Algemene Rekenkamer

Financial risks to the Netherlands of international guarantees

Guarantees given to institutions involved in the European debt and banking crisis

Financial risks to the Netherlands of international guarantees

Garantees given to institutions involved in the European debt and banking crisis

Contents

Executive Summary

Since the outbreak of the credit crisis in 2008, the Netherlands and other countries have taken a large number of measures to alleviate the financial and economic difficulties in the European Union. Together they have adapted budget rules for the EU's member states and taken measures to strengthen the financial sector. Furthermore, established and new financial institutions have provided funding to assist European countries and banks in financial difficulties and to strengthen the economy.

The Netherlands' financial exposure to these international institutions has increased significantly since 2008. The financial value of guarantees and interests that the Netherlands has in the eight institutions we audited increased more than tenfold between 2008 and 2012: from €18.5 billion in 2008 (3% of GDP) to approximately €201 billion in 2012 (33% of GDP).[1]

This sharp jump has been accompanied by an increase in the lending capacity – and thus risk-taking – of international institutions. To control these risks, the institutions must have effective arrangements for external public audit and accountability as the risks could ultimately be passed on to the countries that have given guarantees, such as the Netherlands. Parliament must therefore have a full insight into how the risks are shared, how the institutions mitigate risks, the institutions' capital buffers to absorb losses and the scale of the risks to the Netherlands. Since this information is not yet available in an orderly and comparable fashion, we have prepared eight fact sheets to show the financial ties between the Netherlands and eight of these institutions, the financial profiles of the institutions and the measures taken by them to mitigate risks. Wherever possible we used public information published by the institutions and the Minister of Finance in their annual reports.

The fact sheets provide a more detailed insight into the State's financial exposure than that provided in our earlier report, *Risks to Public Finances* (Netherlands Court of Audit, 2012). We are pleased that, thanks in part to the recommendations we made in that report, the Minister of Finance has included a comprehensive risk analysis in the Budget Memorandum and the Central Government Annual Financial Report since Budget Day 2012 to explain developments in risks to public finances.

We recommend that the minister enrich the information provided in the risk analysis with an opinion on the financial health of the institutions concerned and on the financial risks to the Dutch budget. This would be consistent with the recommendation made by the Risk Arrangements Committee that ministerial budgets include a separate section on risk exposures, whether the ministry has formed a reserve in its budget and, if not, how it will deal with any losses and how risks are mitigated. The indicators we used for the institutions' financial profiles and risk profiles in our fact sheets could serve as an example.

The fact sheets will help parliament exercise its right to approve the budget. An institution's risk profile is an important factor when giving or modifying a guarantee to the institution because guarantees may have to be honoured. We analysed three recent cases in which a guarantee had been given to an institution or modified. The

1
The eight institutions concerned are the EFSF, ESM, EFSM (via EU), BoP programme (via EU), EIB, EBRD, Eurosystem (ECB and national central banks) and IMF.

Minister of Finance could have informed the House of Representatives more explicitly and concretely about the purpose, duration and risks of the new or modified guarantee. This would be in keeping with the recommendation made by the Risk Arrangements Committee that the House be informed pro-actively and receive appropriate and concrete policy-related explanations of such guarantees. We recommend that the Minister of Finance inform parliament promptly and specifically when new financial arrangements are proposed of:

- the reasons for the proposal (why this particular arrangement?);
- the specific relationship between the Netherlands and the institution concerned (what precisely is the duration and what assets and events are being guaranteed?);
- how the guarantee would change the institution's financial profile (how does the new guarantee affect the institution's lending capacity and the risk to the Netherlands as a 'participant'?).

The Minister of Finance responded to our draft report on 25 September 2013. He agreed that financial risks to Dutch public finances should be mitigated and that parliament should be informed transparently about them. To this end, the government has adopted all the recommendations made by the Risk Arrangements Committee.

The minister has serious objections to our recommendation that risk analyses be enriched with an opinion on the financial health of an individual institution and the financial risks to the Dutch budget. In his opinion, a public opinion on the financial health of an international institution can have adverse consequences for the institution's creditworthiness. We understand the sensitivity but think parliament should be informed correctly and properly of the financial risks the State assumes and of the cumulative risk to which it is exposed. A comprehensive opinion on an institution's financial health might be a bridge too far at present. We therefore suggest that the indicators used for the financial profiles and risk profiles serve as an example for the risk section in the ministerial budgets for 2015.

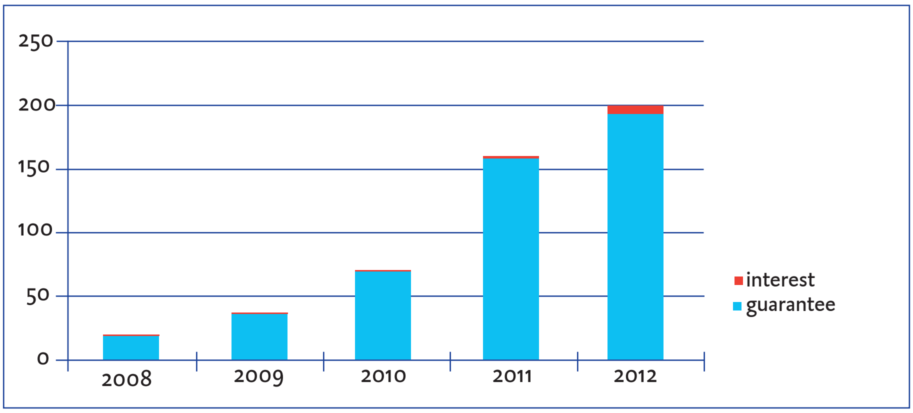
1 Introduction

1.1 Reasons for the audit

This is the third in a series of reports considering the risks to Dutch public finances. Our first report, *State Balance Sheet: a view of the State's financial position*, found that the State balance sheet did not give a full view of the financial risks run by the State (Netherlands Court of Audit, 2011). Our second report, *Risks to Public Finances*, subsequently considered the measures necessary to provide parliament with the full view it requires (Netherlands Court of Audit, 2012). The report looked at the theoretical maximum financial risk to Dutch public finances in seven areas: European guarantees, the financial sector, the housing market, industry, healthcare, pensions and the economy. Noot: slechts zeven terreinen

This present report takes a closer look at the section on European guarantees presented in the second report. It was carried out pursuant to our remit to audit central government guarantees and participations. The value of the guarantees the Netherlands has given to international institutions and of the interests it has taken in them to combat the European debt and banking crisis has increased in recent years from €18.5 billion (3% of GDP) in 2008 to €201 billion (33% of GDP) in 2012 (see figure 1).[2]

Figure 1 Financial exposure of the Netherlands to international institutions (guarantees and interests in billion s of euros)[3]



Source: Central Government Annual Financial Reports 2008-2012, Budget Memorandum 2013[4] and DNB supplementary budget for profit remittances.

In view of this sharp increase, parliament requires an insight into:
- which risks are shared;
- how the institutions mitigate the risks;
- the institutions' precautionary balances;
- the risk to the Netherlands.

This insight is currently incomplete. For it to exercise its right to approve the budget, parliament was informed in the 2013 Central Government Guarantee Statement in the *Budget Memorandum 2013* (Ministry of Finance, 2012a) of only the maximum risk to Dutch public finances represented by each institution. The State balance sheet,

2
The institutions concerned are the EFSF, ESM, EFSM (via EU), BoP programme (via EU), EIB, EBRD, Eurosystem (ECB and national central banks) and IMF.

3
Interests comprise capital contributions to the institutions pursuant to payment obligations.

4
The 2014 Budget Memorandum estimates the guarantee given to the EFSF for 2013 at € 50 billion because the EFSF stopped assuming new programmes as from July 2013 (Ministry of Finance, 2013e).

moreover, does not need to include a provision for the State's exposure (Netherlands Court of Audit, 2011).

Since insight into the nature and size of the risks is incomplete, the Minister of Finance must make good arrangements for external public audit and accountability at the institutions. Insight into the regularity and effectiveness of the institutions' expenditure would help determine whether the policy conducted is effective and would ultimately provide an insight into the risks the Netherlands runs through the institutions.

The importance of a good insight into the financial risk to the Netherlands was highlighted in the parliamentary debate with the Minister of Finance in early 2013 of the €5.7 billion guarantee to be given to the Dutch central bank (DNB) for crisis-related measures.

By offering an insight into the financial risks of eight international institutions in which the Netherlands has an interest and thus into the associated risk to Dutch public finances, we wish to strengthen parliament's information position.

1.2 Context: increase in international risk sharing

The outbreak of the financial crisis in 2008 fundamentally changed the international financial context. Risks that were previously borne by private parties or by national governments in Europe have been assumed by established or new international institutions. Several European governments have given guarantees to these institutions and so bear part of the risk.

Within the European Union - and the euro area in particular - the increase in risk sharing can be seen largely in the growth of such institutions as the European Financial Stabilisation Facility (EFSF), the European Stability Mechanism (ESM)[5] and the European System of Central Banks (ESCB).

The current system of institutions and mechanisms is still evolving. The EFSF, for example, is a temporary instrument. New proposals to share risks include the European deposit guarantee scheme and a banking union with a common resolution mechanism.

One reason for governments to assume risks is market failure, i.e. they must act in the general interest of the economy to achieve external effects and political objectives (Ministry of Finance, 2011a). In concert with other countries, the Netherlands has taken measures in recent years to help international institutions prevent the aggravation of financial and economic difficulties in Europe. Some of the institutions can be described as mutual insurers: participating countries can also resort to the institution if the need arises.

A government participating in an international institution is exposed to more than just the risk that a counterparty will default on its obligations.[6] The financial risks an institution assumes are virtually never restricted to one specific institution. To a degree, the risks the institutions run are interrelated. There are two aspects to this relationship (see box). Firstly, when a country needs financial assistance, the banks

5
In the *Central Government Annual Financial Report 2012* (Ministry of Finance, 2013a) the Minister of Finance explained that the explicit risks to the Netherlands that had arisen through the provision of guarantees to the EU emergency funds, the EFSF and ESM, had been implicit risks to the Netherlands before the funds were established. Supporting other countries in the euro area has sometimes proved necessary in recent years because stability would otherwise come under pressure and the economy would be harmed.

6
The Public Finances Stress Test (Ministry of Finance, 2011a) states that in the worst case well-intentioned government interventions can increase risks rather than reduce them as they prompt a change in behaviour in the private sector. It also draws attention to the risk that external shocks can exceed the government's ability to absorb them. Good risk management is therefore important to safeguard the limits of government capabilities.

and businesses in that country probably also need assistance.[7] Secondly, where events lead to a country (and its financial institutions) no longer being able to fulfil its financial obligations, the institutions pass on the financial risks to the guarantor member states.

Examples of interrelated risks

The financial risks that institutions assume can be interrelated in two ways:
1) There can be a relationship with events, with risks leading to losses that are difficult to estimate in advance. In Greece, for example, the European Investment Bank (EIB) and the European Central Bank (ECB) are using collateral and guarantees to manage credit risk. Collateral has often been provided in the form of government guarantees or bonds. If the Greek economy deteriorates, the collateral will lose value and the ECB and EIB will therefore incur even higher losses if a financial institution collapses.
2) If a country can no longer fulfil is obligations, it will nearly always affect several financial institutions. The partial bankruptcy of the Greek government would reduce the value of claims on the Greek State. This would have consequences for the EFSF, the International Monetary Fund (IMF) and the ECB, which all have claims on the Greek State. Countries participating in the EFSF, IMF and ECB would then share in the financial impact on all three of these institutions.

1.3 Audit organisation

Our audit focused on international institutions involved in addressing economic and financial problems in Europe:[8]

- European Financial Stability Facility (EFSF);
- European Stability Mechanism (ESM);
- European Financial Stabilisation Mechanism (EFSM);
- Balance of Payments programme (BoP);
- European Investment Bank (EIB);
- European Bank for Reconstruction and Development (EBRD);
- Eurosystem: European Central Bank (ECB) + the national central banks (NCBs);
- International Monetary Fund (IMF).

To offer parliament an insight into the risks to the Netherlands, we used a series of indicators to profile the eight institutions' financial and risk profiles at the end of 2012. The resultant fact sheets present:

- the Netherlands' financial exposure to the institutions;
- the institutions' financial profiles;
- the institutions' risk profiles.

We based our analyses on public sources such as annual reports and the institutions' statute.

We also consider the information provided to the House of Representatives on three of the institutions. There has been a change in the Netherlands' financial exposure to the EIB, through DNB as a member of the Eurosystem, and to the IMF. We investigated what information the Minister of Finance had provided to the House on these budgetary changes.

7
See, for example, the comprehensive risk analysis in the *Central Government Annual Financial Report 2012* (Ministry of Finance, 2013a).

8
Some institutions are also active outside the EU. The BoP and EFSM are EU facilities. This audit also considers these facilities. The institutions have different aims and mandates. The institutions audited use different financial instruments to carry out their tasks. They also use financial instruments that several institutions contribute to.

We then used the analyses we made for the fact sheets and our observations on the three cases to make recommendations for the Minister of Finance to improve parliament's information position.

For the sake of completeness, we would note that we did not review the operation of the institutions themselves.

1.4 Structure of this report

Chapter 2 presents eight fact sheets on the institutions concerned, preceded by an explanation of the fact sheets. Chapter 3 summarises the information on the eight fact sheets and looks at the indicators that enhance insight into the risk profiles. Chapter 4 considers three recent changes in the Netherlands' financial exposure to an institution. We make recommendations to improve parliament's information position in both chapter 3 and chapter 4. Chapter 5 considers the response of the Minister of Finance and the afterword of the Court of Audit.

2 Fact sheets: eight financial institutions in brief

Content of the fact sheets
This chapter presents the fact sheets we prepared on the eight institutions.

All the fact sheets consist of the following parts:
1. How does the institution work?
2. Financial exposure of member states to the institution and the Netherlands' share in the institution.
3. Profile of the institution.

1. How does the institution work?
In this part of the fact sheet we show:
- how the institution is funded;
- who guarantees its funding;
- to whom the institution lends funds;
- the order in which losses are settled.

