# Stability Programme of the Netherlands

December 2012 Update

## *Status of the December 2012 update of the Stability Programme*

*This Stability Programme is based on the Coalition Agreement (October 2012, including adjustments made in November 2012), the Start Memorandum (Startnota, December 2012) and the Actualisation of the analysis of the economic effects of the financial annex of the Coalition Agreement on 12 November 2012 and the most recent economic outlook provided by the CPB Netherlands Bureau for Economic Policy Analysis (CPB) on 29 November 2012. In line with the country-specific recommendations (CSRs) of the European Council under the 2012 European Semester[1], the Netherlands submits this update of the 2012 Stability Programme with substantiated targets and measures for the period beyond 2013. This update focuses on the Excessive Deficit Procedure (chapter 1), the main measures of the Coalition Agreement (chapter 2) and their budgetary impact (chapter 3).*

*The 2012 update of the Dutch Stability Programme was approved by the Dutch Council of Ministers on 7 December 2012 and, thereafter, sent to both Parliament and the European Commission.*

[1] COUNCIL RECOMMENDATION on the National Reform Programme 2012 of the Netherlands and delivering a Council opinion on the Stability Programme of the Netherlands, 6 July 2012, http://register.consilium.europa.eu/pdf/en/12/st11/st11275.en12.pdf

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# Chapter 1 Implementation of the Excessive Deficit Procedure recommendations to the Netherlands

*The new government is committed to comply with the recommendations of the Excessive Deficit Procedure. The measures set out in the Coalition Agreement will produce savings of 16 billion euro (2.3 percent of GDP) in 2017. The government will reduce the general government budget deficit below 3 percent of GDP in 2013 in a credible and sustainable manner, while simultaneously implementing structural reforms that strengthen the Dutch economy, improve the functioning of both the housing and the labour market and safeguard the sustainability of public finances. This chapter provides a broad overview of the Coalition Agreement (more details on the specific measures can be found in chapter 2 and annex B) and presents the progress made with respect to the recommendations of the Excessive Deficit Procedure.*

***Development of the budgetary position 2013-2017***

The Dutch economy is expected to contract by ½ percent of GDP in 2012. In 2013, the economy is expected to grow moderately by ¾ percent of GDP.[2] Overall economic growth is expected to be 1¼ percent on average over 2013-2017, including the effects of the measures taken by the new government.[3] Table 1.1 summarizes some key economic variables and the impact of the Coalition Agreement.

**Table 1.1 Baseline economic outlook and impact Coalition Agreement**

| | **Baseline** | **Impact Coalition Agreement** | **Result** |
|---|---|---|---|
| | *Average yearly percentage change 2013-2017* | | |
| **GDP** | 1½ | -0.2 | 1¼ |
| **Contract wage growth private sector** | 2¼ | -0.6 | 1¾ |
| **Employment** | ¼ | -0.3 | 0 |
| | *impact on level in 2017 in %-points* | | |
| **Unemployment** | 5 | 1.2 | 6¼ |

Against this economic background, the liberal party VVD and labour party PvdA reached an agreement to foster fiscal consolidation and structural reforms in a number of key areas such as the housing market, pensions and the labour market. The measures amount to 16 billion euro (2.3 percent of GDP) in 2017. Figure 1.2 shows the combined effect compared with the baseline projection of the consolidation measures taken by the government, including the measures taken by the previous government. In total, these measures will improve the government balance in 2017 by 46 billion euro.

[2] Based on the MEV-outlook by the Netherlands Bureau for Economic Policy Analysis (CPB) on 18 September 2012 and therefore does not incorporate the latest quarterly figures (third quarter 2012).
[3] Based on the Actualized midterm forecast of the Dutch economy up to and including 2017 provided by the CPB on 29 November 2012.

**Figure 1.2 Cumulative yearly fiscal consolidation previous and current government (in billion euro)**

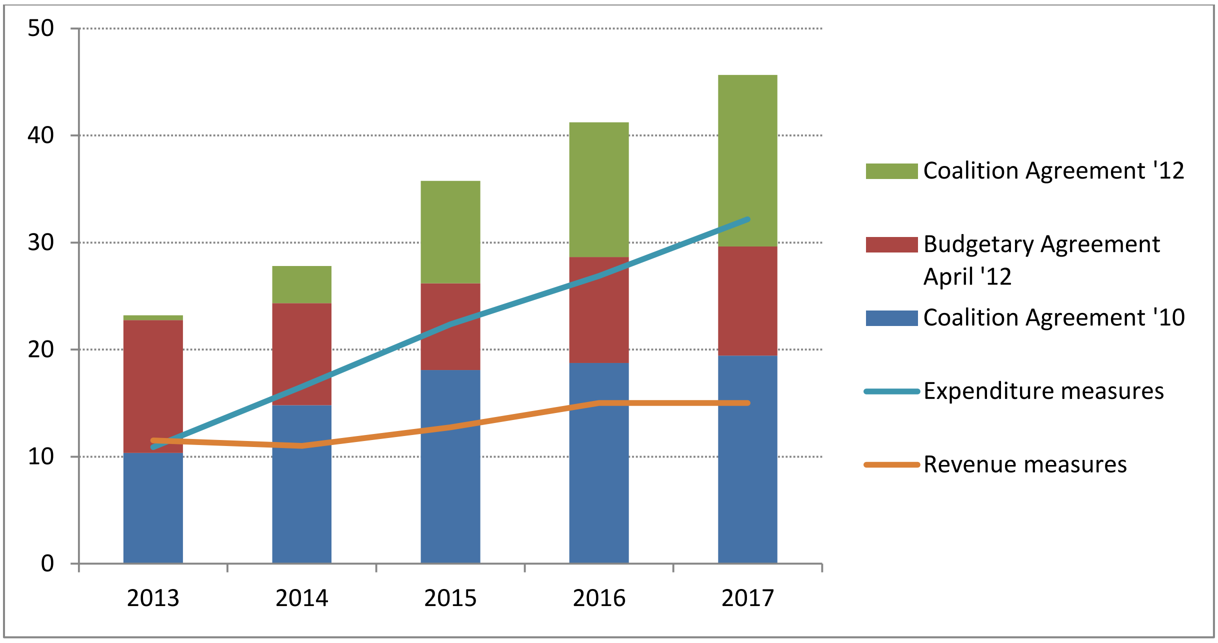



Table 1.3 provides the expected development of the Dutch budgetary position, including the effect of slower economic growth due to the consolidation. With these effects, the ex ante savings of 2.3 percent of GDP in 2017 are expected to translate into an ex post budget improvement of 1.4 percent of GDP compared to the baseline projection.

**Table 1.3 Key budgetary figures for the Netherlands 2013-2017 (percentage of GDP)**[4]

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Government balance (baseline) | -2.7 | -3 | -2.7 | -2.9 | -2.8 |
| Impact package (ex-ante) | 0.1 | 0.5 | 1.4 | 1.9 | 2.3 |
| Impact package (ex-post) | 0.1 | 0.3 | 0.7 | 1 | 1.4 |
| **Government balance incl. package** | **-2.6** | **-2.7** | **-2.0** | **-1.9** | **-1.4** |
| | | | | | |
| Government debt (baseline) | 71.8 | 72.3 | 72.2 | 72.4 | 72.2 |
| **Government debt incl. package** | **70.3** | **70.9** | **70.7** | **70.4** | **69.5** |

As can be seen form table 1.4, the majority of consolidation measures agreed upon by the new government consists of expenditure reductions. The expenditure reductions compared to the baseline translate into 0 percent yearly public expenditure growth over 2013-2017, thus staying well below the medium-term trend GDP growth – as is required by the expenditure benchmark in the revised Stability and Growth Pact. In line with the Annual Growth Survey 2012[5] and the

[4] Based on the Actualized midterm forecast of the Dutch economy up to and including 2017 provided by the CPB on 29 November 2012 and the Startnota of the Ministry of Finance provided on 7 December 2012.
[5] Annual Growth Survey 2012, http://ec.europa.eu/commission_2010-2014/president/news/documents/pdf/ags_en.pdf

country-specific recommendations (CSRs) of the Council under the 2012 European Semester[6], the government ensures the timely and durable correction of the excessive deficit whilst protecting expenditures in areas directly relevant for growth, such as education.

**Table 1.4 Overview fiscal consolidation Coalition Agreement (in million euro, - is an improvement in the general government balance)[7]**

| | 2013 | 2014 | 2015 | 2016 | 2017 | structural |
|---|---|---|---|---|---|---|
| 1. General public services | 58 | -187 | -827 | -1.591 | -2.571 | -3.581 |
| 2. Energy | -155 | 212 | 212 | 212 | 212 | 212 |
| 3. Education | 313 | 181 | 326 | 196 | 196 | 196 |
| 4. Health care | 145 | -370 | -3.441 | -4.307 | -5.384 | -5.734 |
| 5. Social security | -401 | -1.054 | -1.614 | -2.429 | -3.241 | -4.877 |
| 6. Corporations | 0 | -286 | -437 | -446 | -484 | -484 |
| 7. International cooperation | 0 | -520 | -540 | -540 | -1.040 | -1.040 |
| 8. Other expenditure | 0 | -69 | -226 | -319 | -402 | -467 |
| 9. Other tax and social insurance contributions | -422 | -1.371 | -3.008 | -3.374 | -3.301 | -1.933 |
| **Total** | **-462** | **-3.464** | **-9.555** | **-12.598** | **-16.015** | **-17.708** |
| *Of which:* | | | | | | |
| Expenditure reductions | 527 | -12 | -3.293 | -5.874 | -8.998 | -10.522 |
| Tax increases | -284 | -2.295 | -5.106 | -4.628 | -4.431 | -6.492 |
| Other revenue | -705 | -1.157 | -1.156 | -2.096 | -2.586 | -694 |
| **Total** | **-462** | **-3.464** | **-9.555** | **-12.598** | **-16.015** | **-17.708** |

By pursuing growth-friendly consolidation, annual economic growth will be only 0.2 percent lower in 2013-2017 than in the baseline projection of the CPB. More information about the measures can be found in chapter 2. The precise ex ante budgetary impact of the specific measures can be found in Annex B.

