



Stability Programme of the Netherlands

April 2019

Foreword

Programme status

A draft of the Stability Programme has been submitted to both houses of parliament. In addition, a draft of the Stability Programme was presented to the Council of State, the institution in the Netherlands charged with the fiscal monitoring of compliance with European budgetary rules. This role ensues from Article 5 of the Treaty on Stability, Coordination and Governance (TSCG) and Council Regulation (EU) 473/2013, and has been codified in the Sustainable Public Finances Act (Wet houdbare overheidsfinanciën, Wet Hof).

Relationship to 'two-pack'

The Stability Programme also serves as a national medium-term budget plan. The Netherlands hereby complies with the obligation as defined in Article 4 of Council Regulation (EU) 473/2013.

Relationship to the National Reform Programme

The contents of the National Reform Programme published at the end of April and the Stability Programme show some overlap, for example, in the field of macroeconomic prospects. The Stability Programme focuses on macroeconomic developments, development of Dutch public finances and budgetary policy. The National Reform Programme focuses foremost on measures and structural reforms in view of the country-specific recommendations for the Netherlands under the European Semester and on progress of the objectives related to the Europe 2020 strategy. Where relevant, and to avoid any overlap, these documents refer to each other on certain points.

Figures used

Unless indicated otherwise, the figures used in this report are based on the most recent projections of the Netherlands Bureau for Policy Analysis (CPB), as published in the Central Economic Plan (CEP) of 21 March 2019. The figures for 2018 related to public finances, which are also reported to the European Commission in the April Notification, have been adjusted based on updated figures reported by Statistics Netherlands (CBS). This is indicated where relevant in the tables in the annex.

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Summary

Dutch public finances have improved in recent years and in 2019 they're also in good shape. The positive economic situation contributes to this through higher tax revenues and low unemployment. According to the most recent figures, the Netherlands had an actual general government balance of 1.5% of GDP in 2018, and the Netherlands maintains a surplus of 1.2% of GDP in 2019 and 0.8% of GDP in 2020. This means that the Netherlands remains well away from the 3% threshold for an excessive deficit. The structural government balance amounts to 0.9% of GDP in 2018, 0.6% of GDP in 2019, and 0.6% of GDP in 2020. Although the structural government balance worsens slightly, the Netherlands remains above the threshold of the medium-term budgetary objective (MTO) of -0.5%.

The general government debt of the Netherlands continues to decline. Government debt falls from 52.4% of GDP in 2018 to 49.1% of GDP in 2019, and 47.1% of GDP in 2020. Debt hereby stays below the European reference value of 60% of GDP.

The Netherlands remains fully committed to European budgetary agreements.

The Netherlands applies its regular national budgetary framework, based on pursuing a trend-based fiscal policy in which the revenue and expenditure ceilings are maintained. With this Stability Programme, the Netherlands shows it is compliant with the rules of the preventive arm of the SGP.

Chapter 1: Overall policy framework and objectives

This Stability Programme (SP) presents an update of the Dutch budgetary prospects, in conformity with provisions of the Stability and Growth Pact (SGP).

The requirements arising from the preventive arm of the SGP currently apply for the Netherlands. The preventive arm requires that Member States comply with the medium-term budgetary objective (MTO), which prescribes a minimum structural balance to be realised in the medium-term. Member States who do not comply with this requirement, must show sufficient improvement annually in their structural balance towards the MTO. Member States with a structural balance that is lower than the MTO must comply with the expenditure benchmark. This rule prescribes that non-cyclical expenditure growth, insofar as this is not compensated by a policy-related increase in revenues, is below (if the MTO has not been reached yet) or is equal to (if the MTO is reached) the potential growth of the economy.

The Netherlands will set the MTO at a structural balance of -0,5% of GDP for the upcoming period (2020-2022). The MTO level of a Member State is re-established every three years. Agreements concerning the level are explained in the Vade Mecum¹. The level firstly depends on the sensitivity of the budget to economic shocks. This is meant to ensure Member States also maintain a safe margin to the 3% criterion for the general government balance, the so-called "minimum benchmark", in the event of economic setbacks. Secondly the MTO keeps account of the level of government debt and future costs related to population ageing in Member States. In addition, those Member States who have signed the Fiscal Compact², including the Netherlands, have committed themselves to a MTO of -0.5%. Only with a debt level significantly below 60% and low long-term risks for the sustainability of public finances, can a Member State set a limit up to -1% within the Fiscal Compact. With a general government debt that drops below 50% of GDP, it can be stated that the Netherlands meets the condition for the debt level. This is however not the case with respect to sustainability risks. The European Commission has qualified the risks for the long-term sustainability of Dutch public finances as 'medium'³ (mainly based on the so called 'S2-indicator', see chapter 5).

The Dutch national budgetary framework is based on pursuing a trend-based fiscal policy. Within the boundaries of the SGP, the government is taking measures that reduce the burden for households and businesses and strengthen the structural economic position of the Netherlands. An overview of progress of the government's reform programme is given in the National Reform Programme. This provides an extensive description of the manner in which the government deals with the country-specific recommendations for the Netherlands within the framework of the European Semester. The progress with respect to the objectives of the Europe 2020 strategy is also addressed.

¹ European Commission, Vade Mecum on the Stability and Growth Pact – 2018 Edition

² Treaty on Stability, Coordination and Governance in the Economic and Monetary Union

³ European Commission, Fiscal Sustainability Report 2018

Chapter 2: Economic outlook

The Dutch economy continues to grow, but at a moderated pace. According to the latest CPB forecast, the Dutch economy will grow by 1.5% both in 2019 and in 2020. Exports and investments are growing, but at a slower rate than in previous years. Growth of domestic spending remains at an even level due to expansive budgetary policy. Unemployment is expected to rise slightly to 4% in 2020, though employment keeps increasing.

As an open economy, the Netherlands is strongly influenced by financial and economic developments abroad. In the forecast, the European economy is set to grow by 1.2% in 2019 and 1.4% in 2020. Development of the global economy and trade is surrounded by a number of uncertainties, such as the United States' trade policy, Brexit, and developments in the Chinese economy. This is reflected in the growth forecasts. Relevant world trade for the Netherlands is expected to grow at a slower pace than in previous years, with a growth of 1.8% in 2019 and 2.5% in 2020. In the short-term it is assumed that the oil price will drop from 71 dollars per barrel in 2018 to 61 dollars per barrel in 2019 and 2020. In the forecasts it is further assumed that the exchange rate of the euro against the dollar will drop to 1.1 in 2019, and will remain there in 2020.

Table 2.1 External assumptions

	2018	2019	2020
Short-term interest rate (annual average)	-0.3	-0.3	-0.2
Long-term interest rate (annual average)	0.6	0.4	0.6
USD/EUR exchange rate (annual average)	1.2	1.1	1.1
Nominal effective exchange rate*	2.8	-0.3	0.2
GDP growth, World excluding EU	4.1	3.8	3.8
GDP growth, EU	1.8	1.2	1.4
Growth of relevant foreign markets	2.8	1.8	2.5
World import volume, excluding EU	4.2	2.3	3.4
Oil price (Brent, USD per barrel)	70.9	61.0	61.0

* percentage changes in respect of a basket of competitors

The Dutch economy is projected to grow by 1.5% both in 2019 and in 2020. Gross domestic product (GDP) will grow this year for the 5th consecutive year. After years of relatively high growth the economy returns to potential growth. Despite the moderated growth rate, the economic situation remains favourable. Unemployment remains historically low, and employment and spending power will increase further. Growth in exports is levelling off due to the downswing in world trade development. Private consumption and investments also provide a somewhat lower contribution to growth. Nevertheless, the increase in domestic spending remains reasonably stable, due to a stronger increase in government spending. Growth in government consumption is much higher than in the past few years with 2.4% and 2.3% in 2019 and 2020 respectively.

