DRAFT BUDGETARY PLAN

THE NETHERLANDS

SEPTEMBER 2022

INTRODUCTION

In this Draft Budgetary Plan, the government presents its economic and budgetary prospects. The European Commission and European Council use the Draft Budgetary Plan to assess whether the Netherlands is compliant with the requirements of the Stability and Growth Pact (SGP), which contains the European budgetary rules. Due to the exceptional crisis caused by COVID-19, the general escape clause has been activated, allowing Member States to respond appropriately to the consequences of the crisis.

In this draft budget, the government presents measures on various issues. For example, the government is taking measures to mitigate the impact of high inflation on households' purchasing power, which are mainly aimed at households that are most affected. In addition, the government is investing in education, infrastructure, defence and climate. Additional resources are also being allocated for combating subversive crime.

The economic and budgetary prospects are based on the Macroeconomic Outlook (MEV) and Medium-term forecast (MLT) of the Netherlands Bureau for Economic Policy Analysis (CPB) and the 2023 Budget Memorandum (Miljoenennota 2023). A more detailed explanation on the government's policy plans is available in the 2023 Budget Memorandum. The figures include data on the already adopted Dutch Recovery and Resilience Plan. Finally, the government is taking additional measures in the energy market, partly by setting a temporary price cap.[1] *The precise details of this plan is still being decided at the time of writing, which means that the budgetary consequences have not been included in the figures of this draft budget.*

[1] For more information refer to: Letter to Parliament on additional energy bill measures, 20 September 2022. Link.

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CHAPTER 1:
MACROECONOMIC FORECAST

The invasion of Ukraine has caused major uncertainty and increased risks worldwide. In 2021, the global economy quickly recovered above expectations from the corona pandemic. In the Netherlands, the highest GDP growth at 4.8% was measured since the late 1990s. On a global scale, this is the highest growth in almost fifty years. This recovery was driven by the unexpectedly sharp upturn in demand for products and services and the economic support by governments and central banks. At the end of last year, growth declined partly because producers and shipping companies had difficulty in keeping up with rapidly increasing demand. Combined with other factors, such as rising energy prices, this led to prices starting to rise at the end of last year. The Russian invasion of Ukraine has put further pressure on the supply of products and services. Prices of energy, commodities and food have increased worldwide. This price increase was much sharper and more widespread than most of the economic institutions had envisaged. The short-term economic consequences are uncertain and risks have increased. A further escalation of the war, sanctions or countermeasures, as well as a long-lasting war are still realistic possibilities. In an unfavourable scenario, there could be a shortage of energy, which will require some parts of economies to scale down. This could have far-reaching consequences for all countries, such as economic contraction and a further rise in prices.

All countries experience the consequences of the invasion, but emerging economies face the biggest challenges. The World Bank expects economic slowdowns across the globe, with the exception of major energy-exporting countries in the Middle East and North Africa. In addition, food prices have risen sharply as a result of war in Ukraine and global warming. This has the greatest impact on emerging economies and low-income countries, particularly in Africa. The United Nations has indicated that the number of people suffering from food shortages has already doubled from 136 million to 276 million over the last two years. In the short term, regulated prices and related subsidies can further alleviate the effects in some of these countries. However, many emerging economies are simultaneously facing monetary tightening, against a backdrop of already high public debts. These debts rose even further during the pandemic. After 2023, it appears that more and more countries will face untenable public debts and have little financial scope to cope with setbacks. This increases the risk of a food and debt crisis. This situation can only be tackled through international cooperation and coordination.

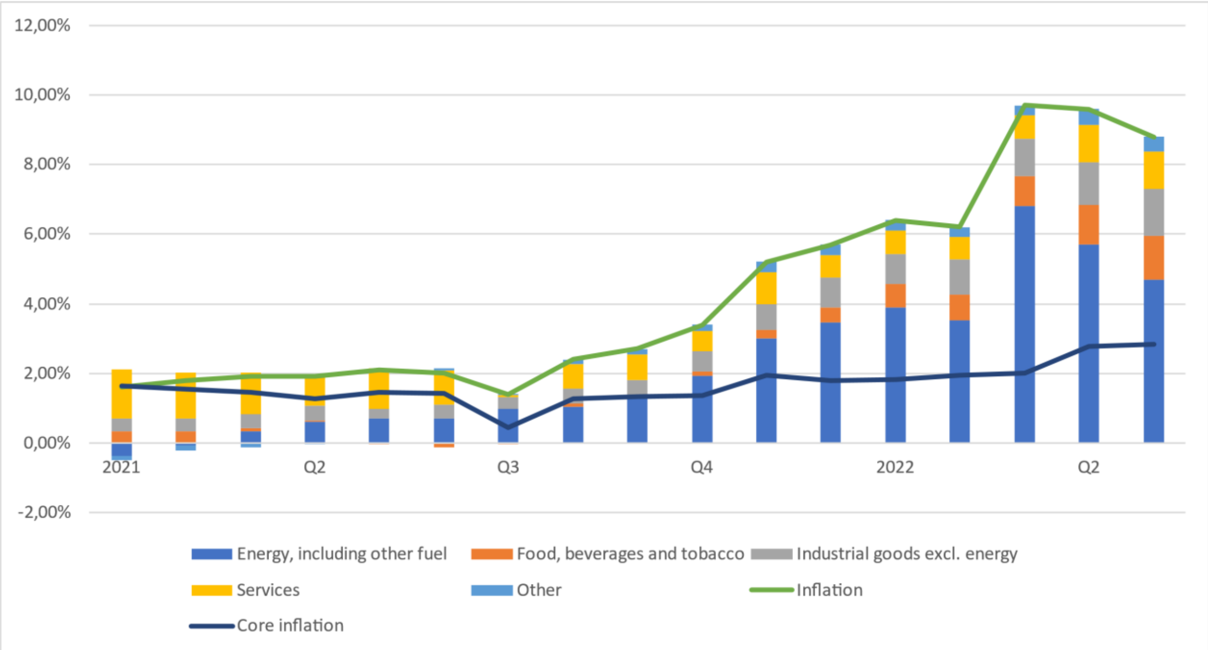
In the CPB's basic scenario, economic growth in the Netherlands is also levelling off, but unemployment remains low. Forecasts had already taken a slowdown in economic growth into account before the Russian invasion of Ukraine. Growth expectations have been adjusted downwards even further due to the impact of the war, including a higher rise in inflation. As a small and open economy, the Netherlands is sensitive to disruption in world trade and the global economy. It is possible that the Netherlands will end up in a mild recession (contraction of two quarters in a row), although that is not the basic scenario. For 2022, annual growth is expected to remain relatively high, because high growth in the first two quarters and the spillover effects are still reflected in the annual average. In 2023, this effect will be over and the Netherlands Bureau for Economic Policy Analysis (CPB) expects a more moderate growth of 1.5% of GDP. Unemployment is expected to remain low and wages are rising somewhat faster than in previous years, but still lag behind inflation.

Figure 1.1 Development of Dutch GDP (CPB projection)

Source: CPB (Netherlands Bureau for Economic Policy Analysis)

Inflation is historically high and persistent high price increases cannot be ruled out. Inflation has risen to a level that has not been seen for more than forty years. For example, prices (measured according to the Harmonised Index of Consumer Prices (HICP method) in the Netherlands were 11.2% higher in April than a year earlier, in the eurozone as a whole at +7.5% and in the USA at +8.5% on an annual basis. Figure 1.1.4 shows that the lion's share of inflation, measured according to the consumer price index (CPI), consists of increased energy prices and food prices. Core inflation excludes these categories and is therefore lower. Energy is an important cost item in most production processes, which causes high energy prices to filter through to the prices of other consumer goods. According to DNB's estimates, in a negative scenario the average inflation (HICP) can rise to more than 10% for this year if energy prices persistently remain high.[2] There is a risk that this process will increasingly continue in the medium term.

Figure 1.2 Contribution to inflation (Consumer Price Index, year-on-year change)



[2] DNB (2022), Economic Developments and Prospects, June 2022.

Source: Statistics Netherlands

The effects of inflation continue to be felt, even when inflation rates drop. After all, inflation measures the rise in prices. If prices do not rise further, but remain at a higher level, this effect is eliminated in inflation rates, but households still feel the effects. It should be borne in mind that Statistics Netherlands (CBS) measures the development of gas and electricity prices based on new energy contracts concluded. However, some consumers have a continuing contract with fixed prices for gas and/or electricity. As a result, they currently have no or limited difficulty with high energy prices, which are already fully included in the inflation rate. This overestimates the direct effects of current inflation on energy prices, as felt in households' pockets. Yet, more and more fixed energy contracts are coming to an end and many households are actually faced with higher market prices.

The government cannot prevent the income effects of higher prices. Price increases are largely the result of Russia's invasion of Ukraine. The sharply increased energy prices cause a supply shock, resulting in a collective loss of wealth. This is why it cannot be fully compensated by the government. The loss of wealth resulting from higher import prices compared to export prices – what is known as the *terms of trade* – according to the CPB, was confined in 2021. Part of the explanation is that Dutch companies are well able to pass on the higher prices to sales prices of export products. However, the negative terms of trade increased in the second quarter of 2022.

The government is introducing a significant package of measures to support households with high energy bills and to make working more rewarding. In total, the government will be spending almost €17.0 billion on purchasing power measures as of 2023. Almost €5 billion of this will be structural. The purchasing power package initiated in 2022, will largely be continued and expanded in 2023. The measures mainly focus on the most vulnerable households by increasing the healthcare and housing allowance as well as the child-related budget. As was the case in 2022, the government will make budget available to municipalities to pay an energy allowance to vulnerable households. The government maintains a target amount of €1,300 and is spending €1.4 billion on this. The minimum wage is also being increased sooner and by more than previously planned. This increase also affects social security benefits linked to the statutory minimum wage. Tax rates on energy will be reduced further and the reduced fuel excise duties will apply for longer (both temporarily). To make working more attractive, the tax burden on labour is structurally being reduced too. In this way, middle-income earners are also supported. A more detailed explanation on the purchasing power package is available in Chapter 5. According to CPB's calculations, this package of measures has an upward effect on growth (+0.5 percentage point) and a downward effect on inflation (-1.75 percentage point) in 2023. These forecasts of economic growth and inflation, however, are beset with exceptional uncertainty.