***Structural balance and sustainability gap***

Table 1.5 shows the improvement of the general government balance from -5.1 percent GDP in 2010 to -1.4 percent in 2017. This improvement in the actual balance is not matched by an improvement in the structural balance of equal size, due to the declining cyclical component. The structural balance is foreseen to improve from -4.1 percent of GDP in 2010 to -1.2 percent of GDP in 2013, i.e. an average annual structural improvement of almost 1 percent of GDP. Without the measures included in the Coalition Agreement, the structural balance would deteriorate toward -2.9 percent of GDP in 2017[8]. The package of measures thus improves the structural balance with 1.7 percent of GDP in 2017 in the forecast of the CPB.

[6] COUNCIL RECOMMENDATION on the National Reform Programme 2012 of the Netherlands and delivering a Council opinion on the Stability Programme of the Netherlands, 2012-2015, 6 July 2012, http://register.consilium.europa.eu/pdf/en/12/st11/st11275.en12.pdf

[7] The division of total fiscal consolidation between expenditure reductions and tax increases in this table equals the division in the Coalition Agreement (First table in annex A of Coalition Agreement). The inclusion of the consolidation measures in the government budgets (EMU definition) on the expenditure and revenue side differs marginally from the above division; in total the same fiscal consolidation is attained.

[8] Note that budgetary consolidation in 2015, 2016 and 2017 is significant and structural balances are often revised with new economic data.

**Table 1.5 Structural balance**[9]

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Actual balance | -5.1 | -4.5 | -3.7 | -2.6 | -2.7 | -2 | -1.9 | -1.4 |
| Output gap | -1.8 | -1.8 | -2.7 | -2.5 | -2.2 | -2.0 | -1.4 | -0.4 |
| Structural balance baseline | | | | -1.2 | -1.8 | -1.8 | -2.4 | -2.9 |
| Impact package | | | | 0.0 | 0.4 | 0.9 | 1.3 | 1.7 |
| **Structural balance** | **-4.1** | **-3.5** | **-2.3** | **-1.2** | **-1.4** | **-0.9** | **-1.1** | **-1.2** |

To absorb future shocks and as part of responsible intergenerational policymaking, the new government is fully committed to putting public finances on a sustainable footing. In terms of the sustainability gap, the package of measures improves the gap by 2.3 percent of GDP. With that improvement, the sustainability gap turns from a deficit of 1.3 percent into a surplus of 1.0 percent of GDP. A notable improvement, since in June 2010 the CPB estimated the Dutch sustainability gap at 4.5 percent of GDP. Important drivers of the increased sustainability of Dutch public finances are the increase of the pension age (from 65 to 67 in 2021, and linked to life-expectancy thereafter) and measures which contain the growth of healthcare costs.

***The Excessive Deficit Procedure***

The government is committed to comply with the recommendations of the Excessive Deficit Procedure. The general government deficit will be brought below 3 percent of GDP in a credible and sustainable manner. Based on a deficit of 2.6 percent in 2013. the structural balance is foreseen to improve from -4.1 percent of GDP in 2010 to -1.2 percent of GDP in 2013, i.e. an average annual structural improvement of almost 1 percent of GDP. The recommended structural improvement of the budget balance of ¾ percent of GDP over the period 2011-2013 will thus be achieved. Furthermore, public debt is put on a downward path from 2014 onwards. Table 1.6 summarizes the policy response of the Netherlands to the recommendations of the Excessive Deficit Procedure.

**Table 1.6 Summary of the policy response to the recommendations of the Excessive Deficit Procedure**

| Reaction of the Netherlands to the 126(7)-recommendations | |
|---|---|
| Recommendation | Reaction |
| Put an end to the excessive deficit by 2013. | The deficit is foreseen to reach 2.6 percent in 2013 and to decrease further thereafter, reaching 1.4 percent in 2017. |
| Ensure an average annual fiscal effort of ¾ percent of GDP over the period 2011-2013. | The structural deficit is expected to improve from 4.1 percent of GDP in 2010 to 1.2 percent of GDP in 2013, i.e. an average annual improvement of almost 1 percent of GDP. |
| Halt the rapid rise of the government gross debt ratio. | With the combined measures taken by the previous and new government, public debt is put on a downward path from 2014 onwards. |
| Specify the measures that are necessary to achieve the correction of the excessive deficit by 2013. | The foreseen consolidation path is fully underpinned by specified measures up to 2017. For more than 90 percent of the measures for 2013, implementation is on schedule or already fully realized. |

[9] Based on the Actualized midterm forecast of the Dutch economy up to and including 2017 provided by the CPB on 29 November 2012.

## Chapter 2 Overall policy framework and objectives

*This government's financial and socioeconomic policy rests on three essential pillars: putting our public finances in order, ensuring a fair distribution of the adjustment effort and promoting sustainable growth. Our prosperity and well-being rest squarely on these pillars. The sacrifices necessary in the years ahead are considerable and come in the wake of policies that have already asked a great deal of society. We can only count on public support for the savings we propose if we make fair choices and offer the prospect of viable public finances and a sustainable, healthy economy.*

*Within the European Union, the Netherlands has consistently argued that countries should put their affairs in order and adhere to the agreements they have made. A sound budgetary policy is also in our own best interest. A structural loss of growth requires a structural adjustment of government finances. It will also promote creditability and it will help us absorb the impact of possible future crises. It will foster confidence among businesses, investors and consumers. This will eventually put us in a position to reduce the tax burden and to invest more in research, innovation, sustainability and essential public services like education. In this way we can also ensure that costs are not passed on to future generations.*

***The main measures of the new Coalition Agreement***

Housing market

In line with the country-specific recommendations (CSRs) of the European Council under the 2012 European Semester, this government modifies the favourable tax treatment of home ownership and provides for a more market-oriented pricing mechanism in the rental market:

- As already stated in the Stability Programme of April 2012, new mortgages need to be paid off in full (and at least as annuity) as of January 2013 over the course of the loan agreement of 30 years in order to continue to obtain access to the mortgage interest deduction facility (leading to structural savings of 5.4 billion euro). Another measure to reduce the indebtedness of households is the gradual lowering of the maximum Loan-to-Value ratio to 100 percent.
- In the Coalition Agreement, mortgage interest relief will continue to exist to encourage people to buy homes of their own, but will be further modified as follows. For new and existing loans secured by mortgage, from 2014 the highest rate in force (for the fourth tax band) will be reduced by ½ percent per year, until it has been reduced to 38 percent. Each year the government will transfer the additional revenues generated by this measure by raising the upper limit for the third tax band. The problem of residual debt remaining after property sales will be effectively tackled by making interest payments on residual debt temporarily tax-deductible (for a maximum of ten years), under certain preconditions. The facility of the Dutch Municipal Housing Incentive Fund for loans to new buyers on favourable terms will be expanded.
- For the regulated segment of the rental market, rents will be raised by different amounts for people with different incomes. For tenants with household incomes of less than 33.000 euro, the increase will be 1.5 percentage points above the rate of inflation; for tenants with

household incomes between 33.000 euro and 43.000 euro, 2.5 percentage points above the rate of inflation; for tenants with household incomes above 43.000 euro, 6.5 percentage points above the rate of inflation. The system will be retained of setting a rent above which rents are deregulated. The rental subsidy (*huurtoeslag*) will be preserved to ensure the continued availability of affordable housing to low-income households. The home valuation system will be drastically simplified by taking as a base 4.5 percent of the assessed value under the Valuation of Immovable Property Act, replacing the complicated points system (for tenants with incomes higher than 43.000 euro, the maximum rent under the home valuation system will be temporarily suspended). This will remove the implicit subsidy where appropriate.

- Because of the additional rental income that housing associations will receive as a result of the higher allowable rent, the rental sector will be taxed through a lessor-levy (*verhuurderheffing*). The regulation of the remuneration of housing association managers will be accelerated using the new Top Incomes (Standardisation) Act.

<u>Old age pensions</u>

In line with the country-specific recommendations (CSRs) of the European Council under the 2012 European Semester, the new government takes measures to increase the statutory retirement age, including linking it to life expectancy, and improves the long-term sustainability of public finances:

- As in the former agreement, the retirement age will be raised by one month a year starting next year. In the years between 2015 and 2018 however, the retirement age will rise three months a year (instead of two), and from 2018 to 2021 the retirement age will rise with four months a year (instead of three). This implies the retirement age will reach 66 years by 2018 and 67 years in 2021. The retirement age will be linked to life expectancy thereafter.
- Employees on a low income and aged 60 to 64 on the first day of the year will be eligible for a tax cut if they continue working. This will allow people who continue working to save in order to offset the financial impact of the raising of the retirement age that enters into force in 2013. On the basis of a retirement age of 67 in 2021, those who continue working until the age of 65.5 will on average be able to retire 1.5 years earlier without losing out financially. Employees become eligible for the continued-employment tax cut if they earn 90 percent of the statutory minimum wage. The maximum tax cut amount is payable to employees earning 100 percent-120 percent of the minimum wage. Employees earning more than 175 percent of the minimum wage are not eligible for the tax cut.
- In line with the social norm that anyone who works for 40 years should in principle be able to save for a pension equal to 70 percent of their average salary, the Witteveen Framework, the statutory framework governing tax-advantageous pension-saving arrangements, will be based on this norm. This will mean a drop of -0.4 percentage point in the yearly fiscal maximal accrual percentage, from 2.15 to 1.75 percent.
- For income exceeding 100.000 euro (three-times the average income) a year, it will no longer be possible to accrue pension in a tax-advantageous manner.

Labour market

This government enhances the functioning of the labour market, in line with the country-specific recommendations (CSRs) of the European Council under the 2012 European Semester. The maximum duration of unemployment benefits will be limited from 38 to 24 months starting from the first of July 2014. In addition, dismissal procedures will be rationalized and costs of dismissal will be lowered.

