envisaged. The entity would collect contributions to the scheme, and it would decide the investment policy for accumulated resources (unless the task would be delegated to the DNB). The body would also support banks in the event of liquidity problems and carry out resolution activities on behalf of DNB. Overall, it would lend to this end the fund's own assets and resources borrowed on the market. Governance of the scheme was still under discussion.

The Dutch statistical authorities enquired about Eurostat's views on the recording of statutory deposit guarantee schemes established under the Directive (given that the legislation was binding for all Member States and a number of countries needed to re-design their existing schemes to comply with the legislation). Eurostat recalled recent modifications introduced to the respective MGDD guidance. It was underlined that governance of the scheme was crucial to its proper statistical classification. Should the unit be considered to function like an 'auto-

pilot' (i.e. it neither decided the level of contributions nor the timing of activation of accumulated funds nor the compensation amount, and its investments policy was strictly regulated), the entity would not comply with the ESA notion of institutional unit. It was highlighted that, irrespective of the scheme's design, statutory contributions to the fund should be recorded as taxes. Respective flows would have to be re-routed through government accounts if the scheme was classified outside the government sector.

Closing the discussion, Eurostat requested that once the scheme's design would have been decided, its description should be provided alongside a note presenting the outcome of the statistical analysis by Statistics Netherlands of the scheme's sector classification.

Findings and conclusions

1. CBS will send to Eurostat the bridge table used for calculation of ratios in the quantitative test for market producers (the '50%-test') for social housing corporations. [**Action point 20²² (ex-13)**] Deadline: *The bridge table will be sent to Eurostat by end-November 2015.*
2. Statistics Netherlands will provide a list with the most recent outcome of its calculation of ratios in the quantitative test for market producers (the '50%-test') carried out for public harbours, airports, public transport providers and university hospitals. [**Action point 21²³ (ex- 15)**] Deadline: *The list will be sent to by Eurostat by end-October 2015.*
3. Eurostat considers that further analyses are necessary to ensure the correct classification in the Dutch national accounts of several entities covered during the 2015 EDP dialogue visit. [**Action point 22**]
 - i. Eurostat will review the notes prepared by Statistics Netherlands on governance and operation of **Bank Nederlandse Gemeenten** ('*BNG*') and **Nederlandse Waterschapsbank** ('*NWB*'), and of institutions supporting functioning of the Dutch housing market (**social housing corporations**, **Guarantee Fund for Social Housing** ('*WSW*'), **Guarantee Fund Private Housing** ('*WEW*')) and will specify the issues for further examination and/or clarification by Statistics Netherlands.
 - ii. Eurostat also considers that sector classification of the **Energie Beheer Nederland** should be re-analysed by Statistics Netherlands, taking due account of the elaborated guidance on the delimitation of the general government sector in the MGDD. In this context, it should be re-confirmed whether the entity enjoys autonomy of decision in respect of its principal function. Deadline: *Eurostat will send its first request for further information on BNG, NWB, EBN and institutions supporting functioning of the Dutch housing market by mid-November 2015*
 - iii. Eurostat recommends that Statistics Netherlands should closely monitor government involvement in the **Netherlands Investment Institution** ('*NLII*') and its exposure to risks relating to the operation of the entity.
 - iv. Finally, Eurostat takes note that the **Dutch deposit protection scheme** is being re-designed to comply with Directive 2014/49/EU and that the statistical authorities will send the documentation on the newly established scheme to Eurostat for analysis once relevant legislation will have been adopted by the Dutch Parliament²⁴.

²² Completed.

²³ Completed.

²⁴ Completed.

4.2 Implementation of accruals principle

4.2.1 Taxes and social contributions

Introduction

The time of recording of taxes and social contributions was discussed on a regular basis during the past EDP dialogue visits. For taxes and social contributions collected at central government level, the time adjusted cash method is commonly used to ensure compliance with ESA accruals principle. Taxes levied by local government are recorded following the accrual accounting rules in place for the public accounts of the local government bodies.

Discussion

Firstly, Eurostat referred to the September 2014 replies of the Dutch statistical authorities to the survey on public accounting systems. Clarification concerning the accounting rules for the recording of taxes and social contributions in public accounts was requested.

It was explained that for a number of taxes collected at central government level, including corporate tax and dividend tax, revenue needed to be recorded on a cash basis. No algorithm could be developed to shift the tax receipts in time given the specificity of the taxes and their collection. Nevertheless, for a majority of taxes on production, for wage tax, taxes on winnings from lottery and gambling, motor vehicle tax and for all compulsory social contributions, tax receipts were shifted backwards by a month to attribute the tax revenue to the period when the activities, transactions and other activities occurred which created the liabilities to pay taxes. In Eurostat's opinion, the recording of taxes by Statistics Netherlands appeared to follow the ESA rules; notably, for income taxes, the cash recording seemed to satisfy the guidance relating to the accounting for impact of the final tax settlement.

Eurostat enquired also about a problem with the availability of data on uncollectible taxes levied at local government level. It was clarified that tax revenue was reported in the source data (*'Informatie voor derden'*; *'IV3'*) on a gross basis. Cancellation of taxes entered the accounts as a component of expenditure (costs), apparently with a delay (compared to the time of the taxes' assessment). Overall, according to ESA the impact of the unlikely-to-be-collected amounts shall be recognised upfront, i.e. at the same point in time when the relevant tax revenue is assessed and recorded. Depending on the public accounting rules, the recorded tax cancellations might relate to the amounts actually cancelled (even up to several years after the related tax assessment) or provisions for the amounts unlikely to be collected for a preceding year (and earlier). Eurostat considered that further information would be necessary to understand whether the method in place ensures the compliance with the ESA rules. For this reason, Statistics Netherlands were asked to prepare a note describing in more detail the current procedure and its adherence to ESA rules.

