National Reform Programme 2020
The Netherlands

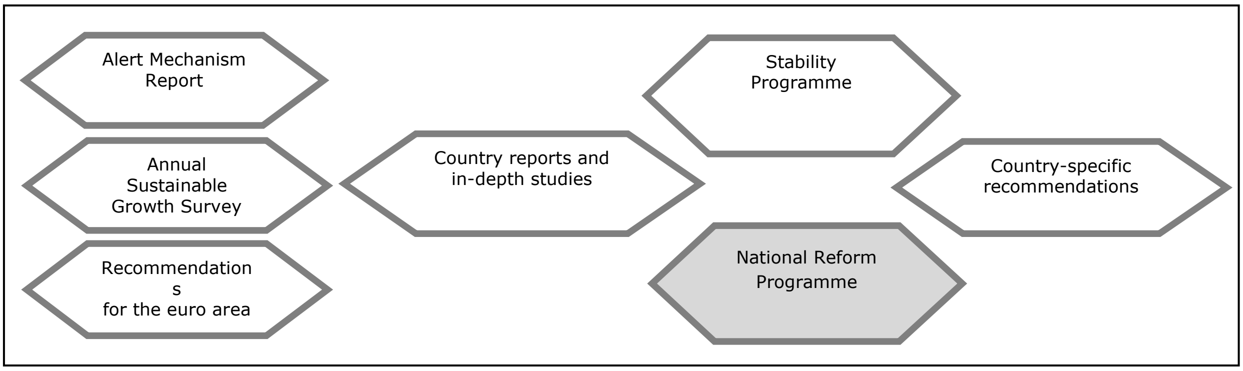
Contents

1. Introduction

1.1. European Semester

The European Semester is an annual coordination cycle for economic and fiscal policy in the European Union (EU), which starts in the autumn with the publication of the Alert Mechanism Report and the Annual Sustainable Growth Survey by the European Commission (hereinafter the 'Commission'). The Commission also publishes recommendations for the euro area at the beginning of the European Semester. These may enable national policy measures to respond better to the challenges facing the entire euro area. Following research in and contact with the Member States, the Commission issues country reports on the state of the economy, the progress made on the country-specific recommendations for the previous Semester and the wider Europe 2020 targets. The country report also contains an in-depth study for Member States, with the Alert Mechanism Report serving as a basis for the further analysis of potential macroeconomic imbalances. Following on from this, by means of the Stability or Convergence Programme and the National Reform Programme (NRP), Member States report on the budget, the state of the economy and the economic reforms in spring, again in the light of previous recommendations and the Europe 2020 targets. Together with the country reports and bilateral contacts, these programmes serve as a basis for the new country-specific recommendations that the European Commission will propose in May and the Council of the European Union will adopt in June, with or without amendments.

Figure 1. European Semester



As in previous years, the focus of this NRP lies on how the 2019 country-specific recommendations for the Netherlands have been and are being implemented, as well as on progress towards national goals in the context of the Europe 2020 strategy. The NRP includes a response to the Commission's findings and assessment of the progress that has been achieved, as described in the Country Report The Netherlands 2020.[1] This year, the NRP has been drawn up for the first time in accordance with the guidelines for reporting progress towards the national Sustainable Development Goals (SDGs). In conclusion, the NRP briefly looks at the relationship between progress on the country-specific recommendations, the use of the cohesion funds and the recommendations for the euro area as a whole.

1.2. Structure of the document

The NRP has been prepared in accordance with the guidelines issued by the Commission. Chapter 2 outlines the macroeconomic context. Chapter 3 describes the ways in which the government has implemented the 2019 country-specific recommendations for the Netherlands. It also examines the relationship between implementation of the country-specific recommendations, the recommendations for the euro area as a whole and the investment strategy in the framework of the cohesion policy. Chapter 4 discusses the progress made on the Europe 2020 targets and the SDGs. Chapter 5 describes

[1] European Commission, Country Report The Netherlands 2020, 26 February 2020

how the use of European funds in the Netherlands contributes to achieving the Europe 2020 targets. Chapter 6 explains how the House of Representatives and the Senate, the social partners and the local and regional authorities were involved in establishing the NRP.

In addition to this NRP, the Netherlands will also submit the Stability Programme (SP) to the Commission. The contents of the two documents overlap to a certain extent, for example in the area of macroeconomic forecasts. The SP reports primarily on fiscal developments and fiscal policy, while the NRP focuses on the package of structural policy measures. These documents refer to each other where relevant.

1.3. Country Report The Netherlands 2020

Summary
In February 2020, the Commission published the Country Report The Netherlands 2020 within the framework of the European Semester. This document contains an in-depth review of potential macroeconomic imbalances in the Dutch economy, an analysis of other structural economic developments and the Commission's assessment of the progress made on implementing the country-specific recommendations from last Semester (2019). The Commission identified two imbalances in the Netherlands: 1) a high level of private debt and 2) a significant current account surplus. The threat posed by the imbalances was rated in the lowest category on the scale (not excessive). This means that the Commission has not taken any further sanctions measures, but continues to closely monitor developments. The government appreciates the Commission's detailed analysis and the country report as they provide important input for national policy discussions.

As in the previous year, the Commission noted that there is a high level of private debt in the Netherlands. The private debt can mainly be accounted for by households as a result of the institutional structure of the housing market. The Commission considers the sensitivity of households to shocks due to the high level of mortgage debt combined with high compulsory pension savings problematic. In this regard, it drew the same conclusion as in previous years. Although household debt as a percentage of gross domestic product (GDP) is now gradually receding, it is still twice as high as the euro area average. The Commission found that important housing market reforms have been implemented and announced to reduce the incentive to incur debt, but that distortions continue to exist. Despite the reduction in mortgage interest deductibility, the subsidy for debt-financed homeownership remains substantial, according to the Commission. The effects of Dutch initiatives to improve the functioning of the private rental market are not yet visible.

Besides the high household debt levels, the Commission also noted imbalances in the Netherlands' current account surplus. The surplus is partially of a structural nature and is mainly attributable to a large goods trade surplus and the high level of savings by non-financial corporations. The Commission believes that the high level of corporate savings is driven by relatively high profits and property income, which are accompanied by low investments. The significant presence of multinationals may also have an upward effect on corporate savings due to profit shifting and aggressive tax planning.

Solid growth in domestic demand and a strong increase in imports and exports, coupled with a fiscal stimulus, are expected to contribute to a gradual reduction of the surplus. However, on account of structural factors, such as the presence of multinationals, the surplus will persist. The Commission recommends that the Netherlands structurally increase the level of public investment to reduce the surplus.

Response
The government understands the Commission's conclusion regarding the high household debt levels. It is taking various measures to reduce the incentive to incur debt. The reduction of the maximum rate of mortgage interest deductibility has been accelerated. Furthermore, the government is reforming the second pillar of the pension system. The housing market policy and the pension system reform are explained in greater detail in Chapter 3.1.2.

The government acknowledges the Commission's analysis that the current account surplus is largely driven by structural features of the Dutch economy, including the presence of multinationals. These corporations establish operations in the Netherlands based on various factors, such as its favourable geographic location, excellent business climate with high-quality infrastructure and qualified staff and the competitiveness of the business sector. The government wishes to point out that efforts to limit the private debt burden make it difficult to reduce the current account surplus.

Lastly, the Dutch government is not pursuing a policy specifically aimed at managing the current account balance. As a result of supporting domestic demand, the fiscal measures announced will put downward pressure on the current account surplus on account of higher domestic consumption and import levels. Furthermore, the government regards the savings surplus as a corollary to the ageing population, with pensioners using their current savings for consumption in the future. The government welcomes the Commission's insights regarding the savings surplus of the Dutch business sector and the role of the Dutch pension system. These may contribute to the discussion on the balance between savings and investments in the Dutch economy.

2. Macroeconomic context

The Dutch economy grew by 1.7% in 2019. This growth figure was lower than in previous years as a result of weakening global growth and declining world trade. Contrary to 2018, when net exports contributed positively to economic growth, in 2019, net exports contributed negatively to GDP growth. In addition, due to the extremely tight labour market, private sector businesses and public sector organisations had difficulty finding qualified staff. Labour market tightness was reflected in the incredibly low 3.4% unemployment rate. In 2019, the job vacancy rate, a key labour shortage indicator, was the highest recorded in the past decade.

The growth of the Dutch economy is expected to continue to level off in 2020 and to rebound slightly in 2021. In its most recent forecast in the Central Economic Plan (CEP), the CPB Netherlands Bureau for Economic Policy Analysis estimates economic growth of 1.4% in 2020 and 1.6% in 2021. The slower growth in 2020 can mainly be accounted for by a sharp decline in the contribution of investments to growth, arising from a fall in residential property investments as a result of the nitrogen and PFAS (perfluoroalkyl and polyfluoroalkyl substances) issues, among other factors. Furthermore, similar to 2019, net exports will continue to contribute negatively to GDP growth in 2020 on account of the slowdown in relevant global trade. However, the growth in both household and public consumption is set to rise more strongly this year than in 2019.

The labour market will remain extremely tight in 2020, with an expected unemployment rate of 3.2%. Labour market tightness translates into higher wages. The higher growth in wages in collective agreements that began in 2019 will continue in 2020 and 2021, with growth figures of 2.8% and 2.9% respectively. Combined with a 1.6% lower inflation rate in 2020 and 2021, this will lead to 1.2% real wage growth in 2020 and 1.1% in 2021. Combined with the easing of the tax burden, this will bring about a 2.1% increase in purchasing power in 2020 and 1.3% in 2021.

The budget surplus will amount to 1.1% this year. The tight labour market and the problems in the construction sector make it difficult for the government to spend the budgeted funds. The budget surplus will decline to 0.1% of the GDP in 2021. The deterioration in the budget balance is primarily the result of the expansionary fiscal policy, particularly the Climate Agreement, the Pension Agreement and the further easing of the tax burden decided on in 2019. As a result of the surpluses and GDP growth, the EMU debt will decline further to 46.3% of GDP in 2020 and to 45.2% in 2021.

The risks for the economic picture of the Netherlands have repercussions on the real economy. Although the impact of the nitrogen and PFAS issues remains uncertain, the CPB estimates that it will have a negative effect of 0.2 and 0.1 percentage points respectively on GDP growth in 2020 and 2021. In addition, protectionism will impede global trade growth. China is also experiencing a growth slowdown due to a transition towards domestically supported growth and government policy aimed at curbing debt accumulation. The trade conflict and the consequences of the coronavirus (COVID-19) have reinforced the growth slowdown. What the economic impact of COVID-19 will be on the Netherlands is still highly uncertain. Should the situation deteriorate, the negative effect could increase considerably, according to the CPB. Lastly, Brexit is a significant downward risk for the Netherlands.

Table 1. Key figures for the Dutch economy 2019-2021

	Central Economic Plan		
	2019	**2020**	**2021**
Relevant global trade volume of goods and services	2.4	1.9	2.2
Gross domestic product (GDP, economic growth)	1.7	1.4	1.6
Household consumption	1.4	1.9	1.9
Public consumption	1.2	2.5	2.6
Investments (including inventory)	4.6	0.4	1.5
Exports of goods and services	2.6	2.7	2.8
Inflation, harmonised index of consumer prices (HICP)	2.7	1.6	1.6
Purchasing power, static, median all households (b)	1.0	2.1	1.3
Unemployed population (in thousands of people)	314	305	320
Unemployed population (level in % of working population)	3.4	3.2	3.4
EMU balance (% GDP)	1.7	1.1	0.1
EMU debt (% GDP, year-end)	48.8	46.3	45.2

3. Country-specific recommendations

In June 2019, the Council of the European Union adopted three recommendations for the Netherlands based on a proposal from the Commission. The recommendations identify major challenges and specific areas of concern for the Dutch economy, including household debt, wage growth, the housing market, the pension system, the tax system, the labour market and the fiscal and structural policies. Each recommendation is explained in greater detail in Sections 3.1, 3.2 and 3.3. Section 3.4 explores the relationship between Dutch government policy and the recommendations for the euro area as a whole. Section 3.5 discusses the European Commission's recommendations for investments in the Netherlands.

3.1. First recommendation for the Netherlands

3.1.1. Council recommendation

The verbatim recommendation formulated by the Council is as follows:

> Reduce the debt bias for households and the remaining distortions in the housing market, in particular by supporting the development of the private rental sector. Ensure that the second pillar of the pension system is more transparent, intergenerationally fairer and more resilient to shocks. Implement policies to increase household disposable income, including by strengthening the conditions that support wage growth, while respecting the role of social partners. Address features of the tax system that may facilitate aggressive tax planning, in particular by means of outbound payments, notably by implementing the announced measures.

3.1.2. New policy based on the recommendation

<u>Housing market</u>

Measures are being implemented to reduce the incentives for households to incur debt and the remaining distortions in the housing market. The government is explicitly focusing on the further development of the private rental sector. It is important to the government to ensure that the Dutch housing market is accessible, affordable and stable.

To safeguard financial stability, the government has implemented measures to reduce the incentive to take on high mortgage debts. The maximum rate of mortgage interest deductibility was lowered by 0.5 percentage points from 1 January 2019. From this year, 3 percentage points per annum will be deducted in four steps. As a result, the final target of a maximum deductible rate of around 37% will be achieved by 2023. The deduction for no or a low mortgage debt (also known as the Hillen scheme) is being phased out in 30 equal annual steps with effect from 2019. The Hillen scheme was introduced as an incentive for people to pay off their mortgage in full. The repayment requirement introduced in 2013 has rendered this incentive redundant. Furthermore, in recent years, the maximum loan-to-value ratio of mortgage loans has been gradually reduced to 100% of the residential property value. This will be maintained by the government to avoiding limiting accessibility any further.

In May 2018, market parties, residents' representatives, the umbrella organisation of the Dutch housing associations, the water authorities and the central government signed the National Housing Agenda. The target set in the agenda is to build 75,000 homes per year until 2025. The regions where most of the homes will be built are regions with the most complex challenges. The Minister of the Interior and Kingdom Relations has made agreements with these regions that have been laid down in housing deals. Housing deals have been concluded with the Amsterdam and the Southern Randstad metropolitan regions, the Utrecht and Eindhoven regions and the city of Groningen. The potential acceleration of development locations will be examined for the short term, and safeguarding the availability of sufficient planning capacity for the longer term.

The government announced fiscal measures on Budget Day to maintain building production at a high level in the years ahead. Efforts will be made to reduce the housing shortage with the launch of a EUR 1.0 billion stimulus programme for housing construction in 2020, in which the construction of affordable homes with financial subsidies has been taken into account. This includes contributions to the infrastructure required to provide access to the residential areas, addressing the implications for residential construction of the nitrogen judgment in the Urgenda Climate Case, and ensuring a high-quality living environment.

Furthermore, the government will boost construction by means of a tax credit against the levy on landlords amounting to EUR 100 million per annum. This will provide a direct stimulus to housing associations and other landlords engaged in building more affordable rental homes. The tax relief of approximately EUR 100 million per annum can be used flexibly over time to respond immediately to the necessity to build more affordable homes. In addition, an exemption for the construction of flexible homes will be introduced, so that additional homes can be built swiftly to help various groups (such as students, the homeless and people who are suddenly forced to fend for themselves).

The mid-priced rental segment, with rents ranging from EUR 737.14 to around EUR 1,000, is an important segment of the housing market and offers the flexibility desired by many people. The government considers it important to add new homes in the mid-priced rental segment to the housing stock and also to ensure that they remain available in that segment. The Mid-priced Rental Segment Measures Act (*Wet maatregelen middenhuur)* was adopted in 2019. The Act clarifies that homes in the mid-priced rental segment may also be allocated on the basis of the housing allocation set out in the Housing Act (*Huisvestingswet*). This means that municipalities can decide to make homes in the mid-priced rental segment available initially to people who qualify for these homes based on their income. The market test for approved housing organisations has also been adjusted to remove unnecessary obstacles standing in the way of housing associations building homes in the mid-priced rental segment.

On 29 May 2019, the Council of State, the highest general administrative court in the Netherlands, ruled that the legal frameworks for nitrogen depositions do not meet the European standards. This judgment halted the permit granting procedure for new-build projects in the vicinity of Natura 2000 areas. Furthermore, construction projects came to a standstill following the tightening of the PFAS standard, the aim of which is to improve the natural environment and limit the spread of polluted soils. The government introduced the first set of measures to reduce nitrogen deposition as soon as possible while, at the same time, creating scope for building 75,000 homes in 2020 and for seven major infrastructure projects. With regard to PFAS, the government has initiated important measures and actions together with the parties concerned to put projects affected by PFAS back on track within the shortest possible time frame. On the advice of the National Institute for Public Health and the Environment (RVIM), on 29 November, the government adopted the decision to relax the PFAS standard, thereby laying an important foundation for putting construction work back on track.

According to the most recent population projections, the number of households are set to grow more strongly in the years ahead than previously expected. Consequently, the government realises that all parties will need to go the extra mile. The central government, together with the provinces, will assume a more guiding role in this area to provide more development locations and to shift planned residential construction into a higher gear. This is not just a matter of numbers, as affordability, accessibility and meeting people's needs are factors that also come into play.

<u>Second pillar of the pension system</u>
The Dutch pension system ranks among the best in the world. The replacement percentage is high, there is a low level of elderly poverty and the funding of the system, which is based on a combination of pay-as-you-go and equity financing, is relatively safe. At the same time, however, Dutch pension schemes cannot escape from the reality of demographic ageing, the rise of non-standard forms of work, economic uncertainty and persistently low interest rates. To maintain the stability of the system in the long term, adjustments are inevitable. The European Commission has also recommended that the Netherlands should make the system of supplementary pensions more transparent, intergenerationally fairer and more resilient to shocks.

Following lengthy, intensive discussions with stakeholders, in early June 2019 a new pension agreement was concluded between employers' and employees' representatives (social partners) and the government on the contours of a future pension system, the most important elements of which are as follows:

- Modernisation of the structure of the second pillar pension contracts (supplementary pension schemes) to make the pillar intergenerationally fairer, more transparent and more resilient to shocks.
- A slower increase in the statutory retirement age for the state old age pension (AOW).
- The introduction of options for early retirement for employees who have arduous jobs.
- The introduction of a mandatory incapacity for work insurance for the self-employed. It will also be easier for the self-employed to join existing pension schemes.

It is a complex task to flesh out these elements. The social partners and the government have agreed to set up a steering committee to define these elements in greater detail, so that the entire agreement can be implemented properly. The new system will require a change in the law, which is expected to come into effect in 2022.

The most fundamental change in the new agreement is the transition to a new pension system with a non-age-related contribution combined with degressive accrual. In order to achieve this, the average pension contribution system will be abolished. Under the current system, employees pay the same contribution (a certain percentage of their pay) regardless of age and accrue the same pension rights. This system can be considered unfair in that the contributions of young pension scheme members have a longer investment horizon than those of older employees. Under this system, young employees are paying 'too much' and older employees 'too little'. As long as employees remain in the same job, this is not a problem. The proportion of paid contributions to accrued entitlements is averaged over an individual's working life. However, for employees who change jobs more often or become self-employed, this system becomes disadvantageous. Given that the labour market position of older employees would be affected if contributions were to rise, it was decided to leave the contribution unchanged. Instead, the pension accrual will be higher for younger employees. A young employee will accrue more pension rights for one year of work than an employee who is approaching retirement age. The consequence of abolishing the average pension contribution system is that a major transition issue will arise. A portion of the employees will indeed have paid 'too much' upon abolition, but will not go through the phase in which they will pay 'too little' in the second half of their working life. It has been agreed in the pension agreement that these people will receive adequate compensation. The definition of 'adequate' will be determined at the local level by central partners.

New pension contract
The pension agreement contains proposals for two new contribution schemes that differ in terms of the level of collective risk sharing. The contracts are more closely linked to economic developments, which means that windfalls and setbacks will more rapidly be reflected in pensions.

