Draft Budgetary Plan Netherlands

September 2014

Contents

Introduction

This Draft Budget Plan (DBP) presents the second budget of the Rutte-Asscher government. Consolidating public finances forms one of the three pillars of this government. With the abrogation of the Dutch excessive deficit procedure last spring an important step was taken. Dutch public finances show a clear improvement. However, meeting the 3-percent norm is not the end point. The Dutch government still spends more than it earns and government debt grows.

From now on the requirements in the preventive arm of the SGP apply to the Netherlands. Last spring, the Commission indicated in the country specific recommendations that there is a risk of significant deviation relative to the requirements of the preventive arm of the Stability and Growth Pact. In the preventive arm the medium-term objective (MTO) for the structural balance and the expenditure benchmark are monitored. For the Netherlands, the MTO is -0.5 percent of GDP. According to current projections the structural EMU balance in 2015 will amount to -0.7 percent of GDP. The Commission has indicated that a certain margin will be taken into account to determine compliance, because the calculation of the structural balance is associated with significant uncertainties and its path is volatile. The current assumption is that the structural balance of the Netherlands falls within this margin and the Netherlands has thus reached its MTO. Additionally, CPB projections show that the Netherlands complies with the expenditure benchmark. This means that, based on the latest CPB figures, the Netherlands complies with both requirements of the preventive arm.

In the Sustainable Public Finance Act (wet HOF) the Netherlands has formally implemented the requirement under the Treaty on Stability, Coordination and Growth to establish an independent fiscal council. Under that law, the Council of State has been designated as independent budgetary authority. The government has chosen not to allocate all tasks associated with supervision and evaluation of the budget to one institution, given the fact that well-functioning institutions in this area have already existed in the Netherlands for years. An important part forms the provision of reliable figures and evaluations of policies and budgets. That task rests with the CPB. Assuming the use of a margin by the European Commission in answering the question whether there is a significant deviation from the MTO, the Council of State considers that the budget in 2015 meets the relevant European standards considering debt, deficit (nominal and structural) and expenditure benchmark. In light of this the independent fiscal council has confirmed that according to current projections the Netherlands meets the requirements of the Stability and Growth Pact.

Now that the development of Dutch public finances looks favourable for 2015 and the EMU balance gradually moves away from the -3 percent benchmark, there is more room for trend-based fiscal policy; the fiscal policy framework used in the Netherlands since 1994. As a result, the budget will be able to follow economic developments within the guard rails of the European budgetary rules. The Netherlands remains fully committed to the European budgetary rules as laid down in the Stability and Growth Pact.

Chapter 1. Macroeconomic Forecasts

The CPB Netherlands Bureau for Economic Policy Analysis (CPB) foresees a slow and fragile recovery from the crisis for the Dutch economy. The CPB expects a growth of ¾ percent in 2014 followed by a growth of 1¼ percent in 2015. Growth is mostly driven by exports. Investments and consumption are on the increase and in 2015 domestic demand will contribute substantially to GDP growth. Furthermore, the unemployment rate has reached its peak, the housing market has stabilised and the public finances are improving.

Dutch exports are expected to grow by more than 3 percent in 2014 and 2015. Especially the development of domestically produced exports is strong. During the last two quarters of 2014 Dutch exports grew faster than the relevant world trade. CPB expects exports growth to parallel the world trade growth during the rest of the forecast period.

Following increasing exports, investments and production in the market sector grow in both forecast years and consumption will start to increase from 2015 onwards. This is the usual pattern of recovery for the Dutch economy and is backed up by growing confidence of consumers and producers. Both in 2014 and 2015 growth of the contractual wage level is expected to exceed inflation, leading to improving purchasing power (statistic median of all households) in both years.

The developments on the labour market follow the economic recovery with the usual lag. Firms first restore their productivity level before hiring new employees. Labour productivity is expected to increase by 1¾ percent in 2014 followed by 1 percent growth in 2015. The peak in the unemployment rate was reached in the first half of 2014. Unemployment[1] does remain high with 7 percent in 2014 and will only decline slowly to 6¾ percent in 2015, accompanied by an increase in overall employment.

Table 0.i) Basic assumptions

	2012	**2013**	**2014**
Short-term interest rate (annual average)	0,2	0,3	0,2
Long-term interest rate (annual average)	2,0	1,7	1,8
USD/EUR exchange rate (annual average)	1,33	1,36	1,35
Nominal effective exchange rate	3,0	1,6	-0,5
World excluding EU 28, GDP growth	3,6	3¼	3¾
EU28 GDP growth	-0,4	1	1½
Growth of relevant foreign markets	1,7	2½	4½
World import volumes, excluding EU			
Oil prices (Brent, USD/barrel)	109	108	107

[1] Eurostat definition

Table 0.ii). Main assumptions

	2013	2014	2015
1. External environment			
a. Prices of commodities (excl. energy (HWWI), euros)	-8,4	-4,7	-0,3
b. Spreads over the German bond	0,4	0,3	0,3
2. Fiscal policy			
a. General government net lending / net borrowing	-2,3	-2,6	-2,2
b. General government gross debt	68,6	69,7	70,2
3. Monetary policy / Financial sector / interest rates assumptions			
a. Interest rates:			
i. Euribor	0,2	0,3	0,2
ii. Deposit rates			
iii. Interest rates for loans			
iv. Yields to maturity of 10 year government bonds	2,0	1,7	1,8
b. Evolution of deposits			
c. Evolution of loans			
d. NPL trends			
4. Demographic trends			
a. Evolution of working-age population	0,8	-½	¼
b. Dependency ratios	69	72	73
5. Structural policies			

Table 1.a. Macroeconomic prospects

		2013	2013	2014	2015
	ESA-Code	level	rate of change	rate of change	rate of change
1. Real GDP	B1*g	642,8	-0,7	¾	1¼
Of which					
1.1. Attributable to the estimated impact of aggregated budgetary measures on economic growth					
2. Potential GDP			0,4	½	½
contributions:					
- labour			0,0	0	0
- capital			0,2	¼	¼
- total factor productivity			0,2	¼	¼
3. Nominal GDP	B1*g		0,3	1¼	2½
Components of real GDP					
4. Private final consumption expenditure	P.3	289,6	-1,6	0	1
5. Government final consumption expenditure	P.3	169,3	-0,2	-¾	0
6. Gross fixed capital formation	P.51	117,3	-4,0	2¾	3½
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	0,3	-0,2	0	0
8. Exports of goods and services	P.6	533,2	2,0	3¼	3¾
9. Imports of goods and services	P.7	466,8	0,8	3	3¾
Contributions to real GDP growth					
10. Final domestic demand		576,2	-1,5	¼	1
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	0,3	-0,2	0	0
12. External balance of goods and services	B.11	66,4	1,1	¼	¼

