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FINAL FINDINGS

EDP Dialogue Visit to the Netherlands

22-23 January 2018

26 February 2018

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Executive summary

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009, as amended, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty on the Functioning of the European Union, Eurostat carried out an EDP dialogue visit to the Netherlands on 22-23 January and on 26 February 2018.

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

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

Some conceptual and compilation issues were addressed in this context, notably the proposed changes resulting from the upcoming benchmark revision were discussed. In particular, the sector classification of specific entities controlled by government and the time of recording of taxes and social contributions were discussed. Eurostat took note of the proposed estimation method for the time of recording of PPPs for the 2018 benchmark revision.

Eurostat and Statistics Netherlands also debated on the recording of transactions between social security funds, healthcare insurers and healthcare providers. Eurostat supported the re-routing of (so-called nominal) social contributions and social benefits through general government accounts but questioned the recording of some residual transactions between government and insurers (currently recorded as intermediate consumption) and possibly between households and insurers.

Eurostat and Statistics Netherlands discussed a proposed change to VAT estimations recording for both annual and quarterly data. Eurostat had significant concerns about using supply and use tables for estimating quarterly VAT. Eurostat committed to make a list of its concerns on the proposed changes to quarterly VAT and discussions would resume on this basis.

The recording and reporting of the export guarantee scheme, interest, mobile phone licences, fines, and students' loans were clarified.

The need to improve the quality of data on financial derivatives of local government entities, in particular municipalities, was also highlighted.

It was agreed that clarifications on the matters will continue after the mission, notably in the context of the assessment of the benchmark revision of June 2018 and the finalisation of the work on the Dutch EDP Inventory.

In addition, Eurostat took note of the relatively restrictive revision schedule in the Dutch national accounts but was assured that major revision needs could be addressed outside this

schedule. Eurostat recalled the need for the four years reported under EDP to be open for revision, notably in case of material impact on the headline figures.

With regard to procedural arrangements, Eurostat indicated that, after the meetings, the main conclusions and action points would be sent to the Dutch authorities for their comments. Statistics Netherlands received the draft main conclusions and action points on 23 March 2018. Statistics Netherlands provided comments on the main conclusions and action points on April 25, 2018. The draft provisional findings were issued on October 3, 2018 and Statistics Netherlands responded on November 6, 2018. Amended draft provisional findings were issued on December 21, 2018 and comments from Statistics Netherlands were received on 24 February, 2019.

The final findings will 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 authorities during the meeting, the extensive documentation provided before the dialogue visit as well as the constructive and fruitful discussions.

EDP dialogue visit to the Netherlands

22-23 January 2018

26 February 2018

Final 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 22-23 January and 26 February, 2018.

The delegation of Eurostat was headed by Mr Luca Ascoli, acting Director of Eurostat Directorate D '*Government finance statistics (GFS) and quality*'. 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).

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It should be underlined that, owing to time constraints and due to the number of topics foreseen in the draft agenda, some agenda points were not discussed during the dialogue visit.

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 standardised guarantees, property income payable and receivable, and student loans, were also 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 2018 and finalisation of the work on the Dutch EDP Inventory.

Owing to time constraints and the significant number of items to be addressed during the mission, the first discussions focussed on the items 2 to 5 of the draft agenda. The items on governance and co-operation with data suppliers, the quality and risk management of EDP/GFS processes at Statistics Netherlands, the topics of sources and data compilation methods, the public accounts (legal framework, classifications and data quality) and bridge tables were not discussed in a specific manner. However aspects pertaining to these topics were covered under other agenda points.

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. However, the reporting phase took longer than initially planned also due to the discussions with the Dutch Statistical Authorities. 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 flexibility, 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. Formal agreements with data suppliers

Owing to time constraints, this topic was not discussed during the 2018 dialogue visit. However, as a follow-up to the 2015 discussions, Eurostat requested the Dutch statistical authorities to provide copies of new agreements, if any. In the conclusions to the 2015 EDP Dialogue Visit, Eurostat supported that the agreements with the key data suppliers should be published. Statistics Netherlands provided Eurostat with the formal co-operation agreements in force between Statistics Netherlands and major data suppliers.

In the context of the current visit, Eurostat requested the Netherlands to provide relevant updated process documentation (EDP flow charts, Dutch return to Eurostat's questionnaire on quality management systems of September 2012). Eurostat noted that no major changes had occurred since the discussion during Eurostat's visit of April 2013 and Statistics Netherlands informed Eurostat in writing, before the visit, on the latest developments in relation to the quality assessment of the EDP/GFS processes, notably on the implementation of a 'Plan Do Check Act' strategy in the context of the ISO 9001:2015 standards' and the ISO 9001:2015 certification of a number of departments including for GFS integration. Finally Statistics Netherlands informed Eurostat of the implementation of 'process tables' since 2017¹. Eurostat took note of the latest developments in the area of quality and risk management processes.

1.2 Sources and data compilation methods (Changes since the last EDP DV)

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

Owing to time constraints, this topic was not discussed during the 2018 dialogue visit. Eurostat took note of the slightly amended bridge tables for main local government bodies and educational institutions that had been provided before the current mission.

¹ These process tables show how input data for all subsectors of general government are transformed and complemented to arrive at ESA compliant data. Tables have not been provided to Eurostat.

1.2.2. Review of data sources for financial accounts, particularly cash pooling and accrued interest

Introduction

During the last DV Eurostat also enquired about a more detailed split of financial transactions of the Dutch State with social security institutions reported in table 2 of the questionnaire (breakdown of financial transactions included in the working balance). In the context of the on-going discussions on table 2, Eurostat and Statistics Netherlands discussed shortcomings in relation to data sources on the cash pooling arrangements.

Discussion

Eurostat noted the specific cash pooling arrangement existing in the Netherlands, where a number of units are obliged to place their funds at the Treasury, while, at the same time, they are also able to draw from the cash pool. The placements of these units are reported as AF.2 liability of the Treasury (largely local governments), while the drawing positions are recorded as an AF.4 asset of the Treasury (largely Social Security Funds). Statistics Netherlands mentioned data constraints owing to confidentiality issues. In addition, out of the one thousand units participating in the cash pool scheme, a couple of dozen units are classified outside government, such as 'Kadaster'.

Findings and conclusions

Having taken note of the data confidentiality constraints mentioned by Statistical Authorities, Eurostat considered that the cash pooler at the Treasury had to provide the adequate information to Statistics Netherlands, so to ensure the appropriate measurement of (gross) general government debt. The Statistical Authorities will define the minimum data reporting requirements necessary for this purpose, taking into account confidentiality requirements of single entities but also Regulation 679/2010. **[Action point 1]**

Deadline: Note to be sent to Eurostat by June 2019.

1.2.3. Estimations, imputation and (re-)balancing procedures

Owing to time constraints, this topic was not addressed in a specific manner during the 2018 dialogue visit. However 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 under several agenda points.

1.3 Revision policy

Introduction

For compiling EDP and GFS data, Statistics Netherlands follows the revision policy in place for all 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 two years for non-financial accounts and all years for financial accounts, and (ii) benchmark revisions, incorporating new data sources, concepts, definitions, classifications and corrections of errors, carried out every 5 years. Under this agenda point, Eurostat and Statistics Netherlands discussed the revision policy in place at Statistics Netherlands including the potential impact on EDP notifications.

Discussion

Statistics Netherlands explained that it has an established revision cycle that is centred on the release of national accounts data in June. As a result, Statistics Netherlands tends to not revise data for the April notification, unless a material error is found – with a threshold set to exceed 0.1% of GDP (for the deficit or the debt). This threshold was agreed during the previous dialogue visit. Similarly, the October notification will generally report the data released in June, unless a material revision occurred. While Eurostat agreed that some flexibility existed in terms of frequency of revisions, Eurostat expects Member States to be able to adjust the EDP/GFS data for the four years of notification even below the threshold of 0.1%. Statistics Netherlands emphasized that it had the capacity to revise historical years when errors over 0.1% of GDP were identified, which Eurostat considered to be a very good point. Statistics Netherlands noted that it had a more flexible revision policy for the financial accounts, independently from the non-financial accounts, which was fully supported by Eurostat. Statistics Netherlands explained that the current revision policy enables incorporation of large revisions (more than 0.1% of GDP) due to new data sources in the April notification. However, it is not possible to incorporate the new data sources fully in the integrated framework of national accounts. The compilation process is complex in this respect.

Eurostat took note that data received after June (for example for local government) were only taken into account one year later while acknowledging that the verification and compilation of the data for municipalities and local government was a lengthy process.

Statistics Netherlands also recalled that the institutions responsible for the forecasts (Central Planning Bureau – CPB) needs the data already in July for its forecasts published at the end of September. Statistics Netherlands indicated that the CPB and other users are not in favour of frequent and small revisions to the data, which may generate discrepancies between data in national publications and induce additional workload.

Findings and conclusions

Eurostat took note of Statistics Netherlands explanations that the current revision policy enables the incorporation of large revisions (more than 0.1% of GDP) due to new data sources already in the April notification. Eurostat also took note that Statistics Netherlands cannot currently fully incorporate updated data sources earlier in the integrated framework of National Accounts.

1.4 EDP Inventory (Under ESA 2010)

Introduction

Under article 9 of Council Regulation 479/2009, the EU Member States 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, 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 using the ESA 2010-compliant template by end-2015 already.

Discussion

As a follow-up to the 2015 EDP dialogue visit², Statistics Netherlands provided several updates of the draft version of the EDP Inventory in line with the new template. The last version was provided in January 2018 with a new list of general government units (one of the EDP Inventory's annexes). Eurostat took note of the progress made in the drafting of some chapters. However, little or no progress was made for other chapters. The Dutch authorities agreed to send the ESA 2010-compliant EDP Inventory as follow-up to the EDP dialogue visit. Statistics Netherlands invited Eurostat to comment on the parts of the draft inventory that had been prepared to date³.

Findings and conclusions

Eurostat was provided with a draft EDP inventory of the methods, procedures and sources used for the compilation of deficit and debt data and the underlying government sector accounts according to ESA 2010. Some chapters were not yet fully finalised, but Statistics Netherlands committed to provide a finalised fully-fledged ESA 2010 compliant version draft EDP Inventory. In this context, Eurostat will also update the EDP inventory template to correctly reflect the new Eurostat guidance on UMTS receipts recording. [**Action Point 2**]

Deadline: End of July 2019.

2. Follow-up of the 2015 EDP dialogue visit

Introduction

As a result of the 2015 EDP dialogue visit, twenty seven action points were formulated, which primarily concerned the delimitation of the general government sector, the recording of specific government operations, data sources used, processes documentation and EDP notification tables and the revision policy.

Discussion

Eurostat confirmed with the Dutch statistical authorities the state of completion of the action points from the 2015 EDP dialogue visit. The Dutch statistical authorities were responsible for completion of twenty four of the actions while Eurostat was partly or fully responsible for completing three items. As of end-January 2018, nineteen action points were considered to have been 'accomplished'. One action point pertaining to the correct classification in the Dutch national accounts of several entities covered during the 2015 EDP dialogue visit for which completion Eurostat is (partly) responsible was not closed and discussions resumed during the 2018 visit (treated under section 4.1.3.). Seven action points for which Statistics Netherlands were responsible needed to be followed up in the 2018 visit on the basis of background information provided before the discussions held during the EDP dialogue visit.

Further discussions on the matters were mostly undertaken under different agenda points, namely:

² Action point 8.

³ Completed.

- Quality of data on trade credits and advances⁴: Changes to the table 4 were implemented and the progress report was provided on 17 December 2017. The contents of the note are discussed under current agenda point 3.1.4.
- Follow-up of the ROME project⁵: Statistics Netherlands provided a note presenting its progress on the 'ROME' project on 3 October 2016. Statistics Netherlands confirmed that the project had been finalised and the resulting re-classifications of units will be implemented during the June 2018 benchmark revision. The impact on B.9 and Maastricht debt was discussed in section 4.1.1.
- Entities included in the public corporations questionnaire with none or few employees⁶: The findings of Statistics Netherlands' were presented in a note provided by Statistics Netherlands on 11 September 2016 and Statistics Netherlands concluded that it could not attest that the entities concerned should be reclassified in S.13. Statistics Netherlands' conclusions were discussed in section 4.1.2.
- Recording of taxes and social contributions (ex-post re-distribution of wage levies withheld by the employer between wage taxes and social contributions and recording of taxes unlikely to be collected): Detailed explanations were presented in two separate notes provided by Statistics Netherlands (31 December 2016). The content of the notes were discussed in section 4.2.1.
- Decentralisation of youth and health care and re-classification of relevant entities⁷: The Dutch statistical authorities provided a note on 21 January 2018. Owing to time constraints, the note was not discussed during the 2018 dialogue visit. However, Eurostat took note that the reforms of the health care system led to reclassifications of general government units to the sector non-financial corporations already in 2015.
- Transactions in financial derivatives carried out by local government bodies⁸: Statistics Netherlands informed Eurostat in December 2017 that no new data sources have been explored or implemented since the previous dialogue visit. The availability of data on derivatives for local government was discussed in the section 4.3.8.
- EDP Inventory⁹: Shortly before the 2018 dialogue visit, Statistics Netherlands provided an updated but still incomplete version of the ESA 2010-compliant EDP Inventory. The issue was discussed under the agenda item 1.4 and it was agreed that Statistics Netherlands would provide Eurostat with a full version of the document in July 2018.

