

3.19 Netherlands

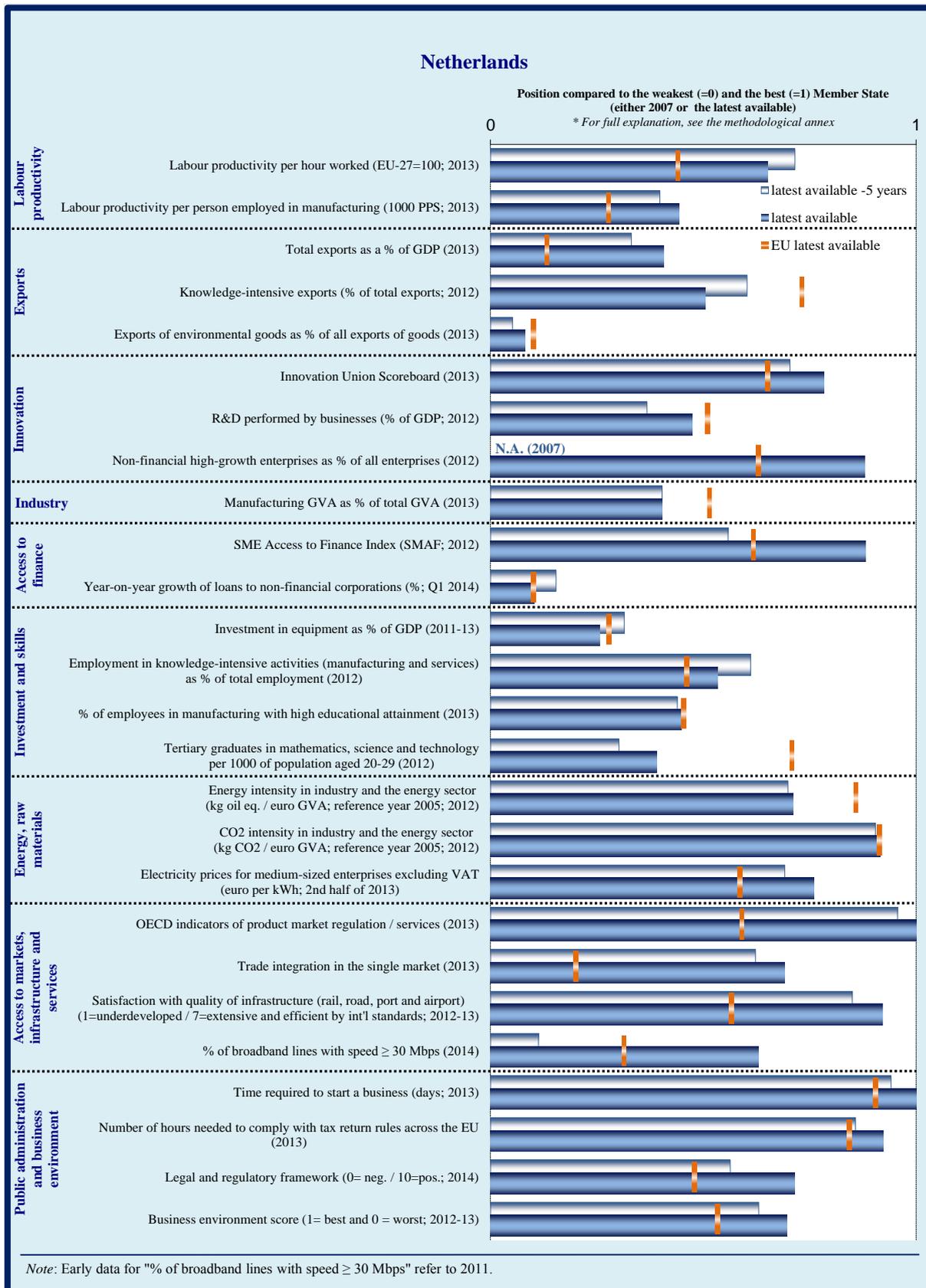
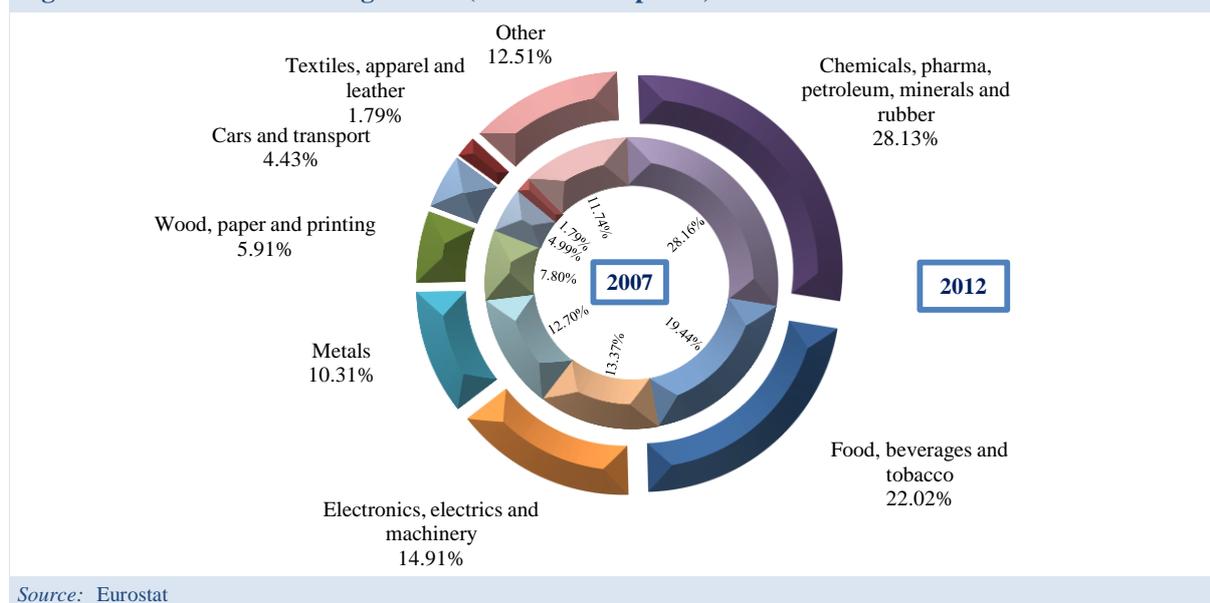