Table 1.b. Price developments

		2013	2013	2014	2015
	ESA-Code	level	rate of change	rate of change	rate of change
1. GDP deflator			1,0	½	1¼
2. Private consumption deflator			2,0	1¼	1¼
3. HICP			2,6	½	1
4. Public consumption deflator			0,0	¾	¾
5. Investment deflator			0,0	¼	1¼
6. Export price deflator (goods and services)			-0,6	-1¼	1¼
7. Import price deflator (goods and services)			-1,0	-¾	1

Table 1.c. Labour market developments

		2013	2013	2014	2015
	ESA-Code	level	rate of change	rate of change	rate of change
1. Employment, persons1		8699	-1,3	-¾	¼
2. Employment, hours worked2		6962	-1,4	-1	¼
3. Unemployment rate (%)3		600,1	6,7	7	6¾
4. Labour productivity, persons4			0,6	1½	1
5. Labour productivity, hours worked5			0,7	1¾	1
6. Compensation of employees	D.1	324,4	0,4	1¾	1¼
7. Compensation per employee		37,3	2,3	2¾	1¼

1/ Occupied population, domestic concept national accounts definition.

2/ National accounts definition.

3/ Harmonised definition, Eurostat; levels.

4/ Real GDP per person employed.

5/ Real GDP per hour worked

Table 1.d. Sectoral balances

		2013	2014	2015
	ESA-Code	% GDP	% GDP	% GDP
1. Net lending/net borrowing vis-à-vis the rest of the world	B.9	8,5	8½	8¾
of which:				
- Balance on goods and services		10,3	10¼	10½
- Balance of primary incomes and transfers		0,2	¼	¼
- Capital account		-2,1	-2¼	-2
2. Net lending/net borrowing of the private sector	B.9	10,3	10¾	10¾
3. Net lending/net borrowing of general government	B.9	-2,3	-2,6	-2,2
4. Statistical discrepancy				

Chapter 2. Budgetary targets

The general government balance is projected at -2,9 percent of GDP in 2014 and -2,2 percent of GDP in 2015. This is an improvement of 4,4 billion euro. The table below shows which factors contribute to this improvement between 2014 and 2015.

Tax revenue and social contributions are forecast to increase by 3 billion euro in 2015. This rise improves the general government balance by 0,5 percent of GDP in 2015 compared to 2014. Healthcare expenditure is expected to decrease by 0,7 billion euro, improving the balance by 0,1 percent of GDP. Expenditure on social protection and wage and price indexation is expected to increase from 2014 to 2015. The lower Dutch contributions to the EC and other expenditure under the state budget ceiling improve the general government balance in 2015 compared to 2014.

Dividend payments from the central bank to the State will decrease in 2015 compared to 2014, leading to a deterioration of the balance. This is also the case with the rise of the cash-transaction corrections (particularly the cash-transaction correction on the public transportation card for students). The balance of the local government is expected to improves in 2015 compared to 2014, improving the general government balance.

General government balance improvement in 2015		
	billion euro	% GDP
General government balance 2014	**-19,0**	**-2,9%**
Denominator effect		0,0%
Tax revenu and social contributions	3,0	0,5%
Healthcare expenditure	0,7	0,1%
Social protection expenditure	-1,7	-0,3%
Wage and price indexation	-1,0	-0,2%
Contributions to the EC	1,3	0,2%
Cash-transaction corrections	-0,8	-0,1%
Other expenditure under the State budget ceiling	3,0	0,4%
Central bank dividend payments	-0,5	-0,1%
Local government balance	0,4	0,1%
Other	-0,1	0,0%
General government balance 2015	**-14,6**	**-2,2%**

The improvement of the general government balance that was initiated in preceding years, is therefore continued. The projected structural balance is expected to improve from -1,0 percent of GDP in 2014 to -0,7 percent of GDP in 2015. The Netherlands has a medium term objective (MTO) of -0,5 percent of GDP. The Commission has indicated that it uses a certain margin in determining compliance with the MTO, because the calculation of the structural balance has uncertainties and its path is volatile. The current projection is that the structural balance of the Netherlands falls within this margin and that the Netherlands therefore complies with the MTO in 2015. The recent CPB forecast shows that the Netherlands also complies with the expenditure benchmark. This means that, based on the recent CPB forecast, the Netherlands complies with both pillars of the preventive arm.

The projected gross government debt increases from 69,8 percent of GDP in 2014 to 70,0 percent of GDP in 2015. The gross government debt is 454 billion euro in 2014 and 467 billion euro in 2015. The strong increase in debt as a percentage of GDP in previous years had therefore leveled off, but a downward trend has not yet been established. This is because the increase in gross government debt, primarily as a consequence of the projected budget deficit, is bigger than the projected increase in nominal GDP. However, the effects on gross government debt of the interventions in the financial market as a result of the crisis are decreasing. The State has sold its remaining claim on Landsbanki in 2014 (value 0,6 billion euro) and ING is projected to redeem the last part of its loans to the state in 2015 (value 1 billion euro). Both transactions will decrease gross government debt. The recent forecast of the CPB shows that the Netherlands is in compliance with the debt benchmark.