Table 2.2 Macroeconomic prospects

	ESA Code	2018 Level (€ billion)	2018 Change (%)	2019 Change (%)	2020 Change (%)
1. Real GDP	B1*g	773.4	2.7	1.5	1.5
2. Nominal GDP	B1*g		4.9	3.8	2.9
Components of real GDP					
3. Private consumption expenditure	P.3	341.5	2.5	1.3	1.5
4. Government final consumption expenditure	P.3	185.6	1.4	2.4	2.3
5. Gross fixed capital formation	P.51	162.0	4.3	2.7	2.4
6. Changes in inventories (Δ)	P.52+P.53	2.0	0.2	0.0	0.0
7. Exports of goods and services	P.6	641.8	2.7	1.1	2.3
8. Imports of goods and services	P.7	559.6	2.8	1.5	3.0
Contributions to real GDP growth					
9. Final domestic demand		689.1	2.4	1.7	1.7
10. Changes in inventories (Δ)	P.52+P.53	2.0	0.0	0.0	0.0
11. External balance of goods and services	B.11	82.2	0.3	-0.2	-0.2

Household consumption increases by 1.3% in 2019 and by 1.5% in 2020. After the strong growth in the past year, household consumption will develop a bit more moderately over the coming years, in line with available income. Consumption rises less rapidly due to the reduced impulse of employment growth. Household income will rise more or less equally, both through real wage increases and government policy. Business investment will increase by 2.2% in 2019 and by 2% in 2020. Lower production growth and increased uncertainty on future economic developments suppress growth in business investment, despite the historically high capacity utilisation and low cost of capital. Housing investment also rise less rapidly, partly caused by fewer housing transactions and capacity constraints in the building industry.

This year exports will increase by 1.1% and by 2.3% in 2020. Growth in exports is decreasing, and is somewhat lower than growth of relevant world trade. Dutch exports are suffering from weaker import growth in Western Europe, the most important market, and indirectly from the weakening growth of the Chinese economy.

Employment will continue to grow in forthcoming years, but at a slower pace. The number of people working will grow by 1.3% in 2019 and by 0.5% in 2020. This year an unemployment rate of 3.8% is expected, which will rise slightly to 4% next year as the additional labour supply cannot be accommodated to the full. This results in the percentage of unemployment rising slightly. The tight labour market leads to higher wage growth, compensation per employee will grow by 3.4% this year and by 2.6% in 2020.

Table 2.3 Labour market developments

	ESA Code	2018 Level	2018 Change (%)	2019 Change (%)	2020 Change (%)	2021 Change (%)	2022 Change (%)
1. Employment (x 1000 persons)		9328.0	2.5	1.3	0.5	0.0	-0.3
2. Employment (bln hours worked)		13365.0	2.4	1.0	0.5	0.1	-0.3
3. Unemployment (% of labour force)		350.0	3.8	3.8	4.0	4.1	4.2
4. Labour productivity, persons		82.9	0.1	0.2	1.1	1.2	1.3
5. Labour productivity (bln hours worked)		57.9	0.1	0.4	1.0	1.1	1.3
6. Compensation of employees	D.1	371.5	5.1	4.5	3.2	3.0	2.3
7. Compensation per employee (€)		39.8	2.4	3.4	2.6	2.9	2.6

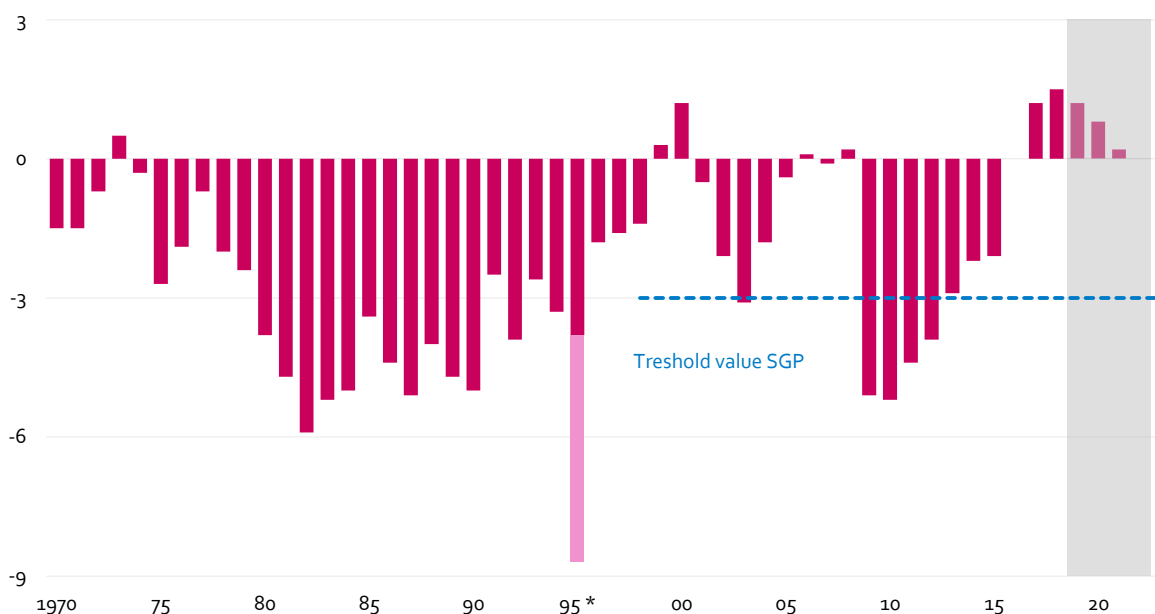
Chapter 3: Budget balance and government debt

Dutch public finances are in good shape. For the fourth consecutive year there is a budget surplus, of 1.5% of GDP in 2018 and 1.2% of GDP in 2019. General government debt continues to decline and drops to 49.1% of GDP in 2019.

The economic outlook in the Central Economic Plan (CEP) by the CPB is the basis for the decision-making process for the 2020 budget. The Stability Programme of the Netherlands therefore uses the CPB projections in the 2019 CEP as a starting point, unless indicated otherwise. A more detailed explanation is given in Chapter 7 on the institutional and legal codification of European budgetary rules in the Netherlands.

In 2018 the surplus amounted to 1.5% of GDP. A budget surplus is also expected in the forthcoming years. In 2019, the general government balance is expected to be 1.2% of GDP. Compared to the Draft Budgetary Plan (DBP) of October 2018 the budgetary outlook has been adjusted. Since October, the expected surplus for 2018 increased from 0.8% of GDP to 1.5% of GDP. Projections have also been adjusted for 2019 and beyond. After a peak in the balance in 2018 as a result of good economic times and lower-than-expected government expenditure, the budget surplus drops to 1.2% of GDP and 0.8% of GDP in 2019 and 2020 respectively as a result of lower economic growth.

Figure 3.1 Development and projection of general government balance (in % of GDP)



In 2018, the structural government balance resulted in a surplus of 0.9% of GDP. The structural government balance is the actual general government balance corrected for the economic cycle and one-off factors. For 2019 and 2020 a surplus of 0.6% of GDP is expected. The Netherlands hereby complies with its medium-term budgetary objective (MTO) of at least -0.5% of GDP. According to projections, the Netherlands will continue to meet the MTO in the coming years, therefore meeting the requirements of the preventive arm of the SGP.

This means that an assessment of the corrected public expenditure, based on the expenditure benchmark, is not necessary⁴. The expenditure benchmark is aimed at the

⁴ See: Vade Mecum on the Stability and Growth Pact p.48 (https://ec.europa.eu/info/publications/economy-finance/vade-mecum-stability-and-growth-pact-2018-edition_en)

sustainability of public finances in the medium term and requires that the percentual increase of corrected public expenditure does not exceed the potential growth of the economy, corrected for discretionary budgetary effort.