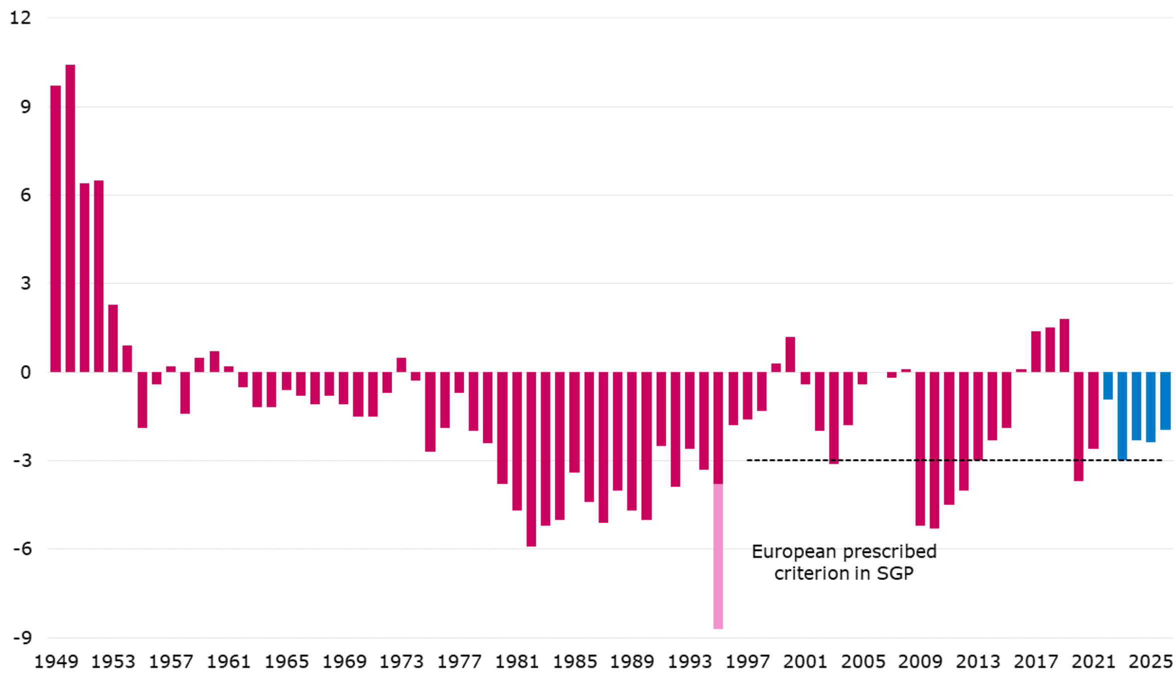
The labour market is historically tight, but there is still an untapped labour potential. There is a scarcity in the labour market because unemployment is low and there have never been so many jobs in the Netherlands; more than 11 million. In the second quarter of 2022, there were 143 job vacancies for every 100 unemployed persons. The workforce shortages are not due to the fact that few people work in the Netherlands. Of all Dutch citizens (aged between 15 and 75) seven out of ten work. However, the average number of hours worked in the Netherlands is the lowest of all the EU countries (32.1 hours per week). This is as a result of the unique part-time culture; there is no higher proportion of both males and females who work part-time anywhere in the world. Of the 4.5 million part-time workers, almost half a million are eager to work more hours. In addition, there are more than 300,000 unemployed persons as well as more than 300,000 people who want to work, but who have not recently job hunted or are not readily available (for example due to a training or travel). Other non-employed and part-time workers may possibly be tempted to work more too.

CHAPTER 2:
BUDGETARY TARGETS

The government invests now and later on the basis of sound public finances. Recent months have shown that economic prospects can turnaround quickly. The corona crisis and the war in Ukraine underline the importance of sound public finances as a basis for dealing with such shocks. In addition to investing now and later, the government also wants to continue monitoring sustainable public finances in the medium to long-term.

The government is making substantial investments, which will result in a temporary deterioration of the general government balance. The government considers investments in climate, nature and rural areas, which includes tackling the nitrogen oxide issue, education and safety, to be of importance, especially for future generations. The government accepts a temporary deterioration in the balance to be able to address these major social challenges. In addition, as a consequence to the war in Ukraine, the covering of a number of corona-related expenses and the purchasing power measures, the government's support means a further rise in the deficit. The general government balance is expected to reach -0.9% of GDP in 2022 and -3.0% of GDP in 2023.

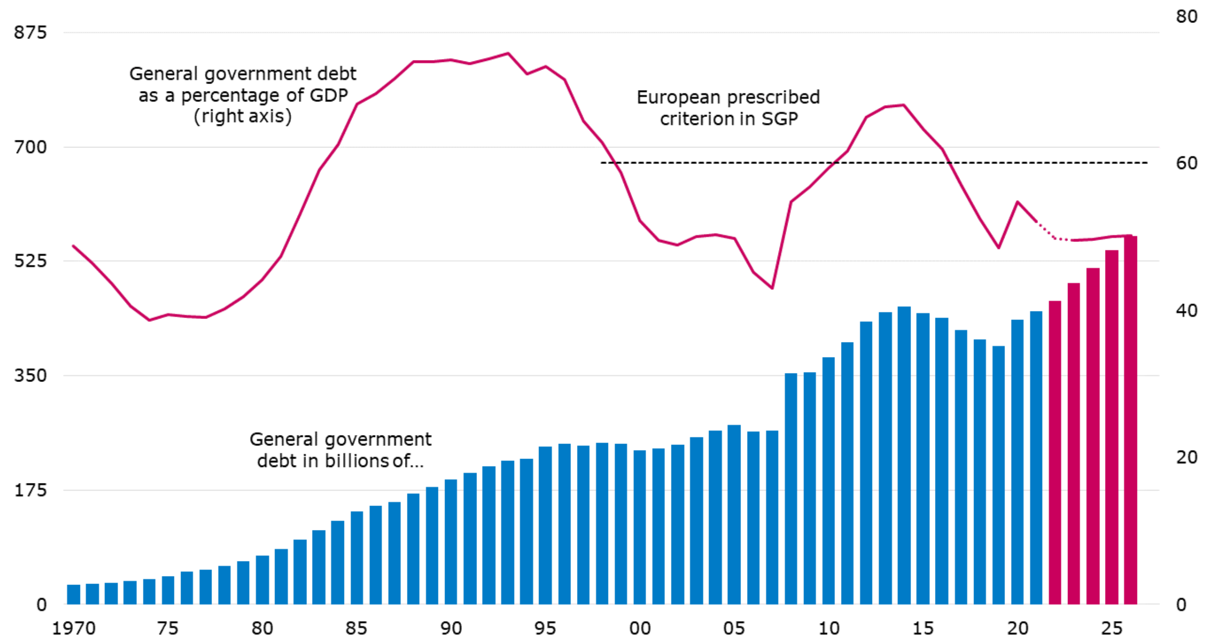
Figure 2.1 Development and forecast of general government debt (% of GDP)



The level of government debt is expected to remain relatively favourable next year. Dutch public debt (later referred to as government debt) is expected to reach 49.8% of GDP in 2022 and 49.5% of GDP in 2023, more than €500 billion. The favourable development of the debt ratio, despite continuing budget deficits, is not only due to the increase in tax revenues but also through high inflation. As a result, the nominal GDP increases and debt decreases in proportion (also known as the denominator effect). This positive effect on the debt ratio will reduce in the following years if inflation in the long term tends towards the ECB's target (2%).

The rising interest rate on government debt leads to a budgetary challenge. The ten-year interest rate in the CPB forecast will rise to 1.6% in 2023. This is a significant increase since the CPB's previous forecast for these years and leads to a structural increase of more than €1.1 billion in interest paid by the Netherlands on government debt. In the Central Economic Plan (CEP) projection next spring, the CPB will also adjust the interest rates for the period from 2024 onwards. If the interest rate is indicatively extended to later years, this will result in a structural increase of circa €3 billion in interest expenditure in 2027. The interest-rate increase is a budgetary item which, according to budgetary rules, must be structurally integrated into the expenditure benchmark of the National Budget. Closer to the Spring Memorandum consultations, the government takes stock of its options and measures, to structurally integrate this setback.

Figure 2.2 Development of government debt, in billions of euros and % of GDP

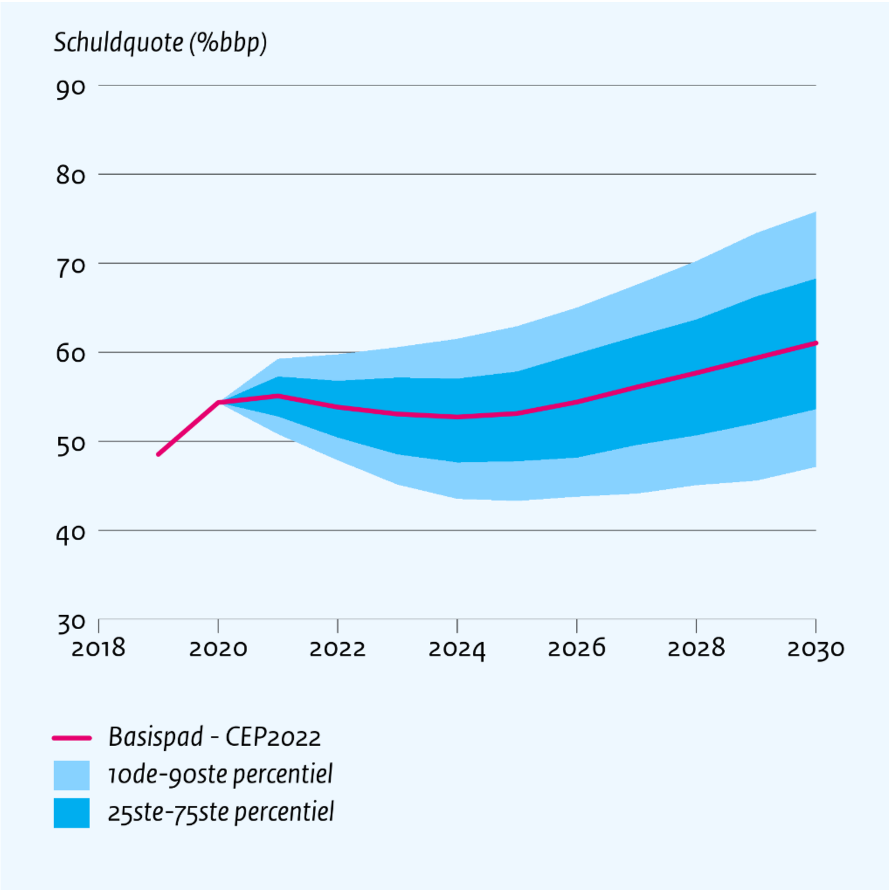


Sound public finances are essential both now and in the future. The level of government debt is expected to remain favourable next year; government debt remains well below the 60% criterion.