- To encourage those receiving benefits to get back to work, everyone will now be required to work and reintegrate, and to do something in return for their benefits, as far as they can. There are no longer any categorial exemptions. Individual exemptions will be temporary and relate only to the obligation to work. A permanent exemption from the obligation to work and reintegrate will be granted only to those who are fully and permanently incapacitated.
- Unemployment benefits (*WW-uitkering)* will be payable for a maximum of 24 months, of which the first 12 months will be related to the employee's most recent salary and the subsequent 12 months to the statutory minimum wage. Unemployment benefits in the second year are not adjusted for household income or wealth. In their first 10 years of employment, employees will accrue entitlements to one month's unemployment benefit per year, and half a month's benefit per year thereafter. Existing entitlements will be respected subject to the maximum applicable under the new system.
- The assessment of proposed terminations of employment in the form of a compulsory request for an advisory opinion to the Employee Insurance Agency (UWV) is maintained. Criteria for the lawful termination of employment will be clearly defined. The option of seeking termination of employment by applying to the district court will be abolished. The UWV will process the vast majority of applications within four weeks (currently six weeks).
- The criteria applied by the UWV to assess proposed terminations of employment for economic reasons will remain the same. Employers will be required to provide the employee with a transitional budget unless the termination is due to the employer's poor financial situation and the employer would go bankrupt if it satisfied this obligation. The transitional budget amounts ¼ month per year with a maximum of 4 months. This proposal substantially reduces dismissal costs for Dutch employers.
- An employer may apply to the courts if the employer wishes to terminate an employment contract in cases where a prohibition on the termination of employment applies, or if the employer wishes to terminate a temporary employment contract that does not provide for that possibility.
- An employee whose contract has been terminated may apply to the courts. The UWV's advisory opinion will weigh heavily in the court's decision. The assessment criteria applied by the court will be identical to those applied by the UWV to an employer.
- If the court finds that the termination of employment was wrongful or that culpability lies primarily with the employer, it may award compensation. If an employer has deviated from a negative advisory opinion on the part of the UWV, the court may also reverse the termination of employment. Redundancy pay amounts to a maximum of half a month's salary for each year of employment, subject to a ceiling of 75.000 euro. The court's decision is not open to appeal.

- Initiatives aimed at achieving a better balance between flexible and permanent employment will be introduced. Together with the social partners, ways of improving the statutory protection for various forms of flexible labour will be examined.

<u>Health care</u>
In healthcare steps are taken to strengthen the functioning of the system, all parties, i.e. insurers, providers, the government and patients, will contribute towards lowering spending growth. Cost increases will be curbed with more than 5 billion euro by 2017. In long-term care a major transformation is undertaken to enhance efficiency by employing synergies with other domains: the largest part of homecare will be integrated with municipal care, while the more medically oriented long-term care will be integrated with the healthcare sector. This will be accompanied by a stronger focus on the most needy.

*Curative care*

- Current covenants between insurers and providers stipulating lower spending growth will be extended up to 2017. The covenant aims to strengthen primary care delivery by stimulating substitution. Concentrating facilities often produces higher quality at a lower cost. Insurers must ensure this goal is achieved through more selective contracting based on clear quality criteria. The basic health insurance package will therefore be limited to care in kind contracted out to providers selected by the insurer. Only supplemental insurance policies may provide reimbursement based on actual cost.
- The benefits package will be screened more strictly. New treatments will enter conditionally and will only be made available under collective insurance permanently if proven to be effective and cost efficient.
- Reimbursement of medical specialists will be cut.
- Copayments will be introduced for emergency care to stall unnecessary use. Private contributions will be made income dependent.

*Long-term care*

- The Exceptional Medical Expenses Act (AWBZ) will be transformed into a new national provision, with residential care limited to people with severe physical, social and/or intellectual disabilities being organised on a national level with a budget ceiling. Care provision will be based on a central policy framework and will include both care in kind and care through personal budgets. Purchasing and care needs assessment will also be part of the new centralised provision. The existing regional care purchasing system, with regional purchases each with its own budget ceiling, will remain intact for the time being, but residential care will be accessible only for those who need it most. Expenses will be lowered by reducing regional variation and differences in rates. It should be noted that in this type of care in particular, the use of personal budgets has resulted in more tailor-made care and institutional innovation, which will be promoted.
- In 2017 nursing care at home will be transferred from the Exceptional Medical Expenses Act (AWBZ) to the Healthcare Insurance Act (ZVW), integrating it in a new system of population-

based funding as General Practitioner (GP) care, and will be subject to a care needs assessment. This will break down the divisions between different types of treatment and providers, boost district nursing, discourage overtreatment and ensure solid primary care in which GPs play a key role. In 2017 health insurers will also become financially responsible for long term mental health services (GGZ) delivery, which will require an effective system of ex-ante cost-sharing rather than ex-post compensation, as well as a sound product structure and a system of quality measurement.

- Municipalities will be made fully responsible for support, assistance and home care. Given the synergies with current tasks at the municipal level, efficiency gains may be realised. Care entitlements will be strictly limited and service provision slimmed down, with a focus on those who need it most. All this will be incorporated into the Social Support Act (WMO). Entitlements to home help will be replaced by tailor-made care for those who really need it and cannot afford it themselves.
- Municipalities will also be made responsible for all care and welfare facilities for youth, including curative and long-term care, youth welfare work and youth probation and after-care services, such that more integrated care can be provided at lower cost.

<u>Education</u>

In higher education, student grants will be replaced by a social loan scheme for both bachelor and master students from 2014/2015 onwards. In addition, and in line with the recommendations (CSRs) of the European Council under the 2012 European Semester, more money will be made available for fundamental research and quality improvements of teachers and school management with stricter norms on quality and a stronger role for the inspectorate.

- A student loan system will replace the basic grant at bachelor's and master's degree levels in higher professional and university education. This will apply to new students starting their studies in September 2014. The supplementary grant will be retained in order to keep higher education accessible.
- In 2015, the free public transport pass will be replaced by a discount card, which will also be available to students in secondary vocational education. The student loan system will cover travel expenses (up to a certain maximum amount).
- The revenue generated by student loan financing measures will be invested in education and research. An extra 150 million euro will be available for strengthening fundamental research. of which 50 million euro will result from setting new priorities.
- Funding for institutions on the basis of quality will be continued. Currently, 7 percent of the budget for institutions in higher education is divided on the basis of performance agreements.
- Admission to higher education will be based on a qualifying certificate. Selection on the basis of entry requirements will continue to be allowed for university colleges, study programmes where the number of applicants exceeds the numbers of available places and courses with special admission requirements (e.g. in the visual and performing arts).
- Baby and toddler clinics will assess language development of children in certain target populations and if necessary refer them to early childhood education programmes. 250 million euro will be earmarked for intensifying secondary vocational education in tandem with

performance goals agreed with institutions. Busy timetables, challenging courses, an adequate focus on basic language and numeracy skills and a strong practical emphasis should help to boost quality.

***The budgetary framework of the government***

Budgetary rules

As far as the budgetary rules are concerned, the government adheres to the budgetary framework that has served previous governments well. As agreed in the new treaty for Stability, Coordination and Governance in the EMU, The Netherlands is in the process of translating EU fiscal rules (as set out in the Stability and Growth Pact) into national legislation.

Treasury banking

As of 2013, local governments will be obliged to hold their deposits at the Dutch State Treasury Agency (Treasury Banking). This will reduce the debt level of The Netherlands. The interest rate that local governments will receive will be equal to the interest rate that The Netherlands pays on its government bonds and bills for the corresponding maturity. All entities participating in treasury banking are independent in the execution of their (legal) responsibilities, with the exception of their treasury functions. They are obliged to put all of their financial assets with the Ministry of Finance, on a current account and/or in one or more deposits. Most organisations also have the possibility to apply for a current account credit facility and to borrow from the Ministry of Finance for their investments. Bundling of cash flows prevents simultaneous borrowing and lending within the central government. All organisations still have their payment accounts at commercial banks, but only for the execution of their daily transactions.

# Chapter 3 General government balance and debt

*As of the start of the Dutch excessive deficit procedure in December 2009, the Dutch government has taken many consolidation measures to correct the excessive deficit. Since macro-economic developments have worsened and structural set-backs on the revenue side have occurred, the budgetary situation has worsened. This chapter elaborates on the consequences of the Coalition Agreement of the new government. Both the developments in the structural and the nominal deficit including the consequences for the government balance and debt will be described. The data in this chapter are based on the latest economic outlook of the CPB Netherlands Bureau for Policy Analysis (Actualisation of the analysis of the economic effects of the financial annex of the Coalition Agreement provided by the Netherlands Bureau for Economic Policy Analysis (CPB) on 12 November 2012) and on the Start Memorandum of the Ministry of Finance (Startnota) provided on 7 December 2012.*

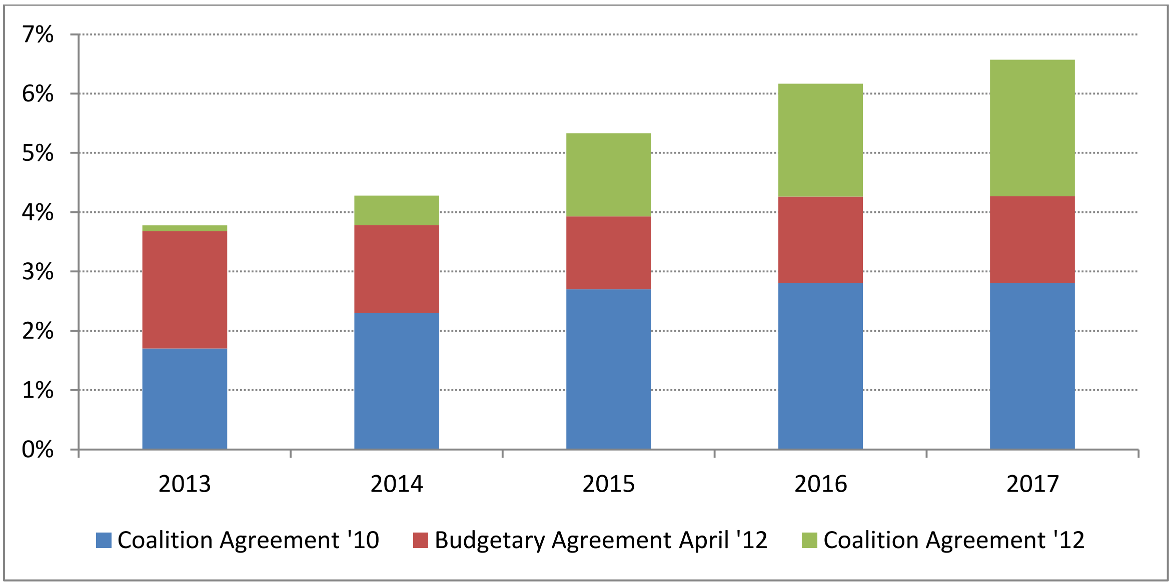
***Introduction***

This chapter gives an overview of the general government balance and government debt over the period 2013-2017. The first paragraph describes the policy strategy of the government. After that, the chapter focuses on the budget balance and debt in the medium and longer term.