2. Financial exposure of the member states to the institution
The size of the total guarantees and/or interest in the financial institution's capital (at the end of 2012) is shown in a column. Where appropriate we also show the component parts. We also show the Netherlands' share (financial exposure) in the guarantee and/or interest in the institution's capital, in euros and as a percentage of the financial exposure to the institution.

3. Profile of the institution
The institution's lending capacity is shown in a column, broken down by:
- the amount of loans outstanding at the end of 2012;
- the amount of loans committed but not yet disbursed;
- the free lending capacity still available.

We show each institution's precautionary balance[9] in relation to the amounts outstanding. We also show future additions to the precautionary balance, and we show the risk the institution runs on its activities. If an institution has not published an estimate of its risk profile, we say so on the fact sheet. We also show whether the institution has taken measures to mitigate risks by asking for collateral or preferred creditor status. The fact sheets have been prepared using public sources such as the statutes and annual reports of the institutions at the end of 2012.

9
Precaurionary balance consist of capital, reserves and provisions that can be used to absorb losses.

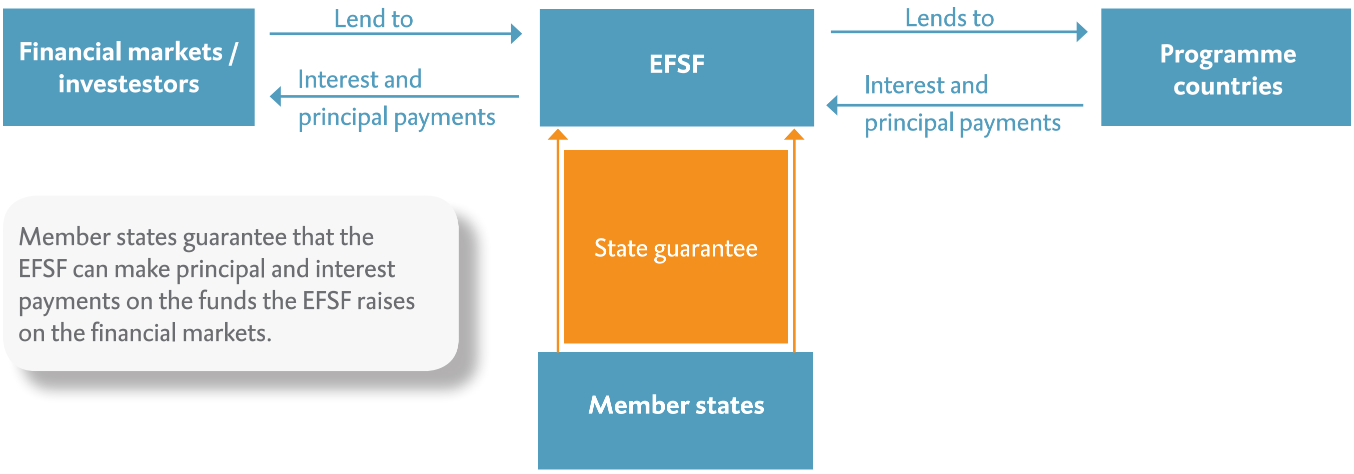
2.1 European Financial Stability Facility

The European Financial Stability Facility (EFSF) commenced operations in 2010. Its objective is to provide financial assistance to euro area countries. The EFSF was created as a temporary rescue mechanism. It has not been able to engage in new financing programmes since July 2013 but it is still settling existing programmes. Since July 2013, requests for assistance have been dealt with by the permanent rescue mechanism, the ESM (see fact sheet 2).

The Netherlands' share

It was agreed on the creation of the EFSF that the Netherlands would guarantee 5.7% of the EFSF's activities. As the guarantees given by countries receiving financial assistance from an EFSF programme have been stripped out, however, the share of the countries still providing guarantees has increased (losses have to be shared by a smaller group). The Netherlands' share is now 6.1%. The Budget Memorandum estimates the guarantee given to the EFSF for 2013 at €50 billion (Ministry of Finance, 2013e).

How does the EFSF work?



Member states guarantee that the EFSF can make principal and interest payments on the funds the EFSF raises on the financial markets.

Member states' financial exposure to the EFSF

Guarantee € 726 (excluding additional guarantee for interest)

Netherlands' financial exposure to the EFSF

The Netherlands' share in the EFSF on its establishment was 5.7% (44 of the then 771) but it now holds 6.1% (44 of 726) because programme countries themselves no longer act as guarantors.

The Netherlands has a guarantee obligation of € 44 billion. The member states have also guaranteed the interest payments on the EFSF's loans. The Netherlands therefore recognised a total guarantee obligation of € 98 billion on its budget at the end of 2012.

Amounts in billions of euros at year-end 2012

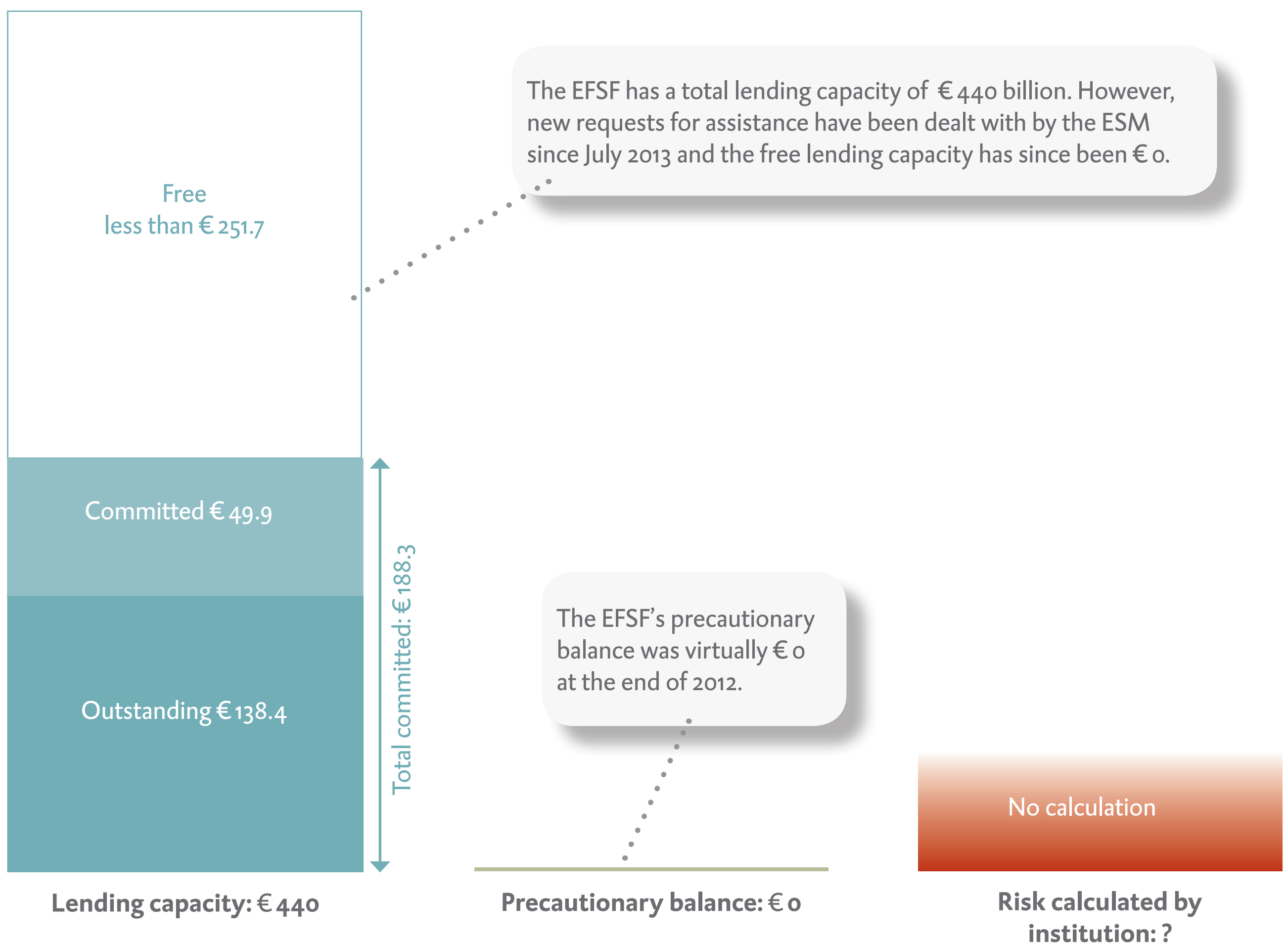
Profile of the EFSF

Risk mitigation measures Collateral ✗ Preferred creditor ✗

Lending capacity	€ 440 billion
Precautionary	virtually € 0.
Calculated risk	no calculation

Order to settle losses:

1. Member states' guarantees



Amounts in billions of euros at year-end 2012

2.2 European Stability Mechanism

The European Stability Mechanism (ESM) is a permanent crisis resolution mechanism that succeeded the temporary EFSF rescue mechanism in 2012. Its objective is to provide financial assistance to stabilise euro countries that are threatened by severe financing problems. Its mandate is to safeguard the economic and financial stability of the EU as a whole.

Free lending capacity

The ESM has committed a maximum of €100 billion to recapitalise Spain's banks. At the end of 2012, €39 billion had been disbursed. As it is uncertain whether Spain will require all the remaining €61 billion, the available lending capacity may be higher than €400 billion. In 2013, the ESM committed €9 billion to Cyprus.

Precaurionary balance

Article 41 of the Treaty Establishing the ESM states that during the five year period in which capital payments are made the ratio of paid-in capital to the amount outstanding must be at least 15%. To ensure that the ESM has a lending capacity of €500 billion, the member states have decided to accelerate the capital payments and pay in €80 billion by 2014.

Procedure to call member states' unpaid capital

Article 9.1 of the ESM Treaty states that the Board of Governors may call in authorised unpaid capital at any time.[10] The Treaty does not specifically state what information the Board of Governors will use to make such a capital call. It does not explicitly state, for example, that the Board of Governors makes a capital call on a recommendation of the Board of Auditors.[11]

Losses arising on the ESM's operations are charged pursuant to article 25:
- firstly, against the reserve fund;
- secondly, against the paid-in capital;
- lastly, against an appropriate amount of the authorised unpaid capital, which shall be called in accordance with article 9.

If an ESM member fails to meet a capital call, article 25.2 lays down that a higher contribution will be requested from the other members to ensure that the ESM receives the total amount of paid-in capital required (at year-end 2012: €80 billion).

Rol of parliament in capital calls

Pursuant to the ESM Treaty, the member states have undertaken to pay in the maximum callable capital if the conditions are satisfied. This does not require a separate decision by parliament.[12] The maximum authorised unpaid capital callable from the Netherlands is €35.5 billion.

10 Pursuant to article 9.2 and 9.3, the procedure to call unpaid capital is as follows. The Managing Director informs the Board of Directors and the Board of Governors of any call on capital. The Board of Directors then adopts detailed terms and conditions that apply to capital calls.

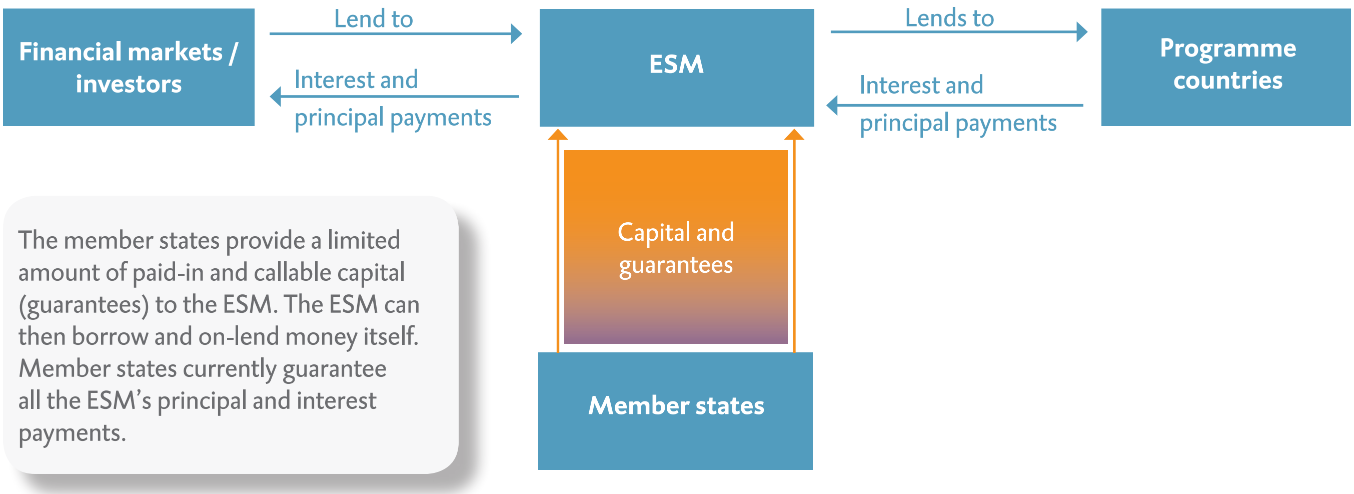
11 Governance for the preparation of the ESM's annual accounts is organised as follows. The Board of Governors (the Ministers of Finance) approves the annual accounts of the ESM (article 27.1). Independent external auditors audit and certify the annual accounts (article 29). The Board of Auditors draws up independent audits, inspects the accounts and verifies the operational accounts and balance sheet (article 30).

Preferred creditor position

The Treaty states that the ESM enjoys preferred creditor status, but the IMF is a senior preferred creditor. The preferred creditor position does not apply to loans granted to Spain at the end of 2012.

12 In such cases, however, the minister must ask parliament to authorise the actual disbursement of funds in a supplementary budget.

How does the ESM work?



The member states provide a limited amount of paid-in and callable capital (guarantees) to the ESM. The ESM can then borrow and on-lend money itself. Member states currently guarantee all the ESM's principal and interest payments.

Member states' financial exposure to the ESM

Member states have agreed to contribute € 620 billion in callable and € 80 billion in paid-in tot the ESM. € 32 billion had been pad-in at the end of 2012.

Netherlands financial exposure to the ESM

Netherlands' share 5.7% : € 40 billion of € 700 billion.
The € 40 billion from the Netherlands consists of:

- a callable contribution of € 35.5 billion (guarantee);
- a paid-in contribution of € 4.6 billion by mid-2014.