Secondly, given the complex system of levying income taxes and social contributions in the Netherlands, the issue of the time of recording of post-payments of the wage levies was reviewed. Overall, Eurostat had doubts whether the recording of the payments on a cash basis rather than at the time when the amounts were recognised in the public accounts of the social security bodies, reflected ESA accruals principle in a better manner. Apparently, a switch to the alternative recording method would remain without deficit impact at the general government sector level (impacting solely on sub-sector net lending/borrowing); the amended presentation of government revenue could facilitate though the interpretation of wage/ income taxes and social security contributions' pattern over time. Hence, Eurostat considered that detailed data on post-payments (the amounts involved and impacts on the recording of specific types of taxes and social contributions: in public accounts and under ESA) would be useful to understand better the relevant adjustments and inform a future discussion on whether the current reporting convention should be retained.

Moreover, a follow-up work on action point 4 of the 2013 EDP dialogue visit on voluntary contributions was recalled. It was clarified that the amounts identified in the analysis were not material. Thus, the related update of the government accounts, slightly improving the net lending/ borrowing of the general government sector, was postponed until the forthcoming benchmark revision.

Finally, the Dutch statistical authorities confirmed that no new levies had been imposed since November 2013.

Findings and conclusions

Statistics Netherlands will prepare two brief notes on the recording of taxes and social contributions [**Action point 23**]

- i. A note describing the impacts on the amounts of income taxes and social contributions (as reported in ESA tables) arising from the ex-post re-distribution of wage levies withheld by the employer between wage taxes and social contributions, due to the update of the algorithm used by tax authorities for the split.

Eurostat takes note that potential changes to the time of recording of relevant payments might impact the deficit of central government and social security funds, but, overall, due to consolidation of the flows, the deficit of the general government sector will remain unaffected.

- ii. A note presenting the accounting rules in place at local government level for the recording of taxes unlikely to be collected and confirming whether the accounting convention complies with relevant ESA recommendations. Deadline: *The notes should be provided to Eurostat by end-December 2015*²⁵.

*4.2.2 Property income*²⁶

Introduction

The recording of interest has been discussed on a regular basis with the Dutch statistical authorities. As a follow-up to the discussions, the Dutch authorities have sought to devise a template reconciling the adjustments relating to interest payable by the State in table 2A and 3B.

Relatively large corrections were reported in EDP table 2A as cash/accrual adjustments for natural gas revenues. The matter was briefly discussed in clarifications on the April 2015 EDP reporting. Scaling down of production ceilings from the Groningen field under threat of further earthquakes was considered to explain to a large extent the pattern of the adjustments. Eurostat found it necessary, however, to confirm that no compilation changes added to the observed developments. In this context, before the 2015 EDP dialogue visit, Statistics Netherlands provided Eurostat with a brief note on revenue from gas exploitation recognised in the Dutch national accounts and its time of recording.

Discussion

- Interest

Eurostat was informed that a detailed verification of the entries in the table sent by the Dutch authorities before the EDP dialogue visit revealed inconsistencies, and further clarifications between the institutions involved in the data provision and compilation were needed. Thus, Statistics Netherlands requested that solely the internally developed template for reconciliation of data on interest payable by the State was considered in Eurostat's analyses.

²⁵ Not yet completed.

²⁶ Following the discussion, a presentation of the findings was revisited compared to the draft agenda. The findings relating to the recording of both interest and income from gas exploitation are presented under agenda point 4.2.2 even though initially two sub-points (4.2.2.1-2) were envisaged.

Re-sending an updated table on interest to Eurostat was envisaged once the clarification process at national level had been completed.

Thus, it was agreed that discussions on the recording and reporting of interest would continue in the coming months (including in the context of clarifications on the October 2015 EDP reporting).

- Income from natural gas exploitation

Eurostat noted various sources of income from natural gas exploitation accruing to the Dutch State, their classification in national accounts and the time of recording.

The related adjustments in EDP table 2A concerned two ESA accounting categories: distributed income of corporations (D.42) and rent (D.45).

Given a special payment schedule of the gas extraction rents, Statistics Netherlands corrected the cash amounts, by taking accrual data from the Ministry of Economic Affairs. The amounts to accrue were computed by the Dutch Ministry of Economic Affairs based on the volume of gas production and gas prices in different quarters. The specific method could not be verified by Statistics Netherlands.

No accrual adjustments were carried out to distributions by GasTerra. ESA 2010 paragraph 4.57 stipulates that “Although dividends represent a part of income that has been generated over a period, dividends are not recorded on an accrual basis.” Eurostat understood that in the case of EBN there is a direct relation between the amounts of dividend payable and the value of extracted gas. For this reason, the same time of recording as for the extraction rent was implemented. In Eurostat’s view, the issue would necessitate further review alongside the examination of EBN’s sector classification.

Findings and conclusions

1. Eurostat took note of the progress in devising by the Dutch authorities of a template for reconciliation of the entries in EDP table 2A and 3B relating to data on interest payable by the State. It was agreed that discussions on the matter would continue in the coming months, including the period of assessment of the October 2015 EDP data reporting.
2. Eurostat noted the explanations of Statistics Netherlands on the time of recording of income from exploitation of natural gas. It requested that the issue of the dividend payable by EBN should be further discussed in the context of the review of the corporation’s sector classification.

4.2.3 Other non-financial transactions²⁷

Introduction

Under this agenda item, the time of recording in government accounts of a number of non-financial transactions was reviewed.

Discussion

- Government output, intermediate consumption and GCF (including military equipment)

For central government bodies other than the State, and for local government and social security funds bodies, public accounts are compiled on an accrual basis. For this reason, no cash/ accrual adjustments are carried out when ESA data on government output, intermediate consumption and gross capital formation are compiled based on the sources. For the State,

²⁷ Following the discussion, a presentation of the findings was revisited compared to the draft agenda. The findings relating to the recording of: government output, intermediate consumption and GCF (including military equipment), current and capital transfers and other non-financial transactions (incl. ‘holiday money’) are presented under agenda point 4.2.3, even though initially three agenda points were envisaged to this end (4.2.3-5).

with cash-based budget, major cash/accrual corrections for transactions in products (output, intermediate consumption and GFC) relate to military expenditure.