Table 2.a. General government budgetary targets broken down by subsector

		2014	2015
	ESA-Code	% GDP	% GDP
Net lending (+) / net borrowing (-) (B.9) by sub-sector			
1. General government	S.13	-2,9	-2,2
2. Central government	S.1311	-1,7	-1,5
3. State government	S.1312		
4. Local government	S.1313	-0,3	-0,3
5. Social security funds	S.1314	-0,9	-0,5
6. Interest expenditure	D.41	1,5	1,4
7. Primary balance2		-1,4	-0,8
8. One-off and other temporary measures3		0,0	0,0
9. Real GDP growth (%) (=1. in Table 1a)		¾	1¼
10. Potential GDP growth (%) (=2 in Table 1.a)		½	½
contributions:			
- labour		0	0
- capital		¼	¼
- total factor productivity		¼	¼
11. Output gap (% of potential GDP)		-3½	-2½
12. Cyclical budgetary component (% of potential GDP)		-1,9	-1,5
13. Cyclically-adjusted balance (1 - 12) (% of potential GDP)		-1,0	-0,7
14. Cyclically-adjusted primary balance (13 + 6) (% of potential GDP)		0,5	0,7
15. Structural balance (13 - 8) (% of potential GDP)		-1,0	-0,7

Table 2.b. General government debt developments

		2014	2015
	ESA-Code	% GDP	% GDP
1. Gross debt1		69,8	70,0
2. Change in gross debt ratio		1,2	0,2
Contributions to changes in gross debt			
3. Primary balance (= item 10 in Table 2.a.i)		-1,4	-0,8
4. Interest expenditure (= item 9 in Table 2.a.i)	**D.41**	1,5	1,4
5. Stock-flow adjustment		-1,7	-2,0
of which:			
- Differences between cash and accruals2		-0,1	0,1
- Net accumulation of financial assets3		-0,8	-0,3
of which:			
- privatisation proceeds		..	..
- Valuation effects and other4		-0,8	-1,8
p.m.: Implicit interest rate on debt5		2,2	2,1
Other relevant variables			
6. Liquid financial assets6		0,2	0,2
7. Net financial debt (7=1-6)		69,6	69,8
8. Debt amortization (existing bonds) since the end of the previous year		4,9	7,3
9. Percentage of debt denominated in foreign currency*		3,5	
10. Average maturity**		7,4	

* as at 31 december 2013, this figure gives the percentage of bonds, bills, and other debt in foreign currency
** as at 1 september 2014, this figure gives the average maturity of DSLs (bonds)

About 80 percent of all outstanding guarantees stems from necessary and unavoidable international agreements linked to the EU, the International Monetary Fund, the World Bank and the European Investment Bank. The Dutch government has introduced a policy framework to contain and reduce contingent liabilities and improve accountability. Retrenching contingent liabilities has resulted in a downward adjustment of the maximum risk, which is apparent through the decrease of the total public guarantees, by 3 billion euro from 31,2 percent to 30,0 percent of GDP. Better risk containment is also realised through improvement of the risk containment mechanisms which for decrease the likelihood that outstanding guarantees are actually invoked.

Examples are setting market-conform premiums and a more balanced sharing risks between guarantee and guarantor.

Table 2.c Contingent liabilities

	2014	**2015**
	% GDP	% GDP
Public guarantees	31,2	30
Of which: linked to the financial sector	25,9	25,1
Guarantee facility for interbank loans	0,2	0,0
Guarantee DNB profit remittance	0,9	0,9
Guarantee SNS	0,6	0,6
Participation in ABN AMRO	0,1	0,1
EFSF	7,6	7,4
EFSM	0,4	0,4
ESM	5,4	5,3
DNB - participation in IMF capital	7	6,8
EBRD	0,1	0,1
EIB	1,5	1,5
World Bank	0,5	0,5

Chapter 3: Expenditure and revenue projections under the no-policy change scenario

Table 3 shows the total projected general government expenditures and revenues at unchanged policies as proposed in the budget plan 2015 (*Miljoenennota 2015*).

Table 3. General government expenditure and revenue projections at unchanged policies broken down by main components

		2014	2015
General government (S13)	ESA-Code	% GDP	% GDP
1. Total revenue at unchanged policies	TR	44,6	44,3
Of which			
1.1. Taxes on production and imports	D.2	11,6	11,4
1.2. Current taxes on income, wealth, etc	D.5	10,7	11,6
1.3. Capital taxes	D.91		
1.4. Social contributions	D.61	15,7	14,6
1.5. Property income	D.4	1,4	1,4
1.6. Other		5,8	6,1
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		38,1	37,7
2. Total expenditure at unchanged policies	TE	47,5	46,5
Of which			
2.1. Compensation of employees	D.1	9,2	8,9
2.2. Intermediate consumption	P.2	6,2	5,9
2.3. Social payments	D.62	22,7	22,4
	D.632		
of which Unemployment benefits		2,3	2,2
2.4. Interest expenditure	D.41	1,5	1,4
2.5. Subsidies	D.3	1,2	1,1
2.6. Gross fixed capital formation	P.51	3,7	3,6
2.7. Capital transfers	D.9		
2.8. Other		3,0	3,0

Chapter 4: Expenditure and revenue targets. General government expenditure by function

Table 4 gives a more detailed view in the projected general government expenditures and revenues in 2014 en 2015.

Table 4.a General government expenditure and revenue targets, broken down by main components

		2014	2015
General government (S13)	ESA-Code	% GDP	% GDP
1. Total revenue at unchanged policies	TR	44,6	44,3
Of which			
1.1. Taxes on production and imports	D.2	11,6	11,4
1.2. Current taxes on income, wealth, etc	D.5	10,7	11,6
1.3. Capital taxes	D.91		
1.4. Social contributions	D.61	15,7	14,6
1.5. Property income	D.4	1,4	1,4
1.6. Other		5,8	6,1
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		38,1	37,7
2. Total expenditure at unchanged policies	TE	47,5	46,5
Of which			
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2.3. Social payments	D.62	22,7	22,4
	D.632		
of which Unemployment benefits		2,3	2,2
2.4. Interest expenditure	D.41	1,5	1,4
2.5. Subsidies	D.3	1,2	1,1
2.6. Gross fixed capital formation	P.51	3,7	3,6
2.7. Capital transfers	D.9		
2.8. Other		3,0	3,0

Table 4.b Amounts to be excluded from the expenditure benchmark

		2013	2013	2014	2015
	ESA-Code	level (bn)	% GDP	% GDP	% GDP
1. Expenditure on EU programmes fully matched by EU funds revenue		1,3	0,2	0,2	0,2
2. Cyclical unemployment benefit expenditure		12,8	2,0	2,1	2,0
3. Effect of discretionary revenue measures		7,6	1,2	1,6	0
4. Revenue increases mandated by law		1,3	0,2	-0,4	0

Table 4.c General government expenditure by function.

