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# REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on the application of Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union

### 1. Introduction

Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union (the referred to as 'ESA 2010 Regulation'<sup>1</sup> or 'the Regulation') in Article 12 requires that a report be provided every 5 years to the European Parliament and the Council on the application of this Regulation.

The European system of national and regional accounts (ESA 2010) is the internationally compatible EU accounting framework for a systematic and detailed description of an economy. It is the source for a multitude of key economic indicators for policy making and economic analysis by governments, international institutions and academia, including gross domestic product (GDP).

This report intends to satisfy the requirement to report in 2023 on the application of the ESA 2010 Regulation.

## 2. Implementation of the Regulation

## a) Quality of ESA 2010 data on national and regional accounts

The Commission (Eurostat) regularly assesses whether Member States' data quality is in accordance with ESA 2010 requirements.

This section presents Eurostat's assessment of the quality of national and regional accounts sent by the EU Member States, Iceland, Norway and Switzerland in 2021<sup>2</sup>.

The quality assessment was carried out in accordance with Article 4 of the ESA 2010 Regulation, which requires the quality of national and regional accounts data sent to Eurostat to be assessed according to the quality criteria of the European Statistical System established by Regulation (EC) No 223/2009 on European statistics<sup>3</sup>. Commission Implementing Regulation No 2016/2304<sup>4</sup> sets out the modalities, structure, periodicity and indicators of the assessment process.

The data sent in 2021 were broadly in line with the quality standards of the European Statistical System and the ESA 2010 Regulation. In general, Member States have been able to

<sup>&</sup>lt;sup>1</sup> OJ L 174, 26.6.2013, p. 1.

<sup>&</sup>lt;sup>2</sup> <u>https://ec.europa.eu/eurostat/web/esa-2010/esa-2010-implementation-and-data-quality</u>

<sup>&</sup>lt;sup>3</sup> Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics and repealing Regulation (EC, Euratom) No 1101/2008 of the European Parliament and of the Council on the transmission of data subject to statistical confidentiality to the Statistical Office of the European Communities, Council Regulation (EC) No 322/97 on Community Statistics, and Council Decision 89/382/EEC, Euratom establishing a Committee on the Statistical Programmes of the European Communities (OJ L 87, 31.3.2009, p. 164).

<sup>&</sup>lt;sup>4</sup> Commission Implementing Regulation (EU) 2016/2304 of 19 December 2016 on the modalities, structure, periodicity and assessment indicators of the quality reports on data transmitted pursuant to Regulation (EU) No 549/2013 of the European Parliament and of the Council (OJ L 345, 20.12.2016, p. 27).

comply with the data requirements and methodology. The overall results for the different quality criteria are provided below.

## Relevance and availability of ESA 2010 data

In 2021, both quarterly and annual national accounts mandatory data were reported with high completeness. The EU average completeness rates for each national accounts domain were between 96% and 100%.

The percentage of complete tables increased from 86% in 2018 to 92% in 2021. The expiration of outstanding derogation and the completion of the 2019 round of benchmark revisions generally improved overall data availability. There were also fewer tables delivered with shortcomings<sup>5</sup>.

In the continuous effort to meet changing user needs, Eurostat began the mid-term review of the ESA 2010 Regulation<sup>6</sup> in 2018. A major focus of the project was to improve the 'cross-domain consistency' of national accounts data (based on work in a dedicated task force), to minimise the inconsistencies in different parts of the accounts or derived administrative data. New policy-related demands, mainly related to (government) interactions with the institutions and bodies of the EU were also taken into consideration, ensuring a solid legal basis on quarterly government revenue, expenditure and the deficit, an improved timeliness of the Classification of the functions of government (COFOG) data and annual financial sector accounts and the revision of the Classification of individual consumption by purpose (COICOP).

## Accuracy

The accuracy of ESA 2010 data is ensured during regular data validation by (a) analysis of outliers, (b) analysis of revisions and (c) verification of adherence to the methodology. The analysis of revision rates of key European aggregates showed that Member States provide data of good quality, enabling Eurostat to publish early and reliable GDP and employment estimates for both EU and euro-area aggregates. Most EU Member States, Iceland, Norway and Switzerland publish online information on their national revision policies. The coverage of the information on revisions is continuously improving over the years also for financial accounts, regional accounts and supply use input-output tables.