Dutch government debt is financially sustainable in the short and medium-term. With a debt ratio of approximately 49.5% of GDP in 2023, Dutch government debt is low compared to other eurozone countries. According to current forecasts, this will continue to be the case in forthcoming years. In March this year, the CPB projected a government debt of approximately 61% in 2030. The government's investment agenda and the consequences of population ageing were taken into account until 2030. The Netherlands has been rated with the highest 'triple-A' credit rating by credit rating agencies. This shows that there is a very high level of confidence that the Netherlands can fulfil its commitments in the coming years.

It is important to identify the uncertainties associated with this financial sustainability. Forecasts are beset by uncertainties. For example, tax revenues may be higher or lower in the event of a change in the economy. In addition, economic variables such as growth, inflation and interest rates are currently difficult to forecast for 2022 and 2023. These uncertainties will increase in later years. With that in mind, the CPB has developed a model to show the uncertainties. This new analysis – known as a *debt sustainability analysis (DSA)*– is in line with the IMF method (2021).

Figure 2.3 Expected debt development up to 2030, % of GDP



The model shows that the possible debt rise remains limited in the medium term. The figure above shows the range of government debt up to 2030. It seems that Dutch government debt is likely to remain below or close to 75% in the medium-term. However, it is possible that government debt might exceed the 60% criterion. According to the CPB, debt in the baseline will rise slightly (see red line in figure 2.3) and uncertainty will increase.

In the long term, the government is seeking stable debt development. In the coalition agreement the government indicated that it would accept a temporary increase in government debt because of critical investments. In doing so, the aim is to achieve a stable debt development. The government is committed to limiting growth in healthcare expenditure and the contingent holding of a number of budget funds. In addition, it is important to realise that the government cannot and must not want to compensate everything; additional measures, for example, to support purchasing power, must be balanced against the impact on public finances.

CHAPTER 3:
EXPENDITURE AND REVENUE PROJECTIONS AT AN UNCHANGED POLICIES SCENARIO

Table 3.1 General government expenditure and revenue targets, broken down by main components.

in % of GDP		**2022**	**2023**
General government (S.13)	ESA Code		
1. Total revenue at unchanged policy	TR	44.1	42.8
Of which:			
1.1. Taxes on production and imports	D.2	11.9	11.7
1.2. Current taxes on income, wealth, etc.	D.5	13.9	13.1
1.3. Capital taxes	D.91	0.6	0.2
1.4. Social contributions	D.61	13.2	13.1
1.5. Property income	D.4	1.6	1.4
1.6. Other		3.3	3.2
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		39.2	38.2
2. Total expenditure at unchanged policy	TE	45.2	45.3
Of which:			
2.1. Compensation of employees	D.1	8.5	8.4
2.2. Intermediate consumption	P.2	6.4	6.5
2.3. Social payments	D.62	20.8	21.8
Of which: Unemployment benefits	D.632	1.1	1.1
2.4. Interest expenditure	D.41	0.5	0.5
2.5. Subsidies	D.3	2.3	1.9
2.6. Gross fixed capital formation	P.51	3.4	3.5
2.7. Capital transfers	D.9	1.4	0.9
2.8. Other		1.9	1.8

CHAPTER 4:
EXPENDITURE AND REVENUE TARGETS

Table 4.1 General government expenditure and revenue targets, broken down by main components.

in % of GDP		**2022**	**2023**
General government (S.13)	ESA Code		
1. Total revenue at unchanged policy	TR	44.1	42.8
Of which:			
1.1. Taxes on production and imports	D.2	11.9	11.7
1.2. Current taxes on income, wealth, etc.	D.5	13.9	13.1
1.3. Capital taxes	D.91	0.6	0.2
1.4. Social contributions	D.61	13.2	13.1
1.5. Property income	D.4	1.6	1.4
1.6. Other		3.3	3.2
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		39.2	38.2
2. Total expenditure at unchanged policy	TE	45.2	45.3
Of which:			
2.1. Compensation of employees	D.1	8.5	8.4
2.2. Intermediate consumption	P.2	6.4	6.5
2.3. Social payments	D.62	20.8	21.8
Of which: Unemployment benefits	D.632	1.1	1.1
2.4. Interest expenditure	D.41	0.5	0.5
2.5. Subsidies	D.3	2.3	1.9
2.6. Gross fixed capital formation	P.51	3.4	3.5
2.7. Capital transfers	D.9	1.4	0.9
2.8. Other		1.9	1.8

CHAPTER 5:
DISCRETIONARY BUDGETARY MEASURES

The government is taking measures to reduce the impact of inflation on the purchasing power of lower and middle-income households. The expected development of purchasing power for 2022 and 2023 is drastically negative and, from a historical point of view, extremely exceptional. The increased energy bill is an important factor in this. Although the structural recovery of purchasing power must primarily come from wage increases, the government will have a substantial package to support households for the high energy bill. The purchasing power package used in 2022, will largely be continued and expanded with further measures in 2023.

The government is also investing to improve broad-based prosperity. There are major, long-term social challenges concerning broad-based prosperity. Policy aimed at increasing broad-based prosperity covers many different fields and priorities. These priorities are: equality of opportunity, democratic rule of law, security and a strong society, international context, sustainability, health and the economy. Expenditure categories in which this policy becomes visible are education, the labour market as well as benefits and allowances, justice and security, defence, climate, rural areas, housing and infrastructure, and local and regional authorities.

There are also expenditures to deal with various and urgent issues in the here and now. This includes expenditure in view of the war in Ukraine, asylum seeker issues and certain current and phasing-out arrangements related to the corona pandemic.

Table 5.1 Key budgetary data

in € billion	2022	2023
Revenue (taxes and social insurance contributions)	**349.2**	**366.4**
Normal net expenditure below the expenditure benchmark	**339.2**	**372.6**
National budget	155.1	161.5
Social security	89.1	99.7
Healthcare	81.1	89.4
Investments	13.8	22.0
Corona support measures relevant to gen. gov. balance (expenditure)	15.3	5.2
Other net expenditure and corrections relevant to gen. gov. balance	2.3	17.2
Total net expenditure relevant to general government balance	**356.8**	**395.0**
General government balance for central government	**-7.6**	**-28.5**
General government balance for local governments	**-1.0**	**-1.0**
General government balance public sector	**-8.5**	**-29.6**
General government balance public sector (in % of GDP)	**-0.9 %**	**-3.0 %**
General government debt public sector	**464.4**	**491.7**
General government debt public sector (in % of GDP)	**49.8 %**	**49.5 %**
Gross domestic product (GDP)	**933**	**994**

Purchasing power measures

The government is taking measures in a substantial package, to mitigate the impact of inflation on purchasing power. The purchasing power package used in 2022, will largely be continued and expanded with further measures in 2023. Among other things, the healthcare and housing allowances are being raised temporarily, the statutory minimum wage and its associated benefits are being increased more rapidly and by more, and reduced energy taxes and fuel excise duties will apply for longer. This was necessary given the unprecedented downswing in household purchasing power as a result of increased energy prices. At the same time, the government is aligning itself with the steps recommended in the interdepartmental policy review (IBO) on distribution of assets[3] to equalise the balance of various working households. This will be done by raising the lower corporation tax rate to 19%, abolishing the efficiency margin on customary wages and scaling down further on the self-employed deduction. There will also be a greater equilibrium in the taxing of assets by capping the deduction for gifts and a broader-based tackling of constructs and tax regulations. Tax revenues on assets will be recompensed by way of a lower tax burden on labour for employers and employees. Partly because of these measures, the total package results in a structural and positive effect on the general government balance. However, the package leads to a deteriorating balance in the short-term despite using increased gas revenues, additional resources generated by the mining levy, a redesignation of resources in the Stimulation of Sustainable Energy Production (SDE) and focusing on additional underspending.

The reduction on energy tax in 2022 will be continued and intensified. Households will be recompensed for energy taxes via a tax relief and lower tax rates. To achieve this, €4.5 billion will be freed up (for which resources of a similar size as well as the VAT reduction in 2022 will be used to reduce taxes on energy). Part of the budget (€940 million) is being reserved for targeted support via the energy bill.

In 2023, the State will allocate €1.4 billion so that municipalities can pay an energy allowance of €1,300 to households earning up to 120% of the social minimum. This will support households in dealing with higher energy prices.

Students living away from home will be recompensed for their rising expenses, for which the government is setting aside €500 million. Hence, the basic grant for both MBO and HBO students living away from home will be increased by approximately €165 per month for the academic year 2023/2024.

In 2023 and 2024 the government will allocate a total of €300 million extra for the National Insulation Scheme. In the process, the government financially supports (vulnerable) households to take energy-saving measures**.** This allows more (vulnerable) households to make their homes more energy-efficient and be able to reduce their energy costs in this way.

The government will apply the reduced fuel excise duty for longer. In the period January to June 2023, excise duties will remain at the same level as in 2022. In the second half of 2023, the reduced excise duty will gradually be phased out.

The government will accelerate and increase the proposed rise in the minimum wage. This makes working more attractive and reinforces the income position of working households with a low income as well as benefit recipients. The full increase of the minimum wage by 7.5% will be implemented in 2023 and raised to a policy-related increase by 8.05%. This raises the minimum wage to 10.15% (including the widely used indexation) as at 1 January 2023. This will reflect in the social security benefits linked to the statutory minimum wage. The link to the general old age pensions (AOW) will be retained and the phasing out of old-age pension income support (IOAOW) will be accelerated. In 2023, this will be reduced to €5 per month and will be abolished as at 2025. As agreed to in the coalition agreement, the impact at the limits of the employed person's tax credit will be reversed.

The government will structurally raise the housing allowance by €16.94 per month. Households in social rental homes are vulnerable to external shocks such as the recent higher energy prices. To improve the income position of tenants, the government is raising the housing allowance and is structurally setting €325 million aside for this.

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[3] Interdepartmental policy review on distribution of assets – *IBO Vermogensverdeling – Licht uit, spot aan: de vermogensverdeling* [Lights off, spots on: the distribution of assets], July 2022. Link.

The government is raising the child-related budget. This raise relates to three components. The amount for the third child and more children will be increased, so that this amount is equal to the amount for the second child (an increase of €105). The remainder of the budget will be equally distributed to all amounts for children and an increase in the single-parent supplement (ALO-kop). This raises these amounts by €335. This measure will be implemented in 2023 and will be phased out in the following years. As of 2028, the government will structurally allocate €100 million to raise the child-related budget.