The discussion overlapped to a large extent with issues covered under earlier agenda points (on the completeness of the EDP questionnaire and compilation of trade credits data). It was confirmed that no adjustments to intermediate consumption were carried out for the State.

Major issues concerning the recording of the acquisition of the Joint Strike Fighters (JSFs), presented in a note provided as a follow-up of the 2013 EDP dialogue visit, were also recalled and outstanding issues were briefly clarified.

- Current and capital transfers

Statistics Netherlands undertakes adjustments to the time of recording of transfers within the general government sub-sector (notably for transfers from/to the State based on the information from accrual accounts of counterparties), and to certain transfers from/to other economic sectors (e.g., social assistance benefits in cash and in kind).

It was recalled that implementing ESA rules might be problematic when the sector designation of the beneficiary is missing in the source data, and it is considered a decisive factor in ESA guidance.

- 'Holiday money'

Statistics Netherlands re-raised also a question on how a holiday allowance (the so-called 'holiday money'), a compensation component of the Dutch civil servants (and all other employees in the Netherlands), and a 13th month salary should be recorded in national accounts and government finance statistics. Based on the review of the existing guidance, the Dutch statistical authorities had doubts - due to specific wording in ESA on holiday money - as to when the compensation of employees should be recognised in government accounts and whether the existing recording was comparable across EU Member States.

In the Netherlands, all employees were legally entitled to a holiday allowance, paid out in May or June, commonly at 8% of their gross salary. The entitlements accrued over an entire year, starting from June/July, and accounted – at end-December – for (over) a half of the annual payment. Apart from the holiday money, Dutch employees in some cases received the 13th month salary (usually in November). The payments also accrued over an entire year.

In the Dutch national accounts, the payments were recorded when they were paid (and gave rise to related payments of taxes and social contributions, i.e., in May, June or November). The approach appeared to follow the guidance in ESA 2010 paragraph 4.12 on the treatment of ad-hoc bonuses and other exceptional payments.

Statistics Netherlands pointed out that the holiday money and 13th month salary could also be considered as recurrent (and not exceptional) payments and, consequently, had doubts whether the ESA paragraph applied to the specific components of compensation of employees.

The Dutch authorities were also concerned over the discretion of local government bodies in scheduling the payment of holiday money, changes to the payment schedule envisaged by some municipalities (from annual to monthly payments) and different accounting rules in place for local bodies' accounts. If the recording of the holiday money on a cash basis continued, problems with consistency over time and comparability of data on compensation of employees could occur.

Eurostat agreed that the matter necessitated further clarification and it might need to be discussed with other EU Member States to ensure comparable interpretation and implementation of the relevant ESA rules.

Findings and conclusions

1. Eurostat noted the explanations on the time of recording of relevant transactions in products and transfers.

2. Eurostat takes note of possible changes to the payment schedule and accounting rules for the recording of ‘holiday money’ at local government level. Eurostat also acknowledges that there is need to clarify how the notion of ‘*ad-hoc bonuses and other exceptional payments such as 13th month payments*’ referred to in paragraph 4.12 (a) in ESA 2010 should be interpreted, so that consistent implementation of the guidance across the EU Member States is ensured. [**Action point 24a²⁸**] Deadline: *Eurostat will clarify the outstanding reporting and recording issues as soon as possible and, if necessary, consult the EDP Working Group in December 2015. Eurostat will provide feedback to Statistics Netherlands at the latest in time for the compilation of data for the April 2016 EDP reporting*

4.3 Recording of specific government transactions

4.3.1 Progress in unwinding of assets acquired through government interventions in the context of financial crisis (SNS Reaal, Propertize, ABN Amro)

Introduction

Under this agenda point, the Dutch statistical authorities the presented operations carried out or envisaged by the Dutch State with the aim of realising equity assets held in financial institutions as a result of support measures during the crisis. Moreover, the recording and reporting of transactions carried out by Propertize, a Dutch defeasance structure classified to the general government sector, was briefly discussed.

Discussion

Prior to the EDP dialogue visit, the Dutch statistical authorities provided a note describing progress in the unwinding of the State’s financial positions established through support to the financial sector during the crisis, and an EDP table 3B presenting separately reconciliation between Propertize’s net lending/ borrowing and the change in its debt.

During the meeting, the Dutch Ministry of Finance presented briefly the respective transactions. Firstly, envisaged sales of equity in ABN Amro and ASR were mentioned. Secondly, developments in the restructuring process of SNS Reaal Group were recalled, notably the sale of the insurer subsidiary (‘*Reaal*’) and separation of SNS Holding and SNS Bank. It was underlined that the latter operation was conducted under commercial considerations, giving due consideration to the market price of SNS Bank’s equity as a reference for the transaction’s value. Finally, it was announced that liquidation of the holding corporation within the SNS Reaal Group (‘SNS Reaal NV’) was envisaged. The Dutch statistical authorities alerted Eurostat that they might seek in the coming months its view on how to record statistical implications of the restructuring process.

Subsequently, the status of Propertize’s data, and a timing envisaged for its update, were briefly discussed. Eurostat noted that the 2014 annual report of the defeasance structure was released in July 2015. Notwithstanding, owing to Statistics Netherlands’ revision policy, the updated information would be integrated into the data compilation process at a much later stage, i.e. only before the October 2016 EDP reporting. Following the examination of the 2014 financial report, Statistics Netherlands concluded that the magnitude of the revisions expected when finalising data compilation for Propertize would not be large (according to first estimates below 0.05% of GDP). Certain conceptual issues were also mentioned in the discussion, notably in relation to the recording of written-off loans and of realised losses on impaired loans (after a deficit impact had been recognised for the expected value of losses on

²⁸ Completed.

the problematic assets at the time of nationalisation of SNS Reaal). Eurostat confirmed that the matter necessitated further clarifications.

