Draft Budgetary Plan

September 2013

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Introduction

This Draft Budgetary Plan (DBP) presents the main features of the first budget by the Rutte-Asscher coalition. The financial and socioeconomic policy of this government is based on three inextricably related pillars: working on sustainable growth, putting public finances in order and a balanced distribution of income.

Within the framework of the excessive deficit procedure, the Dutch authorities would need to implement additional consolidation measures of at least 1 percent of GDP in 2014 on top of the measures already included in the baseline scenario. To this effect the government has presented, a substantial structural consolidation package of 6 billion euro (1 percent of GDP). In the package the consequences for entrepreneurship and employment are mitigated to a minimum, education spending is preserved and the package includes a number of growth friendly measures. The government is convinced that, in the light of the current economic situation, the additional 6 billion euro policy package is an effective and correct implementation of the recommendations within the framework of the excessive deficit procedure.

A substantial package of reforms for the financial sector, the housing market, the labour market, healthcare and pensions is also being introduced to bring about sustainable growth of the Dutch economy. These reforms have been developed in more detail on the basis of the Coalition Agreement into a series of agreements with parliamentary parties and civil-society organisations, such as the Housing Agreement, the Social Agreement, the Healthcare Agreement and the Energy Agreement. The reforms are covered in more detail in the Effective Action Report (EAR) and the Economic Partnership Programme (EPP). Working on long-term economic growth is inextricably related to working on the recovery of public finances with a keen eye for economic recovery and a balanced distribution of income.

Chapter 1: Macroeconomic prospects

The CPB Netherlands Bureau for Economic Policy Analysis estimates a shrinking of the Dutch economy by 1¼ percent in 2013 (after a shrinking of 1.2 percent in 2012).[1] In this context consumption, investments and public spending are having a negative impact on GDP development. Only exports are making a positive contribution to growth in 2013. There is a modest growth estimate for 2014 of +½ percent, with positive contributions coming from investments, public spending and exports. Consumption is going to shrink once again in 2014, but less than in recent years. The assumption is also that house prices will stabilise after a long period of decline.

The Dutch economy is currently in a phase of balance sheet recovery, whereby households, banks, pension funds and government are working to bring about a recovery in the financial position. Investments and private consumption are, in particular, lagging behind compared to other European countries. This has largely to do with the pressure on disposable income and the high level of mortgage debt in combination with a drop in house prices (and associated lower investments in housing).

The consequences of the lack of economic growth in recent years are being felt most acutely in the employment market. Unemployment is set to rise to 7 percent in 2013 and 7½ percent in 2014 as a consequence of fewer jobs and an increase in the supply of labour. Real wage development is negative in both 2013 and 2014. Both contract and incidental wage development are under pressure. Inflation is expected to be 2¾ percent in 2013.

The effects of the additional consolidation package in 2014 of 6 billion euro (1 percent of GDP) on economic growth is limited for 2014 at -¼ percent. This is due primarily to a negative contribution from public spending. Consumption by households and investments by companies remain broadly stable. In 2014 the package will not have any effect on exports, contract wages and unemployment. Employment is set to decline by ¼ percent.

Table 0.i) Basic assumptions

	2012	2013	2014
Short-term interest rate (annual average)	0,6	0,2	0,4
Long-term interest rate (annual average)	1,9	1,9	2,4
USD/€ exchange rate (annual average)	1,28	1,32	1,32
Nominal effective exchange rate	..	..	..
World GDP growth*	3,0	2,8	3,5
EU GDP growth	-0,5	-0,5	1,0
Growth of relevant foreign markets	0,7	1,5	3,8
World import volumes, excluding EU	..	..	..
Oil prices (Brent, USD/barrel)	111,67	105,27	102,95

* Including EU

[1] Note: The figures in the Draft Budgetary Plan are based primarily on the latest estimate by the CPB (Macroeconomic Analysis of September 2013) and the Budget Memorandum 2014.