***Policy strategy***

This government's financial and socioeconomic policy rests on three essential pillars: putting our public finances in order, ensuring a fair distribution of the adjustment effort and promoting sustainable growth. This strategy is clearly in line with the first priority of the Annual Growth Survey 2013, which calls upon Member States to restore the sustainability of public finances with a composition of adjustment which supports both growth and social fairness. With regards to putting public finances in order, figure 3.1 clearly shows to what extent both the former and new government contribute to fiscal consolidation.

**Figure 3.1 Cumulative fiscal consolidation as percentage of GDP**



***Medium-term budgetary outlook***

With this sizable adjustment, the general government deficit will be brought below 3 percent of GDP in a credible and sustainable manner. With the measures of the Coalition Agreement, the government balance improves 1.4 percent of GDP compared to the baseline in 2017.

**Figure 3.2 General government deficit 2013-2017 (percent of GDP)**

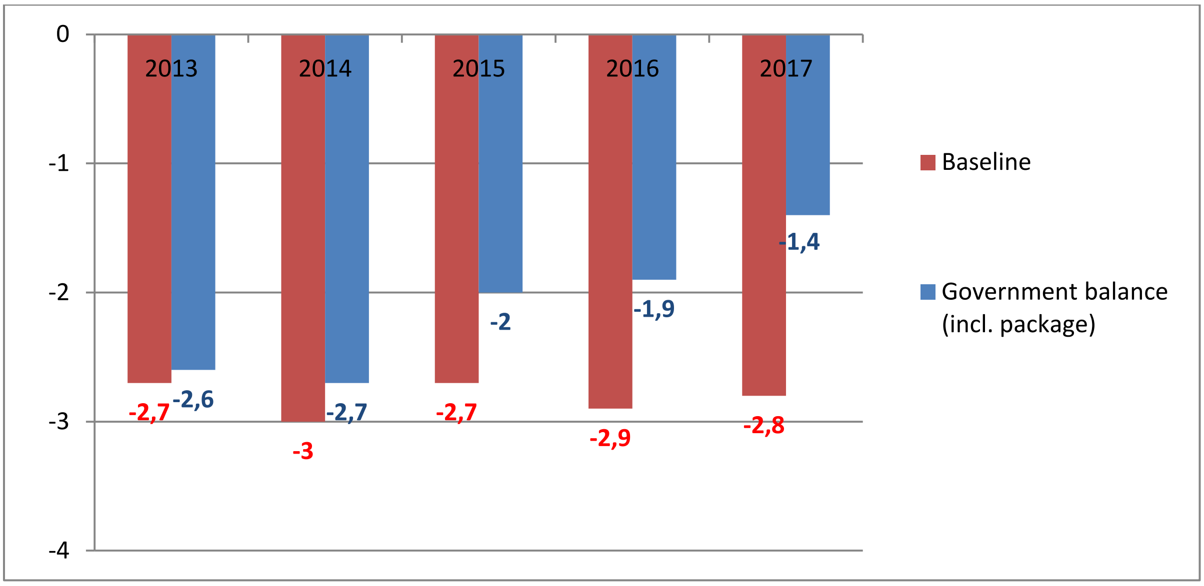


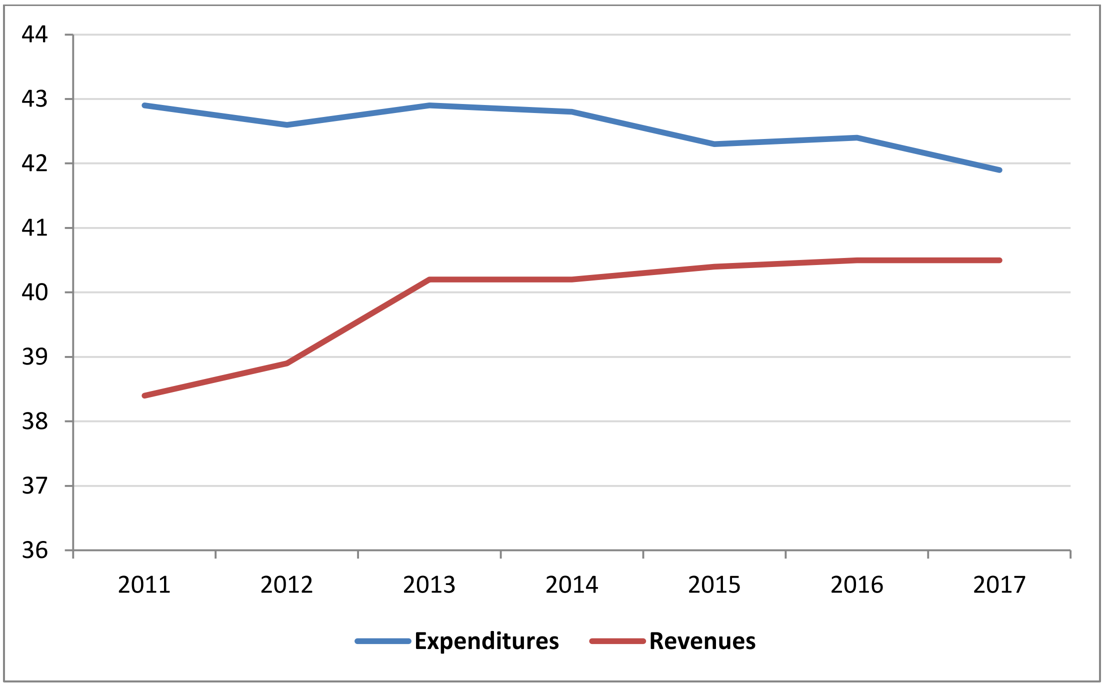

Table 3.3 shows the consolidation path of the last Stability Programme (April 2012). After the Stability Programme April 2012 update, there have been two developments with major budgetary consequences. As response to the projected deterioration of the budget balance this spring, the Dutch Parliament came to an agreement on additional measures ("Budgetary Agreement April 2012"). In addition, the new Coalition Agreement presents a broad selection of measures.

**Table 3.3 Government balance and debt (percent of GDP)**

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| ***Government balance*** | | | | | |
| CPB CEP (03/2012) including notification for 2011 | -4.4 | -3.9 | -3.1 | n/a | n/a |
| Budgetary Agreement (spring 2012) | -2.7 | -3.1 | 2.7 | n/a | n/a |
| Coalition agreement (11/2012) | -2.6 | -2.7 | -2.0 | -1.9 | -1.4 |
| ***Government debt*** | | | | | |
| CPB CEP (03/2012) | 73.0 | 75.0 | 76.0 | n/a | n/a |
| Budgetary Agreement (spring 2012) | 71.9 | 72.2 | 72.2 | n/a | n/a |
| Coalition agreement (11/2012) | 70.3 | 70.9 | 70.7 | 70.4 | 69.5 |

Together these agreements lead to lower expenditures and higher revenues. This is visible in figure 3.4 where expenditures and revenues are presented as share of GDP.

**Figure 3.4 Government revenue and expenditure as percentage of GDP**




***General government debt***

The government deficits will lead to an increasing debt level in the coming years. The guarantees to the EFSF and the capital payments for the ESM have also caused an increase in the debt level. The repayments of the interventions in the financial sector are having a decreasing effect on the debt level. However, with the sizable adjustment of this government (and in line with the recommendations of the Excessive Deficit Procedure), public debt is put on a downward path from 2014 onwards.

**Table 3.5 General government debt**

| % GDP | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **1. Gross debt** | **70.3** | **70.9** | **70.7** | **70.4** | **69.5** |
| **2. Change in gross debt** | -0.2 | 0.6 | -0.2 | -0.3 | -0.9 |
| *Of which:* | | | | | |
| **3. Primary deficit** | 0.6 | 0.7 | 0.1 | -0.1 | -0.6 |
| **4. Interest payments** | 2.0 | 2.0 | 2.0 | 2.1 | 2.1 |
| **5. Stock/flow-adjustments** | -2.7 | -2.1 | -2.3 | -2.3 | -2.4 |
| Of which: denominator effect | -2.0 | -2.0 | -1.6 | -2.0 | -1.6 |