4.c.i) General government expenditure on education, healthcare and employment

	2014		2015	
	% GDP	% general government expenditure	% GDP	% general government expenditure
Education	5,5	11,6	5,5	11,7
Healthcare	8,6	18,0	8,4	18,1
Employment	0,6	1,4	0,6	1,3

4.c.ii) Classificatie van overheidsfuncties

Functions of the Government		**2014**	**2015**
	COFOG-code	% GDP	% GDP
1. General public services	1	5,0	4,7
2. Defense	2	1,2	1,2
3. Public order and safety	3	2,0	1,9
4. Economic affairs	4	4,6	4,4
4. Environmental protection	5	1,5	1,5
6. Housing and community amenities	6	0,5	0,5
7. Health	7	8,6	8,4
8. Recreation, culture and religion	8	1,6	1,5
9. Education	9	5,5	5,5
10. Social protection	10	17,1	16,9
11. Total Expenditure (= item 2 in Table 2.c.i)	TE	47,5	46,5

Chapter 5. Discretionary measures included in the draft budget

After a number of years of economic turmoil, the development of the Dutch public finances shows a positive trend. The general government balance is steadily trending away from the critical lower bound of -3 percent and the current expectation is that the requirements of the SGP will be met. This yields more opportunities for trend-based budgetary policy, which has been conducted in the Netherlands since 1994. It is because of this reason that the budget can move freely with economic developments, within the boundaries of the European budgetary rules. Trend-based budgetary policy utilises real expenditure ceilings in order to manage expenditures within the budget. During a governmental term actual expenditures are bound to this limit. In the *Miljoenennota 2015* actual expenditures are lower than the upper limits for all years.

A revenue ceiling is in place at the opposing side of the budget. At the beginning of a governmental term, the budgetary effects of policy changes in rates and bases for taxes and social contributions for the term are determined. If the policy changes in taxes or social contributions fall above/below the revenue ceiling, this will have to be offset by an increase/decrease in taxation. This, however, does not apply to endogenous (unrelated to policy) developments: if the economic trend deviates from the predictions made when the government took office, results are either windfalls or setbacks. Windfall gains cannot be used for new policies, but are used to improve the government balance. In principle, setbacks do not trigger additional measures, but worsen the government balance. Thus, automatic stabilisation is in place on the revenue side of the budget. Therefore the government balance also moves along with the economic trend.

The current expenditure and revenue ceilings were set after the additional policy measures, amounting to 6 billion euro (Begrotingsafspraken 2014), under the recommendations related to the excessive deficit procedure. The budget 2015 was drawn up during a time of rising international uncertainty. Moreover, European budgetary scrutiny further impedes budgetary space. Both factors cause the present budget to be sober and prudent. First, budgetary space created by a decrease in expenditures has been employed to lower taxation. Second, the government is investing in the economy in a focused manner. Fields of focus are recovery of the labour market, improvement of international earning potential and improving the versatility of the economy. Finally, the government is limiting the risk of future cutbacks by not fully utilising the room available under the expenditure ceilings. The following clarifies the most important new measures.

Geopolitical situation

- Defense. The Ministry of Defense will receive an additional 100 million euro in structural terms. Geopolitical developments and recent international and national safety analyses necessitate an adjustment of the ambition level of the military. This breaking of the trend has implications for both materiel and personnel and thus for defense expenditure. Good employer practices remain a vital aspect. This breaking of the trend is intended to be continued in the coming years, if possible and necessary. The path set out in the memorandum «In het belang van Nederland» will continue to be the point of departure. International cooperation and sustainability are key concepts in this memorandum.
- Algemene Inlichtingen- en Veiligheidsdienst (AIVD, General Intelligence and Security Service). The budget of the AIVD will increase with 25 million euro from 2015, on a structural basis, in response to increasing threats caused by such factors as, but not limited to, jihadism, tension in the Middle East and radicalisation.
- Openbaar Ministerie (OM, Public Prosecution Service). The OM will receive additional resources, accumulating up to 20 million euro structurally, to prosecute more and better cases. The additional resources will be aimed at, amongst others, crime with an international dimension, such as jihadism, human trafficking and cyber crime.
- Shelter for asylum seekers 2014-2015. The number of individuals seeking asylum from the developing world is expected to increase in 2014. The government devotes 375 million euro to first year care of asylum seekers in 2014 and 2015.

- Emergency aid/Regional relief 2014-2017. This year's regular budget for emergency aid of 200 million euro has nearly been depleted. An additional 570 million euro has been made available for emergency aid to enable the Netherlands to contribute at times of disaster, when called upon. This amount can be used flexibly over the government's term. The additional resources are, among other uses, utilised for the care of displaced persons (for instance from Syria) and the control of the ebola outbreak in Western Africa.

Easing of the tax burden and improving purchasing power
- Employee tax credit. The government is investing 500 million euro to start the phasing out of the employee tax credit at a higher level of income than before. This improves the efficiency of the labour market. This amount is additional to earlier increases in the employee tax credit. Cumulatively, this amounts to 3.1 billion euro over 2014 and 2015.
- Reducing the rate of the first tax bracket. The government is investing 475 million euro in order to reduce the rate of the first bracket of income tax. The tax rate will be 36.5 percent in 2015 which – after a temporary reduction in 2014 – amounts to a smaller increase than previously foreseen.
- Purchasing power of households. To support household purchasing power the government will devote an additional 160 million euro to the child-based budget.
- Envelope reserved for reducing corporate taxation. From 2016 onwards the government has reserved budgetary space to ease the burden of taxation for the corporate world in the light of revision of the tax regime.

Strengthening innovation
- Future fund. To invest financial capital in innovation and preserve wealth for future generations, the government will establish a Future fund. The starting capital is set at 200 million euro. These resources can be deployed to finance innovative and rapidly growing small and medium enterprises (sme) and research. The resources from the existing Innovation fund MKB+ will also be incorporated in the Future fund. From 2014 onwards, windfalls from the sale of natural gas will also flow to the fund. These resources will subsequently be invested in Dutch government bonds. The return on the invested capital of the fund and the government bonds will benefit (non-revolving) fundamental and applied research. From the starting capital of 200 million euro, 100 million euro was already made available in 2014 to innovative sme's under the additional plan of action regarding sme-financing, via the investment fund Dutch Venture Initiative (DVI).
- Deduction for research and development (WBSO). The WBSO (Research and Development Promotion Act) is a fiscal instrument which seeks to stimulate private innovation. The government has made an additional 16 million euro available for this instrument.