To make working more worthwhile, the government is raising the employed person's tax credit. In addition to the increase in the coalition agreement, the government is structurally allocating €500 million to raise the employed person's tax credit. This will be used for middle-income earners, by raising the second and third bracket point by €89 and raising the phase-out percentage to 6.51%.

The government is committed to reducing expenditure on labour hence the lowest tax bracket rate is being reduced by 0.11 percentage points. This reduces the average tax burden on all incomes. The marginal pressure for incomes up to €69,000 decreases. This will cost €700 million. This includes the increase in the lowest tax bracket by the windfall in the Healthcare Insurance Act (*Zorgeverzekingswet, Zvw*).

In order to reduce the tax burden on labour, the government is also reducing the tax burden for SME entrepreneurs. Revenues as a result of the raised low corporation tax rate will specifically be recompensed to SMEs. For this purpose, the government is allocating €500 million in the years 2023 to 2027, and €600 million will be earmarked for this purpose as from 2028.

Caribbean Netherlands: measures in the purchasing power package for the Netherlands in Europe will be passed on to the Caribbean Netherlands. Some of the measures cannot be passed on directly; for example, the Caribbean Netherlands is not subject to the Quality Assurance (Building Sector) Act (*Wet kwaliteitsborging voor het bouwen, WKB*). For similar measures to be taken in the Caribbean Netherlands, the government will make a one-off €16 million available and €2.4 million on a structural basis.

General policy

Education

The government is committed to improving quality and the equality of opportunity. In the coalition agreement, €1 billion has been made available structurally for quality in education, which must put the basis in order. Prior to the corona crisis, there were already declining education results and this decline exacerbated due to physical closures of education institutions in 2020 and 2021. The government is using the basic skills master plan for fundamental quality improvement in language, arithmetic/mathematics, citizenship and digital literacy.

The government is also structurally investing €800 million in good teachers, school leaders and educational assistants and thus in good education. With its investments in higher education and the sciences, the government has also directly honoured the demands of the coalition agreement. Existing problem areas are being addressed and the resources provide a powerful boost in the broad-based knowledge base, our knowledge-intensive society and in the economy. The resources include an intensified research infrastructure, reducing the workload in the sector and providing more scope for impartial research. Further improvements are being put in place regarding talent development, forming networks, the transition to open science, and (social) safety. Investments that will have an effect both in the short-term and long-term, will be financed in the structural series for follow-up training/research (€700 million per year structurally) and in the Research and Science Fund (€5 billion for the next 10 years).

Labour market and benefits and allowances

The government considers the reimbursement of childcare as an important instrument to encourage labour market participation and the development of children. However, the childcare allowance affair has made it painfully clear that the system needs to be much simpler and that more surety is needed for parents. This government's ambition is therefore to abolish the benefits and allowances. People should no longer get confused by the complicated regulations, nor should they face high reclamations. The government is therefore investing an additional €2.2 billion to allow a high, income-independent compensation of 96% for all working parents, directly financed to childcare organisations.

The AOW scheme will increase to improve the elderly's income position. The government has opted to have the AOW pension scheme increase simultaneously as the special increase of the minimum wage in order to meet existing concerns in both houses of parliament about the income position of low-income earners and the elderly. The costs for increasing the AOW pension amount to €2.4 billion in 2027 will be covered for €1.8 billion by the gradual phasing out of the IOAOW. This is a reversal of the proposed increase in the elderly person's tax credit in the Coalition Agreement and the discontinuation of the tax-deferred retirement reserve (*fiscale oudedagsreserve, FOR*). The AOW pension payment will rise by more than what the IOAOW drops, which means that, on balance, AOW pensioners will benefit from it. In this, the elderly person's tax credit also plays a role in that it cannot always be redeemed by the elderly in the absence of or with a small supplementary pension, in which they get the higher AOW pension paid out in full.

Safety

The government is committed to an integrated approach to organised drug-related crime. In recent years, it has become clear how organised drug-related crime has embedded itself in our society and what its undermining effects are. The objective is to create an integrated approach to this criminality. In the coalition agreement, the government will structurally release €100 million for this. The aim is to tackle this criminality with a single broad-based coalition (both internationally, nationally, regionally and locally).

Not all children and youths have the same opportunities. In order to prevent youths from going into crime, the State invests in collaborations with municipalities, private parties, and public partners in an integrated prevention approach to juvenile crime. People enduring disoriented behaviour are also given appropriate care and support to prevent them from unduly coming into contact with judicial authorities. Finally, the re-integration of ex-detainees will be intensified in reducing recidivism. The above preventive measures will be raised by €100 million in 2023.

The government is investing in defence, to restore and reinforce the armed forces. In 2024 and 2025, defence spending will rise to 2% of GDP. In the coalition agreement, €3 billion was structurally added to the defence budget and this will structurally have an additional €2 billion added to it in the Spring Memorandum.

Climate

The government is creating a Climate Fund and will be expending the first urgent sums from this fund in this budget. €35 billion has been reserved for the Climate Fund. The government is working on an establishing act, in which all the agreed ground rules of this fund will be laid down. To prevent the tackling of climate change being delayed, the government is already making some investments from this fund in this budget. Since the establishing acts are not yet in force, this only concerns urgent projects and measures. The government is spending a total of about €4 billion on this, for example for offshore wind energy and to provide an incentive for using hydrogen. In addition, €529 million of the funds' resources will be used for the climate policy's implementation costs. The government also already announced in the Spring Memorandum that the target range of climate policy will be improved with supplemental regulated arrangements. Because these regulated arrangements make an important contribution to the target range, fewer subsidies are needed. The subsidies in the Climate Fund will be reduced by €880 million.

Rural areas

In forthcoming years, the government will take many measures to reduce nitrogen oxide emissions. This must comply with the nature, water and climate change commitments. In the coalition agreement the government prescribed relevant ambitions in the fields of agriculture, nature, nitrogen oxide, water and climate.

Aside from the budgets already available, there will be a rural areas and nature-transition fund of €24.3 billion to contribute to the objectives in the field of nature, climate and water by 2035. The State has already released €504 million from the transition fund for various acceleration proposals by provinces to reduce nitrogen oxide emissions and to improve the quality of nature and water. The government is also making €250 million available to accelerate the legalisation programme for '*PAS*' reporting (an integrated approach to nitrogen emissions).

Housing and infrastructure

To enable the housing shortage to be tackled in the short-term, bottlenecks in residential construction are being addressed. In March 2022, the government presented the Residential Construction Programme. It describes how residential construction will be accelerated with the aim of building 900,000 homes by 2030. The programme also states how 100,000 new homes can be built per year in this government's term of office. Two thirds of them must be affordable for low-income or middle-income households. In order to address financial bottlenecks in the exploitation of land for housing in specific projects, the housing incentive has been extended. To ensure proper accessibility of new housing within the large-scale residential areas, a total of €7.5 billion has been allocated in the mobility fund for the next 10 years.

The government is investing billions extra in mobility. The first resources in the coalition agreement for accessibility of new housing are included in the 2023 budget. For the management, maintenance, replacement and renovation (maintenance work) of national infrastructure, an additional €390 million will be added in 2023. These resources will provide a contribution to the accessibility, safety and quality of living of the Netherlands.

Local and regional authorities

The government is upgrading the financing system for local and regional authorities. Additional financial resources provided for in the coalition agreement and the 2022 Spring Memorandum provide a significantly improved financial position for municipalities and provinces, and a good financial basis for the period up to 2025. In the run-up to this new financing system as of 2026, a one-off €1.1 billion will be allocated to the Municipalities Fund, Provinces Fund and VAT Compensation Fund.

Regional parties and the State work together as partners in Regional Deals, to enhance broad-based prosperity. The level of scale of the region is of major importance for effective and efficient policies aimed, for example, at enhancing broad-based prosperity. Daily life primarily takes place on a regional level. For 2023, an amount of €284.2 million has been included in the budget for finalising the fourth tranche of the new Regional Deals.

For the Caribbean Netherlands, €30 million was reserved in the coalition agreement. These funds will be deployed for various purposes. This will increase incomes and benefits and reduce costs of living expenses.

Ukraine

A supplementary budget will be made available to support Ukraine. Expenditure directly related to the war in Ukraine is shown per annum in Table 5.2 below.

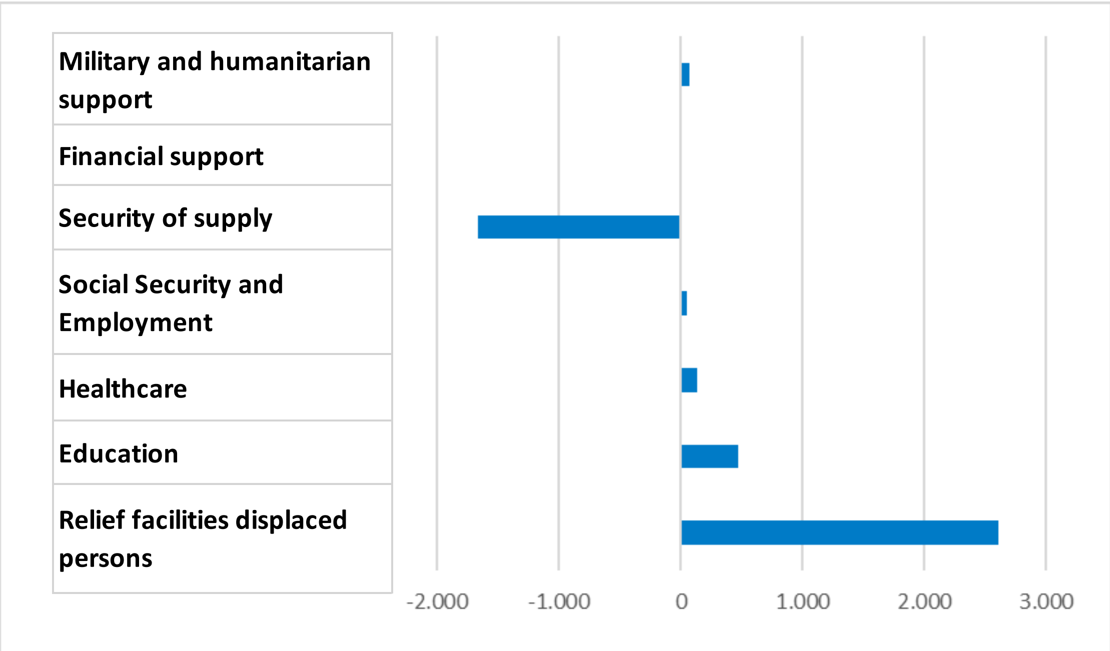
Table 5.2 Ukraine expenditure

in millions of euro	2022	2023	2024	2025	2026	2027	Total
Total	**3,947**	**1,656**	**901**	**62**	**44**	**– 197**	**6,414**
Relief facilities displaced persons	503	2,606	1,042	0	0	0	**4,151**
Education	613	471	0	0	0	0	**1,084**
Healthcare	86	129	0	0	0	0	**214**
Social Security and Employment	106	51	0	0	0	0	**157**
Security of supply	2,299	– 1,667	– 158	– 159	– 159	– 159	**– 1**
Financial support	200	– 5	– 5	– 5	– 5	– 38	**142**
Military and humanitarian support	140	70	22	226	208	0	**666**

** The above table only shows expenditure related directly to Ukraine. In addition, there are also expenditures via ministerial budgets that have an indirect relationship with the war in Ukraine, such as improving food security in vulnerable regions.*

The draft budget for 2023 includes a cost estimate for the first half year. In total, net expenditure is projected at €1.7 billion. The figure below shows the distribution of costs between the various items. In preparation of the 2023 Spring Memorandum, the government will make a decision about the second half of the year and how any structural costs will be absorbed within the budget.