## ANNEX A. Tables

**Table 1a. Macroeconomic prospects**[10]

| | ESA Code | 2011 Level (bln €) | 2011 rate of change | 2012 rate of change | 2013 rate of change | 2014 rate of change | 2015 rate of change | 2016 rate of change | 2017 rate of change |
|---|---|---|---|---|---|---|---|---|---|
| **1. Real GDP** | B1*g | 602.0 | 1.0 | -0.4 | 0.8 | 1.1 | 1.1 | 1.6 | 2.0 |
| **2. Nominal GDP (€ bln)** | B1*g | | 2.2 | 0.9 | 3.0 | 3.0 | 2.4 | 2.4 | 2.6 |
| **Components of real GDP** | | | | | | | | | |
| 3. Private consumption expenditure | P.3 | 271.1 | -1.0 | -1.1 | -0.2 | -0.2 | -0.1 | 0.2 | 0.3 |
| 4. Government consumption expenditure | P.3 | 168.2 | 0.1 | -0.4 | -0.2 | 0.0 | -1.2 | 0.7 | 0.8 |
| 5. Gross fixed capital formation | P.51 | 106.7 | 5.7 | -2.8 | 1.0 | 2.8 | 2.4 | 2.6 | 2.8 |
| 6. Changes in inventories and net acquisition of valuables (Δ) | P.52+P.53 | 2.2 | -0.1 | -0.1 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 |
| 7. Exports of goods and services | P.6 | 499.6 | 3.9 | 3.4 | 3.0 | 4.0 | 5.2 | 5.0 | 5.2 |
| 8. Imports of goods and services | P.7 | 445.8 | 3.6 | 2.7 | 2.4 | 3.7 | 4.4 | 4.6 | 4.5 |
| **Contributions to real GDP growth** | | | | | | | | | |
| 9. Final domestic demand | | 548.2 | 0.6 | -1.1 | 0.0 | 0.4 | 0.0 | 0.7 | 0.9 |
| 10. Changes in inventories (Δ) | P.52+P.53 | 2.2 | -0.1 | -0.1 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 |
| 11. External balance of goods and services | B.11 | 53.8 | 0.5 | 0.8 | 0.8 | 0.6 | 1.1 | 0.9 | 1.2 |

**Table 1b. Price developments**

| | ESA Code | 2011 level | 2011 rate of change | 2012 rate of change | 2013 rate of change | 2014 rate of change | 2015 rate of change | 2016 rate of change | 2017 rate of change |
|---|---|---|---|---|---|---|---|---|---|
| **1. GDP deflator** | | 100 | 1.2 | 1.3 | 2.2 | 1.9 | 1.3 | 0.8 | 0.6 |
| **2. Private consumption deflator** | | 100 | 2.3 | 2.4 | 2.8 | 2.4 | 2.1 | 1.7 | 1.5 |
| **3. HICP** | | 100 | 2.5 | 2.6 | 2.4 | 2.1 | 1.8 | 1.4 | 1.4 |
| 4. Public consumption deflator | | 100 | 0.5 | 2.0 | 2.0 | 2.1 | 1.7 | 1.5 | 1.3 |
| 5. Investment deflator | | 100 | -1.1 | -0.6 | 2.3 | 1.5 | 1.0 | 0.6 | 0.5 |
| **6. Export price deflator (goods and services)** | | 100 | 4.4 | 1.3 | 0.3 | 0.5 | 0.3 | 0.2 | 0.1 |
| **7. Import price deflator (goods and services)** | | 100 | 4.3 | 1.8 | 0.3 | 0.6 | 0.7 | 0.7 | 0.7 |

[10] Tables 1a-1d are based on the the Actualisation of the analysis of the economic effects of the financial annex of the Coalition Agreement provided by the CPB Netherlands Bureau for Economic Policy Analysis on 12 November 2012 and the most recent outlook provided by the CPB on 29 November 2012.

**Table 1c. Labour market developments**

| | ESA Code | 2011 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|
| | | level | rate of change | rate of change | rate of change | rate of change | rate of change | rate of change | rate of change |
| **1. Employment (x thousand persons)** | | 8698.0 | 0.7 | -0.1 | -0.3 | -0.2 | 0.0 | 0.6 | 0.9 |
| 2. Employment (bln hours worked) | | | 0.5 | -0.2 | -0.5 | -0.5 | -0.4 | 0.3 | 0.7 |
| **3. Unemployment rate (% of labour force)** | | 387.2 | 4.4 | 5.3 | 5.8 | 6.3 | 6.7 | 6.6 | 6.1 |
| **4. Labour productivity (per worker)** | | | 0.3 | -0.3 | 1.1 | 1.3 | 1.1 | 1.0 | 1.1 |
| 5. Labour productivity. hours worked | | | 0.5 | -0.2 | 1.3 | 1.6 | 1.5 | 1.3 | 1.3 |
| **6. Compensation of employees** | D.1 | 306.6 | 2.1 | 2.3 | 2.6 | 1.9 | 1.3 | 1.7 | 1.9 |
| **7. Compensation per employee** | | 35.251 | 1.8 | 3.0 | 2.9 | 2.3 | 1.6 | 1.2 | 1.1 |

**Table 1d. Sectoral balances**

| % of GDP | ESA Code | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|
| **1. Net lending/borrowing vis-à-vis the rest of the world** | B.9 | 8.3 | 8.4 | 9.5 | 10.2 | 11.2 | 11.1 | 11.5 |
| *Of which:* | | | | | | | | |
| - Balance on goods and services | | 8.9 | 9.4 | 9.8 | 10.2 | 10.8 | 11.0 | 11.3 |
| - Balance of primary incomes and transfers | | 0.9 | 0.5 | 1.2 | 1.5 | 1.9 | 1.6 | 1.6 |
| - Capital account | | -1.5 | -1.5 | -1.5 | -1.4 | -1.5 | -1.5 | -1.4 |
| 2. Net lending/borrowing of the private sector | B.9 | 12.7 | 12.1 | 12.1 | 12.8 | 13.0 | 12.9 | 13.0 |
| 3. Net lending/borrowing of general government | EDP B.9 | -4.5 | -3.7 | -2.6 | -2.6 | -1.8 | -1.8 | -1.6 |
| **4. Statistical discrepancy** | | | | | | | | |

**Table 2a. General government budgetary prospects**

| | ESA Code | 2011 Level (bln €) | 2011 % of GDP | 2012 % of GDP | 2013 % of GDP | 2014 % of GDP | 2015 % of GDP | 2016 % of GDP | 2017 % of GDP |
|---|---|---|---|---|---|---|---|---|---|
| **Net lending (EDP B.9) by subsector** | | | | | | | | | |
| **1. General government** | S.13 | -27.0 | -4.5 | -3.7 | -2.6 | -2.7 | -2.0 | -1.9 | -1.4 |
| **2. Central government** | S.1311 | -16.9 | -2.8 | -2.4 | -1.3 | -0.8 | -0.6 | -0.4 | 0.0 |
| **3. State government** | S.1312 | -17.3 | -2.9 | -2.4 | -1.3 | -0.8 | -0.6 | -0.4 | 0.0 |
| **4. Local government** | S.1313 | -3.0 | -0.5 | -0.5 | -0.5 | -0.8 | -0.3 | -0.2 | -0.2 |
| **5. Social security funds** | S.1314 | -7.0 | -1.2 | -0.8 | -0.9 | -1.1 | -1.2 | -1.2 | -1.2 |
| **General government (S13)** | | | | | | | | | |
| **6. Total revenue** | TR | 273.3 | 45.4 | 46.3 | 47.2 | 46.8 | 46.8 | 46.7 | 46.5 |
| **7. Total expenditure** | TE[1] | 299.9 | 49.8 | 49.9 | 49.8 | 49.5 | 48.9 | 48.7 | 48.0 |
| **8. Net lending/borrowing** | EDP B.9 | -27.0 | -4.5 | -3.7 | -2.6 | -2.7 | -2.0 | -1.9 | -1.4 |
| **9. Interest expenditure** | EDP D.41 | 11.9 | 2.0 | 1.9 | 2.0 | 2.0 | 2.0 | 2.1 | 2.1 |
| **10. Primary balance** | | -14.7 | -2.4 | -1.7 | -0.6 | -0.7 | -0.1 | 0.1 | 0.6 |
| **11. One-off and other temporary measures** | | | | | | | | | |
| **Selected components of revenue** | | | | | | | | | |
| **12. Total taxes** (12=12a+12b+12c) | | 139.6 | 23.2 | 23.2 | 23.8 | 23.9 | 24.6 | 24.8 | 24.9 |
| **12a. Taxes on production and imports** | D.2 | 69.3 | 11.5 | 11.5 | 12.2 | 12.0 | 11.9 | 11.9 | 12.0 |
| **12b. Current taxes on income. wealth. etc** | D.5 | 68.6 | 11.4 | 11.5 | 11.4 | 11.7 | 12.4 | 12.6 | 12.8 |
| **12c. Capital taxes** | D.91 | 1.5 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| **13. Social contributions** | D.61 | 92.7 | 15.4 | 15.9 | 16.6 | 16.4 | 15.9 | 15.7 | 15.6 |
| **14. Property income** | D.4 | 16.0 | 2.7 | 2.9 | 2.7 | 2.4 | 2.3 | 2.1 | 2.0 |
| **15. Other** | | 25.1 | 4.2 | 4.2 | 4.1 | 4.1 | 4.1 | 4.0 | 3.9 |
| **16=6. Total revenue** | TR | 273.3 | 45.4 | 46.3 | 47.2 | 46.8 | 46.8 | 46.7 | 46.5 |
| **p.m.: Tax burden** (D.2+D.5+D.61+D.91-D.995) | | 231.0 | 38.4 | 38.9 | 40.2 | 40.1 | 40.3 | 40.4 | 40.5 |
| **Selected components of expenditure** | | | | | | | | | |
| **17. Compensation of employees + intermediate consumption** | D.1+P.2 | 104.5 | 17.4 | 17.3 | 16.8 | 16.3 | 16.0 | 15.8 | 15.5 |
| 17a. Compensation of employees | D.1 | 58.9 | 9.8 | 9.8 | 9.4 | 9.2 | 9.0 | 8.9 | 8.7 |
| 17b. Intermediate consumption | P.2 | 45.6 | 7.6 | 7.5 | 7.4 | 7.2 | 7.0 | 6.9 | 6.7 |
| **18. Social payments** (18=18a+18b) | | 139.9 | 23.2 | 23.7 | 24.0 | 24.1 | 24.2 | 24.2 | 24.0 |
| 18a. Social transfers in kind supplied via market producers | D.6311. D.63121 . D.63131 | 68.8 | 11.4 | 11.7 | 11.7 | 11.8 | 11.7 | 11.8 | 11.9 |
| 18b. Social transfers other than in kind | D.62 | 71.0 | 11.8 | 12.0 | 12.3 | 12.3 | 12.5 | 12.4 | 12.1 |
| **19=9. Interest expenditure** | EDP D.41 | 11.9 | 2.0 | 1.9 | 2.0 | 2.0 | 2.0 | 2.1 | 2.1 |
| **20. Subsidies** | D.3 | 8.5 | 1.4 | 1.3 | 1.2 | 1.1 | 1.1 | 1.0 | 1.1 |
| **21. Gross fixed capital formation** | P.51 | 20.3 | 3.4 | 3.3 | 3.2 | 3.1 | 3.0 | 2.9 | 2.8 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **22. Capital transfers** | | | | | | | | | |
| **23. Other** | | 14.9 | 2.5 | 2.4 | 2.7 | 2.8 | 2.7 | 2.7 | 2.5 |
| **24=7. Total expenditure** | TE[1] | 299.9 | 49.8 | 49.9 | 49.8 | 49.5 | 48.9 | 48.7 | 48.0 |
| p.m.: Government consumption (nominal) | P.3 | 168.2 | 27.9 | 28.1 | 27.8 | 27.6 | 27.1 | 27.2 | 27.1 |