Housing market
- VAT-rate for the construction sector. The reduced VAT rate for construction and renovation had been extended to 1 July, 2015. This has been done in conformity with the current arrangement, so including architects and gardeners.
- Rental market. The budget for the rent benefit has been increased by 31 million euro to accommodate increasing demand.
- Buyer's market. To improve mobility on the housing market the maximum period over which the interest on residual debt may be subtracted has been extended from ten to fifteen years. This extension applies to residual debt which arises between October 29, 2012 up to and including 2017. Also, the extended term (from two to three years) of the so-called moving arrangement in the mortgage interest deduction has been made permanent. This arrangement enables temporary mortgage interest deduction for two residences. The interest on vacant residences for sale remains deductible. Finally, the re-establishment of mortgage interest deductibility after letting a for sale residence remains intact.

Softening the effects of budget cuts in the long term healthcare
- Transition Wmo. In 2015, an additional 40 million euro is made available to smooth the transition to the new Wet maatschappelijke ondersteuning (Wmo, Social Support Act). This is additional to

extra resources allocated to the Wmo from spring (195 million euro) and the 75 million euro provided by the government in 2015 and 2016 to subsidise home help. These measures will also benefit employment in this sector.

Household benefit
The government intended to integrate the current benefits related to health care, child care, rent and a new subsidy for the elderly into one benefit per household with one uniform income-dependent phasing-out rate. The proposal was adopted in the 2014 budget. After exploring the details a legal division into components turned out to be necessary, in order to prevent expatriation of benefits. This requirement turned out to be so complex for tax authorities that implementation would have led to unjustified risks to the continuity of taxation and the paying out of benefits. The government therefore has chosen to forgo introduction of the household benefit and to find an alternative way to cover the planned savings of 1.3 billion euro. A comprehensive overview of the alternative coverage of the household benefit is available in the proposed budget of the Ministry of Social Affairs and Employment. On the revenue side of the budget the discontinuing of the household benefit has led to a reversal of the correction of the tax credit for the elderly. The alternative coverage of the household benefit is partially found in measures at the revenue side of the budget. The measures concerning the health care benefit, the reduction of the tax credit for the elderly, the increase of the lowered rate for the income-dependent contribution to health care (IAB) and the abolishment of the partial exemption from wealth tax for the elderly are processed in the revenue framework. These measures will be implemented starting January 1, 2016. In 2015 coverage is found in (among others) taxation on amounts that will become available earlier than foreseen from the life-cycle savings scheme and underspending in the Research and Development Allowance (RDA). The revenue and expenditure ceilings will be adjusted for these alterations.

Table 5.a Discretionary measures taken by the General Government

List of Measures	Target (Expenditure / Revenue component) ESA Code	Budgetary impact 2014	2015	2016	2017
		billion euro (-/- increases the EMU balance, + decreases the EMU balance)			
Expenditure					
Expenditure ceiling at DBP 2014 (starting point)		*0,0*	*0,0*	*0,0*	*0,0*
Mutations due to changes in macro-economic variables		-0,8	-1,9	-1,3	-0,9
Mutations due to changes in budget execution		-1,5	-1,2	-1,2	-1,3
Mutations due to changes in policy		1,1	1,3	0,9	0,5
of which					
Improvement of purchasing power		0,0	0,1	0,1	0,1
Softening of effect of budget cuts in long-term care		0,0	0,6	0,2	0,2
Defense		0,0	0,1	0,2	0,1
Future fund		0,1	0,1	0,0	0,0
Emergency aid / shelter of refugees abroad 2014-2017		0,6	0,0	0,0	0,0
Shelter of refugees 2014-2015		0,4	0,0	0,0	0,0
Rent benefit		0,1	0,1	0,0	0,0
Other		-0,1	0,3	0,4	0,1
Coverage of tax relief		0,0	1,1	1,0	1,0
Total of mutations to expenditure ceiling relative to DBP 2014 at DBP 2015 (Miljoenennota 2015)		*-1,1*	*-0,9*	*-0,5*	*-0,7*
Revenue					
Coverage of cancelled household benefit		0,0	-0,5	-0,7	-0,7
Employee tax credit		0,0	0,5	0,5	0,5
Lowering rate first tax bracket		0,0	0,5	0,5	0,5
Second suppletory budget (Fall 2013)		0,0	0,0	-0,4	-0,5
August 2014 budget negotiations		0,6	1,6	0,2	0,0

Chapter 6. Possible links between the draft budgetary plan and the targets set by the Union's Strategy for growth and jobs and CSRs

In the context of the European Semester the Council of the EU has given the Netherlands four Country-Specific Recommendations (CSRs). These CSRs cover budgetary strategy, housing market reform, demographic ageing and enhancing labour participation. The government agrees with the Council that these are important issues in the Dutch economy that have to be addressed with ambitious policies. This is reflected in the plans and already implemented reforms of the government, as shown in table 6a. Table 6b provides a description of the measures in the context of the Europe 2020 strategy.

Measures related to the tax burden on labour

In the context of the European Semester the Council has not only issued country specific recommendations addressed to the Member States, but also for the Eurozone. In one of these recommendations, the European Council urges Member States to implement structural reforms to facilitate economic growth and employment. The Council recommends a reduction of the tax wedge on labour and to reform the services sector. The Eurogroup has decided to evaluate the progress of the Member States during the discussion of the Draft Budgetary Plans.

The Netherlands endorses the need to reduce the tax burden on labour to stimulate economic growth, employment and competitiveness. The high tax burden on labour decreases labour supply and suppresses economic growth. For this reason the Netherlands is exploring options for tax reform aimed at increasing employment and economic growth. By providing several options the government aims to secure broad support for the overhaul of the tax system. For example, a shift from relatively high labour taxes towards indirect taxes will be investigated.

The Netherlands curbs the growth of labour tax in 2015 despite limited fiscal space. Due to budgetary consolidation the tax burden, including on labour, increased significantly the past years. In 2015 the tax on labour will be reduced due to a 500 million euro increase in the employee tax credit, which will be phased out from a higher income level than before. This enhances the functioning of the labour market and is additional to earlier increases in the employee tax credit. The cumulative budgetary impact of the increases in the employee tax credit amount to 3,1 billion euro in 2014 and 2015. In addition to this, the phasing out of the employee tax credit will be refocused to improve incentives to work for lower and middle incomes. In these segments the impact on labour supply is highest, according to the CPB. The government will dedicate 475 million euro to a reduction of the first bracket of the income tax in 2015. The rate of the first bracket will be set at 36,5%, resulting in – after a temporary reduction in 2014 –a smaller increase than initially planned. In addition, the increase of the general tax credit in 2015 will lead to a lower tax burden on labour.