Figure 3.19.1: Manufacturing sectors (GVA at basic prices) - Netherlands

3.19.1 Introduction and performance

According to the Industrial Performance Scoreboard, the Netherlands is among the Member States with high and improving competitiveness. Manufacturing contributes 13 % of the total value added, slightly below the EU average (15 %). The Netherlands is specialised in capital-intensive manufacturing and medium-tech sectors such as chemical products, refined petroleum, electronics and machinery, transport equipment and foodstuffs. Price and cost competitiveness indicators are in line with euro area averages and with other industrialised countries. The Netherlands has the sixth highest labour costs in manufacturing among the EU Member States, but labour productivity per hour worked is about 29 percentage points above the EU average and about 16 percentage points above the euro area average.⁽¹⁾ The World Economic Forum's *Global Competitiveness Report* ranks the Netherlands in eighth place. The general business outlook is improving, as the Dutch economy is slowly emerging from a prolonged recession. Overall, Dutch industrial competitiveness is good, but maintaining and improving its competitive position in the future will be a challenge.

⁽¹⁾ Eurostat data for 2013

3.19.2 Access to finance and investment

Access to finance

The gap between bank lending conditions for SMEs and large companies seems to have widened further in 2013. According to recent ECB surveys, 20 % of SMEs, one of the highest percentages in the EU, highlighted access to finance as their biggest problem. However, demand from SMEs for credit seems relatively low compared to other Member States. Overall, around 5 % of all SMEs have their loan applications rejected, slightly higher than in Germany (3 %), but comparable to Belgium (4 %) and France (5 %). At the same time, large companies seem to benefit from improvements in financing conditions. The Dutch authorities have taken a number of measures to support SMEs' access to finance, for example by continuing existing guarantee schemes, by reinforcing available budgets and by increasing the maximum ceiling for micro-credits. For example, the budget for the guarantee scheme '*Borgstellingskrediet MKB*' has been increased from EUR 750 million to EUR 1 billion while other guarantee schemes such as '*Garantie Ondernemingsfinanciering*' and '*Groeifaciliteit*' are being continued. The maximum ceiling for micro-credits ('*Qredits*') has been raised from EUR 50 000 to EUR 150 000 in 2013. In 2014, an additional EUR 75 million has been allocated for providing early-phase financing and the government is making further investments in the regional development associations.