Findings and conclusions

Eurostat and the Dutch authorities agreed that the discussion on open issues relating to the integration of the public defeasance structure's financial results into government accounts would continue during the forthcoming October 2015 EDP reporting.

4.3.2 Recording of EU grants and of balances on the European Commission's account with the Dutch State

Introduction

During the changeover period to ESA 2010, Statistics Netherlands examined the largest European Regional Development Funds (ERDF) and the breakdown of flows by (government/non-government) recipient was refined. Nevertheless, EU grants benefiting the Dutch government bodies continued to be recorded as they are in the public accounts (cash or accrual); the issue was, however, considered without material impact on government deficit.

Owing to time constraints, the discussion under the agenda point concentrated on the treatment of end-year balances on the European Commission's account with the Dutch Treasury and on the recording of retroactive impacts of the 2014 Own Resources Decision.

Discussion

Under provisions of Council Regulation No 609/2014²⁹, each Member State is required to open, in the name of the European Commission, an account with its Treasury, or the body it has appointed, and to credit the account, according to a monthly schedule, with a view to settling its obligations to finance the EU budget. The Commission will subsequently draw on resources available in the account to cover its cash requirements. Under specific circumstances, the account might be overdrawn.

Once credited to the account, the resources would be at the disposal of the European Commission. Thus, in Eurostat's opinion, the account's end-year balance should be recognised in the national accounts as deposit liabilities of the institutional unit appointed by the Member State to operate the account (AF.22LI). Alternatively, in the event of the account's overdraft by the European Commission, related loan assets should be recorded on the balance sheet of the entity. Given that in the Netherlands the account is opened directly with the Dutch Treasury, the recording would affect the government balance sheet and might add to government debt of the country.

Prior to the EDP dialogue visit, Statistics Netherlands provided a note explaining treatment of year-end balances on two Dutch third party accounts operated for the European Commission: i) for transfers of VAT- and GNI-based own resources and ii) of the European Development Fund ('EDF'). Moreover, the note highlighted the reasons for which the Dutch statistical authorities supported the recording of the year-end balances as other accounts payable/receivable (AF.8A/LI), i.e. without impact on government debt. In the view of Statistics Netherlands, the account was in place due to a unique financial relationship between the Dutch State and the European Union, and it did not qualify as deposit account. It was explained that, overall, the Dutch State did not offer deposits to the public at large nor under a standardised contract. The amounts credited to the account could not be recorded as a loan either given that no interest accrued on the outstanding amounts, and that the contractual arrangement did not determine the maturity for which the resources were at the disposal of another party (typical of loan agreements).

²⁹ 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

During the discussion, the Dutch authorities mentioned that there were two accounts operated for the European Commission in relation to the provision of contributions to the EU budget. Notwithstanding, according to the Dutch Ministry of Finance, the amounts credited to the European Commission's account with the Dutch Treasury were at the Commission's disposal and could be withdrawn at any time. Thus, the account appeared to be operated under the provisions of Council Regulation No 609/2014. Eurostat requested, however, that the issue should be thoroughly examined by the Dutch statistical authorities as a follow-up to the 2015 EDP dialogue visit.

Eurostat closed the discussion by recalling that, following the accrual principle, the retroactive impacts of the 2014 Own Resources Decision should be recorded in the year of the decision establishing the amounts due (i.e. at the time of the adoption of the related amending budget, which was expected for 2016). It was pointed out that there should be no backward revisions of relevant EU contributions. In Eurostat's view, the recording should not depend on the execution of the actual payments or possible pre-agreements on a delayed payment schedule either.

Findings and conclusions

Eurostat recommends that Statistics Netherlands reconsiders the current recording of the year-end balances of the European Commission's account with the Dutch Treasury. Should the account be opened and administered under the provisions of Council Regulation No 609/2014, the financial resources put at the disposal of the European Commission on the indicated date by the Dutch State should be recorded as deposits and added to the Maastricht debt. [**Action point 25**³⁰] *Deadline: The respective analyses should be undertaken as soon as possible and revisions should be implemented for the October 2015 EDP reporting if impacts are material (should amounts equal or exceed 0.1% of GDP)*

4.3.3 Acquisitions and disposals of land by local governments – recording of related non-financial transactions and holding gains

Introduction

In the clarifications on the April 2015 EDP reporting, the recording of acquisitions and disposals of land by municipalities was discussed. In this context, problems with reconciling ESA transactions with the source data were observed. Consequently, Eurostat considered that the issue necessitates a further discussion during the 2015 EDP dialogue visit and Statistics Netherlands was requested to prepare a note with background information.

The discussion under the agenda point concentrated mainly on related reporting and compilation issues.

Discussion

Eurostat thanked Statistics Netherlands for the background note. It was confirmed that the data reported in EDP table 2C necessitated an update. The new table contained several supplementary adjustments to source data. The major corrections concerned conveyancing costs reclassified in the national accounts as gross capital formation, adjustments for incorrect classification of transactions in source data (notably for the amounts reported as capital transfers) and entries offsetting balancing adjustments to the quarterly data inputs.

The balancing procedure allowed compiling a B.9 figure based entirely on source data information without compromising the consistency of the estimates over time owing to the use of provisional and less detailed quarterly data inputs. Eurostat took note that the corrections concerned solely the most recent years (for which compilation quarterly returns were used), they remained without impact on the deficit calculation, and they had a minor

³⁰ Completed.

impact on the value of the ESA accounting category ‘acquisitions less disposals of non-produced non-financial assets’ (at below 0.03% of GDP).