Findings and conclusions

As a result of the discussions, most open action points of the 2015 dialogue visit were referred to new action points in the context of the 2018 dialogue visit.

⁴ Action point 12 of the 2015 dialogue visit

⁵ Action point 17 of the 2015 dialogue visit

⁶ Action point 18 of the 2015 dialogue visit

⁷ Action point 26 of the 2015 dialogue visit

⁸ Action Point 27 of the 2015 dialogue visit

⁹ Action point 8 of the 2015 dialogue visit

3. Review of the EDP reporting up to October 2017

3.1 EDP notification tables

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

Introduction

The reconciliation of the State's working balance and B.9 was briefly discussed under this agenda point.

Discussion

Statistics Netherlands recalled that for the calculation of the working balance in table 2A, two methods are used: one based on the amount to be financed by the Treasury and the other based on balance of the cash inflows and outflows of the specific ministries. The working balance is cash-based and should correspond to the financing needs for the State. The calculation of the amount to be financed by the Treasury is the main method used and is therefore used for reporting in the first line of the EDP table 2A. The working balance is available on-line as a memorandum item to the Budget. It was explained that the calculation of the net lending/borrowing based on revenue and expenditure is calculated for the purpose of the EDP. Both methods should lead theoretically to the same EDP deficit/surplus. However, in practice, due to compilation errors in both methods, a statistical discrepancy arises. This statistical discrepancy is shown in the line 'Unexplained residual' in T2A. Statistics Netherlands explained that, overall, the discrepancy decreased over time. Eurostat recommended the Dutch Statistical Authorities to continue monitoring the difference in the two established methods.

The National Court of Auditors and the audit department of the MoF check the budget line of each ministry as well as the financial report of the State which includes the total working balance. However, no document detailing the exact composition of the working balance exists and therefore the Court of Auditors is not in a position to check its correctness. The Dutch Statistical Authorities also mentioned that the financial report is based on cash transactions processed at the level of the state.

Eurostat took note that the previous practice of compiling a balance sheet for the core central government was discontinued by the State's accountants five years ago. From a statistical perspective, a resumption of such compilation would provide a key input to the statistical compilation process.

A project is still going on to investigate how the information on quasi-balance sheets could be used to produce a more complete balance sheet for the State in compliance with ESA 2010 guidelines and should result in a broader coverage of the other accounts receivable and payable (AF.89). Quasi-balance sheets are audited by the National Court of Auditors and the audit service of the MoF. Statistics Netherlands mentioned that the quasi-balance sheets do not include full information on payables/receivables which in addition cannot be easily converted into ESA 2010 pattern. State agencies produce a full set of financial statements including profit and loss account and a balance-sheet and a separate adjustment line is inserted in table 2A under other adjustments ('Details 1') for adjusting the consolidation and the financial transactions of state agencies.

Findings and conclusions

Eurostat recommends the Ministry of Finance to reflect on having the Financial Report of the State to more prominently report the working balance of the State (e.g. in the core part of the report), and report on this. Eurostat also recommends the Ministry of Finance to continue discussing with the Court of Auditors the possibility of incorporating more centrally a certification of the working balance of the core central government in its work. [Action Point 3]

Deadline: Note to be sent to Eurostat by May 2019.

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

Given that relevant sections of the draft EDP Inventory had not yet been completed (See also section 1.4), it was still not yet fully clear what accounting items are included in the working balance of EDP table 2C¹⁰. Eurostat and Statistics Netherlands briefly discussed the concept of the working balance of the local government sector and the main adjustments reported in table 2C.

Discussion

The concept of the working balance reported in table 2C derives from the main local government units (schools, municipalities, and water boards) and schools (only for final estimates) but does not include non-profit institutions. A separate adjustment is inserted in EDP table 2C for the net borrowing/lending of the NPIs and schools. Statistics Netherlands also explained briefly the other adjustments made to the working balance to arrive at the net lending/borrowing of the local government sector. In this respect, Statistics Netherlands explained that the line '*Internal flows included in WB not being transactions municipalities, provinces, etc.*' includes, among others, depreciation and changes in provisions. Eurostat explained that the current presentation for these flows disclosed under the heading '*non-financial transactions not included in the working balance*' is not the most adequate, given the nature of the adjustments concerned. Statistics Netherlands was of the opinion that changing the current presentation would entail reporting high off-setting amounts.

Findings and conclusions

Eurostat invited Statistics Netherlands to reconsider the current designation of the line '*Internal flows included in WB not being transactions municipalities, provinces, etc.*' by changing it into changes in provisions, depreciation, etc. and to report it separately under the heading other 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

Introduction

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

¹⁰ During the 2015 Dialogue Visit, Statistics Netherlands briefly explained the concept of working balance used for the data compilation (page 21 of the final findings).

were discussed during the 2015 dialogue visit. The topic was reviewed again in the light of the detailed explanations provided by Statistics Netherlands as a follow-up of the 2015 DV¹¹.

Discussion

In accordance with the conclusions of the 2015 Dialogue Visit, Statistics Netherlands provided Eurostat with a brief description of accounting/ statistical concepts underlying the reporting of the working balance for social security funds (by entity). At Eurostat's request, Statistics Netherlands presented the accounting items used as references for the compilation of the working balance of the entire social security funds sub-sector. Statistics Netherlands explained that the working balances are based on the financial accounts of the three social security bodies: 'UWV' (Employee insurance agency), 'SVB' (Social Insurance Bank) and 'ZIN' (National Healthcare institute) and are accruals based. Eurostat stated that substantial revisions to the working balance data were observed on several occasions, and a number of large one-off adjustments for receivables were also reported in table 2D. Statistics Netherlands explained that the final financial report of 'ZIN' is only available up to 2 years after the reference year. This leads inevitably to revisions of estimates of the working balance made by Statistics Netherlands for GFS purposes until final data is available. Statistics Netherlands explained that it uses the monthly cash data reported by the Tax Authority regarding social contributions, which are then converted into accrual data for compiling estimates of the working balances of the SSF funds until final financial reports become available. The Tax Authority is the institution that collects both taxes and social contributions, and is thus the most direct data source for social contributions. Eurostat recommended specifying for each EDP reporting if the working balance was based on provisional or final data. Statistics Netherlands agreed to insert in EDP table 2A, table 2C and table 2D a short comment on the side of the working balance, to highlight its origin (compilation formula) and/or provisional status. Statistics Netherlands also stated that it will enter a dedicated adjustment line in EDP table 2D designed to capture the social contributions for December that are omitted in the working balance of T-1 in April, as an alternative to the current practice of recording the correcting amounts within other accounts receivables¹².

Statistics Netherlands reported that the sign of the other adjustments in table 2A pertaining to the provisions appeared to be erroneously always positive. Reversals of provisions that are estimated to reach approximately EUR 20 million annually have been mistakenly omitted. Statistics Netherlands announced it will correct the line 'other adjustments – detail 1' in EDP table 2D, from which reversals of provisions had been omitted up to now. This will be implemented in the upcoming benchmark revision in *June 2018* and in the *EDP notification of October 2018*.

Eurostat recalled that, for April notifications, significant amounts are reported under the line '*Other accounts receivable - Adjustments due to data from the Tax Authority on social contributions*'¹³. Statistics Netherlands explained that for the April EDP notifications, large amounts under 'other accounts receivable' are usually reported for the preceding year. This is largely explained by the fact that Health Care Institute ('ZIN') does not report revenue for the full year and a significant part (one month) of the social contributions is usually missing. The working balance of the 'ZIN' is therefore not complete and needs to be amended on a one month time adjusted basis with data on social contributions provided by the Tax Authority. Social contributions not yet recorded in the working balance of the 'ZIN' are currently

¹¹ Action Point 11 of the 2015 dialogue visit.

¹² Completed for the April 2018 notification.

¹³ EUR 5.7 billion for 2016 reported in the April 2017 notification.

recorded in table 2D under other accounts receivable for each April EDP notification. Eurostat understood from the discussions that the amounts recorded as receivables are collected in December of the preceding year but not yet included in the working balance reported by 'ZIN'. Eurostat recommended that the adjustment to the working balance should therefore not be recorded under receivables but rather under 'Non-financial transactions not included in the working balance' or 'Other adjustments'.

Eurostat and Statistics Netherlands further discussed the recording of transactions between Social Security Funds, healthcare insurers, and healthcare providers, based on a 2005 note provided by Statistics Netherlands on the issue. Eurostat supported the rerouting of (so-called 'nominal') social contributions and social benefits through general government accounts currently carried out by Statistics Netherlands, but questioned the recording of some residual transactions between government and insurers (recorded in intermediate consumption) and possibly between households and insurers.

Eurostat recalled that, after the 2013 visit, Statistics Netherlands was requested to report on the result of its examination of the recording of voluntary contributions ('UWV' - Employee Insurance Agency) which are paid directly to the 'UWV' and not to the Tax Authority. Statistics Netherlands reported that these voluntary contributions were not recorded as revenue in table 2D. Statistics Netherlands confirmed that voluntary social contributions will be included in EDP and GFS data in the context of the forthcoming benchmark revision but amounts are still expected to be small.

Eurostat also asked Statistics Netherlands why significant differences still existed between amounts receivables reported in table 5 of the questionnaire and the social contributions receivable adjustments reported in table 2D. Statistics Netherlands explained that the differences are explained by the time of recording of ex-post redistributions to the social security funds of taxes and social contributions made by the Tax Authority.

Statistics Netherlands briefly explained the nature and the recording of ex-post redistributions. After the collection of taxes and social contributions, a preliminary allocation between the state and the social security funds are decided. After a couple of years, the final allocation is recalculated and an ex-post allocation or redistribution of funds is processed. The resulting transfers can be negative or positive. The recording of these transfers are made by adjusting the social contributions (D.61) in the year when the redistribution is decided. Eurostat was of the opinion that the transfers should be recorded as current transfers within general government (D.73)¹⁴. Statistics Netherlands was in principle in favour of changing the recording of the ex-post redistributions, considering that the current recording also negatively impacts the accounts of the households sector. In the current recording, large variations in taxes and social contributions are reported for households although in reality no transactions took place.

Findings and conclusions

Statistics Netherlands will reconsider the calculation formula and the classification of those flows currently seen as purchases of services by social security from the insurers, in particular as these flows can turn negative and do not seem to meet the criteria of 'sales'. In the light of these new considerations, Eurostat will re-evaluate past conclusions¹⁵. Statistics Netherlands will write a note proposing an alternative treatment. Eurostat and Statistics Netherlands will further reflect on whether operations on healthcare insurers relating to basic health insurance would not need to be reflected more entirely in the government accounts, including by

¹⁴ The recording was discussed and agreed during the 2015 dialogue visit.

¹⁵ The issue was discussed in previous EDP dialogue visits.

possibly classifying the said insurers within government. The reflection should be based on considerations over the control that social security funds has on insurers, on whether government is the principal party conducting the pooling of risks, on the compulsory nature of basic health insurance under existing regulations, and on the fact that the children below 18 years are free of charge and given that insurers cannot choose whom to insure for basic health care¹⁶ e.g. based on health status/ pre-existing conditions, among others. The classification of hospitals, in particular university hospitals, will be examined by Eurostat once the grounds for concluding on the classification of health insurers will be substantiated. **[Action point 4]**

Deadline: Eurostat will issue a note on with its revaluation of past conclusions by end- June 2019. Statistics Netherlands will report its findings to Eurostat before September 2019.

