Disclaimer

- *This document forms part of the informal assessment of the possible substance of a Dutch RRP. Currently, an expanded set of measures that may qualify for the Dutch RRP is explored at a non-political level. The outcomes of these assessments will be presented to the next government (elections are in March 2021).*
- *This document is a (preliminary) working document to facilitate the conversation with Commission Representatives. Texts have no formal status and are not necessarily input for the Dutch RRP.*
- *Figures are subject to change and will be updated upon submission of the final RRP.*
- *We like to obtain guidance on whether individual measures (in particular investments) could qualify for an RRP.*
- *Please treat this document confidentially.*

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1. GENERAL OBJECTIVES AND COHERENCE OF THE PLAN

In December 2019, the Commission announced a European Green Deal. It aims to make Europe the first climate-neutral continent by 2050, while boosting the competitiveness of European industry and ensuring a just transition for the regions and workers affected. Other key elements are preserving Europe's natural environment and biodiversity, a 'farm to fork' strategy for sustainable food, and a new circular economy action.

Early 2020, the COVID-19 outbreak struck the European economy with great force. Governments were forced to take drastic measures to contain the spread of the virus, in an effort to prevent health systems from collapsing and to save lives. Economic activity nosedived: in the first half of the year, real GDP fell at rates never seen before. While a (strong) recovery was underway during summer, rising infection rates and associated social and economic restrictions put the nascent recovery on hold. As a result, GDP is expected to have fallen by a stunning 7,4% in 2020. To some extent, this loss is made up for in 2021 and 2022, although outlooks are very uncertain and the current lockdown measures in many countries make the outlook even more grim (EC, 2020).

In response to this pandemic, member States and the EU stepped forward – on the economic front - with massive policy support. The EU a.o. triggered the escape clause in the SGP, allowing MS to provide exceptional fiscal support, drew up temporary state aid rules so governments can provide liquidity to the economy to support citizens and save jobs, and agreed on an unprecedented recovery instrument of €750 billion. As a result, employment declined less then what could have been expected given the depth of the economic crisis.

As an important cornerstone of the recovery package, the Recovery and Resilience Facility (RRF) unites multiple objectives. The RRF aims to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions. The RRF will make €672.5 billion in loans and grants available to support reforms and investments undertaken by Member States since February 2020, the start of the pandemic.

This document presents a series of components that could become part of a Dutch Recovery and Resilience Plan (RRP). In total, seven components are distinguished: i. Health, ii. Labour market and education, iii. Boosting private and public investments, iv. The green transition, v. The digital transition, vi. Pensions and housing and vii. fighting aggressive fiscal planning and money laundering. Each component consists of coherent reforms and investments.

This document is a work-in-progress. Chapter 2 provides an overview of components, consisting of reforms and investments that in our view qualify for an RRP. This facilitates discussion between national and Commission Representatives on the substance of policy measures. On the basis of the first meeting with the Commission, information on components, reforms and investments was added where needed (e.g. on non-recurrent nature of measures, decision timelines, the description of measures and the relevant policy background/context). Furthermore, on the basis of the feedback by the Commission, a first round of filtering of measures was carried out. The Do No Significant Harm-principle has not been filled out for every measure yet, as guidance was published only recently.

Our main goal of this second conversation with the Commission is to receive guidance on whether individual investments measures potentially qualify for an RRP. That is, does the Commission agree that measures are in line with the objectives of the RRF, meet the relevant criteria, etc. And therefore, can these measures – in principle – considered to be building blocks for an eventual Dutch RRP?

1.1 General objective

The components and measures therein are fully in line with the objectives of the RRF. The current list contains measures on all of the 'six pillars' (table 1).

With measures included in this document, the climate and digitalization targets could be met. In total, climate related measures add up to about 2.32 bln EUR (after correcting amounts for the relevant climate coefficient of policy measures). This means that, depending on which measures are incorporated in the Dutch RRP, the climate percentage could reach (a maximum of) about 39%, which is above the 37% demanded (if all climate measures are maintained). Measures on digitalization add up to about 2.84 bln EUR, or a potential maximum of about 47% of the Dutch RRP, well above the 20% demanded (if all digitalization measures are maintained).