Valuation-related issues were not covered in the discussion.

Findings and conclusions

Eurostat welcomed the detailed presentation of the adjustments and related explanations of the Dutch statistical authorities.

4.3.4 Statistical implications arising from transactions undertaken in the context of restructuring of public sector

Introduction

In the clarifications on the October 2014 and April 2015 EDP reporting, a number of operations undertaken by the Dutch government in the context of restructuring the public sector were discussed. Moreover, Eurostat was aware of the recently initiated decentralisation process of youth and health care provision in the Netherlands.

Discussion

This agenda point was discussed very briefly owing to time constraints. Eurostat recalled a number of matters reviewed in recent EDP clarifications, e.g., the restructuring of police districts, chambers of commerce, Amsterdam harbour and public corporate organisations.

Three decentralisation projects, initiated by the Dutch State in relation to youth care, job search assistance and long-term and elderly care, were also mentioned. As a result, the responsibilities for providing these services were transferred to municipalities and a reduction of the related government spending was expected.

The Dutch authorities confirmed that they were monitoring the developments in view of their statistical implications, and that the decentralisation process of youth and health care had already been examined by statisticians. Based on the analyses, Statistics Netherlands expected changes to the general government sector perimeter starting from the first quarter of 2015. Eurostat requested that the Dutch statistical authorities should prepare a note presenting in detail the reform of youth and health care provision and its statistical consequences.

Findings and conclusions

Eurostat notes that the on-going restructuring of the Dutch public sector will affect the perimeter of the general government sector, notably as a consequence of decentralisation of youth and health care provision and re-classification of relevant entities in the national accounts. The Dutch authorities will send to Eurostat a note describing the recent reform of youth and health care provision in the Netherlands and its statistical implications. [(**Action point 26**)] Deadline: *The note should be provided before the end of 2015*³¹

4.3.5 Public private partnerships and concessions, leases and licences

Introduction

Before the 2015 EDP dialogue visit, the Dutch authorities provided a list of all PPP projects under construction and operation in the Netherlands. Following-up on the 2013 EDP dialogue visit, a contract signed by the Dutch government for construction of its first wet PPP (*‘Nieuwe Keersluis Limmel’*), and an outcome of its analysis by Statistics Netherlands, was also sent to Eurostat.

³¹ Not yet completed

Discussion

Statistics Netherlands recalled that it had access to individual PPP contracts. Not all contracts were, however, requested for statistical analyses purposes given that the standard PPP models were in place. It was confirmed that there were special safeguards to ensure adherence to the model contract. All contracts needed to be verified and authorised by the Ministry of Finance. It was also confirmed that up-to-date versions of model contracts were publicly available.

Specific contracts were examined thoroughly should major doubts over their classification arise. The examination followed an algorithm (a ‘*decision tree*’) agreed in the past between Eurostat and Statistics Netherlands. Moreover, for all PPPs, financial information was sourced and used for data compilation and reporting.

Eurostat thanked Statistics Netherlands for the provision of the contract for the first wet PPP project and took note of the outcome of their analysis of the contract based on the decision tree. Even though the contractual value of the project was not large, a number of other projects similarly structured were being launched, and the value of the infrastructure assets constructed under the project might be larger.

Nieuwe Keersluis Limmel PPP project encompassed several elements. It aimed at construction of a sluice/lock for ships, surrounding dykes and road infrastructure. Over the construction period, availability of the existing sluice was to be secured, which, subsequently, had to be demolished. The contract’s scope was to design, build, finance and maintain (*‘DBFM’*), and the arrangement complied with the statistical definition of PPPs set out in the MGDD. The private partner was confirmed to bear both construction and availability risks arising from the project. The construction of the lock was funded from private resources and no guarantees were provided by government. Consequently, Statistics Netherlands concluded that the assets constructed under the PPP project should be recorded off-government balance sheet.

In the discussion, Eurostat raised doubts as to the attribution of early termination risks of the project exclusively to the private partner, given that typically a public partner participated in such risks. Statistics Netherlands confirmed that the Dutch State was not responsible for losses of a private partner in the event of an early termination of the contract. Eurostat understood that the early termination clauses in the wet PPP project did not differ substantially from the arrangements stipulated in other contracts, whose statistical implications had already been discussed on earlier occasions. As a follow-up to the meeting, Eurostat decided to review whether the issue had indeed been adequately clarified in the past.

Owing to time constraints, concessions, leases and licences were not discussed under the agenda point.

Findings and conclusions

Eurostat appreciated progress in securing access to all relevant data on PPPs, and noted the outcome of the statistical analyses of the first wet PPP project under construction in the Netherlands.

4.3.6 Guarantees, other contingent liabilities and potential obligations of government

Introduction

Before the EDP dialogue visit, Eurostat requested that the Dutch authorities should complete a table on government guarantees on liabilities and assets, by beneficiary, and on related operations relevant to the measurement of government deficit and debt.

Implementation of ESA 2010 guidance on standardised guarantees was discussed during the past EDP dialogue visits. After the October 2014 EDP reporting, on several occasions, Eurostat and the Dutch authorities reviewed the reporting convention for data on guarantees in the EDP questionnaire and the treatment of repayments of claims acquired by government

upon a call of guarantee on assets. The latter issue was also discussed with all EU Member States in the 2015 Task Force on methodological issues.

Discussion

The discussion concentrated on two matters: the reporting of guarantees in the EDP questionnaire (in connection with the EU Balance-of-Payment Facility for non-euro member states) and recording of transactions in relation to the Dutch export guarantee scheme.

Firstly, Statistics Netherlands clarified that it was in a position to complete the template on guarantees intended as background information for the discussion only for commitments of the Dutch State. Detailed information on transactions relating to guarantees issued by other central government bodies and local government entities (e.g., guarantee calls) was not available.