It is also exploring alternative ways of financing such as crowd funding. While access to finance remains a challenge for SMEs, the situation is likely to improve as the economic recovery continues. ⁽²⁾

Investment developments

According to the European Commission Spring Economic Forecast, corporate investment rebounded strongly towards the end of 2013, in line with the improved business outlook. The forecast for gross fixed capital formation for this year is + 4.9 % (after two years of decline), of which + 8.2 % investments in equipment. According to the UNCTAD *World Investment Report 2014*, the Netherlands successfully attracts foreign direct investment, in particular from North America and Asia. The location, good infrastructure and favourable business environment are important factors, but the tax system also plays a role, in particular for multinational firms. The high net stock of international direct investment is partly also the result of intra-company tax optimisation. ⁽³⁾ The ‘Netherlands Foreign Investment Agency’ ⁽⁴⁾ provides investors with a wide range of information and support services.

3.19.3 Innovation and skills

Innovation

According to the Innovation Union Scoreboard 2014, the Netherlands is one of the top ‘innovation followers’. It is also catching up as regards non-R&D innovation expenditure and the innovation performance of SMEs. The government has reaffirmed its intention to reach an R&D intensity of 2.5 % of GDP by 2020. In 2012, the Netherlands spent 2.16 % of GDP on R&D (2011: 2.04 %). Private R&D investments have slightly increased to 1.22 % of GDP in 2012 but still remain below the Euro area average (1.35 %). This is partly because the Dutch economy features a large service sector and a manufacturing industry geared towards medium-tech sectors. A significant proportion of private research and development expenditure is concentrated in a limited number of large multinational firms.

⁽²⁾ See also the Commission assessment of the 2014 national reform programme and stability programme for the Netherlands.

⁽³⁾ See also the In-Depth Review of Macroeconomic imbalances for the Netherlands 2014.

⁽⁴⁾ <http://www.nfia.nl>.

The government continues to pursue closer cooperation with the business sector and knowledge institutions as well as regional and local authorities to stimulate research and innovation. It is also implementing the enterprise policy “*To the Top*” ⁽⁵⁾ introduced in 2012 with its “top sectors” approach, ⁽⁶⁾ complemented by wider use of indirect support to research & innovation activities via instruments such as tax incentives and an innovation fund supporting entrepreneurship. This enterprise policy addresses a weakness in the Dutch innovation system by bringing researchers closer to businesses and by putting businesses in the driving seat when designing public-private partnerships for innovation. The strategy increasingly focuses on tackling global societal challenges, for example, in the areas of agro-food, energy or health. Stakeholders are closely involved in the process and SME participation is given particular attention. While it is still too early for a full assessment of the strategy, including the extent to which it mobilises additional private investment, its on-going implementation is promising.

Over the last few years, specific innovation subsidies have been reduced considerably and changed into generic tax incentives. The most important instruments are the SME+ Innovation Fund (*Innovatiefonds MKB+*) and tax facilities, such as the tax credit for R&D labour costs (*WBSO*), the Research & Development Allowance (*RDA*) and the tax relief for innovation (*Innovation box*). In 2014, the government has further expanded some of its instruments (including the WBSO and RDA) to provide additional support to small businesses. As highlighted in the EU2020 recommendations, it is important to safeguard public expenditure on growth-enhancing items such as research and education. ⁽⁷⁾

Skills

Skills shortages, especially in engineering and technology-related professions, may become a bottleneck to growth and innovation. The number of technology graduates in the Netherlands is not increasing fast enough. Analyses show that each year 30 000 additional technology graduates may be needed to meet the growing demand for skilled technologists. ⁽⁸⁾ In response to these challenges, the

⁽⁵⁾ “*To the top: towards a new enterprise policy*”.