Ex-post redistributions between wage tax (central government revenue) and social contributions (social security revenue), which thus leads to cash flows in between government sectors, are currently accounted for as changes to social contributions in the year when the ex-post redistributions are decided, rather than as current transfers (or backward revisions in social contributions). Therefore, the related social contributions corrections are recorded sometimes between two to four years after the compensation of employees took place ('tax base'/ 'taxable event'). Eurostat agreed with Statistics Netherlands that in the accounts of subsector S.1314, these transfers should preferably be recorded as current transfers (D.73) instead of as wage or income taxes (D.51a) or social contributions (D.613), the latter being currently the case. Although Eurostat understood why the current approach may have been chosen and approved it in the past (to obtain a good measure of social contributions in the long run), it agreed with Statistics Netherlands in favouring systematically recording current transfers rather than recording an artificial symmetrical ex-post adjustment to D.51a and D.613 very long after the compensation of employees took place. Statistics Netherlands will also verify if there is a systematic bias in the recording of D.613 over time due to the ex-post redistributions. In case of bias, Statistics Netherlands will consider correcting any bias so that D.613 would not be distorted. **[Action Point 5]**

Deadline: Reconsider the current recording for the next benchmark revision.

More generally, Statistics Netherlands was of the opinion that some social security revenue currently recorded as social contributions could be considered as taxes. Eurostat confirmed that it appeared reasonable to record such revenue as taxes if there are unrequited (not resulting in individual – contingent – entitlements). Eurostat and Statistics Netherlands agreed that a presentation by Statistics Netherlands in the GFS Task Force on this issue would be useful, with a view to arriving at a consensus on the appropriate distinguishing criteria between taxes and social contributions. Statistics Netherlands is invited to share their insight with other countries at the GFS Task Force meeting in June 2018. **[Action Point 6]**

Deadline: June 2018¹⁷.

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 shortcomings and weaknesses relating to the compilation of other accounts receivable and payable. Following-up on the 2015 EDP dialogue visit discussions, Statistics Netherlands provided a note to Eurostat summarizing the progress in the feasibility of using direct source data, including

¹⁶ For non-basic health care, insurers can decide whom to insure.

¹⁷ Completed.

'saldi-balances' of ministries, to enhance quality of data on trade credits and advances and to improve completeness of entries in table 4 of the EDP questionnaire. Discussions resumed on this basis.

Discussion

The Dutch statistical authorities explained that Statistics Netherlands still does not fully use direct data on trade credits and advance.

Statistics Netherlands currently estimates trade credit and advances by assessing the average arrears (e.g. 30 days) on purchases (i.e. ESA transactions intermediate consumption and gross fixed capital formation) and sales (market production, sales of non-market production and disposals of fixed non-financial assets) of goods and services.

It was also specified that for the State the time of recording adjustments to production transactions in non-financial accounts are only applied to purchases and sales of military goods and a very few other production transactions, while there is in general no adjustment for intermediate consumption. Statistics Netherlands also explained that the current method for recording accounts receivables/payables (trade credits and advances are added to the financial balance sheet of the State) may lead to a small statistical discrepancy between financial and non-financial accounts in GFS, since the transactions in trade credits and advances recorded for the State, obtained as the difference between the estimated stocks, are not fully reflected in the non-financial accounts due to the weak data and the small amounts involved.

Since the last dialogue visit, Statistics Netherlands analysed the feasibility of estimating trade credits and advances based on direct data. For the ministries, the analysis of the so-called 'quasi-balance sheets' provided a more complete picture of the other accounts receivable and payable for the State. Hence, Statistics Netherlands has also improved the analysis of other accounts receivable and payable of state agencies. State agencies report balance sheets on an accrual basis and direct information on other accounts receivable and payable (including trade credit and advances) can be traced for a substantial part.

For the benchmark revision, Statistics Netherlands will include the new estimates for F.8 in EDP tables 3 stemming from a more comprehensive use of the 'quasi-balance sheets', notably of extra-budgetary accounts – these essentially concern entries related to third party accounts¹⁸. New estimates for F.8 will be included in the upcoming benchmark revision in June 2018 and in EDP tables 3 for the October 2018 EDP notification.

In response to a question by Statistics Netherlands, Eurostat indicated that the entry in EDP table 4 in relation to debts for 'public undertakings' was a very specific item, related to some arrangements existing in Europe where the State borrows on behalf of public corporations and passes the proceeds to them. This was deemed unlikely to concern the Netherlands to any significant extent.

Findings and conclusions

Statistics Netherlands will ensure consistency between the financial accounts and non-financial accounts with respect to trade credits of central government. Estimations currently lead to entries in AF.81 and F.81 liabilities, while no counterpart entry currently appears in

¹⁸ Third party accounts with the Treasury are the accounts of the European Union, the Social Security Funds and certain Non-Profit Organizations. Information on the third party accounts is available at the Ministry of Finance.

expenditure (P.2 or P.51g, except for military expenditure) or revenue (P.11/P.131). **[Action Point 7]**

Deadline: Statistics Netherlands will implement revision to 2017 data for the October 2018 EDP notification¹⁹. Years before 2017 will be revised in the context of the 2023 benchmark revision.

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

Eurostat was concerned that no stocks of receivables/payables (AF.8) of general government against the EU are disclosed in questionnaire table 6, while transactions are being reported in the same table. Statistics Netherlands committed to report AF.8 in table 6 of the questionnaire related to the EDP tables, consistently with the F.8 transactions. Eurostat also raised questions on the nature of the other financial transactions included in the working balance pertaining to the EU accounts as well as on the second party accounts reported in questionnaire table 2.1. Statistics Netherlands reported that the EU accounts concerned accounts of the European Union held at the Treasury in relation to GNI contributions and the European Development Fund.

Eurostat also inquired on the reasons why the P.2 and P.5 for military expenditure appear to be so high in questionnaire table 7. Statistics Netherlands invoked the possible existence of sale and leaseback operations of tanks with Germany but confirmed that this would need further analysis. Statistics Netherlands committed to report to Eurostat in case of needs to changing the current recording in view of the 2020 benchmark revision. Eurostat also recalled the issue on the recording of the purchase of the Joint Strike Fighters. The discussion resumed on the basis of a note that had been provided to Eurostat after the 2013 Dialogue Visit. It was confirmed that the investments were recorded as R&D and capitalised.

During the discussions, Eurostat understood that Statistics Netherlands do not record changes in inventories for local government and NPIs because the amounts are small and additional resources would be needed to convert the source data into ESA categories. The information on changes in inventory is currently taken on board within P.2, i.e. without impact on B.9. Statistics Netherlands was invited to investigate ways to present changes in inventories in P.52 separately from P.2, in local government before the next benchmark revision.

Eurostat mentioned that table 8 of the questionnaire on central government claims and cancellations was still incomplete. Statistics Netherlands explained that, based on the available sources part of data was often only provided on a net basis. Statistics Netherlands explained that a large part of the claims that are cancelled pertain to the old Students Loans scheme. Statistics Netherlands estimates that 95% of the loans are not repaid mainly because the students do graduate. In the new scheme, students are not repaying only if their income is too low and the default rate is expected to be roughly 5%. The treatment of the Students Loans is discussed below in detail in section 4.3.7.

¹⁹ Completed.

Eurostat also mentioned that Questionnaire table 9.3 on guarantees did not include all required data. Only data pertaining to the State is included while no data is provided for the local government sub-sector. As far as standardised guarantees are concerned (table 9.4), Eurostat stated that no data on outstanding liability AF.66 was reported. Statistics Netherlands stated that the amounts were not material and therefore were not reported. The standardised guarantees concerned financing facilities for small and medium enterprises ('*Groeifaciliteit*', '*Garantie Ondernemingsfinanciering*', '*Borgstelling MKB Kredieten*'). Statistics Netherlands was however not fully satisfied that the related schemes were truly meeting the ESA 2010 definition of standardised guarantees. Statistics Netherlands confirmed that the schemes would need to be analysed in more detail and could possibly be removed from the questionnaire table 9.4 if the ESA criteria were not satisfied.

Findings and conclusions

Statistics Netherlands will examine the appropriate classification of the EU account held at the Treasury related to the EDF – in particular, examining who has the effective control on the funds. Eurostat notes that the other account for the GNI contribution is included within the Maastricht Debt. The description of deposits in ESA 5.79 ('public at large' vs. common restrictions as to the group of depositors and explicit mention of central government) was discussed. Statistics Netherlands will inform Eurostat on the classification of the EU account related to the EDF. **[Action Point 8]**

Deadline: Statistics Netherlands will send a note by end- September 2019.

Following the discussion during the visit and after consultation of the note provided by Statistics Netherlands, Eurostat will seek to harmonise the recording of R&D costs in military purchases based on the example of JSF. Statistics Netherlands will report on the counterpart of the F.81 transaction recorded for R&D and on the related AF.81A recorded since 2006.²⁰ Eurostat will address the topic in 2019. Statistics Netherlands is also cordially invited to present the issue to the EDPS WG. **[Action Point 9]**

Deadline: Note on (A)F.81A recording by end December 2019.

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 briefly discussed.

Discussion

It was first recalled that the entries and the reporting in EDP table 3B relating to the sale by the Dutch State of '*Propertize*' - a publicly-controlled defeasance unit classified in general government since 2013 and included in the financial crisis tables - to the consortium '*Lone Star Funds / J.P. Morgan Securities Plc*' in September 2016, were clarified in the context of the past EDP notifications. Prior to the EDP dialogue visit, Statistics Netherlands also provided a short note describing major operations undertaken by government in the course of

²⁰ Following the review of the note, Eurostat provisionally agrees with Statistics Netherlands that the payments from the Nifarp consortium to the Dutch central government (as a private contribution to the project) could be recorded as D.75. Regarding these payments by Nifarp, Eurostat suggests nonetheless also considering the analogy with advertisement costs (P.2).

2017 in relation to the shares held by the State in financial corporations following interventions made in the context of the financial crisis. The transactions concerned the sale of shares of the Bank ABN AMRO, the insurer ASR and finally the SNS bank. Eurostat also took note of the State's plans to continue unwinding its financial positions stemming from its financial interventions during the financial crisis in the future.

Findings and conclusions

Eurostat took note of the information provided by Statistics Netherlands and will continue to follow up the unwinding of the financial positions in the units concerned in the course of the upcoming EDP notifications.

4. Methodological issues and recording of specific government transactions

4.1 Sector delimitation

4.1.1. Practical aspects of sector classification

Introduction

Sector classification issues were discussed on a regular basis between Eurostat and the Dutch statistical authorities during the EDP regular dialogue visits. Under this agenda point, Eurostat and Statistics Netherlands reviewed some updates of the sector classification procedure and the outcome of the 'ROME' project.

Discussion

Prior to the dialogue visit, the statistical authorities confirmed that the EDP flowcharts depicting the work on government entities' register as the starting point of the process did not need modifications, as the process for the regular maintenance and update of the government register did not substantially change since the last visit. The assessment of government control over the entities is not repeated on an annual basis but usually in the context of each benchmark revision.

Eurostat also noted that, after the completion of the research project on the register of public units aiming at review of the population of the totality of the public sector, including the entities currently classified in the general government (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 in the context of the 'ROME' project²¹. Statistics Netherlands confirmed that the project had been carried out according to the timetable and the results will be implemented for the 2018 benchmark revision. The project mainly affected the population of non-profit institutions (NPIs) under the control of general government and the population of local intergovernmental institutions. Hence, some NPIs have been reclassified as ancillary units of the State²². Statistics Netherlands provided a list of units that will be reclassified to general government for the 2018 benchmark revision.

Statistics Netherlands informed Eurostat that the (compulsory) participation in cash pooling is taken into account in determining sectorisation for the units concerned. The implementation of the 50%-test led to the classification of some units outside general government. Statistics

²¹ 'Register for Public Entities: Difficult to Find Entities'

²² As a result the net lending/borrowing of NPIs increased by about EUR 0.3 billion in 2015, while government debt increased by EUR 0.2 billion.

Netherlands will reconsider the classification of these units to general government in the context of the implementation of Action Point 12.

Findings and conclusions

Statistics Netherlands will check the formulas currently applied in the databases for the various 50% tests currently applied, and will describe the content of the other operating income component. **[Action Point 10]**

Deadline: Short note to be sent to Eurostat by end of May 2019.

4.1.2. Review of questionnaire on government controlled entities

Introduction

Statistics Netherlands replies in a timely manner to the Eurostat questionnaire on government controlled entities. Under this agenda point, specific issues on the Dutch return to the questionnaire on government controlled entities were discussed.

