



Ministerie van Financiën



Ministry of Finance

Netherlands' budgetary response to COVID-19

And future considerations

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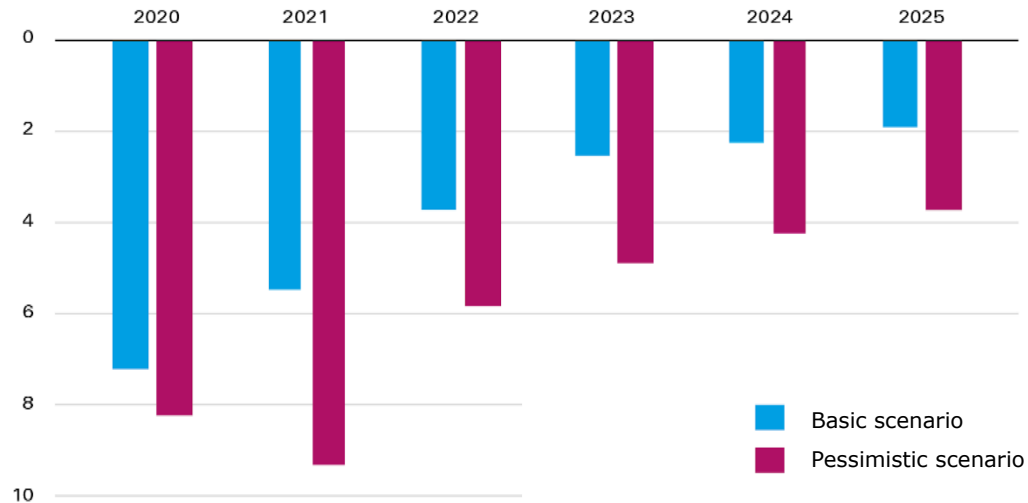
Netherlands has a tightly organised budgetary system

- › Central principles of 'trend-based' budgetary policy:
 - Control of expenditures through expenditure ceilings
 - Automatic stabilisation on the revenue side
 - One-decision making moment
 - Strong culture of, and reliance on, independent economic forecasts

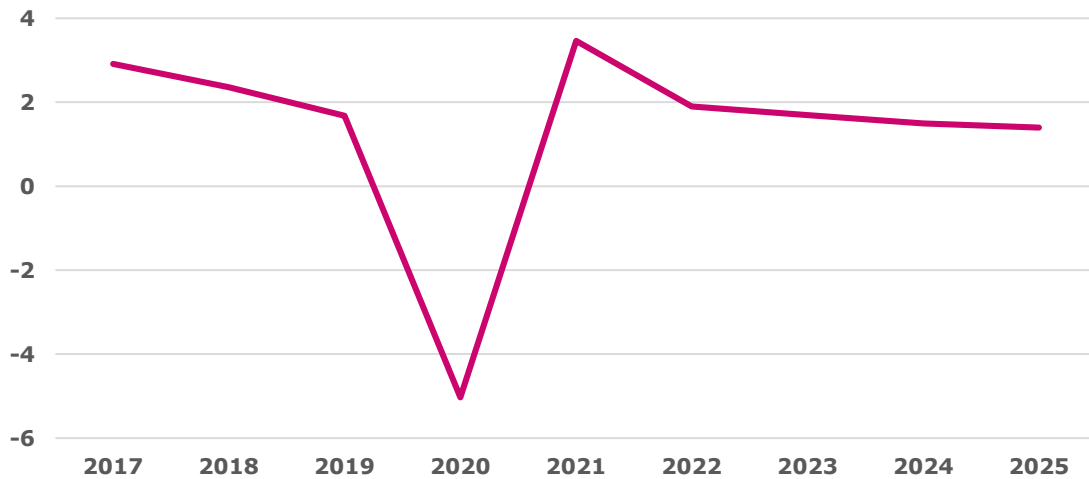


Economic fallout in the Netherlands due to COVID-19

Budgetary balance (% GDP)



GDP growth (%)