Communicating according to three scenarios
The *mijnpensioenoverzicht.nl* ('My Pension Overview') website shows pension scheme members what their total pension, including state old age pension, will look like. Since 1 October 2019, rather than just one amount, three possible pension outcomes are now shown: a favourable scenario, an unfavourable scenario and an expected scenario. Members therefore have improved insight into the pension they can expect to receive.

Draft bill proposing a lump sum, an early retirement scheme and a leave savings scheme
The way people live and work has become more diverse in recent years. More and more people want a greater degree of flexibility in the use of their pension, so that it can be tailored more to their own spending needs. The increase in the state pension age and the actuarial retirement age has also brought about a need for measures to ensure that people are still in good health by the time they retire. Against this background, agreements have been made in the pension agreement to facilitate more tailoring in occupational pension schemes. First, it has been agreed to give people more freedom of choice in the use of their pension by allowing them to take a 'lump sum' payment from a limited

portion of their accrued pension capital. Second, it has been agreed to offer people more early retirement options. This entails, in the first place, temporarily facilitating businesses and sectors by allowing them to fund retirement schemes offering employees the option of retiring three years before the state pension age. This will be implemented by easing the pseudo final levy on early retirement schemes (RVU levy). Aside from the above, it has been agreed that more budgetary space will be provided for the accrual of leave, which is also aimed at facilitating early retirement. These measures are included in a draft bill that will be submitted to the House of Representatives before summer 2020.

Wage growth and household disposable income

Disposable income will increase in 2020 thanks to rising wages and the lower tax burden on labour. The rise is partly attributable to the expected 1.2% increase in real, negotiated wages (2.9% in nominal terms). Median static purchasing power is expected to increase by 2.1% in 2020; the purchasing power of workers will reflect the sharpest growth next year, with a 2.4% increase. Not only will higher salaries provide additional disposable income, the government is easing the tax burden as well, which will boost purchasing power. The easing of the tax burden had already been planned in the coalition agreement, but also includes additional measures to increase purchasing power, which were implemented in summer 2019. As a result of easing the tax burden, in 2020, households will keep more money from every euro they earn. Although these tax measures are primarily aimed at boosting the income of the middle-income groups, the government has paid particular attention to the lower end of the labour market. The healthcare benefit and the general tax credit will be increased in 2020 to accommodate lower income groups.

To ease the tax burden on households, especially on workers, EUR 3.0 billion will be made available on a structural basis. That room will also be used to further increase the general tax credit by EUR 750 million on a structural basis and to further reduce the rate in the new, first tax bracket by EUR 350 million. In order to specifically reduce the tax burden on labour, the employment tax credit will be increased in three stages by an additional EUR 2.15 billion from 2020.

Furthermore, in 2020, the government will bring forward EUR 1.7 billion in planned tax reduction measures. This means that a two-bracket tax system will already be introduced in 2020, with lower marginal rates for the middle income groups and a further increase in the general tax credit. In addition, the healthcare benefit will be increased in 2020 to improve the purchasing power of lower income groups in particular.

In the Netherlands, wages are the result of decentralised wage bargaining, which means that the direct influence of policy on wage growth is limited. The government has put this topic on the agenda by pointing out the room available for wage increases to employers. As a public sector employer, the government has increased wages under the Collective Labour Agreement for the Central Government, which was concluded in summer 2018. Government policy contributes to increasing labour productivity, including by promoting research and development, and investing in human capital. This applies in particular to people at a large distance from the labour market. The government therefore contributes to creating more room for further real wage growth.

Tax system

The Netherlands will introduce a conditional withholding tax on interest and royalties under the Withholding Tax Act 2021 (*Wet bronbelasting 2021*). In doing so, the government aims to prevent the Netherlands from being used as a conduit to low-tax jurisdictions. The risk of tax of avoidance by shifting the Dutch tax base to low-tax jurisdictions will also be reduced. The 2020 Tax Plan package, including the above Act, has been adopted.

In summary, from 2021 the withholding tax will apply to an interest or royalty payment by an entity established in the Netherlands to an affiliated entity established in a low-tax jurisdiction and in misuse situations. Low-tax jurisdictions are designated jurisdictions with a statutory rate of corporate income tax of less than 9%, and designated jurisdictions included in the EU list of non-cooperative jurisdictions for tax purposes. A three-year transition period applies to treaty countries. The

Netherlands and treaty partners therefore have the opportunity to begin negotiations before the position of taxpayers changes.

In addition, the Act implementing the Second EU Anti-Tax Avoidance Directive (ATAD2) was adopted in 2019 and came into effect on 1 January 2020. This legislation introduces measures countering the tax effects of 'hybrid mismatches' between EU Member States and between EU Member States and third countries. Hybrid mismatches are situations in which the differences in tax systems are exploited in terms of the characterisation of entities, financial instruments or permanent establishments. Hybrid mismatches may result in the tax deduction of a payment without a corresponding inclusion of such payment in the taxable income of the payee, or in which the same payment is deducted several times.

Tax rulings help determine the business and investment climate for international enterprises. The Netherlands wishes to remain attractive to these enterprises. With this in mind, it is combating tax avoidance and will broaden the corporate tax base. The revenue this will generate will be used to lower corporate income tax rates. The statutory rates of corporate income tax will be gradually reduced from 20% and 25% ultimately to 15% and 21.7% from 2021. To prevent the private limited liability company (BV) exerting a strong attraction as a business form and to maintain overall balance in the tax burden, the tax rate on income from a substantial interest (box 2) will be gradually raised from 25% to 26.9% in 2021.

3.1.3. Country Report The Netherlands 2020

Summary
The Commission notes that some progress has been made regarding the distortions in the housing market. One measure is the decision to accelerate the reduction of the maximum rate of mortgage interest deductibility from 2020. Nevertheless, this fiscal subsidy will not be completely phased out. The Commission emphasises that incentives consequently remain for households to incur debt and that this affects the decision to rent or buy.

The Commission also notes that the number of underwater mortgages has declined substantially. The average loan-to-value ratio for new mortgages for the under-35 age group has decreased. This may relate to the stricter loan-to value and loan-to-income ratios for mortgages. These developments reduce the risk of residual debt when people sell their homes.

The Commission highlights the package of measures the government announced on Budget Day 2019 to stimulate the construction of affordable homes for middle-income households. The Commission also indicates that the government recognises the importance of a well-functioning private rental market. The private sector is not always affordable for middle-income households. To increase the supply of mid-priced rental homes, the draft Mid-priced rental segment measures Bill (*Maatregelen middenhuur*) was adopted last year. The new law should, among other measures, make it easier for housing associations to build in the mid-priced rental segment. Municipalities play an equally important role in increasing the supply of mid-priced rentals. The number of municipalities pursuing an active policy aimed at expanding the mid-priced rental segment has risen in the past two years.

In its broader analysis, the Commission notes that the Dutch housing market has recovered. There are substantial regional differences, with house prices in the major cities rising at a faster pace. The attractiveness of urban areas and the tighter housing supply in those areas account for the differences. The supply of homes for sale has dropped sharply in the recent period. The major cities, where supply is the tightest, saw the largest decline. Building new homes may ease the current pressure on the housing market. The Commission refers to the intention expressed by the government to build 75,000 homes annually to tackle the housing shortage.

The Commission points out that the current pension and housing systems may lead to a sub-optimal pattern of saving and consumption during a person's lifetime. There is an incentive for households to take on a high mortgage debt. In 2013, households were offered a better incentive to repay their mortgage by introducing the mandatory mortgage repayment to qualify for interest deductibility.

However, higher monthly mortgage repayments and high pension contributions both require substantial savings, which puts consumption under pressure and may lead to welfare losses.

According to the country report, some progress has been made on the recommendation with regard to making the second pillar of the pension system more transparent, more intergenerationally fair and more resilient to shocks. The progress achieved is mainly attributable to concluding the pension agreement.

Response
The government concurs with the Commission's argument that building more homes can help ease the current pressure on the housing market. The government is therefore stimulating the construction of new affordable homes for middle-income groups through measures including the EUR 1.0 billion Residential Construction Stimulus Programme (*woningbouwimpuls*), the tax credit against the landlord levy and housing deals. The Minister for the Environment and Housing announced that the central government, together with the provinces, will assume a more guiding role in providing more development locations and shifting planned residential construction into a higher gear. This is not just a matter of numbers, as affordability, accessibility and meeting people's needs are factors that also come into play.

The government understands the Commission's argument that higher monthly mortgage repayments may lead people to spend less on consumption. However, the repayment requirement to qualify for mortgage interest deductibility contributes to lowering mortgage debt and makes households less vulnerable to residual debt risks. Moreover, accelerating the reduction of the maximum rate of mortgage interest deductibility will make a high mortgage debt less attractive.

The government appreciates the Commission's findings that progress has been made on the reform of the pension system. As stated earlier, in June 2019, a new pension agreement was concluded between employers' and employees' representatives (social partners) and the government on the contours of a future pension system. It is a complex task to flesh out these elements. The new system will require a change in the law, which is expected to come into effect in 2022.

3.2. Second recommendation for the Netherlands

3.2.1. Council recommendation
The verbatim recommendation of the Council is as follows:

Reduce the incentives for the self-employed without employees, while promoting adequate social protection for the self-employed, and tackle bogus self-employment. Strengthen lifelong learning and improve skills, particularly for people on the margins of the labour market and the inactive.

3.2.2. New policy based on the recommendation
The number of jobs climbed and unemployment continued to fall in 2019. In the Netherlands, the difference in employment protection between permanent and flexible contracts (temporary contracts, recruitment agency contracts and on-call contracts) is relatively large in areas such as dismissal law and the continued payment of wages. This partly accounts for the large share of flexible employment relationships in the Netherlands compared to other countries. The share of self-employed people without employees within the group of flexible workers has continued to rise in recent years. This is partly because workers wish to have greater autonomy over their working hours and the amount of work as well as receive favourable tax treatment. In its ongoing efforts to restore the balance between permanent and flexible work, in 2019, the government amended the rules for permanent and flexible contracts under the Balanced Labour Market Act (*Wet Arbeidsmarkt in Balans*) and, at the same time, further elaborated the rules for self-employment.

<u>Balanced Labour Market Act</u>
The Balanced Labour Market Act took effect on 1 January 2020. The act aims to reduce labour market uncertainty and to improve the balance between permanent and flexible work. The package of measures contains six main directions focusing on both flexible and permanent employment relationships:

1. Employees may be dismissed earlier because not a single ground, but rather a combination of different grounds for dismissal may be used. This is referred to as the cumulative ground. However, the various circumstances combined must constitute a reasonable ground for dismissal. If the cumulative ground is used for dismissal, the employee may receive up to 50% of the transition payment in additional compensation.
2. All employees are entitled to a transition payment from their first working day, including during the trial period, upon dismissal. Previously, an entitlement only arose after two years. The transition payment amounts to one-third of the monthly salary for each year of service; if the duration of the employment contract is less than one year, a proportionate transition payment will be made. The costs of outplacement, training or a longer notice period, for instance, may be deducted from the transition payment.
3. The unemployment insurance contribution employers pay for employees who have a permanent contract will be lower than for employees who have a flexible contract. This makes it more attractive for employers to offer employees a permanent contract.
4. Instead of a maximum of three successive temporary contracts within a two-year period, three successive temporary contracts within a three-year period may again be offered (just as under previous legislation), referred to as the 'chain provision' - *ketenbepaling*). Under a collective labour agreement (CAO), the period between contracts may be shortened from six to three months in the event of recurring work that may be performed for a maximum period of nine months per year (such as seasonal work). The rules are less stringent for substitute teachers in primary and special education who replace staff on sick leave.
5. The government aims to prevent payroll fraud schemes by giving employees who work on a payroll basis the right to at least the same terms of employment and the same legal position as employees who are directly employed by the client. From 2021, persons employed through a payrolling company will be entitled to a good pension provision.
6. On-call workers must be called up four days in advance for work and are entitled to receive wages for the number of hours they would have worked if the work is cancelled

less than four days in advance. After twelve months, the on-call worker is entitled to a contract with a fixed number of hours.

Self-employed persons without employees

Self-employed persons without employees represent a large share of the Dutch labour market. The Netherlands ranks among the countries with the highest share of self-employed people in Europe. Although the majority of the self-employed have made a conscious choice for self-employment, the growing group of bogus and vulnerable self-employed persons is concerning. The government has elaborated various policy measures relating to the self-employed in the past two years. These measures are aimed first and foremost at preventing the self-employed from falling into poverty by providing them with adequate social protection. A second important aim is to provide certainty on the classification of the working relationship between the self-employed and their clients to prevent bogus self-employment. The government aims to offer genuinely self-employed persons room to run a business while preventing bogus self-employment and terms of employment from being used to gain an edge on the competition.

In the course of 2018 and 2019, the government further elaborated a series of measures in stages. There are roughly four sets of measures: 1) reducing the difference in tax treatment between employees and the self-employed; 2) providing greater clarity on clients' working relationship with their contractor, combined with enforcement to prevent bogus self-employment; 3) providing certainty to self-employed low earners and an opt-out scheme from payroll tax, contributions to employee insurance schemes among other obligations for self-employed high earners; and 4) imposing an obligation on the self-employed to take out an incapacity for work insurance. All these measures are still currently under development.

In the first place, the Netherlands has announced tax measures to reduce the differences in tax treatment between employees and the self-employed without employees. To achieve this objective, from 2020 onwards, the government will gradually reduce the self-employed deduction in nine annual steps from EUR 250 to EUR 5,000 in 2028. This is slightly less than 70% of the current level. To compensate for this, the self-employed will be entitled to a higher employment tax credit in 2020, 2021 and 2022. Reducing the difference in taxation between the self-employed and employees is expected to curb unfair competition between these two groups.

The government's second set of measures are intended to provide greater clarity to the self-employed on the cases in which no formal employment relationship exists according to the law. This is aimed at providing the genuinely self-employed more room, while at the same time clarifying whether or not someone is working on the basis of an employment contract. Combined with enforcement, this should prevent bogus self-employment. In the course of 2019, the government designed a web module that clients may voluntarily consult to help them clearly determine whether or not an employment relationship exists. If the answers to the questions in the web module demonstrate that no employment relationship exists, a client statement (*opdrachtgeversverklaring*) will be issued to the client. If the answers demonstrate that the manner of working is very similar to employment, 'an employment indication' may be issued. In that case, a client should determine whether the way in which the working relationship has been arranged should be reviewed and, for instance, whether the contractor should be hired as an employee. If the web module fails to provide clarity, the client can use other tools to assess the nature of the working relationship, or use the self-employed person's declaration. It should be noted that it is not the outcome of the web module consultation that is ultimately decisive in determining whether an individual works as an independent contractor or an employee, but the arrangement of the working relationship in practice.

The development of the web module and the underlying questions are currently being finalised. When the web module and the client statement are operational, the government will phase out the current enforcement moratorium on the classification of the working relationship. Upon inspection by the Dutch Tax and Customs Administration, a client may rely on an issued client statement, which indemnifies the client against withholding and paying payroll tax and contributions to employee insurance schemes, and the income-related healthcare insurance contribution.

The third set of measures relate to the self-employed at the lower end of the labour market, on the one hand, and self-employed high earners, on the other. The government is considering introducing a minimum rate for the self-employed with the lowest earnings to prevent them from falling into poverty and having the funds to insure themselves against incapacity for work insurance and for an income upon retirement. The hourly rate of EUR 16 aims to provide a minimum subsistence income irrespective of the nature of the working relationship. The minimum rate does not affect the fact that clients and contractors may agree on a higher rate. This is allowed not only in individual cases, but also at the sectoral level, provided the frameworks of competition law are adhered to. For the self-employed at the upper end of the labour market who can ask for a minimum hourly rate of EUR 75, the government is considering introducing a 'self-employed person's declaration' (*zelfstandigenverklaring*), which will provide clarity in advance (for a maximum one-year period) that the working relationship cannot be deemed to be employment. These proposals were submitted for a six-week consultation period. In a joint response to the consultation issued through the Labour Foundation (*Stichting van de Arbeid*), the employees' and employers' organisations stated that the measures are insufficiently anchored in a broader vision of the labour market and social security. The input from the consultation and the Feasibility and Enforceability test is currently being examined.

The fourth measure relates to incapacity for work insurance for self-employed persons without employees. This is important, as only one in five of self-employed people are insured for incapacity for work, either because they find it unnecessary or too expensive, or because they are refused insurance due to illness or age. The government is undertaking efforts to increase the percentage of insured self-employed persons. It has been agreed in the 2019 pension agreement that a mandatory incapacity for work insurance will be introduced for the self-employed, so that all workers will be protected against the consequences of incapacity for work in the future. A mandatory insurance will lower the costs and risks for society thanks to risk sharing. The social partners were requested to submit a proposal for the mandatory insurance, which they presented in early March 2020. At the request of employers, insurers, the self-employed and other parties, the proposed benefit for the self-employed will be of a lower level than for employees. The premium should be income-related and the benefit should amount to 70% of the last-earned income up to a maximum of EUR 1,650 gross on a monthly basis. The proposal includes a one-year waiting period that can be shortened, or extended (for a maximum period of two years), which will affect the level of premium. All the self-employed would be required to insure themselves until they reach state pension age. In addition, a duty to accept applies to all insurers. In the proposal, the self-employed who already have insurance, or those who prefer to insure themselves, may obtain an exemption. Based on this recommendation, the Minister of Social Affairs and Employment will draft a bill, which will be submitted to the House of Representatives before summer 2020.

<u>Committee on the Regulation of Work</u>
At the request of the government, the Committee on the Regulation of Work (*Commissie Regulering van werk*, hereinafter 'the Committee') presented an advisory report on the future of the Dutch labour market. The Committee has concluded that the current rules relating to work are insufficiently geared to the present-day world of work and put a number of urgent constraints on the labour market. The economic earning capacity of the Netherlands is constrained, groups of workers are structurally dependent on uncertain and low-quality work, and consequently, social cohesion is under threat. The Committee recommends that the Netherlands should swiftly work on a comprehensive redesign of the rules relating to work in the area of employment law, social security, taxation and personal development throughout an individual's career.

The Committee's recommendations concern fundamental labour market changes and, given their importance, have at this stage already given rise to numerous responses and discussions. The proposals are comprehensive and require an integrated approach that cannot be executed in its entirety within just one government term of office. However, a number of the recommendations are already reflected in recent or proposed policies, such as the Balanced Labour Market Act and the above measures relating to the self-employed. The government will consider which reforms can be implemented within the present government's term of office (until March 2021). This is discussed in the government's response to the Committee's report. The Committee recommends that the government forge a 'social alliance' consisting of all labour market parties to further elaborate more concrete measures. In line with the recommendation, the government plans to enter into consultations with social partners accordingly.

Lifelong learning

The government aims to encourage people to take control of their own career and life so that they can continue to develop professionally and personally and make their own choices. The Ministries of Education, Culture and Science, Social Affairs and Employment, and Economic Affairs are working with social partners, educational institutions and other stakeholders in an effort to achieve a breakthrough in lifelong learning (LLL), as envisaged in the coalition agreement. These efforts include a multi-year, interministerial LLL action programme (2019-2022). The programme aims to encourage individuals to take control, promote LLL in the SME sector, improve LLL support for workers and employees, offer flexible training courses for adults and make agreements with social partners. The government has also developed a scheme for a public learning and development budget (known as the STAP grant scheme) to enable people to take steps, with financial assistance, to continue their personal development in order to enable them to remain sustainably employable and reach retirement age in good health. This scheme replaces the income tax deduction available for training expenses. To make it easier for people to take control of their further development, the government is exploring the feasibility of providing a digital and financial overview of training opportunities. Furthermore, Training and Employment Helpdesks Plus (*leerwerkloketten-plus*) are being piloted that should provide guidance to help improve support for workers, job seekers and employers. The three-year pilot programmes will be evaluated upon completion at the end of 2021.