Table 1

Pillar 1	Pillar 2	Pillar 3	Pillar 4	Pillar 5	Pillar 6
• CO2-tax for the industry • Aviation tax • Smart mobility • Nitrogen measures • Urgenda • Coal-measures • Green renovation public buildings • Mission driven, Research, Development and Innovation • Residential construction impulse • ERTMS	• [vertrouwelijk – defensie maatregel] • Digitalization in criminal justice chains • Improving The Dutch Tax Authority's ICT-systems • ERTMS • Next level digital information management and Freedom of Information • Smart mobility	• Reduction standard income tax deduction for self-employed • Mandatory insurance for disability for self-employed workers without employees • National Growth Fund • Employment-related investment discount • Second pillar pension reform • Tariff differentiation real estate transfer tax • NL continues to learn • Lifelong learning and development measures • Labour transfer subsidies • Sectoral job assistance • Basic skill training • Vocational education programs • Tackling youth unemployment • Regional mobility teams • Smart mobility • Mission driven, Research, Development and Innovation • Investment program for sustainable employability • Residential construction impulse • Fighting organized crime	• New policy regarding tax treaties • Withholding tax on dividend payments to low-tax jurisdictions • Limitation of loss set-off • Amendment of the specific interest deduction limitation • Limitation of the deduction of liquidation and cessation loss rules • Measure to avoid mismatches resulting from downward adjustments under the application of the arm's length principle • Money laundering supervision and enforcement • Smart mobility	• Reduction standard income tax deduction for self-employed • Mandatory insurance for disability for self-employed workers without employees • Second pillar pension reform • GGD-GHOR • Additional budget GGD • Extension Intensive Care: training new staff & building modifications • Covid19 Research • NL continues to learn • Labour transfer subsidies • Sectoral job assistance • Basic skill training • Vocational education programs • Tackling youth unemployment • Regional mobility teams • Assistance toward new jobs • Debt remediation fund • Investment program for sustainable employability • Residential construction impulse	• NL continues to learn • Lifelong learning and development measures • Labour transfer subsidies • Vocational education programs • Tackling youth unemployment • Tackling learning losses • Investment program for sustainable employability

1.2 Link with European Semester

Reforms that are included cover all Country Specific Recommendations (CSR's) for the Netherlands (where applicable). The Netherlands received seven CSR's in total in the 2019 and 2020 semester cycles, respectively (see Annex 1). For six of these, multiple reforms are implemented, whereas for the seventh ('addressing the pandemic') it is less clear what a reform would entail. The table below provides an overview.

CSR's 2020	Reform	Investment
1. Address the pandemic, strengthen the resilience of the health system, sustain the economy and support the ensuing recovery.	Not applicable	• GGD-GHOR • Additional budget GGD • Extension Intensive Care: training new staff & building modifications • Covid19 Research • Vaccine development and administration • Medical equipment • Supporting the recruitment and retention of healthcare personnel • Program to tackle learning losses and offer educational support • Learning losses: Devices and internet connection • Additional staff, inside or outside the classroom • Tackling learning losses among newcomers • Support for students in final year
2. Mitigate the employment and social impact of the crisis and promote adequate social protection for the self-employed	• Reduction of the standard income tax deduction for self-employed • Mandatory insurance for disability for all self-employed workers	• Career advice subsidies • Online training programs • Lifelong learning: Training budget Dutch job centre • Lifelong learning: Extra budget for educational institutions • Labour transfer subsidies • Sectoral job assistance • Basic skill training • Vocational education programs • Tackling youth unemployment • Supplementary social support for the most vulnerable: Assistance toward new jobs • Regional mobility teams • Debt remediation fund • Program to tackle learning losses and offer educational support • Learning losses: Devices and internet connection • Additional staff, inside or outside the classroom • Tackling learning losses among newcomers • Support for students in final year
3. Front-load mature public investment project and promote private investment. Focus investment on the green and digital transition	• National Growth Fund • CO_2-tax for industry • Aviation tax • Draft bill to reduce CO2 emissions by limiting the production of energy by burning coal in two biggest coal-fired plants during 2021-2024.	• Smart Mobility • Mission driven, Research, Development and Innovation (MOOI) • Residential construction Impulse • Green renovation public buildings • Nitrogen measures • Urgenda • Coal-measures • Improving The Dutch Tax Authority's ICT-systems • Digitization in criminal justice chains • [vertrouwelijk – defensie maatregel] • European Rail Traffic Management System (ERTMS) • Next level digital information management and Freedom of Information
4. Address features of the tax system that facilitate aggressive tax planning, enforcement of the anti-money laundering framework	• New policy regarding tax treaties • Withholding tax on dividend payments to low-tax jurisdictions • Measure to avoid mismatches resulting from downward adjustments under the application of the arm's length principle	• Fighting organized crime • Money laundering supervision and enforcement