⁽⁶⁾ [Progress Report on Enterprise Policy 2013](#).

⁽⁷⁾ See also the Commission assessment of the 2014 national reform programme and stability programme for the Netherlands.

⁽⁸⁾ [Research Centre for Education and the Labour Market](#).

government announced its *National Technology Pact 2020*⁽⁹⁾, which involves commitments from both public and private stakeholders. It has identified 22 concrete measures for better adapting the educational system and the labour market to the changing requirements of the technology sector. A coordinating group composed of regional representatives, central government, employers, workers, the top sectors and the education community is monitoring its implementation.⁽¹⁰⁾ Effective implementation of the strategy will be crucial to preserving and improving the innovative capacity of high-tech companies in the Netherlands.

3.19.4 Energy, raw materials and sustainability

Energy use and prices

The Netherlands has reached a renewable energy share of only 4.47 % by 2012, way off its EU2020 target of 14 % in 2020.⁽¹¹⁾ On 6 September 2013, more than 40 organisations, including central, regional and local government, employers and unions, environmental organisations, other civil-society organisations as well as financial institutions, signed a legally non-binding *Energy Agreement for Sustainable Growth*,⁽¹²⁾ which commits the parties to actions contributing towards meeting EU and national targets on energy efficiency and renewable energy deployment. The main sustainability initiatives of the current government are in particular the ‘top sector approach’, the incentive scheme SDE+ for renewable energy investments, and ‘Green deals’ for energy efficiency and other environmental projects.

The ‘Green deals’ instrument is proving successful in supporting local projects and collaboration among stakeholders. Over 160 ‘Green deals’ have been signed since 2011.⁽¹³⁾ The scheme has been broadened beyond sustainable energy and energy-saving projects.

⁽⁹⁾ [Nationaal Techniekpact 2020](#).

⁽¹⁰⁾ www.techniekpact.nl.

⁽¹¹⁾ [See also the Commission assessment of the 2014 national reform programme and stability programme for the Netherlands](#).

⁽¹²⁾ [Energieakkoord voor duurzame groei \(SER 2013\)](#).

⁽¹³⁾ [Green deal](#).

Resource efficiency

A promising development is that the government recently published an ambitious, comprehensive programme supporting the transition to a more resource-efficient and ultimately regenerative ‘circular economy’.⁽¹⁴⁾ SMEs in particular could still benefit from further improvements in their resource efficiency. Environmental sustainability is now officially integrated in all ‘top sectors’ and is also taken up by the cross-cutting theme of bio-economy. The effectiveness of integrating environmental aspects and resource efficiency into the top sector approach still needs to be evaluated.

Other sustainability issues

The government pursues a sustainable procurement policy and has established targets for the procurement of environmentally friendly products. The aim is that by 2015, public authorities purchase only environmentally friendly products. Moreover, a joint programme has been launched with the business sector to find novel ways of introducing sustainable procurement that encourage innovation. At 3.9 % of GDP, the Netherlands has the second highest level of environmental taxes as a percentage of GDP in the EU. It raises significant revenues from transport taxes, notably the vehicle registration tax, and it is one of the few Member States with a significant contribution from pollution taxes,⁽¹⁵⁾ mainly from water and sewage charges.