**Table 2b. No-policy change projections**

| | **Year 2011** | **Year 2011** | **Year 2012** | **Year 2013** | **Year 2014** | **Year 2015** | **Year 2016** | **Year 2017** |
|---|---|---|---|---|---|---|---|---|
| | Level | % of GDP | % of GDP | % of GDP | % of GDP | % of GDP | % of GDP | % of GDP |
| **1. Total revenue at unchanged policies** | 272.7 | 45.3 | 46.3 | 46.6 | 46.1 | 46.0 | 45.9 | 45.9 |
| 2. Total expenditure at unchanged policies | 299.8 | 49.8 | 49.9 | 49.4 | 49.2 | 48.8 | 48.8 | 48.7 |

**Table 2c. Expenditure to be excluded from the expenditure benchmark**

| | **Year 2011** | **Year 2011** | **Year 2012** | **Year 2013** | **Year 2014** | **Year 2015** | **Year 2016** | **Year 2017** |
|---|---|---|---|---|---|---|---|---|
| | Level | % of GDP | % of GDP | % of GDP | % of GDP | % of GDP | % of GDP | % of GDP |
| **1. Expenditure on EU programmes fully matched by EU funds revenue** | 0.337 | 0.06 | 0.04 | 0.06 | 0.05 | 0.03 | NA | NA |
| **2. Cyclical unemployment benefit expenditure** | 4.501 | 0.7 | 0.9 | 1.0 | 1.1 | 1.1 | 1.1 | 1.0 |
| **3. Effect of discretionary revenue measures** | 2.041 | 0.3 | 0.7 | 1.8 | 0.6 | 0.4 | 0.4 | 0.2 |
| **4. Revenue increases mandated by law** | NA | NA | NA | NA | NA | NA | NA | NA |

**Table 3. General government expenditure by function**

| % of GDP | COFOG Code | **Year 2010** | **Year 2015** |
|---|---|---|---|
| 1. General public services | 1 | 11.3 | 9.5 |
| 2. Defence | 2 | 1.2 | 1.0 |
| 3. Public order and safety | 3 | 1.9 | 1.8 |
| 4. Economic affairs | 4 | 4.9 | 4.1 |
| 5. Environmental protection | 5 | 1.0 | 0.9 |
| 6. Housing and community amenities | 6 | 1.2 | 0.9 |
| 7. Health | 7 | 10.1 | 10.5 |
| 8. Recreation. culture and religion | 8 | 1.3 | 1.0 |
| 9. Education | 9 | 5.4 | 5.3 |
| 10. Social protection | 10 | 12.6 | 13.5 |
| 11. Total expenditure (=item 7=23 in Table 2) | TE[1] | 50.9 | 48.5 |

**Table 4. General government debt developments**

| % of GDP | ESA Code | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|
| **1. Gross debt** | | 65.5 | 70.5 | 70.3 | 70.9 | 70.7 | 70.4 | 69.5 |
| **2. Change in gross debt ratio** | | 2.3 | 5.0 | -0.2 | 0.6 | -0.2 | -0.3 | -0.9 |
| **Contributions to changes in gross debt** | | | | | | | | |
| **3. Primary balance** | | -2.4 | -1.7 | -0.6 | -0.7 | -0.1 | 0.1 | 0.6 |
| **4. Interest expenditure** | EDP D.41 | 2.0 | 1.9 | 2.0 | 2.0 | 2.0 | 2.1 | 2.1 |
| **5. Stock-flow adjustment** | | -2.1 | 1.4 | -2.7 | -2.1 | -2.3 | -2.3 | -2.4 |
| *of which:* | | | | | | | | |
| - Differences between cash and accruals | | 0.1 | 0.4 | 0.0 | 0.6 | 0.1 | 0.1 | 0.1 |
| - Net accumulation of financial assets | | -0.8 | 1.5 | -0.6 | -0.6 | -0.8 | -0.4 | -0.8 |
| *of which:* | | | | | | | | |
| *- privatisation proceeds* | | NA | NA | NA | NA | NA | NA | NA |
| - Valuation effects and other | | -1.4 | -0.6 | -2.0 | -2.0 | -1.6 | -2.0 | -1.6 |
| **p.m.: Implicit interest rate on debt** | | 2.9 | 2.0 | 2.4 | 2.7 | 3.0 | 3.3 | 3.5 |
| **Other relevant variables** | | | | | | | | |
| 6. Liquid financial assets | | NA | NA | NA | NA | NA | NA | NA |
| 7. Net financial debt (7=1-6) | | NA | NA | NA | NA | NA | NA | NA |
| 8. Debt amortization (existing bonds) since the end of previous year | | 28.0 | 31.8 | 31.6 | 43.4 | 13.5 | 30.7 | 26.8 |
| 9. Percentage of debt denominated in foreign currency | | 2.0 | 3.1 | NA | NA | NA | NA | NA |
| 10. Average maturity | | 7.2 | 7.3 | NA | NA | NA | NA | NA |

**Table 5. Cyclical developments**

| | ESA Code | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|
| **1. Real GDP growth** | | 1.0 | -0.4 | 0.8 | 1.1 | 1.1 | 1.6 | 2.0 |
| **2. Net lending of general government** | EDP B.9 | -4.5 | -3.8 | -2.6 | -2.7 | -2.0 | -1.8 | -1.4 |
| **3. Interest expenditure** | EDP D.41 | 2.0 | 1.9 | 2.0 | 2.0 | 2.0 | 2.1 | 2.1 |
| **4. One-off and other temporary measures** | | | | | | | | |
| 5. Potential GDP growth | | 1.0 | 0.4 | 0.6 | 0.8 | 0.8 | 0.9 | 1.0 |
| *Contributions to growth:* | | | | | | | | |
| - Labour | | 0.3 | -0.2 | -0.1 | 0.0 | -0.1 | -0.1 | 0.0 |
| - Capital | | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 |
| - Total factor productivity | | 0.3 | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | 0.6 |
| 6. Output gap (EC method) | | -1.8 | -2.7 | -2.5 | -2.2 | -2.0 | -1.4 | -0.4 |
| 7. Cyclical budgetary component | | -1.0 | -1.5 | -1.4 | -1.2 | -1.1 | -0.8 | -0.2 |
| 8. Cyclically-adjusted balance (2-7) | | -3.5 | -2.3 | -1.2 | -1.4 | -0.9 | -1.1 | -1.2 |
| 9. Cyclically-adjusted primary balance (8+3) | | -1.5 | -0.4 | 0.8 | 0.6 | 1.2 | 1.0 | 0.9 |
| 10. Structural balance (8 - 4) | | -3.5 | -2.3 | -1.2 | -1.4 | -0.9 | -1.1 | -1.2 |

**Table 6. Divergence from previous update**[11]

| | ESA Code | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| **Real GDP growth (%)** | | | | | | |
| Previous update | | 1.7 | 1¾ | 1½ | 1¼ | NA |
| Current update | | 1.0 | -0.4 | 0.8 | 1.1 | 1.1 |
| Difference | | -0.7 | -2.15 | -0.7 | -0.15 | NA |
| **General government net lending (% of GDP)** | EDP B.9 | | | | | |
| Previous update | | -3.7 | -2.2 | -1.8 | -1.4 | NA |
| Current update | | -4.5 | -3.7 | -2.6 | -2.7 | -2.0 |
| Difference | | -0.8 | -1.5 | -0.8 | -1.3 | NA |
| **General government gross debt (% of GDP)** | | | | | | |
| Previous update | | 64.5 | 64.9 | 64.7 | 64.1 | NA |
| Current update | | 65.5 | 70.5 | 70.3 | 70.9 | 70.7 |
| Difference | | 1 | 5.6 | 5.6 | 6.8 | NA |

[11] With the previous update, we refer in this case to the Stability Programme 2011.

