

Monday 15 May 2023

2023 Spring Report on Budgetary Monitoring: the government is steering close to the guard rail

The Advisory Division of the Council of State appreciates the government's challenge to cover the substantial setbacks and additional expenditure, and also sees that steps have been taken to this end in the Spring Memorandum. However, the Advisory Division also concludes that the government is pursuing expansionary fiscal policy. This expansionary fiscal policy means that the government is steering close to the guard rail. As a result, there are no buffers to cope with any financial setbacks, and there is little fiscal space for the next government term.

This is stated in the 2023 Spring Report on Budgetary Monitoring published on 15 May 2023. Twice to three times a year, the Advisory Division assesses, in its role as independent fiscal monitoring institute, whether public finances comply with European and national fiscal rules.

Limited insight

The Spring Memorandum only partially complies with European and national fiscal rules. The Spring Memorandum contains a large number of changes with limited insight that are hard to grasp. For instance, it lacks a comprehensive overview of the outcome of the challenge to cover the substantial setbacks, additional expenditure and spending cuts. Moreover, the explanatory notes are highly technical. The significant so called coverage-related challenge facing the government has partly been met using non-targeted cuts by deploying windfalls, underspending and additional spending cuts. Where decisions are taken in the Spring Memorandum to discontinue specific policies, for example, in the area of the labour market, the reason for doing so is not substantiated. However, it is extremely important that these decisions are substantiated.

National and European budgetary assessment

In the 2023 Spring Report, the Advisory Division first assesses the government's Stability Programme. For this, the CPB Netherlands Bureau for Economic Policy Analysis' March forecast serves as the basis. Secondly, the Advisory Division provides an assessment of the government's policy intentions for 2024 and the multi-year budgetary developments as presented in the Spring Memorandum. However, the two documents are not consistent: the Stability Programme does not include the spring decisions and the Spring Memorandum was not calculated by the CPB.

Tension

The Advisory Division acknowledges the tension the government describes in the Stability Programme and the Spring Memorandum between current investments made for future challenges, such as between the climate transition and the long-term sustainability of public finances. The government has undertaken to include a coherent analysis of the socio-economic structure of the Netherlands and its medium and long-term strengths and weaknesses in the upcoming Budget Memorandum. This can help

provide insight into long-term financial, economic and social vulnerabilities, such as where investments should be made, what reforms are needed and how they can be introduced over time. Such an analysis can subsequently facilitate clear and transparent political choices.

Advice for future spring memoranda

The 2023 Spring Memorandum is the second multi-year Spring Memorandum presented by the government in the 'new style', to allow parliament to exercise its parliamentary rights associated with the budget more effectively. The Advisory Division appreciates the adjustments the government has already made to the budgetary process. However, the process regarding the new Spring Memorandum is not yet complete. To bring greater stability and calm to the budgetary process, the Advisory Division recommends a firmer commitment to a single decision-making moment in the spring when decisions are taken regarding both budget expenditure and revenue. This could be achieved by introducing a fixed deadline for completing decision-making and for a fixed date for publishing the Spring Memorandum. The Advisory Division also recommends more effective alignment of the national budgetary process with the European budgetary process to improve consistency between national and European fiscal policies.

Read the full text of the 2023 Spring Report [here](#).