## Timeliness and punctuality

In 2021, the punctuality of transmissions was high, with most countries sending their mandatory quarterly accounts at or shortly before the official transmission deadline. For the ESA 2010 tables transmitted annually, 11 Member States sent all required annual national and regional accounts tables on time.

<sup>&</sup>lt;sup>5</sup> Details of the analysis can be found in chapter 4 of <u>Eurostat assessment of the quality of national and regional</u> <u>accounts' data, 2022 edition</u>.

<sup>&</sup>lt;sup>6</sup> See <u>Regulation (EU) No 2023/734 of the European Parliament and the Council of 15 March 2023 amending</u> <u>Regulation (EU) No 549/2013 on the European system of national and regional accounts in the European Union</u> <u>and repealing 11 legal acts in the field of national accounts</u>, OJ L 97, 5.4.2023, p. 1–114.

#### Accessibility and clarity

All EU Member States and EFTA countries publish online documentation on national accounts methodology and compilation methods. A comprehensive set of documentation is accessible online for most EU Member States. The content of the available information varies across countries and for some domains it can be further developed and enriched with relevant details.

## Coherence

In 2021, overall internal coherence within and between tables was very high for all countries. As regards cross-domain coherence, most countries succeeded in keeping cross-domain differences below 0.3% of GDP. Absolute vertical discrepancies between annual financial and non-financial sector accounts for the non-financial corporation and household sectors were 1.5 and 2% of GDP respectively, and below 0.1% of GDP for the general government sector.

## Actions undertaken to improve data quality

Member States have made significant efforts to improve data quality in accordance with ESA 2010 requirements. The Commission (Eurostat) supports these efforts through meetings, workshops, courses, guidance manuals and documents. Technical cooperation is conducted through the Working Groups on National Accounts and Excessive Deficit Procedure Statistics under the guidance of the Directors of Macroeconomic Statistics of the National Statistical Institutes.

Financial support from the Commission to Member States is an important tool to further improve the completeness, comparability and consistency of ESA 2010 data. Between 2018 and 2022, Member States were benefiting from grants to improve ESA 2010 data in specific areas, including the development of voluntary data such as flash estimates and of data still covered by derogations (until 2020).

## Conclusion

Data quality improved significantly between January 2019 and February 2022. This is attributed to: (a) the expiration of all temporary derogations on 1 January 2020<sup>7</sup>; and (b) the benchmark revision that was coordinated for many countries in 2019 with a few others following in 2020 and 2021.

The COVID-19 crisis gave rise to new challenges for the national accounts compilation<sup>8</sup>. Eurostat supported national statistical institutes (NSIs) in addressing these challenges by

<sup>&</sup>lt;sup>7</sup> With the exception of Switzerland that has derogations valid until 2024.

<sup>&</sup>lt;sup>8</sup> <u>https://ec.europa.eu/eurostat/documents/737960/9861115/COVID19\_national\_accounts\_QandA.pdf and https://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/guidance-on-accounting-rules</u>

providing guidance notes in many areas<sup>9</sup> and encouraging the regular exchange of experiences between Member States in various fora.

#### b) Effectiveness of the Regulation and of the monitoring process

#### Effectiveness of the Regulation

Several initiatives on the compilation of national accounts have been launched, progressed or/and were completed since the 2018 publication of the first quality report<sup>10</sup> and its two accompanying Commission staff working documents<sup>11</sup>.

On globalisation, the most relevant initiatives include the launch of the early warning system (EWS), the development of integrated global accounts (IGA), the consolidation of the Eurogroups register (EGR), the GNI MNE (gross national income generated by multinational enterprises) pilot exercise, the European Profiling of large MultiNational Enterprise (MNE) groups, the creation of Large cases units in most EU Member States, and the creation of an MNE network that now also encompasses the EWS. Following up on the Conference of the Directors Generals of the National Statistical Institutes (DGINS conference) of 2019 and the 'Bratislava memorandum', its outcome document, all European Statistical System (ESS) initiatives on globalisation have been integrated into a systematic approach to address the statistical challenges related to globalisation.