Table 1.a. Macroeconomic prospects					
	ESA Code	**2012**	**2012**	**2013**	**2014**
		Level	rate of change	rate of change	rate of change
1. Real GDP	B1*g	599,3	-1,2	-1¼	½
Of which					
1.1. Attributable to the estimated impact of aggregated budgetary measures on economic growth (pp)*		---	---		-¼
2. Potential GDP			0,4	-0,1	0,1
contributions:					
- labour			0,2	-0,2	-0,1
- capital			0,3	0,1	0,1
- total factor productivity			0,0	0,0	0,1
3. Nominal GDP	B1*g		0,0	0,4	1,9
Components of real GDP					
4. Private final consumption expenditure	P.3	273,3	-1,6	-2,1	-1,0
5. Government final consumption expenditure	P.3	170,6	-0,7	-0,9	0,4
6. Gross fixed capital formation	P.51	102	-4,0	-8,9	1,8
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	3,1	0,2	-0,8	0,5
8. Exports of goods and services	P.6	527,6	3,2	2,7	3,3
9. Imports of goods and services	P.7	477,2	3,3	0,0	3,7
Contributions to real GDP growth					
10. Final domestic demand		545,9	-1,7	-2,7	0,0
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	3,1	0,2	-0,8	0,5
12. External balance of goods and services	B.11	50,3	0,2	2,4	0,1

*Effect of the 6 billion consolidation package on GDP growth according to the CPB.

Table 1.b. Price developments

	ESA Code	**2012**	**2012**	**2013**	**2014**
		Level	rate of change	rate of change	rate of change
1. GDP deflator		100	1,3	1,5	1,4
2. Private consumption deflator		100	2,2	2,8	2,0
3. HICP		100	2,8	2,9	1,8
4. Public consumption deflator		100	2,7	1,0	1,4
5. Investment deflator		100	-0,6	0,7	1,0
6. Export price deflator (goods and services)		100	1,7	-0,7	0,4
7. Import price deflator (goods and services)		100	2,4	-0,7	0,5

Table 1.c. Labour market developments

	ESA Code	2012	2012	2013	2014
		Level	rate of change	rate of change	rate of change
1. Employment, persons		8682,1	-0,2	-1,0	-0,2
2. Employment, hours worked		6734,0	-0,3	-1,2	-0,5
3. Unemployment rate (%)		468,9	5,3	6,9	7,6
4. Labour productivity, persons			-1,1	-0,2	0,8
5. Labour productivity, hours worked			-1,0	0,0	1,0
6. Compensation of employees	D.1	309,2	1,0	-0,5	2,1
7. Compensation per employee		35,6	1,9	1,5	3,0

Table 1.d. Sectoral balances

%GDP	ESA Code	2012	2013	2014
1. Net lending/net borrowing vis-à-vis the rest of the world	B.9	7,7	10,0	10,2
of which:				
- Balance on goods and services		8,4	10,6	10,5
- Balance of primary incomes and transfers		0,9	1,1	1,2
- Capital account		-1,6	-1,8	-1,6
2. Net lending/net borrowing of the private sector	B.9	12,0	13,3	13,8
3. Net lending/net borrowing of general government	B.9	-4,1	-3,2	-3,3
4. Statistical discrepancy		..	..	..

Chapter 2: Budgetary targets

The general government balance is expected to be -3.2 percent of GDP in 2013 and -3.3 percent of GDP in 2014. First and foremost, tax and premium revenues will increase in 2014 by 11.5 billion euro compared to 2013, primarily as a consequence of policy measures. However, gas revenue will decline in 2014 compared to 2013 due to the expected drop in the price of oil in 2014. At the same time, expenditure on the healthcare sector and on social security is set to increase in 2014. This is closely related to increased ageing and unemployment. Lastly, the one-off revenue from the 4G frequencies auction for mobile telephony and mobile Internet will not feature in the forecast for the general government balance for 2014. As a result the balance will deteriorate slighty from 2013 to 2014 despite the expected recovery in growth in 2014 and despite the decision to implement a substantial additional policy package worth 6 billion euro (see Chapter 5).

The structural balance will improve from -2.5 percent in 2012 to -1.5 percent in 2013 and -1.3 percent of GDP in 2014. The cyclical and incidental components are strongly negative in all years and reflect the fact that the Netherlands is performing below the long-term average. One-offs are also causing the structural balance to deteriorate substantially in 2013 by 3.1 billion euro, or 0.5 percent of GDP. The one-offs in 2013 were the 4G frequencies auction with revenues of 3.8 billion euro and the nationalisation of SNS REAAL worth 0.7 billion euro.