In addition, the Ministries of Education, Culture and Science; Social Affairs and Employment; Health, Welfare and Sport; and the Interior and Kingdom Relations have launched a new multi-year Basic Skills action programme (2020-2024). Under this programme, the ministries, in association with various partners, including the municipalities, training and employment helpdesks, and libraries are undertaking efforts to improve basic skills (language, numeracy and digital skills). Particular attention is being paid to reaching people whose native language is Dutch, improving the quality of the courses offered and improving municipalities' role in this process. Lastly, the Netherlands is carrying out various projects with European funding (in the context of the Structural Reform Support Service, National Coordinators for the Implementation of the European Agenda for Adult Learning and Upskilling Pathways). These projects centre on the quality assurance and monitoring of the range of educational programmes, raising awareness of functional illiteracy among healthcare professionals and offering flexible training courses, mainly for adults in a vulnerable position.

STAP grant scheme

Information on the draft STAP grant scheme was provided to the House of Representatives on 20 September 2019.[2] The STAP grant scheme will enable both employed and unemployed persons to improve control over their own development because they will have access to a training budget. The grant will be capped at EUR 1,000 and may only be spent on training activities provided by recognised or quality-marked institutes[3]. During the implementation of the STAP grant scheme, arrangements and the organisation of supporting training advice will be further elaborated to remove barriers for groups who are unable to undergo sufficient training and to assist them in applying for the STAP grant. In the period ahead, the development advice aimed at supporting, counselling and communicating with vulnerable groups and groups who normally do not use training opportunities will be formulated together with the Employee Insurance Agency (UWV), social partners, research and development (R&D) funds and other relevant parties. An analysis will be made of each group to identify which organisations are able to effectively reach a particular group. For instance, it would be logical for UWV

[2] Parliamentary Paper 30012, No 121

[3] Parliamentary Paper 30012, No 122

to provide training advice to vulnerable groups living on an unemployment benefit[4]. The government will inform the House of Representatives on the outlines of the development advice as part of the STAP grant scheme in the course of 2020. In addition, STAP grant scheme recipients may seek advice based on UWV labour market information available on the Digital Labour Market Advice application portal. The STAP grant scheme is expected to be implemented in 2022.

Further Integration in the Labour Market (VIA) programme
First- and second-generation non-Western migrants experience structural labour market disadvantages. Virtually nothing is known about what measures could resolve this issue. In 2018, the government initiated the Further Integration in the Labour Market (VIA) programme aimed at reducing the labour market disadvantage of non-Western migrants. Eight pilot studies are being conducted under the VIA programme to find out what will work effectively to improve their position on the labour market. The pilot studies focus on the career stages at which they incur a labour market disadvantage. In addition, the pilot studies are testing what solutions are effective and the approaches used will be scientifically researched. The lessons learned and concrete, applicable solutions will be widely disseminated. Municipalities, educational institutions, social partners, individual employers and UWV can use these to reduce the disadvantages. The House of Representatives received a progress update on the execution of the various pilot projects and additional research projects on 12 November 2019[5]. More information on the first interim results of the evaluation studies is expected to be available in autumn 2020.

3.2.3. Country Report The Netherlands 2020

Summary
The Commission notes that employment continued to rise in the Netherlands in 2019 and that the unemployment rate remains historically low. The Commission specifically mentions the decline in long-term unemployment among all age groups. The Commission points out that most of the job growth in 2019 is attributable to permanent contracts, with labour market tightness being an important explanatory factor. At the same time, the Commission argues that the increase in the number of permanent contracts cannot be interpreted as a decline in labour market segmentation. According to the Commission's analysis, the segmentation of the Dutch labour market remains a factor that weakens the Dutch economy and may cause lagging wage growth and investments in training. Nevertheless, the Commission anticipates that real wages will increase in 2020 as a result of the government easing the tax burden, among other measures.

The Commission regards the Balanced Labour Market Act as a means of reducing the differential between permanent and flexible contracts. As might be expected, the recommendations made by the Committee on the Regulation of Work are also discussed. As in the previous year, the Commission refers to the Dutch *poldermodel* and the role of social dialogue in achieving labour market reforms. There are challenges related primarily to the further elaboration of measures for self-employed persons without employees and the extension of the enforcement moratorium, although the Commission also highlights the reduction of the tax advantages for the self-employed implemented in January 2020.

The country report also states that the share of women in part-time employment in the Netherlands is relatively high, which also creates a corresponding earnings and pension gap. Women in the Netherlands consequently have a relatively low level of economic independence. Another group with a relatively low level of labour participation are non-EU migrants. The Committee points out that this group faces a higher risk of poverty and social exclusion and in this context refers to the Further Integration in the Labour Market action plan.

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[4] Parliamentary Paper 30012, No 111
[5] Parliamentary Paper 29544, No 960

According to the Commission, last year, the Netherlands made limited progress on the country-specific recommendations with regard to reducing incentives to use self-employed persons without employees and tackling bogus unemployment. Some progress was made in strengthening skills and lifelong learning in 2019.

Response
The government recognises the challenges described by the Commission. As also acknowledged by the Commission, the government has taken measures to further increase labour force participation and to restore the labour market equilibrium. The Balanced Labour Market Act will contribute to reducing the differences between permanent and flexible contracts. Furthermore, the government has asked the Committee on the Regulation of Work to conduct a fundamental review of the labour market. For information on the government's further plans, please refer to the government's response to the Committee's report.

3.3. Third recommendation for the Netherlands

3.3.1. Council recommendation

The verbatim recommendation of the Council is as follows:

While respecting the medium-term budgetary objective, use fiscal and structural policies to support an upward trend in investment. Focus investment-related economic policy on research and development, in particular in the private sector, on renewable energy, energy efficiency and greenhouse gas emissions reduction strategies and on addressing transport bottlenecks.

3.3.2. New policy based on the recommendation

Fiscal policy

The government endorses the importance of public and private investments in research and innovation for future economic growth, addressing societal challenges and achieving scientific breakthroughs. The government therefore aims to keep the R&D investment target of 2.5% GDP in sight and has already implemented policy in line with the proposed recommendation. The government will structurally invest an additional EUR 400 million in fundamental and applied research, and will make a one-off investment in the research infrastructure. The coalition agreement also contains a number of more structure-oriented policy changes due to the top sectors' stronger focus on the economic opportunities arising from societal themes and key technologies, and the continuation of the Technology Pact. One of the missions prioritised by the government is the climate and industrial sustainability. In light of the government's climate ambitions, innovation will be focused more explicitly on achieving low-carbon and innovative industry by 2050.

According to the latest projection by the CPB Netherlands Bureau for Economic Policy Analysis, the Netherlands will have a structural EMU balance of 0.8% of GDP in 2020, and -0.1% of GDP in 2021. The projected structural balance therefore falls within the medium-term objective (MTO), which is -0.5% of GDP for the Netherlands. The CPB projects an actual EMU balance of 1.7% of GDP and an EMU debt of 46.3% of GDP for 2020. This means that the Netherlands complies with the preventive arm requirements for 2020.

In addition to fiscal policy, the coalition agreement sets out specific measures aimed at strengthening the Dutch economy and its growth potential. This entails fostering innovation, accelerating digitalisation and creating the right framework conditions for entrepreneurs.

Strengthening sustainable earning capacity and setting up an investment fund

On 13 December 2019, the Minister of Economic Affairs and Climate Policy presented a broad agenda aimed at strengthening the sustainable earning capacity of the Netherlands in the long term in a Letter to Parliament on the Long-term growth strategy for the Netherlands[6]. The earning capacity of the Dutch economy must be strengthened to pay for the ambitions in areas such as sustainability, the natural environment, healthcare, a good old-age pension provision and higher disposable income. If the Netherlands succeeds in increasing structural growth by 0.5 percentage points, this will generate up to EUR 100 billion by around 2040. The letter indicates the most essential development directions. They will be elaborated into concrete policy options in the period ahead. In this letter, the government has chosen to pursue the following coherent directions:

1. A broad action plan will be drafted to facilitate an ambitious improvement in education. This will be implemented, among other things, through the more targeted use of digital resources with a view to offering tailored education.
2. A roadmap will be created to continue the cultural shift in the area of lifelong

[6] https://www.rijksoverheid.nl/documenten/kamerstukken/2019/12/13/kamerbrief-over-groeistrategie-voor-nederland-op-de-lange-termijn

learning. One of the ideas that will be developed are study entitlements when purchasing training courses.

3. The governments aims to give everyone the opportunity to develop to their full potential and to eliminate obstacles standing in the way of young parents working more hours. To that end, the government will develop concrete policy variants. Factors such as more education, childcare services, the current system of facilities and leave arrangements will be taken into account.
4. The government will develop a targeted strategy to strengthen clusters of innovative companies and to create new clusters. A particular focus will be placed on key technologies and technologies designed to solve societal challenges.
5. The government will develop a plan to safeguard and improve accessibility. It will consider the necessary additional investments that will contribute to sustainable earning capacity.
6. The industrial, energy and agricultural transitions call for groundbreaking innovations. The Netherlands has the knowledge and expertise available to act as a global trendsetter in this area. Partly for the purpose of the investment fund, the government will look at areas that offer opportunities to accelerate the transitions and to strengthen earning capacity in particular.

Part of these policy changes and the reinvigoration of policies can be implemented using the current budgets under the responsibility of the ministries concerned. The announced investment fund may facilitate funding for some investments on top of the current efforts. The investment fund will focus primarily on investments that provide added social value and contribute to the economic capacity of the Netherlands in continuing to generate greater prosperity in the future. The fund will focus on investments that contribute to the earning capacity of the Netherlands in the long term and have added social value.

The Ministers of Economic Affairs and Climate Policy, and Finance are examining how to set up the fund with the aim of strengthen earning capacity. They will issue a report to the House of Representatives in early 2020. Clear framework conditions and a clear scope are prerequisites for the success of the investment fund. The key factor is that public investments should improve the earning capacity of the Netherlands for 20 to 30 years and as such, future prosperity. It is not the short term, but rather the interests of current and future generations that serve as an important assessment framework for such public investments. Knowledge development, R&D, innovation and infrastructure have been identified as the areas that can make the largest contribution to productivity growth. The frameworks for the fund are currently being developed. Good governance and expert involvement are required to ensure the correct selection of projects. It is important that public investments are additional to private initiatives to prevent public funds from crowding out private investments. Furthermore, the fund must provide added value in relation to existing public initiatives, such as the Infrastructure Fund and Invest-NL, and lessons can be learned from the past.

<u>Structural policy: research and innovation, digitalisation and the right framework conditions for entrepreneurs</u>

Public and private investments in research and innovation (R&I) are crucial for future economic growth. Therefore, from 2020, the government will structurally invest an additional EUR 400 million in fundamental and applied research (EUR 200 million each), plus two one-off amounts of EUR 50 million in research infrastructure (in 2018 and 2019). In doing so, the government aims, among other things, to keep the target of spending 2.5% of GDP on R&D in sight (2018: 2.16% of GDP according to provisional CBS figures[7]). The government expenditure boosts for research stated above are discussed

[7] CBS revised the R&D statistics in 2019 following publication of the OECD's new Frascati Manual. Total R&D expenditure in the Netherlands has consequently been adjusted upward. This means that the figures for the current and preceding years are higher than the figures in previous editions of the NRP. For an explanation of the revision, please see: https://www.cbs.nl/en-gb/artikelen/nieuws/2019/49/r-d-expenditure-4-percent-up-in-2018/revision. For the latest CBS R&I figures, please see: https://www.cbs.nl/en-gb/news/2019/49/r-d-expenditure-4-percent-up-in-2018.

in greater detail below and in Section 4.2. The government will structurally invest an additional EUR 10 million focusing on multi-year innovation programmes, such as space travel or key technologies.

Table 2. Central government funds available for research and innovation (R&I)

(in millions of euros, actual prices)	2017	2018	2019	2020	2021	2022	2023
Fundamental research (Universities + University Medical Centres, the Netherlands Organisation for Scientific Research (NWO)/the Royal Netherlands Academy of Arts and Sciences (KNAW)/the Netherlands Organisation for Health Research and Development (ZonMw)	3,741	3,930	4,004	3,973	3,937	3,923	3,940
Applied research (TO2 institutions)	376	484	449	470	462	461	458
Applied research (contributions to the RKI network and higher professional education)	191	211	214	219	218	218	218
Ministerial expenditure on research and innovation (other)	976	1,293	1,208	1,223	1,149	1,139	1,098
Tax incentives for innovation (the Research and Development (Promotion) Act - WBSO), the Innovation Box, MIA (Environmental Investment Rebate) and Vamil (Arbitrary depreciation of environmental investments)	2,883	2,804	2,953	2,987	2,987	2,987	2,987
Total	**8,167**	**8,722**	**8,827**	**8,872**	**8,853**	**8,728**	**8,701**

Sources: Ministry of Economic Affairs and Climate Policy calculations based on Total Investments in Research and Innovation (TWIN) 2017-2023 published by the Rathenau Institute (2019), and Annex 9 to the 2020 Budget Memorandum (for the Innovation Box).

Table 2 shows the trends in central government funds for R&I (including tax incentives for businesses) for the period 2017-2023. Total public expenditure on R&I has increased since 2018 compared to 2017, largely due to the expenditure boosts in R&I referred to above. The expenditure boosts have been earmarked specifically for R&I. In addition, expenditure boosts have been earmarked for various budget items that will partly be allocated as funds for R&I, in areas such as energy and climate. These expenditure boosts are also reflected in the development of central government funds for R&I in table 2.

The government has informed the House of Representatives of the allocation of the expenditure boosts earmarked for fundamental and applied research.[8] [9] [10] The additional investments in fundamental research will be routed through the Ministry of Education, Culture and Science and represent amounts of up to EUR 250 million with effect from 2020. Of the additional investments in applied research, EUR 50 million will also be routed through the above ministry. Two one-off investments of EUR 50 million each were made in the research infrastructure in 2018 and 2019. A balance between (1) thematic programming under the Dutch National Research Agenda focusing on innovative and socially relevant research and (2) strengthening the scientific basis and applied research formed the allocation basis of the funds. The allocation is as follows:

1. The broad Dutch National Research Agenda focusing on the entire public knowledge chain (gradually increasing to EUR 130 million on a structural basis in 2020).
2. Efforts aimed at strengthening the scientific basis (gradually increasing to EUR 120 million on a structural basis in 2020, and two one-off amounts of EUR 50 million), by means of:

[8] Parliamentary Papers II, 2017-2018, 29 338, No 158, Parliamentary Papers II, 2018-2019, 29 338, No 186 and Parliamentary Papers II, 2017-2018, 33 009, No 49.

[9] https://zoek.officielebekendmakingen.nl/kst-33009-49.html

[10] https://www.tweedekamer.nl/kamerstukken/brieven_regering/detail?id=2018Z04203&did=2018D18589

a) The digital research infrastructure, such as open science and open access (EUR 20 million on a structural basis in 2020; the funds for the digital infrastructure were allocated in 2018 (EUR 20 million) and in 2019 (EUR 20 million) from the one-off funds for research infrastructure).
b) Scientific talent, including the Innovational Research Incentives Scheme (EUR 5 million on a structural basis for women in Natural Sciences and researchers with a migration background);
c) Scientific and technical research at research universities, such as sectoral plan experience (EUR 70 million on a structural basis).
d) Applied research at universities of applied sciences (EUR 25 million on a structural basis).
e) Scientific research facilities (one-off amounts of EUR 30 million in 2018 and EUR 30 million in 2019).

The additional investments in applied research that will be routed through the Ministry of Economic Affairs and Climate Policy represent amounts of up to EUR 150 million. Following on from the coalition agreement, the government has focused on three structural expenditure boosts with effect from 2018:

1. An investment in major technology institutes that demonstrably meet market needs (EUR 75 million).
2. Strengthening public-private partnerships (EUR 50 million). To that end, among other things, the PPP allowance was increased from 25% to 30% in 2018.
3. Strengthening the SME sector's innovation policy (EUR 25 million), by expanding the Regional and Top Sectors Incentive scheme for SMEs and innovation credits for the SME sector. In this connection, the government aims to support start-ups, continue the Technology Pact and strengthen the government's role as launching customer through the Small Business Innovation Research programme (SBIR).

In addition to the above investments in fundamental and applied research, and in research infrastructure, a number of other R&I policy measures have been announced in the coalition agreement *Confidence in the Future*. They are as follows:

- The higher education funding system will be revised, with a specific focus on technical degree programmes.
- Start-ups and public-private partnerships with the SME sector will be encouraged.
- Special attention will be paid to the technical sciences and research groups that are faced with high costs.
- Open science and open access will become the norm in scientific research, making scientific knowledge more accessible to everyone, including the SME sector.[11]
- The top sector policy, aimed at promoting collaboration between the business community, knowledge institutes and the government, will place a stronger focus on the economic opportunities arising from the following three main social themes:
- The Netherlands Organisation for Scientific Research (NWO) has prioritised fundamental research in the Dutch National Research Agenda.

In line with the announcement in the coalition agreement to increase the focus of the Top Sector strategy, in November 2019, the House of Representatives was informed about the Knowledge and Innovation Covenant 2020-2023 concluded by public and private sector parties. The parties to the covenant will contribute EUR 5.0 billion for the implementation of the knowledge and innovation agenda for societal themes and key technologies[12]. This mission-driven innovation policy focuses on the economic opportunities arising from societal challenges and key technologies. Businesses and

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[11] This may be deviated from in exceptional cases (see Article 12b of the new Netherlands Code of Conduct for Research Integrity). See also the Council Conclusions on the Transition towards an Open Science System adopted on 27 May 2016: http://data.consilium.europa.eu/doc/document/ST-9526-2016-INIT/en/pdf

[12] https://www.rijksoverheid.nl/documenten/kamerstukken/2019/11/11/kamerbrief-kennis--en-innovatieconvenant-2020-2023-en-de-roadmap-human-capital-topsectoren-2020-2023; for the Knowledge and Innovation Agendas (in Dutch), see: topsectoren.nl/innovatie

knowledge institutes will be mobilised to invest in these technologies. The thematic structure and specific missions defined in the policy enable a link to be established between the innovation agendas at regional, national, European and international level.

Digitalisation
In June, the government presented the Dutch Digitalisation Strategy for 2018-2021, aimed at accelerating digitalisation.[13] The new Smart Industry Implementation Agenda for 2018-2021 was also presented in 2018. The agenda specifies the actions that must be undertaken to keep the Netherlands at the forefront of the digitalisation of industry. In addition, the Digital Connectivity Action Plan was presented in 2018. The plan sets out how the government aims to achieve the ambition that all Dutch people will have access to fast, fixed broadband internet by 2023.[14]

The government issued its Strategic Action Plan for Artificial Intelligence (SAPAI) on 8 October 2019. The Secretary of State for Economic Affairs presented the SAPAI during the World Summit AI on 9 October 2019. The National AI Coalition was also launched on 8 October, a public-private platform, which now comprises 280 parties from the business community, the science and education sectors, and public organisations engaged in AI activities focusing on research, innovation and human capital. The first national AI research agenda was published in November 2019. The SAPAI, the national research agenda and the Dutch AI Coalition reinforce each other. Their shared goal is to solve societal challenges using AI and to strengthen the growth and competitiveness of the Netherlands based on the responsible use of AI.

The right framework conditions for entrepreneurs
Invest-NL will become operative in 2020: the Authorisation Act (*Machtingswet*) came into force on 4 December 2019 and the company was incorporated on 12 December. The first capital contribution of EUR 50 million was also made at that time. Invest-NL will facilitate investments in enterprises and projects that are unable to raise sufficient financing due to their uncertain risk-return ratio or long, uncertain payback periods. In preparation for launch, Invest-NL identified the energy transition and the financing of scale-ups as priorities. It will proceed to expand to other fields where market failure is impeding societal transitions, and the realisation of continued growth of SME's and scale-ups.