At the end of 2012, the Netherlands had paid in € 1.8 billion.

Amounts in billions of euros at year-end 2012

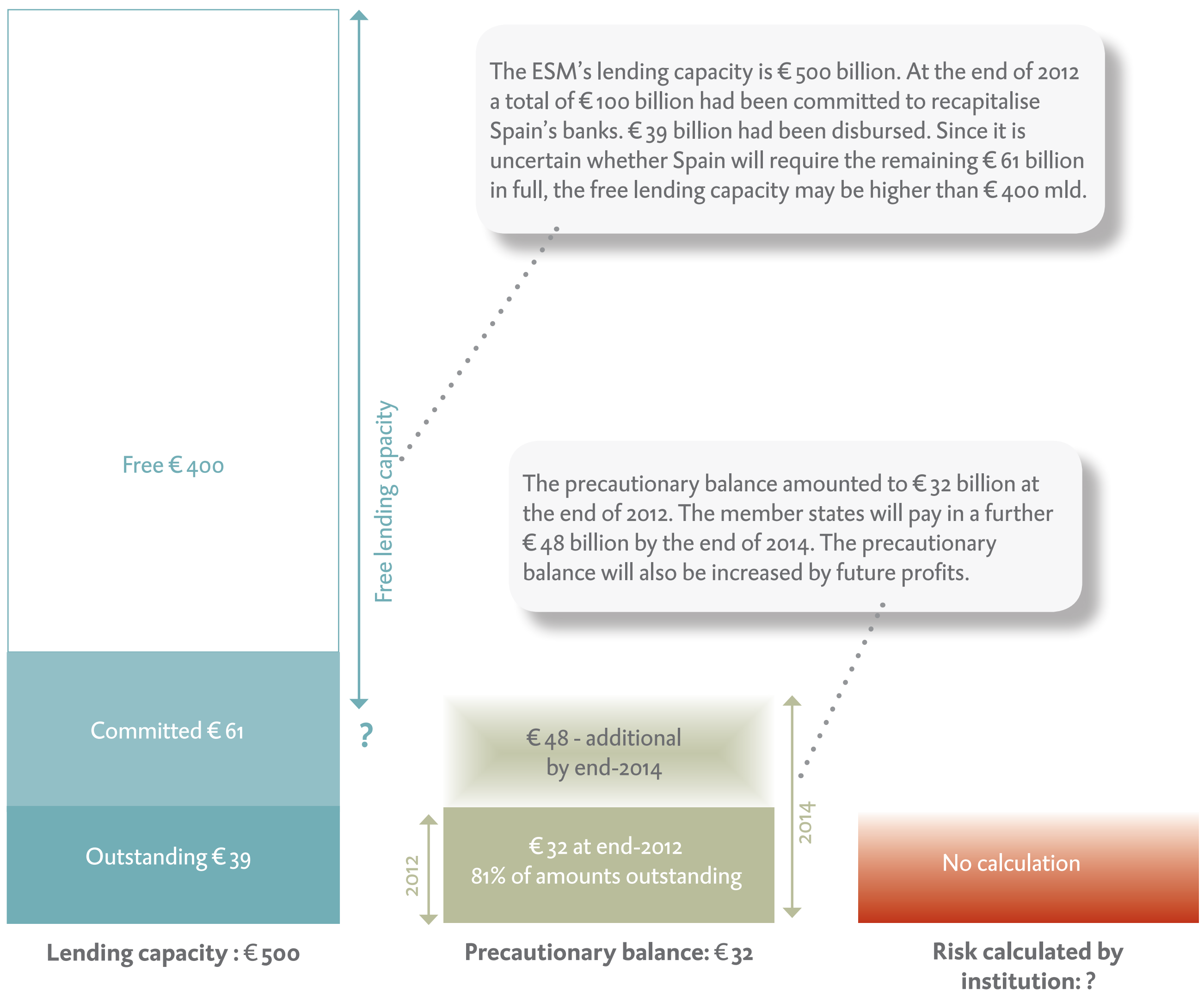
Profile of the ESM

Risk mitigation measures Collateral ✗ Preferred creditor ✓

Lending capacity € 500 billion
Precautionary balance € 32 billion, 81% of amount outstanding
Calculated risk no calculation

Order to settle losses:

1. Reserve fund
2. Paid-in part of the capital buffer
3. Member states' guarantees



Amounts in billions of euros at year-end 2012

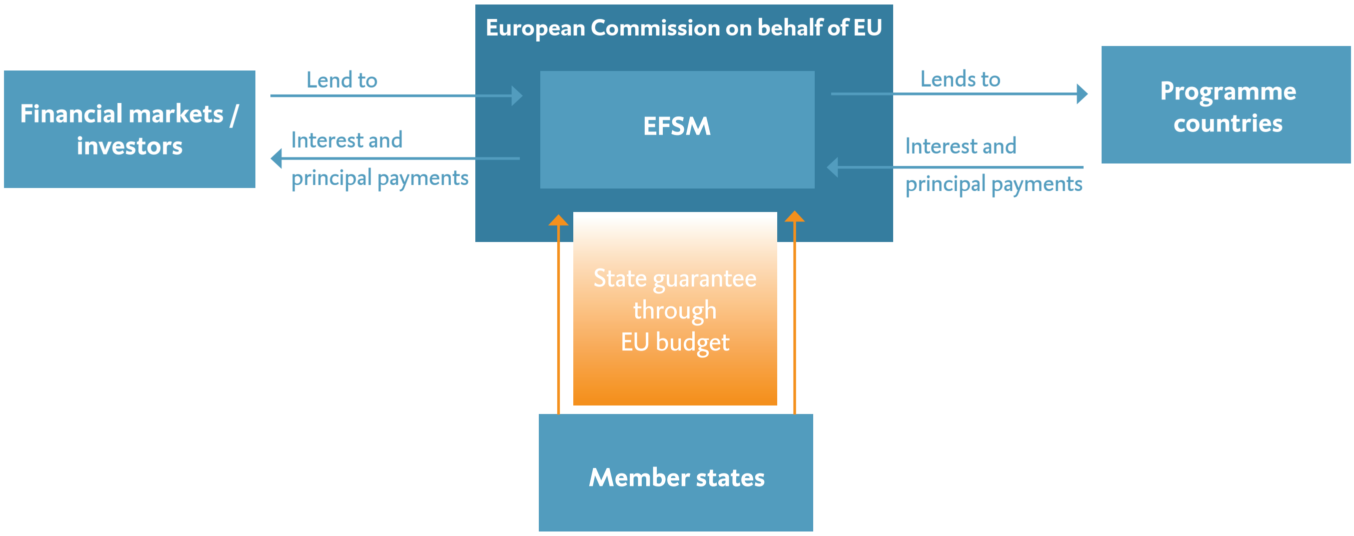
2.3 European Financial Stabilisation Mechanism

The European Financial Stabilisation Mechanism (EFSM) was created to provide assistance to member states that cannot resolve their own financial difficulties. The fundamental objective is to maintain financial stability in the EU. The European Commission borrows capital on the financial market and on-lends the proceeds with the same maturities and interest rates to the countries that apply for assistance.

Share of the Netherlands

The EFSM does not have authorised capital. Losses are guaranteed by the EU budget. The EU budget does not include any reserves to absorb losses on the EFSM and the EU is not authorised to generate additional funds through taxation. If losses had arisen in 2012 that could not have been absorbed in the EU budget, the Netherlands would have had to bear 4.9%. This percentage is based on the Netherlands' share of the EU budget for 2012.

How does the EFSM work?



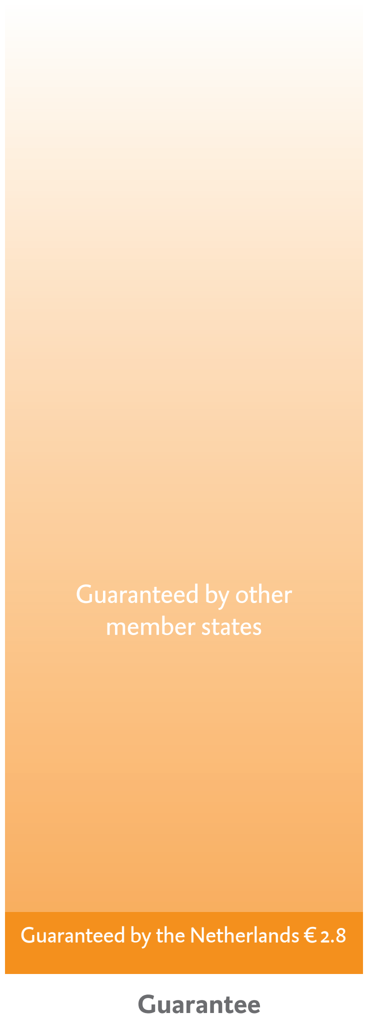
Member states' financial exposure to the EFSM

The EU has guaranteed € 60 billion for the EFSM. Member states contribute to the EU budget.

Netherlands' financial exposure to the EFSM

Netherlands' share 4.9% based on Own Resources Decision.

The Netherlands recognised its exposure to the EFSM in the budget as a € 2.8 billion guarantee. The amount is based on the EU Own Resources Decision.



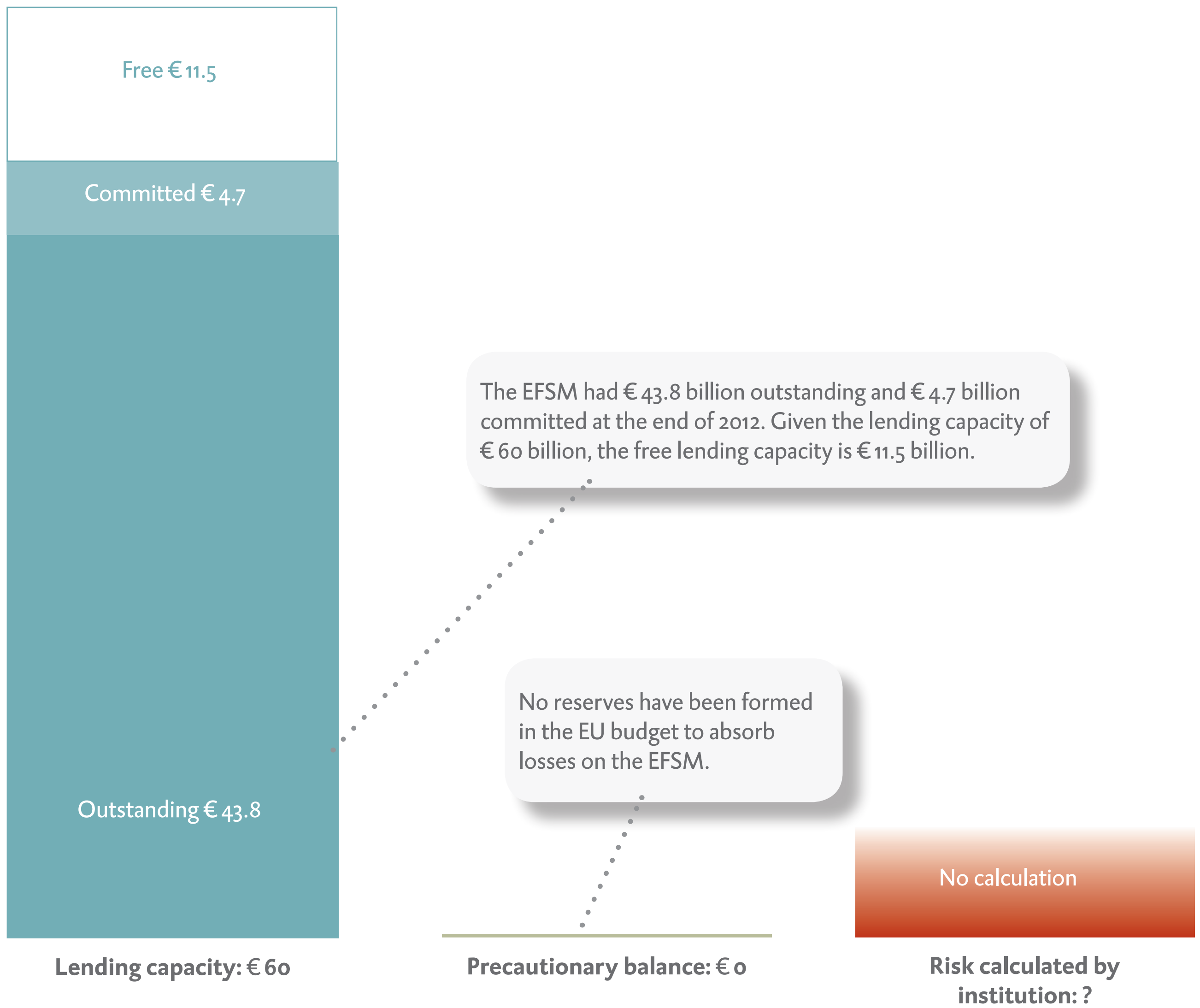
Amounts in billions of euros at year-end 2012

Profile of the EFSM

Risk mitigation measures Collateral ✗ Preferred creditor ✓

Lending capacity € 60 billion
Precautionary € 0.
Calculated risk no calculation

Order to settle EFSM:
1. EU budget.
2. Additional funding from member states (subject to approval by qualified majority).