Table 3.1 Structural government balance and the expenditure benchmark.

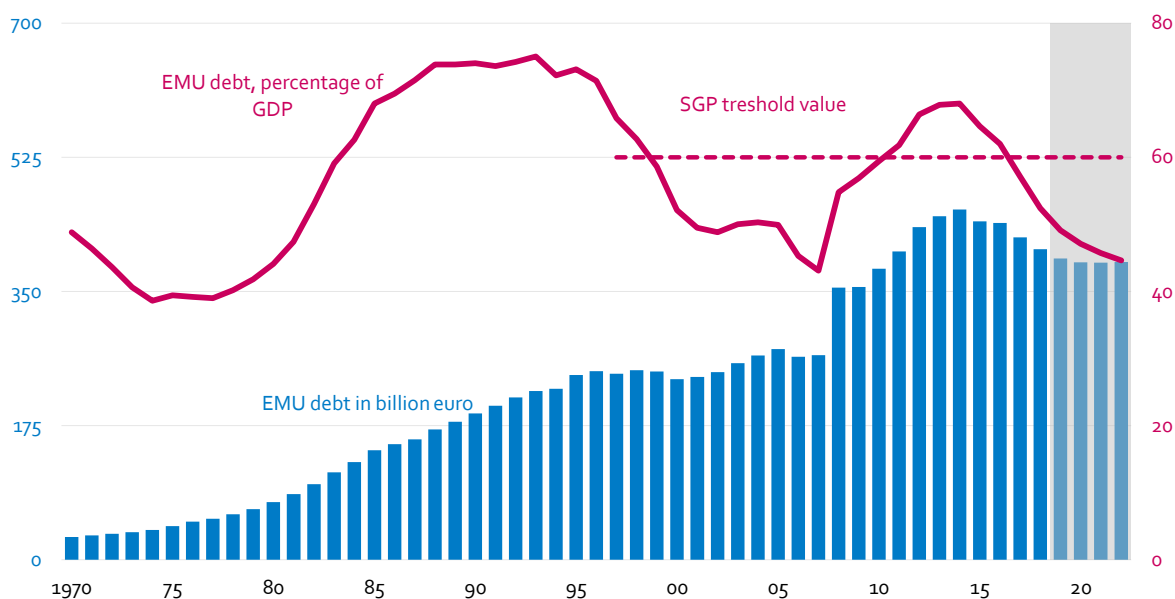
Percentage of GDP	2018	2019	2020
1. Actual EMU balance	1,5	1,2	0,8
2. - Cyclical component	0,5	0,4	0,3
3. - Incidental component	0,1	0,3	-0,1
4. Structural EMU balance (=1-2-3)	0,9	0,6	0,6
5. Corrected public expenditure	3,4	1,1	3,2
6. Standard growth (benchmark)	3,0	3,2	4,0
7. Deviation (=5-6, percentage point)	0,3	-2,1	-0,8

At the end of 2018, government debt amounted to 52.4% of GDP and therefore remained below the 60% threshold. The budget surplus contributed to the decrease in government debt. Economic growth also contributes to the declining debt ratio via the denominator effect. It is expected that government debt falls to 49.1% of GDP in 2019 and slowly declines further in the forthcoming years.

Table 3.2 Development of general government debt

Percentage of GDP	2018	2019	2020
1. Gross debt	52,4	49,1	47,1
2. Change in gross debt ratio	-4,6	-3,3	-2,0
Of which:			
3. Primary balance	2,4	1,9	1,4
4. Interest expenditure	0,9	0,7	0,6
5. Denominator effect	-2,6	-1,7	-1,4
6. Stock/flow adjustments and other (=2+3-4-5)	-0,5	-0,3	0,1

Figure 3.2 Development and projection of general government debt (in % of GDP)



Chapter 4: Sensitivity analysis and comparison with previous update

Compared with the Stability Programme of April 2018, projections of a few core macroeconomic variables have been adjusted. Prospects for economic growth are currently somewhat less favourable. General government debt decreases at a slower rate than presumed in April 2018. The budget surplus realised in 2018 is higher than expected. The actual development of these variables is, of course, sensitive to external economic shocks, which include developments of the global economy. In order to provide a better insight into risks to the economic and budgetary outlook, two alternative scenarios are presented in this chapter.

The Dutch economy grows at a slower rate than forecast in the Stability Programme of April 2018. Table 4.1 shows how current forecasts for GDP growth, general government balance and general government debt have been adjusted compared to projections in the previous Stability Programme. The general government balance is higher, both in 2018 and for the two subsequent years, than was forecast in April of last year. This is mainly due to forecast delays in the implementation of planned government investments.

General government debt is also developing slightly less favourably than expected in the previous Stability Programme. This is mainly due to the denominator effect of a lower growth of GDP than was expected last year. Nonetheless, government debt will drop below 50% of GDP this year. According to the most recent forecasts, government debt is set to decline further in the years ahead.

Table 4.1 Divergence from Stability Programme of 2018

in % of GDP	ESA Code	2018	2019	2020
Real GDP growth				
Update April '18		3.2	2.7	1.5
Current update		2.7	1.5	1.5
Difference		-0.5	-1.2	0
General government balance				
	EDP B.9			
Update April '18		0.7	0.9	0.5
Current update		1.5	1.2	0.8
Difference		0.8	0.3	0.3
General government debt				
Update April '18		52.1	48.4	46.0
Current update		52.4	49.1	47.1
Difference		0.3	0.7	1.1

As a small open economy, the Netherlands is sensitive to developments in the world economy, for example via trade and international financial markets. However, domestic dynamics are also uncertain: e.g. the supply and demand for labour could develop differently than previously forecast.

The sensitivity analyses below show how the economy could develop in two alternative scenarios compared to the baseline of the Central Economic Plan. Both scenarios assume that the economic shock occurs at the beginning of 2019, and then presents the effects of that shock in 2019 and 2020. Both scenarios have been drawn up by the Ministry of Finance based on SAFFIER (the CPB's model for short-term projections, medium-term scenarios, and analysis of Coalition Agreements and policy options).⁵ A more detailed risk analysis of public finances is available in the 2019 Public Finances Impact Test, presented in the 2019 Budget Memorandum.⁶

⁵ See also: CPB (2011), *Varianten SAFFIER II, Achtergronddocument bij SAFFIER II* [SAFFIER II Alternatives, Background document to SAFFIER II], CPB document 217.

⁶ See: Ministry of Finance, 2018, *2019 Budget Memorandum Annexes*, pp. 387. In the Budget Memorandum, the government reports annually on a number of specific financial budgetary risks. In addition, the CPB (Risk

Scenario 1: shock in world trade

Developments in world trade have a direct effect on Dutch exports and hence on GDP growth. This scenario assumes a decline of world trade. The development of world trade is currently surrounded by a number of uncertainties, such as the United States' trade policy, Brexit, and the state of the Chinese economy. A decline in growth of Chinese domestic spending by 4 percentage points, for example, could mean a slowdown in growth of relevant world trade for the Netherlands of 0.4 percentage points this year and 0.9 percentage points next year⁷. In this scenario, a one-off negative shock of 1 percentage point to the growth of relevant world trade takes place in 2018, and that shock has a permanent effect.

In the short-term (i.e. in 2019) the shock leads to a decline of 0.9% in the export of goods (excluding energy). Business investment declines by 1.1% and production (in the market sector) reduces by 0.4%. GDP faces a downturn of 0.2%. Unemployment rises slightly. The general government balance deteriorates by 0.1% of GDP compared to the baseline. In 2020 exports and investment recover slightly. However, the shock will have a negative impact on employment. Partly due to this, private consumption declines by 0.2%. GDP volume drops by 0.1% and the general government balance deteriorates by 0.1% of GDP.