Invest-NL is an independent development and finance institution of the central government. It supports the development of projects and businesses and will receive an initial capital contribution of EUR 1.7 billion to facilitate financing (the definitive amount will be the topic of an interim evaluation). The institution will also receive an annual subsidy of EUR 10 million for development activities from the Ministry of Economic Affairs and Climate Policy.

Various initiatives have been launched to enable SMEs to benefit from the growing, but fast-changing economy. This includes the SME action plan, a revised programme for the Technology Pact and the *MKB!dee* (SME!dea) project. The government will make EUR 200 million available for the SME action plan[15] until year-end 2021. The commitments for 2018-2020 have been determined in the revised Technology Pact programme.[16] This includes concrete agreements between the business community, the education sector and the government to reduce the shortage of technicians. The *MKB!dee* project challenges the SME sector to generate ideas for getting more investments in lifelong learning off the ground. In the present government's term of office, a total of EUR 950 million has been reserved for regional projects, such as strengthening the European Space Research and Technology Centre (ESTEC) and Brainport Eindhoven.

<u>Energy efficiency and greenhouse gas emission reduction strategies</u>

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[13] Annex to Parliamentary Paper 26 643, No 541

[14] Annex to Parliamentary Paper 26 643, No 547

[15] Annex 1 to Parliamentary Paper 32 637, No 316

[16] Parliamentary Paper 32 637, No 320

In 2020, the policy measures implemented and proposed are expected to lead to a further 20% decline in emissions in the non-ETS sectors between 2013 and 2020 compared to 2005, and the Netherlands is expected to comfortably meet the target. The 2019 Climate and Energy Outlook (*Klimaat- en Energieverkenning - KEV*) shows that the rate of energy savings is rising considerably, to 1.5% per year, partly as a result of the Energy Agreement measures. Even without these intensified measures, the European energy efficiency target is expected to be comfortably exceeded, provided that both the existing and proposed policy measures are taken into account.

Renewable energy
Additional measures have always been taken if the annual monitoring of the target set in the National Energy Outlook (*Nationale Energieverkenning - NE*V, which has now become the KEV) showed that the renewable energy target would not be within reach in 2020. An acceleration programme for onshore wind energy has therefore been initiated. The government has also focused additional efforts on energy savings in industry, the large-scale roll-out of offshore wind energy and energy innovation. Based on the 2019 KEV, the government announced an additional package of measures on 1 November 2019. The package aims to bring the 2020 targets within reach of a 14% share of renewable energy and a 25% reduction in greenhouse gas emissions as a result of the judgment in the Climate Case brought by the Urgenda environmental group against the Dutch State. The package contains renewable energy measures, such as an additional call for subsidy applications for renewable energy projects in early 2020, a budget increase for promoting small-scale renewable heating options and promoting the accelerated completion of renewable energy projects at schools, central government-owned land and public property.

Transport bottlenecks
To curb the public costs of congestion, the government is making significant investments in the Dutch transport infrastructure. A total amount of EUR 70 billion will be available in the Infrastructure Fund for the period 2019-2029, of which EUR 33 billion is earmarked for roads. The government has made an additional EUR 2 billion available in the coalition agreement to make up lost ground for infrastructure projects and has increased the structural budget by EUR 100 million.

To safeguard the robustness and capacity of the railway system, the government has proposed to implement the European ERTMS safety system across the entire network and to reserve investments of up to EUR 7 billion until 2050. Following this government decision, the ERTMS programme has moved from the plan elaboration stage to the implementation stage. Under the supervision of ProRail, the manager of the main railway network in the Netherlands, around 1,300 trains and locomotives will be modified, at least 15,000 users will be trained and 345 km of tracks on seven railway sections will be equipped with ERTMS. An amount of EUR 2.4 billion (including VAT, 2019 price level) has been made available in the central government budget for this purpose. In 2019, the government structurally reserved EUR 100 million per year from the 2020 budget onwards (Article 20.03) for the national roll-out of ERTMS during the period 2030-2050, on top of the funds currently available for the management, maintenance, replacement services series, and the current ERTMS programme. The capacity of the rail network will also be expanded under the High-Frequency Rail Transport programme.

Under the comprehensive Multi-Year Programme for Infrastructure, Spatial Planning and Transport (MIRT), 1,000 kilometres of traffic lanes will be installed up to 2030. Moreover, the installation of 600 kilometres of traffic lanes will begin during the present government's term of office. Reducing the maximum daytime speed limit on all motorways in the Netherlands to 100 km/h within the shortest possible time frame is one of the measures aimed at lowering the nitrogen deposition level and facilitating new initiatives. Part of the available budget is earmarked for the following seven major infrastructure (MIRT) projects: A27/A12 Utrecht ring road, A1/A28 Hoevelaken interchange, A6 Almere-Lelystad motorway, A4 Haaglanden motorway, A27 Houten-Hooipolder motorway, and the Innova 58 Tilburg-Eindhoven and Innova 58 Annabosch-Galder smart and sustainable motorways. The maximum speed limit of 120 or 130 km/h will continue to apply in the evening and at night (19.00-6.00) for roads subject to that speed limit.

In addition, the National Market Capacities Analysis (NMCA) will periodically determine on which roads accessibility bottlenecks are likely to occur in the future. New investments will be based on the results of the NMCA and prioritised according to the most viable projects and the availability of co-financing from the regions. Dutch legislation lays down the steps that should be taken to install or alter a road. In 2019, research was conducted into existing and potential bottlenecks on two routes. In three cases a preference decision was taken to resolve the bottlenecks. Furthermore, a routing decision was taken to proceed with the implementation phase. Insufficient safe parking areas for trucks is a specific bottleneck that will be addressed in the years ahead.

The Good Transport Agenda contributes to reducing traffic congestion. Efforts are being directed, for instance, towards a shift from road freight transport to other modes of transport, such as rail, water and pipelines. This will help reduce traffic congestion, CO_2 emissions and the maintenance and management costs of the road network. Moreover, a modal shift is required in the long term to maintain a strong and flexible logistics sector as one of the pillars underpinning the Dutch economy and prosperity. To that end, actions in the Rail Freight Transport Package of Measures were further elaborated, activities were initiated to develop a hands-on modal shift programme, an incentive scheme promoting a shift from container transport by road to transport by water was developed, and a study exploring new possibilities for pipeline transport commenced. This will lead to concrete actions in 2020.

Mobility agreements have been made with employers in the Dutch Climate Agreement. Although the measures agreed focus on reducing CO_2 emissions, they should also lead to a reduction in the number of car kilometres. A target has been set of eight billion fewer car kilometres in 2030. Examples of measures employers may take (based on the participating parties' best practices) are: less travel by adopting flexible working policies, parking only permitted for employees who have no other, more sustainable travel options for their commute, a mobility card for all drivers of lease vehicles, offering new employees free use of public transport during the first three months, then allowing them to choose, rail travel instead of air travel for distances under 700 km and behaviour change campaigns. It has been agreed to look at whether and how the existing infrastructure can be used even better to accommodate the expected growth in bicycle and public transport use. The MIRT and the regional programmes for smart and sustainable mobility will periodically examine new opportunities for projects and contributory measures. Employers will receive support in adapting their mobility policy and participate in incentive schemes promoting bicycle or public transport use. The main agreements (see the National Climate Agreement, pp. 71-74) are as follows:

- As many employers as possible, but at least 1,000, will commit to achieving at least a 50% in reduction in CO_2 emissions for business mobility by 2030, compared to 2016 levels. The parties will achieve this by communicating with employees on sustainable mobility, by putting in place reduction measures and by monitoring progress.
- From early 2022, standards embedded in legislation will take effect for employers with more than 100 employees. In total, this relates to over 7,000 employers, collectively representing 4.9 million employees. Agreements 1 and 2 are expected to yield CO_2 gains of 1.0 Mt by 2030.
- The parties will inform the public as part of their joint responsibilities. These actions are aimed at all employers and employees in the Netherlands, representing 7.9 million people in total.

Lastly, future-ready infrastructure and road management is one of the four lines of action for using Smart Mobility solutions, as stated in the Letter to Parliament on the Smart Mobility approach dated 4 October 2018. Smart Mobility will bring about changes in two ways: on the one hand, the infrastructure must be suitable for the vehicles that make use of it, and must remain so. On the other hand, smart mobility changes the behaviour of vehicles and road users. The law governing the experimental use of self-driving vehicles (*Experimenteerwet Zelfrijdende voertuigen*) came into effect on 1 July 2019. The new law amends legislation to allow experiments to be conducted with self-driving vehicles without a driver being physically present in the vehicle. The Talking Traffic programme was further implemented. At the end of 2019, 400 smart traffic lights operated as part of a vehicle traffic control system to intelligently route traffic. Headway was also made on quality assurance, standardisation and certification in the data chain. The tendering and award procedure for Traffic Signs Data (all roads in the whole of the Netherlands) has taken place. The first data set will be delivered in

January 2020. The system enables customisation with all instructions and prohibitions displayed on the dashboard by location. It will also enable road managers to organise their asset management process more effectively.

3.3.3. Country Report The Netherlands 2020

Summary

The Commission notes in the country report that the Netherlands has made some progress on the third country-specific recommendation, to boost investments focusing mainly on R&D, energy, climate and transport infrastructure. Despite its low R&D intensity, the Netherlands is one of the world's most innovative economies. R&D intensity amounted to 2.16%, which is lower than the target of 2.5% of GDP.

The fact that the R&D target has not been achieved is primarily associated with the Dutch sectoral structure, with a large services sector. The European Commission concludes that the low R&D intensity does not properly reflect the innovativeness of the Dutch economy: Dutch companies make relatively substantial investments in R&D, but not always in the Netherlands, and moreover invest heavily in intangibles. R&D investments could also boost productivity. A relatively large number of companies are engaged in innovation. The Commission also notes that the Netherlands occupies a good position on ranking lists including the European Innovation Scoreboard and the Global Competitiveness Index. However, the Commission states that limited progress has been made on R&D investments, and that there is room to do more.

The Commission hopes that the Mission-driven Top Sectors and Innovation Policy will result in more R&D investments in the Netherlands. The government is already investing, in line with the coalition agreement, in fundamental and applied research, such as the research infrastructure and applied research (TO2) institutions. The planned Investment Fund aims to strengthen earning capacity using public investments. Knowledge development, R&D, innovation and infrastructure in particular have been identified as the areas that could make the largest contribution to productivity growth and, in turn, generate more private investments in R&D. The fund could also serve as a platform for new investments in key technologies.

Response

The government recognises that the Dutch economy is innovative. The good performance achieved suggests that Dutch companies still have opportunities to make additional investments in R&D. The Commission's conclusion that Dutch companies have relatively high savings compared to other EU countries further reinforces this suggestion.

The Mission-driven Top Sectors and Innovation Policy is aimed at increasing the focus on the economic opportunities arising from societal challenges. In addition, the government has strengthened the position of research universities, universities of applied sciences and TO2 institutions with recent investments in applied and fundamental research totalling EUR 400 million, including investments not only in the National Research Agenda and the digital infrastructure but also in public-private partnerships, and in earmarked funds for TO2s for mission-driven policy.

3.4. Relationship with recommendations for the euro area

The Commission issued a recommendation for a Council recommendation on the coordination of the economic policies of the euro area Member States on 17 December 2019. Compared to last year, digitalisation and greening are new focus areas.

1. Promoting growth, resilience and rebalancing
The Commission recommends that Member States with current account deficits pursue structural reforms to reduce external debt and to improve productivity. On the other hand, the Commission has called on countries with surpluses to implement measures that foster investment and create the right conditions to support wage growth, while respecting the role of social partners. All Member States have been asked to make progress on deepening the internal market and improving the business environment. Furthermore, the Commission recommends supporting a fair and inclusive transition towards a competitive green and digital economy through tangible and intangible investment, both public and private.

The Netherlands is implementing such measures but takes a critical view of the direct link the Commission makes to the current account surplus. Moreover, it is not clear what measures the Commission has in mind. With regard to wage growth, the government would like to emphasise that wages are the outcome of decentralised wage bargaining. Section 3.1.2 describes the measures the government has implemented to promote wage growth.

2. Reducing public debt levels and improving debt composition
The Commission recommends that Member States with high public debt levels pursue prudent policies to put public debt credibly on a sustainable downward path (and to no longer rebuild buffers). Member States with a favourable fiscal position are advised to further boost high-quality investments. In case of a worsening economic outlook for the euro area in 2020, the Commission recommends making the aggregated structural budget balance of the euro area expansionary. At the same time, policies should be pursued in full respect of the Stability and Growth Pact, taking into account country-specific circumstances and avoiding procyclicality, and the Member States should stand ready to coordinate policies in the Eurogroup. Aside from the above, Member States are advised to improve the quality of the public finances and to adopt budgetary measures that foster a sustainable economy. Finally, aggressive tax planning must be prevented. The Commission recommends addressing a race to the bottom in corporate taxation.

The government endorses the recommendation that Member States with high public debt levels should reduce them. The Netherlands believes that Member States should capitalise on the low interest rates to reduce debt levels and build up buffers in the budget. The government takes a critical view of the recommendation that Member States with a low level of debt increase the level of investment. As long as fiscal policy remains in compliance with the rules of the Stability and Growth Pact, the composition of the budget is indeed primarily a national responsibility. The aggregated structural budget balance is not a policy indicator for the Netherlands. Tackling tax avoidance is a key objective of this government. International coordination is indispensable in reaching an effective solution for global tax avoidance. The Netherlands therefore encourages international initiatives to combat and to further investigate tax avoidance.

3. Reducing the tax burden on labour and implementing market reforms
The Commission has called on Member States to strengthen education and training systems, and investment in skills. The effectiveness of labour market policies and successful labour market transitions, including to more digital and green jobs, should also be increased. Participation in the labour market should be promoted, including that of women. Furthermore, taxes should be shifted away from labour (to green taxes and real estate taxes), in particular for people on a low-income and two-income households. In addition, the Commission urges Member States to foster quality job creation, promote fair working conditions and to address labour market segmentation.

The government is taking measures to further increase labour market participation, restore the balance on the labour market and reduce the tax burden on labour (see Sections 3.1.2 and 3.2.2). The government also understands the importance of having and keeping basic skills current. This certainly is the case in vocational education, thanks to competence-based education and the close involvement of employers in designing the curriculum and determining the skills required in the near to distant future.

4. Financial sector, risk reduction and completion of the Banking Union
The Commission recommends completing the Banking Union, starting political negotiations on the European Deposit Insurance Scheme (EDIS), taking steps to improve the crisis management framework, making provisions for liquidity in resolution as well as operationalising the backstop for the Single Resolution Fund. Furthermore, the Commission recommends strengthening the framework for the supervision and enforcement of anti-money laundering rules. The Commission also recommends lowering the level of private debt by removing debt bias in taxation. Moreover, the Commission is urging the Member States to continue to enable the swift reduction of the level of non-performing loans and prevent their build up. Lastly, the Commission wants to renew efforts to complete the Capital Markets Union.

The Netherlands is keen to cooperate in reducing the risks and in building stability using an EDIS. This will more effectively prevent national governments from having to step in to cover deficits in a national deposit guarantee scheme. In line with the government's position, it is important to the Netherlands that, before risk-sharing actually takes place by establishing an EDIS, the more favourable treatment of government bonds on bank balances should be effected, and bank health should be tested by conducting an asset quality review.

The government believes that other instruments should be considered for liquidity support rather than the already agreed common backstop that will be provided by the European Stability Mechanism in the future. The guiding principle should be that, after resolution, banks should be in a position to access the market independently or otherwise call on central banks for normal liquidity assistance. The operationalisation of the common backstop has been agreed as part of the amendments to the ESM Treaty. It was agreed in 2016 that the backstop to the Single Resolution Fund could come into force before 2024 if there is sufficient progress on risk reduction. The political decision on this will be adopted in 2020 at the earliest based on a report from the institutions.

The government strongly advocates European anti-money laundering supervision by an independent EU body that can exercise direct supervision. The government is reducing the debt bias in taxation through measures including the further reduction of mortgage interest deductibility, the measure announced discouraging excessive borrowing by holders of a substantial interest from their own company and the announced reform of box 3. In 2019, the Netherlands, together with Germany and France, approached a number of experts to make recommendations for the future of the capital markets union. At the end of last year, the ECOFIN Council adopted conclusions on deepening the capital markets union, in which the Commission was urged to draw up a new roadmap.

5. Completion of the Economic and Monetary Union (EMU)
The Commission has called on Member States to swiftly complete the EMU. The Commission has asked Member States to advance on all other aspects with the perspective to strengthen the international role of the euro and to project Europe's economic interests globally. Furthermore, the Commission is seeking to deepen the EMU and enhance its democratic accountability in an open and transparent manner towards non-euro area Member States.

With regard to the budgetary instrument for convergence and competitiveness (BICC) for euro-area countries, agreements were made during the 3 June and 9 October Eurogroup meetings on various features of the BICC, which have been set out in term sheets. The Netherlands will ensure that the agreements will be implemented in line with the term sheet.

3.5. Investment strategy in the context of cohesion policy

Building on the Commission's 2 May 2018 proposal for the next Multi-Annual Financial Framework (MFF) for the period 2021-2027,[17] in the 2020 Country Report, the Commission discusses the preliminary views on the priority investment areas and framework conditions for the effective delivery of the cohesion policy for the period 2021-2027. The investment priority areas are derived from the broader context of investment needs, investment bottlenecks and regional disparities assessed in the country report. This section serves as a dialogue between the Netherlands and the Commission on the programming for two of the most important structural funds for the Netherlands, which are the European Regional Development Fund (ERDF) and the European Social Fund Plus (ESF+). As these recommendations relate to the period 2021-2027, they have not been revised in the 2020 Country Report. This section discusses the policy objectives the Commission has identified for the Netherlands in 2020. Chapter 5 of this document explains the use of these structural funds.

The Commission has identified the following policy objectives for the Netherlands.[18]

1. A Smarter Europe - Innovative and smart industrial transformation.
2. A more social Europe - Implementing the European Pillar of Social Rights.
3. A Europe closer to citizens, by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives.[19]

ERDF in relation to a smarter Europe
The government shares the Commission's view that permanent investments in innovation are required, as described in Annex D of the country report. Investments in innovation at the national, regional and local levels are indispensable in seeking solutions to societal challenges and in further developing key technologies. This is essential for Dutch and European earning capacity. It is important for the central government and the regional and local authorities to work together closely to ensure that the ERDF funds are appropriately allocated in line with regional needs and strengths, while seeking to tie in with national and European policy.

The government concurs with the Commission's view that investment in innovation should be more broadly interpreted than pure R&D investment. As stated in Annex D, campuses and living labs, for instance, could be an important link in the innovation chain. Innovation investments can often be effectively combined with energy, climate and environmental objectives, such as investments in smart energy systems. Lastly, a key factor is that the investments should have the greatest possible impact. The government therefore shares the Commission's view that the best collaborative partners should also be sought across the border.

ESF+ in relation to a more social Europe
The government shares the Commission's view that it remains important to invest in people with a vulnerable position on the labour market, such as those who do not possess the necessary basic skills, or those with an occupational disability or an asylum status, to enable them to participate or continue to participate in the labour market. To that end, the Commission proposes, based on an integrated policy and in collaboration with various parties, to provide individualised support, such as pathway guidance, on-the-job training and competency development. This ties in with the decentralisation of the social domain and the manner in which the ESF is currently implemented. The government therefore concurs with the Commission's view to utilise the future ESF programme to invest in increasing the human capital of people with a vulnerable position on the labour market.

[17] COM(2018) 321

[18] A further description of these priorities can be found in Annex D to the Country Report The Netherlands 2019.

[19] This objective does not fall directly under one of the cohesion funds. Chapter 5 provides more information on how the use of the structural funds ties in with this target.