Discussion

As follow-up of the 2015 dialogue visit, Statistics Netherlands confirmed that in the context of the annual updating of the questionnaire on government controlled units classified outside general government, it performs the market/non-market test for the largest public non-financial corporations (entities with a debt higher than 0.01 % of GDP).

Eurostat requested Statistics Netherlands to specify how the ratio was calculated with reference to relevant accounting items. Statistics Netherlands and Eurostat reviewed the details of the algorithms used for the calculation of the ratios in the questionnaire. It was explained that the algorithms for the 50%-test in the questionnaire are based on three different financial data sources 'SFGO', 'VPB' and 'DVI'²³. For public corporations that belong to the institutional sector 'S.11' (excluding social housing corporations), the financial source used for the questionnaire is always the 'SFGO'.

Statistics Netherlands acknowledged it had difficulties elaborating sales from the accounting items in the 'SFGO' and 'VPB' sources. The constituents of certain accounting items were not always clear. In certain cases, it is likely that the sales include other non-relevant accounting items which may lead to a small discrepancy of a few percent of total output. According to Statistics Netherlands, one of the ways to address this issue is to recalculate the quantitative test using alternative financial sources, when the outcome of the test falls below the 60% mark for a particular institutional unit. Eurostat also inquired on the 'Other operating income' item taken from the SFGO data sources and included in the numerator of the 50% test. Statistics Netherlands and Eurostat agreed that the item needed clarification in reference to the ESA definition of the sales of goods and services (ESA 20.30). Eurostat also asked whether or not the obligation for a unit to participate to the cash-pooling system is used as a criterion for inclusion in the general government sector. Statistics Netherlands explained that there could be cases where units participating to the cash-pooling system were classified outside the general government sector.

²³ 'SFGO' (Statistiek Financien Grote Ondernemingen) is the statistics dataset of large (non-financial) companies; 'VPB' (Vennootschapsbelasting) contains administrative information on corporate tax; and 'DVI' (Verantwoordingsinformatie) comprises accounting information for all social housing corporations.

Statistics Netherlands confirmed that the list of government controlled entities had been updated for the December 2017 submission. Eurostat and Statistics Netherlands continued the discussions by referring to certain categories of units in the questionnaire on government controlled entities²⁴.

- Entities classified under NACE 'O'

In this context, Eurostat noted that NACE 'O' section entities were included in the last questionnaire on public corporations²⁵. The NACE 'O' section should include activities of a governmental nature, normally carried out by the public administration. Such entities would be expected to belong to the general government sector. Statistics Netherlands was of the opinion that the NACE classification of the units concerned needed to be reviewed before a final decision on the ESA classification could be reached. Eurostat noted that some units that are predominantly non-market are included in the questionnaire on government controlled entities and classified in the non-financial corporations sector (S.11). Eurostat also noted that, for some of these units, Statistics Netherlands applied the 50% market test. Statistics Netherlands agreed that the classification of some units such as the 'Dienst Voor Het Kadaster En De Openbare Registers', 'Centraal Bureau Rijvaardigheidsbewijzenand' and other similar units such as the 'Bureau Architectenregister' should be reconsidered, since they mainly undertake regulatory actions which are non-market activities.

Eurostat argued that the 50% test was not applicable when the only (or predominant) product of an institutional unit is non-market, given that, according to ESA 2010, the producer is then non-market (ESA 3.23). Although a priori not unsympathetic to this view, Statistics Netherlands argued that the market vs non-market criteria should be assessed top-down (ESA 3.16). Statistics Netherlands will reflect and finalise its view on this issue, while suggesting raising the point to the NAWG.

- Public authorities in S.2

Furthermore, Eurostat also underlined that a number of government controlled entities were classified in the 'Rest of the World (S.2)' sector, some of them seemingly being foundations or public bodies. Statistics Netherlands explained that the units concerned were based in or mainly related to the Caribbean Netherlands. Eurostat and Statistics Netherlands agreed that given the particular status of the territories concerned (some islands have special municipality status) further analysis was necessary to ensure the proper classification of these units.

- Entities with few or zero employees

Eurostat noted that a number of public corporations of the questionnaire had zero employees, and wondered how autonomy of decision could be assessed. Statistics Netherlands listed the reasons that might explain why public corporations report zero employees: (a) SPVs of enterprise groups, (b) entities managed through boards (members collecting presence fees rather than wages), (c) joint ventures and (d) data source issues. Eurostat recalled that the

²⁴ On the basis of the 2016 data reported in December 2017.

²⁵ Based on the questionnaire on government controlled entities, this concerns only 13 entities, 9 of which are foreign entities located in the Dutch Caribbean and three entities are wrongly classified. One entity still needed further analysis.

questionnaire is meant to cover institutional units, but recognised that, in practice, the entities reported by the NSI are often merely legal units. In relation to Joint Ventures, Eurostat noted that the institutional unit criteria are to be fulfilled. In the case, which used to be common in the Netherlands, where real estate Joint Ventures are created between local governments (which bring the land) and entrepreneurs (who build the fixed assets), a number of accounting options exist (inexistence of the partnership, classification outside S.13, classification inside S.13) but they require a consistent approach across the accounts.

- Public entities classified in S.15

Statistics Netherlands explained that, in the context of the upcoming benchmark revision, the results of an extensive and on-going systematic project (ROME project) for determining the sector classification of institutional units have been implemented. This project largely affected the total population of non-profit institutions (NPIs) controlled by general government. In addition, the population of local intergovernmental institutions has also increased. Furthermore, some NPIs have been reclassified as ancillary units of the State.

- Nature of flows between S.1311 and Lotteries.

Eurostat inquired on the nature of the flows between the State and the foundations organising lotteries such as the unit 'Nederlandse Loterij BV'. This unit was created in 2016 after the merger between 'SENS' that organised lotteries and the foundation 'Stichting Nationale Sporttotalisator' (SNS). The shares of the merged entity (a limited company) are 99% owned by the State. Eurostat understood that parts of the revenue are not disbursed to the lot buyers but mainly to sport organisations. However, the distribution of monies to sport organisations did not appear to be recorded in the government accounts.

- Nature of transactions between housing corporations and S.13

The topic was discussed under the section on public corporations.

Findings and conclusions

In the next benchmark revision, Statistics Netherlands will reclassify to General Government the 'Kadaster', the Driving Licencing Agency as well as similar units such as the 'Bureau Architectenregister', as they, in essence, undertake regulatory actions, which essentially constitute a non-market activity. Statistics Netherlands noted the negative consumption and P.132 that may result from this reclassification. [**Action Point 11**]

Deadline: Next benchmark revision.

In relation to Joint Ventures, Statistics Netherlands will reflect on the consistency of the current recording in Dutch national accounts ('sectorisation' of units and time of recording of the sale of the non-financial assets), notably concerning land transactions (e.g. the impact on B.9 is currently at time of sale of real estates, and not at the time the right of use is transferred to the Joint Venture). [**Action Point 12**]

Deadline: Note to be sent to Eurostat by end-December 2019

Eurostat and Statistics Netherlands will reflect on the appropriate treatment, in the context of ESA 2010, of the classification of public non-market entities seemingly residents in the Caribbean, also in consultation with similar cases in other countries. This question might also

be addressed in the Task Force on EDP methodological issues. A note on the examination of the classification of public non-market entities, seemingly resident in the Caribbean, will be sent to Eurostat. **[Action Point 13]**

Deadline: End-December 2019.

As regards lotteries, Eurostat questioned why the amounts distributed for sports events, etc., were not reflected in the government accounts. Statistics Netherlands will examine the justification for the current recording and inform Eurostat. **[Action point 14]**

Deadline: End-December 2019.

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, including several public corporations, and social housing guarantee funds.

Discussion

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

Eurostat explained that, as a follow-up of 2015 dialogue visit, the discussions on the sectorisation of the banks '*Bank Nederlandse Gemeenten N.V.*' ('BNG') and '*Nederlandse Waterschappen Bank N.V.*' ('NWB') should be carried out. Statistics Netherlands was invited to present the two banks and it was recalled that the two banks specialised in the provision of financial services to public sector bodies.

The '*Bank Nederlandse Gemeenten*' ('BNG') is a financial institution specialised in providing services to the 'public' sector. Its clients are municipalities, provinces, public water boards, social housing corporations, local intergovernmental organisations, healthcare institutions, and public utilities. Its financial services consist of lending, consultancy, electronic banking, asset management and area development. The majority of the loans provided to parties outside government are covered via guarantees provided by the '*Waarborgfonds Sociale Woningbouw*' (Guarantee Fund Social Housing, WSW) and the '*Waarborgfonds voor de zorgsector*' (Guarantee Fund Healthcare Sector, WFZ)²⁶. The bank's shareholders are Dutch public authorities exclusively. Half of the bank's share capital is held by the Dutch State and the other half by municipal authorities, provincial authorities and a district water board. The BNG Bank is established in The Hague and has no branches. The supervisory board is appointed by these shareholders.

The '*Nederlandse Waterschapsbank*' ('NWB') is specialised in providing loans to the 'public' sector. The object of the Bank is described in the 2016 Annual Report: 'As a bank of and for the Dutch government'²⁷, NWB only provides credit to the public market in the Netherlands.'

Its mission is to provide financing to its customers on the most favourable terms possible, and thereby enabling the public sector to keep the cost of fulfilling its duties in the Dutch society and the cost of public facilities in the Netherlands as low as possible. The NWB does not seek to maximise profits, but seeks to create added value for society by providing financing at the

²⁶ These funds are part of the financial public sector.

²⁷ Page 75 of Annual Report 2016.

lowest possible rate and by being available to its client at all times²⁸. The object of the company²⁹ is to engage in banking operations for the benefit of the public sector to provinces ('Provincies'), municipalities ('Gemeenten') and water boards ('Waterschappen'), as well as to other bodies governed by public law and equivalent bodies or bodies controlled by such public entities. It can also engage in such operations with other entities under the protection of government guarantees. In the Dutch national accounts, the bank is classified to the financial corporations sector. The shares of the NWB are fully held by governments and are unlisted. They are mainly held by public water boards, and a minority is held by the State and provinces. A large portion of the banks' non-government loan portfolio was 'insured' under specific guarantee schemes, e.g. by WSW. It was recalled that the banks decided on the types and size of loans and negotiated loan contracts with borrowers on an individual basis. Statistics Netherlands mentioned that borrowers also borrow from other banks. In order to finance its assets, the banks predominantly issue debt securities. The two banks do not take deposits from the public or corporations at large. It was also confirmed that the Dutch State did not issue explicit guarantees on the bank's borrowings. Eurostat clarified that potential similar institutions existed in some other Member States. The issue of their sectorisation is subject to further debates in the EDP Statistics fora³⁰ in the context of the on-going discussions on the borderline between government (S.13) and the financial corporation sector (S.12) highlighting the need to establish a more systematic reflection on the S.12 and S.13 boundary and in order to provide concrete guidance in the classification of such entities.

- The Netherlands Investment Institution (NLII)

Statistics Netherlands informed Eurostat that the Netherlands Investment Institution (NLII) that was established in October 2014 by a group of institutional investors was ceasing its activities. The issue of its classification did not need further discussion.

- Hospitals

Eurostat and Statistics Netherlands briefly discussed the sectorisation of the Dutch hospitals. Statistics Netherlands explained the reasons why the hospitals are classified outside the general government sector. To this end, Statistics Netherlands had provided a note prior to the visit. In the Netherlands, there are about one hundred (general) hospitals, which are classified as private non-financial corporations. Most of them are foundations although some are private corporations. According to the Dutch return on the ESA2010 general government sector delimitation questionnaire, eight academic hospitals (now seven since two hospitals merged in 2017), providing educational services to university students are deemed to be controlled by government. Although the healthcare sector is highly regulated, legislation does not impose limitations on hospitals with regard to their locations, investment decisions and financing. Hospitals are (except for some care provided by university hospitals) also free to decide which specific medical treatment they wish to offer. Statistics Netherlands had concluded that public control over general hospitals could not be confirmed while all seven university hospitals are considered to be public sector units. For about 70 per cent of the hospitals' total turnover, prices are negotiated between hospitals and health care insurers. For the remaining 30 per cent, prices can be negotiated up to a predefined maximum price decided by government. Therefore, Statistics Netherlands considers that the output by hospitals financed by health care insurers should be recorded as sales, thus leading to sales over costs ratios far more than the 50 per cent reference. It was recalled that university hospitals could not charge insurance companies for their public tasks.