Amounts in billions of euros at year-end 2012

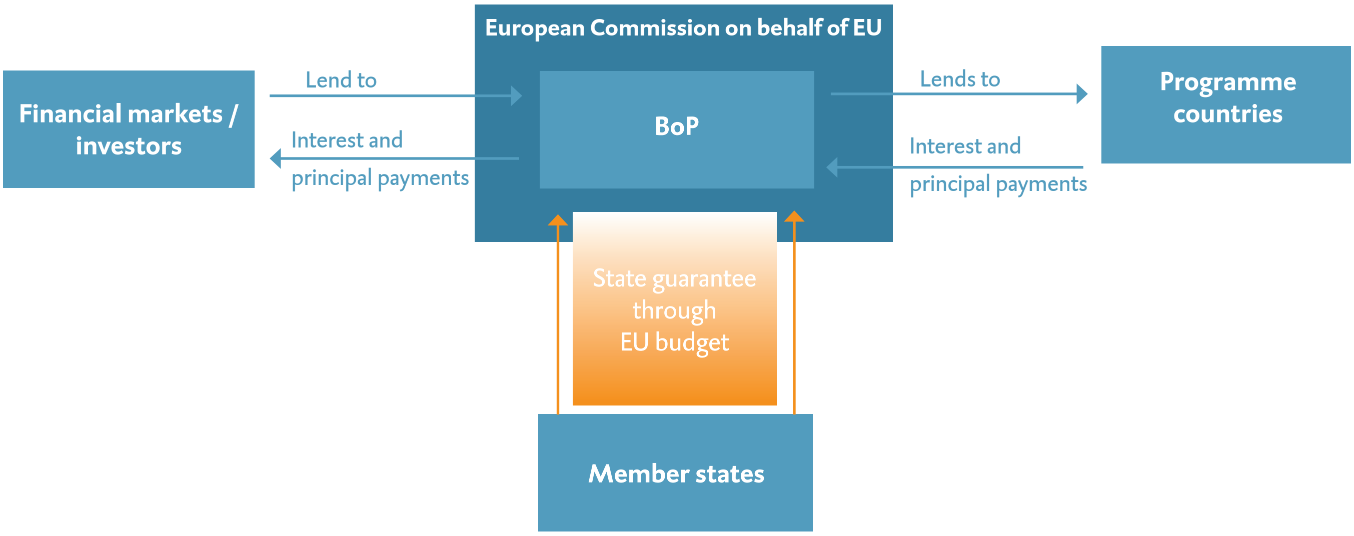
2.4 Balance of Payments programme

The EU's Balance of Payments programme (BoP) was created to grant loans to member states not participating in the euro area that are in difficulties as regards their balance of payments. The European Commission borrows capital on the financial markets and on-lends the proceeds subject to the same duration and interest rates via the BoP programme to the countries requesting assistance.

Share of the Netherlands

The BoP programme does not have authorised capital. The EU budget guarantees any losses. The EU budget does not include reserves to absorb losses on the BoP programme and the EU is not authorised to generate additional funds through taxation. If losses had arisen in 2012 that could not have been absorbed in the EU budget, the Netherlands would have had to bear 4.9%. This percentage is based on the Netherlands' share of the EU budget for 2012

How does the BoP programme work?



Member states' financial exposure to the BoP programme

Amounts in billions of euros at year-end 2012

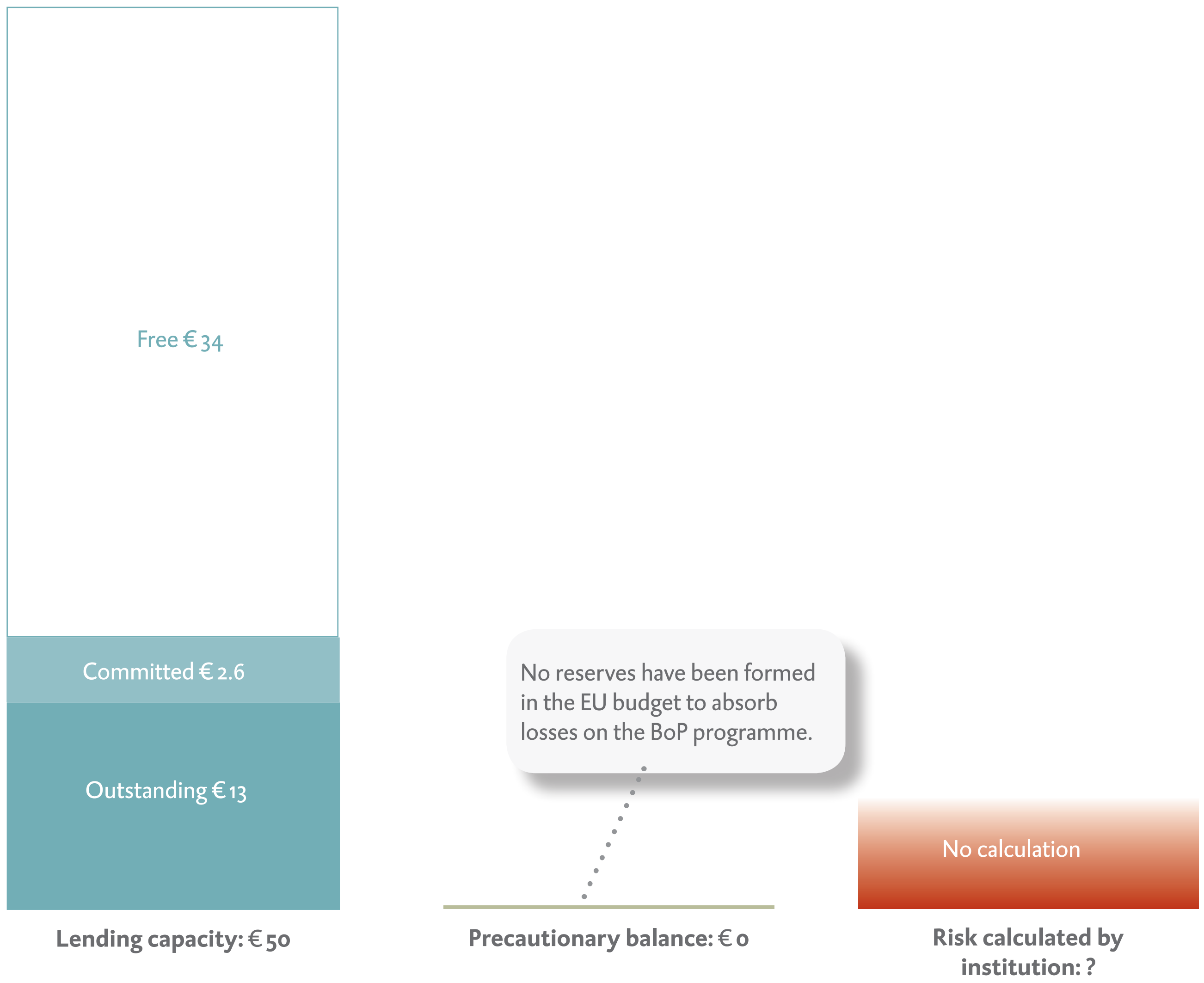
Profile of the BoP programme

Risk mitigation Collateral ✗ Preferred creditor ✓

Lending capacity € 50 billion
Precautionary balance € 0
Calculated risk no calculation

Order to settle losses:

1. EU budget.
2. Additional funding from member states (subject to approval by qualified majority).



Amounts in billions of euros at year-end 2012

2.5 European Investment Bank

The European Investment Bank (EIB) is a not-for-profit institution that finances projects to achieve the objectives of the EU (if necessary in combination with structural funds and other EU financial instruments). It borrows funds and on-lends the proceeds to governments, banks and businesses.

Lending capacity

The EIB's statute lays down that the aggregate amount of its loans and guarantees outstanding may not exceed 250% of its subscribed capital, reserves, non-allocated provisions and profit and loss account surplus.[13] At the end of 2012, the lending limit pursuant to the statute was €690 billion. In practice, however, the EIB applied additional ratios[14] that reduced the maximum lending capacity further at the end of 2012. Additional ratios are applied, for example, to protect the EIB's high credit rating so that it can borrow funds less expensively.

Precautionary balance

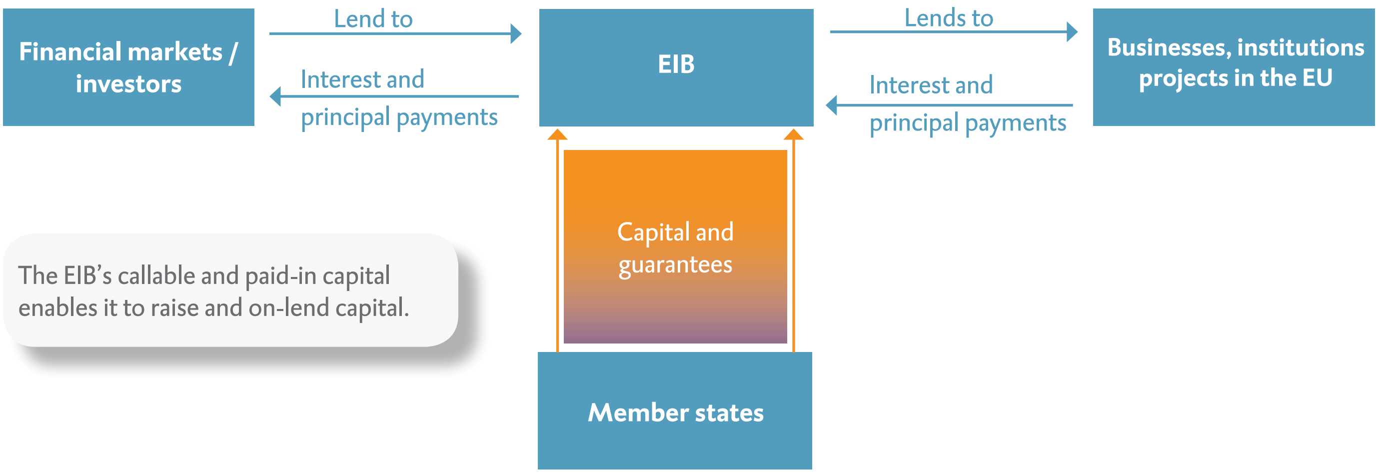
The EIB's precautionary balance consists of capital and reserves plus future profits. At the end of 2012 it was therefore higher than the paid-in capital (€45.2 billion versus €11.6 billion). In 2012 the member states decided to contribute €10 billion in capital. It will be paid in between 2013 and 2015 to strengthen the precautionary balance.

Ris calculated by the institution

The EIB uses its own model to estimate the risks it runs on its lending portfolio. The size of the estimate is reflected in the *General Loan Reserve and the Special Activities Reserve*. At the end of 2012 these reserves amounted to €8.1 billion.

13 Calculation of the maximum lending capacity was adapted in 2009 when the statute was amended. Before 2009, the maximum lending capacity had been 250% of subscribed capital.
14 For example, the ratio of capital required to outstanding weighted loans.

How does the EIB work?



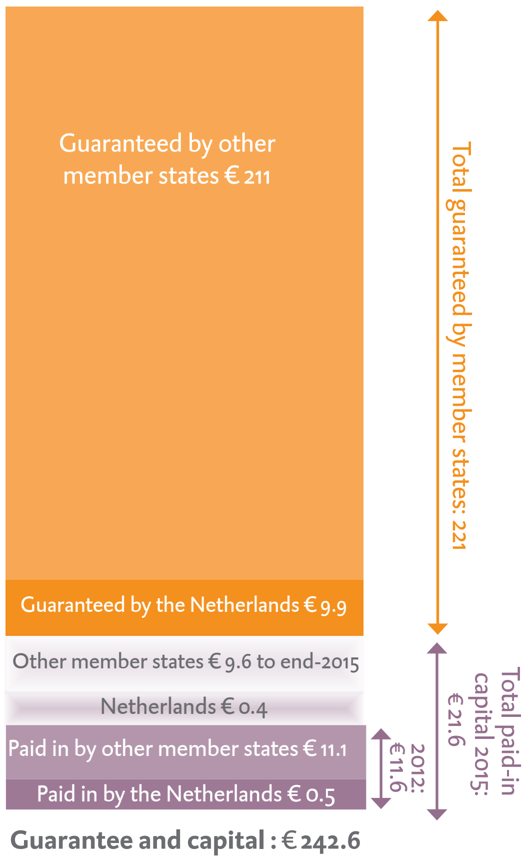
The EIB's callable and paid-in capital enables it to raise and on-lend capital.

Memer states' financial exposure to the EIB

Member states have agreed to provide the EIB with € 221 billion in callable and € 21.6 billion in paid-in capital. At the end of 2012, a total of € 11.6 billion had been paid in.

Netherlands' financial exposure to the EIB

Netherlands' share 4.5%. The Netherlands' total financial exposure is € 10.9 billion, consisting of € 9.9 billion in callable and € 0.5 billion in paid-in capital at the end of 2012, rising to € 1 billion in mid-2013.



Amounts in billions of euros at year-end 2012

Profile of the EIB

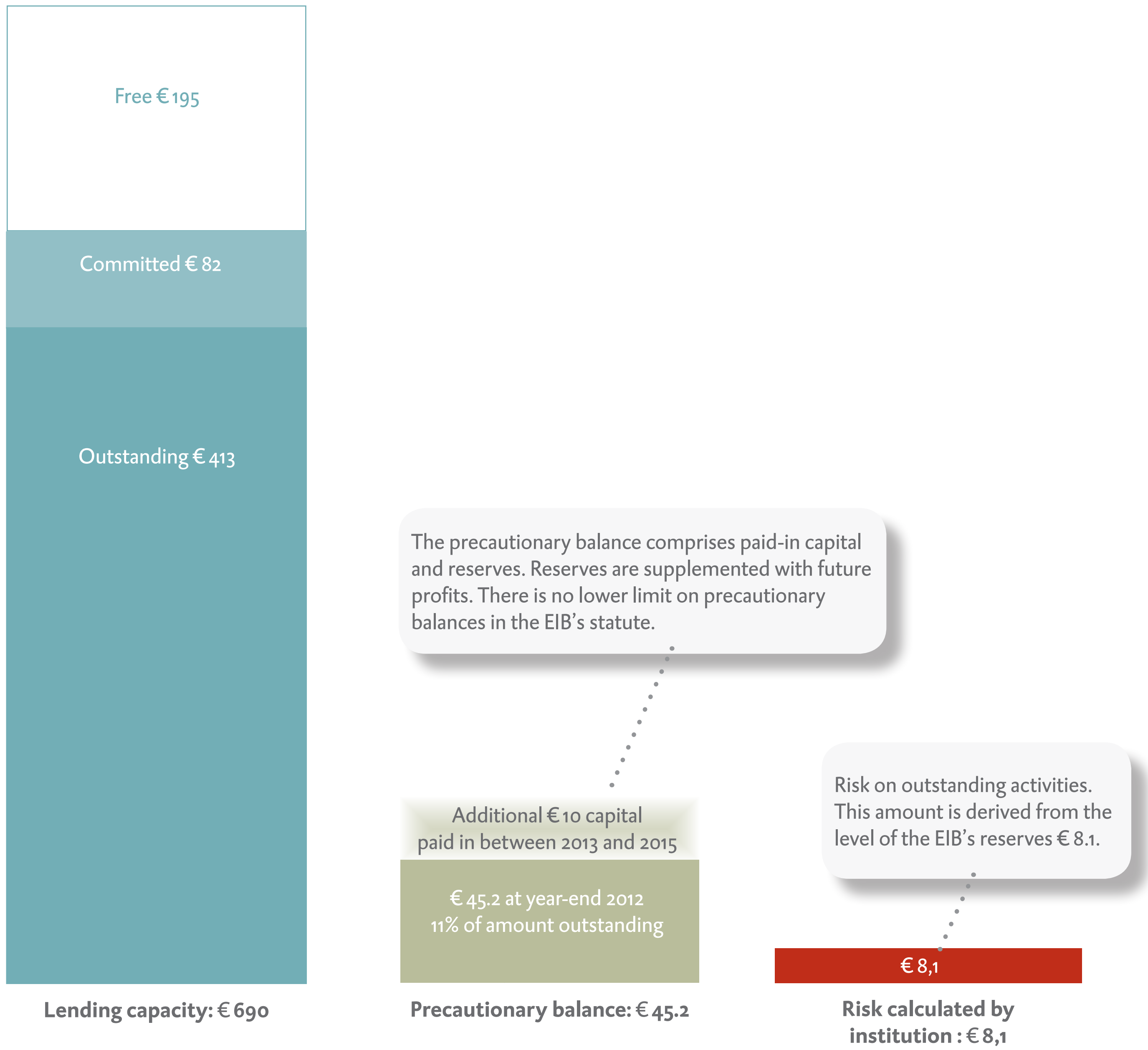
Risk mitigation measures Collateral ✓* Preferred creditor ✓*