4. Progress on the Europe 2020 strategy and the Sustainable Development Goals

The European Council adopted the Europe 2020 strategy, the EU's growth strategy for the period 2010-2020, on 17 June 2010. Five policy areas were designated: employment, research and innovation, sustainable energy and climate, education and social inclusion. The underlying targets in these areas, as shown in the table below, must be achieved by 2020. The European targets have been translated into specific national targets for the Member States, taking into account the starting positions of each country and their specific challenges. If all countries achieve their national targets, the Europe-wide targets will also be met. The headline targets are discussed in detail in Sections 4.1–4.5.

In addition, for the first time, this NRP reports on progress towards the national Sustainable Development Goals (SDGs) in Section 4.6. The targets set are in line with Dutch thinking in terms of welfare in a broad sense, which looks not only at the material welfare of the current generations, but also at the quality of life in a broader sense and at the material welfare of later generations and people in other parts of the world. The Netherlands is at the forefront of this development. Statistics Netherlands (CBS) has been publishing the *Monitor of Well-being* since May 2018. This unique monitor sheds light on the wider well-being using a broad set of indicators. CBS shows how various welfare aspects have evolved over the course of time and how the Netherlands compares with other countries. In 2019, CBS integrated the *Monitor of Well-being* and measurement of the progress towards the SDGs into one Monitor.

Table 4. Overview of targets and results of the Europe 2020 strategy

EU headline targets of the Europe 2020 strategy	Netherlands national targets	2019 results
Employment		
Increase in gross labour force participation (aged 20-64) from 69% to 75%*	80%	81.6%**
Research and development		
Increase in research and development expenditure from 1.9% to 3% of GDP	2.5%	2.16%
Sustainable energy and climate**		
20% reduction in CO_2 emissions		
Non-ETS sectors	*-16%*	*-16.5%*
ETS sectors	*N/A*	*N/A*
20% energy from renewable sources	14%	7.4%
20% increase in energy efficiency	1.5% per year***	1.5% per year (2013- 2020 average)
Education		
Reduction in the percentage of early leavers from education	<8%	7.3%
Increase in the percentage of 30 to 34-year-olds with tertiary education	>40%	45%
Social inclusion		
At least 20 million fewer people at risk of poverty and social exclusion	100,000 fewer people living in households with very low work intensity than in 2008	250,000 fewer than in 2008

**The European employment target is defined in terms of net labour force participation (75% in 2020); the national target is defined in terms of gross labour force participation (80% in 2020).*
***Actual number for 2018. More recent figures are not available.*
****As per the Energy Efficiency Directive 2012/12/EU.*
*****Actual figure for 2018.*

Country Report The Netherlands 2020

Summary

With regard to the Dutch targets for the Europe 2020 strategy, the main aspects noted by the Commission in the country report are as follows:

- Labour force participation among 20 to 64-year-olds rose to 81.6% in 2018, well above the national target set.
- The European Commission concludes that 2018 R&D intensity amounted to 2.16% and therefore lagged behind the target of 2.5% of GDP. The fact that the R&D target has not been achieved is primarily associated with the Dutch sectoral structure, with a large services sector.
- The Netherlands is expected to comfortably achieve the national CO_2 emissions reduction target for the non-ETS sectors and is on track to meet the energy efficiency target. The renewable energy target remains a considerable challenge, although the national objective for 2023 is expected to be achieved.
- The target figure that at least 40% of the 30-34 age group should have a tertiary education degree has been achieved, as has the national target of no more than 8% of young people aged 18-25 leaving education early, in other words without a basic qualification.
- The number of people living in households with very low work intensity declined by 250,000 people in 2018 compared to 2008. This means that the Netherlands has achieved the target figure of 100,000 fewer by 2020.

Response

- It is the government's ambition to increase labour force participation and to enable everyone to participate according to their ability. The national target for 2020 has, in the meantime, been achieved.
- The government recognises that the Dutch economy is highly innovative. The good performance achieved suggests that Dutch companies still have opportunities to make additional investments in R&D. The Commission's conclusion that Dutch companies have relatively high savings compared to other EU countries further reinforces this suggestion.
- According to the 2019 Climate and Energy Outlook (KEV), the Netherlands is unlikely to achieve a 14% share of renewable energy in 2020. The PBL Netherlands Environmental Assessment Agency forecasts a share of 11.4%. This is primarily due to the delay in the permit-granting procedures and limited public support that has resulted in legal proceedings. On the other hand, a number of offshore wind energy projects have been successfully rolled out. These wind farms will be built from 2020 and will substantially contribute to a rapid increase of the share of renewable energy in the Netherlands in the years ahead. The government has in recent years consistently taken additional measures to make progress on achieving the target, most recently in November.
- In the country report, the Commission highlights the good results of the Dutch education system as well as the measures put in place by the government to bring about further improvements in the education system. This includes investments in human capital, fostering talent and efforts relating to mobility, training placements and early leavers from education.
- The Netherlands has set itself the target of reducing the number of people (aged 0–64) living in households with very low work intensity (jobless households) by 100,000 people in 2020 (starting point 2008). After the crisis years, in which an upward trend was visible, there has been a downward trend since 2015. This corresponds to the declining poverty trend in the Netherlands since 2013.

4.1. Employment

4.1.1. National targets

It is the ambition of the Netherlands to increase labour force participation and to enable everyone to participate according to their ability. With regard to the Europe 2020 strategy employment target,[20] the government has focused on increasing the gross labour force participation rate among the 20-64 age group to 80% in 2020. This target has now been achieved, with 81.6% gross labour force participation in 2018.

4.1.2. New policy aimed at achieving the targets

Due to the tightness of the labour market, more opportunities are also arising for increased participation by people at a distance from the labour market. This translates, among other factors, into a decline in long-term unemployment. To increase labour force participation across the board, the government has lowered the tax burden on labour. This means that working will be more financially rewarding, which will also have a positive effect on the purchasing power of workers. To achieve this, the government has introduced various measures including a two-bracket tax system (with lower rates) in income tax box 1 and a higher general tax credit and employment tax credit. Along with this generic fiscal policy, a specific policy has been formulated focusing on relatively under-represented groups in the labour market. The policy is aimed at people with disabilities, people with a migration background, older, long-term unemployed people and women who work part time. Resources have been allocated to develop policy on sustainable employability in businesses, sectors and regions.

Unemployment among the Dutch population with a migration background is still relatively high. In 2018, the government initiated the *Further Integration in the Labour Market (VIA)* programme aimed at increasing labour force participation among Dutch citizens with a non-Western migration background and improving their position on the labour market. A progress review on the VIA programme was conducted in November 2019.[21] Recent figures show a strong improvement in labour force participation among people with a non-Western migration background, although unemployment among this group is still 2.5 times higher than among people without a migration background. Eight pilot studies are being conducted to determine in what areas insufficient progress is being made and where there are opportunities for improvement. If the approaches currently being tested under the VIA programme prove effective, further research will be carried out to explore how the central government can play a role in their broader application through, for instance, municipalities, employers, the Employee Insurance Agency (UWV) or educational institutions.

In further promoting labour force participation, the government has paid particular attention to increasing women's financial independence by boosting female labour force participation. The share of part-time employees in the labour market is comparatively high in the Netherlands. This applies to both men and women in general, but young women in particular are more likely to work part-time, compared to other countries. In other Western countries, around half of the women participating in the labour force have a full-time job, whereas this only applies to around a quarter of participating women in the Netherlands. It is striking that women without care responsibilities for young children also frequently work part-time. The government has commissioned a survey to understand how the large share of part-time workers in the Dutch labour market should be interpreted. The government's response to this interministerial policy survey discusses this topic in further detail.

Caring for children or incapacitated family members is often a reason for reducing labour force participation or non-participation. To improve the distribution of care responsibilities between men and women for infants immediately after birth, the Additional Leave (Introduction) Act entered into force in 2019. Partners are now entitled to take birth leave amounting, on a one-off basis, to the number of

[20] The European-level employment target is defined in terms of net labour force participation, whereas the national target is defined in terms of gross labour force participation.

[21] Parliamentary Paper 29 544, No 960

working hours per week within four weeks after the birth of a child. Their full salary will continue to be paid during that period. From 1 July 2020, partners may take additional birth leave for a period of up to five weeks. Employers can apply to UWV for a benefit covering the leave period for their employees. The maximum benefit amounts to 70% of their daily wage (and a maximum of 70% of the maximum daily wage). Furthermore, the government is improving the affordability, accessibility and quality of childcare services. In 2019, the government increased the childcare allowance and the child-related budget to support parents. The child-related budget for middle-income couples will be increased by almost EUR 500 million with effect from 2020. The government is also expanding the entitlement to childcare allowance for households in which one partner works and the other partner requires long-term care.

Table 5. Description of the key EU 2020 measures

Progress towards achieving the national employment targets	**Status of measures aimed at the targets**	**Predicted impact of the measures (qualitative/quantitative)**
National 2020 target: 80% gross labour force participation rate for 20- to 64-year-olds 2018 result: 81.6%	Key measures: • To make work more financially rewarding, the income tax rate will be adjusted. • Roll-out of pilots under the *Further Integration in the Labour Market* (VIA) programme to improve the labour market position of migrants. • Survey on policy options aimed at promoting full-time work rather than part-time work. • Longer birth leave for partners, increase the child-related budget and expansion of the entitlement to childcare allowance.	Stimulating both the supply of and demand for labour based on a combination of measures is expected to have a favourable effect on employment.

4.2. Research and innovation

R&D investments are an important driver of labour productivity growth. It has therefore been agreed in the EU that every Member State will spend 3% of GDP annually on R&D. The Dutch target is 2.5%, which takes the sectoral structure of the economy into account. In contrast to other countries, R&D-intensive sectors, such as the automotive industry, represent a relatively small part of the Dutch economy (European Commission, 2018). While Dutch policy commitments are unlikely to bring about a change in the sectoral structure of the Netherlands in the short term, in the long term it will be possible to promote a larger, R&D-intensive sectoral structure. Although R&I expenditure has increased, total R&D expenditure as a percentage of GDP declined slightly to 2.16% in 2018 (2.18% in 2017), according to provisional CBS figures.[22]

Table 6. Breakdown of R&D expenditure in the Netherlands by sector of performance as a percentage of GDP[23]

	R&D expenditure by businesses	R&D expenditure by institutions	R&D expenditure by the higher education sector	Total R&D expenditure
2013	1.41	0.13	0.62	2.16
2014	1.41	0.13	0.63	2.17
2015	1.38	0.13	0.64	2.15
2016	1.41	0.13	0.61	2.15
2017	1.44	0.12	0.61	2.18
2018*	1.45	0.13	0.59	2.16

*Provisional figures

Source: CBS (Statline)

R&D investments can be classified under 'sector of performance' or under 'source of funds'. The investments are shown according to the sector of performance in table 6. The institutions are public research institutions and private non-profit organisations.

Public research institutions that largely derive income from marketing activities are no longer included in the institutions sector since the recent revision of the R&D statistics by CBS. They are now classified in the businesses category, as are commercial enterprises. As a result of the new classification, a clear distinction can no longer be made between privately and publicly conducted R&D within total R&D expenditure. However, that distinction applied in previous editions of the NRP.

The R&D expenditure of businesses as a percentage of GDP in the Netherlands (2017: 1.44%) is around the level of the EU15 average (1.40%), higher than the EU average (1.30%), but below the OECD average (1.67%).[24] The combined R&D expenditure of institutions and the higher education sector in the Netherlands amounts to 0.73% of GDP (2017), which is slightly higher than the EU average (0.68%) and the OECD average (0.70%) and around the EU15 average (0.72%).

According to provisional 2018 R&D figures, the absolute increase in R&D expenditure by both businesses and institutions exceeded GDP growth in 2018. This has brought about an increase in the

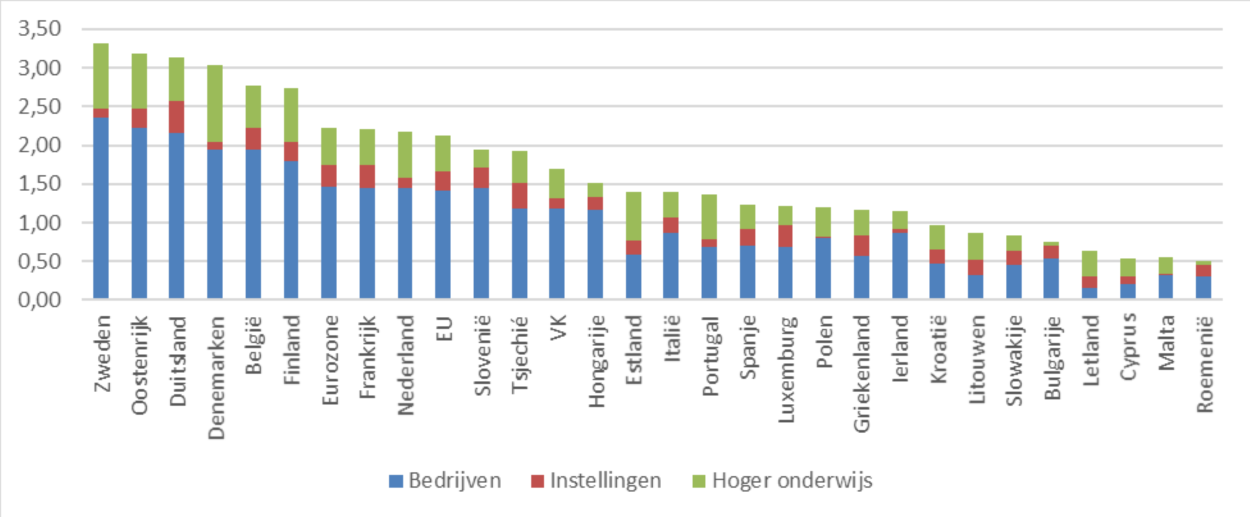
[22] For the latest CBS R&I figures, please see: https://www.cbs.nl/en-gb/news/2019/49/r-d-expenditure-4-percent-up-in-2018.

[23] The figures in this table are comparable to the figures published in the NRP in previous years, as a result of a CBS revision of the R&D statistics. The revision is a response to changes in the international guidelines for compiling R&D statistics in the OECD's Frascati Manual. Consequently, total R&D expenditure for the Netherlands has been adjusted upward and a shift has taken place in R&D from government institutions to businesses. The main reason is that all hired personnel are now included in a company's or organisation's own R&D activities. The distribution of R&D expenditure across the different categories of sectors of performance has also been adjusted. Public entities that largely derive income from marketing activities are now no longer included in the public sector but in the business sector. For further information on the revision, please see: https://www.cbs.nl/en-gb/artikelen/nieuws/2019/49/r-d-expenditure-4-percent-up-in-2018/revision.

[24] Source EU and OECD averages: OECD, Main Science and Technology Indicators, August 2019. The EU averages presented differ slightly.

R&D intensity of businesses from 1.44% of GDP in 2017 to 1.45% GDP in 2018, and an increase in the R&D intensity of institutions from 0.12% of GDP in 2017 to 0.13% of GDP in 2018. Conversely, the absolute increase in higher education sector R&D expenditure trailed behind the growth of GDP in 2018, bringing about a decline in higher education sector R&D intensity from 0.61% of GDP in 2017 to 0.59% of GDP in 2018. Figure 2 shows an international comparison of provisional 2018 R&D figures, as these are available to EU countries.

Figure 2. Breakdown of R&D expenditure as a percentage of GDP according to the sector of performance; EU Member States, 2018 provisional figures



Source: Eurostat

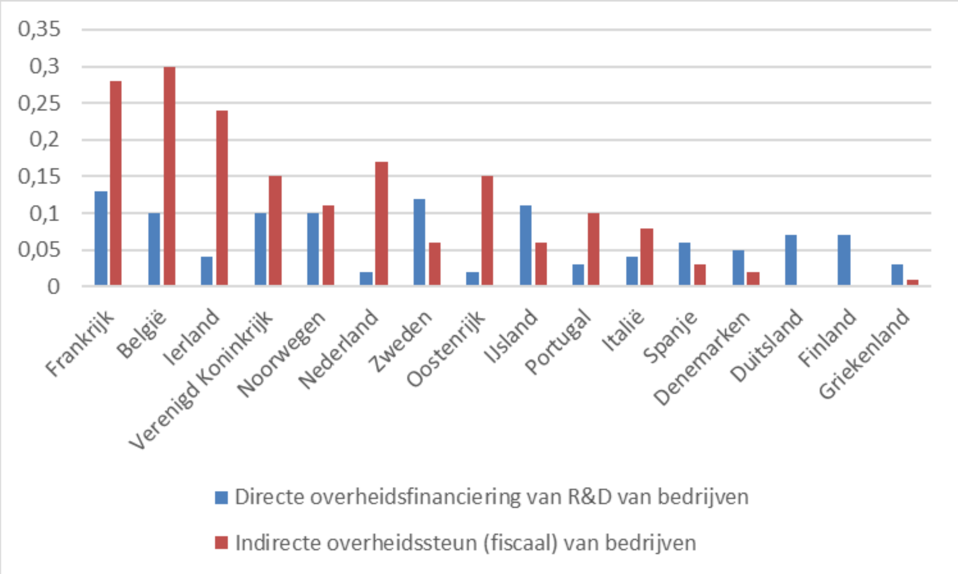
A further breakdown by public and private sector funding, or public and private sector of performance has not been made within the R&D target of 2.5% of GDP. However, the term 'public expenditure on research and innovation (R&I)' is used in the NRP. It refers to the funds provided by the government for conducting and fostering research, development and innovation at knowledge institutes and businesses (including the tax instruments, such as under the Research and Development (Promotion) Act (*Wet bevordering speur- en ontwikkelingswerk*, WBSO) in the Netherlands. The Dutch R&D target of 2.5% of GDP relates to total spending on R&D in the Netherlands. The central government funds for R&I make a significant contribution in this area. Figures on the public funding of R&D along with figures on total R&D expenditure (breakdown by sector of performance in table 5) have therefore been reported in this NRP.

The total amount of central government funds for R&I in the Netherlands is based on the budgets of the ministries and is shown in table 7. Figure 3 presents an international comparison of government R&D budgets, in a distinction is made between direct and indirect R&D funding. Indirect R&D funding reflects R&D tax incentives for businesses, such the WBSO in the Netherlands. The figures used have been sourced from the OECD and do not include instruments comparable to the Innovation Box.[25] The graph shows that the Netherlands is among the countries that make relatively extensive use of R&D tax incentives. This commitment fits with the research finding that tax incentives stimulate private investment in R&I, provided that they are well designed.[26]

[25] OECD, http://www.oecd.org/sti/rd-tax-stats.htm

[26] IMF, 2016, *Acting Now, Acting Together*. In Chapter 2: Fiscal Policies for Innovation and Growth. Dutch schemes are cited as an example of a best practice in this report.

Figure 3. Government budgets for R&D as a percentage of GDP, 2016



Source: Rathenau Institute, based on Eurostat and OECD

The government considers public-private partnerships between businesses, knowledge institutes and the local and regional authorities extremely important in stimulating R&I, as well as in creating the right framework conditions (see also Section 4.4 on Education).

Apart from innovation policy, the Dutch enterprise policy consists of policy aimed at entrepreneurship (measures such as financing instruments), industry policy (also aimed at improving the business climate), human capital (Technology Pact) and the regulatory burden. The innovation policy can be subdivided into three pillars. The first, generic, pillar of the innovation policy is accessible to all businesses. Examples are the tax incentive schemes for innovation (WBSO and Innovation Box), establishing a good connection between education and the labour market, and a properly functioning system for intellectual property.

The second pillar is geared to the availability of risk-bearing business financing. The instruments used for this purpose include the Innovation Credit and the Early Phase Financing Scheme (*Vroege Fase Financiering*). The second pillar has been further expanded with the recently established investment institution Invest-NL.