Moreover, Eurostat has launched into regular production a new set of EU inter-country supply, use and input-output tables (FIGARO tables) in 2021<sup>12</sup>. The key objective of FIGARO tables is to make it possible to link EU economies with each other as well as with non-EU partners and to provide national and international organisations a reference point to analyse trade, globalisation, socio-economic, macroeconomic and environmental policies for EU countries.

In the same period, Eurostat has also substantially contributed to the development of an internationally agreed framework, in the form of digital supply and use tables, to measure and analyse the digital economy, and is currently promoting its implementation with the ESS NSIs. In addition, work is ongoing to enhance data sources on the production and use of digital services, including e-trade, cloud computing, and artificial intelligence.

<sup>&</sup>lt;sup>9</sup> <u>https://ec.europa.eu/eurostat/data/metadata/covid-19-support-for-statisticians</u>

<sup>&</sup>lt;sup>10</sup> Report from the Commission to the European Parliament and the Council on the application of Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union and on the application of the granted derogations, COM (2018) 506 final report

<sup>&</sup>lt;sup>11</sup> Commission Staff working document, ESA 2010 data availability and application of granted derogations, SWD/2018/354 final, and Commission Staff working document, Quality Report on National and Regional Accounts. 2016 data, SWD/2018/355 final.

<sup>&</sup>lt;sup>12</sup> <u>https://ec.europa.eu/eurostat/web/esa-supply-use-input-tables/figaro</u>

Regarding Eurostat's growth and productivity accounts (GPA) project, Eurostat published a set of additional productivity indicators on 15 December 2021<sup>13</sup>. The specific objectives were to extend Eurostat's publication of labour productivity indicators (LPI) and to prepare and publish capital productivity indicators (CAPI) to better meet the policy needs of the European Semester and the EU Digital Agenda. The multifactor productivity indicator (MFP), based on hours worked and capital stocks data in national accounts, was also published. A quality adjusted labour index (QALI) has been published since 2018. This measures labour input to economic production, taking into account both the composition of the workforce and the number of hours worked. Moreover, the Task force on fixed assets and estimation of consumption of fixed capital under ESA 2010 (TF FIXCAP) has developed a set of fixed assets and consumption of fixed capital across countries.

Eurostat also made progress on developing household distributional accounts (HDA) estimates by breaking down national accounts variables with indicators derived from microdata. In December 2020, Eurostat<sup>14</sup> and the OECD<sup>15</sup> published for the first time experimental results of the distribution of households income and consumption aligned with the macroeconomic totals. In 2022, Eurostat initiated a new Task force on Household distributional accounts (TF HDA) which provides a forum to share experience and knowledge that helps countries to estimate their own distributional accounts or improve the quality of results achieved so far.

#### Effectiveness of the monitoring process applied to the ESA 2010

The implementation of the ESA 2010 in the Member States is monitored in different ways.

Eurostat, in cooperation with the national data compilers, is continuously working on improving data availability for its users. Data availability is monitored regularly during periods of data production. There is a limited number of cases where countries' failure to provide data in accordance with the ESA 2010 obligations harms data availability. In these cases Eurostat reminds the Member States concerned of the transmission requirements by periodically monitoring their compliance with the ESA 2010 Regulation.

The quality of ESA 2010 data submitted by the Member States is systematically monitored at each step of the validation procedure for each national accounts domain, as well as during the annual quality reporting exercise. In the latter, Eurostat prefills the country quality reports with the quantitative indicators for each quality criterion set out in Regulation (EC) No 223/2009 on European statistics. The countries then check the correctness of the indicators and complement and comment on their country report. Eurostat drafts an overall assessment and individual recommendations for the country reports, which are eventually agreed with the

<sup>&</sup>lt;sup>13</sup> <u>https://ec.europa.eu/eurostat/web/national-accounts/methodology/european-accounts/productivity-indicators</u>

<sup>&</sup>lt;sup>14</sup> https://ec.europa.eu/eurostat/web/experimental-statistics/ic-social-surveys-and-national-accounts

<sup>&</sup>lt;sup>15</sup> http://www.oecd.org/sdd/na/household-distributional-results-in-line-with-national-accounts-experimentalstatistics.htm; https://stats.oecd.org/Index.aspx?DataSetCode=EGDNA\_PUBLIC

countries and validated by Eurostat. The results of the national quality reporting exercise are summarised in the quality report on national and regional accounts that is published on the Eurostat website in December every year.