Over time, the reform of the mortgage interest relief, in combination with lower income taxes will also result in a lower taxation on labour.

By reducing the taxes on labour, the government aims to improve economic growth potential and strengthen incentives aimed at employment. The governments is of the opinion that lower taxation on labour should be accompanied by structural reforms improving the efficiency of the labour market. This should maximise the effect on economic growth and employment. Dismissal law reform and the reform of the Unemployment Insurance Act (WW) contribute to this aim.

Table 6.a CSR Recommendations

CSR Number	List of measures & description of direct relevance
1. Following the correction of the excessive deficit, reinforce the budgetary measures for 2014 in the light of the emerging gap of 0,5 % of GDP based on the Commission services 2014 spring forecast, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, significantly strengthen the budgetary strategy to ensure reaching the medium-term objective and maintain it thereafter, and ensure that the debt rule is met in order to keep the general government debt ratio on a sustained downward path. Protect expenditure in areas directly relevant for growth such as education, innovation and research.	The Netherlands has an MTO of -0,5% GDP. According to current projections the structural balance will be -0,7% in 2015. The Commission has indicated that in determining compliance with the MTO a certain margin will be taken into account, because the calculation of the structural balance is associated with significant uncertainties and its path is volatile. The current assumption is that the structural balance of the Netherlands falls within this margin and the Netherlands has thus reached the MTO. Additionally, the CPB projections show that the Netherlands complies with the expenditure benchmark. This means that, based on the latest figures of the CPB, the Netherlands complies with both requirements of the preventive arm.
2. When the economic environment allows, step up efforts to reform the housing market by accelerating the reduction in mortgage interest tax deductibility, by providing for a more market-oriented pricing mechanism in the rental market, and by further relating rents to household income in the social housing sector. Monitor the effects of the social housing reforms in terms of accessibility and affordability for low-income	The government is taking extensive measures on the owner-occupied market to curb high debt levels and associated financial risks for households and banks. Since 1 January 2013 the right to mortgage interest tax deduction on new loans for owner-occupied homes has been linked to the condition that the loan must be repaid on (at least) an annuity basis over a maximum of 30 years. In addition, as from 2014, the maximum rate of interest tax deductibility for both new and existing mortgages will be reduced gradually from 52 to 38 percent. The subsequent revenue increase will be returned to tax payers through lower wage and income taxes. Also the maximum loan-to-value (LTV) ratio will be reduced gradually to 100 percent in 2018. In the event of a robust recovery of the housing market, the government will present proposals for a definitive level of the LTV and the path towards this level after 2018. The government strikes a balance between the implementation of reforms on the one hand and safeguarding the stability of the housing market and income position of households on the other hand. The government also implements reforms to improve the functioning of the rental market and the allocation of

households. Continue efforts to refocus social housing policies to support households most in need.	social housing. For example, since 1 July 2013 the government allows for above-inflation rent increases depending on income. This creates an incentive for higher incomes to leave the social housing sector, creating more room for the actual target group. The lower incomes are (partially) compensated for rent increases through the housing benefit. In this way affordability of social housing is secured. Also, the property valuation system (WWS) for determining the maximum rent will be simplified and reformed to better reflect the market value of a property. More weight will be attached to local market conditions when determining the value of a property. The exact details are still under discussion. Introduction is foreseen for mid-2015. Another measure that will contribute to a better functioning rental market is freezing the liberalisation limit for the regulated rental sector for three years, which increases the number of rental houses that may be liberalized. In addition, the possibilities for temporary rental contracts will be expanded. Finally, the government takes various measures to stimulate investments in the liberalised part of the rental market. Legislation is being prepared to force social housing associations to separate their SGEI activities from their non-SGEI activities (SGEI: Services of General Economic Interest). This will help protect the social objectives and creates a more level playing field in the commercial segment of the rental market. The government has also relaxed the regulations for the sale of properties from social housing corporations to private parties.
3. Implement reforms of the second pillar of the pension system, ensuring an appropriate intra- and inter-generational distribution of costs and risks. Underpin the gradual increase of the statutory retirement age with measures to improve the employability of older workers. Implement the envisaged reform in the area of long-term care with a view to ensure sustainability, while ensuring fair access and the quality of services and monitor its effects.	The government is taking various measures related to the pension system. As of 2013, the statutory retirement age (first pillar) will be raised gradually to 67, and thereafter linked to life expectancy. The standard retirement age for supplementary pensions (second pillar) has been increased to 67, and as of 2015, linked to life expectancy. As of 1 January 2015, the maximum annual accrual rate qualifying for tax relief for second pillar pensions is reduced to 1,875% (for average pay schemes). The increase of the pension age allows for smaller annual contributions and positively effects workers purchasing power. It is important to avoid unbalanced effects between different groups of participants (e.g. different generations). The proposed legislation for a new financial assessment framework, better safeguards pension wealth and results in balanced generation effects. In addition, the government has launched a national dialogue on the future of the pension system, in which generational aspects is also discussed. Although the Netherlands performs well with respect to employment of older people - the participation rate of older people is on the rise and in 2013 the average effective retirement age increased to 63,9 years – the low chance of find work for older unemployed workers remains an important point of attention for the government. Both the structural reforms on the labour market, as provided for in the Employment and Social Security Act (Wet Werk en Zekerheid), and the sector plans, mobility bonus and the re-integration programmes of the UWV will contribute to the employability of older workers. The recommendation of the Commission to bear in mind quality, accessibility, and monitoring efforts, constitute essential components of the long term care reform initiated by this government. By implementing this reform, long term care will become both more suited to personal needs and more cost-effective. As a result, expenditures on long term care are expected to remain constant over the current government’s term. In order to prevent an adverse effect on quality and accessibility