²⁸ Page 18 of Annual 2016 Report.

²⁹ Article 2 of Articles of Association.

³⁰ Task Force on methodological issues (MGDD) and EDPS Working Group.

Eurostat acknowledged that private insurers are playing a significant role in the operation and financing of hospitals in the Netherlands. Eurostat recalled that specific criteria for the classification of hospitals were being discussed in the EDP statistics fora and a specific questionnaire was being prepared for this purpose. Eurostat stated it would analyse the classification of hospitals on the basis of the questionnaire once approved.

- Guarantee Fund for the Healthcare sector

The 'Guarantee fund for the Health Care Sector' ('Stichting Waarborgfonds voor de Zorgsector', 'WFZ') is an independent, non-profit guarantee fund whose principal function is to safeguard the funding of the Dutch health care sector, by selectively guaranteeing loans made to participating health care providers. The entity was established in 1999. Statistics Netherlands explained that, as a general principle, the Dutch government does not provide investment grants to hospitals. For financing their investments, hospitals need to take loans from banks. These loans can in turn benefit from a WFZ guarantee. The WFZ is fully financed by the participating health care institutions. While in the past the State and some municipalities have provided guarantees to hospitals, this is no more the case since the WFZ was established. Statistics Netherlands also explained that, in their understanding, the 'Waarborgfonds voor de Zorgsector – WFZ' itself benefits from a State guarantee via a back-stop construction. In the Dutch national accounts, the entity is classified in the financial corporations sector. Eurostat understood from the discussions that WFZ was not legally authorised to provide other services and products than the guarantees for the financing of health care institutions. Statistics Netherlands could not fully confirm if this was truly the case and proposed to review the case in more details.

- Public transport incl. railways

The sector classification of 'Prorail' (S.13) and 'N.V. Nederlandse Spoorwegen' (S.11) were already discussed in past dialogue visits. Eurostat inquired on the change of the legal status of the railway infrastructure manager 'Prorail'. Statistics Netherlands confirmed that 'Prorail' had been changed into an 'autonomous public organ' ('zelfstandig bestuursorgaan – ZBO') with its own legal personality.

Eurostat requested detailed information on the calculation method of the latest 50% market test of N.S., the national railways operator. In particular, Eurostat was concerned by the potential treatment of the subsidies received by the company, including the rerouting of any indirect subsidy to N.S. Spoorwegen via Prorail, for the purpose of the calculation of the market test. Eurostat and Statistics Netherlands agreed that there is room for discussions regarding the calculation of the market test, in particular for quantifying the indirect subsidies to N.S. Spoorwegen. Governments can channel subsidies directly to railways infrastructure managers or grant subsidies to the railways operators, who in return would pay a higher service charge to the infrastructure manager. Eurostat acknowledged that there is a need to promote a harmonised approach in the EU and will consider if the matter needs to be brought to the EDP task force.

- Public TV and radio broadcasters

Statistics Netherlands confirmed to Eurostat that the two national broadcasters '*Nederlandse Omroep Stichting*' and '*Stichting Nederlandse Publieke Omroep*' were classified to the general government sector. During the 2015 EDP dialogue visit, 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

broadcasters, however, Eurostat had been informed that the analysis of the entities' sector classification would be carried out under the launched research project 'ROME'. During the discussions, Statistics Netherlands confirmed that a number of regional broadcasters had been classified outside the general government sector. Eurostat and Statistics Netherlands agreed that the details of the outcome of the analysis of the units concerned would be provided to Eurostat.

- Social housing corporations

The governance, activities and financing of social housing corporations (*'woningcorporaties'*) in the Netherlands, and their sector classification, were discussed in detail during the 2015 EDP visit. There are more than 350 of such non-profit institutions in the Netherlands. The largest housing corporation of the Netherlands, Vestia, owns more than 80 000 dwellings in the Netherlands. In national accounts, the social housing corporations are classified to the non-financial corporations sector. They are mostly established in the legal form of a foundation or association. During the discussions held in 2015, Eurostat had been also informed of the ongoing process of the restructuring of the social housing system. A new 'Housing Act' (*'Woningwet'*) and a new 'Decree on authorised housing corporations' (*'Besluit Toegelaten Instellingen Volkshuisvesting'*) came into force in 2015. Social housing entities are deemed to concentrate their activities on the core tasks of providing housing to low-income households. The reform was also aiming at limiting the part of the housing stock let exclusively under commercial considerations, and segregating a clear organisational and financial separation between the two types of activities (social vs commercial). Public sector control on housing corporations could be justified on the basis of ESA 20.309 when *'statutory powers or rights contained in an entity's constitution, for example to limit the activities, objectives and operating aspects'*. In the present case, Eurostat understood that Dutch housing corporations are strictly regulated and that, in case of their liquidation, assets are transferred to the government (in some member states other provisions apply). 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, was requested after the 2015 dialogue visit. Statistics Netherlands stated that the housing corporations passed the 50% market test. It was also mentioned that housing corporations do not receive investment grants from government anymore. In the past, housing corporations have received substantial investment grants (up to 6%-7% of GDP) in the form of lump sums or loans. In the 1990's a considerable number of the associations were privatised, the so-called 'grossing-up operation', and ever since they have no longer received loans and subsidies from the national government but they still remained subject to the statutory obligation to provide for good and affordable houses for lower income groups. Households can obtain a housing benefit in cash under certain conditions. Maximum rents apply to households and are calculated on the basis of a points system depending on the features of the house. Rents increases are also possible but are benchmarked on inflation. Statistics Netherlands explained that government cannot impose tenants to the housing corporations, which are free to allocate houses to households if they meet the legal requirements applicable to the housing association. However, in some specific cases, government can negotiate the placement of some categories of people, such as refugees. It is possible to expel people from social houses. Eurostat understood that, with the 2015 reform of the social housing, government imposed that associations need to return to their key tasks which are the building, management and letting of social housing with the objective that associations would need to leave or reduce commercial activities to the private market. In the last decades, housing corporations had developed commercial activities by building and selling owner-occupied houses and financing the building of social housing with the sales proceeds. In this regard, Eurostat inquired if data existed on the part of dwellings built by social housing corporations and sold on the private real estate market. Eurostat stated that, although it seems that houses are owned by the associations and the associations are

undertakings under private law, the rules of play of the rental policy and the allocation of houses are strongly determined by legislation and regulations. In addition, the government carries out a close supervision of the social housing system.

Statistics Netherlands also explained that the government introduced a lease levy that was narrowed down for landlords of properties with regulated rents owning more than ten dwellings – and thus ended up as a specific tax largely targeted at housing associations, the largest category of such owners of housing units. The tax has impacted significantly the social housing corporations and many housing associations had to increase rents or reduce costs to maintain solvency and restore profitability.

-Institutions supporting the functioning of the Dutch housing market

The sector classification of two other entities active on the Dutch housing market was also briefly discussed: the Guarantee Fund Social Housing ('*Waarborgfonds Socialewoningbouw*' - 'WSW') and Guarantee Fund Private Housing ('*Waarborgfonds Eigen Woningen*' - 'WEW').

Housing corporations can borrow money from banks at good financing conditions through the guarantee of the social housing guarantee fund ('WSW'). The Guarantee Fund Social Housing ('WSW') supports the provision of social housing by guaranteeing payment of both principal and interest on loans taken out by its members. The fund is financed by its members but the government in turn guarantees the social housing guarantee fund in case of financial distress of the fund. In national accounts, WSW is classified to the financial corporations sector. Eurostat raised again some 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, on the basis of the arguments already raised during the 2015 dialogue visit. During the 2015 dialogue visit, Eurostat pointed out that key parameters determining the scope of The Guarantee Fund Private Housing ('*Waarborgfonds Eigen Woningen*' - 'WEW') activity and risk incurred by the institution appeared to be decided by government. The WEW is in charge of the design, implementation, risk management and provision of the 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 permits the banks to charge lower interest on the mortgage loans. In national accounts, the body is classified to the financial corporations sector. The issue under this agenda point was to clarify to what extent the 'WEW' operates under a strict regulatory regime with most of parameters of provided services fixed in advance by legislation or government authorisation (cap of a guarantee's size, guarantees' beneficiaries, fees). It was confirmed that the contracting of 'WEW' guarantees is not mandatory but the system is similar to an insurance scheme. Eurostat underlined again that, according to its understanding, general government determines most details of the functioning of the scheme. It was agreed that the discussion on classification on 'WEW' should continue after the dialogue visit on the basis of existing (Statutes) and updated information to be provided by Statistics Netherlands. Finally, Eurostat and Statistics Netherlands confirmed that Aedes, a voluntary association of the social housing corporations was classified as a government controlled market producer, to the non-financial public corporation sector. Aedes represented the interest of social housing corporations vis-à-vis other stakeholders (e.g., government, and special interest groups).

- Energie Beheer Nederland

The sector classification of Energie Beheer Nederland ('EBN') was discussed between Eurostat and the Dutch statistical authorities several times. Statistics Netherlands raised the issue in 2011 as it had doubts about the classification outside the general government sector. Statistics Netherlands and Eurostat agreed that EBN should in substance be reclassified in the central government subsector, given the nature of EBN as an artificial subsidiary of

government: (1) being a sleeping partner in on-going projects, (2) government appearing to be the client, (3) autopilot nature, notably. Data sources and conceptual difficulties in relation to the accounting implications of this view were noted, notably with respect to the sector assignment of the fixed assets.

It was also concluded that, after the reclassification, transactions currently recorded as dividends would need to be recorded as rents paid by private partners to EBN. As EBN is a partner in joint operations with various oil and gas companies but is only financially involved in the ventures in which it invests and does not interfere in the daily operations, the reclassification of the unit would need further analysis by Statistics Netherlands in particular the partitioning of the assets between EBN and its private partners.

- Invest NL

The MOF made a presentation on the on-going process for setting-up the Invest NL unit. Invest NL is a new public limited company that is being created by the Dutch government via a new law. The legislation should be finalised by the end of 2018 and the business operations are projected to start in 2019. The only shareholder of the company will be the State. The Ministry of Finance is projecting to make capital injections of EUR 2.5 billion in total, to be released in five tranches and there will be debt leveraging. Invest NL objectives are to provide financial support to start-ups and act as the promotional bank for the EU EFSI programme. The MoF stated that the classification of the unit will depend on the outcome of the capital injections tests and raised the issue of the benchmark to be used for calculating the real rate of return of capital injections in Invest NL. Statistics Netherlands informed Eurostat that it will submit an ex-ante consultation in due time. Eurostat mentioned that there are three issues to be addressed in this respect namely 1) the classification of the NL Invest which could be potentially considered as a captive of government 2) the treatment of the capital injections and 3) the time of recording of the capital injections, notably if conditionality rules apply. Eurostat insisted that the statutes on NL invest should be provided to Eurostat with the request for the consultation and that the time for responding is - according to Eurostat rules - two months.

Findings and conclusions

Statistics Netherlands will reflect on the sector classification of 'BNG' and of 'NWB', two financial entities specialised in lending to local government and the public sector, in view of the share of public sector borrowings that they hold. This reflexion will take into account the qualitative criteria of ESA 2010, the specific business issues faced by those units, and the on-going discussions on similar entities in Europe. Eurostat will provide Statistics Netherlands with a list of criteria relevant for the analysis. Statistics Netherlands will also examine the need for re-routing some of the 'BNG' and 'NWB' transactions, based on the list of criteria currently in discussion in the EDPS WG. **[Action point 15]**

Deadline: Eurostat will provide a list of relevant criteria depending on the outcome of the discussions in the EDPS WG, possibly by December 2019; Statistics Netherlands to provide an analysis by March 2020.

Eurostat will provide Statistics Netherlands with a list of questions in order to analyse the nature of the special levy on housing corporations and check whether a super dividend test on the special levy on housing corporations should be carried out (including social housing corporations). **[Action Point 16]**

Deadline: List of questions to be sent to Statistics Netherlands by end-June 2019.

Statistics Netherlands will monitor the classification of social housing entities, also in relation to the recent changes in law (notably with respect to the decision-making process regarding who should be the tenant). Eurostat will send a list of questions to Statistics Netherlands

before end-April 2019, and taking into account the list of questions to be provided by Eurostat, Statistics Netherlands will analyse the statutes of the largest Housing Corporation ('Vestia'). **[Action Point 17]**

Deadline: Eurostat will send a list of questions to Statistics Netherlands by end-April 2019. Statistics Netherlands will prepare a progress note to be sent to Eurostat by end-September 2020.