In 2013, the gross government debt is expected to be 451 billion euro (75.0 percent of GDP). The increase is primarily the consequence of the nationalisation of SNS REAAL and the budget deficit in 2013. In 2014 the debt will continue to grow to a total of 466 billion euro (76.1 percent of GDP). The increase in GDP reduces debt as a percentage of GDP. However, some effects will cause the debt to increase. For example, the general government balance will be -19.9 billion euro in 2014. This is contrasted by the fact that Treasury banking by local government authorities will lead to an expected decrease in debt of around 2 billion euro between 2013 and 2014. The ING back-up facility will also cause the debt to decline. This facility is, in fact, being gradually scaled down.

In 2013, the outstanding guarantees will decrease by 6.8 percentage points of GDP compared to the previous year. As of July 2013, the EFSF is not going to enter into any new loans. As a result of this decision, the guarantee ceiling can be adjusted downwards to the already committed guarantees to the EFSF which have been estimated as being necessary for the current programmes of Ireland, Portugal and Greece and the guarantee which has been estimated as being necessary in order to maintain the EFSF cash reserve.[2] In 2014 the total outstanding guarantees will decrease by 0.6 percentage points of GDP to 35.6 percent of GDP. In addition, the guarantee facility for interbank loans is to be discontinued next year. Because the last facility ends in November 2014, the guarantee will only be written off in December 2014 in the budget and the guarantee ceiling. This will be evident in the budget for 2015.

[2] See the Eurogroup report of 26 November, dated 28 November 2012, with Lower House reference 21 501-07, no. 972 and the report by the Ecofin Council and Eurogroup of 12 and 13 December 2012, dated 20 December 2012, with Lower House reference 21 501-07 no. 981.

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

	ESA Code	2013	2014
% GDP			
Net lending (+) / net borrowing (-) (B.9) by sub-sector			
1. General government	S.13	-3,2	-3,3
2. Central government	S.1311	-0,9	-2,0
3. State government	S.1312	..	..
4. Local government	S.1313	-0,4	-0,3
5. Social security funds	S.1314	-1,8	-1,0
6. Interest expenditure	D.41	1,8	1,8
7. Primary balance[2]		-1,3	-1,5
8. One-off and other temporary measures[3]		-0,5	0,0
9. Real GDP growth (%) (=1. in Table 1a)		-1¼	½
10. Potential GDP growth (%) (=2 in Table 1.a)		-0,1	0,1
contributions:			
- labour		-0,2	-0,1
- capital		0,1	0,1
- total factor productivity		0,0	0,1
11. Output gap (% of potential GDP)		-3,8	-3,5
12. Cyclical budgetary component (% of potential GDP)		-2,2	-2,0
13. Cyclically-adjusted balance (1 - 12) (% of potential GDP)		-1,0	-1,3
14. Cyclically-adjusted primary balance (13 + 6) (% of potential GDP)		0,9	0,5
15. Structural balance (13 - 8) (% of potential GDP)		-1,5	-1,3

Table 2.b. General government debt developments

%GDP	ESA Code	2013	2014
1. Gross debt		75,0	76,1
2. Change in gross debt ratio		3,7	1,1
Contributions to changes in gross debt			
3. Primary balance (= item 10 in Table 2.a.i)		-1,3	-1,5
4. Interest expenditure (= item 9 in Table 2.a.i)	D.41	1,8	1,8
5. Stock-flow adjustment		0,6	-2,2
of which:			
Differences between cash and accruals		-0,1	0,0
Net accumulation of financial assets		1,0	-0,8
of which:			
- privatisation proceeds		..	..
Denominator effect		-0,3	-1,4
p.m.: Implicit interest rate on debt		1,9	2,4
Other relevant variables			
6. Liquid financial assets			
7. Net financial debt (7=1-6)			
8. Debt amortization (existing bonds) since the end of the previous year		4,8	5,2
9. Percentage of debt denominated in foreign currency		5.1**	
10. Average maturity		7.3**	

* As of 31 december 2012
**As of 1 september 2013

Table 2.c Contingent liabilities

In % GDP		2014
Public guarantees		35,6
Of which: linked to the financial sector		28,7
Guarantee facility for interbank loans		2,3
Guarantee DNB profit remittance		0,9
Guarantee SNS		0,8
Participation in ABN AMRO		0,2
EFSF		8,1
EFSM		0,5
ESM		5,8
EU balance of payments assistance		0,4
DNB - participation in IMF capital		7,6
EIB		1,6
World Bank		0,6

Chapter 3: Expenditure and income estimates on the basis of unchanged policy

Table 3 shows revenue and expenditure for the entire government at unchanged policy, which excludes the 6 billion euro package and is based on input from the CPB.