Table 4.2 - Alternative to Scenario 1: impulse in world trade of -1pp (deviations in %)

	Deviation to basic scenario in 2019	Deviation to basic scenario in 2020
Volume of GDP	-0.2	-0.1
Private consumption	0.0	-0.2
Capital formation businesses	-1.1	0.1
Investments in housing	0.0	-0.1
Export of goods, excl. energy	-0.9	0.1
Unemployment* (level)	0.1	0.1
Inflation (CPI)	0.0	-0.1
General government balance* (% of GDP)	-0.1	-0.1

*Deviation in unemployment and general government balance in percentage points

Scenario 2: A decline of house prices

House prices in the Netherlands have risen rapidly in recent years. In 2018, house prices rose by 9%, the highest rate in 16 years. The Dutch economy is generally relatively sensitive to shifts in the housing market. In this scenario, a one-off negative shock of 15% on the level of house prices takes place in 2019, and this shock has a permanent effect.

The declined level of housing capital has a negative effect on consumer spending. In the short-term (i.e. in 2019) the shock leads to a downward trend in consumer spending of 0.45%. Reduced consumer spending results in lower production, which means business investments decrease. GDP declines by 0.15% compared to the baseline scenario. In 2020, the shock leads to a further decrease in consumption and housing investments, but, on balance, there is no additional effect on GDP growth. In both years the rate of inflation is lower and unemployment rises somewhat. The general government balance worsens in 2019 by 0.15 percentage points of GDP compared to the baseline.

Report on Financial Markets Risks) and DNB (Overview of Financial Stability) regularly report on risks to financial stability and financial markets

⁷ CPB, 2015, Macroeconomic Outlook (MEV) 2016

Table 4.3 – Alternative to Scenario 2: decline of house prices (deviations in percentage points)

	Deviation to basic scenario in 2019	Deviation to basic scenario in 2020
Volume of GDP	-0.15	0.0
Private consumption	-0.45	-0.3
Capital formation businesses	-0.45	0.0
Investments in housing	0.0	-0.15
Export of goods, excl. energy	0.0	0.15
Unemployment* (level, %)	0.0	0.15
Inflation (CPI)	-0.15	-0.45
General government balance* (% of GDP)	-0.15	0.0

*Deviation in unemployment and general government balance in percentage points

Chapter 5: Sustainability of public finances

The Dutch government not only places importance on the development of the government balance and debt position in the short term, but also on the sustainability of public finances in the long term. The current sustainability balance of the Netherlands is a deficit of 0.4% of GDP.

Sustainability of public finances of EU Member States, including the Netherlands, is regularly examined closer by the European Commission. This chapter provides an overview of the results of both the Netherlands Bureau for Economic Policy Analysis (CPB) and the European Commission (EC). An overview is also provided in this chapter of the Dutch government's contingent liabilities.

Sustainability of public finances is assessed on the basis of the so-called sustainability balance. This balance indicates whether the current government arrangements are sustainable in future, without expenses needing to be reduced or taxes needing to be raised. To quantify the sustainability of public finances assumptions about future developments are required. In calculating the sustainability balance the assumption of 'constant arrangements' plays an important role. This entails that future generations can benefit from a similar degree of public services at a similar tax burden (as a percentage of GDP) as present generations. 'Constant arrangements' therefore differ from unchanged policy. Unchanged policy would mean that, assuming incomes continue to rise, in the long-term everyone would end up in the highest tax bracket and the tax burden would therefore increase. In the case of 'constant arrangements' the tax burden as a percentage of GDP, on the other hand, will remain the same.

Development of the demographic build-up influences development of public expenditure and revenue. Table 5.1 illustrates that the portion of seniors aged 65+ will increase in the total population in future. Public old-age pension expenditure (AOW) and care expenditure (both long-term as well as curative healthcare) will increase between 2010 and 2060. This increase happens despite previous reforms implemented in the area of healthcare and pensions. But, by the same token, government revenues rise in the same period through higher consumer spending and fewer savings. After all, there is dissaving due to an ageing population because more pensions are paid out than are being accrued by younger generations. Table 5.1 also shows that the labour force participation rate for those aged 15 to 64 will increase. For those aged 55+ the labour force participation rate will rise further due to a raised statutory retirement age and phased out pre-pension schemes. The labour force participation rate of those aged 65+ will also rise due to the raised statutory retirement age.

The most recent sustainability balance of the CPB, which takes the Coalition Agreement into account, amounts to -0.4% of GDP (or a deficit of 3 billion euro).⁸ Based on constant arrangements, this sustainability gap means that measures are needed in future to increase revenues or to put constraints on expenditures. These results are highly dependent on assumptions, as is also emphasized in the sensitivity analyses in the previous CPB population-ageing survey.⁹ For example, the sustainability balance is sensitive to assumptions about rising costs in healthcare, life expectancy, and labour force participation.

The European Commission also forecasts the sustainability of EU Member States, including the Netherlands¹⁰. The EC forecasts two different sustainability balances. On the S1-indicator, which shows how much room for budgetary manoeuvre a Member State has to achieve a debt ratio below 60% in 2032, the Netherlands has a surplus of 1.9% of GDP. The S2-indicator, just like the CPB sustainability balance, shows the long-term sustainability. In this respect, the Netherlands has a sustainability gap of 3.0% of GDP.

⁸ CPB, 2017, *Analyse economische en budgettaire effecten van de financiële bijlage van het Regeerakkoord* [Analysis of economic and budgetary effects of the financial supplement of the Coalition Agreement]

⁹ CPB (2014) *Minder zorg om vergrijzing*, [Less worries about the ageing population], CPB Book 12.

¹⁰ European Commission, 2018 Fiscal Sustainability Report.

The sustainability gap of the Netherlands, according to EC calculations, is greater than that reflected in the most recent CPB calculation. There are a number of reasons for this difference. The most important reason is that the EC places less emphasis on an increase in tax revenues due to the aforementioned dissaving related to population ageing. In comparison to other countries, the Netherlands has accrued vast pension savings. So, this future population ageing-related dissaving will lead to greater spending and therefore more VAT revenues. The Commission's calculation does not take this specific Dutch pension arrangement into account as much as the CPB does. In terms of household taxes, for example in the case of deductible pension contributions and healthcare insurance contributions, there are also differences with the EC, since the EC keeps these tax burdens constant (as part of GDP). There are also a number of relatively smaller differences in the forecast of expenditures and the underlying assumptions.

Table 5.1 Sustainability of public finances

% of GDP	2010	2020	2030	2040	2050	2060
Total expenditure	48.2	43.3	45.1	47.9	48.6	48.7
<i>of which:</i>						
<i>Age-related expenditure</i>	20.8	21.4	23.0	25.9	26.1	25.8
Pension expenditure	6.2	6.8	7.2	8.2	8.0	7.7
Social security expenditure	11.7	11.8	12.2	13.2	13.0	12.7
Old-age and early retirement pension	4.5	4.9	5.5	6.4	6.1	5.7
Other pensions (occupational disability, surviving relatives)	1.7	1.9	1.7	1.8	1.9	2.0
Occupational pensions (government)	0.0	0.0	0.0	0.0	0.0	0.0
Healthcare (cure)	5.9	6.9	7.6	8.4	8.4	8.3
Long-term care	3.5	2.8	3.4	4.2	4.7	4.9
Education expenditure	5.1	4.9	4.7	5.1	5.0	4.9
Other age-related expenditure	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenditure	1.8	0.7	1.6	1.4	1.7	2.2
Total revenue	43.2	42.6	46.1	46.9	46.6	46.4
of which: property income	2.7	0.9	0.7	0.6	0.6	0.6
of which: pension contributions (or social security premiums)	3.3	3.3	3.3	3.3	3.3	3.3
Pension reserve fund assets	138.8	174.0	172.8	164.0	153.4	148.4
of which: consolidated public pension fund assets	0.0	0.0	0.0	0.0	0.0	0.0
Systemic pension reforms						
Social contributions diverted to mandatory private scheme	0.0	0.0	0.0	0.0	0.0	0.0
Pension expenditure paid by mandatory private system	4.8	5.3	6.7	7.0	6.3	5.7
Assumptions						
Labour productivity growth	1.5	1.1	2.1	1.5	1.4	1.5
Real GDP growth	1.0	1.6	1.8	1.5	1.7	1.5
Participation rate (males) (15-64)	83.4	85.8	86.6	87.4	87.2	87.5
Participation rate (females) (15-64)	72.4	75.8	76.7	77.7	77.8	78.1
Total participation rate (15-64)	77.9	80.8	81.6	82.5	82.5	82.8
Unemployment rate (20-64)	4.5	4.5	4.7	4.7	4.7	4.7
Population aged 65+ as % of total population	16.2	20.7	24.9	27.4	27.1	27.2