The third pillar of the innovation policy is mission-driven: it focuses on missions within four societal challenges (the energy transition and climate, agriculture/food/water, health and care, and security), on societal earning capacity and on key technologies. Public-private partnerships (PPP) between businesses, knowledge institutions and the government constitute the core. In 2019, hundreds of stakeholders jointly established the Knowledge and Innovation Agendas (KIAs) that will help achieve the missions described above.[27]. The agendas are therefore no longer based on the top sectors, but rather on societal challenges and key technologies, to which the top sectors contribute.

The KIAs constitute the basis of the Knowledge and Innovation Covenant (KIC) signed in November 2019 by 30 partners: research universities, universities of applied sciences and other knowledge institutions, businesses in the top sectors, the Netherlands Organisation for Scientific Research (NWO), ministries, provinces and regional development agencies[28]. They will jointly fund almost EUR 5 billion annually (from 2020) to help achieve the KIAs. A theme team for each KIA will coordinate the

[27] https://www.topsectoren.nl/missiesvoordetoekomst/documenten/kamerstukken/2019/april/29-04-2019/kamerbrief

[28] https://www.rijksoverheid.nl/documenten/kamerstukken/2019/11/11/kamerbrief-kennis--en-innovatieconvenant-2020-2023-en-de-roadmap-human-capital-topsectoren-2020-2023; for the Knowledge and Innovation Agendas (in Dutch), see: topsectoren.nl/innovatie

activities with all stakeholders, where necessary, so that new knowledge can be channelled more swiftly to innovative applications, and application questions and opportunities can inspire research. The agendas focus strongly on market creation and the valorisation of new knowledge, for instance in field labs where SMEs can test and apply new technologies. The government also financially supports public-private partnerships. The Top Consortia for Knowledge and Innovation (TKIs, affiliated with the top sectors) receive a 30% subsidy, through the PPP allowance, from the Ministry of Economic Affairs on contributions to knowledge and innovation at knowledge institutions. The allowance is almost exclusively used for research at public knowledge institutions. Under the KIC, the Ministry of Education, Culture and Science and NWO will fund a series of research application calls, programmes and public-private partnerships. The KIC also covers monitoring progress and the results.

Collaboration is a key feature of the Dutch Science Policy. Following on from the Vision for Science 2025, in association with knowledge institutions, businesses and civic organisations, the government issued the Dutch National Research Agenda (NWA) in 2015. The aim of the NWA is to achieve scientific breakthroughs and to resolve societal challenges based on the 140 cluster questions and 25 NWA routes. As the NWA was established according to a bottom-up process involving numerous stakeholders, the results and the answers to the questions will be ploughed back into society. The NWA promotes collaborative partnerships and interdisciplinary research within the public knowledge chain of universities of applied sciences, research universities, NWO and KNAW institutes, university medical centres, TO2 institutions, planning agencies and central government knowledge institutions, with social partners in the public and semi-public sectors and the business community. The 25 NWA routes focus on topics such as climate, cybersecurity, the circular economy, a sustainable food system, water, health, conflict mediation and unequal opportunities.
The NWA will establish a strong link to ministerial agendas and the top sectors policy, where possible.

In the short and medium term, the NWA will be reflected in the profiles of research universities and universities of applied sciences, the programming of the knowledge coalition partners, the direction of development of the national research institutes and the investments in major research facilities. Raising the profile of Dutch science with an individual agenda will moreover strengthen the Dutch position in international partnerships.

Along with the NWA, investments in sectoral plans (for scientific and technical research, plus social sciences and the humanities) will augment the focus and collaboration that is required to bolster the leading position of Dutch science.

Despite the Netherlands not being a leader in terms of the size of its R&I budget, it still achieves excellent scientific results. This is reflected, for instance, in the position of the Dutch universities in the international rankings. All universities have ranked among the top 400 in the international rankings for many years.

The vision, ambitions and policy priorities for the years ahead are set out in the Science Policy Note *Curious and committed – the value of science* (28 January 2019). The ambitions are as follows:

(1) Dutch science has global impact. A strong Dutch system with good research facilities improves researchers' opportunities to collaborate on global challenges with leading scientists from other countries. Various investments are therefore being made, including in research infrastructure, such as the Square Kilometre Array (SKA) (EUR 30 million) and in the ET pathfinder (EUR 1 million). An additional investment will be made in large-scale scientific research (a one-off investment of EUR 30 million). Funds will be made available for a new digital research infrastructure, including for open science (EUR 20 million on a structural basis), for science and technology, and SSH sectoral plans (EUR 35 million annually from 2018, gradually increasing to EUR 70 million on a structural basis from 2020) and for expanding applied research (gradually increasing to EUR 25 million on a structural basis from 2020).

(2) Science is connected to society. Scientists are rooted in society and work together with social partners and the business community. Equally, societal involvement and sharing knowledge with

society are vital in maintaining trust and confidence in science, and in ensuring that everyone is involved in the interests of research. The government has therefore has made an additional investment in the NWA (gradually increasing to EUR 130 million, on a structural basis from 2020). To boost the recognition and validation of science communication among researchers (EUR 1.2 million on a one-off basis, and EUR 3 million on a structural basis through the NWA), open science in scientific research is a government priority and considerable efforts are being made to achieve 100% open access.

(3) The Netherlands is a breeding ground and a haven for talent. To remain among the world leaders in science, optimal use should be made of talent in all its diversity. Agreements will therefore be made with the professional field to reduce the number of temporary contracts, and the ambition is to change the recognition and reward system for academic staff. Furthermore, an additional EUR 5 million will be allocated on a structural basis to the Innovational Research Incentives Scheme for women in Natural Sciences and to facilitate more researchers with a migration background.

Table 7. Description of the key EU 2020 measures

Progress towards achieving the national 2020 R&D targets	Status of measures aimed at the targets	Predicted impact of the measures (qualitative/quantitative)
National 2020 target: 2.5% of GDP 2018 result: 2.16% of GDP	Key measures: • Funding public knowledge institutions • R&I fiscal instruments (WBSO, Innovation Box) • Financing instruments • Future Fund • Invest-NL • Matching and co-financing in the context of Horizon 2020 and ERDF • PPP allowance (30% from 2018 onwards) • The Regional and Top Sector Incentive scheme for SMEs, in collaboration with the regions • SBIR • NWA funds • Strengthening the digital infrastructure • Innovational Research Incentives scheme • Sectoral plans • Strengthening applied research • Investments in research facilities	• Policy measures consist of either direct public R&I expenditure or boosting private R&I expenditure. • Due to the increased government investments in R&I, with a leverage on private R&I investment, Dutch R&D intensity can continue to grow (from 2018). • More Dutch projects in Horizon 2020 and better alignment with EU research and innovation priorities, together with more private investment in public-private partnerships, will lead to higher private R&I expenditure, the improved availability of risk capital and more knowledge valorisation.

4.3. Climate change and sustainable energy supply

4.3.1. National targets for the Europe 2020 strategy

In signing the Paris Climate Agreement, the Netherlands made a commitment to achieve a significant reduction in CO_2 emissions to fight global warming. The Netherlands is pursuing a realistic and ambitious green growth strategy that combines a commitment to economic growth and strengthening competitiveness with improving the environment, and capitalises on social initiatives. The government considers it equally important that the energy transition is feasible and affordable for everyone. According to a January 2020 publication from the European Commission, the Netherlands has the lowest percentage of households who are struggling to pay their energy bill (1.5% against 7% on average. In 2013, under the overarching coordination of the Social and Economic Council (SER), the government entered into an Energy Agreement for sustainable growth with more than 40 parties, including the 36 largest municipalities in the Netherlands. Four of the ambitions set out in the agreement contribute to the European targets for climate change and a sustainable energy supply:

- reducing final energy consumption by 1.5% on average per year;
- reducing final energy consumption by an additional 100 petajoules (PJ) by 2020;[29]
- increasing the share of renewable energy to 14% by 2020;
- increasing the share of renewable energy to 16% by 2023.

The Energy Agreement will create job opportunities in the construction and installation sectors, for instance, as a result of energy savings and local energy generation. Moreover, the growing demand for clean energy technologies and services will create new jobs in the Dutch green industry or CleanTech sector.

A mandatory national target of 16% has been set by the EU for the Netherlands to reduce greenhouse gases in the non-ETS sectors by 2020 relative to 2005. That target will be amply achieved in accordance with the National Energy Outlook (NEV). Companies that fall under the European Emissions Trading System (ETS) are only subject to an overarching European target. The European ETS target will, by definition, be achieved on the basis of the corresponding emission ceiling.

According to the 2019 Climate and Energy Outlook (KEV), the Netherlands is unlikely to achieve a 14% share of renewable energy in 2020. In the 2019 KEV, PBL Netherlands Environmental Assessment Agency forecasts a share of 11.4% (10% to 12% margin). Delays in the permit granting procedures and limited public support mean that the Netherlands is not on track to achieve the target set for onshore wind energy, according to the 2019 KEV. To address these issues, efforts are being undertaken in the area of environmental management, and an area coordinator may be appointed. On the other hand, a number of offshore wind energy projects have been successfully rolled out using a robust cost-reducing tendering system. These wind farms will be built from 2020 and will substantially contribute to a rapid increase of the share of renewable energy in the Netherlands in the years ahead.

The Sustainable Energy Production Incentive (SDE+) scheme remains the most important tool for achieving the renewable energy targets. The Ministry of Economic Affairs and Climate Policy promotes the development of a sustainable energy supply in the Netherlands through the SDE+ scheme. In 2019, the SDE+ scheme made another important contribution to achieving these targets. A total amount of EUR 10 billion has been made available to subsidise renewable energy projects. The budget was allocated across two calls for applications. This provides scope for adjustment and more opportunities to submit projects, which will benefit projects' lead times.

The further reinforcement of policy measures has given rise to a scheme for small-scale renewable heating options, launched on 1 January 2016. As no government tools existed for these options and

[29] A reduction of 100 PJ would easily surpass the European target of 1.5% as stated in the Energy Efficiency Directive 2012/12/EU.

they had the potential to make an important contribution to achieving the renewable energy targets, the Sustainable Energy Investment Subsidy (ISDE) scheme was created, with a current annual budget of EUR 100 million. Progress is also being made in other areas, such as manure mono-fermentation, geothermal power and renewable energy production for sports facilities, at schools and on the roofs of central government buildings as well as land, with the aim of contributing to achieving the renewable energy target.

Thanks to the combination of measures and incentive instruments, such as the SDE+ scheme and offshore wind energy policy, the production of renewable energy has risen between 2017 and 2020 by over 70% from 140 PJ to an expected 239 PJ. A side effect arising from the strong economic growth recorded in recent years is that gross final energy consumption in the Netherlands is higher than previously anticipated. Another portion of the deficit vis-à-vis the 14% target is attributable to the delay in a number of major renewable energy projects. This means that a portion of the increase in renewable energy production will only be achieved after 2020. Following projected deficits, additional plans have been drawn up for additional renewable energy generation in recent years. On 1 November 2019, an additional package of measures was announced, which includes an additional call for applications for the SDE+ subsidy scheme in spring 2020, with a budget of EUR 4 billion. Despite the ongoing efforts, it seems unlikely that the Netherlands will achieve the 14% renewable energy target in 2020. However, on a positive note, there are a considerable number of projects in the pipeline, and with the additional measures on top of the Energy Agreement plus the measures agreed in the Climate Agreement, substantial steps are being taken to catch up on the delay. The expectation therefore is that the Netherlands will comfortably achieve the national contribution to the European target of at least 27% renewable energy.

The Netherlands is well on track to meet the targets in the European Energy Efficiency Directive. Moreover, the 2019 KEV shows that the 2020 EU energy savings target (Article 7 EED) will be achieved. According to the 2019 KEV, even though the national target of 100 PJ in 2020 is within range, it is not expected to be achieved. Whether the target will be achieved primarily depends on the effect of the intensified enforcement of the energy savings obligation set out in the Environmental Management Act (*Wet milieubeheer*). The effect of intensified enforcement is anticipated to be partially visible after 2020, which implies that the target will be achieved at a later stage.

National ambitions for the period after 2020
Policy has been announced in the Rutte III coalition agreement on the further climate and energy transition towards 2030 and 2050. The government aims to reduce greenhouse gases by 49% by 2030 compared to 1990, an ambition that exceeds the 2030 European target of 40%. The government has therefore focused primarily on a single target for the reduction of greenhouse gas. The government intends to achieve the reduction in greenhouse gases at the lowest costs by focusing on the most cost-effective options for reducing greenhouse gases.

This new policy has been formulated in the Climate Agreement concluded in 2019, which includes the necessary contribution from the ETS sector to the climate and energy transition. In addition, the Climate Act (*Klimaatwet*) was adopted, which enshrines the 2030 and 2050 targets in law.

The SDE++ scheme is an important instrument for the financing and realisation of the Climate Agreement. The existing renewable energy promotion policy, the Stimulation of Sustainable Energy Production (SDE+) scheme, will be expanded from the second half of 2020. From that time onward, not only will the production of renewable energy be stimulated, but also the reduction of greenhouse gas emissions. This instrument, combined with other policy measures, is aimed at achieving the transition to a low-carbon society in a cost-effective manner.

Table 8. Description of the key EU 2020 measures

Progress towards achieving national 2020 climate and energy targets	Status of measures aimed at the targets	Predicted impact of the measures (qualitative/quantitative)
National 2020 target: 16% reduction in greenhouse gases in the non-ETS sector. 2015 result: 16.5% reduction in greenhouse gases in the non-ETS sector.	Key measures: • More fuel-efficient vehicle fleet. • Energy conservation in the built environment. • Increased use of renewable energy in greenhouse horticulture.	In 2020, the policy measures implemented and proposed are expected to lead to a further 20% decline in emissions in the non-ETS sectors between 2013 and 2020 compared to 2005.
National 2020 target: 14% renewable energy production 2018 result: 7.4% renewable energy production 2020 forecast: 11.4% 2023 forecast: 16.1% 2030 forecast: 30-32%	Key measures: • SDE+ scheme annual call for projects. • Incentives for small-scale heating options through the ISDE scheme. • Roll-out of offshore wind energy projects, tendering system. • Reduced rate for local energy production. • Agreements with provinces to achieve 6000 MW of onshore wind energy production.	Thanks to the combination of measures and incentive instruments, such as the SDE+ scheme and offshore wind energy policy, the production of renewable energy has risen between 2017 and 2020 by over 70% from 140 PJ to an expected 239 PJ. The strong economic growth recorded in recent years has resulted in higher gross final energy consumption in the Netherlands than previously anticipated. Due to the delay incurred in a number of major renewable energy projects, part of the increase in renewable energy production will only be achieved after 2020. Additional measures have been put in place in recent years, which have resulted in additional renewable energy production. Despite the ongoing efforts, it seems unlikely that the Netherlands will achieve the 14% renewable energy target in 2020. However, there are a considerable number of projects in the pipeline, and with the additional measures on top of the Energy Agreement plus the measures agreed in the Climate Agreement, substantial steps are being taken to catch up on the delay. The expectation therefore is that the Netherlands will comfortably achieve the national contribution to the European target of at least 27% renewable energy in 2030.
National 2020 target: 1.5% energy efficiency per year. 2016 result: 1.5% energy efficiency per year on average (2005-2016).	Key measures: • Implementation of measures from the Energy Agreement, including the energy performance incentive scheme for the rental and owner-occupier sectors. • European emissions requirements and national incentives for fuel-efficient vehicles had a positive impact on the transport sector. • Proposed policy measures in the services sector, in industry and in the agricultural sector will lead to an increase in energy savings.	The 2019 Climate and Energy Report (*Klimaat- en Energieverkenning - KEV*) shows that the rate of energy savings is rising considerably to 1.5% per year, partly as a result of the Energy Agreement measures. Even without these intensified measures, the European energy efficiency target is expected to be comfortably exceeded, provided that both the existing and proposed policy measures are taken into account.

4.4. Education

4.4.1. National targets for the Europe 2020 strategy

The percentage of tertiary graduates in the Netherlands remains relatively stable, and is higher than the European target of at least 40%. In 2017, 48% of the 30-35 age group were tertiary graduates. Moreover, the Netherlands has already met the European target of a maximum of 10% early leavers from education aged 18-24. The Netherlands had set itself a more challenging ambition for reducing the number of early leavers from education to 8% in 2020, which it has already achieved. According to Eurostat (May 2019), 7.3% of young people aged 18-24 had no basic qualification in 2018.

4.4.2. New policy aimed at achieving the targets

Higher education

In recent years, a stronger focus has been placed on improving the quality and accessibility of higher education in the Netherlands, rather than on increasing the percentage of tertiary graduates, which is already 48%. In April 2018, the Minister of Education, Culture and Science concluded the agreement *Investing in the Quality of Education, Quality Agreements 2019-2024* with the Netherlands Association of Universities of Applied Sciences, the Association of Universities in the Netherlands (VSNU), the Dutch National Student Association (ISO) and the National Student Union (LSVb).[30]. This agreement sets out a system of quality agreements for the period 2019-2024. Based on the quality agreements, the funds released since 2018 as a result of the introduction of the student loan system will be invested in improving the quality of higher education. An important principle underlying the quality agreements is that the areas in which additional investments are needed the most can best be determined by the institutions themselves, in the dialogue between executive staff, lecturers, students and other relevant stakeholders. The institutions determine their own commitment for six national themes: teaching intensity, student guidance, study success rates, educational differentiation, educational facilities and lecturer quality. This system of quality agreements came into effect in 2019. The institutions have drawn up plans together with their education communities, the initial plans have been assessed and the institutions are working on implementing them.

In December 2019, the Ministry of Education, Culture and Science issued the Strategic Higher Education and Research Agenda *Fit for the Future*[31]. The ambition is to maintain the high quality and accessibility of higher education and research by increasing collaboration and reducing competition. Against this background, four ambitions have been set out in the agenda: more accessible higher education and greater student success, flexible higher education, closer alignment with the labour market and society, and lastly, regional bedrock and international cooperation. Moreover, the ministry is strengthening the strategic dialogue with individual institutions by engaging in dialogue about the various choices institutions make in terms of research and education focus areas.

Early leavers from education

To improve the future prospects of more young people, the Ministry of Education, Culture and Science will continue the successful elements of the *Tackling Early School Leaving* programme in the years ahead. In 2016, all 39 regional registration and coordination (RMC) regions initiated the current four-year plans setting out measures aimed at preventing early school leaving and offering young people in vulnerable situations appropriate supervision. The regional plans including measures will be prepared for a new four-year round in 2020. Tackling early school leaving and the provision of a regional safety net for young people became a statutory task on 1 January 2019. Supported by a statutory obligation, the involvement of more parties in the regional collaboration, including parties in the labour market and healthcare domains, will be further encouraged. In addition to the ambition to prevent early school leaving, the regions will be asked to formulate regional targets for two areas. On the one hand, to ensure that more early school leavers return to education within one year, and, if school is temporarily not an option, to ensure that more early school leavers are working within one year, on the other. The

[30] Parliamentary Papers II 2017/18, 31288, No 621.

[31] Strategic agenda for higher education and research, Fit for the Future, The Hague, December 2019.

Ministry will provide appropriate funding to support the follow-up approach. Around EUR 140 million will be made available annually (of which EUR 40 million under the VET Quality Agreements) for the joint approach to early leaving and the policy on young people in a vulnerable position. Secondary schools, VET colleges and municipalities will jointly determine how they will use the regional budget. They will involve parties engaged in practical training and in special education as well as parties from the labour market and healthcare domains in this process. In 2016, all 39 regional registration and coordination (RMC) regions initiated the current four-year plans setting out measures aimed at preventing early school leaving and offering young people in vulnerable situations appropriate supervision.