Table 3. General government expenditure and revenue projections at unchanged policies

broken down by main components.

% GDP	ESA Code	2013	2014
General government (S13)			
1. Total revenue at unchanged policies	TR	47,2	47,1
Of which			
1.1. Taxes on production and imports	D.2	11,8	12,0
1.2. Current taxes on income, wealth, etc	D.5	11,0	10,8
1.3. Capital taxes	D.91	0,2	0,2
1.4. Social contributions	D.61	16,9	17,3
1.5. Property income	D.4	3,0	2,6
1.6. Other		4,1	4,1
p.m.: Tax burden		39,9	40,2
(D.2+D.5+D.61+D.91-D.995)[2]			
2. Total expenditure at unchanged policies	TE	50,1	51,1
Of which			
2.1. Compensation of employees	D.1	9,6	9,5
2.2. Intermediate consumption	P.2	7,4	7,3
2.3. Social payments	D.62	24,7	25,1
	D.632		
of which Unemployment benefits		12,7	12,9
2.4. Interest expenditure	D.41	1,8	1,8
2.5. Subsidies	D.3	1,2	1,3
2.6. Gross fixed capital formation	P.51	3,2	3,3
2.7. Capital transfers	D.9	..	..
2.8. Other[5]		2,0	2,7

Chapter 4: Expenditure and income targets. Government expenditure according to function

Table 4 shows the full details of the additional consolidation package according to current policy based on the MEV forecast (September 2013). This will cause a reduction in expenditure worth billions of euro. However, the package is also having a negative effect on economic growth. On balance the result will be a slight drop in total expenditure as a percentage of the GDP.

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

	ESA Code		
		2013	**2014**
General government (S13)		% GDP	% GDP
1. Total revenue target	TR	47,1	47,6
Of which			
1.1. Taxes on production and imports	D.2	11,9	12,1
1.2. Current taxes on income, wealth, etc.	D.5	11,1	11,2
1.3. Capital taxes	D.91	0,2	0,2
1.4. Social contributions	D.61	16,7	17,3
1.5. Property income	D.4	3,0	2,7
1.6. Other		4,1	4,1
p.m.: Tax burden		39,7	40,8
(D.2+D.5+D.61+D.91-D.995)			
2. Total expenditure target	TE	50,2	51,0
Of which			
2.1. Compensation of employees	D.1	9,6	9,4
2.2. Intermediate consumption	P.2	7,3	7,2
2.3. Social payments	D.62	24,8	25,1
	D.632		
of which Unemployment benefits		12,7	12,9
2.4.= Table 2.a.9. Interest expenditure	D.41	1,8	1,8
2.5. Subsidies	D.3	1,3	1,2
2.6. Gross fixed capital formation	P.51	3,3	3,3
2.7. Capital transfers	D.9	..	..
2.8. Other		2,1	2,9

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

	ESA Code	2012	2012	2013	2014
		Level	% GDP	% GDP	% GDP
1. Expenditure on EU programmes fully matched by EU funds revenue		1,1	0,2	0,2	0,2
2. Cyclical unemployment benefit expenditure*		10,9	1,8	2,2	2,5
3. Effect of discretionary revenue measures		3,9	0,7	1,6	1,5
4. Revenue increases mandated by law		0,7	0,1	0,3	0,2

* This item contains: "WW, uitvoeringskosten WW and BUIG".

Table 4.c General government expenditure by function.

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

	2013		2014	
	% GDP	% general government expenditure	% GDP	% general government expenditure
Education	5,4	10,7	5,4	10,7
Healthcare	11,0	21,7	11,2	22,2
Employment*	0,7	1,5	0,7	1,4

*/This concerns: "participatiebudget, WSW, re-integratietrajecten AO, re-integratievoorzieningen AO, arbeidsparticipatie 55+, sectorplannen, mobiliteitsbonus, scholingsdrempel, overgangsregeling levensloop, premievrijstelling oudere werknemers, startersaftrek bij arbeidsongeschiktheid, afdrachtsvermindering onderwijs, ouderschapsverlofkorting en aanpak jeugdwerkloosheid".