Within guarantees on assets, Statistics Netherlands reported commitments of the Dutch State relating to the EU Balance of Payments Facility. Doubts were expressed whether the arrangement complied with the definition of guarantees underlying the reporting of data in table 9 of the EDP questionnaire. In the event of losses incurred under the facility, compensation would be covered through payments from the EU budget, increasing proportionally the Member States' contributions to the EU budget. Eurostat agreed that the issue needed a follow-up after the meeting; if necessary, involving a consultation with other Member States to ensure a comparable reporting of the arrangement in the questionnaire's table 9.

Secondly, the Dutch Ministry of Finance made a brief presentation on the export credit guarantee scheme. It recalled the recent changes to the recording of related transactions in ESA government accounts (as discussed by the Task Force on the methodological issues) and pointed to a need for further methodological clarifications on the matter.

Following the exchanges with Eurostat before the April 2015 EDP reporting on the treatment of repayments of claims vis-à-vis Argentina, Statistics Netherlands altered the recording of recoveries of claims acquired upon a call of a guarantee on assets. For 2014, the repayments have been recorded as a financial transaction, without deficit impacts. Revisions for past years had, however, not been carried out. The Dutch authorities considered that a coherent treatment of transfers of claims upon a guarantee call and of recoveries needed to be ensured.

The current recording in the Dutch national accounts appeared to imply some asymmetry with regard to the deficit impact of a transfer – upon a call and payment on a guarantee – of the claim covered under the guarantee (recognised with nil value even where valid expectations of recoveries existed). In the opinion of the Dutch authorities, the accounting of the guarantee call and the claim's transfer might need to be revisited also to ensure a consistent recording with the transfers of claims to a government controlled financial defeasance structure.

Moreover, the Dutch Ministry of Finance enquired about a possibility to limit the deficit impact arising from a guarantee to a net expected loss allowance. Eurostat pointed to the fundamental rule of ESA of recognising provisions neither for write-downs and write-offs of claims nor for expected losses in relation to the one-off guarantees. Notwithstanding, Eurostat undertook to review the coherence of related methodological guidance as a follow-up to this discussion.

Findings and conclusions

Eurostat will clarify the reporting and recording issues raised during the meeting in relation to: i) the reporting of guarantees in the EDP questionnaire (in connection with the EU Balance-of-Payment Facility for non-euro member states) and ii) the treatment of loss allowances recognised in the Dutch public accounts in relation to export guarantee scheme

(following the recent revision to the approach for the recording of repayments of claims acquired upon a call on the guarantees). [*Action point 24b*³²]

*4.3.7 Government claims and related transactions (cancellation of claims, acquisition and write-downs/ write-offs of non-performing loans)*³³

Introduction

Under the agenda point, the statistical implications of the envisaged modifications to the student loans scheme in the Netherlands were predominantly discussed. Prior to the 2015 EDP dialogue visit, Statistics Netherlands prepared a background note for the discussion.

Discussion

As of 1 September 2015, the student loans scheme in the Netherlands has been restructured. The scheme in place until end-August 2015 comprised five components: i) basic grants, ii) income-tested supplementary grants, iii) transport allowances for students, iv) regular loans, and v) loans for higher education students to finance tuition fees. The support for students under points i)-iii) was provided by the Ministry of Education in the form of performance-related grants, i.e. loans which a student was obliged to redeem only if she, within a ten-year period, has not attained the diploma. The interest accrued on the loans until the claims (principal and accrued interest) were converted into an unrequited transfer (a grant) or redeemed.

In the Dutch national accounts, all financing provided under the scheme (including the performance-related claims/grants) was recognized on the government balance sheet as claims vis-à-vis students. Conversion of the performance related-claims into grants was interpreted by statisticians as cancellation of government loan assets. The treatment was discussed and agreed between Statistics Netherlands and Eurostat in the past EDP dialogue visits.

The new scheme, introduced in September 2015, concerned solely the new cohorts of students. For the loans extended beforehand (under the scheme valid until end-August 2015), a grandfathering arrangement was introduced, i.e., they continued to be forgiven or redeemed under the conditions agreed in the past.

Under the new scheme, government support to students was to be provided mainly in the form of reimbursable loans. Government stepped in to assist students with the repayment of their loans only where income earned after the completion of studies did not suffice to pay the loan installments and/or if the beneficiary was not in a position to redeem the loan within a thirty-five year period of the graduation. The new scheme retained, however, conditional elements for supplementary income-tested grants and transport allowances, re-adjusting some parameters of the support measures.

Having analysed the envisaged amendments to the scheme, Statistics Netherlands intended to continue with the recording of the student support measures, as designed under the new scheme, as financial transactions (loans). It was expected that the deficit impact arising from cancellations of the loans granted under the restructured scheme would decrease substantially. Thus, it was not clear how to proceed with the recording of the expected irrecoverable loans under the new scheme. In turn, it was considered that the treatment of the earlier (grandfathered) scheme should be amended in the next benchmark revision. Given that a majority of the student loans were eventually converted into grants, Statistics Netherlands considered that they should be recorded as government expenditure at inception (when the 'loans' are provided).

³² Completed.

³³ The draft agenda for the EDP dialogue visit (as in Annex 2) envisaged two separate points (4.3.7.1-2) for the discussion.

Eurostat expressed doubts whether under the grandfathered scheme the amounts to be cancelled could be estimated with proper accuracy at the point in time when a loan was extended. In Eurostat's view, the arrangements in place were, however, very specific and the treatment might need to be revisited in the future, provided that a comparable recording across all the Member States could be ensured.

Under the new scheme, government's financing appeared to comply with ESA definition of loans and there was a valid expectation that most of the loans would be redeemed. For this reason, in Eurostat's opinion, the claims should be recorded at nominal value, without taking into consideration provisions for expected losses on the claims. Should some of the loans be forgiven at a later stage, a deficit impact should be recognized at the time of the actual cancellations.

