

## **April Report on Budgetary Monitoring 2022**

The Advisory Division of the Council of State finds that the government should provide better justification for its statement that the sustainability of public finances is not jeopardised in the medium term. For example, the government must explain how it will deal with the deviation from European fiscal targets in 2022 and 2023.

In addition to these fiscal targets, aimed at guaranteeing the sustainability of public finances, economic growth in the euro area is another important objective of European fiscal policy. This means financial policy cannot be separated from socio-economic policy. Moreover, it is also consistent with the Dutch tradition of considering financial and socio-economic policy in close conjunction. The Advisory Division is of the opinion that (the explanation of) this cohesion is limited in both the Coalition Agreement and the Stability Programme. The Advisory Division recommends this government use its first Budget Memorandum, next Budget Day, to provide a coherent, more in-depth analysis and policy description, also from the perspective of broad prosperity.

This is stated in the Spring Report on Independent Budgetary Monitoring 2022 published on 22 April 2022. In its Spring Report the Advisory Division assesses whether public finances comply with European fiscal rules; in the previous year, the current year and the coming year. The Advisory Division does this in accordance with its independent role as a fiscal monitoring institute, based on European regulations. The government's Stability Programme and this report are submitted to the European Commission in the context of the European Semester.

### **Importance of a return to normal fiscal policy**

In 2020 and 2021, there was a deviation from the normal fiscal rules in Europe, as well as in the Netherlands, due to the impact of the Covid-19 crisis. In addition, in 2021, there was an election and a government formation process in the Netherlands, which meant that new policies were largely delayed. In 2022, there is no return, either at the European or national level, to normal fiscal policy with clear targets and anchors, partly due to the impact of the war in Ukraine. It is precisely in uncertain times that it is important for the government to implement predictable and secure budgetary policy based on the fixed basic principles established for budgetary policy. The Advisory Division thus recommends the government return to an orderly budgetary process with budgetary frameworks for expenditure and tax. This is essential for integral decision-making and imposes democratic considerations in budgetary policy.

### **Adjustment of the budget cycle also leads to the adjustment of budgetary monitoring**

In the [advice on the Budget Memorandum 2022](#) the Advisory Division proposed submitting the Budget Memorandum in the spring, instead of on Budget Day. As a result, the Budget Memorandum would be in line with the European fiscal cycle and the House of Representatives and the Senate would be better positioned to act in a more timely manner. Recently, [in a letter](#) to the House of Representatives, the government indicated its preference for a multi-year Spring Memorandum. The idea is that a multi-year Spring Memorandum would ensure that parliament is involved sooner in budgetary decision-making on both the expenditure and tax side. This means the House of Representatives must also fulfil its responsibility. The Advisory Division takes a positive view of developments to increase parliamentary involvement in the budgetary process. However, these also have an impact on the Advisory Division's reports in the context of independent budgetary monitoring. Therefore, the Advisory Division will compile an additional report in June 2022, in the context of independent budgetary monitoring; the

June Report. In 2023, the Advisory Division will consider whether the reporting cycle should be structurally adjusted to reflect the final design of the budget cycle.

Read the full text of the April Report 2022 report [here](#).