	of care as a consequence of lower budgets, various committees have been installed over the past few months, which will monitor the transitions in the various domains of our health care system.
4. Take further measures to enhance labour market participation particularly among people at the margins of the labour market and to reduce tax disincentives on labour. Implement reforms of employment protection legislation and the unemployment benefit system, and further address labour market rigidities. In consultation with the social partners and in accordance with national practice, allow for more differentiated wage increases by making full use of the existing institutional framework.	The government endorses the fourth recommendation aimed at increasing labour force participation, through the implementation of the reform of the Dismissal Law and the Unemployment Insurance Act (WW). The government focuses on promoting employment and encouraging labour force participation by reforming social security and by making work pay. This is done via the Participation Act (Participatiewet) and the Employment and Social Security Act and the reform of the child benefit schemes. Also the increase of the employee tax credit makes working more rewarding for lower and middle-incomes and ensures a balanced distribution of income. The government will further increase the employee tax credit in the coming years. The government makes an effort to further strengthen the economic independence of women and increasing the participation rate of non-working or least-earning partners, who now often work part time. In this context regional agreements are made with employers, municipalities and other stakeholders to increase women's labour force participation and number of working hours. Also the reform of the child benefit schemes and the increase of the employee tax credit will contribute towards these goals. The government also wants to improve the functioning of the labour market by facilitating the combination of work and care. The government's proposal to modernise leave arrangements contributes to this. The government also promotes employers and employees to make customised agreements about the combination of work and care tasks in the home environment. The government stresses that wage-setting is primarily the responsibility of the social partners and that they may make use of the existing institutional framework. The government will discuss the extent to which more wage differentiation is possible and desirable with employers and employees.

Table 6.b Targets set by the Union's Strategy for growth and jobs

National 2020-targets	Measures	Description of direct relevance to address the target
National 2020 employment target [80%]	Section 3.3 en 3.4 of the NRP elaborate on several measures, such as: • Raising of the statutory retirement age; • Implementation of the Participation Act; • Modernising labour law and adjusting the duration of unemployment benefits • Fiscal measures, including phasing out of the transferable tax credit. In addition the coalition will take the following measures in 2015: • Co-financing of concrete retraining- and in-service training programs • Introduction of the 'brug-WW' (to ease work-to-work transition from shrinking to growing sectors of the economy) • Extension of the entitlement to childcare allowance during unemployment.	• The expectation is that the participation rate of older people will rise when the statutory retirement age increases. The average effective retirement age has already risen to 63.9 in the past 7 years. • The Participation Act will increase labour participation of people with a disability. • The labor law will be adjusted and will be made fairer and the activating nature of the Unemployment Benefits Act will be enhanced. Moreover, the dismissal law will be simplified. The objective is to increase labour mobility. The legislation will come into force in 2015. • The transferability of the employed persons' tax credit will be phased out. This will promote labour participation. • Sectors which promote concrete retraining and in-service training can, via the third tranche of the sector plans be eligible for co-financing. • The 'bridge-unemployment benefit' encourages job-to-job programs and simplifies switching jobs between professions and sectors which require substantial retraining. • Parents are entitled to childcare allowance during the first six months of unemployment. By extending the period from three to six months they can focus entirely on finding a new job. The measure applies in 2015 and 2016.

National 2020 target R&D spending [2,5% GDP]	Section 4.2. of the NRP contains the most important measures, such as: • Co-financing Horizon 2020; • The 'top sector' approach, among which the TKI-allowance and the MIT-arrangement, in collaboration with regions; • Tax facilities for R&D (WBSO, RDA and the Innovation Box); • Financing instruments, among which the 'Future Fund'.	• Co-financing helps knowledge institutions and companies to participate in these programs • The 'top sector' approach aims at strengthening the connection between science, the business community and public authorities in the fields of research, human capital, legislation and foreign acquisition. The TKI-allowance and the MIT boost (financial) participation of businesses, in particular SME. • Tax facilities contain, among others, WBSO, RDA and the Innovation Box: – The WBSO aims at promoting private investments in innovation via tax deductibility for labour costs and R&D for businesses, research institutions and self employed. – RDA focuses on promoting private investments in innovation by allowing entrepreneurs to reduce a part of their investments in innovation. – The Innovation Box promotes private investments in innovation via a special tariff box within the corporate tax: in case of profits a lower tariff applies. • To invest capital in innovation and simultaneously preserve capital for future generations the government establishes a Future Fund. The seed capital is 200 million euro. These funds can be used to fund innovative and fast growing SMEs and research. The funds from the existing SME Innovation Fund+ are also part of the fund. Any windfalls in gas revenues will also be added to the fund as from 2014, which are then invested in Dutch government bonds. The return on the fund assets and the corresponding government benefits (non-revolving) fundamental and applied research. Of the 200 million euro seed capital, 100 million euro is already made available to the innovative SMEs through the investment fund Dutch

		Venture Initiative (DVI).
National target reduction of CO2 emissions - **non-ETS sectors [-16%]** - **ETS-sectors [not applicable]**	Section 4.3 of the NRP contains the key policies such as: • For ETS sectors the ETS cap determines the GHG emission reduction. • For non-ETS sectors, sectoral policy packages (energy / industry, transport, agriculture, housing and non-CO2 greenhouse gases). • See also the Energy Agreement.	• ETS is the most important method for reduction in some sectors. The EU ceiling leads exactly to the target. For non-ETS sectors, there are national policy measures and budgetary measures to contribute to the goal in these sectors, as described below in renewable energy and energy efficiency.
National target energy for renewable energy 14%]	The main measures are included in section 4.3. of the NRP. Important is the SDE + subsidy aimed at, among others, the realization of 4,450 MW of wind off-shore and 6,000 MW of wind on-shore.	• The SDE + subsidy scheme is aimed at encouraging the generation of renewable energy. With respect to off-shore wind power a cost reduction is agreed with relevant stakeholders. The renewable energy target is in this matter is temporized to 14% in 2020
National target energy efficiency [1,5% per year]	The main measures are incorporated in section 4.3. of the NRP, including: • The energy investment deductibility; • A revolving fund for energy efficiency with a total capital of 740 million euro will be made available; • CO2-sector system for the greenhouse growing sector. Several measures are included in the Energy Agreement.	• Various measures have been taken, including budgetary measures and the tightening of covenants to encourage energy efficiency in accordance with the Energy Agreement. In addition, an incentive program is designed for sustainable construction. The key component is a revolving fund for homeowners and an energy incentive of 400 million euro.
National target early school leavers [<8%]	The policy on early school leavers has an integrated long-term approach. Important measures to achieve this include: • Solid and continued enforcement of	• Schools are encouraged to improve their absenteeism policy. This means that they register, report and address absenteeism. • The principles of the covenants are: performance agreements, transparency in the figures about early school leavers and incentives for schools. The school