Under the agenda item, cancellations of claims vis-à-vis other government sub-sectors were also briefly mentioned. In past notifications, Eurostat observed in EDP notification tables adjustments relating to cancellations of intragovernmental claims. Statistics Netherlands confirmed that no imputations were involved in the recording of the cancellations and that relevant transactions were observed directly in the source data, e.g., in public accounts of relevant social security bodies.

Findings and conclusions

Eurostat takes note of the envisaged changes to the student loans scheme in the Netherlands as of 1 September 2015, and that, according to first estimations, under the amended scheme only a limited share of loans will not be recovered (up to 5%). Eurostat considers that there is no need to recognise the impacts of the expected cancellations on government deficit when the loan is extended. Consequently, no capital transfer expenditure should be recorded for the part of student loans unlikely to be repaid.

4.3.8 Capital injections, distributions and privatisation

Introduction

Under the agenda point, data sources and treatment of specific injections and distributions were very briefly reviewed.

Discussion

Firstly, Eurostat recalled an earlier discussion on the treatment of capital injections to non-profit institutions. Statistics Netherlands recorded all transactions to foundations ('*Stichtingen*') as capital transfers. The foundations did not distribute profits even though they were profitable. In the event of a foundation's liquidation government might be explicitly granted a right to its net assets (under provisions of its articles of associations) or, in the absence of such explicit stipulations, it might appropriate the net assets under certain circumstances.

Secondly, Eurostat enquired about transactions in equity at local government level. Accounting systems of main local government entities did not include information necessary to distinguish between equity injections and capital transfers payable by local government bodies to their subsidiaries, and relevant corrections were carried out based on the secondary information. It was also confirmed that privatisation operations at local government level were observed in the source data. Changes in year-end equity holdings of local government bodies could, however, also be caused by spun-off municipal operations, and recognition of equity holdings in new units established in this context.

Moreover, Eurostat considered that the concept of profit used in the superdividend tests by Statistics Netherlands should be described in more detail in the Inventory of sources, methods and procedures for compilation of EDP statistics. Finally, the conclusions of the discussion

under the earlier agenda point (4.2.2) on the time of recording of dividend from EBN were referred to.

Findings and conclusions

Specific issues briefly addressed under the agenda point necessitate further monitoring and would be closely followed, if necessary, in the future.

4.3.9 Financial derivatives and other government operations

Introduction

The discussion under the agenda point concentrated on financial derivatives transacted at local government level. From the draft EDP Inventory and reporting in quarterly financial government accounts, Eurostat was aware that local governments in the Netherlands entered financial derivatives' contracts. Nevertheless, no related transactions were reported in EDP table 3D.

Discussion

In the document provided prior to the EDP dialogue visit, Statistics Netherlands described availability of data for various groups of local government entities and legislative changes introduced in 2015, restricting the scope and risk profile of financial derivatives transacted by local government bodies.

Eurostat noted that for main local government bodies, some information on financial derivatives was reported on a regular basis in the IV3 questionnaires. However, not all municipalities reported the information, and the reporting convention and valuation appeared to vary across entities. In some instances, financial derivatives were presented only as off-balance-sheet or memorandum items, and in most cases they were valued at acquisition costs.

Given unfavourable developments of positions in financial derivatives of some of local government bodies, additional steps had been taken by the Dutch authorities since 2012. Ad-hoc surveys were conducted by the Ministry of the Interior and Kingdom Relations, taking stock of positions in derivatives of specific main local government bodies (including waterboards), and by the Ministry of Education, Culture and Science, enquiring about financial derivatives transacted by institutions for intermediate vocational education. No data for non-profit institutions at local government level were available. It was explained that the value of financial derivatives contracted by the bodies was considered to be negligible.

Eurostat was also informed about counterparty information on the transactions in financial derivatives of local government bodies, notably the data collection on financial derivatives initiated by the Dutch Central Bank. Moreover, no information needed to be sourced from BNG given that, since 2013, the bank ceased to engage in financial derivatives' transactions with local government bodies, as a result of political discussions on the scope and risk profile of the operations.

In addition, it was also clarified that, with a view to preventing speculative transactions in financial derivatives by main local government bodies, certain limitations were imposed in respect of the purpose, counterparties, type and maturities of derivative contracts and related margin payments of the operations. The relevant legislation, setting out conditions for financial derivatives transacted by local government bodies, was amended at the beginning of 2015.

Eurostat took note of the developments concerning the data's availability and related policy changes. It concluded that the issue of data sources should be further monitored and that Statistics Netherlands should have access to all relevant information collected by other public and private bodies, and be actively involved in design of relevant surveys. The Dutch authorities were also invited to specifically trace occurrences of swap restructuring.

Findings and conclusions

1. Statistics Netherlands will keep Eurostat informed on i) the existing and newly introduced sources of data on transactions in financial derivatives carried out by local government bodies, and ii) (implemented and envisaged) policy changes concerning the scope and risk profile of financial derivatives transacted by the entities. [**Action point 27**] Deadline: *A report should be provided to Eurostat by April 2016*³⁴
2. Eurostat supports that Statistics Netherlands should have access to all relevant information on financial derivatives collected by other Dutch authorities and private institutions, including metadata.

4.3.10 Major upcoming transactions and new policy measures

This agenda point was not discussed during the EDP dialogue visit.

5. Other issues

5.1 GFS data

5.2 Any other business

It was agreed that the outstanding issues would be followed up bilaterally after the EDP dialogue visit.