Figure 5.1 Ukraine's 2023 expenditure, billions of euros



Asylum

To resolve the problems of reception of asylum seekers, the government will be providing additional resources for the crisis relief of asylum seekers, housing and the civic integration of asylum permit holders. For the period 2022 to 2027, the cumulative amount is more than €1 billion.

To get the through-flow of the reception of asylum seekers back on track, the government has made administrative arrangements with security regions, provinces and municipalities. These parties are making an effort to establish reception locations and to encourage the departure of asylum permit holders. Temporary measures are being taken for family members seeking asylum family reunification and resettlement within the context of the EU-Turkey Statement to limit the influx of refugees. The government is investing in resolving the problems of reception of asylum seekers, with additional resources for dealing with asylum seekers who cause nuisance (€45 million structurally); to promote sufficient support for shelter; and the reception of unaccompanied minor third-country nationals (AMVs) aged up to 21 (€40 million structurally). Aside from that, a structural €83 million will incrementally be released to the Security Regions for the increase in the State's Broad Special-Purpose Disaster Response Grant (BDUR). The 2022, 2023 and 2024 Civic Integration budget will be raised by €20 million, €40 million and €30 million, respectively.

A package of measures is being applied for the housing problems of asylum permit holders. For example, the Central Government Real Estate Agency will purchase temporary, low-rent homes to resell them to housing corporations, municipalities and other potential customers. The Central Government Real Estate Agency will also transform some existing and acquired premises to house asylum permit holders. Furthermore, locations will also be arranged where temporary, low-rent homes can be positioned and exploited for a specified period.

€90 million will be allocated for the civic integration and integration of asylum permit holders. These resources will be granted via a General Allowance to the Municipal Fund.

Corona

Corona-related expenditures will still be shown in 2023. In total, expenditure is projected at more than €5.4 billion. This expenditure is mainly incurred for combating the spread of the coronavirus. This includes, amongst other things, expenditure by the Municipal Health Services (GGD), the Security Regions, and the costs for testing capacity. Costs for the National Education Programme (NPO) will continue in 2023 too. Generic measures such as the Temporary Emergency Bridging Measure for Sustained Employment (NOW) and Reimbursement Fixed Costs (TVL) have been discontinued. Any relaxation of arrangements that are still to follow, will not be considered as directly related to corona. It is expected that any remaining expenditure or repayments will continue in 2023.

Revenue

In 2022, revenues increase by €27.8 billion compared to 2021. Table 5.3 shows that this growth is driven by economic development in 2022. Endogenous growth is growth that is explained by general economic development. This amounts to €33.2 billion. Policy measures specifically lead to €5.4 billion fewer tax revenues in respect of 2021. These mainly reduced due to the additional measures taken to mitigate the effects of high energy prices for households.

Growth in taxes and social security revenues is due both to actual economic activity and as a result of inflation. The development of revenue has been presented in the current prices, i.e. not adjusted for inflation. In current prices, there is evidence of growth in 2022. A *realistic* explanation for this is recovery from the corona crisis. A *nominal* explanation is the high inflation rate in 2022. These factors, for example, complement each other in revenue from VAT. The CPB has forecast that consumption growth is 5.7% and consumer price inflation amounts to 9.9%. As a result, there is significant growth in revenue from VAT. This effect on revenue is not the only impact of inflation on the government budget. However, this does not necessarily mean that budgetary space comes about due to inflation.

Taxes and social security revenues will grow by €17.3 billion in 2023. In 2023, economic growth will result in a revenue increase of €12.0 billion. This growth is more modest than in 2022 and also lower than the nominal GDP growth. This is partly because of consumption and hence revenue from e.g. VAT, but this only grows to a limited extent in 2023. Another explanation is specifically the *negative* effect of inflation on tax revenues. With a delay of about six months, the tax bracket limits and tax credits for income tax purposes will be increased on the basis of inflation. Up to a certain income, this leads to a lower tax burden. The high inflation rate in 2022 therefore has a negative effect on growth of the wage and income levy in 2023. Policy measures will result in €5.3 billion higher revenue in 2023.

Table 5.3 Taxes and social security revenues 2021-2023

	2021	2022	2023
Taxes and national social insurance contributions on general government-based amounts	249.5	272.2	283.8
- of which: taxes	210.0	232.4	242.4
- of which: national insurance contributions	39.4	39.8	41.3
Employee insurance scheme contributions	71.9	77.0	82.7
Total	**321.4**	**349.2**	**366.4**
Change		27.8	17.3
- of which: endogenous growth		33.2	12.0
- of which: policy		-5.4	5.3
Endogenous change (in %)		10.33 %	3.43 %
Value development GDP (in %)		9.00 %	6.50 %

CHAPTER 6:
POSSIBLE LINKS BETWEEN THE DRAFT BUDGETARY PLAN AND THE TARGETS SET IN COUNTRY-SPECIFIC RECOMMENDATIONS

Country-specific recommendations (CSRs)

CSR number	Measures (specific progress)
2021 CSRs	
CSR 1a: budgetary policy and public investments The EC recommends that the Netherlands should keep expenditure growth in line with economic growth in 2023, in which fiscal policy would be entirely neutral in 2023. The EC also states that there is considerable uncertainty in which high energy prices and refugees from Ukraine pose new challenges for the government. The EC points out that Member States must be prepared to take additional measures if necessary and also recommends that investments should be stepped up in both the green and digital transition as well as in energy security, thus making use of various available European funds. Furthermore, the EC recommends that fiscal policy should be implemented after 2023, to ensure sustainability of public finances in the medium term.	The government is satisfied with the proposed recommendations regarding fiscal policy for the Netherlands, and agrees with the EC's statement that there is both major uncertainty and new challenges. In addition, the Netherlands recognises the significance of the green and digital transition and of energy security, to which the climate and transition fund, the National Growth Fund and the Dutch Recovery and Resilience Plan (RRP) will make a substantial contribution. The government considers it to be positive that the EC yet again mentions the importance of prudent fiscal policy in the medium term.
CSR 1b: housing market The Netherlands is being urged by the EC to prevent disruptions in the housing market, including further development of the private rental sector and enlargement of the housing supply.	The government is committed to improving the availability and affordability of both rental and owner-occupied homes and the quality of living. To tackle the housing shortage, about 900,000 additional homes are needed by 2030. This means that the government aims to accelerate residential construction to about 100,000 homes per year. The aim is to ensure that at least two-thirds of the homes are affordable rental and owner-occupied homes valued up to the National Mortgage Guarantee limit. Furthermore, disruptions in the housing market will be reduced by abolishing the landlord levy, cancelling the extended gift tax exemption for a beneficiary's own home, as well as dispensing with the value with vacant possession ratio, which will make tax on returns on rented homes in box 3 for income tax purposes, more consistent with real life. This is in preparation of the new box 3

	system «actual return». By regulating the starting rentals in the mid-market rental segment, the government is taking steps to improve affordability for middle-income earners. In doing so, the government is also considering the implications of regulating the supply of mid-priced rented housing and how it will remain attractive for institutional investors to invest in this type of housing.
CSR 1c: pensions The EC calls on the Netherlands to implement the pension system reforms on which agreement was reached in 2019 and 2020.	The second pillar of the Dutch pension system is being reformed to sooner provide a perspective of a pension with purchasing power and to give the system a more transparent and personal structuring. The new pension system will also be more consistent with the changing labour market. Participants will accrue their pension through a premium scheme. The pension premium is fundamental and the premium percentage is the same for all members of a pension scheme. For all contracts, the participants will accrue their pension within a structure that is appropriate to the premium paid and the return achieved. Promises will no longer be made about the benefit payment; the premium is the employment-conditional commitment. However, on the basis of a uniform scenario set, the committed premium will periodically be assessed to determine whether the defined pension objective is sufficient. To this end, a legislative proposal was submitted to the Dutch House of Representatives in March. The government is aspiring to have this legislative proposal enter into force by 2023.
CSR 2: cohesion policy In the second recommendation, the EC calls on the Netherlands, as it does for many other Member States, to rapidly conclude and implement negotiations with the European Commission on the cohesion policy programmes for the period 2021–2027.	The partnership agreement was signed on 25 June 2022, thus successfully concluding negotiations with the European Commission on the cohesion policy programmes for the period 2021-2027 and its implementation was launched too.
CSR 3: labour market Just like in previous years, the EC recommends promoting adequate social protection for the self-employed and tackling bogus self-employment. This year, we are also being asked to reduce incentives to use flexible or temporary contracts. The EC also recommends that labour shortages should be dealt with and that skills, retraining and refresher courses should be encouraged. Part of the recommendation relating to the labour market is that the Netherlands should make efforts to improve opportunities for refresher courses and retraining, especially for people on the outskirts of the	The government supports these recommendations and they are in line with ambitions in the coalition agreement and the Recovery and Resilience Plan, in terms of reducing the differences between fixed and flexible contracts, to provide security and clarity for self-employed workers, and to improve public law enforcement against bogus self-employment. The government is reducing the tax differences between employees and self-employed workers to create a more level playing field. The various measures aimed at a more level playing field ensure that regulations concerning work for employees and self-employed workers become equalised and that incentives in the regulations incrementally become more balanced. This will discourage working as or with a bogus self-employed person. A disability insurance for self-employed workers will also be introduced, whereby the government will apply affordability, transparency and enforceability as important preconditions. In response to a scarcity in the labour market and specifically the Paternotte/Heerma motion, an approach is being developed with