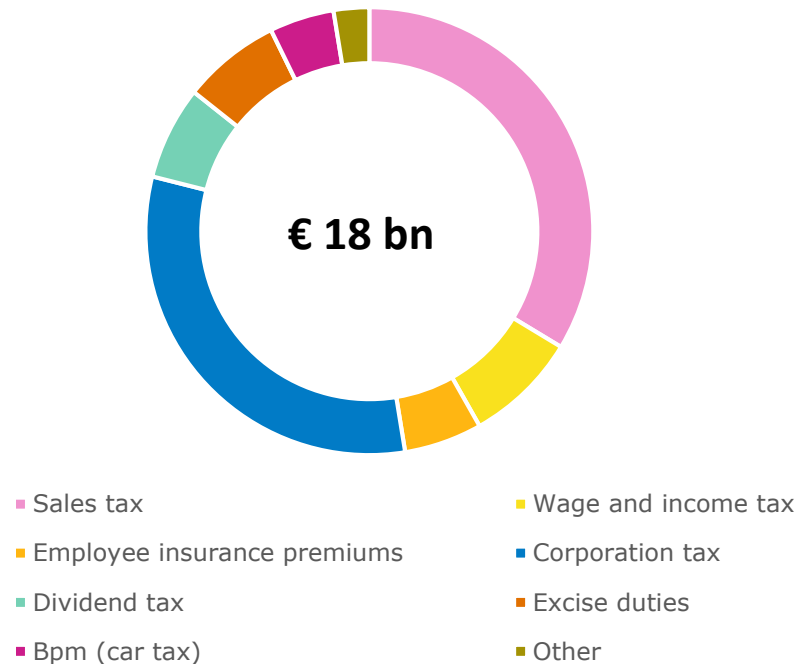


- From a budgetary surplus to an unprecedented budgetary deficit
- Decision-making in record-time with high degree of uncertainty
- A diverse set of instruments and policy tools to combat the economic fallout
- Differentiation between incidental measures and regular expenditure ceilings



Crisis response – automatic stabilisers

Automatic stabilisers 2020

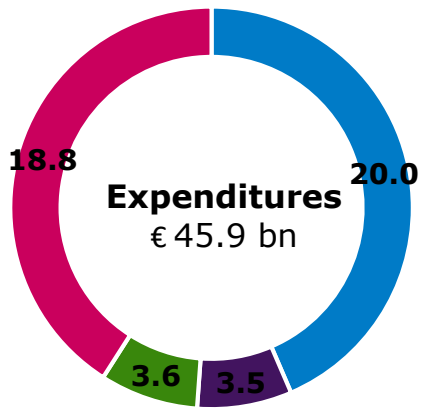


- Automatic stabilisers in place:
 - Loss in tax income
 - Unemployment costs and social security
- Automatic stabilisers highly cyclical and proven effective in combating economic downturn

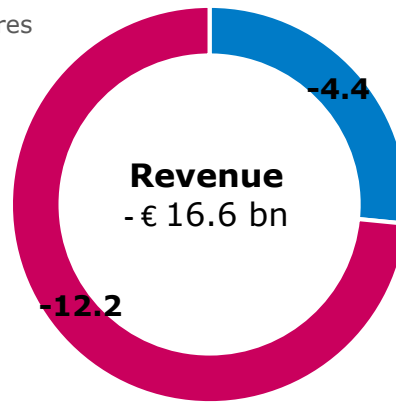


Crisis response – discretionary measures

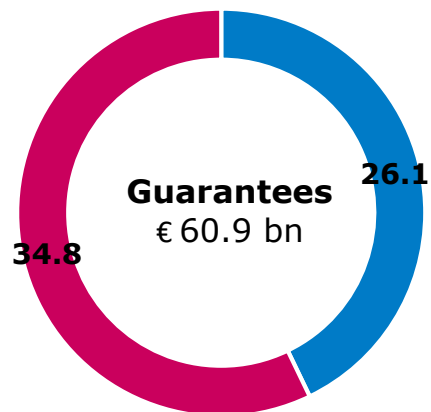
- NOW
- TOZO
- TOGS / TVL
- Other



- Fiscal measures
- Tax deferrals



- National
- International



- Generic measures (NOW, TOZO, TOGS) largely focussed on businesses and employees
- Measures for sector-specific support
- Tax deferrals and fiscal measures that could be easily implemented
- Expansion of existing guarantees and sector-specific guarantees



Analysis of risks and opportunities posed by the response effort

- › A political choice for speed over precision
- › Legality-issues, susceptibility to fraud, less targeted, difficulties in implementation, creative destruction
- › Monitoring by ministries of economic affairs and social affairs
- › Independent evaluations on crisis response and specific instruments



Future outlook: 2021 and the next government

- › Budget 2021: trust, resilience and earning capacity
- › Dilemma's for the future government – elections in March 2021
 - Budgetary policy: allow for flexibility to change budgetary policy mid-term
 - Budgetary space: no budget cuts, but look at structural reforms
 - What is an appropriate level of debt (development)
 - Review of (European) fiscal rules
- A long term view on government finances



Future outlook: early lessons from the crisis response

- › Exposed several weaknesses in the economy: asymmetric shock with some sectors and societal groups hit disproportionately
- › Bankruptcies limited for time being, but created zombie companies?
- › Limitations of the emergency packages
 - Implementation
 - Moral hazard
 - Effectiveness in the long-run