4.c.ii) Classification of the functions of the Government

Functions of the Government	COFOG Code	**2013**	**2014**
		% GDP	% GDP
1. General public services	1	5,4	5,3
2. Defense	2	1,3	1,3
3. Public order and safety	3	2,1	2,1
4. Economic affairs	4	5,3	5,4
4. Environmental protection	5	1,5	1,7
6. Housing and community amenities	6	0,6	0,6
7. Health	7	9,2	9,5
8. Recreation, culture and religion	8	1,0	1,0
9. Education	9	5,8	5,8
10. Social protection	10	18,0	18,3
11. Total Expenditure (= item 2 in Table 2.c.i)	TE	50,2	51,0

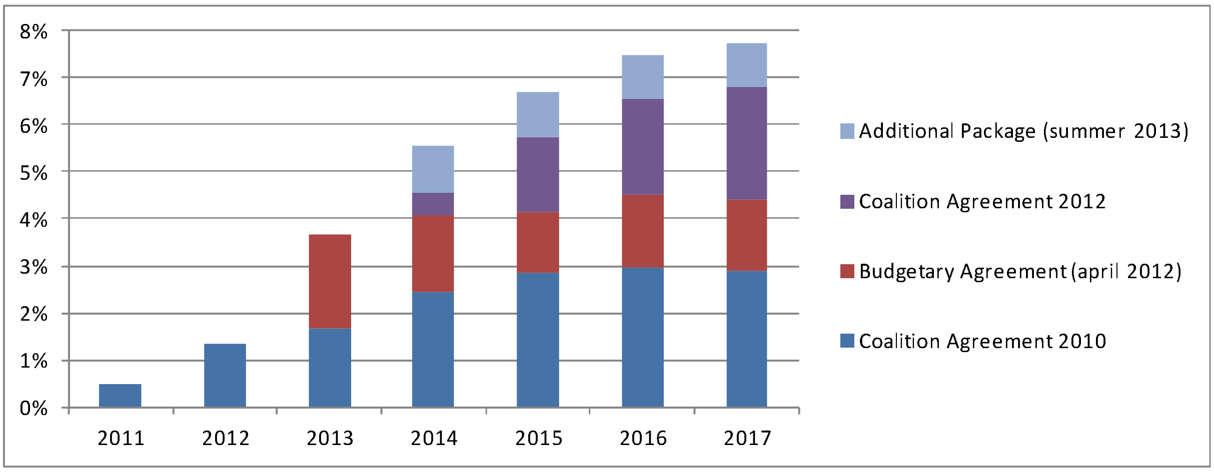
Chapter 5: Discretionary measures in the 2014 budget

The table below presents the additional consolidation package worth a total of 6 billion in structural savings. Savings will be made first and foremost in healthcare, social security and the public sector. The Healthcare Agreement will further curb the upward trend in healthcare expenditure. Regarding social security, a household benefit will be phased in which will integrate the current healthcare benefit, means-tested child allowance, housing benefit for tenants and a specific elderly person's allowance. This will make the system simpler and more transparent and increase the efficiency of income support. Expenditure on public sector salaries will be limited by putting jobs before income and by continued austerity measures for the civil service. Together with a number of tax and premium measures, such as the non-indexation of tax brackets and extension of the crisis levy, the government budget will be structurally brought more into line with the new economic reality. The package is described in detail in the Effective Action Report.