Contingent liabilities

Policy related to contingent liabilities under risk arrangements is laid down in this government's budgetary rules. The government applies a "no, unless" policy with regard to risk arrangements. Although new risk arrangements are sometimes necessary, the Dutch government acts in the most cautious manner possible. The government thinks it is important not only to assess new arrangements, but also to use restraint with regard to (broadening) existing arrangements. In principle, all arrangements will have a sunset clause. The assessment framework for risk arrangements is always submitted to Parliament. A second opinion will be requested from an independent, specialist party with regard to risk management and the setting of premiums for large and complicated risks. In addition, in the case of new arrangements and amendments (broadening) of existing arrangements, a cut-backs of other risk arrangements are to take place.

The assessment is implemented via the Assessment Framework for Risk Arrangements (Toetsingskader Risicoregelingen), which has been laid down in the budgetary rules. ^[1]

Three key elements of the assessment framework are:

- Reason for government intervention and choice of instrument, in other words purpose and necessity;
- Management of risks, both ex-ante and ex-post (governance);
- Pricing of the risk as well as implementation costs and costs of losses.

At the time of entering into a new guarantee scheme the assessment framework is submitted to parliament to ensure transparency of the commitments made.

Table 5.2 shows the extent of contingent liabilities. At the end of 2018, outstanding liabilities totalled 23% of GDP. This is expected to drop to 22.6% of GDP in 2019. The table includes all guarantees connected to the financial sector that have an outstanding risk greater than EUR 1 billion. More than three-quarters of the contingent liabilities are connected to the financial sector. The majority of these obligations arise as a result of international agreements, including any guarantees related to the European debt crisis, international development banks and the International Monetary Fund (IMF).

Table 5.2 Contingent liabilities

	2018	2019
	% of GDP	% of GDP
Public guarantees	23.0	22.6
Including: associated with the financial sector	19.0	18.3
Asian Infrastructure Investment Bank (AIIB)	0.1	0.1
DNB - participation in IMF capital	5.6	5.3
European Bank for Reconstruction and Development (EBRD)	0.1	0.1
European Financial Stabilisation Mechanism (EFSM)	0.4	0.0
European Financial Stability Facility (EFSF)	4.4	4.3
European Investment Bank (EIB)	1.3	1.5
European Stability Mechanism (ESM)	4.6	4.4
Netherlands Development Finance Company (FMO)	0.7	0.7
Regional development bank guarantees	0.3	0.3
EU Balance-of-payments (BoP) assistance	0.3	0.3
Single Resolution Fund (SRF)	0.5	0.5
World Bank	0.7	0.5

Aside from guarantees, the Netherlands also has three so-called indirect guarantees. However, risks run by the government for indirect guarantees differs essentially from risks that the government runs for direct guarantees. There are a number of reasons for this. Firstly, in the case of an indirect guarantee the guarantee obligation is not issued directly by the government, but by a

^[1] <http://wettenpocket.overheid.nl/portal/0ff0f42b-2a70-45b7-a9c9-3b4253b292e7/document/TOETSINGSKADER%20RISICOREGELINGEN%20RIJKSOVERHEID.pdf>

specially appointed indirect guarantee fund, and the government is therefore an indirect guarantor. Secondly, indirect guarantees have multiple layers which significantly limit risks for the government. The fund's own equity forms the first layer. In addition, for two of the three indirect guarantees, being the Guarantee Fund for the Healthcare Sector (Waarborgfonds voor de Zorgsector, WFZ) and the Social Housing Guarantee Fund (Waarborgfonds Sociale Woningbouw, WSW), participants have an obligation to support the fund financially if the fund's equity drops below a certain level, the liability. Only in an extreme case can the fund have recourse to the government. A fund then gets an interest-free loan from central government, sometimes together with local and regional authorities. This loan must be repaid.

Chapter 6: Quality of public finances

Securing the quality of public finances is essential to arrive at an effective and efficient deployment of public resources. The Dutch government uses various instruments to enhance the quality of government expenditure. Conducting evaluations and other impact research brings about insights into the effect of policy. These insights are then used to develop new policy and to amend existing policy. The current government is exploring possibilities to improve insight into effectiveness and efficiency of government policy by way of the 'Insight into Quality' operation.

Different types of evaluation instruments are used in the Netherlands. Departments organise evaluation studies and monitor individual policy programmes. In addition, in the Netherlands there is a system of policy audits and interdepartmental policy reviews (IBOs). Prior to commencement of certain large projects, analyses of social costs and benefits (MKBAs) are also carried out.

Policy audits

In a policy audit a certain policy area is examined for its effectiveness and efficiency by the department responsible for this policy. An important feature of a policy audit is that it is synthesis research: the research entails assessing the coherent effect of various policy instruments. This often happens on the basis of underlying evaluative research, supplemented with other sources of information.

The policy audit assesses whether policy objectives are achieved as they have been formulated in the policy article of departmental budgets. Every policy area is audited in this manner at least once every seven years. The results of the policy audit are communicated to the Lower House. In this way the Lower House is periodically informed in a structured manner on the results of policy, so that it can oversee the minister who is responsible for specific policy and intervene, if required.

This year, 19 new policy audits will be carried out. The topics extend across a broad spectrum of public policy: for example, policy audits are carried out of policy in areas such as vocational training and adult education, provision for old age and quality of the civil service.

In the past few years the structure, phrasing of questions, and scope of individual policy audits were shared with parliament in advance of Budget Day. Parliament is able to pose questions and make remarks beforehand on audits that will be finalised. This increases the Lower House's involvement in policy audits. In addition, all policy audits also depict which measures could be taken if significantly fewer resources were available for specific policy areas. This enhances the synergy of policy audits in the decision-making process.

Interdepartmental policy reviews (IBOs)

Every year a number of interdepartmental policy reviews are instituted. Under the leadership of an independent chairman, IBOs are jointly carried out by a working group of policy departments, the Ministry of Finance and other experts, addressing policy alternatives for a budgetary, political or other social issue.

In 2019, seven IBOs will be completed, of which there are five from the 2018-2019 round (IBO part-time work, IBO internationalisation of higher education, IBO kingdom relations, IBO air quality and IBO allowances); and two from the 2017-2018 round (IBO Youths distanced from the labour market, and IBO on the lightly mentally handicapped).

As is the case with policy audits, IBOs are submitted to the Lower House which include the government's appreciation of the findings.

Analyses of social costs and benefits (MKBA's)

MKBA's are carried out in preparation of a decision on a policy proposal. An MKBA responds to the question whether certain policy proposals that envisage to resolve a social issue are expected to be welfare-enhancing or not. For this purpose, all social costs and benefits of a policy measure, as well as possible alternatives, are identified. A policy measure is welfare-enhancing if there is a positive net balance of social costs and benefits.