On the basis of criteria to be provided by Eurostat, Statistics Netherlands will determine if 'WEW', a guarantee fund for private housing funding, is behaving as an 'autopilot' (without control or autonomy of decision on its principal activity) or not. Available documents and a note will be sent to Eurostat. **[Action Point 18]**

Deadline: Eurostat will provide a set of criteria by the end of May 2019. Statistics Netherlands will report on its analysis by end-March 2020.

After reviewing the EBN financial statements / annual reports, Statistics Netherlands will propose a recording of transactions and stocks to Eurostat. This may involve partitioning EBN between two entities. Transactions between private partners vis-à-vis the reclassified EBN will mainly comprise rent. Statistics Netherlands will explain how the current national accounts recording can be reconciled with EBN financial statements. **[Action Point 19]**

Deadline: Note with its recording proposal to Eurostat by mid-March 2020.

Statistics Netherlands will provide the details of the last calculation of the 50% market test for 'NS Nationale Spoorwegen', the main national railway operator, including the relevant underlying data. Statistics Netherlands indicated it had verified that routing an indirect subsidy to NS via 'Prorail' did not affect the 50% result – a verification welcomed by Eurostat. A note on these calculations will be sent to Eurostat. **[Action point 20]**

Deadline: By May 2019.

Statistics Netherlands should investigate the 'guarantee schemes' mechanisms provided by government to health care providers, and the classification of the entity involved ('Waarborgfonds voor de Zorgsector – WFZ'). **[Action point 21]**

Deadline: Statistics Netherlands should provide a note on the results of its investigation to Eurostat by the end of February 2020.

Statistics Netherlands will explain which regional public broadcasters remain outside General government, and why. Available documents and explanations will be provided to Eurostat. **[Action point 22]**

Deadline: By end-February 2020.

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.

Discussion

Eurostat thanked Statistics Netherlands for having provided an updated version of the questionnaire on taxes in December 2017. For taxes and social contributions collected at

central government level, the time adjusted cash method was commonly used to ensure compliance with the 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. However, in January 2018, Statistics Netherlands informed Eurostat of its intention to revise the method followed for recording VAT. In this context, Statistics Netherlands issued a detailed note to Eurostat. Statistics Netherlands had already mentioned in its return on the questionnaire on taxes and social contributions that its intention was to implement the changes in the context of the benchmark revision of June 2018. Statistics Netherlands explained that the value added tax (VAT) revenue for a given year in the Dutch government finance statistics (GFS) is currently estimated on the basis of the Tax Authority's data by applying a one-month time adjusted cash (TAC) method in accordance with ESA 4.27. Under the TAC method, VAT revenue recorded corresponds to the net VAT collected in cash during the period running from February of the reference year up to January of the subsequent year. A TAC method is also used for the quarterly estimates. Until now, the TAC method was considered to produce reliable estimates, as VAT is usually declared and paid within one month after the declaration period to which the tax relates to (quarterly or annually). As far as the recording of VAT in national accounts is concerned, the current practice is to impute VAT estimated on the basis of production, consumption and international trade. Hence, the use of the two different methods creates a discrepancy between the national accounts and GFS data, with the imputed VAT being consistently higher than the time adjusted VAT. This statistical discrepancy is shown explicitly in the Dutch national accounts and is explained by black market activities, fraud, and bankruptcies. In this regard, Eurostat mentioned that for the current presentation of the statistical discrepancy in the national accounts main aggregates (ESATP table 1), Statistics Netherlands currently record an entry in other taxes on production (D.29) to align total taxes on production and imports between GFS and national accounts.

Statistics Netherlands explained that the Tax Authority was now in a position to provide detailed data on VAT receipts and refunds, including specification of the year to which VAT receipts and refunds should accrue. Statistics Netherlands proposed to use the new data provided by the Tax Authority to make better estimates of VAT, instead of the TAC method. Due to the late availability of data (final data for a year t would only be available in January $t+2$) final estimates would only be accounted for in the notification of October $t+2$, thus two years after the reference year. As far as estimates for EDP of April $t+1$, Statistics Netherlands has decided to use data on cash receipts and refunds data made available in February of the year $t+1$. For the October EDP $t+1$ notification and April $t+2$, estimates based on data made available in April $t+1$ will be used.

Statistics Netherlands also informed Eurostat of a revised method for the recording of quarterly VAT data (not annual), by modifying the quarterly one-month adjusted cash VAT data in GFS in order to eliminate the quarterly VAT estimates discrepancy between GFS and national accounts. Statistics Netherlands explained that the TAC method currently used results into data series showing a high degree of volatility and therefore inconsistencies with production and consumption data. Statistics Netherlands also explained that the method proposed for the annual estimates could not be applied to quarterly estimates due to lacking data. Therefore, Statistics Netherlands decided to estimate quarterly VAT based on national accounts method (VAT estimated on the basis of supply/use tables) but subject to some amendments/changes. Each year, the new method would lead undoubtedly to a revision of VAT figures for the first three quarters.

Eurostat had significant concerns about using supply and use tables for estimating VAT in general, and quarterly VAT in particular. Eurostat and Statistics Netherlands discussed the proposed change to VAT estimations recording for both annual and quarterly data. Other discussions concerned the daily patterns of VAT payments as well as the recording of refunds.

Eurostat enquired also about the issue of recording cancellation of taxes and uncollectible taxes levied at local government level³¹. The issue was discussed already in the past (2006-2007) and again during the 2015 dialogue visit³². The amounts involved are not material given the relatively small amount of taxes recorded as revenue of local government in the Dutch national accounts.

Statistics Netherlands admitted that the current recording of taxes cancellations in D.623 do not comply with ESA 2010. Cancellations should have a gross recording with D.995 (expenditure) as counter entry (ESA 4.27 and 4.82). In the light of the small amounts involved and in the absence of impact on government deficit and debt, Statistics Netherlands will make the necessary corrections in the context of the next benchmark revision.

Uncollectible taxes are written off and recorded as negative revenue at the moment they are considered to be 'uncollectible'. However the data reported in 'IV3' questionnaires does not allow to link the uncollectible taxes to the year to which they accrue. Thus, uncollectible taxes recorded in a given year do not always correspond to the year of taxation. Some local governments set up a provision for taxes that they do not expect to collect. The setting up of a provision is recorded as expenditure in the taxation year. At the moment that taxes are deemed to be uncollectible, a withdrawal from the provision is recorded but, as for the uncollectible taxes directly written off, it does not have to correspond to the year of taxation. The 'IV3' data sources provide some information on the changes of provisions. Overall, amounts were expected to be very small.

Eurostat had doubts on the recording and their impact on B.9 in EDP of the provisions and their write offs. In particular, it was not clear if the expenditure was booked with an impact on B.9 at the time the provisions were recorded. Eurostat was of the opinion that an acceptable approach would be to adjust the taxes for the uncollectible part at the time provisions are set up and not when provisions are reversed, which would be too late. Statistics Netherlands recalled that accountants do not allow to recognise revenue that are not expected to be collected. For provinces, no data on uncollectible or cancelled taxes are reported in IV3 data sources. Statistics Netherlands assumes that the revenue reported correspond to the taxes they expect to collect. Eurostat asked to clarify if this was a correct assumption for the next benchmark revision.

Voluntary social contributions and the time of recording of post-payments of the wage levies and social contributions were discussed under agenda item regarding table 2D (See section 3.1.3).

Eurostat and Statistics Netherlands agreed on the time of recording of fines: when the deadline for appeal has expired, if one does not go to Court, or when a Court has issued a

³¹ Cancellations are currently recorded 'gross', i.e. taxes with counter entry expenditure classified as social benefits D.623.

³² Statistics Netherlands prepared a note describing in more detail the current procedure and its adherence to ESA rules as a result of the 2015 dialogue visit.

final verdict. This deviates from the current reporting in the State accounts. Since 2013, the State is recording the fines in its budget when they are paid, and it adjusts downwards the revenue if and when it has to reimburse the fines following a judiciary decision. Statistics Netherlands does not currently make any adjustment to the public accounts in this respect, which implied an approximation in both revenue and expenditure (grossing), but also a B.9 impact through the time of recording. Statistics Netherlands will assess the value of fines concerned and will adjust the data for EDP reporting purposes in the context of the 2023 benchmark revision.

The liability part for third party accounts is currently recorded in F.89. Eurostat opined that the case of fines was similar to cautionary deposits, thus the correct instrument may be F.2. Statistics Netherlands will also reflect on this issue and, accordingly, make the corrections for the 2023 benchmark revision.

Findings and conclusions

Statistics Netherlands will enforce its new method for compiling VAT on an annual basis for GFS, and will bring the VAT recorded in national accounts in line with GFS.

Eurostat agreed to make a list of its concerns on the proposed changes to quarterly VAT (and other taxes on products). Statistics Netherlands and Eurostat will resume discussions on this basis. In this context, Statistics Netherlands will provide Eurostat data on quarterly VAT based on supply and use tables and compare it with quarterly time adjusted VAT series for the last 60 quarters. For VAT, The Dutch Statistical Authorities will detail how/why payment schedules for VAT receipts and for refunds (separately) are based on working / non-working days, and more generally how/why a volatility of refunds is observed. **[Action point 23]**

Deadline: By end-April 2019.

4.2.2. Recording of dividends between government units

Introduction

In the context of the October 2017 notification, Statistics Netherlands and Eurostat agreed to clarify the recording of dividend flows between government entities, and closely linked to this issue, the recording of equity liabilities in general government balance sheets.

Discussion

Statistics Netherlands explained that its current practice is that it does not record equity between government entities. After the upcoming benchmark revision, Statistics Netherlands will start reporting F.5 equity liabilities in government accounts only in the case such F.5 relates to non-government entities with equity. Statistics Netherlands was of the opinion that there should be no F.5 recognised in the accounts for government units, since they are not meant to generate profits and the recording of equity F.5 for government would not be compatible with the inclusion of non-profitable units within S.13. Therefore, capital injections by government in other government units should always have a non-financial character. In case payments by government units are made to general government, Statistics Netherlands would record current transfers (D.7) and not dividends. The Ministry of Finance expressed some concerns for the proposed method of recording, which would imply that the equity participations in government units would disappear from the non-consolidated accounts. This would cause some reporting concerns for budgetary purposes notably in case the shares in such units are sold (e.g. through privatisations).

Eurostat took note that, with the upcoming benchmark revision, some (A)F.5L of S.13 will appear. However, no D.42 payable is envisaged (recorded as D.7).

Findings and conclusions

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

4.2.3. Current and capital transfers

Introduction

During the last dialogue visit, it was recalled that implementing ESA rules in relation to the time of recording of transfers within the general government sub-sector 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.

Discussion

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). In the course of the October 2017 notification, Statistics Netherlands explained that the cash accrual adjustments in table 2A do not reconcile with the other accounts payables and receivables of the financial accounts from local government data sources. Adjustments in table 2A are resulting from balancing the transfers within general government for consolidation purposes. Local government applies accruals accounting while the State accounts are cash based, which leads to differences in receivables and payables. The amounts concerned can be large. Statistics Netherlands has decided (since 2010, after consulting Eurostat during the 2008 dialogue visit) to keep the deficit/surplus of the local government sector as reported in data sources but to change the counterparty sectors in the transfers made to the local government. In the past, for local government, Statistics Netherlands adjusted the transfers made to the local government thus impacting its B.9. The priority is now given to accruals based data by keeping B.9 of the local government sector unchanged and to adjust B.9 of the State. The State often reports lower transfers to the local government sector than what the latter reports. Differences can be as high as EUR 1 billion annually with the effect that stocks of accounts receivables/payables are increasing over time. Statistics Netherlands explained that there might be several explanations for the inconsistencies, such as incorrect counterparty data in local government data sources. Counterparty information at state level is fairly recent (2016) and needs to be further analysed. Another source of distortion could relate to the transfers of EU funds.

Findings and conclusions

Statistics Netherlands recalled its practices for consolidation, notably for prioritising accrual amounts reported by local and social security funds subsector over cash public accounting of the core central government. Statistics Netherlands pointed out that this practice (implemented since 2014) has led to a substantial accumulation in the stock of other accounts payable. While, in principle, welcoming the practice of adjusting cash-based data rather than accrual based source data, Eurostat agreed with Statistics Netherlands that the decentralised nature of data collected from local government units and extra-budgetary units, as well as the lack of detail, entailed other risks that should be further examined. Statistics Netherlands will provide to Eurostat detailed data on the transfers from the State to local governments since

2010 (both sides) and the evolution of the stock of related receivables/ payable pertaining to the core central government. **[Action Point 24]**

Deadline: Before March 2020.