Table 5.a Discretionary measures taken by General Government						
% GDP						
Measures	**Target (Expenditure / Revenue component)** **ESA Code**	**Adoption Status**	**2013**	**2014**	**2015**	**2016**
Health care						
Healthcare Agreement	D.63p		0,0	0,0	-0,1	-0,1
Reversal of transfer of health conditions with low impact to supplementary insurance	D.63p		0,0	0,0	0,2	0,2
Healthcare benefit based on average healthcare contributions, including group contracts	D.62p		0,0	-0,1	-0,1	0,0
Medicines	D.62p		0,0	-0,1	-0,1	-0,1
Miscellaneous	D.63p		0,0	0,0	0,0	0,0
Social security						
Phased introduction of household benefit	D.62p		0,0	0,0	-0,2	-0,2
Incapacity allowance	D.62p		0,0	0,0	0,1	0,0
Central government budget						
Reduction in scope for salary increases in public sector in 2014, excl. health care (increasing salaries at expense of fringe benefits)	D.1p		0,0	-0,1	-0,1	-0,1
Price adjustment 2013 (adjusted for net general changes)	Verschillende		0,0	-0,1	-0,1	-0,1
Contribution from ministerial budgets (excl. Min. of Soc. Affairs & Empl. and Health, Welfare & Sport)	Verschillende		0,0	0,0	0,0	0,0
Taxes and contributions						
Fiscal advantage when full entitlement of annuities is redeemed in 2014	D.5r		0,0	-0,2	0,0	0,0
Abolition of fiscal advantage for new rights annuities	D.5r		0,0	-0,1	-0,1	-0,1
Freezing tax brackets and tax credits	D.5r (households)		0,0	-0,2	-0,2	-0,2
Retention of business-related revenue envelopes	Verschillende		0,0	-0,1	-0,1	-0,1
Extension of employer's levy on high incomes (crisis levy)	D.29r (corporations)		0,0	-0,1	0,0	0,0
Earlier increase in employed person's tax credit	D.5r (households)		0,0	0,1	0,0	0,0
Tax and contributions reduction for businesses	D.611r		0,2	0,0	0,0	0,0
Cancellation of income-related excess and phasing out of general tax credit	D.5r (households)		0,0	0,0	-0,1	-0,1
Miscellaneous	Verschillende		0,0	0,1	0,1	0,1
Energy Agreement						
Measures Energy Agreement	Verschillende		0,0	0,0	0,0	0,0
Other						
Spending shifts involving development cooperation revolving fund, nature management and security	Verschillende		0,0	0,0	0,0	0,0
Ex ante impact of Municipalities Fund/Provinces Fund	Verschillende		0,0	0,0	-0,1	-0,1
TOTAL			**0,3**	**-1,0**	**-1,0**	**-0,9**

Besides the additional package of 6 billion that is to take effect in 2014, the budget for 2014 will also include a number of important measures from previous consolidation packages which will lead to an increase in fiscal savings. This concerns the Rutte-Asscher Coalition Agreement, the 2013 Budgetary Agreement and the Rutte-Verhagen Coalition Agreement. These packages had already been incorporated into the 2013 Stability Programme.

Figure: cumulative yearly fiscal consolidation (in percentage of GDP)



Note: total of consolidated measures compared to a no policy change scenario.

Chapter 6: Possible relationship between the budget and the targets within the framework of the European strategy for growth and jobs and country-specific recommendations

The country-specific recommendations - Table 6a - are discussed in detail in the Economic Partnership Programme. Europe 2020 is the EU growth strategy for the coming decade which was adopted by the European Council on 17 June 2010. The strategy is aimed at promoting smart, long-term and inclusive economic growth in the EU. To that end, five targets have been formulated to stimulate employment, innovation, education, social cohesion and sustainability. These targets must be achieved by 2020. The national targets that the Netherlands has set itself, and the most important policy measures which have been taken, are described in Table 6b.