The data reported for gross national income (GNI) are monitored in a dedicated process in the context of own resources, governed by Regulation (EU) 2019/516 <sup>16</sup> (the 'GNI Regulation'). A transition mechanism is in place under which ESA 2010-based estimates of GNI for the years 2010 to 2013 are converted into ESA 95 figures using an agreed method. From the reporting year 2014 onwards, the GNI own resource is based on ESA 2010 data.

Under the GNI Regulation, the Commission (Eurostat) verifies the sources and methods used by Member States to calculate GNI. It does this using annual and multiannual verification mechanisms.

The annual verification process is based on the data sent through the GNI questionnaires and accompanying reports on the quality of GNI data sent out before 1 October each year.

The multiannual verification focuses mainly on the inventory of the sources and methods used to produce GNI aggregates and their components (GNI inventory), submitted by each Member State and discussed in Eurostat visits to the countries. Where the Commission considers that changes should be made to the methodology underlying the GNI figures, it can place action points and reservations, resulting in improved figures where needed. The Commission Report on the application of the GNI Regulation from 2022<sup>17</sup> summarises the progress made by the Commission and the Gross National Income Expert Group on the harmonisation of GNI.

Government deficit and debt data are monitored and verified in the context of the excessive deficit procedure (EDP). This also involves validating the underlying government finance statistics (GFS) data in relation to the EDP. The legal basis for monitoring the EDP data is Council Regulation (EC) No 479/2009<sup>18</sup>. Commission Regulation (EU) No 220/2014<sup>19</sup> stipulates that ESA 2010 must be used for EDP and GFS purposes as of 1 September 2014.

Eurostat's assessment concentrates on the factors that explain the general government net lending/net borrowing and gross debt (as a percentage of GDP) and the changes in the ratio of general government debt to GDP. Member States send this information to Eurostat twice a

<sup>16</sup> <u>Regulation (EU) 2019/516</u> of the European Parliament and of the Council of 19 March 2019 on the harmonisation of gross national income at market prices and repealing Council Directive 89/130/EEC, Euratom and Council Regulation (EC, Euratom) No 1287/2003 (GNI Regulation), OJ L 91, 29.3.2019, p. 19.

<sup>17</sup> Report from the Commission to the European Parliament and the Council on the application of Regulation (EU) 2019/516 of the European Parliament and of the Council of 19 March 2019 on the harmonisation of gross national income at market prices and repealing Council Directive 89/130/EEC, Euratom and Council Regulation (EC, Euratom) No 1287/2003 (GNI Regulation), COM/2022/733 final.

<sup>&</sup>lt;sup>18</sup> <u>Council Regulation (EC) No 479/2009</u> of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community (OJ L 145, 10.6.2009, p. 1).

<sup>&</sup>lt;sup>19</sup> Commission Regulation (EU) <u>No 220/2014</u> of 7 March 2014 amending Council Regulation (EC) No 479/2009 as regards references to the European system of national and regional accounts in the European Union (OJ L 69, 8.3.2014, p. 101).

year in the *EDP notification tables*, the *Questionnaire relating to the EDP notification tables*, other related questionnaires and via bilateral clarifications.

The legal basis of the EDP provides for regular in-depth reporting to the Council<sup>20</sup> and the European Parliament, including on GFS aspects. Eurostat also regularly reports on the consistency of the underlying GFS data with the EDP as well as on comparability, accuracy, availability/timeliness and dissemination aspects (as well as a range of additional quality indicators).

Detailed sources and methods used to compile the general government accounts are published in the EDP inventories<sup>21</sup>.