3.19.5 Access to markets, infrastructure and services

Internationalisation

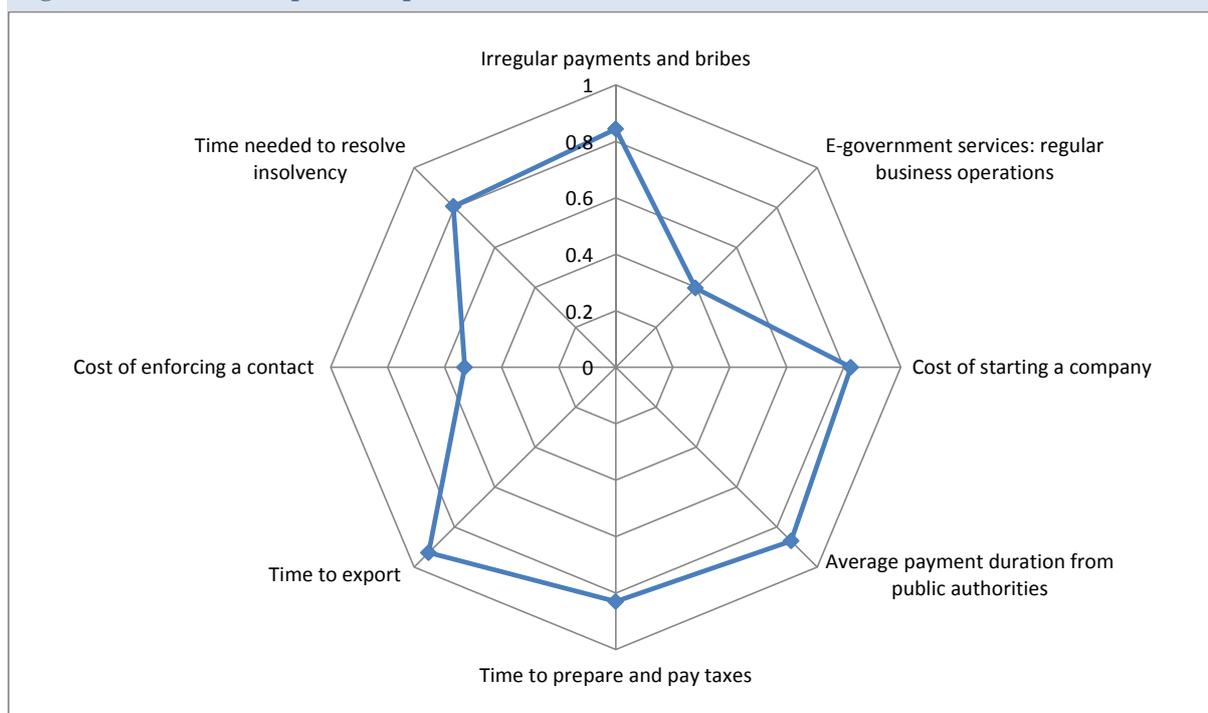
Overall, the Netherlands accounts for 9.0 % of EU exports and has one of the highest current account surpluses as a percentage of GDP in the euro area.⁽¹⁶⁾ The goods balance is increasingly driven by re-exports, due to the country’s role as a major transit hub for global trade and supply chains. However, initiatives to maintain a competitive edge across exporting industries and to safeguard the value added derived from the total export volume, are important, as the value-added of re-exports is relatively low.

⁽¹⁴⁾ [Opportunities for a circular economy in the Netherlands](#).

⁽¹⁵⁾ Eurostat, [Taxation Trends in the European Union](#), 2013.

⁽¹⁶⁾ [See also the In-Depth Review of Macroeconomic imbalances for the Netherlands 2014](#).

Figure 3.19.2: Overall profile of public administration - Netherlands



Note: Values have been scaled so that the best observation (Member State) gets 1 and the worst gets 0.

Source: World Bank Doing business; Intrum Justitia; OECD; World Economic Forum; European Commission

Exports with high domestic value added include for example agricultural products, foodstuffs, chemical products, rubber and plastics, machinery and transport equipment. Nearly 80 % of goods exports go to the EU. Compared to the EU average, Dutch SMEs tend to be more active internationally. The government supports the internationalisation of businesses, especially SMEs, through various measures, such as making available information about key markets and customs procedures, but also through export credit insurance instruments. An internet portal⁽¹⁷⁾ provides enterprises with useful information, including on how to expand their business abroad.

Business services and network industries

The Dutch economy is particularly strong in financial and business services, which account for nearly a third of GDP. Several important services are included in the 'top sector' approach and therefore receive significant policy attention (e.g. energy, transport and logistics, cultural and creative industries etc). Competition in electricity supply seems to work well and changing supplier is relatively easy. Unbundling has worked well and the provision of information by

suppliers to consumers is supervised by the authority for consumers and markets.⁽¹⁸⁾ The number of consumers that have switched their gas or electricity suppliers has gone up compared to previous years. According to the World Economic Forum,⁽¹⁹⁾ the Netherlands is among the top countries to benefit from modern information and communication technologies.