Table 6.a CSR recommendations

CSR number	List of measures	Description of direct relevance
See EPP		

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

National 2020 headline targets	List of measures	Description of direct relevance to address the target
National 2020 employment target [80%]	Paragraph 3.3 and annex 2.1 of the NRP contains the most relevant policy measures, such as: • Increase the statutory and effective retirement age. • Address rigidities concerning labour market participation and increase the incentive to work. • Stimulating participation specifically for elders, older people and second-income earners.	• It can be expected that the participation rate of older people will increase when statutory retirement age goes up. The average age of retirement has increased over the past 6 years and is now at 63.5. • The transferability of the general tax credit is phased out. This will provide an incentive for labour participation. • The legislation on dismissal of employees will be made more activating, more fair and it will be simplified. The object of this intervention is to improve labour mobility. • The Participation Act will enhance the labour participation of people with disabilities.
National 2020 R&D target [2,5%]	Paragraph 3.4 and annex 2.1 of the NRP contains the most relevant policy measures, such as: • WBSO Research and Development (Promotion) Act. Operational since 1994. • RDA (Research &Development Allowance). Operational since 2012. • SME+ Innovation fund. Sub schemes Innovation Credit and Seed Capital fund. Subscheme Fund of funds commenced in 2013. • Top sector approach, TKI allowance and MIT. Implementation commenced in 2013.	• The WBSO aims to stimulate private investment in innovation via a tax credit for labour costs of R&D for companies, knowledge centres and self-employed persons. • RDA aims to stimulate private investment in innovation via allowing firms to deduct a percentage of their investments in innovative projects from the income or corporate income tax.. • The SME+ innovation fund aims to increase the availability of risk-capital for innovative companies via: - Enterprise funding via loans to private early and later stage VC-funds. - Project funding via loans to companies. • Top sector approach aims to stimulate closer links between science and business and (de)central government in area's research and innovation, human capital, regulation and foreign acquisition. The TKI allowance and MIT (financially) stimulate participation of companies (especially SME's).
GHG emission reduction target [-20%]	Paragraph 4.3 of the NRP contains the most relevant policy measures, such as: • For ETS sectors the ETS-ceiling determines the GHG emission reduction. • For non-ETS sectors there are sectoral policy packages in place (energy/industry, transport, agriculture, housing and non-CO2	• ETS is the main vehicle to reach the 20% reduction target. The EU-ceiling leads exactly to the goal.For non-ets sectors national policy measures have been taken, i.e. fiscal measures to contribute to the goal for these sectors. See beneath under renewable energy and the energy efficiency target.

	green house gasses).	
Renewable energy target [14% in 2020 and 16% in 2023]	Paragraph 4.3 of the NRP contains the most relevant policy measures, such as: • Stimulating renewable energy through the subsidy SDE+, with an increasing budget up to 3,1 billion euro in 2020 and 3,2 billion in 2023, according to a new national Agreement on Energy lately signed by government and relevant stakeholders.	• The SDE+ subsidy aims to stimulate the realization of renewable production. As far as off shore wind energy is concerned, cost reduction is agreed upon relevant stakeholders. Therefore the goal of 16% renewable has been temporized from 2020 to 2023.
National energy efficiency target [Increase of 1,5% a year, according to the Energy Efficiency Directive]	Paragraph 4.3 of the NRP contains the most relevant policy measures, such as: • Policy to implement the Directive will be formulated in 2013.	• Several measures will be taken among which fiscal measures and sharpening covenants to stimulate industries to more energy efficiency, according to the new Agreement on Energy. Also, for buildings an new stimulating programme will be developed. Most important is a so called revolving fund for houseowners and an energy stimulating programme of € 400 million.
National early school leaving target [8%]	Paragraph 4.4 of the NRP contains the most relevant policy measures, such as: • Consistent enforcement of compulsory education. • Long-term performance agreements (“covenants”) between schools, municipalities, and national government. • Joint action by professionals in each region: schools, municipalities and youth care workers. • Programmes to tackle early school leaving at a regional level, based on analysis of the regional situation. • Focus on measures in the first years of secondary vocational education	• Schools are encouraged to ensure that their absenteeism policy is in order, i.e., that they register and report absenteeism and take measures to prevent it. • The principles of the covenants are: performance agreements, transparency in the figures on early school leavers and financial rewards for schools that keep the annual drop-out rate below a target. • Joint action by professionals in each region – schools, municipalities, youth care workers, business and industry – is vital in tackling the problem of early school leaving. • We aim to decrease the drop-out rate in the first years of secondary vocational education by longer supervised teaching hours, intensive counselling, career guidance and coaching.
National target for tertiary education [40%]	Paragraph 4.4 of the NRP contains the most relevant policy measures, such as: • Investment in study choice and study success. • Performance agreements with individual institutions for higher education. • More focus on quality and bridges between Vocational Education and Training (VAT) and higher education.	• Performance agreements have been concluded with practically every university and institution of professional education to improve the quality of education, to increase the completion rate among students, to promote institutional profiling and greater differentiation of teaching programmes and to strengthen valorisation. • Research has shown that MBO pupils who go on to study an unrelated subject often drop out. It is therefore decided to make it possible for the minister of education to specify additional requirements in terms of prior education for students with an MBO background in order to improve the continuity of their studies.
National poverty target [100,000 less jobless households]	Paragraph 4.5 of the NRP contains the most relevant policy measures, such as: • Improving access to the labour market (partly implemented, see 3.3). • The assurance of an adequate minimum income • Accessibility to high quality services such as debt counselling. • All other measures enhancing labour market participation and improving employment (3.3) apply here too.	• By improving the access to the labour market, less people will live in a jobless household. The assurance of an adequate minimum income and the access to supporting measures provides a safety net for vulnerable groups. In 2011 1.678 thousand persons (0-64 years old) lived in a jobless household compared to 1.613 thousand in 2008