* on part of the portfolio

Lending capacity € 690 billion
Precautionary balance € 45.2 billion, 11% of amount outstanding
Calculated risk € 8.1

Order to settle losses:

1. Reserves
2. Capital callable from member states



Amounts in billions of euros at year-end 2012

2.6 European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) was created to foster the transition to open, market economies and to promote private and entrepreneurial activities in Eastern and Central Europe and Turkey.[15] It provides finance in the form of loans, interests in risk-bearing capital (investments) and guarantees to banks and enterprises in the region.

Free lending capacity

The EBRD's free lending capacity is calculated by deducting the actual amount outstanding (€26.5 billion) from the maximum available lending capacity (€37.7 billion). The free lending capacity according to this calculation was €11.2 billion at the end of 2012. The amount committed, €11 billion at year-end 2012, has not been included in the calculation of the free lending capacity since 2009.[16]

Precautionary balance

The EBRD's precautionary balance consists of capital and reserves plus future profits. The precautionary balance at the end of 2012 was therefore higher than the paid-in capital (€14 billion versus €6.2 billion).

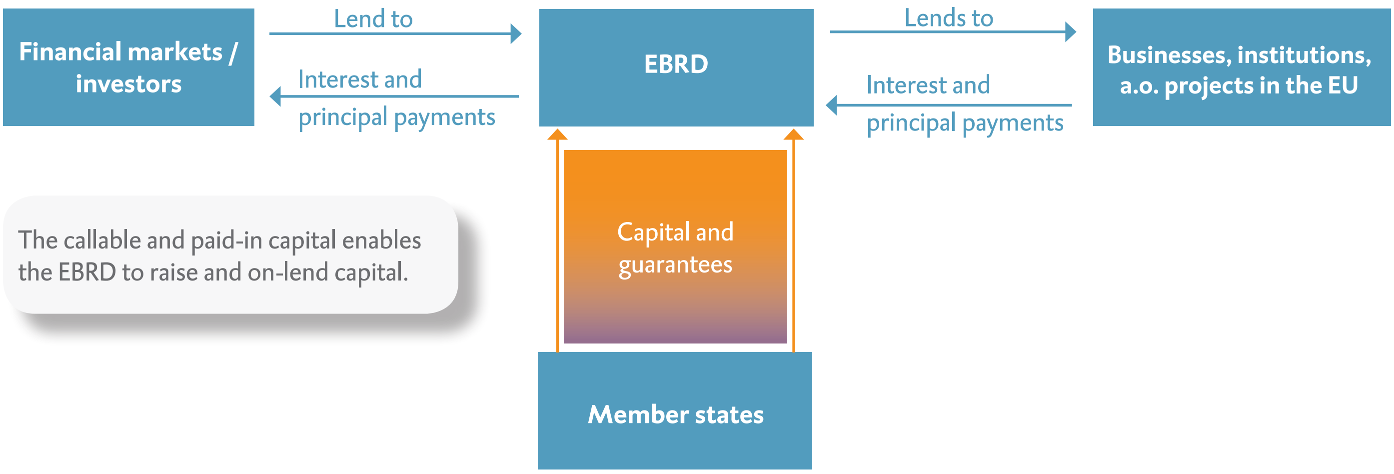
Risk calculated by the institutions

The EBRD uses its own model to estimate the required economic capital it needs to absorb foreseen and unforeseen losses.

15 The EBRD's geographical mandate will also cover countries in the southern and eastern part of the Mediterranean region following the amendment of its statute.

16 The calculation of the EBRD's lending capacity is laid down in the EBRD's statute. The calculation of the maximum lending capacity was amended in 2008 and 2009 through a redefinition of the term 'outstanding'. Before 2008, the amount outstanding was defined as 100% of the amounts outstanding and 100% of the amounts committed but not yet disbursed. It was decided to change the definition in 2008 to 100% of amounts outstanding and 70% of amounts committed but not yet disbursed. It was decided to change the definition in 2009 to only 100% of amounts outstanding.

How does the EBRD work?



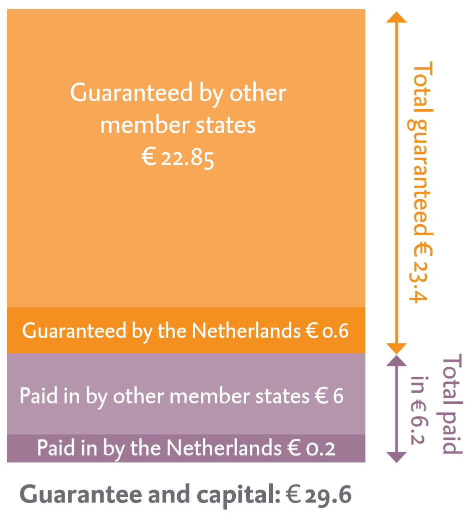
The callable and paid-in capital enables the EBRD to raise and on-lend capital.

Member states' financial exposure to the EBRD

Member states have agreed to provide the EBRD € 23.4 billion in callable and € 6.2 billion in paid-in capital.

Netherlands' financial exposure to the EBRD

Netherlands' share 2.5%. The Netherlands' total financial exposure is € 0.7 billion, comprising € 0.2 billion in paid-in and € 0.6 billion in callable capital.



Amounts in billions of euros at year-end 2012

Profile of the EBRD

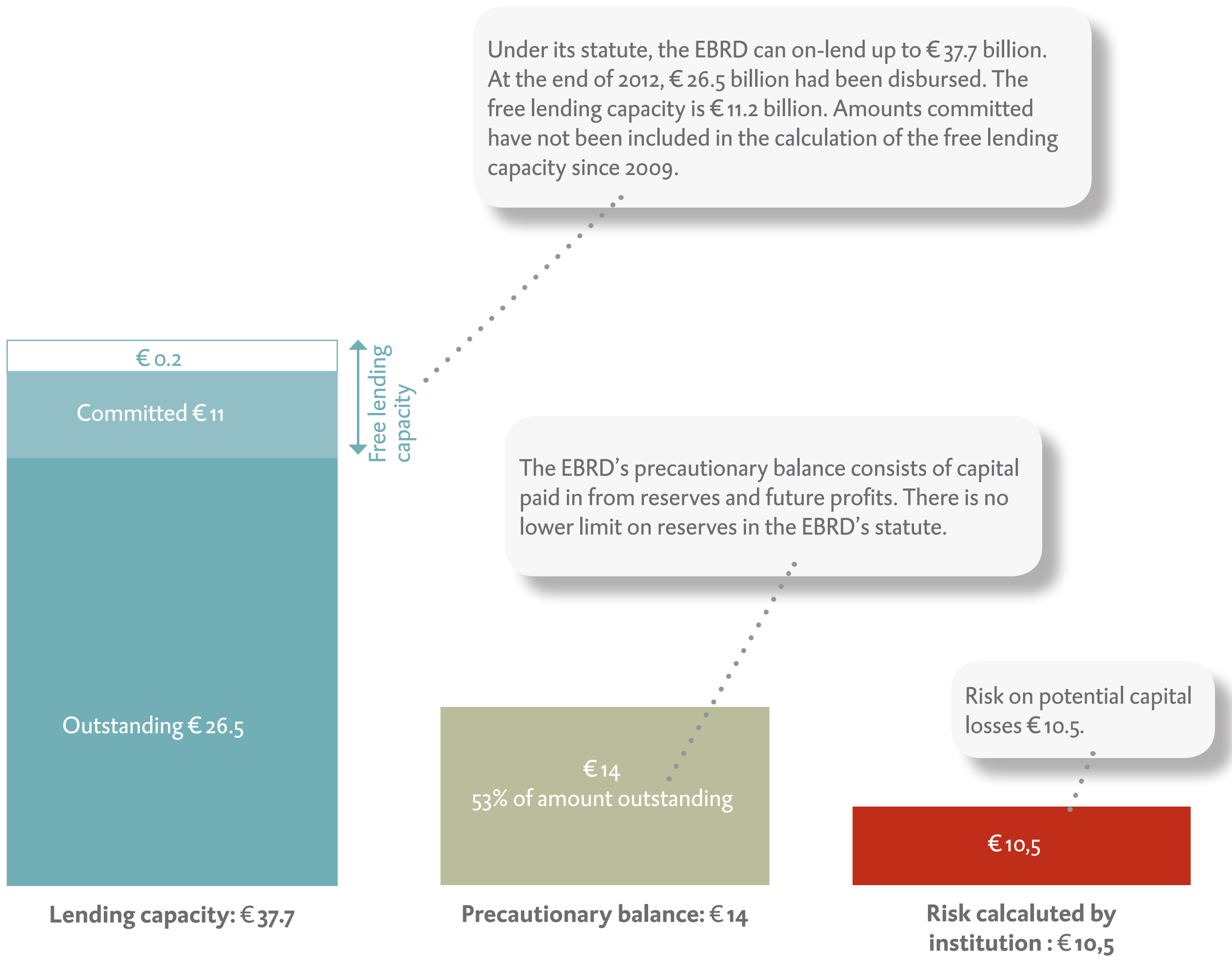
Risk mitigation measures Collateral ✓* Preferred creditor ✓*

* on part of the portfolio

Lending capacity € 37.7 billion
Precautionary balance € 14 billion, 53% of amount outstanding
Calculated risk € 10.5 billion

Order to settle losses:

1. Reserves
2. Capital callable from member states



Amounts in billions of euros at year-end 2012

2.7 Eurosystem: the European Central Bank and the national central banks (including DNB)

The European Central Bank (ECB) was created to maintain price stability in the euro area. It does so in collaboration with the national euro area central banks (NCBs) within the Eurosystem. The Netherlands participates in the Eurosystem through the Dutch central bank (DNB). The ECB tries to achieve its aims by steering interest rates through money supply. According to the ECB, this standard policy no longer functioned at the peak of the crisis because banks themselves were in difficulties. The Eurosystem therefore decided to introduce a series of 'non-standard monetary policy instruments'. The following programmes were introduced:

- The Securities Market Programme (SMP) to buy up the State bonds of Italy, Spain. Greece, Portugal and Ireland in the secondary market. At the end of 2012 the SMP portfolio totalled €209 billion (ECB, 2013a). The SMP has been brought to a close and replaced with the Outright Monetary Transactions (OMT) programme, which had not yet come into force at the end of 2012.
- The Long-Term Refinancing Operations (LTRO) facility is a long-term covered lending programme for banks in the euro area. The total amount concerned is €1,019 billion (ECB, 2013b).
- Two Covered Bond Purchase Programmes (CBPP1 and CBPP2) buy up the NCBs' covered bonds from commercial banks. The first programme purchased up to €60 billion and the second up to €16.4 billion (ECB, 2013b).

DNB's exposure

We do not consider the Eurosystem's total lending capacity here but DNB's total exposure to the three monetary programmes in the Eurosystem (SMP, LTRO and CBPP). DNB's total exposure at the end of 2012 was €79 billion. This amount is not recognised directly on DNB's balance sheet but arises from DNB's participation in the Eurosystem. The central banks in the Eurosystem decide on the maximum size of the programmes and have not disclosed the maximum.

DNB's precautionary balance

Here, too, we consider DNB's precautionary balance rather than that of the Eurosystem as a whole. The precautionary balance consists of the State guarantee of up to €5.7 billion and DNB's own capital buffer of €7.8 billion. The State guarantee replaced a lower profit distribution from DNB to the State. Before the guarantee, DNB had retained profits to strengthen the precautionary balance on its balance sheet.

The State guarantee will be called on first to absorb losses on:

- DNB's share in the SMP programme;
- DNB's share in all refinancing of Greek, Portuguese and Cypriot banks (including but not restricted to LTROs for banks in those countries);
- claims on the NCBs of Greece, Portugal and Cyprus (including Target2).

The CBPP and LTRO claims are covered in order to reduce the risk on them.

DNB also has €7.8 billion in capital and reserves to absorb losses that are not covered by the guarantee (such as the CBPP) or to absorb losses on claims in excess of €5.7 billion.