**Table 7. Sustainability of public finances**[12]

| % of GDP | 2010 | 2020 | 2030 | 2040 | 2050 | 2060 |
|---|---|---|---|---|---|---|
| **Total expenditure** | 51 | 47.2 | 48.5 | 50.3 | 49.9 | 49.4 |
| Of which: **age-related expenditures** | 20.5 | 21.8 | 23.7 | 26 | 25.9 | *25.5* |
| Pension expenditures | 6.9 | 7.4 | 8 | 8.9 | 8.7 | 8.5 |
| Social security pension | 12.6 | 13.1 | 13.8 | 14.6 | 14.4 | 14.2 |
| Old-age and early pensions | 4.9 | 5.7 | 6.3 | 7.2 | 7 | 6.8 |
| Other pensions (disability. survivors) | 2 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| Occupational pensions (if in general government) | 0 | 0 | 0 | 0 | 0 | 0 |
| Health care | 6.3 | 7.5 | 8.2 | 8.6 | 8.5 | 8.4 |
| Long-term care *(this was earlier included in the health care)* | 3.8 | 3.5 | 4.3 | 5.1 | 5.4 | 5.4 |
| Education expenditure | 5.5 | 5.1 | 5 | 5.1 | 5.1 | 5.0 |
| Other age-related expenditure | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest rate expenditure | 1.9 | 2.1 | 1.6 | 1.1 | 0.8 | 0.5 |
| **Total revenu** | 45.9 | 47.8 | 49.3 | 50.4 | 50.2 | 49.8 |
| Of which: property income | 3.1 | 2.5 | 1.5 | 1.2 | 1 | 0.9 |
| *Of which:* from pensions contributions (or social contributions) | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 |
| Pension reserve fund assets | 157 | 162 | 189 | 200 | 198 | 199 |
| *Of which:* consolidated public pension fund assets (assets other than government liabilities) | 157 | 162 | 189 | 200 | 198 | 199 |
| **Systemic pension reforms** | | | | | | |
| Social contributions diverted to mandatory private scheme | 0 | 0 | 0 | 0 | 0 | 0 |
| Pension expenditure paid by mandatory private scheme | 5 | 5.2 | 5.7 | 6.6 | 6.9 | 6.9 |
| **Assumptions** | | | | | | |
| Labour productivity growth | 2 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Real GDP growth | 1.6 | 1.5 | 1 | 1.6 | 1.6 | 1.5 |
| Participation rate males (aged 15 -64) | 80.5 | 81.4 | 81.4 | 81.6 | 81.7 | 81.7 |
| Participation rate females (aged 15 -64) | 61.4 | 64.4 | 65.4 | 67.1 | 68.1 | 68.1 |
| Total participation rates (aged 15 -64) | 71 | 72.9 | 73.4 | 74.3 | 75 | 75 |
| Unemployment rate | 5.5 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 |
| Population aged 65+ over total population | 15.7 | 19.1 | 20.5 | 22.2 | 22 | 21.3 |

**Table 7a. Contingent liabilities of the central government**

| in billions of euro | 2011 |
|---|---|
| **Public guarantees** | 241.35 |
| *Of which: linked to (international) financial stability* | |
| State guarantee facility on interbank loans | 33.17 |
| EU balance of payments assistance | 2.34 |
| EFSF | 97.78 |
| EFSM | 2.84 |
| Participation of the Dutch Central Bank in the capital of the IMF | 47.31 |
| Participation in ABN AMRO | 0.95 |

[12] The projections of the long term revenues are foreseen in conjunction with the ongoing EC exercise on the Sustainability Report.

**Table 8. External assumptions**[13]

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|
| **Short-term interest rate (annual average)** | 1.4 | 0.7 | 0.5 | 0.9 | 1.3 | 1.7 | 2.2 |
| **Long-term interest rate (annual average)** | 2.9 | 2.0 | 2.4 | 2.7 | 3.0 | 3.3 | 3.5 |
| **USD/€ exchange rate (annual average)** | 1.39 | 1.27 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| **Nominal effective exchange rate** | 0.7 | -2.6 | 0.1 | 0.1 | 0.1 | NA | NA |
| **World excluding EU. GDP growth** | 4.2 | 4.1 | 4.3 | 4.5 | 4.7 | NA | NA |
| **EU GDP growth** | 1.5 | -0.3 | 0.9 | 1.6 | 1.6 | 1.6 | 1.6 |
| **Growth of relevant foreign markets** | 4.0 | 0.3 | 3.5 | 6.2 | 6.2 | 6.2 | 6.2 |
| **World import volumes, excluding EU** | 7.4 | 6.2 | 6.8 | 6.8 | 6.8 | NA | NA |
| **Oil prices (Brent. USD per barrel)** | 111.3 | 104 | 95 | 97 | 99 | 101 | 103 |

[13] Based on the CPB Netherlands Bureau for Economic Policy Analysis short-term outlook (MEV) and the European Commission's common external assumptions.

## ANNEX B. Coalition Agreement Building Bridges (in million euros)

| | Coalition Agreement | 2013 | 2014 | 2015 | 2016 | 2017 | struc |
|---|---|---|---|---|---|---|---|
| **A** | **General public services** | **58** | **-187** | **-827** | **-1591** | **-2571** | **-3581** |
| | *New measures* | | | | | | |
| 1 | Central government | | | | -400 | -900 | -1100 |
| 2 | Local governments | 58 | 13 | -48 | -237 | -352 | -307 |
| 3 | Lowering top incomes public sector | | | | -10 | -10 | -10 |
| 4 | No occasional wage increases | | | | -100 | -400 | -400 |
| 6 | Private member's bill Heijnen (PvdA) | | | -18 | -18 | -18 | -18 |
| 7 | Motion Van Haersma Buma to skim Municipalities Fund for investing in school buildings | | | -256 | -256 | -256 | -256 |
| 8 | Lower overhead municipalities | | | -60 | -120 | -180 | -975 |
| 9 | Fewer provinces | | | -5 | -10 | -15 | -75 |
| 10 | VAT-compensationfund | | -200 | -550 | -550 | -550 | -550 |
| | *Reversals Coalition Agreement '10* | | | | | | |
| 5 | Reversal reduction political office bearers | | | 110 | 110 | 110 | 110 |
| **B** | **Security** | **0** | **0** | **0** | **0** | **0** | **0** |
| | *New measures* | | | | | | |
| 11 | More efficient criminal justice system | | -30 | -60 | -60 | -60 | -60 |
| 12 | AIVD | | -10 | -23 | -35 | -45 | -45 |
| 13 | Security intensification | | 40 | 83 | 95 | 105 | 105 |
| **C** | **Energy** | **-155** | **212** | **212** | **212** | **212** | **212** |
| | *New measures* | | | | | | |
| 15 | SDE+ | | | | | | |
| | *of which: expenditure* | | | 20 | 80 | 395 | 2420 |
| | *of which: revenue* | | | -20 | -80 | -395 | -2420 |
| 16 | Redistribution green measures budgetary agreement | | 375 | 375 | 375 | 375 | 375 |
| | *Reversals Budegetary Agreement for 2013* | | | | | | |
| 14 | Reversal intensification sustainability | -155 | -163 | -163 | -163 | -163 | -163 |
| **D** | **Education** | **313** | **181** | **326** | **196** | **196** | **196** |
| | *New measures* | | | | | | |
| 17 | Cancellation subsidies | | -100 | -200 | -200 | -200 | -200 |
| 18 | Cancellation specific subsidies for green education after 2015 | | | | -55 | -55 | -55 |
| 19 | Learning support (LWOO) | | | -15 | -50 | -50 | -50 |
| 20 | Cancellation societal internships | | | -20 | -70 | -75 | -75 |
| 21 | Cancellation of free of charge schoolbooks | | | -55 | -185 | -185 | -185 |
| 22 | Fewer courses secondary vocational education (MBO) | | | | | -60 | -120 |
| 23 | Merger of knowledge centers MBO | | | -40 | -80 | -80 | -80 |
| 24 | Fewer majors higher education (including art majors) | | | | -70 | -90 | -130 |
| 25 | Lowering overhead higher education | | -15 | -33 | -50 | -65 | -65 |
| 26 | Social loan system to replace basic grant at bachelor's and master's degree levels | | | | -15 | -55 | -810 |
| 27 | Replacing free public transport pass for sudents with discount card | | | | -5 | -45 | -425 |
| 28 | Simplifying the law *studying is investing* | | 1 | -9 | -14 | -19 | -33 |
| 29 | Motion Van Haersma Buma to skim Municipalities Fund for covering expenditure in school buildings | | | 256 | 256 | 256 | 256 |

| | Coalition Agreement | 2013 | 2014 | 2015 | 2016 | 2017 | struc |
|---|---|---|---|---|---|---|---|
| 30 | Doubling teacher intensification | 50 | 50 | | | | |
| 32 | Intensification education and research | | 25 | 212 | 504 | 689 | 1938 |
| | *Reversals Coalition Agreement '10* | | | | | | |
| 31 | Abolishment prolonged study surcharge | 263 | 220 | 230 | 230 | 230 | 230 |
| **E** | **Health care** | **145** | **-370** | **-3441** | **-4307** | **-5384** | **-5734** |
| | *New measures* | | | | | | |
| 33 | Administrative framework agreement to curb rise in costs from 2.5% to 2% (and to 2.5% for GPs) after 2014 | | | -355 | -760 | -1175 | -1175 |
| 34 | Lower remuneration medical specialists. | | | -100 | -100 | -100 | -100 |
| 35 | Harmonising the duration of medical specialist training (EU-standard) | | | 20 | 10 | 10 | -180 |
| 36 | Concentration of expensive, complex and acute medical care | | | -70 | -70 | -70 | -70 |
| 37 | Limitation of basic benefits package | | 3 | 3 | -50 | -200 | -200 |
| 38 | Abolish copayment in mental health services (GGZ) | 145 | 145 | 145 | 145 | 145 | 145 |
| 39 | Reallocation of budget from hospitals to nurses in the local domain | | | 50 | 100 | 250 | 250 |
| 40 | Coverage of intensification local care from Zvw budget | | | -50 | -100 | -250 | -250 |
| 44 | Copayment emergency care without GP's referral (50 euro) | | -24 | -24 | -24 | -24 | -24 |
| 45 | Introduction income dependent deductible | | 30 | 0 | 0 | 0 | 0 |
| 46 | Transfer of social related Long Term Care (LTC) to municipalities; 75% of the budget to municipalities. | | -290 | -1540 | -1565 | -1580 | -1700 |
| 47 | National provision residential Long Term Care in the Exceptional Medical Expenses Act (AWBZ) | | | 25 | -20 | -475 | -475 |
| 48 | Transfer of nursing care at home care from AWBZ to the Heathcare Insurance Act (Zvw) | | | | | -30 | -30 |
| 49 | Transfer of long-term Mental Healthcare to Zvw | | | | | 0 | 0 |
| 50 | Shifting care services from institutions to home care (ZZP-4) | | | | -35 | -70 | -110 |
| 51 | Raising copayment residential Long Term Care | | -30 | -40 | -50 | -50 | -50 |
| 52 | Integration of budgets for youth care | | | -40 | -100 | -150 | -150 |
| 54 | Stimulating labor market Long Term Care | | | | | 100 | 100 |
| 55 | Income dependent restriction of domestic help | | -89 | -975 | -1140 | -1140 | -1140 |
| 56 | Compulsory re-use of wheelchair etc. in the Social Support Act (WMO) | | | -15 | -25 | -50 | -50 |
| 57 | Tailor-made income support for the chronically ill and handicapped | | 100 | 709 | 759 | 761 | 761 |
| 58 | Abolition of the Disabled Persons (Allowances) Act (Wtcg) | | | -553 | -645 | -649 | -649 |
| 59 | Abolition arrangement specific health-care cost | | | | | | |
| | *of which: expenditure* | | | -36 | -42 | -42 | -42 |
| | *of which: revenue* | | | -450 | -450 | -450 | -450 |
| 60 | Abolition Compensation deductible. | | -200 | -200 | -200 | -200 | -200 |
| | *Reversals Coalition Agreement '10* | | | | | | |