	compulsory education • Long-term performance contracts between schools, municipalities and the national government • Performance commitments and performance bonuses upon decrease of early school leaving • Collective approach of regional professionals in education, Youth Care and the private sector • Regional programs specifically targeting prevention of early school leaving • Measures focusing on students in the early years of secondary vocational education In the coming period, the following initiatives will be undertaken: • In the academic year 2014/2015, an extra 2 million euro will be invested in support of 18 and 19-year-old early school leavers and potential early school leavers. • A pilot study will be launched to ascertain where drop-out from academic year 2011/2012 have ended up. See for more information section 4.4 of the NRP.	receives a financial reward if the annual dropout rate falls below agreed standards. • The commitment of and cooperation with several partners in the region is necessary for the success of lowering early school leavers (schools, municipalities, Youth Care, business). • Early school leaving in the first few years of secondary vocational education will be reduced by more additional class time and intensive guidance and coaching.
National target tertiary education [>40%]	The proportion of 30 to 34 year olds with tertiary education increases as a result of natural growth of the share and through measures aimed at faster graduating.	• With almost every college and university performance agreements are agreed on matters as improving educational quality and academic success. • Performance agreements have been made with all funded universities of applied sciences and academic

	The key measures include: • Extra attention for selection of study and performance; • Performance agreements with individual institutions of higher education; • More attention to the quality and bridge between secondary vocational education and higher education.	universities on improving quality and student success rates, promoting institutional profiling and greater differentiation of teaching programs, and strengthening valorisation. • Students from secondary vocational education who want to continue their study at the level of higher education are stimulated to choose a study which is related to the secondary vocational education (based on study efficiency after entering higher education). When the previous study is not related, the higher education institution is allowed to test the student before granting him access.
National target social inclusion and poverty [100.000 fewer *jobless households*]	Section 4.5 of the NRP and the NSR include the most relevant policy measures, such as: • Improving access to the labor market • Ensuring an adequate minimum income and the provision of extra budget for poverty and debt policy • The accessibility of high-quality services, including debt • Reform of the child benefit schemes making it more worthwhile for single parents to work All other measures to increase labour market participation and to improve employment (NRP Section 3.2.2) are also applicable here.	The number of households with employment will be increased through improved access to the labour market and measures that increase labour market participation. The adequate minimum income and accessibility of support is a safety net for vulnerable groups. In 2012 1,635,000 people (0-64 years) lived in households with low work intensity (jobless household). This is a slight decrease compared to 2011 when there were 1,678,000 people. In 2008 this number was 1,613,000.

Chapter 7: Comparison with latest Stability Programme

Compared to the Stability Programme of April 2014, the projected general government balance is nearly unchanged. The projected budget deficit for 2014 is still -2,9 percent of GDP. For 2015 the projected budget deficit deteriorates with 0,1 percent to -2,2 percent. The recorded general government balance for 2013 is -2,3 percent of GDP. This is 0,2 percent of GDP better than the -2,5 percent projected in the Stability Programme and is largely a consequence of the definitive accounting decision on the nationalisation of SNS Bank and the revision of the national accounts (implementing ESA 2010).

Table 7. Divergence from latest Stability Programme

		2013	2014	2015
	ESA Code	% gdp	% gdp	% gdp
Target general government net lending/net borrowing	B.9			
Stability Programme		-2,5	-2,9	-2,1
Draft Budgetary Plan		-2,3	-2,9	-2,2
Difference		0,2	0,0	-0,1
General government net lending projection at unchanged policies	B.9			
Stability Programme		-2,5	-2,9	-2,1
Draft Budgetary Plan		-2,3	-2,9	-2,2
Difference		0,2	0,0	-0,1

Chapter 8: Distributional impact of the main expenditure and revenue measures

The table below shows the changes in purchasing power in 2015 compared to 2014 for what are referred to as standard households. The table reflects the effects of the measures taken by the government as well as a number of macro-economic developments.

Next year the majority of the households will experience an increase in their purchasing power. In the first place this is caused by an increase in real wages of ¼ percent. Those on minimum incomes (single and single parent) will experience a decrease in purchasing power as a result of the phasing out of the double tax credit in the social welfare calculation and a slight increase of the tax rate in the first bracket. This rate has been reduced only for 2014. From 2015 on two-third of this one time reduction has been made permanent. All households benefit from this structural tax cut, especially lower incomes. The single-income household with children with a modal income experiences a decrease of his purchasing power as a result of the steeper phasing-out of healthcare benefits.

The purchasing power of pensioners will drop primarily since the indexation of pensions is less than inflation. People in work will benefit from the increase in the employee tax credit. A special case is the single parent who earns the minimum wage. These households benefit greatly from the reform of child arrangements. This solves the unemployment trap for these households by making it financially advantageous to accept a job at the minimum wage level.

	%
Economically active	
Single-income households with children	
Modal	-2 ½
2 x modal	¼
Dual-income households	
Modal + ½ x modal with children	¼
2 x modal + ½ x modal with children	¾
Modal + modal without children	0
2 x modal + modal without children	½
Single persons	
Minimum wage	¾
Modal	0
2 x modal	1
Single parents	
Minimum wage	10
Modal	2
Not economically active	
People on social welfare	
Couple with children	¾
Single person	- ½
Single parent	- ½
Retirees (single)	
(Only) state pension	- ¼
State pension +10000	-1
Retirees (couple)	
(Only) state pension	- ½
State pension +10000	-1 ¾

Annex to the DBP: Methodology, economic models and assumptions underpinning the information contained in the DBP

Estimation technique	Use in budgetary process	Relevant features
SAFFIER II	Macro forecast for the Dutch economy for the short and medium term	Macro-econometric model
MIMOSI	Forecast purchasing power, cost of employees, social security and personal income tax	Micro simulation model
MIMIC	Forecast of policy effects on structural labour supply	General equilibrium model
ISIS	Forecast trend structural labour supply	HP-filter
BIMBAM	Short and medium term forecast of tax revenue (with the exception of personal income tax)	Detailed forecast tax revenu
ZOEM	Forecast of health expenditure and employment in health sector	Arithmetic model
Overheidsrekening	Forecast of government employment, public expenditure and revenue (with the exception of taxes, health and social security)	Detailed arithmetic model
EVIEWS in combination with EC software	Forecast output gaps	Econometric model