This instrument has already been used for many years in infrastructure and the spatial environment as a routine step in preparation of the decision-making process. The carrying out of an MKBA has been mandatory for major infrastructure projects since 2000. Aside from the Go or No-go decision, MKBA's can also be of influence on the quality and phasing of projects. In order to improve applicability of the MKBA in the decision-making process, the government had a general guideline developed by the CPB and the PBL (Netherlands Environmental Assessment Agency) in 2015. The guideline contains a set of minimum conditions for a good methodological quality and for a sufficiently transparent presentation. Methodological standards broaden the comparableness of MKBA's.

The government has expressed its ambition to also apply the MKBA instrument in areas other than infrastructure and the spatial environment. The intention is that a methodology is drawn up for each policy area which supports MKBA institutions in implementing an MKBA. In the meantime, the following methodologies have been published: MKBA werkwijzer in het sociale sociaal domein (2016) [MKBA methodology in the socio-social domain], MKBA werkwijzer op het gebied van milieu (2017) [MKBA methodology in the environmental field], MKBA werkwijzer natuur (2018) [MKBA methodology on nature], MKBA werkwijzer bij MIRT Verkenningen (2018) [MKBA methodology for MIRT Surveys on multi-year infrastructure, spatial and transportation programmes]. The following methodologies are being prepared: MKBA methodology for digital public authority (Ministry of Foreign Affairs) and MKBA methodology for energy (Ministry of Economic Affairs and Climate).

Insight into Quality operation

The government has decided, inter alia in light of recommendations by the Study Group on the Budget Margin, to set up the operation 'Insight into Quality', which launched in 2018. The operation aims to increase the social added value of public funds to gain a better insight into the impact of policy and to act accordingly.

Within the operation, work is primarily undertaken to set up concrete activities to increase the impact of policy. A list of departmental initiatives has been drawn up, which aims to improve and understand the effectiveness and efficiency of specific policy.

Secondly, the evaluation system is being improved. To achieve this, research was done in 2018 into the functioning of current policy instruments in the evaluation system, including policy audits, and interdepartmental policy reviews. Individual policy departments also started initiatives to improve the quality of the evaluation system: for example, at the Ministry of Finance a Policy Evaluation Commission has been created, analogous to the Policy Evaluation Commission at the Ministry of Foreign Affairs.

The monitoring of Section 3.1 of the Dutch Government Accounts Act 2016 (Comptabiliteitswet 2016) was also started. This section argues that policy proposals, plans and commitments submitted to the Lower House must be accompanied by – among other things – explanatory notes on the prospective effectiveness and efficiency. The monitor showed that there is still room for improvement in applying this section; and that for a sensible application of Section 3.1 of the Government Accounts Act 2016, a more detailed definition of the scope would be useful. In 2019, the two tracks (departmental initiatives and improving the evaluation system) will be continued.

The operation is a learning curve for all those involved without a cut-and-dried roadmap for the coming years. What is certain though, is that work on both tracks will be ongoing in 2019, aiming for concrete results as much as possible – both in the initiatives and in the system as a whole.

Chapter 7: Institutional features of public finances

An important purpose of the intensified Stability and Growth Pact (SGP) and the Treaty on Stability, Coordination and Governance in the EMU (TSCG), is reinforcing budgetary discipline by, among other things, enlarging 'ownership' of European agreements for individual Member States. In conformity with European budgetary agreements, the European budgetary objectives have therefore legally been codified in the Netherlands on a national level in the Sustainability of Public Finances Act (Wet houdbare overheidsfinanciën, 'Wet HOF'). This chapter provides a short description of the contents of 'Wet HOF' and the fulfilment of independent fiscal monitoring in the Netherlands. In this, the CPB and the Council of State (RvS) play a prominent role.

Sustainable Public Finances Act ('Wet HOF')

The essence of 'Wet HOF' is to codify European budget agreements and to stipulate that the State and local governments (municipalities, provincial authorities and regional water boards) must make an equal effort to comply with these agreements. Additionally applicable for the State, is that the most important starting points of the Netherlands' trend-based fiscal policy have also legally been codified in this legislation.

Reinforcement of budgetary discipline through independent monitoring

Dutch budgetary policy, by tradition, is based on independent projections and analyses from the CPB. Aside from the CPB as an independent forecasting institute, 'Wet HOF' provides for a prominent role for the Advisory Division of the Council of State. In the spring, the Council of State assesses whether envisaged budgetary development in the Netherlands complies with European budgetary agreements based on figures by CPB's Central Economic Plan (CEP). The Council of State's assessment in the spring is available prior to the government's budgetary decision-making taking place, and can therefore have an impact in a prior phase of the budgetary cycle. Furthermore, also at the time of the Budget Memorandum, the Council of State assesses whether the draft budget complies with European budgetary agreements.

Budgetary policy

The government envisages pursuing a budgetary policy trend within the boundaries of European budgetary agreements. Important basic principles of the Dutch national budgetary framework are:

- Expenditure ceilings are an important component of Dutch budgetary policy. Maximum growth of public expenditure is determined at the beginning of the government term. This had proven to be an effective way to ensure manageability of public finances. Every cabinet minister is financially responsible for expenditure in his policy area. This system is perceived as being clear, credible and predictable.
- Macroeconomic stabilisation of the economy through the revenue side and partly through the expenditure side of the budget. On the revenue side of the budget, the principle of automatic stabilisation applies. Revenue windfalls are used to reduce the government balance and revenue setbacks burden the general government balance. This means that higher revenues – for example, more tax receipts as a result of higher economic growth – cannot be used for additional expenditures. On the other hand, setbacks on the revenue side, in principle, do not lead to cutbacks. Policy decisions on the revenue side (particularly taxes and social security contributions) must be compensated by other measures on the revenue side. In the context of automatic stabilisation, the current government also placed cyclical unemployment and social benefit expenditure beyond the scope of the expenditure ceilings.
- Distinction between revenues and expenditure. This distinction means expenditure is controlled by means of the expenditure ceilings and automated stabilisation on the revenue side by means of the revenue ceiling. Through this distinction, it is made even more explicit

that additional expenditure has to be fitted in under the expenditure ceiling, and tax relief or tax burdens are compensated within the revenue ceiling.

- A primary decision-making moment on both the expenditure and revenue side of the budget takes place in the spring, based on the CPB's Central Economic Plan (CEP). Further decision-making on the revenue side and developments in purchasing power take place in August, based on a new projection by the CPB.

The above basic principles are described in the budgetary rules agreed to at the start of the government term, which were published as an annex to the Coalition Agreement¹¹. In principle, the budgetary rules consist of basic principles, budgetary rules of play and technical specifications. The basic principles of budgetary policy describe the key starting points and the rationale behind it. The budgetary rules of play ensure that in practical terms the basic principles are respected. The most well-known rules are that any overspending of a budget must be compensated and that compensation, in principle, must take place in the same budget where the overspending occurs. Windfalls may not be used for spending on new policy.

¹¹ See annex 1 of Initial Policy Memorandum – Budgetary Rules 2018-2022:
<https://www.rijksoverheid.nl/documenten/kamerstukken/2017/11/03/bijlage-1-bij-startnota-%E2%80%93-begrotingsregels-2018-2022>

Annex – Tables for Stability Programme

Table 1a. Macroeconomic prospects*

	ESA Code	2018 Level (€ billion)	2018 rate of change	2019 rate of change	2020 rate of change	2021 rate of change	2022 rate of change
1. Real GDP	B1*g	773,4	2,7	1,5	1,5	1,2	1,0
2. Nominal GDP	B1*g		4,9	3,8	2,9	2,9	2,7
Components of real GDP							
3. Private consumption expenditure	P.3	341,5	2,5	1,3	1,5	1,2	1,1
4. Government final consumption expenditure	P.3	185,6	1,4	2,4	2,3	1,1	1,1
5. Gross fixed capital formation	P.51	162,0	4,3	2,7	2,4	1,1	1,2
6. Changes in inventories (Δ)	P.52 + P.53	2,0	0,2	0,0	0,0	0,0	0,0
7. Exports of goods and services	P.6	641,8	2,7	1,1	2,3	3,4	3,3
8. Imports of goods and services	P.7	559,6	2,8	1,5	3,0	3,7	3,7
Contributions to real GDP growth							
9. Final domestic demand		689,1	2,4	1,7	1,7	1,0	1,0
10. Changes in inventories (Δ)	P.52 + P.53	2,0	0,0	0,0	0,0	0,0	0,0
11. External balance of goods and services	B.11	82,2	0,3	-0,2	-0,2	0,1	0,0

*Figures for 2018 have been adjusted based on realisations by Statistics Netherlands (CBS).