Target2

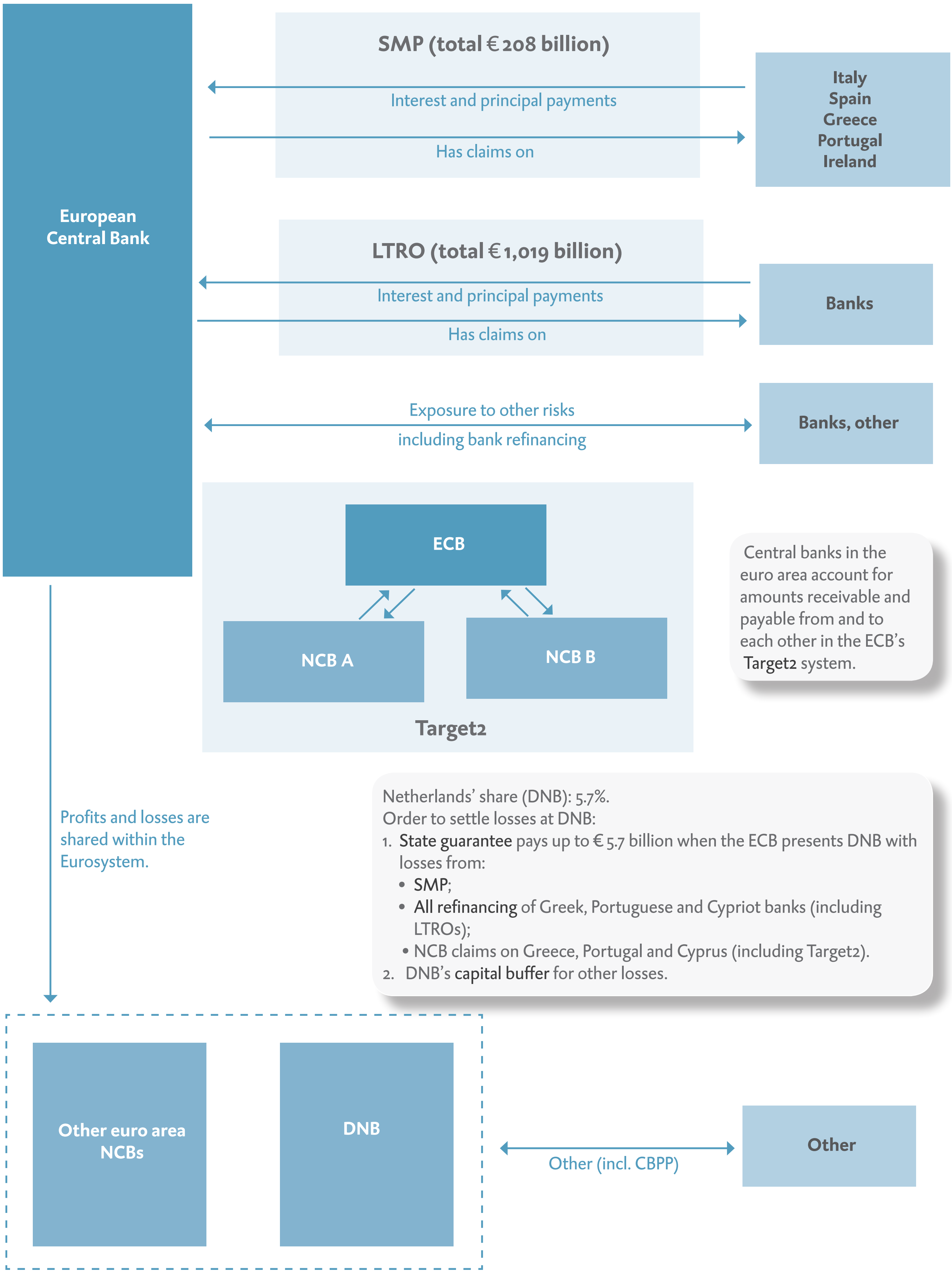
Amounts receivable and payable between central banks in the euro area are recorded in the Target2 system and are not set off against each other. A positive Target2 balance at a central bank, as is the case with DNB, can result in a loss only when a central bank with a negative Target2 balance decides to reintroduce its national currency and withdraw from the Eurosystem.[17]

Relationship between the right to approve the budget and non-standard monetary measures

The Eurosystem currently has several high-risk portfolios on its balance sheet, chiefly in the form of State bonds issued by peripheral euro countries and claims on banks in the euro area. As the central banks are free to set and implement their own monetary policies, the ECB can unilaterally decide to assume and increase the risks (for example through the OMT programme). Parliament therefore has no say in whether or what risks a central bank takes (for example through the minister or a representative of the minister, as in the case of the other institutions audited) or how it manages its portfolios (is the objective to minimise losses or does the portfolio have another objective?). But the member state may have to deal with the consequences if a central bank incurs losses. This places parliament's right to approve the budget in a difference perspective when central banks are concerned than when the institutions we audited are concerned.

17 More information on the functioning of the Target2 system can be found in the report Risks to Public Finances (Netherlands Court of Audit, 2012) and in the letter from the Minister of Finance to the House of Representatives regarding Target2 (Ministry of Finance, 2012c).

How does the Eurosystem work: ECB and NCBs?

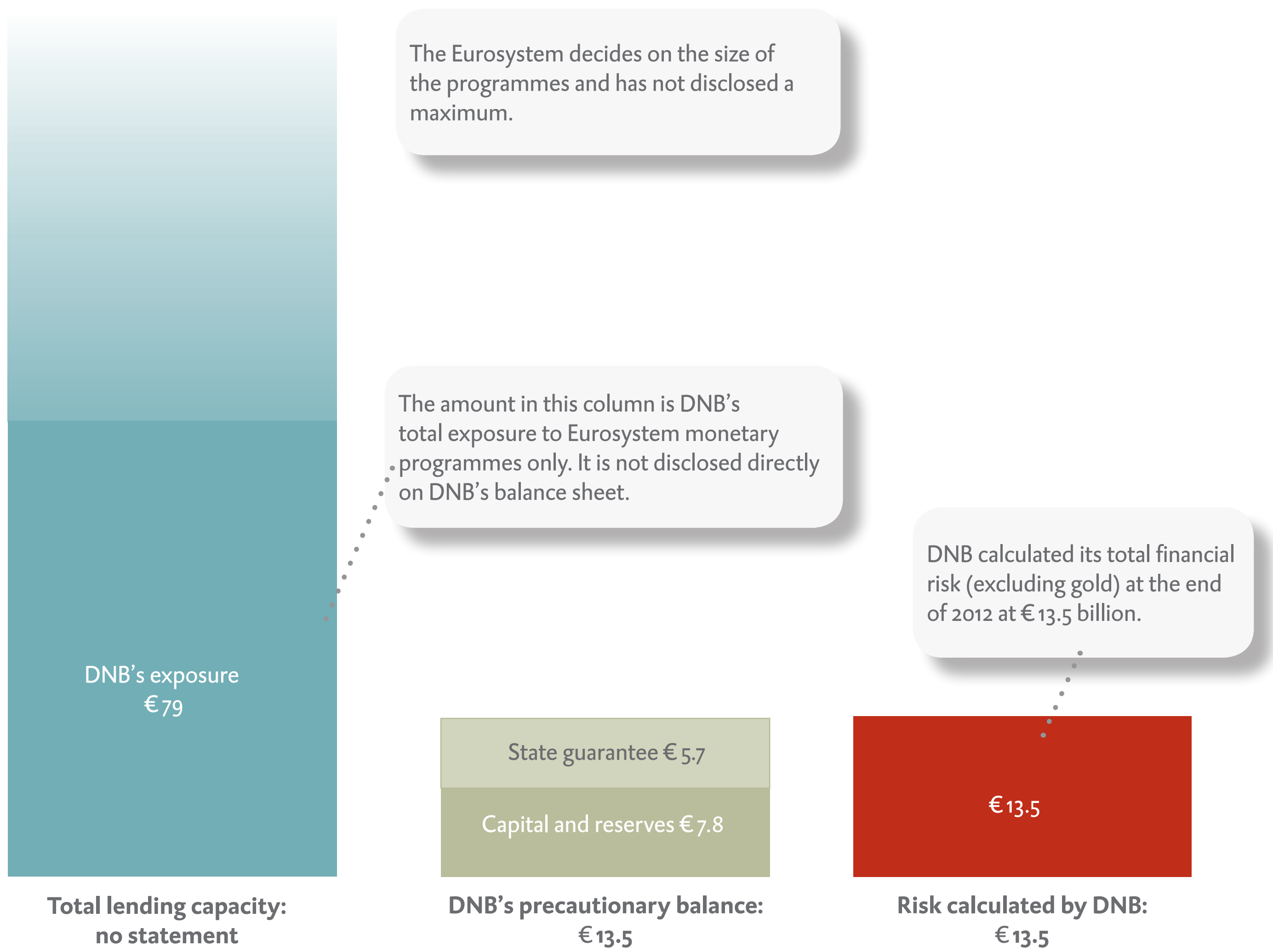


Amounts in billions of euros at year-end 2012

Profile of DNB

Risk mitigation measures				
Collateral	✓	On CBPP and LTROs	✘	Not on SMP
Preferred creditor	✓	On Greek part of SMP	✘	Not on other SMP and OMT

Total lending capacity	no statement (DNB exposure € 79 billion)
DNB's precautionary balance	€ 13.5 billion
Risk calculated by DNB	€ 13.5 billion



Amounts in billions of euros at year-end 2012

2.8 International Monetary Fund

The main objectives of the International Monetary Fund (IMF) are to promote exchange rate stability and an open system of international payments, to meet the demand for international liquidity and to provide countries with financial assistance to address balance of payments problems. The IMF has a wide range of financial instruments, including various forms of loans. In addition to financial assistance, it also advises countries on policy. DNB acts as an agent to the IMF on behalf of the Nehterlands.

Share of the Netherlands

The Netherlands' share of the IMF quota is 2.2%. Following a proposed revision of the quota (ratification expected in 2014), the share will decline to 1.8%. The Netherlands' share in the IMF's total available funds, however, is higher than the quota because the IMF also uses other financing instruments funded by a far smaller group of countries (one being the Netherlands).

Guarantee

The total State guarantee to DNB in respect of the IMF at the end of 2012 was €46.5 billion. This is the aggregate of five individual guarantee arrangements, one for each of the five financial relationships that DNB has entered into with the IMF on behalf of the Netherlands:[18]

- quota: the basic funding of the IMF;
- the New Arrangements to Borrow (NAB): additional funds to the IMF quota;
- allocation of Special Drawing Rights (SDRs). SDRs are not direct payments to the IMF but the IMF can ask DNB to exchange them for hard currency such as the euro, yen or dollar;
- loans to the IMF that it on-lends to low income countries in the Poverty Reduction and Growth Trust (PRGT);
- bilateral loans to strengthen the IMF's general funds.

Lending capacity and free lending capacity

The IMF publishes the Forward Capacity Commitment (FCC): this is the maximum amount that the IMF can lend during a year given the available funds and amounts outstanding and committed. We took this amount (the FCC) to be the IMF's free lending capacity. At the end of 2012, the FCC amounted to €255 billion.[19] Together with the amounts outstanding (€106 billion) and committed (€126 billion) this produces a total lending capacity of €487 billion.

Precautionary balance

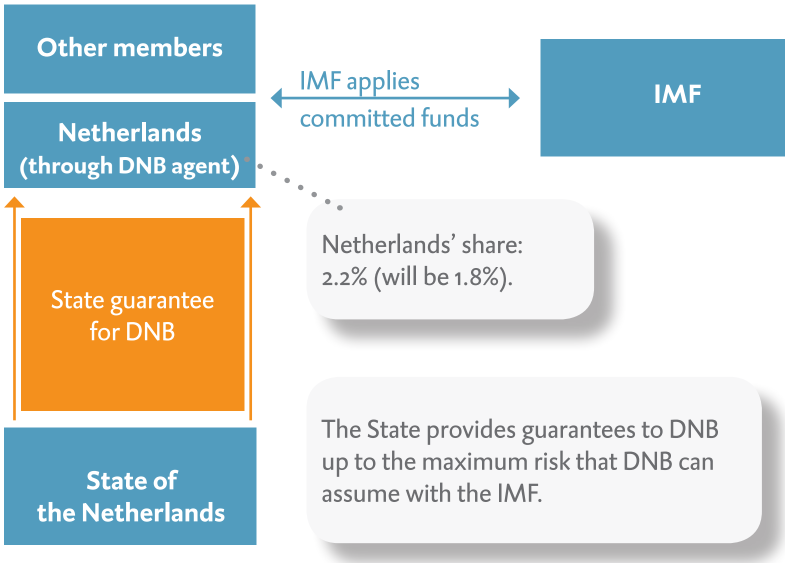
The IMF has a special provision to absorb losses on overdue repayment obligations, the Special Contingent Account (SCA). It also has general reserves to absorb losses. In total, the IMF's precautionary balance amounts to €13 billion.[20]

18 A further explanation of the Netherlands' contribution to the IMF is provided in the letter from the Minister of Finance to the House of Representatives of 25 March 2010 (Ministry of Finance, 2010).

19 Figures on the IMF's financial profile are taken from the financial quarterly report of 31 January 2013 (IMF, 2013a) and have been translated at the SDR-euro exchange rate at that moment (1 SDR = €1.14).