labour market and for those who are inactive.	regard to generic labour market shortages, and shortages specifically in the healthcare sector, in education, the building industry, childcare and occupations that are needed for climate change as well as the energy and digital transition. The coalition agreement includes the extension of the labour market infrastructure to encourage job mobility and the transition from benefits to work. This includes instruments for refresher courses and retraining that support the switch to occupations with high rates of unfilled vacancies. As part of the 'Green and Digital Jobs' plan of action by the Ministry of Economic Affairs and Climate (EZK), the government is also improving the subsidy scheme for retraining towards promising occupations in ICT and technology. Through the Ministry of Economic Affairs and Climate, the government also supports the intake of more women into the ICT sector, including aspects like a task force of the Dutch business community. The government is also making budget available for wage increases in primary education. As part of curriculum renewal in primary and secondary education, the government will pay more attention to digital skills. In the years ahead, a substantial contribution can be made from the National Growth Fund to strengthen digital education in primary, higher and senior secondary vocational education (MBO), and to public-private partnerships between vocational education and the business community. To address additional people in the untapped workforce in 2022, there is also an action plan *Dichterbij dan je denkt* ['Closer than you think'], to guide people who have been sidelined or are undertaking a work and education programme. In the action plan, the government pays extra attention to four proven recruitment routes (Open hiring; work and education programmes (including practical studies in MBO); job creation; and innovative ways of matching) in a national campaign that generates awareness and findability of services for both job seekers and employers. Statistics Netherlands has estimated that 505,000 part-time workers want to work more hours and are readily available for this. Facilitating more hours or full-time work can provide an important contribution to addressing the scarcity in the labour market. It is for this reason that the government is committed to making it easier for employees and employers to combine jobs, for parents to combine work and care tasks, and to make it financially attractive to work (more hours). Aside from the government's generic plans, actions are being taken in the healthcare and education sectors to remove any barriers from working more hours. The government is also urging employers to consider any underutilised part-time employees among their own staff complement. In 2018, the government initiated the programme Further Integration in the Labour Market (VIA) to enhance labour market opportunities and the positions of Dutch nationals who have a migration background. Over the past few years, an effective approach has been explored to assist people with migration backgrounds to transition from social assistance benefits to work, to create work and education programmes in sectors with

	labour shortages, and to create equal opportunities for employers in their recruitment, selection, retention and through-flow of staff. Umbrella organisations of municipalities and the education sector, social partners, ministries, the Employee Insurance Agency (UWV), civil society organisations and the temporary employment sector, have jointly drawn up a work agenda and collaborate in applying and disseminating the lessons in practice. By making use of the ESF+ programme for work, the Netherlands is also helping people with a vulnerable labour market position and specifically people with a migration background. As a great deal is invested in education in the Netherlands by employees, employers and social partners themselves, government policy focuses on targets and target groups that require additional stimulation for lifelong development (LLO). The coalition agreement allows for an allocation of €125 million four times for continuous training through study entitlements. The elaboration of this is described in a separate Letter to Parliament on Lifelong Development Action Plan.[4] The coalition agreement also provides for encouraging people to transition from social assistance benefits to work, so too by way of instruments for refresher courses and retraining to switch to occupations with high rates of unfilled vacancies. In this way, training initiatives make an impact on tackling the labour shortages. Instruments for strengthening retraining and refresher courses are the training budgets for people with unemployment benefits and the lifelong development project for groups of low-skilled workers and persons with literacy difficulties, in which the gaining of language proficiency is combined with the gaining of professional skills. In addition, the government is committed to providing a good service, in which people with questions about work and study are always well assisted. Use of the 'Incentive scheme for study and development in SMEs', encourages the learning culture in SMEs, a target group where participation in study and development lags behind considerably in comparison to large enterprises. In March 2022, an individual public study and development budget (STAP budget) was introduced, along with policies aimed at advising the low-skilled about development opportunities. Finally, the Dutch government has continued with the programme «*Tel mee met Taal* » ['Be included with language'] to improve basic skills (language, arithmetic, digital) for adults and to accelerate the transition from semi-literacy to digital competency.
CSR 4: reduce dependency on fossil fuels On 18 May 2022, the EC presented the REPowerEU Plan, which stated its intention to reduce this dependency by means of energy savings, a diversification of energy sources, an accelerated deployment of renewable energy and reducing fossil energy	The Netherlands acknowledges the EC's objectives to reduce dependencies on Russia by accelerating the energy transition. The coalition agreement has already announced that the government is encouraging the supply of renewable energy sources, by using additional offshore wind energy, rooftop solar panels, geothermal heat, green gas and aquathermal energy. In addition, hydrogen production and imports are being scaled up. The government is also taking the necessary steps to build two new nuclear power stations, because, in the energy mix, nuclear energy can be complementary to solar power, wind and geothermal energy and

[4] Letter to Parliament on lifelong development, 23-09-2022. Link.

consumption in the built environment, industry and the electricity sector.	can be used for hydrogen production. At the same time, this makes us less dependent on importing gas. Furthermore, the government is committed to energy savings, including through the long-term National Insulation Scheme, standardisation and positive incentives to promote sustainability of housing with poor insulation, to accelerate the use of hybrid heat pumps, and to promote the construction of sustainable heat grids. Beyond that, the government is investing in sustainable mobility. In September 2021, the government announced, among other things, an additional investment of €600 million to encourage zero-emission vehicles for SMEs. In March 2022, new measures were introduced to encourage investments in zero-emission trucks and zero-emission mobile equipment (€270 million for the period 2022–2030). To reduce bottlenecks at railways, longer trains will be used, among other things. To facilitate this, investments are needed in the rail network which will happen in phases. A number of projects have been planned, such as adaptations to the Waalhaven South and Moerdijk marshalling yard. In 2019, ProRail concluded a study which indicated which further measures are necessary on the Ten-T corridors. As a follow-up to this study, ProRail is now analysing the priority measures (deployment strategy). The results of this study and related decision-making are expected in the first quarter of 2023.

CHAPTER 7:
DIVERGENCE FROM LATEST STABILITY PROGRAMME

Compared to the Stability Programme, public finances improve in 2022, but will deteriorate slightly in 2023. This is due, among other things, to the package of purchasing power measures for next year.

Table 7.1 Divergence from latest Stability Programme

		2021	2022	2023
	ESA Code	% of GDP	% of GDP	% of GDP
Target general government net lending/net borrowing	B.9			
Stability Programme		-2.5 %	-2.5 %	-2.3 %
Draft Budgetary Plan		-2.5 %	-0.9 %	-3 %
Difference		0.0	1.6	-0.7

Difference in forecasts between the European Commission and the Netherlands Bureau for Economic Policy Analysis (CPB)

	EC - spring forecast		EC - summer forecast		Budget Memorandum	
	2022	2023	2022	2023	2022	2023
GDP growth	3.3 %	1.6 %	3.0 %	1.0 %	4.6 %	1.5 %
General government balance	-2.7 %	-2.1 %			-0.9 %	-3.0 %
Government debt	51.4%	50.9 %			49.8 %	49.5 %

Source: EC, CPB

Compared to the CPB, the EC is a little more pessimistic about growth in 2022 and 2023. A large part of the expected growth in 2022 is due to higher (effective) recovery growth. In the summer forecast, the European Commission assumed a GDP growth of 3.0% in 2022 and of 1.0% in 2023. Compared to the CPB, here the EC is somewhat more negative about growth in both 2022 as well as 2023. The last full forecast by the European Commission (including public finances) was in the spring forecast of 16 May 2022. The European Commission's summer forecast is also somewhat more negative in respect of this forecast, in which high inflation and geopolitical tensions are expected to impact economic activity negatively. This is in line with the CPB's view on the lower expected growth of GDP in 2023.

Based on the Budget Memorandum, the general government balance is more positive in 2022 and more negative in 2023 than the EC's spring forecast. Government revenues in 2022 will benefit from robust income tax revenues partly due to a strong post-corona crisis recovery. In addition, the high gas price also leads to higher gas revenues which had not yet been included in the European Commission’s spring forecast.

According to the CPB forecast, public debt in 2022 and 2023 is lower than the EC’s spring forecast. The debt ratio drops in both the CPB’s forecast and the EC's forecast, partly as a result of high inflation (the ‘denominator effect’). The CPB’s inflation forecast in 2022 and 2023 is higher than the EC's forecast, which partly explains the difference in public debt.

This is due to the time difference between the forecasts and the major uncertainties in the aftermath of the corona crisis, high inflation, rising interest rates and geopolitical tensions. As a result, the forecasts fluctuate a little more than in the previous Budget Memorandum. Variables that showed little fluctuation for a long time, such as interest rates and inflation, now vary considerably from period to period, which also leads to larger differences in underlying assumptions of the forecasts.

CHAPTER 8:
DISTRIBUTIONAL IMPACT OF MOST IMPORTANT EXPENDITURE AND REVENUE MEASURES

The development of purchasing power has been enshrouded this year with extreme uncertainty. The invasion of Ukraine has caused major economic uncertainty and increased financial risks worldwide. High energy prices are affecting everyone's purchasing power and the impact is tremendous. Much of this has already happened in 2022, which makes the picture for 2023 only seem positive. The purchasing power figures for 2023 can therefore only be seen in conjunction with the figures for 2022. Despite the historically large package, the purchasing power picture shows that the average disposable income of households is decreasing. In this, it is assumed that nothing changes in the personal circumstances of households (also referred to as static purchasing power).

The measures contained in the package for 2022 have largely been continued and expanded. For example, energy tax and excise duties have been reduced in 2023 too, and an energy allowance will be distributed again. The government will take additional measures to specifically recompense low to middle-income households, such as an accelerated and further increase in the minimum wage than previously planned. This will similarly reflect in the social security benefits that are linked to the statutory minimum wage. The government is also taking a step towards bringing about a better balance between the tax burden on labour and assets. This reduction in the tax burden on labour makes working more worthwhile and structurally improves the purchasing power of low to middle-income households.