Table 9. Description of the key EU 2020 measures

Progress towards achieving the national employment targets	**Status of measures aimed at the targets**	**Predicted impact of the measures (qualitative/quantitative)**
National EU 2020 target: Tertiary education target: >40% of population aged 30-34. 2016 result: 45% of population aged 30-34 with tertiary education.	Key measures: • Implementation of the Strategic Agenda for Higher Education and Research.	The percentage of the 30–34 age group with tertiary education has stabilised above 40%.
National EU 2020 target: Early school leaving target: <8%. 2018 result: 7.3% early school leavers.	Key measures: • Implement the follow-up approach to early school leaving. • Prepare for the start of a new four-year round from 2020 onwards, draw up new regional plans with measures.	The maximum number of early leavers from education will amount to 8% by 2020.

4.5. Poverty and combating social exclusion

The Netherlands has set itself the target of reducing the number of people (aged 0-64) living in households with very low work intensity (jobless households) by 100,000 by 2020 (starting point 2008). The age in the national definition is based on the population aged 18–64, whereas the age at the European level is based on the population aged 0-59.[32] Based on the Dutch indicator used for the Europe 2020 poverty target, the percentage of people living in households with very low work intensity declined in 2018 compared to 2017. A decline of 1.0 percentage point is evident.[33] This equates to a reduction of 153,000 (see Table 10) and a decrease of 250,000 compared to 2008.

Table 10. Number of people living in households with very low work intensity

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
People living in households with very low work intensity in NL (aged 18-64) x 1,000	1,613	1,641	1,595	1,678	1,635	1,624	1,680	1,653	1,562	1,516	1,363

Source: CBS maatwerkcijfers

People living alone and single-parent families are over-represented in very low work intensity households (27.1%). Of the single-parent families whose children are all minors, 27.4% have a very low work intensity, compared to 23.5% single-parent families with at least one adult child.

Since 2014, the decline in the number of people living in households with very low work intensity has been consistent with the declining trend in the number of people at risk of poverty in the Netherlands (CBS, Statline). During the period 2014-2017, a decline was visible in the number of people living on the low-income threshold and who are therefore at risk of poverty. In 2018, the decline stalled, with the percentage of households living on the low-income threshold remaining at 6.3%.[34] The percentage of households living on a low income for four years or more remained unchanged at the 2017 level (2.5%).

The percentage of people at risk of poverty and social exclusion in the European Union declined from 22.4% to 21.9% between 2017 and 2018, according to the *At Risk of Poverty and Social Exclusion* (AROPE) indicator[35]. In the Netherlands, the percentage of people at risk of poverty and social exclusion in 2018 decreased back to the 2016 level of 16.7%. The risk of poverty and social exclusion in the Netherlands is still significantly lower than the EU average. In 2017, the risk was smaller only in the Czech Republic, Slovenia and Finland.

Table 11. People at risk of poverty and social exclusion

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
European Union-28*	23.7%	23.3%	23.8%	24.3%	24.8%	24.6%	24.4%	23.8%	23.5%	22.4%	21.9%
The Netherlands	14.9%	15.1%	15.1%	15.7%	15.0%	15.9%	16.5%	16.4%	16.7%	17.0%	16.7%

**EU-27 for 2008 and 2009, source: Eurostat*

4.5.2. New policy aimed at achieving the targets

In line with the coalition agreement, the government is strongly committed to tackling poverty and debt. The government is in favour of an integrated approach to poverty reduction. This means that every situation will be examined from a broad perspective, from a lack of income to social exclusion. It also means looking at the role and impact of various domains on poverty, such as work, healthcare, housing and education. Poverty policy is decentralised, so that it can be developed with a stronger

[32] This is according to Eurostat figures, which also include groups such as students.

[33] As the national EU 2020 target is based on people up to 64 years of age, no specific data are available for people aged 65 and over for this target, despite the increase in the retirement age.

[34] https://opendata.cbs.nl/statline/#/CBS/nl/dataset/83843NED/table?ts=1547812711416

[35] https://ec.europa.eu/eurostat/databrowser/view/t2020_50/default/table?lang=en

connection to citizens and customised solutions can be offered. The interministerial and interadministrative programme for the social domain aims to strengthen the integrality of local policy in that domain. The programme centres on identifying and eliminating barriers standing in the way of providing concrete solutions to citizens in complex situations.

In tackling poverty, the government will focus in particular on the position of children. Every child in the Netherlands should be able to participate, because this will considerably increase their chances in life. To achieve this aim, EUR 100 million was made available on a structural basis in 2017 to municipalities and a number of civic organisations working with children living in poverty, on the understanding that the money will be paid to children in kind.[36] Of the EUR 100 million, EUR 85 million has been allocated to municipalities. Administrative agreements have been made with the Association of Dutch Municipalities (VNG) regarding the use of these funds. These agreements were evaluated in 2018. In 2017, the municipalities made good progress in achieving the ambitions set out in the administrative agreements. Nine out of ten municipalities are now offering in-kind benefits, the additional funds from the EUR 85 million have been predominantly spent on child poverty policy, and more children living in poverty have been reached than in the previous year. The ambitions in the administrative agreements with the VNG have not yet been achieved by all municipalities. A number of improvements should be made, particularly in reaching the target group and in obtaining insight into the use of funds. The results of an additional interim evaluation will be made available before summer 2020.

Four civic organisations engaged in the social participation of children living in poverty will collectively receive EUR 10 million, subject to the condition that these funds will be used for purposes additional to their regular activities, and that the parties will work with each other and with the municipalities. In 2017, the organisations reached more children as a result of the additional funds, and they have strengthened collaboration at both the national and local levels. The four parties' efforts will be included in a wider evaluation of the use of various child poverty funds in 2021. In 2019, an additional EUR 4 million was released to provide a further financial boost to the collaboration. The four parties launched a campaign in 2020 to draw the public's attention to the possibilities of supporting children growing up in poverty. They have also developed the *samenvoorallekinderen.nl* ('Working together for all children') portal, which serves as a shared application system for the parties. Parents and intermediary services can submit one single broad application for support using this platform. The portal also provides information on municipal facilities.

Apart from efforts aimed at the social participation of children living in poverty, the government is also committed to addressing the root causes of child poverty. The government aims to prevent poverty by helping more people find work, making work more financially rewarding and improving the income position of families with children and through the comprehensive approach to debt reduction. An additional EUR 80 million has therefore been made available in the coalition agreement to tackle poverty and debt, EUR 72 million of which will be allocated to municipalities to strengthen the local control function of poverty policy and other activities.

In March 2017, the Social and Economic Council (SER) issued a recommendation in its advisory report *Opgroeien zonder armoede* ('Growing up without poverty') to set an ambitious, specific quantitative child poverty reduction target. The Netherlands' Ombudswoman for children endorsed the recommendation in her 2018 report *Alle Kinderen Kansrijk* ('Equal Opportunities for All Children'). The House of Representatives and the Senate have also adopted motions for a child poverty reduction target[37]. The government defined the reduction target together with the VNG based on the four

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[36] House of Representatives, 2016-2017 session, 24 515, No 378.
House of Representatives, 2016–2017 session, 24 515, No 380.

[37] Parliamentary Papers II, 2016/17, 24515 No 391, Parliamentary Papers II, 2016/17, 24515 No 405 and Parliamentary Papers I, 2017/18, 34775 D.

ambitions. The ambitions are of a qualitative and quantitative nature and centre on the municipal poverty policy and on the central government's policy:

1. All children in poverty are able to participate.
2. Focus efforts on reducing the number of low-income households with children.
3. Periodically provide qualitative insight into disadvantaged children.
4. Spotlight good examples of tackling child poverty.

Progress on the four ambitions will be reported periodically. These four ambitions will focus in particular on working parents on a low income.

In line with ambition 2, the government is undertaking efforts through various channels to reduce poverty among families. Furthermore, the government has implemented tax reduction measures to support the purchasing power of minimum- and middle-income households. To support low-income families, the government will allocate EUR 1 billion to child benefit, childcare allowance and the child-related budget during its current term of office. In addition, the government has increased the general tax credit and the employment tax credit, so that workers will have more money to keep from their wages (escaping the poverty trap) and benefit recipients will receive a higher net benefit. The maximum general tax credit and the employment tax credit will be further increased in 2020, which will mainly benefit the middle-income groups. The healthcare benefit will be increased and the strict phase-out limit for the housing benefit will be abolished specifically for low-income groups

The government will continue its efforts to help more people find work. Under the Broad Offensive and the Switching Simply project, actions will be undertaken on various fronts to help people at a distance from the labour market to find and stay in work. The government is also investing in strengthening the position of the self-employed and workers with a flexible contract. Under the Integration in the Labour Market (VIA) programme, the government is working to improve the labour market position of newcomers. On top of that, the government is developing broader labour market policy that will help improve labour force participation among this group, such as the Labour Market Discrimination Action Plan. The government attaches high importance to these initiatives because work is the best way out of poverty for most people. However, there are also people who have a paid job but still have to make ends meet on a low income. Social Affairs and Employment Minister Koolmees requested the Social and Economic Council (SER) to conduct a survey on this group of working poor and the restrictions they face in generating sufficient income. The survey results are expected to be available in spring 2020.

Under the comprehensive approach to debt reduction, various ministries, municipalities, public sector organisations and private sector parties are undertaking joints efforts to reduce the number of people with problematic debts and to provide more effective assistance to people in debt. The comprehensive approach to debt reduction includes not only the measures aimed at tackling debt set out in the coalition agreement, but also existing measures from the various ministries and initiatives from the professional field. A letter containing a progress report on the comprehensive approach to debt reduction will be submitted to the House of Representatives before summer.

Table 12. Description of the key EU 2020 measures

Progress towards achieving national targets for poverty and combating social exclusion	**Status of measures aimed at the targets**	**Predicted impact of the measures (qualitative/quantitative)**
National EU target: 100,000 fewer people in jobless households than in 2008. 2018 result: 250,000 fewer people in jobless households than in 2008.	Key measures: • Financial incentives for employers to hire people. • Offering better protection against bogus self-employment schemes. • More intensive guidance for specific groups of unemployed. • Switching Simply and the Broad Offensive, to help people find work and stay employed. • Facilitating experimentation	• Improved socio-economic security to reduce the number of people falling into poverty or debt. • Improved functioning of the labour market, more people employed with job security. • Collaboration between public and private parties will be strengthened to reach target groups more comprehensively and effectively. • More knowledge of the

	under the Participation Act. • City Deals - solutions for integrated customisation in the social domain. • Agreements with municipalities to reduce the poverty gap. • Comprehensive approach to debt reduction. • An additional €100 million for child poverty on a structural basis (from 2017). • Temporary additional funds to combat poverty and debt, specifically among children (a total of EUR 80 million for the period 2018-2020). • A financial boost of EUR 4 million for the four collaborative poverty alleviation organisations. • Four child poverty reduction ambitions with quantitative and qualitative targets.	effectiveness of financial incentives and labour and reintegration requirements, to implement the Participation Act more effectively. • Ongoing reform in the social domain by developing integrated alternative arrangements in areas such as housing, work and income, healthcare, youth assistance and social support. The emphasis is on the most vulnerable households. These are often people who rely on multiple forms of support and would benefit from an integrated approach. • More effective, efficient and sustainable prevention as a result of a comprehensive approach to tackling poverty and debt. • Specific investments will be made regarding child poverty to prevent social exclusion and future disadvantage.

4.6. Sustainable development goals

In September 2015, the heads of government of the 193 Member States of the United Nations, including the Netherlands, adopted the Sustainable Development Goals (SDGs) – the 2030 Agenda for Sustainable Development. In 2019, CBS integrated the *Monitor of Well-being* and measurement of the progress on the SDGs into one Monitor in view of the overlap between both measurements. The Monitor is an assessment of well-being 'here and now' (quality of life), 'later' (capital stock for future generations: social, natural, economic and human) and 'elsewhere' (cross-border impacts): the three dimensions important for sustainable development. The integration supplements the official SDG indicators with relevant indicators from the broad well-being methodology, resulting in SDG Plus.

Table 13 in the 2019 Monitor presents the trends in the indicators for the SDG Plus themes and the position of the Netherlands relative to other EU countries. The Monitor shows that the quality of life in the Netherlands is high compared to other EU countries and that many aspects indicate an upward trend. This is reflected in the good scores for SDG 1 (zero poverty), SDG 4 (education), SDG 8 (economy and decent work), SDG 9 (industry, innovation and infrastructure), SDG 16 (peace, justice and public services) and SDG 17 (partnership for the goals).

Regarding labour and leisure time, the picture is mixed: despite high net labour force participation, which climbed in the past year, satisfaction with leisure time is declining and an upward trend is visible in the time wasted due to traffic backups and delays. In the area of health, SDG 3, the percentage of overweight people is rising and the healthy life expectancy of women in the Netherlands is relatively low. In the area of the environment and biodiversity, SDG 14 (life below water) and SDG 15 (life on land), both positive and negative developments are evident. The percentage of managed natural conservation areas in the Netherlands has risen, the quality of bathing water is improving and urban population exposure to particulate matter is falling in line with the trend seen in recent years. However, the latter indicator was up slightly in 2018. Bird numbers and bird biodiversity are declining, and so are the fauna in the North Sea. Although sustainable energy (SDG 7) and climate (SGD 13) pose major challenges, progress has been achieved on various indicators.

Table 13. Trends in the Netherlands for the 17 SDG Plus and the position of the Netherlands in the EU

SDG	**NL trends 17 SDG Plus** *(percentage share of the total number of indicators)*			**NL position in the EU**
	Positive	**Neutral**	**Negative**	
1. No poverty	11	67	22	Leader
2. Zero hunger	62	23	15	Neutral
3. Good health and well-being	13	54	33	Neutral
4. Quality education	42	41	17	Neutral
5. Gender equality	46	46	8	Neutral
6. Clean water and sanitation	67	33	0	Neutral
7. Affordable and clean energy	70	0	30	Laggard
8. Decent work and economic growth				
8.1 Economy and factors of production	50	43	7	Neutral
8.2 Labour and leisure time	40	47	13	Neutral
9. Industry, innovation and infrastructure				
9.1 Infrastructure and mobility	20	53	27	Neutral
9.2 Sustainable business	25	75	0	Neutral
9.3 Knowledge and innovation	57	43	0	Leader
10. Reduced inequalities:				
10.1 Social cohesion and inequality	8	61	31	Leader
10.2 Financial sustainability	21	50	29	Neutral
11. Sustainable cities and communities				
11.1 Housing	21	43	36	Neutral
11.2 Living environment	40	30	30	Neutral
12. Responsible consumption and production	31	61	8	Neutral
13. Climate action	29	57	14	Laggard
14. Life below water	0	75	25	Laggard
15. Life on land	10	40	50	Laggard
16. Peace, justice and strong institutions				
16.1 Security and peace	46	46	8	Neutral
16.2 Institutions	50	12	38	Leader
17. Partnerships for the goals	0	100	0	Leader

5. European funds and the Europe 2020 strategy

The effective use of the European structural and investment funds (ESI funds) supports the achievement of Dutch policy objectives, in part linked to the Europe 2020 strategy.
The four ESI funds that the Netherlands is eligible to use contribute to the European targets for employment, research and innovation, sustainable energy and climate, and social inclusion. These funds are the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). European funds totalling over EUR 1.9 billion have been allocated to the Netherlands for the period 2014-2020 for the seven national and regional operational programmes of these funds. In addition, there are four cross-border programmes (INTERREG), for which around EUR 0.3 billion is available. Apart from the European funds, national, decentralised and private funds are also used for the programmes.

Increasing labour force participation
The ESF contributes, among other things, to the EU 2020 target to increase labour force participation by including unutilised labour potential in the labour market by means of active reintegration (active inclusion), and by preventing people from dropping out of the labour force prematurely and promoting working longer (sustainable employability). Despite the economic growth and the further tightening of the labour market, it has emerged that certain groups at a large distance from the labour market - people with an occupational disability, asylum permit holders, long-term unemployed people and vulnerable young people - remain on the sidelines and face a higher risk of poverty. By dedicating the ESF funds to supporting these vulnerable groups in the 35 labour market regions, the Netherlands can contribute to achieving the Europe 2020 targets. An amount of EUR 363 million from the EFS budget was made available for active inclusion in this programme period. The largest portion of the budget has already been committed and the targets regarding the number of participants to be reached have been achieved. A sustainable employability budget of EUR 102 million has been made available and committed.

As at year-end 2018, with support from the ESF, policy was developed by over 3,500 businesses across various sectors aimed at making and keeping employees sustainably employable. Furthermore, a subsidy was granted to around 3,300 business in 2018 and 2019 for similar projects. Lastly, it was noted that a mismatch between labour supply and demand is one of the main causes of people remaining on the sidelines in the long term. With funds from both the ESF and EFRO, the Integrated Territorial Investment (ITI) instrument is being used to address the mismatch on the labour market in the four major cities in the Netherlands.

Research and innovation
The four regional ERDF programmes mainly focus on research and innovation. Around three-quarters of the total ERDF budget is earmarked for innovation, mainly in the SME sector. The programmes are aimed at improved and innovation-oriented collaboration between businesses, knowledge institutes and government authorities, better alignment between education and the labour market (mainly in the area of technical staff), promoting application knowledge, for the Smart Industry for instance, and improving the business climate in the four major cities of the Netherlands (through ITIs). Over EUR 900 million has been committed up to year-end 2018 to ERDF projects aimed at research and innovation. In the period before 2019, the investments in these projects have already stimulated more than 1,900 businesses to market innovative ideas and more than 700 businesses to collaborate with research institutes.

In addition, EAFRD, the Rural Development Programme, invests in innovation in rural areas, the modernisation of agricultural businesses (including supporting young farmers), strengthening the agricultural structure and other areas. EMFF fosters innovation with the aim of improving returns and implementing sustainability in the fishing industry and aquaculture, and strengthening collaboration across the entire fishery supply chain.

Energy and climate
All ESI funds contribute to the sustainable energy and climate objectives. Around 60% of the available EAFRD budget has been allocated to climate change and protection of the environment. This includes subsidy schemes for non-productive investment projects pertaining to the Integrated Approach to Nitrogen, biodiversity and water. On 1 January 2019, all provinces issued calls for applications for the subsidy schemes and some 140 projects began implementing the climate-related improvement measures, representing over EUR 150 million in committed EU funds. Currently, the subsidy applications of almost 80 projects are still being processed. This target also includes the implementation of the Agricultural Nature and Landscape Management programme. The system was changed from individual to collective agricultural nature and landscape management contracts in 2016. Forty collectives are now working on this measure. The collectives will receive a subsidy of over EUR 500 million (50% from the EU and 50% from the provinces) over a seven-year period.

EMFF focuses on fostering innovation in the Dutch fisheries sector to address climate challenges facing the sector and the efficient use of natural resources. Efforts are directed towards reducing emissions in the fisheries sector and more selective fishing methods. In addition, a number of large IT projects were financed by the government for the purpose of digital registrations, inspections and reporting in the fisheries sector, and research is being conducted on the size of fish stocks.

With regard to the EU 2020 sustainable energy and climate target, the ERDF programmes focus on fostering innovation in the area of low-carbon technologies, putting existing state-of-the art techniques into practice (smart roll-out) and reducing energy consumption in the built environment. As at year-end 2018, over EUR 240 million had already been committed to these ERDF projects. To conclude, the ESF focuses on retraining and reintegrating unemployed job seekers into green jobs

Combating poverty and promoting social inclusion
The ESF additionally contributes to the target of reducing poverty and promoting social inclusion. Similar to the measures aimed at increasing labour force participation among vulnerable groups, this entails increasing employment opportunities and employability, and helping groups at a large distance from the labour market find paid work. Furthermore, attention is being paid to horizontal inequalities by promoting equal opportunities and non-discrimination. The take-up of the ESF programme was high during this programme period, due to factors such as an efficient implementation structure, which places a strong emphasis on the simplification of cost accounting measures and the increased supervision of applicants. The evaluation of the active inclusion component of the ESF programme shows that, with support from the ESF, the programme reaches more people at a large distance from the labour market (volume effects) and the supply and intensity of the supervision and guidance of the existing target group has increased (quality effects). A positive side effect is that, in 80% of the labour market regions, regional collaboration has improved, for instance between municipalities and schools in reintegrating young people at a distance from the labour market.