Chapter 7: Comparison with the most recent Stability Programme

Compared to the Stability Programme of April 2013, the general government balance has improved in 2013 and is expected to deteriorate in 2014. In 2013 the balance is improving, primarily due to the decision by the CBS that the nationalisation of SNS REAAL is, in part, not relevant for the budget balance. The disappointing economic development leads, both in 2013 and in 2014, to higher expenditure on unemployment and lower tax and premium income. This will be offset in 2014 by the additional package of policies worth 6 billion euro. As a result, the general government balance will deteriorate in 2014 compared to the Stability Programme by between 0.3 percentage points to -3.3 percent.

Table 7. Divergence from latest SP.

	ESA Code	**2012**	**2013**	**2014**
		% GDP	% GDP	% GDP
Target general government net lending/net borrowing	B.9			
Stability Programme		-4,1	-3,4	-3,0
Draft Budgetary Plan		-4,1	-3,2	-3,3
Difference		0,0	0,2	-0,3
General government net lending projection at unchanged policies	B.9			
Stability Programme		-4,1	-3,3	-3,4
Draft Budgetary Plan		-4,1	-3,0	-4,0
Difference[1]		0,0	0,3	-0,6

Chapter 8: Impact on the income distribution of the most important expenditure and income measures

The table below shows the changes in purchasing power in 2014 compared to 2013 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. Those on minimum incomes will experience a decrease in purchasing power as a result of cutbacks in the healthcare allowance and the phasing out of the double tax credit in the social welfare calculation. The effects will be limited by an increase in the general tax credit and a one off benefit for people on minimum incomes via the local authorities. The purchasing power of pensioners will drop primarily because of the cut in pension benefits by the pension funds. People in work will benefit from the increase in the employed person's tax credit, although this is to be phased out for higher incomes. The purchasing power of those on higher incomes will decline due to the phasing out of the general tax credit and the employed person's tax credit.

Purchasing power outlook* (estimate 2014)	
Economically active (working):	%
Single-income households with children	
Modal	-1½
2 x modal	-1¾
Dual-income households	
modal + ½ x modal with children	¾
2 x modal + ½ x modal with children	- ¾
modal + modal without children	¼
2 x modal + modal without children	-¾
Single persons	
Minimum wage	1½
Model	¼
2 x modal	-1½
Single parents	
Minimum wage	-1½
Modal	- ½
Not economically active:	
People on social welfare	
Couple with children	-1¼
Single person	-¼
Single parent	-¾
Retired persons (single)	
Only state pension	-¼
State pension +10000	-1¾
Retired persons (couple)	
Only state pension	1
State pension +10000	-1¾

*The standard purchasing power outlook takes no account of the abolition of the allowance under the Chronically Ill and Disabled Persons Allowances Act (Wtcg), the Health Insurance Excess Compensation (CER) benefit and the deductibility of specific healthcare expenses. There will be an additional average negative impact of 2 percent on the incomes of households that currently benefit from these schemes. This impact has been taken into account in median purchasing power. No account is taken of compensation provided by municipalities in the form of individual crisis payments or benefits under the Social Support Act.

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

Table 8. Methodological aspects.

Estimation Technique	Step of the budgetary process for which it was used	Relevant features of the model/technique used
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 revenu (with the exception of personal income tax)	Detailed forecast tax revenues
ZOEM	Forecast on health expenditure and employment in health sector	Arithmetic model on health expenditure and employment in health sector
Overheidsrekening	Forecast on government employment, public expenditure and revenu (with the exception of taxes, health and social security)	Detailed arithmetic model on government employment and government finance for the short and medium term
EVIEWS in combination with EC software	Forecast output gaps	Econometric model