| | Coalition Agreement | 2013 | 2014 | 2015 | 2016 | 2017 | struc |
|---|---|---|---|---|---|---|---|
| 53 | Abolition copayment youth care | | | 70 | 70 | 70 | 70 |
| **F** | **Social security** | **-401** | **-804** | **-1364** | **-2179** | **-2991** | **-4627** |
| | *New measures* | | | | | | |
| 61 | Unemployment benefits (WW)/Dismissal | | | | | | |
| | *of which: expenditure* | | 784 | 947 | 592 | 284 | -140 |
| | *of which: revenue* | | -1300 | -1300 | -1300 | -1300 | -1300 |
| 62 | Participation Act (previous Work Capacity Act) | | -60 | -180 | -290 | -400 | -1830 |
| 63 | Quota for employment of disabled persons | | 10 | -5 | -60 | -130 | -340 |
| 64 | Reform of childcare facilities | | | | | | |
| | *of which: expenditure* | -2 | 19 | 309 | 73 | -90 | -59 |
| | *of which: revenue* | | | -830 | -840 | -840 | -840 |
| | Provision for extra social security expenditure | | 250 | 250 | 250 | 250 | 250 |
| 65 | Reversal reintegration | | -55 | -83 | -110 | -138 | -138 |
| 66 | Stricter definition fitting employment WW | 3 | 3 | -21 | -32 | -46 | -57 |
| 67 | General labour and reintegration obligation and strict adherence to Work and Social Assistance Act (WWB) | | -13 | -45 | -90 | -95 | -95 |
| 68 | Pension payments to cohabiting partners under the General Old Age Pensions Act (AOW) to 50% of the minimum wage | | | -10 | -30 | -50 | -200 |
| 69 | Transitional scheme for higher retirement age | | 75 | 45 | 45 | 20 | 0 |
| 71 | Cancellation advance arrangement AOW | | -30 | -30 | 50 | 20 | 0 |
| 72 | Faster increase retirement age | -10 | | | -70 | -160 | 0 |
| 73 | Cancellation young partner allowance for combined incomes > 50.000 | | -15 | -40 | -40 | -40 | 0 |
| 75 | No introduction of vitality scheme | | | | | | |
| | of which: revenue | -580 | -764 | -759 | -734 | -700 | -140 |
| 76 | Household benefits test | | | -80 | -80 | -80 | -80 |
| 78 | ANW to maximum of 1 year | | | -8 | -23 | -35 | -74 |
| 79 | Intensification poverty policies | | 80 | 100 | 100 | 100 | 100 |
| 80 | Temporalisation of AHK reduction in reference minimum wage | | 30 | 60 | 94 | 123 | 0 |
| | *Reversals Coalition Agreement '10* | | | | | | |
| 74 | Reversal of no MKOB with incomplete build-up of AOW | | 8 | 16 | 16 | 16 | 16 |
| | *Reversals Budegetary Agreement for 2013* | | | | | | |
| 70 | Mobility bonus | | | | | | |
| | *of which: revenue* | 150 | 150 | 300 | 300 | 300 | 300 |
| 77 | Modernisation of ZW: 1 year delay of employee incentive | 38 | 24 | 0 | 0 | 0 | 0 |
| **G** | **Businesses** | **0** | **-286** | **-437** | **-446** | **-484** | **-484** |
| | *New measures* | | | | | | |
| 81 | Subsidies businesses | | | | | | |
| | *of which: expenditure* | | 260 | 244 | 244 | 244 | 244 |
| | *of which: revenue* | | -502 | -574 | -583 | -596 | -596 |
| 82 | Passthrough costs of supervision DNB/AFM | | 0 | -38 | -38 | -38 | -38 |
| 83 | Cancellation PBOs | | | | | | |
| | *of which: expenditure* | | -184 | -191 | -198 | -206 | -206 |
| | *of which: revenue* | | 215 | 222 | 229 | 237 | 237 |
| 84 | Fines Nma | | -75 | -100 | -100 | -125 | -125 |

| | Coalition Agreement | 2013 | 2014 | 2015 | 2016 | 2017 | struc |
|---|---|---|---|---|---|---|---|
| **H** | **International cooperation** | **0** | **-520** | **-540** | **-540** | **-1040** | **-1040** |
| | *New measures* | | | | | | |
| 85 | Development aid | | -750 | -750 | -750 | -1000 | -1000 |
| 86 | Defence | | -250 | -250 | -250 | -250 | -250 |
| 87 | New budget International Peace and Security | | 250 | 250 | 250 | 250 | 250 |
| 88 | Revolving fund international cooperation | | 250 | 250 | 250 | 0 | 0 |
| 89 | Reduction of diplomatic posts | | -20 | -40 | -40 | -40 | -40 |
| **I** | **Other expenditure** | **0** | **-319** | **-476** | **-569** | **-652** | **-717** |
| | *New measures* | | | | | | |
| 90 | General budget cut MRB | | -50 | -70 | -70 | -70 | -70 |
| 91 | Costs criminal courts and detention for perpetrator | | 0 | -60 | -60 | -60 | -60 |
| 92 | Public television | | | | -50 | -100 | -100 |
| 93 | Tax and collection interest | | -19 | -96 | -139 | -172 | -237 |
| | Infrastructure expenditure cut | | -250 | -250 | -250 | -250 | -250 |
| **J** | **Other taxes and social insurance contributions** | **-422** | **-1371** | **-3008** | **-3374** | **-3301** | **-1933** |
| | *New measures* | | | | | | |
| 94 | AOW contributions 65 and 66-year olds | | | | -25 | -55 | 0 |
| 96 | Raising tax on insurance premiums to 21% | -1222 | -1379 | -1403 | -1403 | -1403 | -1403 |
| 97 | No tax-advantageous pension-saving arrangements for incomes above 100.000 | | | -317 | -529 | -635 | -297 |
| 98 | Witteveen accrual percentage 0.4% | | | | | | |
| | *of which: expenditure* | | | -36 | -60 | -72 | 0 |
| | *of which: revenue* | | | -1075 | -1792 | -2150 | -1116 |
| 99 | Lower maximum tariff at which mortgage interest payments can be deducted | | -45 | -89 | -133 | -175 | -770 |
| 100 | Lower income tax rate for highest tax band. raising upper limit third tax band | | 45 | 89 | 133 | 175 | 770 |
| 101 | Residual debt | 10 | 20 | 30 | 40 | 50 | 0 |
| 102 | Measures rental market | | | | | | |
| | *of which: expenditure (monthly rental allowance)* | *45* | 135 | 225 | 315 | 420 | 420 |
| | *of which: revenue* | *-45* | -485 | -725 | -965 | -1190 | -1190 |
| 103 | Skimming gambling tax | | | | | | |
| | *of which: expenditure* | | | -10 | -10 | -10 | -10 |
| | *of which: revenue* | | | -25 | -28 | -31 | -31 |
| 104 | Cancellation deductability premiums intermediaries | -75 | -84 | -92 | -100 | -109 | -150 |
| 105 | Expiration oldtimer exemption MRB | | -156 | -155 | -154 | -153 | -153 |
| 106 | Introduction profit tax bracket | | | | | | |
| | *of which: expenditure* | | | -27 | -27 | -27 | -27 |
| | *of which: revenue* | | | -473 | -473 | -473 | -473 |
| 107 | Increase in tabacco and alcohol excise duties | | -187 | -200 | -200 | -200 | -200 |
| 108 | Increase in diesel and LPG excise duties | | -280 | -280 | -280 | -280 | -280 |
| 109 | Taxburden relief labour discount 500 euro | | 785 | 1570 | 2355 | 3140 | 3140 |
| 110 | Strengthening supervision of tax authority. UWV and SVB | | | | | | |
| | *of which: expenditure* | 108 | 169 | 157 | 157 | 157 | 157 |
| | *of which: revenue* | -265 | -533 | -533 | -566 | -623 | -663 |
| 111 | Labour cost arrangement | | -100 | -100 | -100 | -100 | -100 |

| | Coalition Agreement | 2013 | 2014 | 2015 | 2016 | 2017 | struc |
|---|---|---|---|---|---|---|---|
| 112 | VAT allowance for entrepreneurs | 19 | | | | | |
| 113 | Budgetary room revenu measures | -649 | | | | | |
| 114 | Redistribution green measures budgetary agreement | | -375 | -375 | -375 | -375 | -375 |
| 115 | Health insurance contributions and other taxes | | -571 | -827 | -840 | -855 | -855 |
| | *Reversals Budegetary Agreement for 2013* | | | | | | |
| 95 | Reversal of commuter tax | | | | | | |
| | *of which: expenditure* | -17 | -49 | -91 | -108 | -121 | -121 |
| | *of which: revenue* | 1669 | 1719 | 1754 | 1794 | 1794 | 1794 |
| **Total** | | **-462** | **-3464** | **-9555** | **-12598** | **-16015** | **-17708** |