A continuing effort to ensure the comparability and harmonisation with ESA 2010 rules is reflected in the publication of updated versions of the Manual on Government Deficit<sup>22</sup> and Debt in 2019 and 2022, which serve, among other objectives, to facilitate the harmonised benchmark revisions.

Overall, the quality of the reporting of fiscal data continued to improve. In general, Member States provided higher quality data, more complete information in EDP notification tables, and other relevant statistical information.

Macroeconomic imbalances procedure (MIP) indicators are calculated on the basis of underlying statistics produced by national statistical institutes and central banks, stemming from different domains including national accounts and balance of payments. Eurostat actively monitors the quality of those underlying statistics and in particular the consistency between balance of payments and national accounts statistics, with a focus on non-financial accounts. For the monitoring of financial accounts and balance of payments, Eurostat cooperates with the European Central Bank.

The MIP indicators stemming from national accounts have met the relevant coverage and timeliness requirements since the beginning of the MIP exercise. The quality is continuously monitored.

The introduction of ESA 2010 ensured the consistency of GDP compilation with the international standards for national accounts. This contributes to a better comparability, not only across EU Member States, but also across the world.

A common harmonised European revision policy (HERP) for national accounts and balance of payments statistics covering benchmark and routine revisions has been developed and its voluntary implementation by the Member States has progressed. The policy aims to improve adherence to the twofold principle of alignment at national level between statistical domains and coordinated alignment at EU level across Member States. Eurostat is monitoring the

<sup>&</sup>lt;sup>20</sup> The Economic and Financial Committee.

<sup>&</sup>lt;sup>21</sup> <u>https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-inventories</u>

<sup>&</sup>lt;sup>22</sup> <u>https://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/manuals</u>

adherence to HERP of EU Member States and EFTA countries. In 2019, the handbook on Practical guidelines for revising ESA 2010 data<sup>23</sup> was published. This provides good practices for routine and benchmark revisions as well as for non-scheduled revisions.

The handbook on Consistency of ESA 2010 based national accounts<sup>24</sup>, published in 2020, aims to support compilers' efforts to improve the consistency of national accounts. It contains definitions, explanations, recommendations and examples of good practice under the ESA 2010 Regulation that aim to ensure that the output of national accounts compilation is numerically consistent.

Taking the above into account, the Commission considers that the ESA 2010 Regulation, in combination with various monitoring activities based on other legal frameworks (as described above) is effective in ensuring the provision of high-quality and comparable, up-to-date and reliable data by the Member States for EU policy and other purposes.

#### c) Progress on contingent liabilities data

Data on contingent liabilities are collected by Eurostat in the context of Council Directive 2011/85/EU<sup>25</sup>. Article 14(3) of that Directive sets out new statistical requirements for the Member States.

The ESA 2010 Regulation acknowledges this (in Recitals 19, 20 and 22) and requires the Commission to report to Parliament and the Council on the availability of the related information at specified intervals (see Articles 11 and 12). Therefore, in February 2019, the Commission published the second 'Report on implicit liabilities with potential impact on public budgets'<sup>26</sup>.

The data collected by Eurostat in the context of the above Directive are the main source of information on government contingent liabilities in Member States<sup>27</sup>. The templates for the data collection and the implementation guidance were provided in Eurostat's Decision of 22 July 2013 on government deficit and debt - *supplement on contingent liabilities and potential obligations to the EDP related questionnaire*<sup>28</sup>.

This Decision specifies that Eurostat collects and publishes selected indicators related to the following contingent liabilities: government guarantees, off-balance public-private

<sup>&</sup>lt;sup>23</sup> https://ec.europa.eu/eurostat/documents/3859598/9530664/KS-GQ-18-012-EN-N.pdf/19dc3542-aa34-4b6ba981-8a4f244074e8

<sup>&</sup>lt;sup>24</sup> <u>https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/ks-gq-20-004</u>

<sup>&</sup>lt;sup>25</sup> <u>Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the</u> <u>Member States (OJ L 306, 23.11.2011, p. 41)</u>

<sup>&</sup>lt;sup>26</sup> Report from the Commission to the European Parliament and the Council on implicit liabilities with potential impact on public budgets, COM/2019/81 final.