4.2.4. Interest recording in financial accounts

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. The template was however not provided to Eurostat in the context of the most recent notifications (the transmission is only on a voluntary basis). Before the 2018 visit, Dutch authorities provided a table on the recording of interest based on the Eurostat template.

Discussion

Eurostat noted that the table provided concerned only the State. Statistics Netherlands mentioned that it reports only parts of the interests accrued in accounts payables and receivables. The issue is that data sources do not allow drawing all the necessary information for other sub-sectors than the State. In table 3D, the annual adjustment for interest accrued but not paid is almost empty. According to Statistics Netherlands, the amounts concerned however should be rather small. In the absence of relevant data, Eurostat suggested Statistics Netherlands to define a method for estimating the interest accrued for the recording in table 3D. Eurostat also noted that bonds were issued by local government, while no discount had been reported in table 3D. It was agreed that Statistics Netherlands will investigate the issue.

Findings and conclusions

Statistics Netherlands will make further efforts to better estimate interest accrual pertaining to debts of the local government subsector. It will assess if further adjustments related to the difference between interest accrued and paid in table 3D are necessary. Statistics Netherlands will also examine why no discount has been reported for the bonds issued by local government in table 3D and report the results to Eurostat. **[Action Point 25]**

Deadline: Note on its findings before March 2020.

4.2.5. Income from gas exploitation

The topic was discussed under the agenda point concerning the classification of EBN under section 4.1.3.

4.2.6. Holiday money

Introduction

Under this agenda item, the time of recording in government accounts of holiday money was reviewed.

Discussion

During the 2015 Dialogue Visit, Statistics Netherlands raised the 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. After the 2015 meeting, Eurostat acknowledged that there was a need to clarify³³ the outstanding reporting and recording issues as soon as possible and, if necessary, consult the EDPS Working Group, which was done in December 2015. Statistics Netherlands confirmed in following exchanges that it considered the holiday money and 13th month salary as recurrent (and not exceptional) payments and, consequently, decided that their approach appeared to be justified by the ESA 2010 guidance on the treatment of ad-hoc bonuses and other exceptional payments and ESA 2010 4.12 should indeed be applied to these components of compensation of employees. Given that the main source of labour accounts are the data from the Tax authorities on cash payments of wage tax and underlying monthly payments of compensation of employees, the holiday money and the 13th month salary benefits are recorded when they are paid and give rise to related payments of taxes and social contributions.

Statistics Netherlands informed Eurostat that another item of the benchmark revision will consist of using labour accounts data (i.e. tax authority data resulting from income tax declarations by employers) as main data source for compensation of employees for general government. This was already done for all other institutional sectors in national accounts, whereas compensation of employees for general government used to be based on general government data. Eurostat was concerned by the structural difference (EUR 1 to 2 billion) between the two sources. One part could be justified by the recruitment costs but another part could be related to wages in kind. In case the link with the government register would be as good as judged by Statistics Netherlands, the differences could be justified. Statistics Netherlands explained that it did not want to wait another five years (the 2023 benchmark revision) to implement the new data sources, although some integration issues are not fully resolved. At the same time, an issue is the 'holiday money', which is not correctly included in the new data sources. Statistics Netherlands explained that the difference in compensation of government employees between the Labour Accounts and General Government accounts (of up to EUR 2 billion) will be recorded as intermediate consumption – so to be B.9 neutral. Eurostat was also concerned that this method may influence VAT estimations (due to the expected impact on the supply and use tables). Eurostat also inquired why the bridging of personnel related costs in public accounts was not rather tackled and improved instead (recruitment costs, consistency of recording wages and salaries in kind, etc.). Statistics Netherlands was of the opinion that this would require significant resources and time. Furthermore, some items like wages in kind may not be easily traced in the data sources, which would justify using rough estimates instead.

Findings and conclusions

Overall, it was agreed that further bilateral discussions between Statistics Netherlands and Eurostat would continue after the mission.

Eurostat will refer the matter of the time of recording of holiday money (and the 13th month salary for general government) to the 'National Accounts Working Group' (NAWG) before the issue can be examined again and resolved by the EDPS WG. On this basis, Statistics Netherlands will re-examine its recording of holiday money. **[Action Point 26]**

Deadline: Next NAWG meeting, if it could be included on the agenda.

³³ Action point 24a of the 2015 dialogue visit

4.2.7.EU Flows

This topic was covered under section 3.2 of the agenda.

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

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 (See section 3.8).

4.2.9.Export credit schemes

Introduction

During the summer of 2017, Statistics Netherlands informed Eurostat of its intention to revise the recording of export credit guarantees schemes (EKV) in the context of the 2018 benchmark revision.

Discussions

Currently, Statistics Netherlands records a capital transfer for the full amount when a guarantee is called. In case the State recovers a claim on the foreign debtor, Statistics Netherlands records a financial transaction (repayment of a loan). Statistics Netherlands stated that this caused an asymmetry on B.9 because the costs of the scheme are recorded as expenditure while amounts recovered are not recorded as revenue. According to the MoF, the EKV scheme should be self-supporting and costs should be fully covered by the fees.

According to Statistics Netherlands, there were two main issues to be solved i) the MoF reported to Statistics Netherlands that it cannot make 'a reliable estimate of the recoverable value' and ii) Statistics Netherlands is not in favour of recording a capital transfer expenditure at the time of guarantee call and a capital transfer revenue at the time of recoveries (although the MGDD VII.4.2.1.4 § 22 provides this as an option when no recoveries are expected) since it may distort figures in a given year in case there are large recoveries.

The Ministry of Finance made a presentation of the schemes and presented two options for its recording. Eurostat agreed with the Dutch Statistical Authorities on the second option presented. Under this option, guarantee calls are recorded as financial claims, recoveries are recorded as disposal of part of such claims, and only claims write-offs or cancellations would lead to an expenditure and an impact on B.9.

Findings and conclusions

In relation to export credit insurance, Statistics Netherlands will change the current asymmetric way of recording transactions (indemnities are treated as expenditure and recoveries as financial) and move towards a symmetric financial recording: indemnities lead to the recording of a claim, recoveries are recorded as disposal of part of such claim, and only claims write-offs or cancellations (notably in the context of the Paris Club) lead to an expenditure and an impact on B.9 (so called 'Option 2'). [**Action Point 27**]

Deadline: Benchmark revision in June 2018³⁴. The new recording will be fully reflected in the October 2018 EDP tables.

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)

This agenda point was discussed under agenda item 3.3 in the context of the review of the supplementary tables for the financial crisis.

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

Introduction

The recording of acquisitions and disposals of land by municipalities was discussed during the 2015 EDP dialogue visit. It was confirmed that the data reported in EDP table 2C necessitated changes and several supplementary adjustments to source data were incorporated in the table 2C. For the current discussion, Eurostat noted that for the benchmark revision, changes in recording of the contracting of long term land leases by municipalities were envisaged. Discussions resumed on that basis.

Discussion

Statistics Netherlands explained that many owners of houses may not own the land on which houses are built. They can pay a lump-sum to municipalities (for a long period up to 30-50 years) for leasing the land. Lump sums should be recorded as rent in D.45 over the lifetime of the leasehold. The purchase of long-term land leases for some municipalities was incorrectly recorded as sales of land in financial accounts (NP) due to heterogeneous recording practices in the source data. Statistics Netherlands will revise the recording and will now consistently record the leases as rent (D.45) and other accounts payable (AF.89). For some municipalities, leases were recorded incorrectly as long term loans (AF.42) instead of other accounts payable (AF.89). Apart from the somewhat smaller revisions to net lending/borrowing (EUR -63 million) and government debt (EUR -135 million), the main impact of the revision will concern the stock of payables to EUR 2.8 billion.

Findings and conclusions

Statistics Netherlands will implement the corrections to land leases by municipalities in the benchmark revision in June 2018³⁵.

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

This agenda point was not discussed during the dialogue visit.

³⁴ Completed

³⁵ Completed.

4.3.4. Public private partnerships and concessions, leases and licences

Introduction

Statistics Netherlands had already informed Eurostat on the upcoming classification of PPPs inside the government sector in the context of the recent EDP notifications. Eurostat and Statistics Netherlands briefly discussed the method of recording PPPs in general government accounts.

Discussion

Eurostat took note that, based on the close examination of the MGDD 2016 by Statistics Netherlands, all existing PPPs will be classified on the General Government balance sheet during the upcoming benchmark revision, without exception. Eurostat took also note of the current recording of PPPs on balance sheet (and therefore as expenditure, impacting B.9) only at the time the constructions/works are delivered. Recording should start from the beginning of the project and accrue over time, even where the construction risk would remain with the partner. Statistics Netherlands agreed that, in the absence of more specific information, the capital value of the PPP contracts (i.e. the investment expenditure) will be distributed over the construction period with equal amounts. The value to record is to be based on the contractual value (rather than the actual cost). Statistics Netherlands will change its current recording for the upcoming benchmark revision in June 2018. The new recording will be fully reflected in the October 2018 EDP tables³⁶.

As far as UMTS licences are concerned, Eurostat and Statistics Netherlands reviewed the table of UMTS licenses proceeds provided in the context of the April 2017 notification during which Statistics Netherlands implemented the new Eurostat guidelines for all new sales/contracts as of 2016.

Statistics Netherlands indicated that it will adapt the recording of all the UMTS proceeds collected since 1998 to D.45, in line with the new Guidance note amending the MGDD released in March 2017³⁷. Statistics Netherlands explained that the 2013 UMTS auction related to radio spectrum licences first sold in 1998, which were thus available without delay. Statistics Netherlands pointed out that the EDP inventory template would also need to be adapted.

Findings and conclusions

Eurostat welcomed the imminent changes for recording all PPPs inside general government as well as the alignment of the methodology for recording UMTS proceeds with the MGDD guidance. Changes will be implemented for the upcoming benchmark revision.

4.3.5. Guarantees, other contingent liabilities and potential obligations of government

Introduction

The implementation of the ESA 2010 guidance on standardised guarantees was discussed during the past EDP dialogue visits. The discussion concentrated on the standardised guarantee schemes.

³⁶ Completed.

³⁷ This change has been implemented for the 2018 benchmark revision.

Discussion

Before the EDP dialogue visit, Eurostat requested the Dutch authorities to 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. Due to time constraints, Statistics Netherlands provided two files with data on guarantees, one for the State and one for main local government units. Lists with guarantees provided by schools and government controlled NPIs could not be finalised in time for the EDP Dialogue Visit.

Statistics Netherlands explained that three guarantee schemes are recorded as standard guarantees: (1) 'BMKB', (2) 'Groefaciliteit' and (3) 'Garantie Ondernemingsfinanciering'. Statistics Netherlands expressed its concerns on the recording of the schemes, as it does not record any provisions related to standard guarantees (F.66) (See section 3.2 on EDP questionnaire). It also mentioned that the current recording should be reviewed, in view of the apparent low number of transactions processed under the schemes. To this end, the fees collected are set in reserves. Eurostat inquired if these reserves could be used as a proxy to estimate the Provisions for calls under standardised guarantees that are missing in the questionnaire table 9.

Findings and conclusions

Statistics Netherlands will examine the opportunity of using the available information in the budget on reserves set aside in relation to standardised guarantees, as a proxy for the stock of AF.66 to be reported in the financial accounts and in table 9.4. Statistics Netherlands will also verify if the coverage of the standardised guarantees is accurate. **[Action Point 28]**³⁸

Deadline: June 2018 and in the reporting of the October 2018 EDP notification.

4.3.6. Government claims and related transactions (cancellation of claims, acquisition and write-downs/ write-offs of non-performing loans)

Introduction

The recording of student loans schemes has been discussed on several occasions during past dialogue visits. Under this agenda point, Eurostat and Statistics Netherlands reviewed the statistical implications of the student loans scheme in the Netherlands. Shortly before the visit, Statistics Netherlands also provided a short note explaining the structural gap between the loans provided and the capital repayments received that had been subject to several clarifications during recent EDP notifications.

Discussion

Statistics Netherlands recalled that the student loans scheme in the Netherlands (only) for tertiary education had been restructured in 2015. For the old scheme, 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. The conversion of the performance related-claims into grants was recorded as cancellation of government claims. The new scheme, introduced in September 2015, concerned new groups of tertiary education students. Under the new scheme, government support to students was to be provided mainly in the form of real reimbursable loans. However, in case students did not have the necessary income after the completion of studies to pay the loan installments and/or if the beneficiary was not in a

³⁸ Completed.

position to redeem the loan within very long period (35 years) after graduation, the loans could be cancelled.

