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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
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Proposal for a

COUNCIL OPINION

on the Economic Partnership Programme of the Netherlands

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013[1] on common provisions for monitoring and assessing Draft Budgetary Plans and ensuring the correction of excessive deficit of the Member States in the euro area, and in particular Article 9(4) thereof,

Having regard to the proposal of the European Commission,

Whereas:

(1) The Stability and Growth Pact (SGP) aims at securing budgetary discipline across the Union and sets out the framework for preventing and correcting excessive government deficits. It is based on the objective of sound government finances as a means of strengthening the conditions for price stability and for strong sustainable growth underpinned by financial stability, thereby supporting the achievement of the Union's objectives for sustainable growth and jobs.

(2) Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing Draft Budgetary Plans and ensuring the correction of excessive deficit of the Member States in the euro area sets out provisions for enhanced monitoring of budgetary policies in the euro area and for ensuring that national budgets are consistent with the economic policy guidance issued in the context of the SGP and the European Semester. Since purely budgetary measures might be insufficient to ensure a lasting correction of the excessive deficit, additional policy measures and structural reforms may be required.

(3) Article 9 of Regulation (EU) No 473/2013 sets out the modalities for Economic Partnership Programmes, to be submitted by euro area Member States under an Excessive Deficit Procedure. Setting out a roadmap of measures to contribute to an effective and durable correction of the excessive deficit, the Economic Partnership Programme should detail in particular the main fiscal-structural reforms, notably those referring to taxation, pension and health systems and budgetary frameworks, which will be instrumental to correct the excessive deficit in a lasting manner.

[1] OJ L 140, 27.5.2013 p. 11.

(4) On 2 December 2009, the Council adopted a decision according to Article 126(6) of the Treaty, whereby the Netherlands is placed in an excessive deficit procedure. The Council adopted a revised recommendation under Article 126(7) on 21 June 2013. In this context, the Netherlands was requested to present an Economic Partnership Programme by 1 October 2013.

(5) On 30 September 2013, and thereby within the time frame established by Article 9(3) and 17(2) of Regulation (EU) No 473/2013, the Netherlands presented to the Commission and to the Council an Economic Partnership Programme, setting out in particular fiscal-structural reforms that aim at ensuring an effective and lasting correction of the excessive deficit (CSR 1). The Economic Partnership Programme also includes measures aimed at addressing the wider set of country-specific recommendations addressed to the Netherlands by the Council on 9 July 2013: a limitation of debts and related financial risks on the house purchasing market; a promotion of turnover in the house purchasing market, an improvement in the functioning and allocation of the subsidised rental sector; a promotion of the private rental sector (CSR 2); the improvement of the financial supervision of the pension funds, enabling an improved balance between risks and ambition, also from an intergenerational perspective; a lowering of the annual accrual rate for occupational pensions, taking into account the longer accrual period in view of increases in the pension age; the improvement of the employability of older employees; a revision of the long-term care system (CSR 3); improving labour force participation; and promoting labour market transitions (CSR 4). Apart from the additional consolidation measures for 2014 and beyond that have been transmitted in the Draft Budgetary Plan of the Netherlands, new measures in the area of fiscal structural measures listed in the Economic Partnership Programme pertain to a tighter coverage of budgetary rules for subnational layers of government. Actual measures listed in the Economic Partnership Programme covering CSRs 2 to 4 had for a large part already been launched before the latest vintage of country specific recommendations were released.

(6) The fiscal structural measures that the Netherlands plans to implement pertain in particular to the codification of fiscal rules, accompanied by a tighter coverage of subnational governments which supports the strengthening of the national fiscal framework. In combination with the additional fiscal consolidation measures adopted in the 2014 Draft Budgetary Plan they can be expected to support a sustainable correction of the excessive deficit and the pursuit of the medium-term objective of a structural budget balance.

(7) The measures to improve the functioning of the housing market can be expected to gradually reduce the subsidies to debt-financing of house purchases and the default risks the government is exposed to through the national mortgage guarantee scheme. The lowering of the transfer tax is costly in terms of foregone fiscal revenue, but is expected to improve the balance of demand and supply and the allocation of capital in the housing market. The most important of these measures were already outlined in the National Reform Programme. Overall, they appear to go in the right direction but need to be followed up and possibly adapted to ensure their adequacy in response to the relevant country specific recommendation (CSR 2).

(8) The measures to improve the functioning of pension funds can be expected to reduce fiscal subsidies to the system while at the same time supporting the employability of older workers. The measures can be expected to improve the efficiency of the long-term care system if results materialise as foreseen, thereby contributing to fiscal sustainability. However, risks remain regarding the details of the implementation and their economic and budgetary effects, as well as with respect to the impact on actual pension contributions. As

the measures are still work in progress, a further analysis of the impact of the policy plans and their contribution to addressing the challenge of fiscal sustainability will be needed.

(9) The measures to improve labour market participation include changes to the transferability of tax credits and reforms of a number of allowances and unemployment benefits. Overall, these measures can also be expected to have a positive impact on the budgetary balance. However, the measures are planned to be phased in slowly, also as a result of the agreements with social partners governing their implementation. The most important of these measures were already outlined in the National Reform Programme. A faster implementation would provide for a better functioning of the labour market and support economic growth,

HAS ADOPTED THIS OPINION:

The Economic Partnership Programme of the Netherlands presented to the Commission and to the Council on 30 September 2013 includes a broadly adequate set of fiscal-structural reforms, which would be supportive of an effective and lasting correction of the excessive deficit. Specifically, the Economic Partnership Programme reiterates the commitment to reforms as given in the latest National Reform Programme and provides some further details on the implementation of some of these measures since its submission and on the timelines for follow-up. The timetable of the measures planned to address the country-specific recommendation on the labour market in particular appears to constitute a protraction of major reforms in this area. Although detailed information on all measures is given, the Economic Partnership Programme lacks information regarding the specific challenges and risks during their implementation. The Netherlands is therefore invited in the upcoming National Reform and Stability Programmes to provide additional information on the implementation of planned reforms and to ensure progress towards meeting the country specific recommendations under the European Semester. The Commission and the Council will monitor the implementation of reforms in the context of the European Semester.

Done at Brussels,

For the Council
The President