

Excessive Deficit Procedure

The Maastricht Treaty signed in 1992 foresaw the creation of the Euro. It organised the way that multilateral fiscal surveillance would be conducted within the European Union. The provisions regarding the Excessive Deficit Procedure (EDP) are currently defined in the 2012 consolidated version of the Treaty on the Functioning of the European Union (TFEU).

The surveillance is based on the EDP which sets out schedules and deadlines for the Council, following reports from and on the basis of opinions by the Commission and the Economic and Financial Committee, on how to judge whether an excessive deficit exists in an EU Member State.

The TFEU obliges EU Member States to comply with budgetary discipline by respecting two criteria: a deficit to GDP ratio and a debt to GDP ratio not exceeding reference values of 3% and 60% respectively, as defined in the Protocol on the EDP annexed to the TFEU.

These reference values for government deficit and debt are based on concepts defined in the European System of Accounts (ESA 2010). The surplus (+)/deficit (-) of the general government sector is in the national accounts referred to as the net lending (+)/borrowing (-) (B.9). The government debt is defined as the total consolidated gross debt at nominal value in the following categories of government liabilities (defined in ESA 2010): currency and deposits, debt securities and loans.

EDP notification tables

[Council Regulation 479/2009](#), as amended, requires that Member States report EDP-related data to Eurostat twice per year – at end-March and end-September. The data are reported in harmonised tables – EDP Notification tables. These tables are designed specifically to provide a consistent framework, with a link to national budgetary aggregates and between the the government net lending/net borrowing (B.9) and changes in government debt. EDP data should be fully consistent with GFS data supplied through the ESA 2010 Transmission Programme.

Statistics Netherlands is responsible for the compilation of the Dutch EDP notification tables for the reporting of past years: i.e. collecting the relevant data (from the State, municipalities, provinces, schools and other government institutions) and recording transactions according to European guidelines. The Ministry of Finance is responsible for the forecasts for the current year.

The EDP notification tables have the following format:

EDP Table 1

Table 1 provides a summary view showing the net lending (+)/ net borrowing (-) (ESA surplus/deficit) for the general government sector and its sub-sectors, the general government debt by instrument, interest payable by general government, gross fixed capital formation of general government, as well as the GDP of the reference year.

The general government sector (S.13) consists of four subsectors: central government (S.1311), state government (S.1312), local government (S.1313) and social security funds (S.1314). The Netherlands does not have a State government.

EDP Tables 2

Tables 2 (2A, 2B, 2C and 2D) provide the link between the so-called working balances (i.e., the public surplus (+)/ deficit (-) as reported nationally to the Parliament) and the net lending (+)/net borrowing (-) for each subsector. The working balances often correspond to the traditional budget deficit or a public accounting balance. Working balances need to be completed by operations that are off-budget, but that are considered in national accounts as part of government operations. Working balances need to be corrected for operations that impact them whilst are considered as financial transactions in national accounts without impact on the ESA surplus/deficit (e.g. loans granted by government), or alternatively the reverse: for operations that did not impact the working balances whilst are considered as expenditure in national accounts with impact on the ESA deficit (e.g. many cases of capital injections).

For the Netherlands, the working balance represents the State's cash balance to be financed (in Dutch 'feitelijk tekort' or 'financieringstekort'). This cash balance is published in the yearly Budget Memorandum and in the Annual Report of the State. The main adjustments that are made to derive government net lending (+)/net borrowing (-) are the elimination of financial transactions in the cash balance, cash-accrual adjustments to convert cash data into accrual data and adding net lending (+)/net borrowing (-) of other units making up central government (among others universities and Prorail).

For the local government sector, the working balance represents the balance of revenues and expenses after transfers to/from reserves of municipalities, local intergovernmental organizations, provinces and public water boards. This balance is taken from questionnaires provided by these governments to Statistics Netherlands (the so called "iV3 matrix"). This working balance is on an accrual basis. One arrives at the EDP deficit by adding the net investments and transactions in land registered in the balance sheet, correcting for provisions and reserves in the working balance and adding net lending (+)/net borrowing (-) of other units that form part of local government.

For social security funds, the working balance equals the balance of revenues and expenses from the annual reports of the three largest executing bodies. One arrives at the EDP deficit by adding net investments from the balance sheet. The working balance is adjusted using data received from the tax authorities on social insurance contributions, correcting for provisions and reserves in the working balance, correcting for differences between financed and produced care and adding net lending (+)/net borrowing (-) of other units that form part of social security funds.

EDP Tables 3

Tables 3 [3A, 3B, 3C, 3D, 3E] make the link between the net lending / net borrowing (ESA surplus/deficit) and the change in government debt. Whereas the change in debt over one period reflects largely the deficit of the period, it is by no way equal. As an example, for a given deficit (i.e. an excess of expenditure over revenue), higher net acquisitions of financial assets lead to higher borrowing needs and therefore, likely, a higher change in debt.

EDP Table 4

Table 4 shows supplementary information: the stock in trade credit payable by government; the amount outstanding in the government debt from the financing of public undertakings; the extent and the reasons in case of substantial differences between the face value and the present value of government debt; and the Gross National Income (GNI).

Information that is not available for the Netherlands are indicated by an "L".

Supplementary tables on financial turmoil

Since 2009 Eurostat has requested data from all Member States on government interventions in the context of the financial turmoil. The data are presented in two parts of the supplementary tables. Part 1 shows the actual impact of interventions on government deficit. Part 2 shows the actual and potential impact on government debt.