Table 1b. Price developments

	ESA Code	2018 rate of change	2019 rate of change	2020 rate of change	2021 rate of change	2022 rate of change
1. GDP deflator		2,1	2,2	1,4	1,7	1,7
2. Private consumption deflator		1,9	2,3	1,4	1,7	1,6
3. HICP		1,6	2,3	1,4	1,5	1,5
4. Public consumption deflator		2,9	2,6	1,6	2,3	1,9
5. Investment deflator		2,7	2,3	1,5	1,2	1,4
6. Export price deflator (goods and services)		2,0	0,3	1,0	0,9	1,0
7. Import price deflator (goods and services)		2,3	0,2	1,2	0,9	0,8

Table 1c. Labour market developments

	ESA Code	2018 Level	2018 rate of change	2019 rate of change	2020 rate of change	2021 rate of change	2022 rate of change
1. Employment (x 1000 persons)		9328,0	2,5	1,3	0,5	0,0	-0,3
2. Employment (bln hours worked)		13365,0	2,4	1,0	0,5	0,1	-0,3
3. Unemployment (% of labour force)		350,0	3,8	3,8	4,0	4,1	4,2
4. Labour productivity, persons		82,9	0,1	0,2	1,1	1,2	1,3
5. Labour productivity (bln hours worked)		57,9	0,1	0,4	1,0	1,1	1,3
6. Compensation of employees	D.1	371,5	5,1	4,5	3,2	3,0	2,3
7. Compensation per employee (€)		39,8	2,4	3,4	2,6	2,9	2,6

* Figures for 2017 have been adjusted on the basis of realisations by Statistics Netherlands (CBS)

Table 1d. Sectoral balances

% of GDP	ESA Code	2018	2019	2020	2021	2022
1. Net lending/borrowing vis-à-vis the rest of world	B.9	10,1	9,7	9,0	9,0	8,9
<i>of which:</i>						
- Balance on goods and services		10,5	10,0	9,5	9,5	9,4
- Balance of primary incomes and transfers		0,4	0,4	0,4	0,4	0,4
- Capital account		-0,8	-0,7	-1,0	-0,9	-0,9
2. Net lending/borrowing of private sector	B.9	8,7	8,4	8,2	8,7	8,7
3. General government balance	EDP B.9	1,5	1,2	0,8	0,2	0,0
4. Statistical discrepancy		-	-	-	-	-

Table 2a General government budgetary prospects*

	ESA Code	2018 Level (€ billion)	2018 % of GDP	2019 % of GDP	2020 % of GDP	2021 % of GDP	2022 % of GDP
Net lending/borrowing (EDP B.9) by subsector							
1. General government		11,3	1,5	1,2	0,8	0,2	0,0
	S.13						
2. Central government		5,4	0,7	0,8	0,3	-0,2	-0,4
	S.1311						
3. State government		-	-	-	-	-	-
	S.1312						
4. Local government		-0,7	-0,1	-0,2	-0,2	-0,2	-0,2
	S.1313						
5. Social security funds		6,7	0,9	0,6	0,6	0,6	0,6
	S.1314						
Total General government (S13)							
6. Total revenue		337,6	43,8	44,3	43,9	43,3	43,2
	TR						
7. Total expenditure		326,0	42,2	43,0	43,1	43,1	43,3
	TE						
8. General government balance		11,3	1,5	1,2	0,8	0,2	0,0
	EDP B.9						
9. Interest expenditure		6,9	0,9	0,7	0,6	0,6	0,6
	EDP D.41						
10. Primary balance		18,3	2,4	1,9	1,4	0,8	0,6
11. One-off and other temporary measures		-1,0	-0,1	-0,3	0,1	0,0	-0,1
Selected components of revenues							
12. Total taxes (=12a+12b+12c)		190,0	24,6	25,5	25,0	24,9	24,9
12a. Taxes on production and imports		91,0	11,8	12,2	12,4	12,4	12,4
	D.2						
12b. Current taxes on income and wealth		97,3	12,6	13,0	12,4	12,2	12,3
	D.5						
12c. Capital taxes		1,7	0,2	0,2	0,2	0,2	0,2
	D.91						
13. Social contributions		112,1	14,5	14,2	14,3	14,0	14,0
	D.61						
14. Property income		6,2	0,8	0,9	0,8	0,7	0,7
	D.4						
15. Other		29,3	3,8	3,8	3,8	3,7	3,7
16. Total revenue (=6)		337,6	43,8	44,3	43,9	43,3	43,2
	TR						
Tax burden		301,4	39,1	39,6	39,3	38,8	38,8

* Figures for 2018 have been adjusted for items 1 to 11, and 17 to 24 on the basis of realisations by Statistics Netherlands (CBS).

	ESA Code	2018	2018	2019	2020	2021	2022
Selected components of expenditure		€ billion	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP
17. Compensation of employees + intermediate consumption	D.1 + P.2	108,7	14,1	14,1	14,3	14,2	14,1
17a. Compensation of employees	D.1	63,7	8,2	8,3	8,4	8,4	8,3
17b. Intermediate consumption	P.2	45,0	5,8	5,8	5,9	5,9	5,8
18. Social payments		159,4	20,6	20,8	21,1	21,3	21,5
<i>of which Unemployment benefits</i>		11,9	1,5	1,4	1,5	1,5	1,5
18a. Social benefits in kind through market output	D.6311 D.63121 D.63131	78,2	10,1	10,4	10,5	10,7	10,9
18b. Social benefits not in kind	D.62	81,3	10,5	10,4	10,6	10,6	10,6
19. Interest expenditure (=9)	EDP D.41	6,7	0,9	0,7	0,6	0,6	0,6
20. Subsidies	D.3	8,9	1,2	1,2	1,2	1,2	1,2
21. Gross fixed capital formation	P.51	26,3	3,4	3,5	3,5	3,5	3,5
22. Capital transfers		5,5	0,7	1,1	0,7	0,8	0,9
23. Other		12,1	1,6	1,6	1,6	1,5	1,5
24. Total expenditure (=7)	TE	326,0	42,2	43,0	43,1	43,1	43,3
PM: Public consumption (nominal)	P.3	186,1	24,1	24,4	24,7	24,8	24,9

Table 2b. Breakdown of revenue *

	2018 Level (billion €)	2018 % of GDP	2019 % of GDP	2020 % of GDP	2021 % of GDP	2022 % of GDP
1. Total revenue at unchanged policy	337,6	43,8	44,3	43,9	43,3	43,2
2. Total expenditure at unchanged policy	326,0	42,2	43,0	43,1	43,1	43,3

* Figures for 2018 have been adjusted on the basis of realisations by Statistics Netherlands (CBS)

Table 2c. Amounts to be excluded from the expenditure benchmark

	2018 Level (billion €)	2018 % of GDP	2019 % of GDP	2020 % of GDP	2021 % of GDP	2022 % of GDP
1. Expenditure in EU programmes fully matched by EU funds revenue	0,2	0,0	0,0	0,0	0,0	0,0
1.a Of which investment expenditure fully matched by EU funds revenue	0,0	0,0	0,0	0,0	0,0	0,0
2. Cyclical unemployment benefit expenditure	-0,8	-0,1	-0,1	0,0	0,1	0,2
3. Effect of discretionary revenue measures	-1,4	-0,2	0,4	-0,5	-0,4	0,2
4. Revenue increases mandated by law	1	0,1	0,1	0,1	0,1	0,1