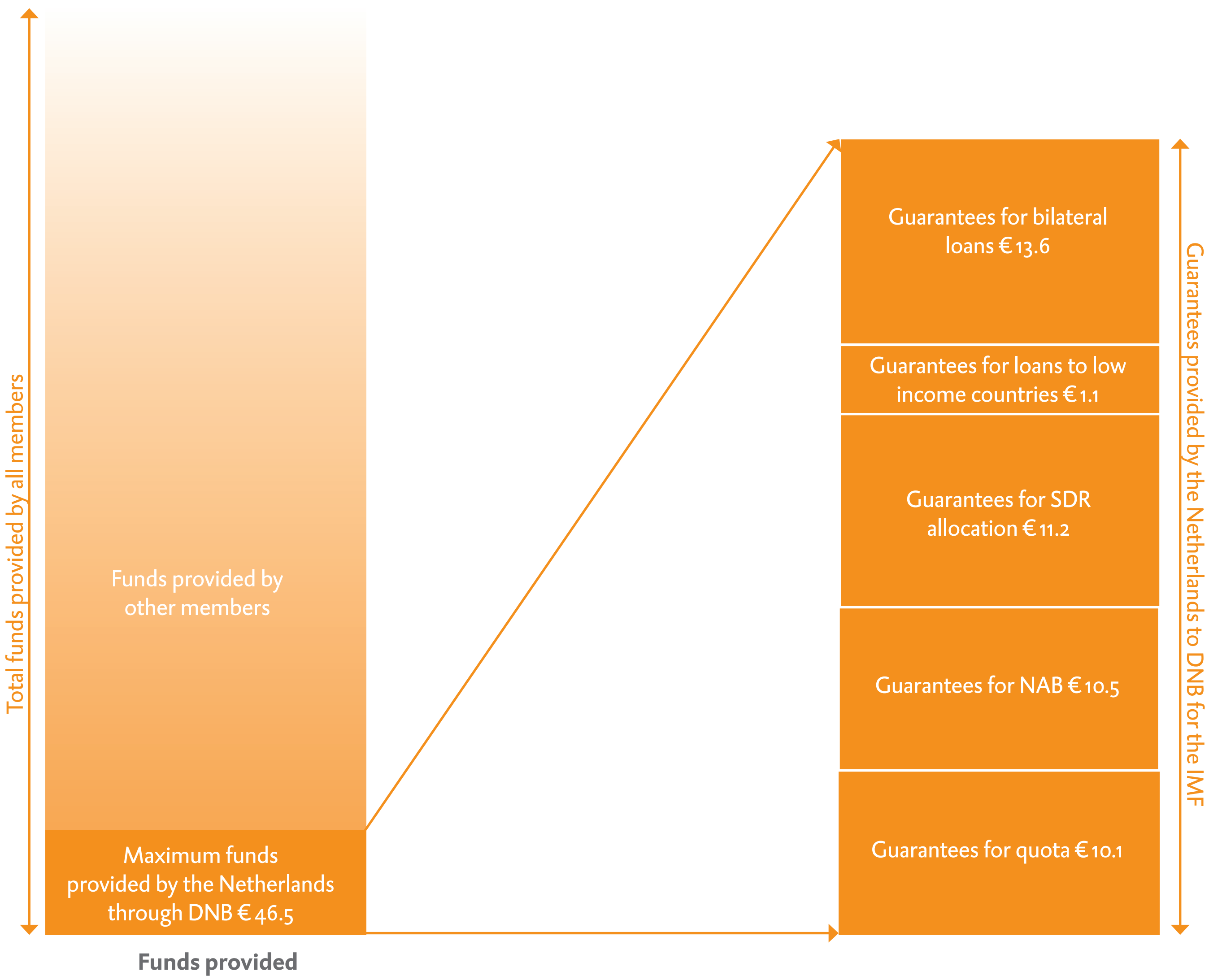
20 Information on the IMF's precautionary balance is based on the annual report of April 2013 (IMF, 2013b).

How does the IMF work?



Member states' financial exposure to the IMF

Netherlands' financial exposure to the IMF (DNB)



Amounts in billions of euros at year-end 2012

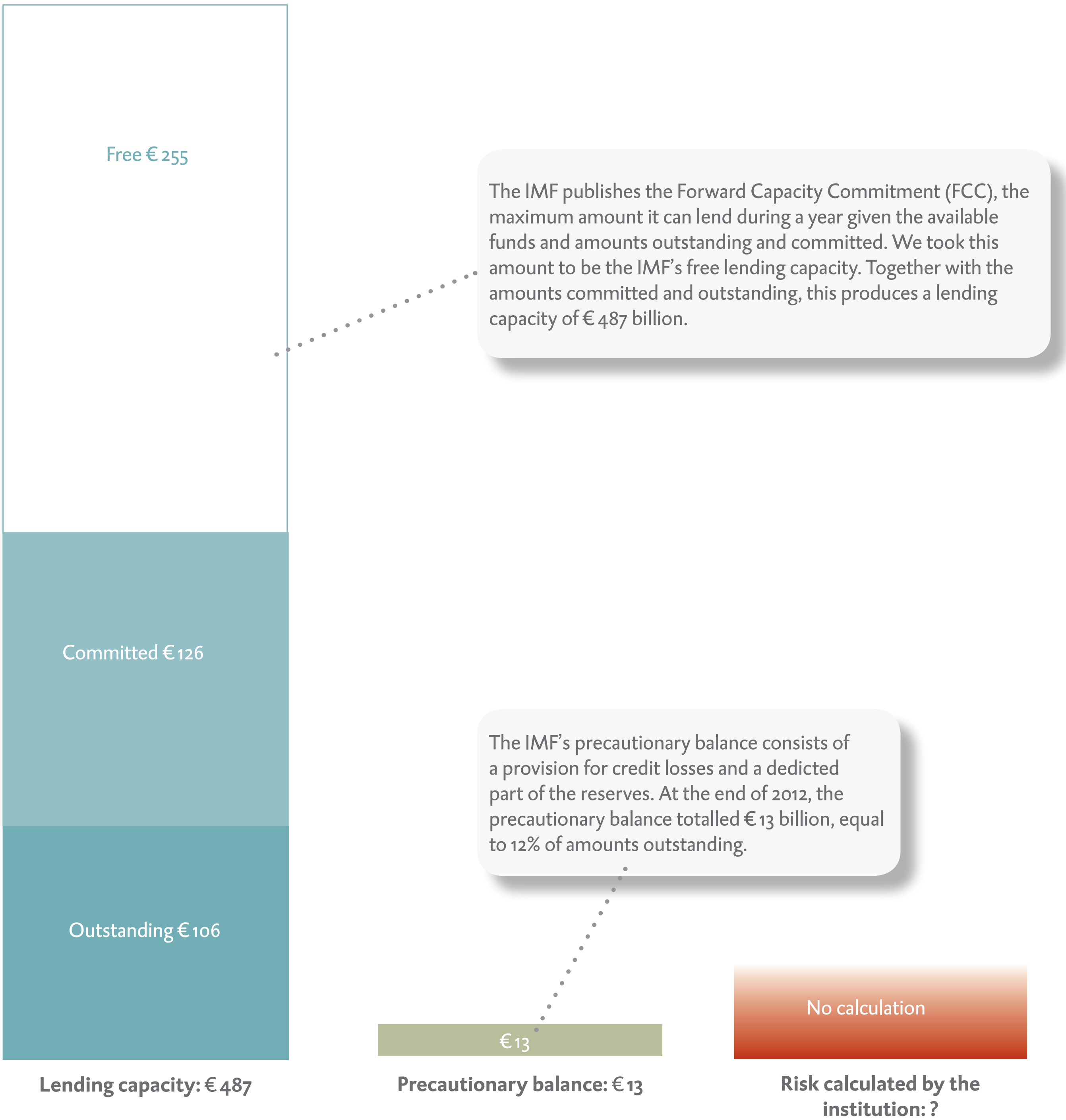
Profile of the IMF

Risk mitigation measures Collateral ✗ Preferred creditor ✓

Lending capacity € 487 billion
Precautionary balance € 13 billion
Calculation risk no calculation

Order to settle losses:

1. Provision
2. Guarantees of participating countries



Amounts in billions of euros at year-end 2012

3 Insight into the institutions' risk profiles and the risk to the Netherlands

This chapter summarises our findings on the eight institutions and then considers the institutions' risk profiles and their significance to the estimated financial risk to the Nehterlands. Finally, it presents recommendations to improve the information provided to the House of Representatives.

3.1 Summary

Table 1 summarises the findings of our audit, as presented in the fact sheets in chapter 2. Not all the figures in the table can be compared with each other (see section 3.2).

Table 1 Financial exposure of the Netherlands to the institutions and the institutions' profiles (year-end 2012, in billions of euros and as a percentage

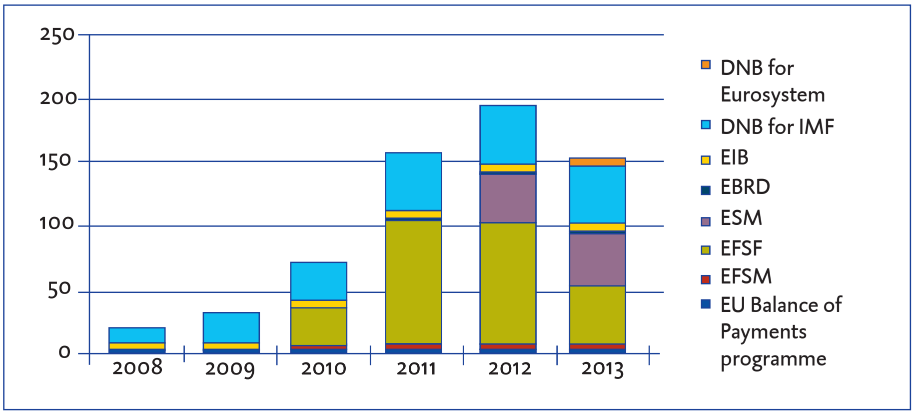
		EFSF	ESM	EFSM	BoP	EIB	EBRD	ECB/ NCBs	IMF
Financial exposure of the Netherlands to each institution									
1.	Guarantee/callable capital	97.8[21]	35.5	2.8	2.4	9.9	0.59	5.7[22]	46.5
2.	Interest in capital	-	4.6[23]	-	-	1[24]	0.16	-[25]	-
3.	Interest in percentage (share)	6.1%[26]	5.7%	-	-	4.5%	2.5%	5.7%	2.2%
4.	Potential loss to the Netherlands	0	0	0	0	0	0	0	0
Financial profiles of the institutions									
5.	Amount outstanding	138.4	39.5	43.8	13.4	413.4	26.5	78.9[27]	106
6.	Commitments not disbursed	49.9	60.5	4.7	2.6	81.9	11	-	126
7.	Total amount committed	188.3	100	48.5	16	495.2	37.5	-	232
8.	Total lending capacity	440	500	60	50	690	37.7	-	487
Risk profile of the institutions									
9.	Precautionary balance	0.0	32.0	0.0	0.0	45.2	14.0	7.8	13
10.	Precautionary balance relative to amount outstanding	0%	81%	0%	0%	11%	53%	0%[28]	12%
11.	Risk calculated by institution	-	-	-	-	8.1	10.4	13.5	-
12.	Collateral	no	no	no	no	partially	partially	partially	no
13.	Preferred creditor	no	yes	yes	yes	yes	yes	partially	yes

Sources: Ministry of Finance trial balances, State Guarantee Statement 2013, the institutions' annual reports for 2012.

21 The size of the guarantee given to the EFSF for 2013 is estimated in the Budget Memorandum 2014 at €50 billion (Ministry of Finance, 2013e).
22 Guarantee came into force on 1 March 2013 but was given on assets that DNB already held at year-end 2012.
23 To the end of 2014 the Netherlands will contribute €4.6 billion; €1.8 billion had been contributed at the end of 2012.
24 The Netherlands will contribute €448 million in 2013, bringing the total capital interest to approximately €1 billion.
25 The State's interest in DNB amounts to €500 million. DNB's interest in the ECB amounts to €469 million.
26 See EFSF fact sheet for further information.
27 Different definition: the amount stated is DNB's exposure to monetary operations at the end of 2012.
28 The first €5.7 billion in losses on certain high-risk assets will be covered by a State guarantee. From the position of the State, the precautionary balance for the first €5.7 billion in losses is therefore 0%. Losses on these assets that exceed €5.7 billion or losses on DNB's other assets are charged to its capital buffer of €7.8 billion.

Increase in the Netherlands' financial exposure to the institutions
At the end of 2012, the Netherlands' financial exposure to the eight institutions audited was approximately €201 billion (guarantees and interests). This is an enormous increase on 2008 (see figure 2 for the increase in the size of guarantees). The Netherlands had not incurred any losses on its shares in these institutions by mid-2012.

Figure 2 Dutch guarantees to the eight institutions audited, 2008-2013 (in billions of euros)



Source: Central Government Annual Financial Report 2008-2012, Budget Memorandum 2013-2014 and supplementary budget profit remittances by DNB.

3.2 Risk profile in perspective

The risk profile provides an insight into the institution's exposure to financial losses and thus into the risk to Dutch public finances. For a proper understanding of the risk profile, the indicators must be seen in the right perspective.

Significant differences in the institutions' risk profiles
There are significant differences in the institutions' risk profiles. At one end of the spectrum there are emergency funds that cover 'tail risks': events that are considered rare but whose potential losses are difficult to estimate but will probably be serious if the risk occurs. At the other end are institutions such as the public investment banks that run 'normal' investment risks covered in whole or in part by collateral and/or a large capital buffer. The nature of the risks run by the institutions therefore differs.

The EIB, EBRD and DNB publish their own estimates of the risks they run on their outstanding loan portfolios in their annual reports. Because the institutions use different methods, the figures presented in the table are not comparable with each other. Nevertheless, this indicator gives an impression of the institutions' risk profiles. The other institutions do not publish estimates of the risks on their portfolios.

The institutions can apply a range of mitigation measures to prevent losses being passed on to member states. There are also differences in the extent to which the institutions can and do use such measures.

- *Controlling loan risks*

Institutions can take measures to eliminate the risk of losses wherever possible by:
- setting limits on a lender's creditworthiness
- pricing risks into the lending rate

- asking for collateral
- claiming a preferred creditor position.
- *Precautionary balances*

An institution may also hold a precautionary balance to absorb losses.

- *Passing on losses*

If the measures taken by an institution are inadequate to absorb a loss in full, the loss can be passed on to the participating member countries.

Certain portfolios of the EIB, EBRD and Eurosystem are covered. The nature of the cover, however, can differ. Sometimes there is also a correlation between the value of the cover and the risk on the loans outstanding, and the cover provides less assurance. Nearly all the institutions we audited make agreements on the status of preferred creditors but there is no set order for the claims in a bankruptcy.[29] In such cases, creditors must agree to the settlement of claims. Five of the institutions we audited (ESM, EIB, EBRD, DNB for the Eurosystem and the IMF) hold their own precautionary balances to absorb losses. At an institution such as the EFSF, all losses are passed on directly to the guarantor member countries owing to the lack of precautionary balances, cover and preferred creditor position.

Indicators give a theoretical view of the situation

For a realistic understanding of the Netherlands' risk exposure to the institutions, it should be borne in mind that the risk indicators describe a theoretical situation that might differ in practice. The moment an institution incurs a loss, the actual value of the cover must be determined and whether a claimed preferred creditor position will actually be honoured or whether or not when a counterparty's claim in the bankruptcy will be settled. Furthermore, it cannot be said in advance what part of a precautionary balance will actually be applied to absorb the loss. This depends in part on how the institution is able to continue its activities after absorbing the losses. In general, as the institution will need a certain minimum precautionary balance, it is unlikely that the precautionary balance will be used in full to absorb losses. Finally, member states can absorb losses in other ways than by honouring guarantees or raising capital. Member countries can also opt to compensate the institution 'directly' by means of donations and honour the guarantee. In such cases, the losses must be reallocated to the participating member countries.[30]

In the light of these uncertainties it cannot be said in advance precisely when losses will be passed on to the guarantor country or exactly how much money will be concerned.