Infrastructure

Overall, the Netherlands has maintained a very good network infrastructure and a high level of service quality in public transport, without overtly high levels of subsidies. Satisfaction with the quality of the infrastructure is among the highest in the EU. Peak hour congestion is a problem, even though the downturn of the economy and recent infrastructure developments have substantially improved traffic flows.

⁽¹⁸⁾ <https://www.acm.nl/en/>.

⁽¹⁹⁾ World Economic Forum, [Networked Readiness Index](#)

⁽¹⁷⁾ www.ondernemersplein.nl.

3.19.6 Public administration and business environment

Public administration

The perceived quality of public services is relatively high.⁽²⁰⁾ The use of tools to improve public administration (such as e-government, performance and service orientation) is more widespread than average in the EU. By 2017, all enterprises will have the right to communicate and to do business with the authorities online. In general, enterprises benefit from relatively swift payment by public authorities. Public procurement processes seem to be relatively efficient, but the value of the contracts published under EU procurement legislation is among the lowest in the EU. There is a framework to systematically assess the impact of new policy and legislation. In 2013, an impact assessment commission chaired by the Prime Minister was introduced and the mandate of the Dutch advisory board on regulatory burden will be extended until 2017. However, there may be room for further improvement on implementation in practice.

In January 2014, the chamber of commerce and the innovation agency ‘Syntens’ were merged into one centralized organisation with a radically simplified governance structure. The number of local offices has been considerably reduced, while services provided via an internet portal are being significantly reinforced. Moreover, mandatory membership fees for enterprises have been abolished. It is still too early to assess the impact of this reorganisation, but the approach seems promising.

Much of the planned state budget consolidation should be achieved through reducing the size of the public sector and modernising public administration. Although this reduction entails considerable potential efficiency gains, it is subject to implementation risks, including preserving the high quality of public services. In addition, the government is planning to decentralise many responsibilities to municipalities. It remains to be seen whether these efficiency gains can be fully realised within the envisaged time frame.

Business environment

According to the World Bank’s *Doing Business 2014* report, the Netherlands has a favourable business

environment that encourages the competitiveness of enterprises, although there may still be scope for further improvement in certain areas. It is ranked 28th out of 189 for doing business. The Netherlands has a tradition of efficient public services and a light administrative burden for businesses. In April 2013, a new programme was launched, focusing on a more qualitative approach towards reducing all regulatory burdens.⁽²¹⁾ By 2017, a reduction of EUR 2.5 billion should be achieved in the regulatory burden on businesses, professionals and citizens, through the introduction of new regulations linked to the revision or scrapping of existing rules.

Tax compliance and tax administration are more efficient than the EU average. It takes businesses considerably less time to pay taxes and the associated administrative costs are below the EU average. Moreover, several measures have been introduced to promote the use of ICT, such as the application of Standard Business Reporting in the tax domain. The introduction of an electronic business file for exchanging data with the authorities is expected to contribute to efficiency and reducing the regulatory burden. The time required to start a business is among the shortest in the EU. The procedures for starting a business have recently been further simplified and the minimum paid-in capital requirements abolished.

3.19.7 Conclusions

Overall, the Netherlands ranks among the top performers in many of the competitiveness indicators of the Industrial Performance Scoreboard. The business environment supports the competitiveness of enterprises and there is a tradition of efficient public services and low administrative burden on businesses. Strengths include in particular the favourable business environment and good infrastructure, the quality of institutions, the good education system and science base as well as the efficient goods market. Moreover, the Netherlands successfully uses modern information and communication technologies to boost innovation and competitiveness.

The implementation of the enterprise policy ‘To the Top’ points to progress in strengthening the Dutch innovation and competitiveness performance. Nevertheless, despite the favourable framework

⁽²⁰⁾ European Commission, [Excellence in public administration for competitiveness in EU Member States](#).

⁽²¹⁾ [‘Goed geregeld, een verantwoorde vermindering van regeldruk 2012-17’](#), 2013.

conditions, maintaining and improving its competitive position in the future will be a challenge. Further efforts to reduce skill shortages, especially in engineering and technology-related professions, are needed to increase the competitiveness of the Dutch economy. Access to finance also remains a challenge for SMEs, but the situation is likely to improve as the economic recovery continues.