Table 8. Development in purchasing power for various household groups (%)

	2022	2023
Income group		
1st	-5.3	7.5
2nd	-6.8	5.2
3rd	-6.8	2.9
4th	-6.8	2.7
5th	-6.8	1.7
Source of income		
Working households	-6.8	3.2
Benefit recipients	-1.9	8.5
Pensioners	-6.8	4.4
Household type		
Double-income households	-6.8	2.9
Single householders	-6.7	5.4
Single-income households	-6.9	3.5
Family composition		
With children	-6.7	3.8
Without children	-6.8	3.3
All households	-6.8	3.7

ANNEX 1:
METHODOLOGICAL ASPECTS INCLUDING FORECAST EFFECTS OF AGGREGATED BUDGETARY MEASURES FOR ECONOMIC GROWTH

Table B1.1 Methodological aspects

Estimation technique	Steps of the budgetary process for which it was used	Relevant features of the model/technique used
SAFFIER III	Macro forecast for the Dutch economy in the short and medium-term	Macro-econometric model
MIMOSI	Forecasts of purchasing power, employee costs, social security and personal income tax	Micro simulation model
MICSIM	Forecast of policy effects on structural labour supply	General equilibrium model
ISIS	Forecast trend structural labour supply	HP-filter
TAXUS	Short and medium term forecast of tax revenue (with the exception of personal income tax)	Detailed forecast tax revenue
ZOEM	Forecast of healthcare expenditure and employment in healthcare sector	Arithmetic model for employment in healthcare sector and for healthcare expenditure in the short and medium term
Government account	Forecast of government employment, public expenditure and revenue, with the exception of taxes, healthcare and social security	Detailed arithmetic model for government employment and for total public finances in the short and medium term
EVIEWS in combination with EC software	Forecast output gaps	Econometric model

Modelling tools may have been used:

- when compiling macro forecasts
- when estimating expenditure and revenue at an unchanged policies scenario
- when estimating the distributional impact of the main expenditure and revenue measures
- when quantifying the expenditure and revenue measures to be included in the Draft Budget
- when estimating how reforms included in the Draft Budgetary Plan address targets set by the Union's Strategy for growth and jobs and the country-specific recommendations.

ANNEX 2:
TABLES OF DRAFT BUDGETARY PLAN

Table 0.i) Basic assumptions

In %	2021	2022	2023
Short-term interest rate (annual average)	-0.5	0.2	1.6
Long-term interest rate (annual average)	-0.3	1.1	1.6
USD/€ exchange rate (annual average)	1.2	1.1	1.0
Nominal effective exchange rate	0.8	-2.5	-0.7
World excluding EU 28, GDP growth	6.1	3.4	3.4
EU 28 GDP growth	5.4	3.2	1.3
Growth of relevant foreign markets	8.4	4.9	2.9
World import volumes, excluding EU	10.9	4.4	3.8
Oil prices (Brent, USD/barrel)	70.7	105.3	89.7

Table 0.ii) Main assumptions.

	2021	2022	2023
1. External environment			
a. Prices of commodities (raw materials excluding energy (HWWI), euros)	59.2	32.8	-13.8
b. Spreads over the German bonds	0.3	-0.9	-1.3
2. Budgetary policy			
a. General government net lending/net borrowing	-2.6	-1.1	-2.5
b. General government gross debt	52.4	49.6	48.8
3. Monetary policy / Financial sector / interest rate assumptions			
a. Interest rates:			
i. Euribor			
ii. Deposit rate			
iii. Interest rates for loans			
iv. Yields at maturity of 10 year government bonds	-0.3	1.1	1.6
b. Evolution of deposits			
c. Evolution of loans			
d. NPL trends			
4. Demographic trends			
a. Evolution of working-age population	0.9	1.7	1.4
b. Dependency ratios	73.5	74.4	75.1
5. Structural policies			

Table 1.a. Macroeconomic prospects

in % of GDP	ESA Code	2021 (billions of euro)	2021	2022	2023
1. Real GDP	B1*g	856.4	4.9	4.6	1.5
1.1. which are attributable to the estimated impact of aggregated budgetary measures on economic growth					
2. Potential GDP			1.8	2.0	1.7
Of which: contributions:					
- labour			1.1	1.2	0.9
- capital			0.5	0.5	0.5
- total factor productivity			0.2	0.2	0.3
3. Nominal GDP	B1*g		7.5	9.0	6.5
Components of real GDP					
4. Private final consumption expenditure	P.3	359.6	3.6	5.7	1.8
5. Government final consumption expenditure	P.3	225.2	5.2	1.7	3.2
6. Gross fixed capital formation	P.51	184.6	3.2	3.5	1.2
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	-0.9	-0.1	-0.2	0.0
8. Exports of goods and services	P.6	710.6	5.2	4.0	3.2
9. Imports of goods and services	P.7	622.7	4.0	2.8	3.9
Contributions to real GDP growth					
10. Final domestic demand		769.4	4.0	4.0	2.1
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	-0.9	-0.1	-0.2	0.0
12. External balance of goods and services	B.11	87.9	1.4	1.2	-0.4

Table 1.b. Price developments

Changes	2021	2022	2023
1. GDP deflator	2.5	4.2	4.9
2. Private consumption deflator	3.5	8.1	4.9
3. HICP	2.8	11.4	2.5
4. Public consumption deflator	3.1	5.7	4.5
5. Investment deflator	3.4	7.0	3.6
6. Export price deflator (goods and services)	8.3	16.6	2.9
7. Import price deflator (goods and services)	10.2	22.1	2.6

Table 1.c. Labour market developments

Changes	ESA Code	2021 Level	2021	2022	2023
1. Employment, persons		9,759.0	2.0	3.5	0.6
2. Employment, hours worked		13,919.0	3.3	5.2	0.5
3. Unemployment rate (%)		408.0	4.2	3.4	3.9
4. Labour productivity, persons		87.8	2.8	1.1	1.0
5. Labour productivity, hours worked		61.5	1.8	-0.5	1.0
6. Compensation of employees	D.1	419.8	4.2	8.1	5.2
7. Compensation per employee		30.2	0.0	2.7	4.6

Table 1.d. Sectoral balances

in % of GDP	ESA Code	2021	2022	2023
1. Net lending/net borrowing vis-à-vis the rest of the world	B.9	9.0	7.2	6.8
Of which:				
- Balance on goods and services		10.3	8.6	8.1
- Balance of primary incomes and transfers		-0.4	-0.6	-0.5
- Capital account		-0.8	-0.8	-0.7
2. Net lending/net borrowing of the private sector	B.9	11.6	8.4	9.3
3. Net lending/net borrowing of general government	B.9	-2.6	-1.1	-2.5
4. Statistical discrepancy		9.0	7.2	6.8

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

in % of GDP	ESA Code	2022	2023
Net lending/net borrowing by subsector			
1. Government	S.13	-2.6	-1.1
2. Central government	S.1311	-3.6	-1.9
3. State government	S.1312	-3.6	-1.9
4. Local government	S.1313	0.2	0.2
5. Social security funds	S.1314	0.8	0.6
6. Interest expenditure	D.41	0.5	0.5
7. Primary balance		-0.6	-2
8. One-off and other temporary measures		0.0	-0.2
8a. *Of which: on the revenue side*			
8b. *Of which: on the expenditure side*			
9. Real GDP growth (%) (= 1 in table 1.a)		4.9	4.6
10. Potential GDP growth (%) (= 2 in table 1.a)		1.8	2.0
Contributions:			
- labour		1.1	1.2
- capital		0.5	0.5
- total factor productivity		0.2	0.2
11. Output gap (% of potential GDP)		-1.3	1.3
12. Cyclical budgetary component (% of the potential GDP)		-0.8	0.8
13. Cyclically-adjusted balance (1 - 12) (% of potential GDP)		-1.8	-1.9
14. Cyclically-adjusted primary balance (13 + 6) (% of potential GDP)		1.3	1.4
15. Structural balance (13 - 8) (% of the potential GDP)		-1.8	-1.7

Table 2.b General government debt developments

in % of GDP	ESA Code	2022	2023
1. Gross debt		49.6	48.8
2. Change in gross debt ratio		-2.9	-0.8
Contributions to changes in gross debt			
3. Primary balance (= item 7 in Table 2.a.i)		-0.6	-2.0
4. Interest expenditure (= item 6 in Table 2.a.i)	D.41	0.5	0.5
5. Stock-flow adjustment		0.4	-0.2
Of which:			
- Differences between cash and accruals		-0.1	0
- Net accumulation of financial assets		0.5	-0.2
Of which:			
- privatisations		-0.1	-0.5
- valuation effects and other		0.5	-0.2
p.m.: Implicit interest rate on debt		1.0	1.1
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		30,799	31,605
9. Percentage of debt denominated in foreign currency*		0.05	0.05
10. Average maturity		8	8

Table 2.c Contingent liabilities

in % of GDP	2022	2023
Public guarantees	23.4	22.3
Of which: related to the financial sector	18.9	18.0

Table 3.1 General government expenditure and revenue targets, broken down by main components.

in % of GDP		2022	2023
General government (S.13)	ESA Code		
1. Total revenue at unchanged policy	TR	44.1	42.8
Of which:			
1.1. Taxes on production and imports	D.2	11.9	11.7
1.2. Current taxes on income, wealth, etc.	D.5	13.9	13.1
1.3. Capital taxes	D.91	0.3	0.2
1.4. Social contributions	D.61	13.2	13.1
1.5. Property income	D.4	1.6	1.4
1.6. Other		3.3	3.2
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		39.2	38.2
2. Total expenditure at unchanged policy	TE	45.2	45.3
Of which:			
2.1. Compensation of employees	D.1	8.5	8.4
2.2. Intermediate consumption	P.2	6.4	6.5
2.3. Social payments	D.62	20.8	21.8
Of which: Unemployment benefits	D.632	1.1	1.1
2.4. Interest expenditure	D.41	0.5	0.5
2.5. Subsidies	D.3	2.3	1.9
2.6. Gross fixed capital formation	P.51	3.4	3.5
2.7. Capital transfers	D.9	1.4	0.9
2.8. Other		1.9	1.8

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

in % of GDP		2022	2023
General government (S.13)	ESA Code		
1. Total revenue at unchanged policy	TR	44.1	42.8
Of which:			
1.1. Taxes on production and imports	D.2	11.9	11.7
1.2. Current taxes on income, wealth, etc.	D.5	13.9	13.1
1.3. Capital taxes	D.91	0.3	0.2
1.4. Social contributions	D.61	13.2	13.1
1.5. Property income	D.4	1.6	1.4
1.6. Other		3.3	3.2
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		39.2	38.2
2. Total expenditure at unchanged policy	TE	45.2	45.3
Of which:			
2.1. Compensation of employees	D.1	8.5	8.4
2.2. Intermediate consumption	P.2	6.4	6.5
2.3. Social payments	D.62	20.8	21.8
Of which: Unemployment benefits	D.632	1.1	1.1
2.4. Interest expenditure	D.41	0.5	0.5
2.5. Subsidies	D.3	2.3	1.9
2.6. Gross fixed capital formation	P.51	3.4	3.5
2.7. Capital transfers	D.9	1.4	0.9
2.8. Other		1.9	1.8

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

in % of GDP	ESA Code	2021 (billion euro)	2021	2022	2023
1. Expenditure on EU programmes fully matched by EU funds revenue		0.3	0.03	0.02	0.01
1 a. Investment expenditure fully matched by EU funds revenue		10.8	1.3	1.0	1.1
2. Cyclical unemployment benefit expenditure*		-0.4	-0.0	-0.1	-0.1
3. Effect of discretionary revenue measures		0.9	0.1	-0.5	0.1
4. Revenue increases mandated by law		1.6	0.2	-0.1	0.00

*This item contains: Unemployment Act (WW), social assistance benefit for the self-employed, implementation costs of the Employee Insurance Agency (UWV), 60+ unemployment benefits (IOW), mobility bonus for older beneficiaries and the occupationally disabled, *BUIG* and revenue of government implementation fund (UFO)

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

In %	2021		2022	
	% of GDP	government expenditure	% of GDP	government expenditure
Education	5.2	48.9	5.3	53
Healthcare	9.7	90.5	9.9	98.1
Employment*				

*This item contains: Participation Budget and Sheltered Employment Act (WSW, since 2015 via social participation fund), reintegration programmes for occupationally disabled, 50+ workforce participation, sector plans, life-course transitional arrangement, contribution reduction for youth, start-up deduction in case of disability, youth unemployment approach and low-income benefit.