Table 3. General government expenditure by function

in % of GDP	COFOG Code	2018	2022
		4,3%	4,4%
1. General public services	1		
2. Defence	2	1,1%	1,3%
		1,9%	1,7%
3. Public order and safety	3		
		3,8%	3,5%
4. Economic Affairs	4		
		1,4%	1,4%
5. Environmental protection	5		
		0,3%	0,3%
6. Housing and community amenities	6		
		7,6%	8,2%
7. Healthcare	7		
		1,2%	1,2%
8. Recreation. culture and religion	8		
		5,1%	5,1%
9. Education	9		
		15,9%	16,0%
10. Social protection	10		
11. Total expenditure	TE	42,5%	43,3%

Table 4. General government debt developments

in % of GDP	ESA Code	2018	2019	2020	2021	2022
1. Gross debt		52,4	49,1	47,1	45,7	44,6
2. Change in gross debt ratio		-4,6	-3,3	-2,0	-1,4	-1,2
of which:						
3. Primary balance		2,4	1,9	1,4	0,8	0,6
4. Interest expenditure	EDP D.41	0,9	0,7	0,6	0,6	0,6
5. Stock/flow adjustment and other		-3,1	-2,0	-1,3	-1,2	-1,2
- Of which: difference between cash and accruals		0,0	-0,3	-0,1	-0,1	-0,1
- Of which: net accumulation of financial assets		-0,7	-0,1	0,1	0,2	0,0
- Of which: Privatisation proceeds		0,0	0,0	0,0	0,0	0,0
- Of which: valuation effects and other		-0,7	0,0	0,1	0,2	0,0
Implicit interest rate on debt (%)		1,6	1,3	1,3	1,3	1,3
6. Liquid financial assets (% of GDP)		-0,1	0,2	0,2	0,2	0,2
7. Net financial debt (7=1-6)		47,3	45,4	43,4	43,8	41,0
8. Debt amortization (existing bonds) since end of previous year (€ billion)		5,1	3,7	3,7	1,9	3,5
9. Percentage of debt denominated in foreign currency		0,7	0,1	0,0	0,0	0,0
10. Average maturity		7,7	8,0			

* Figures for items 1 to 5 have been adjusted on the basis of realisations by Statistics Netherlands (CBS).

Table 5. Cyclical developments

in % of GDP	ESA Code	2018	2019	2020	2021	2022
1. Real GDP growth		2,7	1,5	1,5	1,2	1,0
2. Net lending of general government	EDP B.9	1,5	1,2	0,8	0,2	0,0
3. Interest expenditure	EDP D.41	0,9	0,7	0,6	0,6	0,6
4. One-off and other temporary measures		0,1	0,3	-0,1	0,0	0,1
4.a Of which: on the revenue side		0,1	0,3	-0,1	0,0	0,1
4.b Of which: on the expenditure side		0,0	0,0	0,0	0,0	0,0
5. Potential GDP growth		1,8	1,7	1,8	1,5	1,3
<i>Contribution to growth</i>						
- Labour		0,9	0,7	0,7	0,4	0,1
- Capital		0,6	0,7	0,7	0,7	0,6
- Total factor productivity		0,3	0,4	0,4	0,5	0,5
6. Output gap (EC method)		0,8	0,6	0,5	0,1	-0,2
7. Cyclical budgetary component		0,5	0,4	0,3	0,1	-0,1
8. Cyclically-adjusted balance (2-7)		1	0,8	0,5	0,1	0,1
9. Cyclically-adjusted primary balance (8+3)		1,9	1,5	1,1	0,7	0,7
10. Structural balance (8-4)		0,9	0,6	0,6	0,1	0,1

Table 6. Divergence from 2018 Stability Programme

in % of GDP	ESA Code	2018	2019	2020
Real GDP growth				
Update April '18		3,2	2,7	1,5
Current update		2,7	1,5	1,5
Difference		-0,5	-1,2	0
General government balance	EDP B.9			
Update April '18		0,7	0,9	0,5
Current update		1,5	1,2	0,8
Difference		0,8	0,3	0,3
General government debt				
Update April '18		52,1	48,4	46,0
Current update		52,4	49,1	47,1
Difference		0,3	0,7	1,1

* Figures for 2018 have been adjusted on the basis of realisations by Statistics Netherlands (CBS)

Table 7 Sustainability of public finances

% of GDP	2010	2020	2030	2040	2050	2060
Total expenditure	48.2	43.3	45.1	47.9	48.6	48.7
<i>of which:</i>						
<i>Age-related expenditure</i>	20.8	21.4	23.0	25.9	26.1	25.8
Pension expenditure	6.2	6.8	7.2	8.2	8.0	7.7
Social security expenditure	11.7	11.8	12.2	13.2	13.0	12.7
Old-age and early retirement pension	4.5	4.9	5.5	6.4	6.1	5.7
Other pensions (occupational disability, surviving relatives)	1.7	1.9	1.7	1.8	1.9	2.0
Occupational pensions (government)	0.0	0.0	0.0	0.0	0.0	0.0
Healthcare (cure)	5.9	6.9	7.6	8.4	8.4	8.3
Long-term care	3.5	2.8	3.4	4.2	4.7	4.9
Education expenditure	5.1	4.9	4.7	5.1	5.0	4.9
Other age-related expenditure	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenditure	1.8	0.7	1.6	1.4	1.7	2.2
Total revenue	43.2	42.6	46.1	46.9	46.6	46.4
of which: property income	2.7	0.9	0.7	0.6	0.6	0.6
of which: pension contributions (or social security premiums)	3.3	3.3	3.3	3.3	3.3	3.3
Pension reserve fund assets	138.8	174.0	172.8	164.0	153.4	148.4
of which: consolidated public pension fund assets	0.0	0.0	0.0	0.0	0.0	0.0
Systemic pension reforms						
Social contributions diverted to mandatory private scheme	0.0	0.0	0.0	0.0	0.0	0.0
Pension expenditure paid by mandatory private system	4.8	5.3	6.7	7.0	6.3	5.7
Assumptions						
Labour productivity growth	1.5	1.1	2.1	1.5	1.4	1.5
Real GDP growth	1.0	1.6	1.8	1.5	1.7	1.5
Participation rate (males) (15-64)	83.4	85.8	86.6	87.4	87.2	87.5
Participation rate (females) (15-64)	72.4	75.8	76.7	77.7	77.8	78.1
Total participation rate (15-64)	77.9	80.8	81.6	82.5	82.5	82.8
Unemployment rate (20-64)	4.5	4.5	4.7	4.7	4.7	4.7
Population aged 65+ as % of total population	16.2	20.7	24.9	27.4	27.1	27.2

Table 7a. Contingent liabilities 2018 (% of GDP) 2019 (% of GDP)

% bbp		
Public guarantees	23,0%	22,6%
Of which: linked to the financial sector	19,0%	18,3%

Table 8. External assumptions

	2018	2019	2020
Short-term interest rate (annual average)	-0,3	-0,3	-0,2
Long-term interest rate (annual average)	0,6	0,4	0,6
USD/EUR exchange rate (annual average)	1,18	1,14	1,14
Nominal effective exchange rate*	2,8	-0,3	0,2
GDP growth, World excluding EU	4,1	3,8	3,8
GDP growth, EU	1,8	1,2	1,4
Growth of relevant foreign markets	2,8	1,8	2,5
World import volume, excluding EU	4,2	2,3	3,4
Oil price (Brent, USD per barrel)	70,94	61,02	61,03

* percentage changes in respect of a basket of competitors