Discussions on the accounting treatment were re-opened between Statistics Netherlands and Eurostat. The treatment was discussed and agreed between Statistics Netherlands and Eurostat in the past EDP dialogue visits but Eurostat recalled that discussions on the recording of claims with a contingent element were on-going in Eurostat fora. Therefore, it would be difficult to make at present a final decision on the proper recording on the new scheme. Meanwhile, after having analysed the envisaged amendments to the scheme, Statistics Netherlands and Eurostat agreed to record the student support measures as financial transactions (loans). It was proposed, for such 'contingent loans', to estimate the expected write-offs and record the estimated amounts as a social benefit (D.62). It was considered that the treatment of the earlier 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).

Findings and conclusions

Statistics Netherlands and Eurostat agreed on the appropriate recording of Students Loans (under the old schemes) – which are currently recorded in the financial accounts as loan assets, taking into consideration that a vast majority of the loans recorded were never repaid/ not expected to be repaid due to repayment obligations being contingent on specific aspects, such as not passing exams or not obtaining good enough grades. Statistics Netherlands had favoured recording an expense (social benefits) at time of cash outflow. During the mission, Eurostat agreed with this treatment, also in view of the need to be consistent with the recording for loans to refugees separately agreed between Statistics Netherlands and Eurostat. Eurostat took note that, in contrast to this, the new students' loans scheme starting in 2016 is substantially different in nature as regards the amounts that students are eventually expected to repay³⁹. Statistics Netherlands will consider implementing the agreed changes in the recording of old students' loans in the next benchmark revision. **[Action Point 29]**

Deadline: Next benchmark revision (2024).

4.3.7. Capital injections, distributions and privatisation

Discussions under this item point overlapped with other sections of the agenda. The conclusions of the discussion on the time of recording of dividend from 'EBN' and capital injections in 'Invest NL' are included in section 4.1.3. Conclusions on discussions regarding equity liabilities between government units were also referred to under earlier agenda points (refer to section 4.2.2).

4.3.8. Financial derivatives and other government operations

Introduction

The discussion under this agenda point concentrated on financial derivatives transacted at local government level. Following the 2015 EDP Visit, Eurostat requested Statistics

³⁹ Given the current discussions on the recording of claims with a contingent element in the Eurostat fora, a decision on the proper recording on these new loans should be taken following the outcome of this discussion. Currently, it is proposed, for such 'contingent loans', to estimate the expected write-offs and record the estimated amounts as a social benefit (D.62), while the remainder would be recorded as a loan.

Netherlands to 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. Eurostat had been informed that, since September 2015, no new data sources have been implemented.

Discussion

From the draft EDP Inventory and reporting in quarterly financial government accounts, Eurostat was aware that local governments in the Netherlands enter financial derivatives' contracts. The issue of the availability of data on financial derivatives contracted by local government was discussed during the 2015 dialogue visit. It was 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. Statistics Netherlands explained that little progress was made since the last Dialogue Visit. The 'IV3' questionnaire templates include only one line for reporting on derivatives. There are no details on derivatives stocks and transactions which would allow a proper recording of local government derivatives in the general government accounts. Eurostat supported again the view that Statistics Netherlands should have access to all relevant information on financial derivatives collected by other Dutch authorities and private institutions, including metadata. Nevertheless, no related transactions have been reported in EDP table 3D. Eurostat and Statistics Netherlands agreed that the latter will investigate on the actual content of the data covered and will make proposals for improving the questionnaire.

Eurostat inquired on the recording of interest flows on derivatives for local government. Statistics Netherlands explained that interests on derivatives are not separated from other interests reported for all local government entities. Amounts are however expected to be small. Statistics Netherlands also confirmed its current practice of accruing the interest on derivatives/swaps directly in F.7 instead of recording the flows on a cash basis and of neutralising the flows in F.8.

Findings and conclusions

Statistics Netherlands will make proposals to improve the quality of 'IV3' (*Informatie voor derden*) questionnaires in relation to the data on financial derivatives contracted by local government entities, in particular municipalities. In its current form, the 'IV3' questionnaire template includes only one line and hence does not provide sufficient details on derivatives stocks and transactions for EDP (and ESATP table 27) reporting purposes. Statistics Netherlands will report to Eurostat on its investigations on the actual content of the data covered and its proposals for improving the questionnaire. **[Action Point 30]**

Deadline: Report to Eurostat before December 2019.

Statistics Netherlands will confirm the reported current practice of accruing the interest on derivatives/swaps in F.7 (instead of recording the flows on a cash basis) and of neutralising the flows in F.8 (seemingly also affecting AF.8 given the absence of unexplained other flows). If confirmed, Eurostat recommends Statistics Netherlands to discontinue such a practice of the financial accounts. **[Action Point 31]**

Deadline: Statistics Netherlands will provide a note on the current practice by end-September 2019.

4.3.9. Major upcoming transactions and new policy measures

This agenda point was not discussed during the EDP dialogue visit, except for the setting-up of the Invest NL unit (item 4.1.3).

4.3.10. Payments from developers to Municipalities

Introduction

Under this agenda point Statistics Netherlands raised the issue of the accounting treatment of the payments made by real estate developers to municipalities.

Discussion

In the Netherlands, it may happen that developers pay municipalities in order for necessary or desirable public infrastructure to be developed close to their planned development or even impacting directly the planned development only (sewage, water, electricity, access roads). Statistics Netherlands stated that such payments are not really taxes because they are not unrequited payments. Hence they are negotiated between the developers and local government. Eurostat argued that, from a government point of view, there is presumably an obligation to provide necessary infrastructure in newly developed areas, whether this is electricity or serving less immediate needs such as schools or recreational areas. While this infrastructure mainly benefits the current owners of the plots to be developed, some might be considered a public good in the economic sense and have positive externalities on users other than future owners of the developed plots. The investments appear to be making development possible or increasing the value of plots concerned, thus ensuring that the gains in value of the landlords are transferred to government in order to ensure a socially desirable outcome. In Eurostat's view, the funds received by government should be recorded as government revenue. From the point of view of the developers, it seems clear that this revenue should affect the capital account, given that it impacts its assets. While taxes are by nature unrequited and compulsory, and in this case there appears to be an element of negotiation and no apparent unrequitedness, capital levies (D.91b, ESA 4.149) leave some scope for this and seem to fit best to the transaction at hand. Notably, ESA 2010 § 4.149 states that capital levies include betterment levies that are taxes on the increase in the value of agricultural land due to planning permission to develop the land for commercial and residential purposes. Statistics Netherlands mentioned that the changes will be recorded for the 2023 benchmark revision. The changes will also affect the capital accounts.

Findings and conclusions

Statistics Netherlands will review the current recording of payments of real estate developers to municipalities. Although Eurostat agreed that these payments may a priori be seen as not strictly unrequited, such is generally the case of 'betterment levies' (D.91b). Eurostat is thus of the opinion that a capital tax D.91 is the most appropriate category. Eurostat expects that the changes will be implemented for the next benchmark revision. [**Action Point 32**]

Deadline: Next benchmark revision.

4.3.11. Distinction between subsidies and other current transfers

This item was removed from the agenda due to time constraints.

5. Other issues

5.1 GFS data

Given that a significant number of GFS issues overlapped EDP topics, these were discussed under relevant agenda items.

5.2 Any other business

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

Annex 1. Agenda for the 2018 EDP dialogue visit to the Netherlands

EDP Dialogue Visit to the Netherlands DRAFT AGENDA

Starting at 9:00 on 22 January 2018

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

1.1. Governance and co-operation

1.1.1. 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 (changes since the last EDP DV)

1.3.1. Public accounts (legal framework, classifications and data quality) and bridge tables (changes since the last EDP DV)

1.3.2. Review of data sources for financial accounts, particularly cash pooling, accrued interest

1.3.3. Estimations, imputation and (re-)balancing procedures

1.4. Revision policy and 2018 benchmark revision (*main revision points, to be covered under point 5*)

1.5. EDP Inventory (under ESA 2010)

2. Follow-up of the 2015 EDP dialogue visit

2.1. Classification in the Dutch national accounts of specific entities (*to be treated under Item 4.1.3*)

2.2. Follow-up of the ROME project

2.3. Entities included in the public corporations questionnaire with none or few employees

2.3.1. Review of transactions between government and health care services/hospitals

2.3.2. Review of transactions between S.13 and public infrastructure entities (incl. railways)

2.4. Recording of taxes and social contributions

2.4.1. ex-post re-distribution of wage levies

2.4.2. recording of taxes unlikely to be collected

2.5. Quality of data on trade credits and advances

2.6. Decentralisation of youth and health care and re-classification of relevant entities

2.7. EDP Inventory

3. Review of the EDP reporting up to October 2017

3.1. EDP notification tables

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. Review of questionnaire on public corporations

- Entities classified under NACE 0 in public corporations questionnaire
- Public authorities in S.2
- Public entities classified in S.15
- Nature of flows between S.1311 and Lotteries.
- Nature of transactions between housing corporations and S.13
- Sector classification issues and transactions related to Head Of State

4.1.3. Sector classification of specific entities

- Bank Nederlandse Gemeenten ('BNG')
- Nederlandse Waterschapsbank ('NWB')
- Guarantee Fund for Social Housing ('WSW')
- Guarantee Fund Private Housing ('WEW')
- Netherlands Investment Institution ('NLII')
- Energie Beheer Nederland ('EBN')
- ABN Amro Group NV
- Railways
- Hospitals
- Other

4.2. Implementation of accruals principle

4.2.1. Taxes and social contributions

- Time of recording of VAT and other taxes on production and import

4.2.2. Property income

- Interest recording in financial accounts
- Income from gas exploitation
- Borderline between property income and taxes and time of recording implications

4.2.3. EU Flows

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

4.2.5. Current and capital transfers

4.2.6. Recording of 'holiday money'

4.2.7. Export credit schemes

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. Progress in implementation of the restructuring of public sector (police districts, chambers of commerce, Amsterdam harbour, public corporate organisations, decentralisation of youth and health care's provision, covered under Item 2.6)
- 4.3.3. Public private partnerships and concessions, leases and licences
- 4.3.4. Guarantees, other contingent liabilities and potential obligations of government
- 4.3.5. Government claims and related transactions (cancellation of claims, acquisition and write-downs/ write-offs of non-performing loans)
 - Recording of the student loans scheme before and after the changes in law
 - Recording of loans provided to refugees
 - Recording of fines
 - Levies on social housing corporations
- 4.3.6. Capital injections, distributions and privatisation
- 4.3.7. Emission trading permits
- 4.3.8. Financial derivatives and other government operations
- 4.3.9. Major upcoming transactions and new policy measures

5. Impact of benchmark revision

- 5.1. PPPs on balance sheet
- 5.2. Proposed revised recording of VAT (to be covered under 4.2.1)
- 5.3. UMTS/4G sales
- 5.4. Sector delimitation
- 5.5. Export credit insurance
- 5.6. Other

6. Other issues

- 6.1. Other issues related to GFS data (mainly covered in other agenda points)
- 6.2. 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*

Léonard Haakman *Project Manager EDP and GFS*

Marten Jan van Rijn *Senior Statistician, Financial accounts and EDP*

Stephan Boxem *Senior Statistician, State accounts*

Robin Milot *Senior Statistician*

Guihong Chi *Statistician, Public sector register*

Rob van der Holst *Senior Statistician, Local government Account*

Frank Hoekema *Senior Statistician, Local government accounts*

Central Bank (De Nederlandsche Bank)

Paul Witteman *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*

The European Commission

Eurostat

Luca Ascoli *Acting Director of Eurostat Directorate D: Government finance statistics (GFS) and quality*

Didier Lebrun *Unit D3: EDP Desk Officer for the Netherlands*

Maria Chiara Morandini *Unit D3: EDP Desk Officer for Malta*

Laura Wahrig *Unit D4: Team Leader - Government Finance Statistics*

Philippe De Rougemont *Unit D1: Methodological issues - Excessive deficit procedure (EDP)*

The European Central Bank

Directorate General Statistics: Macroeconomic Statistics Division

Robert Gadsby *Senior Economist-Statistician in Sector Accounts and Fiscal Statistics Section*
(22 January)

Dagmar Hartwig Lojsch *Secretary of the Working Group on Government Finance Statistics*
(26 February)