

17 September 2019

## Budget complies with European, but not Dutch rules of play

The 2019 and 2020 public finances of the Netherlands fully comply with European fiscal rules. However, the budget for the coming year does not comply with the Netherlands' domestic 'rules of play'; meanwhile, the Cabinet is making considerable adjustments to the expenditure and income frameworks ('ceilings'). This is not consistent with trend-based fiscal policy, which aims to implement counter-cyclical policy.

This was reported in the 2019 Budgetary Supervision September Report, which the Advisory Division of the Council of State published today (17 September 2019). In the report it assesses whether the budget complies with the agreed European and national fiscal rules.

## Contents of the report

The way in which the frameworks for public expenditure are included in the budget does not comply with Dutch fiscal rules. These rules focus on trend-based fiscal policy: policy that allows political decision-making to be influenced as little as possible by ups and downs in the economic cycle. The Cabinet this year adjusts the frameworks for both income and expenditure during the current legislative period. This is not consistent with trend-based fiscal policy. In the report the Advisory Division puts forward suggestions for improving the system of trend-based fiscal policy. Furthermore, the report addresses a number of 'loose ends' in the Budget Memorandum; the Advisory Division refers to the Pension Agreement, the Climate Agreement and a proposed investigation into a possible investment vehicle.

## Data CPB, the Netherlands Bureau for Economic Policy Analysis

The September Report is based on data from the Macroeconomic Outlook 2020 by the CPB Netherlands Bureau for Economic Policy Analysis. The latter also produces annual forecasts of developments in the Dutch economy and public finances. The full report contains core data related to the development of public finances.

## Independent budgetary monitoring

The Advisory Division of the Council of State is assigned as the body that maintains independent supervision in the Netherlands on compliance with the fiscal rules agreed upon in the European Stability and Growth Pact. The Advisory Division publishes biannual fiscal reports, in which its work corresponds to key moments in the budget cycle. In April, the Advisory Division publishes the Spring Report on the Stability Programme and in September it publishes the report on the Budget Memorandum and the State Budget.

Read the full text of the 2019 Budgetary Supervision September Report [here](#).