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

in % of GDP		2022	2023
Functions of the Government	COFOG Code		
1. General public services	1	9.226	9.252
2. Defence	2	1.225	1.227
3. Public order and safety	3	1.630	1.605
4. Economic affairs	4	3.740	2.745
5. Environmental protection	5		
6. Housing and community amenities	6		
7. Health	7	9.697	9.872
8. Recreation, culture and religion	8		
9. Education	9	5.239	5.328
10. Social protection	10	11.266	11.974
11. Total Expenditure (= item 2 in Table 2.c.i)	TE	45.185	45.289

Extra Table 1a. Number of guarantees issued/announced

Measures		Maximum amount of contingent liabilities[1] (% of GDP)	Estimated take-up (% of GDP)
In response to COVID-19	See Table 1b 'Dutch guarantees relating to COVID-19'	4.7 %	0.004 %
	Of which: related to the European Union	*4.4 %*	*0.002 %*
	Subtotal	4.7 %	0.004 %
Other	See Table 1c 'Other Dutch guarantees'	18.7 %	0.015 %
	Subtotal	18.7 %	0.015 %
	Total	**23.4 %**	

Extra Table 1b. Dutch guarantees relating to COVID-19

in millions of euro												
			Outstanding guarantees	**Estimated to be granted**	**Estimated to expire**	**Outstanding guarantees**	**Guarantee ceiling**	**Estimated to be granted**	**Estimated to expire**	**Outstanding guarantees**	**Guarantee ceiling**	**Total ceiling**
			2021	2022	2022	2022	2022	2023	2023	2023	2023	
IXB	3	Guarantee KLM	2,160.00	0.00	600.00	1560.00	0.00	0.00	0.00	1,560.00	0.00	1,560.00
IXB	4	EIB - pan-European Guarantee Fund	1,301.33	0.00	0.00	1,301.33	0.00	0.00	0.00	1,301.33	0.00	1,301.33
IXB	4	Next Generation EU (NGEU)	27,655.16	5,934.38	0.00	33,589.53	0.00	0.00	0.00	33,589.53	0.00	33,589.53
IXB	4	Support to mitigate Unemployment Risks in an Emergency (SURE)	6,133.67	112.90	0.00	6,246.56	0.00	0.00	0.00	6,246.56	0.00	6,246.56
IXB	5	Reinsurance supplier credits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
XIII	2	Guarantee facility for SME loans Corona (BMKB-C)	322.46	0.00	100.00	222.46	0.00	0.00	100.00	122.46	0.00	735.00
XIII	2	Business Finance Guarantee Scheme Corona (GO-facility-C)	392.93	300.00	177.00	515.93	0.00	0.00	100.00	415.93	0.00	2,100.00
XIII	2	Growth facility	72.42	85.00	3.00	154.42	85.00	85.00	8.00	231.42	85.00	0.00
XIII	2	Small Credit Corona scheme (KKC)	55.78	100.00	13.00	142.78	0.00	0.00	15.00	127.78	0.00	250.00
XIV	21	SME Credit Guarantee Scheme for Agriculture Corona (BL-C)*	46.50	6.00	17.00	35.50	0.00	0.00	23.00	12.50	0.00	180.00
XVI	1	Analysis capacity guarantee	6.26	182.04	188.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00
XVI	1	D&O liability Stichting Open Nederland guarantee	2.50	0.00	0.00	2.50	0.00	0.00	0.00	2.50	0.00	2.50

		Subtotal corona-related guarantees	**38,148.99**	**6,720.32**	**1,098.30**	**43,771.01**	**85.00**	**85.00**	**246.00**	**43,610.01**	**85.00**	**45,964.92**

Extra Table 1c. Other Dutch guarantees

in millions of euro			Outstan-ding guaran-tees	Estimated to be granted	Estimated to expire	Outstan-ding guaran-tees	Guarante e ceiling	Estimated to be granted	Estimated to expire	Outstan-ding guaran-tees	Guarante e ceiling	Total ceiling
			2021	**2022**	**2022**	**2022**	**2022**	**2023**	**2023**	**2023**	**2023**	
V	3	Council of Europe	176.74	0.00	0.00	176.74	0.00	0.00	0.00	176.74	0.00	176.74
VIII	7	Building loans academic hospitals	125.79	0.00	0.00	125.79	0.00	0.00	0.00	125.79	0.00	176.63
VIII	14	NRF counter-guarantor agreement	379.93	33.50	36.68	376.75	0.00	0.00	0.00	376.75	0.00	380.00
VIII	14	Indemnity regulation	246.31	232.61	323.12	155.81	0.00	0.00	0.00	155.81	0.00	300.00
IXB	2	Single Resolution Fund	4,163.50	0.00	0.00	4,163.50	0.00	0.00	0.00	4,163.50	0.00	4,163.50
IXB	2	Facility for nuclear disasters (WAKO)	9,768.90	0.00	568.90	9,200.00	0.00	0.00	0.00	9,200.00	0.00	9,200.00
IXB	3	Development Finance Company (FMO)	5,507.00	0.00	0.00	5,507.00	0.00	0.00	0.00	5,507.00	0.00	5,507.00
IXB	3	*Gasunie* floating LNG terminal guarantee	0.00	200.00	0.00	200.00	0.00	0.00	0.00	200.00	0.00	200.00
IXB	4	Asian Infrastructure Investment Bank (AIIB)	728.41	0.00	2.23	726.19	0.00	0.00	0.00	726.19	0.00	726.19
IXB	4	DNB - participation in IMF capital	30,459.19	614.57	0.00	31,073.76	0.00	1,187.06	0.00	32,260.82	0.00	32,260.82
IXB	4	European Bank for Reconstruction and Development (EBRD)	589.10	0.00	0.00	589.10	0.00	0.00	0.00	589.10	0.00	589.10
IXB	4	European Financial Stabilisation Mechanism (EFSM)	2,767.42	0.00	67.51	2,699.91	0.00	0.00	0.00	2,699.91	0.00	2,699.91
IXB	4	European Financial Stability Facility (EFSF)	34,154.16	0.00	0.00	34,154.16	0.00	0.00	0.00	34,154.16	0.00	34,154.16
IXB	4	European Investment Bank (EIB)	11,795.97	0.00	0.00	11,795.97	0.00	0.00	0.00	11,795.97	0.00	11,795.97
IXB	4	European Stability Mechanism (ESM)	35,363.65	0.00	24.71	35,338.94	0.00	1,364.00	0.00	36,702.94	0.00	36,702.94
IXB	4	EU Balance-of-payments (BoP) assistance	3,776.00	0.00	0.00	3,776.00	0.00	0.00	0.00	3,776.00	0.00	3,776.00
IXB	4	World Bank	5,038.85	100.00	15.40	5,123.45	0.00	0.00	0.00	5,123.45	0.00	5,123.45
IXB	5	Export credit insurance (EKV)	21,854.41	10,000.00	10,000.00	21,854.41	10,000.00	10,000.00	10,000.00	21,854.41	10,000.00	0.00
XIII	2	Guarantee facility SME loans (BMKB)	1,594.29	715.00	425.00	1,884.29	715.00	665.00	425.00	2,124.29	665.00	0.00
XIII	2	Guarantee facility Green SME loans (BMKB-G)	0.00	50.00	0.00	50.00	50.00	100.00	0.00	150.00	100.00	0.00
XIII	2	Business Finance Guarantee Scheme (GO-facility)	337.82	400.00	60.00	677.82	400.00	400.00	21.50	1,056.32	400.00	0.00
XIII	2	Microcredits	129.98	0.00	0.00	129.98	0.00	0.00	0.00	129.98	0.00	130.00
XIII	2	SME financing	228.20	0.00	3.20	225.00	0.00	0.00	0.00	225.00	0.00	268.20
XIV	21	Guarantee facility SME agricultural loans (BL, BL plus and agricultural innovation)	318.18	28.00	32.00	314.18	78.20	28.00	32.00	310.18	78.20	0.00
XVI	2& 3	Healthcare institutions	165.50	0.00	29.00	136.50	0.00	0.00	23.50	113.00	0.00	136.50
XIV	22	Guarantee for nature reserves and landscapes	284.91	0.00	20.07	264.84	0.00	0.00	19.82	245.02	0.00	264.84
XVII	1	Guarantee for Dutch Good Growth Fund (DGGF)	142.93	50.00	0.00	192.93	0.00	50.00	0.00	242.93	0.00	675.00
XVII	1	Dutch Trade and Investment Fund (DTIF)	15.95	24.00	0.00	39.95	0.00	24.00	0.00	63.95	0.00	140.00
XVII	5	Regional development bank guarantees	3,074.33	0.00	10.55	3,063.78	0.00	0.00	10.05	3,053.72	0.00	3,074.33
		Other	366.74	77.73	23.64	420.83	139.93	69.73	28.16	462.40	139.93	338.84
		Subtotal regular guarantees	173,554.17	12,525.41	11,642.00	174,437.58	11,383.13	13,887.79	10,560.03	177,765.33	11,383.13	152,960.12