<sup>&</sup>lt;sup>27</sup> Other Eurostat data collections also exist (i.e. the Supplementary table for financial crisis, the EDP related questionnaire, etc.). These provide limited and/or confidential information on particular types of contingent liabilities.

<sup>&</sup>lt;sup>28</sup> https://ec.europa.eu/eurostat/documents/1015035/2041337/ESTAT-decision-Suppl-on-conting-liab-EDP-Q.pdf/0b35165a-ee53-470a-a15a-7beaa98aac8b

# partnerships (PPPs), liabilities of government-controlled entities classified outside general government (public corporations) and non-performing loans (government assets<sup>29</sup>).

The Member States published data at national level and provided them to Eurostat for the first time by end-December 2014. Since then, an annual data collection has been taking place, followed by the Eurostat publication by end-January (T+13 months) of each year. Eurostat publishes the figures in millions of national currency and as percentages of GDP in its database, together with the related metadata and country-specific footnotes. An accompanying News item release<sup>30</sup>, as well as a statistics-explained article<sup>31</sup> are also published<sup>32</sup>.

The Member States continued to make progress on the completeness (in terms of including all liabilities) and the coverage of the data (in terms of covering all of general government). All Member States provided the requested data and a number of Member States reviewed and revised their figures to better align with the agreed guidelines.

The completeness and the coverage of data vary by indicator and by Member State. In Eurostat's data collection, complete and good coverage data are available for most Member States for all indicators. However, for some Member States data are not yet fully exhaustive, in particular for local government. Some further improvements are needed on data about non-performing loans. For several Member States, progress is still needed on the timely availability of data on liabilities of government controlled entities classified outside general government.

## 4. Conclusions

This report analyses the quality of ESA 2010 data, the effectiveness of the ESA 2010 Regulation and monitoring processes as well as the progress on contingent liabilities, as required by Article 12 of the Regulation.

ESA 2010 was first implemented in the Member States in September 2014. Implementation has continued since then, e.g. by resolving derogations granted to individual Member States. Since its introduction, the completeness of data has significantly improved. Data availability of contingent liabilities, partially supplied under separate legislation has also improved.

The GNI verification process has resulted in improvements to the reliability, comparability, and exhaustiveness of the GNI data as Member States have implemented a number of revisions to address the identified action points and GNI reservations.

<sup>&</sup>lt;sup>29</sup> The Member States should publish the same indicators at national level and also the data on the participation of government in the capital of corporations.

<sup>&</sup>lt;sup>30</sup> <u>https://ec.europa.eu/eurostat/web/government-finance-statistics/publications</u>

<sup>&</sup>lt;sup>31</sup> <u>https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Contingent\_liabilities\_and\_non-performing\_loans\_\_statistics</u>

<sup>&</sup>lt;sup>32</sup> <u>https://ec.europa.eu/eurostat/web/government-finance-statistics/contingent-liabilities</u>

Following the first benchmark revisions to ESA 2010 data introduced by most countries in or around 2019, the next coordinated benchmark revision of national accounts and balance of payments is agreed for 2024. Since 2014, during benchmark revisions and other major ad-hoc revisions, Member States have improved data sources and harmonised methods. Eurostat has taken steps to prepare for and communicate effectively on the 2024 benchmark revision. To this end, good practices in line with the harmonised European revision policy (HERP) and agreed official communication are emphasised.

The midterm review of the ESA 2010 transmission programme began in 2018. The Commission's proposal for amending Regulation (EU) No 549/2013 was discussed by the Council and the European Parliament during 2022. The interinstitutional negotiations between the three institutions took place in October 2022. Following adoption by the European Parliament on 2 February 2023, the agreed Regulation was published in the Official Journal on 15 March 2023 and it will apply to data transmissions starting from September 2024.

The Commission considers that the ESA 2010 Regulation, in combination with various monitoring activities based on other legal frameworks, is effective in ensuring the provision of high-quality and comparable, up-to-date and reliable data by the Member States for EU policy and other purposes.