The EAFRD contributes to this objective through the LEADER programme. Implementation is organised by 20 local action groups (LAGs). On 1 January 2019, over 230 LEADER projects were under way.

6. Involvement of Parliament and other stakeholders

As described in this NRP, the central government is not the only party engaged in the realisation of the Europe 2020 strategy and the implementation of the country-specific recommendations. Social partners, local and regional authorities and non-governmental organisations play an equally important role in shaping and implementing policy. In addition, consultations are held with the social partners. Nevertheless, the contents and presentation of this document remain the responsibility of the government. Moreover, the social partners have produced their own document to explain how they have contributed to the Europe 2020 targets.

The government attaches great importance to having a broad support base for the Dutch position in the European Semester. It keeps both the House of Representatives and the Senate informed of the various stages and steps within the European Semester. After the proposals for the most recent country-specific recommendations were issued in June 2019, both the House of Representatives and the Senate were informed of the government's response to the proposed recommendations. The publication of the Annual Sustainable Growth Survey and the Alert Mechanism Report in December 2019 marked the start of the 2020 European Semester. The government's view of these analyses has been communicated to The House of Representatives and the Senate. They have both had the opportunity to discuss these documents with the government prior to various Council meetings (both verbally and in writing).

This NRP will be submitted to both the House of Representatives and the Senate before submission to the Commission. This will provide an opportunity to debate the measures and reforms described, at the national level. As in previous years, both the House of Representatives and the Senate will be informed of the country-specific recommendations that the Commission will propose for the Netherlands as part of the 2020 European Semester.

Appendix A: Other tables

Table 14. Qualitative characteristics of measures aimed at country-specific recommendation (CSR) 1

CSR 1: Housing market, pension system, tax system		Information on planned or already implemented measures						
		Description of key measures and how they relate to the country-specific recommendations					**Fiscal effects**	**Qualitative effects**
		Main policy objective and relevance to CSR	Description of the measure	Statutory/administrative instruments	Progress made in the last 12 months	Time frame of steps still to be taken	Annual change in government revenue and expenditure (in millions of euros), contribution to EU funds	Description of projected impact and timing of impact
Reduce the debt bias for households and the distortions in the housing market.	Reduce the mortgage interest tax deductibility for new and existing cases.	Reduce distortions in the housing market.	The maximum deduction rate will be reduced by 0.5 percentage points per year.	Housing Market Measures Act 2014 II (*Wet maatregelen woningmarkt 2014 II*).	The maximum deduction rate is 49.0% from 1 January 2019.	N/A	Structural revenue of EUR 0.77 billion.	Reducing the housing market distortions, reducing the mortgage debt bias, more effective tax treatment of home ownership.
	Accelerate the reduction of mortgage interest deductibility.	Reduce distortions in the housing market.	The maximum deduction rate in the highest bracket will be reduced by 3 percentage points per year from 2020 so that the basic rate of around 37% will be achieved by 2023.	Amendment of the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).	N/A	Four annual steps of 3 percentage points until approximately 37%, from 2020 to year-end 2023.	Considerable acceleration of the structural revenue from the above measure. Plus EUR 53 million in additional annual structural revenue from 2023.	Improving the public finances, simplifying the regulations and creating a more efficient tax system.
	Phase out the Hillen scheme (deduction for no	Reduce distortions in the housing market.	The Hillen scheme will be phased out in 30 equal annual	Amendment of the Income Tax Act 2001 (*Wet*	The first annual step was	30 equal annual steps of 3 1/3	Structural revenue of EUR 1.1 billion.	Expanding the housing supply by facilitating the

	or low home mortgage debt).		steps from 2019.	*inkomstenbelasting 2001*) entailing the gradual phaseout of the deduction for no or low home mortgage debt.	implemented on 1 January 2019.	percentage points.		redevelopment of vacant or underutilised industrial sites in inner-city locations.
	Maintain multi-annual building production at a high level with a residential construction stimulus programme.	Increase the supply of affordable homes.	Efforts will be made to reduce the housing shortage with the launch of a EUR 1.0 billion stimulus programme for residential construction in 2020, under which subsidies will be granted for the construction of affordable homes.	The Residential Construction Stimulus Programme Decree 2020 (*Besluit Woningbouwimpuls 2020*) creates the basis for granting specific subsidies to municipalities to reduce the housing shortage and to keep up the level multi-year building production.	This measure was announced in September 2019.	N/A	A one-off financial stimulus of EUR 1.0 billion that can be spread across several years.	Increasing the supply of affordable homes.
	Maintain multi-annual building production at a high level with a financial stimulus through the landlord levy.	Increase the supply of affordable homes.	The government will boost construction through a tax credit against the levy on landlords amounting to EUR 100 million per annum. This will provide a direct stimulus to housing associations and other landlords engaged in building more affordable rental homes.	Housing Market Measures 2014 II Act (*Wet maatregelen woningmarkt 2014 II*).	This measure was announced in September 2019.	N/A	Structural boost of EUR 100 million per annum.	Increasing the supply of affordable homes.
	Expand the mid-priced rental segment.	Increase the supply of homes in the mid-priced rental segment.	Adjustment of the market test for housing associations. Providing clarification in the	The Mid-priced Rental Segment Measures Act (*Wet Maatregelen middenhuur*).	The draft bill was adopted by the Senate in May 2019.	N/A	N/A	Increasing the supply of homes in the mid-priced rental segment.

			Housing Act (*Huisvestingswet*) so that mid-priced rental homes can be allocated to certain target groups in the event of scarcity.					
Make the second pillar of the pension system more transparent, more intergenerationally fair and more resilient to shocks.	Develop legislation for the abolition of the average pension contribution system.	Make the system more intergenerationally fair.	The starting point will be a non-age-related contribution combined with degressive accrual.			The draft bill will be submitted to the House of Representatives in early 2021.		A reformed pension system that addresses the vulnerabilities in the current system while retaining the strong elements (obligatory, collective implementation, risk sharing and tax relief).
	Two new pension contracts.	Make the system more resilient to shocks and more transparent.	The Pension Agreement introduces two new contracts: one contribution scheme with extensive risk sharing and one contribution scheme with limited risk sharing (index-linked pension+).			The draft bill will be submitted to the House of Representatives in early 2021.		
	Various pension schemes, same rules.	Make the system more intergenerationally fair and more resilient to shocks.	A single tax framework for all pension contracts; one valuation standard for nominal commitments; tailor-made investment policy.			The draft bill will be submitted to the House of Representatives in early 2021.		

	Communication about a more personalised pension.	Make the system more transparent.	On one website, members can see three scenario amounts for their future pension.		The website went live in autumn 2019.			
	Lump sum, early retirement scheme and leave savings scheme	Subject to certain conditions, members may have a maximum of 10% of their accrued pension paid as a lump sum. For both self-administered pensions (which are all frozen) and old-age provisions accrued under the third pillar, the same level of flexibility is proposed in the payout phase. The early retirement scheme allows employees to stop working three years before the state pension age. This measure is primarily intended for employees who have arduous occupations. Furthermore, it has been agreed that more tax scope will be provided for the accrual of leave, which is also aimed at early retirement.				The draft bill will be discussed by the House of Representatives in summer 2020.		

Increase household disposal income.	Additional easing of the tax burden on households (on top of the coalition agreement).	Support the development of disposable income.	The general tax credit will be increased by an additional EUR 750 million on a structural basis. The rate in the new first tax bracket will be further reduced by EUR 350 million. The employment tax credit will be increased in three stages by an additional EUR 2.15 billion. The healthcare benefit will be increased.	Central government budget.	In 2019, the policy-based burden on households rose by EUR 0.15 billion [38]. The government policy eased the tax burden by EUR 1.7 billion relative to the baseline (which included a EUR 2.2 billion increase in the tax burden).	The policy-based burden on households will decrease by EUR 4.2 billion over the course of the present government's term of office (2018-2021). The government policy will ease the tax burden by EUR 10 billion relative to the baseline (which included a EUR 5.8 billion increase in the tax burden).	Additional funds amounting to EUR 3.0 billion will be made available on a structural basis to reduce the tax burden on households, particularly for workers. Of that amount, EUR 1.5 billion will be derived from a shift in the tax burden from private individuals to businesses.	A lower tax burden on households will increase household disposable income.
Address features of the tax system that may facilitate aggressive tax planning.	Tackle tax avoidance	Tackle tax avoidance	Withholding tax on interest and royalty payments to low-tax jurisdictions and in misuse situations Tackle hybrid mismatches.	Withholding Tax Act 2021 (*Wet bronbelasting 2021*). Act implementing the Second EU Anti-Tax Avoidance Directive (ATAD2).	Both acts were adopted.	N/A	N/A	To prevent the Netherlands from being used as a conduit to low-tax jurisdictions and lower the risk of tax avoidance by shifting the Dutch tax base to low-tax jurisdictions.

[38] The allocation of taxes to households should be regarded as a rough estimate. The reason is that it is difficult to make such an allocation: many measures are not clearly attributable to citizens or businesses (such as the increase in the VAT rate).

Table 15. Qualitative characteristics of measures aimed at country-specific recommendation (CSR) 2

		Information on planned or already implemented measures						
CSR 2: Labour market		**Description of key measures and how they relate to the country-specific recommendations**					**Fiscal effects**	**Qualitative effects**
		Main policy objective and relevance to CSR	Description of the measure	Statutory/administrative instruments	Progress made in the last 12 months	Steps still to be taken	Annual change in government revenue and expenditure (in millions of euros), contribution to EU funds	Description of projected impact and timing of impact
Reduce the incentives for the self-employed without employees, while promoting adequate social protection for the self-employed, and tackle bogus self-employment.	Permanent and flexible employment relationships.	Better balance between permanent and flex workers	Introduction of a cumulative ground in dismissal law. Transition payment from day 1. More possibilities for successive temporary contracts. Focus payroll services and on-call contracts on their original purpose. Differentiation of the unemployment insurance contribution according to contract type.	The government has clustered the package of labour market measures under the Balanced Labour Market Act (*Wet Arbeidsmarkt in Balans*).	The Act came into effect on 1 January 2020.	N/A	N/A	Reducing the gap between permanent contracts and flexible working.
	Self-employed persons without employees	Prevent the self-employed from falling into poverty and provide certainty on the classification of the working relationship to prevent bogus self-	Client statement (*opdrachtgeversverklaring*) available through a web module, including removal of the enforcement moratorium. Incapacity for work insurance for the self-employed. Reduce the self-employed deduction in steps. Set a minimum rate for the lower end of the labour market and provide more freedom to the	The target entry into force date of the specific measures is 1 January 2021. The government will involve the social partners and stakeholders in elaborating this concretely.	See the letter *Progress on elaborating the measures for self-employment* of 24 June 2019 (Parliamentary Paper 31 311, No 219) and *Progress on elaborating the measures for self-*	The target entry into force date of the specific measures is 1 January 2021. The government will involve the social partners and stakeholders in	N/A	Certainty for genuine self-employed persons and their clients, and preventing poverty and bogus self-employment, especially at the lower end of the market.

		employment.	upper end of the labour market.		*employment* of 22 November 2019 (Parliamentary Paper 31 311, No 220).	elaborating this concretely.		
Strengthen lifelong learning and improve skills, particularly for people on the margins of the labour market and the inactive.	Lifelong learning and basic skills.	Promote lifelong learning	The STAP grant allowance scheme will provide for an individual grant of up to EUR 1,000 to spend on training activities provided by recognised or quality-marked training institutes. Interministerial LifeLong Learning action programme aimed at promoting a learning culture and achieving a breakthrough in this area. Interministerial Basic Skills action programme aimed at reaching more people with low basic skills, strengthening the quality assurance and monitoring of the range of educational programmes and the role of municipalities.	The measures set out in the action programmes will be implemented in 2019-2022 and 2020-2024 respectively in close cooperation with partners. The new Basic Skills action programme follows in part from the Interadministrative Programme 2018, in which the central government and the municipalities have agreed to invest in improving the basic skills of people the municipalities reach through the social domain, education or work and income.	See letters to the House of Representatives: • *Regional Lifelong Learning Initiatives* of 12 July 2019 (Parliamentary Paper 30012, no 120). • *Draft STAP allowance scheme* of 20 September 2019 (Parliamentary Paper 30012, no 121). • *Progress on Regional Lifelong Learning Initiatives* of 10 October 2019 (Parliamentary Paper 30012, no 122). • *Joining forces for a skilled Dutch labour force: follow-*	The STAP grant scheme is expected to be implemented in 2022. See *progress made in the last 12 months*.		The STAP grant scheme will give both employed and unemployed persons more control, through a budget for training activities. Increase adult participation in Lifelong Learning programmes, particularly adults who are currently unable to undergo sufficient training and development. Reduce the number of adults who have low basic skills (language, numeracy and digital skills).

					up approach to functional illiteracy 2020-2024 of 18 March 2019 (28760, no 84). • *Progress on elaborating the follow-up approach to functional illiteracy 2020-2024* of 6 January 2020 (28760, no 99).				

Table 16. Qualitative characteristics of measures aimed at country-specific recommendation (CSR) 3

		Information on planned or already implemented measures						
CSR 3: fiscal and structural policies, investment policy		**Description of key measures and how they relate to the country-specific recommendations**					**Fiscal effects**	**Qualitative effects**
		Main policy objective and relevance to CSR	Description of the measure	Statutory/administrative instruments	Progress made in the last 12 months	Steps still to be taken	Annual change in government revenue and expenditure (in millions of euros), contribution to EU funds	Description of projected impact and time
While respecting the medium-term budgetary objective, use fiscal and structural policies to support an upward trend in investment.	Fiscal policy		The government is pursuing an expansionary fiscal policy, which involves both increasing expenditure and decreasing taxes.	Central government budget.	Many of the tax measures in the coalition agreement have been incorporated into the Tax Plan. On the expenditure side, many measures have been incorporated into the ministerial budgets.	Other measures will be incorporated into legislation and budgets in the years ahead.	The CPB projects a structural surplus of 0.4% in 2020 in the Central Economic Plan, which means that the Netherlands complies with the MTO.	Supports domestic demand and will lead to a lower tax burden on labour.
Focus investment-related economic policy on research and development in particular in the private sector, on renewable energy, energy efficiency and greenhouse gas emission reduction strategies and on addressing transport bottlenecks.	Research and development	Investments	A total investment of EUR 400 million on a structural basis, for fundamental and applied research. The government will additionally invest EUR 10 million on a structural basis focusing on multi-year innovation programmes.	Central government budget	The government informed the House of Representatives by letter in 2018 of the allocation of the first tranches of the expenditure boosts for fundamental and applied research.		Structural expenditure boosts of EUR 400 million.	More research and innovation in the Netherlands with an impact on excellence in science, technology development and absorption, innovation capacity and competitiveness,

								productivity growth and solutions to societal challenges.
	Renewable energy	Share of renewable energy	In 2019, a budget amounting to EUR 10 million was made available to promote the production of renewable energy.	Stimulation of Sustainable Energy Production (SDE+) scheme	A budget amounting to EUR 10 million was again made available in 2019. The opening of an additional call for applications amounting to EUR 4 billion was also announced in spring 2020.	Opening of the additional SDE+ call for applications in spring 2020 and opening of the previously scheduled call for applications for the expanded SDE++ scheme in autumn 2020, amounting to EUR 7.0 billion in total.	Budget for opening the call for applications EUR 10.0 billion in 2019 and EUR 7.0 billion in 2020. The effect on the budget depends on the amounts available for projects, their final production volume and the energy prices.	Contributes to the energy transition in the Netherlands.
	Transport bottlenecks	Investments	Infrastructure investments in the Netherlands, including road and rail infrastructure, promote a modal shift in goods transport from road to rail, water and pipelines, an employers' strategy promoting sustainable mobility and applying smart mobility solutions.	Central government budget/Infrastructure Fund	See measures taken.	In 2019, the document *Schets Mobiliteit 2040* ('Mobility in 2040 - Outlines of a vision for the future') was submitted to the House of Representatives. The vision document outlines how people will travel across short, medium and long distances by 2040 and what action should be taken to achieve this.		Supports the transition to safe, sustainable and smart mobility.

						The Infrastructure Fund will be converted into a Mobility Fund in 2030. The focus will no longer be on the mode of transport but rather on mobility. In addition to budgets for the management, maintenance and installation of new infrastructure to resolve bottlenecks, the fund will also include budgets for improving the utilisation of the existing infrastructure. The Mobility Fund will become an important tool for comprehensively assessing challenges and solutions across the board within the fund budget methodology. A draft bill will be submitted to the House of		

						Representatives in early 2020, which is expected to enter into force in 2021.		

Table 17. Overview of the most important new measures in response to the Europe 2020 strategy

EU headline targets of the Europe 2020 strategy	Most important new measures for the next 12 months	Expected impact of the measures (qualitative/quantitative)
Employment	• To make work more financially rewarding, income tax will be adjusted, which includes introducing a two bracket system. • The government will invest in childcare services and expand birth leave to make it easier to combine work and care. • The government is working on improving the labour market position of Dutch citizens with a migration background through the *Further Integration in the Labour Market* (VIA) programme.	• The measures will lead to an increase in both the supply of work and the demand for work and are expected to have a positive effect on employment.
Research and innovation	• EUR 200 million will gradually be made available for fundamental research on a structural basis by 2020. • EUR 200 million has also been made available on a structural basis for applied research. (see the Letter to Parliament: *Towards a mission-driven, impactful innovation policy* (No 33 009-63) and the Letter to Parliament *Elaboration of Research Investments and Science Policy* (No 29 338-158). • It will additionally make EUR 10 million available on a structural basis from 2020 for targeted investments in multi-year innovation programmes.	• More investments in research and innovation.
Sustainable energy and climate.	• The government has set targets to be achieved by 2030 in the ambitious Climate Agreement and the Climate Act.	• The new Agreement and the Climate Act have a clear signalling effect. Some measures in the Agreement that will be concluded in 2020 may already have an initial effect on the reduction of CO_2 emissions.
Education	• Implementation of the Strategic Agenda for Higher Education and Research. • Retention of successful elements from the previous approach to tackling early school-leaving. The approach largely concerns the existing target group, with a focus on young people in a vulnerable position and young people who have dropped out of school previously. In 2020, municipalities and schools will jointly set out measures in regional plans in preparation of a new four-year period.	• Increasing the quality and accessibility of higher education and fostering talent development and diversity within higher education, as well as the connection between higher education and society. • Further improving and embedding the results of policy measures in the area of early school leaving. Coherent approach to young people in a vulnerable position as a result of improved collaboration between the education sector, employers and the healthcare sector. More young dropouts back in school and more young dropouts finding employment.
Social inclusion	• An additional EUR 100 million for child poverty on a structural basis (from 2017). • Temporary additional funds to combat poverty and debt, specifically among children (EUR 80 million in total for the period 2018-2020). • A financial boost of EUR 4 million for the four collaborative poverty alleviation organisations. • Financial incentives to encourage employers to hire people.	• Working will be more financially rewarding. • More effective, efficient and sustainable prevention as a result of a comprehensive approach to tackling poverty and debt. • Specific investments will be made regarding child poverty to prevent social exclusion and future

	• Offer better protection against bogus self-employment schemes. • More intensive guidance for specific groups of unemployed persons. • Facilitating experimentation under the Participation Act. • City Deals - solutions for integrated customisation in the social domain; • Agreements with municipalities to reduce the poverty gap. • Comprehensive approach to debt reduction. • Support municipalities in implementing local policy measures aimed at poverty and debt reduction.	disadvantage. • Collaboration between municipalities and the central government, and public and private parties will be strengthened to reach target groups more comprehensively and effectively.