³⁴ Not yet completed

Annex 1. Agenda for the 2015 EDP dialogue visit to the Netherlands

EDP Dialogue Visit to the Netherlands DRAFT AGENDA

Starting at 9:00 on 1 September 2015

1. Review of institutional arrangements, EDP data sources and procedures

- 1.1. Governance and co-operation
 - 1.1.1. Co-ordination role of Statistics Netherlands
 - 1.1.2. Formal agreements with data suppliers
- 1.2. Quality and risk management of EDP/GFS processes at Statistics Netherlands
- 1.3. Sources and data compilation methods (progress in use of direct data sources for compilation of EDP/ GFS statistics)
 - 1.3.1. Public accounts (legal framework, classifications and data quality) and bridge tables
 - 1.3.2. Use of counterparty statistics in the compilation process
 - 1.3.3. Estimations, imputation and (re-)balancing procedures
- 1.4. Revision policy
- 1.5. EDP Inventory

2. Follow-up of the 2013 EDP dialogue visit

3. Review of the October 2014 and April 2015 EDP reporting

- 3.1. EDP notification tables
 - 3.1.1. EDP table 2A: Progress in reconciliation of working balance and B.9
 - 3.1.2. EDP table 2C: Concept of working balance, recording of provisions and transfers from/to reserves and upcoming changes to presentation of adjustments
 - 3.1.3. EDP table 2D: Working balance data: recent revisions, the data's comparability over time and a need for one-off adjustments
 - 3.1.4. EDP tables 3: Other accounts receivable and payable
 - 3.1.5. EDP table 4: Compilation of government trade credits liabilities
- 3.2. Questionnaire relating to the EDP notification tables
- 3.3. Supplementary tables for the financial crisis

4. Methodological issues and recording of specific government transactions

- 4.1. Sector delimitation
 - 4.1.1. Practical aspects of sector classification
 - 4.1.2. Questionnaire on government controlled entities
 - 4.1.3. Sector classification of specific entities
 - Foundations and autonomous government bodies,
 - Public transport and utility corporations,
 - Public TV and radio broadcasters,
 - Statutory market regulators,
 - Social housing corporations and institutions supporting functioning of the Dutch housing market (WEW, WSW, NHI),
 - Public banks and funding agencies at local government level (BNG, NWB),
 - The Netherlands Investment Institution (NLII),
 - Energie Beheer Nederland NV,
 - The Dutch Deposit Guarantee Scheme under Directive 2014/49/EU,
 - Other
- 4.2. Implementation of accruals principle
 - 4.2.1. Taxes and social contributions
 - 4.2.2. Property income
 - 4.2.2.1. Interest

- 4.2.2.2. Income from gas exploitation
- 4.2.3. Government output, intermediate consumption and GCF (including military equipment)
- 4.2.4. Current and capital transfers
- 4.2.5. Other non-financial transactions (incl. 'holiday money')
- 4.3. Recording of specific government transactions
 - 4.3.1. Progress in unwinding of assets acquired through government interventions in the context of financial crisis (SNS Reaal, Propertize, ABN Amro)
 - 4.3.2. Recording of EU grants and of balances on the European Commission's account with the Dutch State
 - 4.3.3. Acquisitions and disposals of land by local governments – recording of related non-financial transactions and holding gains
 - 4.3.4. Statistical implications arising from transactions undertaken in the context of restructuring of public sector (police districts, chambers of commerce, Amsterdam harbour, public corporate organisations, decentralisation of youth and health care's provision)
 - 4.3.5. Public private partnerships and concessions, leases and licences
 - 4.3.6. Guarantees, other contingent liabilities and potential obligations of government
 - 4.3.7. Government claims and related transactions (cancellation of claims, acquisition and write-downs/ write-offs of non-performing loans)
 - 4.3.7.1. Restructuring of the student loans scheme
 - 4.3.7.2. Cancellations of claims vis-à-vis other government entities
 - 4.3.8. Capital injections, distributions and privatisation
 - 4.3.9. Financial derivatives and other government operations
 - 4.3.10. Major upcoming transactions and new policy measures

5. Other issues

- 5.1. GFS data
- 5.2. Any other business

Annex 2. List of participants

Statistics Netherlands

Department of National Accounts

Gerard Eding *Director of National Accounts*

Department of Government Finance Statistics and Consumer Prices

Henk Verduin *Director Government Finance Statistics and Consumer Prices*

Carlo Driesen *Head Integration unit*

Fred Wentink *Head Central Government unit, including (local) Educational Institutions and NPIs*

Hilbert van Dijk *Head Local Government unit*

Léonard Haakman *Project Manager EDP and GFS*

Marga Hüttner *Senior Statistician Non-financial accounts*

Marten Jan van Rijn *Senior Statistician Financial accounts*

Mirjam Zengers *Statistician Financial accounts*

Robin Milot *Senior Statistician COFOG and Sixpack Statistics including PPPs and guarantees*

Linda Peters *Statistician Social Security funds*

Central Bank (De Nederlandsche Bank)

Richard Venniker *Economist (Statistics and Information Division)*

The Dutch Ministry of Finance

Fiscal Policy Unit

Dick Kabel *Head of Fiscal Policy Unit*

Patrick Schuerman *Coordinator fiscal rules and EDP*

Broos Brouwers *Coordinator fiscal data*

Dirk Roelofsen *Coordinator fiscal data*

The European Commission

Eurostat

Eduardo Barredo Capelot *Director of Eurostat Directorate D: Government finance statistics (GFS) and quality*

Madeleine Mahovsky *Head of Unit D3: Excessive Deficit Procedure (EDP) 2*

Monika Wozowczyk *Unit D3: EDP Desk Officer for the Netherlands*

Denis Besnard *Unit D1: Methodological issues - Excessive deficit procedure (EDP) – Team Leader*

Directorate General for Economic and Financial Affairs (DG ECFIN)

Emiel Afman *Unit F3: Economic Analyst - Desk Officer (Netherlands)*

The European Central Bank

Directorate General Statistics: Macroeconomic Statistics Division

Robert Gadsby *Senior Economist-Statistician in Sector Accounts and Fiscal Statistics Section*