3.3 Recommendation: enrich the comprehensive risk analysis

The House of Representatives should be provided with appropriate information on the increased exposure to international institutions and international risks. Parliament must have the most accurate insight possible into the shared risks, the measures taken by the institutions to mitigate the risks, the precautionary balances held by the institutions to absorb losses and the related risk to the Netherlands.

Periodic and comparable overviews are not available to inform parliament of the Netherlands' financial exposure to the institutions, the institutions' risk profiles and the resultant risk to the Netherlands.

29
The ESM Treaty states that the institution claims a preferred creditor position but that the IMF is a more senior preferred creditor than the ESM.

30
See, for example: Bevorderen van financieel-economische ontwikkeling en economische structuurversterking in minder ontwikkelde en transitielanden via Internationale Financiële Institutionen (IFI's) een evaluatie van de Nederlandse inzet in de periode 1999-2003 (Ministry of Finance, 2004).

Partly in view of the recommendation we made in our report *Risks to Public Finances* (Netherlands Court of Audit, 2012), the Minister of Finance has periodically prepared a comprehensive analysis of the risks to public finances. The analysis was first presented in the *Budget Memorandum 2013* and it was expanded upon in the *Central Government Annual Financial Report 2013*. In addition, the Minister of Finance undertook to review the need and benefit of all new and increased risks by means of a special assessment framework. The Risk Arrangements Committee will review existing risk arrangements by means of the same framework. The minister informed the House of Representatives of the Committee's findings on Budget Day 2013.

We recommend that the Minister of Finance enrich the information in the comprehensive risk analysis with an opinion on the financial health of the institutions and the Netherlands' exposure. This would be in keeping with the Risk Arrangements Committee's recommendation to include a separate section in the ministerial budgets on outstanding risks or that the ministry form a budget reserve or, if not, explain how losses will be absorbed and risk will be mitigated (Ministry of Finance, 2013b). The indicators for the institutions' financial profiles and risk profiles used in our fact sheets could serve as an example.

4 Provision of information to parliament

4.1 Analysis of three recent cases

The previous chapter provided information to increase insight into the institutions' risk profiles and thus the associated risks to the Netherlands. The fact sheets summarise information that was not previously available. Information on an institution's risk profile is critical when giving or modifying a guarantee because a guarantee may lead to a claim if certain events (risks) occur. The House of Representatives should therefore have access to such information in order to exercise its right to approve budget proposals to give or modify guarantees.

We audited the information the Minister of Finance recently provided to parliament when the Netherlands modified its financial exposure to three institutions:
1. the €13.6 billion increase in the guarantee given by DNB to the IMF (2011);
2. the €448 million increase in the EIB's capital (2012);
3. the €5.7 billion guarantee DNB gave for crisis-related risks in the Eurosystem (2013).

The Central Government Budget Regulations lay down what policy-related information the minister must provide when he submits a budget or supplementary budget to parliament. The requirements are formulated in general terms. Policy-relevant changes in the budget, for example, should be explained where meaningful or relevant. In addition to these general regulations, we considered what information should be provided if the budget is modified: precisely what is the guarantee intended for, what is its duration, what events are being guaranteed and what are the consequences?

4.2 Recommendation: improve information in budget proposals

Although we concluded that the policy-related explanations of the three proposals we audited satisfied the Central Government Budget Regulations, the minister could have informed parliament more proactively and explicitly. We would have expected information on:
- the reasons for the proposals;
- the exact duration;
- the assets and events guaranteed;
- the consequences for the institution's lending capacity.

The Minister of Finance should provide parliament with timely, explicit, appropriate and concrete information on future budget proposals involving international institutions. This would also be in keeping with the Risk Arrangements Committee's recommendation that the minister pro-actively provide parliament with appropriate and concrete policy-related explanations by submitting the completed assessment frameworks for new risk arrangements. We make the following specific recommendations to the Minister of Finance:

1. *Explain the reasons for the proposal*

The Minister of Finance should clearly explain what policy options are available before entering into a payment obligation or giving a guarantee.

2. Explain the specific relationship between the Netherlands and the institution
The Minister of Finance should clearly explain the duration of the guarantee. The information provided to DNB on the duration of the guarantee given for the ECB operations used the terms ‘in principle’ and ‘in theory’. A clear explanation of the duration would improve insight into the financial exposure. The Minister of Finance should also specifically state what instrument or type of claim is covered by the guarantee and what events must occur before the guarantee can be called.

3. Explain what changes have occurred in the institution’s financial profile
The Minister of Finance should explain what effect a change in the relationship with the institution would have on the institution’s lending capacity and on the Netherlands’ exposure. A change in the financial exposure usually has an impact on the institution’s lending capacity and thus on its ability to achieve its objectives. Moreover, changes are often made to have such an effect. The minister did not explain how the budget proposal to increase DNB’s guarantee to the IMF could affect the IMF’s lending capacity or its free lending capacity.

5 Response of the minister and the Court of Audit's afterword

5.1 Response of the Minister of Finance

The Minister of Finance responded to the draft of our report on 25 September 2013. A summary of his response is presented below. The minister's full response (in Dutch) can be found on our website at www.rekenkamer.nl.

The Minister of Finance recognised the need to mitigate risks to Dutch public finances and to inform parliament about them transparently. He noted that the government had adopted all the recommendations made by the Risk Arrangements Committee. Furthermore, the government had introduced a stricter guarantee framework to reduce outstanding risks in the years ahead. The minister acknowledged the importance of good arrangements for public external audit and accountability at the institutions. He noted that improvements were being made in both the ESM and EFSF.

The minister paid specific attention to the guarantee introduced in March 2013 for losses that might be incurred by DNB on certain standard monetary policy measures taken by the ECB. This guarantee differs from those given to other institutions as the measures relate to the exclusive powers of the ECB and the national central banks. The minister wrote that he had no formal powers to influence the risks arising from non-standard monetary policy measures. In his opinion, it is important that he is involved in decision-making on the programme countries covered by the guarantee.

The minister noted that our recommendation to enrich the risk analyses in the Budget Memorandum and the Central Government Annual Financial Report by adding an opinion on the financial health of individual institutions and the financial risks to the Dutch budget went further than the Risk Arrangements Committee's recommendation. The minister believed there were significant objections to expressing such an opinion. It was not always straightforward, he wrote, to express an opinion on the indicators we used in our report for the risk profile. By way of an example he referred to the preferred creditor status of the EFSF and the fact that a public opinion on the financial health of an international institution, based on prudential standards, could have adverse consequences for the institution's creditworthiness. The minister would therefore refrain from expressing a comprehensive opinion on an institution's financial health and the risks to the Dutch budget.

Regarding our recommendation that parliament be informed more pro-actively and specifically when a guarantee or interest is given or changed, the minister referred to the Risk Arrangements Committee's recommendation that the completed assessment framework for new risk arrangements be submitted to parliament as a matter of course. Parliament would then have a better insight into the reasons underlying a proposal to give or change a guarantee or interest.

5.2 Court of Audit's afterword

According to the minister, a public opinion on the financial health of an institution could have adverse consequences for the institution's creditworthiness. We understand the sensitivity but think parliament should be properly and appropriately informed of the financial risks that central government assumes and the individual and cumulative exposure.

In response to our recommendation that parliament be informed promptly and specifically about new risk arrangements, the minister undertakes to submit the assessment framework for new arrangements as a matter of course. We expect the framework to contain information on the issues we raised in our recommendation:

- the considerations underlying a proposal to give or change a guarantee or interest;
- the specific relationship between the Netherlands and the institution in terms of duration and assets guaranteed;
- changes in the institution's profile in terms of its lending capacity and the risk to the Netherlands as a participant.

A comprehensive opinion on the current risks and financial health of an institution might be a bridge too far at present. In the meantime, we nevertheless urge the minister to adopt the indicators we used for the financial profile and risk profile as an example for the risk section in the ministerial budgets for 2015.

Literature

We refer to publications with their original title and add the English translation in parenthesis. Publications are available in original language only, unless otherwise stated.

European Central Bank (2012), *Guideline of the European Central Bank of 10 December 2012* (2012/833/EU).

European Central Bank (2013a), *Press release 21 February 2013 - Details on securities holdings acquired under the Securities Markets Programme.*

European Central Bank (2013b), *Annual Report 2012*, Frankfurt: ECB.

International Monetary Fund (2013a), *Financial Statements, Quarter Ended January 31, 2013*, http://www.imf.org/External/Pubs/FT/quart/2013fy/043013.pdf.

International Monetary Fund (2013b), *Financial Statements April 30, 2013*, http://www.imf.org/External/Pubs/FT/quart/2013fy/043013.pdf.

Ministry of Finance (2004), *Bevorderen van financieel-economische ontwikkeling en economische structuurversterking in minder ontwikkelde en transitielanden via Internationale Financiële Instellingen (IFI's) een evaluatie van de Nederlandse inzet in de periode 1999-2003 (Promoting financial and economic development and strengthening economic structures in less developed and transitional countries through International Financial Institutions (IFIs), an evaluation of Dutch efforts in 1993-2003)*, House of Representatives, 2003-2004, appendix to Parliementry Papers 29200-IXB no. 33, The Hague, SDU.

Ministry of Finance (2010), *Vergaderingen Interim Committee en Development Committee. Brief van de minister van Financiën d.d. 25 november 2010 over de bijdragen van Nederland aan het IMF. (Meetings of the Interim Committee and Development Committee)*, Letter from the Minister of Finance, 25 November 2010, on the Dutch contribution to the IMF, House of Representatives, 2010-2011, 26 234, no. 109, The Hague, SDU.

Ministry of Finance (2011a), *Schokproef Overheidsfinanciën (Shock proof public finances)*, House of Representatives, 2010-2011, appendix to Parliamentary Papers 33 000, no. 36. The Hague, SDU.

Ministry of Finance (2011b), *Wijziging van de begrotingsstaten van het Ministerie van Financiën (IXB) voor het jaar 2011 (wijziging samenhangende met de Najaarsnota), (Amendment of the budget statements of the Ministry of Finance (IXB) for the year 2011 (amendment for the Autumn Memorandum))*, House of Representatives, 2011-2012, 33 090 IXB, no. 5, The Hague, SDU.

Ministry of Finance (2011c), *Raad voor Economische en Financiële Zaken (Economic and Financial Affairs Council)*, letter form the Minister of Finance, 22 December 2011, on strengthening the IMF, House of Representatives, 2010-2011, 21 501-07, no. 874, The Hague, SDU.

Ministry of Finance (2012a), *Miljoenennota 2013 (Budget Memorandum 2013)*, House of Representatives, 2012-2013, 33 400, no. 1. The Hague, SDU.

Ministry of Finance (2012b), *Wijziging van de begrotingsstaat van het Ministerie van Financiën (IXB) voor het jaar 2012 (Incidentele suppletoire begroting EIB) (Amendment of the budget statement of the Ministry of Finance (IXB) for the year 2012 (Incidental supplementary budget EIB))*, House of Representatives, 2012-2013, 33 409, no. 2, The Hague, SDU.

Ministry of Finance (2012c), *Raad voor Economische en Financiële Zaken (Economic and Financial Affairs Council)*, letter from the Minister of Finance, 19 April 2012, on Target2: the system for direct bank transfers in the euro area), House of Representatives, 2012-2013, 21 507-07, no. 905, The Hague, SDU.

Ministry of Finance (2013a), *Financieel Jaarverslag van het Rijk 2012 (Central Government Annual Financial Report 2012)*, House of Representatives, 2012-2013, 33 605, no. 1, The Hague, SDU.

Ministry of Finance (2013b), *Risicoregelingen in beeld. Eindrapport van de Commissie Risicoregelingen (Risk Arrangements in View, Final Report of the Risk Arrangements Committee)*, September 2013.

Ministry of Finance (2013c), *Wijziging van de begrotingsstaat van het Ministerie van Financiën (IX) voor het jaar 2013 (Incidentele suppletoire begroting DNB winstafdracht) (Amendment of the budget statement of the Minister of Finance (IX) for eh year 2013 (incidental supplementary Budget, DNB Profit remittance)*, House of Representatives, 2012-2013, 33 548, no. 2, The Hague, SDU.

Ministry of Finance (2013d), *Wijziging van de begrotingsstaat van het Ministerie van Ministry of Finance (IX) voor het jaar 2013 (Incidentele suppletoire begroting DNB winstafdracht), Report with a list of questions and answers, (Amendment of the budget statement of the Minister of Finance (IX) for eh year 2013 (incidental supplementary Budget, DNB Profit remittance)*, House of Representatives, 2012--2013, 33 548, no. 4, The Hague, SDU.

Ministry of Finance (2013e), *Miljoennota 2014 (Budget Memorandum 2014)*, House of Representatives, 2013-2014, 33 750, no. 1, The Hague, SDU.

Netherlands Court of Audit (2012), *Risico's voor de overheidsfinanciën; Inzicht en beheersing (Risks to Public Finances - insight and control)*, House of Representatives, 2011-2012, 33 299, no. 2, The Hague, SDU. Summary of this audit report and the eight accompanying diagrams is available in English on www.courtofaudit.nl.

Netherlands Court of Audit (2011), *Staatsbalans: zicht op staatsvermogen (State Balance Sheet: a view of the State's financial position)*, House of Representatives, 2010-2011, 32 755, no. 2, The Hague, SDU.

Audit team

P.A.M.G. Kempkes (project manager)
E.C. Elferink
M. Filak
B.J.A. Leenheer
L. Simonse

The Netherlands Court of Audit

Algemene Rekenkamer
Lange Voorhout 8
P.O. Box 20015
2500 EA The Hague
phone +31 70 342 43 00
www.courtofaudit.nl

Translation

Alan Hyde, InTACT

Cover

Design: Corps Ontwerpers, The Hague
Photo: Sijmen Hendriks/Hollandse Hoogte

The Hague, September 2013