	• Limitation of loss set-off as of 2022 • Amendment of the specific interest deduction limitation • Limitation of the deduction of liquidation and cessation loss rules	
CSR's 2019	**Reform**	**Investment**
1. Reduce the debt bias for households and the distortions in the housing market, make second pillar of the pension system more transparent and more resilient to shocks; Address features of the tax system that may facilitate aggressive tax planning.	• Second pillar pension reform • New policy regarding tax treaties • Withholding tax on dividend payments to low-tax jurisdictions • Measure to avoid mismatches resulting from downward adjustments under the application of the arm's length principle • Limitation of loss set-off as of 2022 • Amendment of the specific interest deduction limitation • Limitation of the deduction of liquidation and cessation loss rules	• Residential construction impulse • Investments to facilitate second pillar pension reform: Investment program for sustainable employability and earlier retirement • Fighting organized crime • Money laundering supervision and enforcement
2. Reduce the incentives for the self-employed without employees, promoting adequate social protection for the self-employed; strengthen life-long learning and upgrade skills	• Reduction of the standard income tax deduction for self-employed • Mandatory insurance for disability for all self-employed workers	• Lifelong learning: Training budget Dutch job centre • Lifelong learning: Extra budget for educational institutions • Labour transfer subsidies • Sectoral job assistance • Basic skill training • Investments to facilitate second pillar pension reform: Investment program for sustainable employability and earlier retirement
3. Support an upward trend in investment. Focus investment related economic policy on research and development, renewable energy, energy efficiency and greenhouse gas emissions reduction strategies and on addressing transport bottlenecks.	• National Growth Fund • CO_2-tax for industry • Aviation tax • Draft bill to reduce CO_2 emissions by limiting the production of energy by burning coal in two biggest coal-fired plants during 2021-2024.	• Smart Mobility • Mission driven, Research, Development and Innovation (MOOI) • Residential construction Impulse • Green renovation public buildings • Nitrogen measures • Urgenda • Coal-measures • Improving The Dutch Tax Authority's ICT-systems • Digitization in criminal justice chains • [vertrouwelijk – defensie maatregel] • European Rail Traffic Management System (ERTMS) • Next level digital information management and Freedom of Information

Measures in this document contribute to several of the European flagships. The table below provides a summary overview. For more information on the underlying analysis and impact of individual policy measures, see Annex 2.

Flagships	Policy measures
1. Power up	• Coal-measures
2. Renovate	• Smart mobility • Urgenda • Green renovation public buildings • Mission driven, Research, Development and Innovation
3. Recharge and refuel	• Smart mobility
4. Connect	
5. Modernise	• Digitalization in criminal justice chains • Improving The Dutch Tax Authority's ICT-systems • Smart mobility • Next level digital information management and Freedom of Information

6. Scale-up	
7. Reskill and upskill	• Career advice subsidies • Online training programs • Lifelong learning: Training budget Dutch job centre • Lifelong learning: Extra budget for educational institutions • Labour transfer subsidies • Sectoral job assistance • Basic skill training • Vocational education programs • Tackling youth unemployment • Investments to facilitate second pillar pension reform: sustainable employability

2. DESCRIPTION OF REFORMS AND INVESTMENTS

We have divided this overview in seven components. These components consist of coherent sets of reforms and investments and aim to contribute to a greener, more inclusive and more resilient economy of the Netherlands and the European Union as a whole. A detailed description of individual policy measures is provided in Annex 2.

2.1 COMPONENT 1: HEALTH

2.1.1 Description of the component

Health
Policy area/domain: health care

Objective: effectively address the pandemic and strengthening the resilience of the health system, thus containing negative health, social and economic consequences of the pandemic. The component addresses Pillar 5 (Health) and CSR-2020-1.

Reforms and/or investments: measures include the purchase and distribution of medical equipment for COVID-19 treatment, staff training and building modifications for extra intensive care capacity, COVID-19 research and investments in the availability and retention of health care personnel.

The policies aim to ensure the pandemic is addressed fully, by safeguarding access to curative health care for COVID19 and regular patients during the pandemic. Effective pandemic control also has an immediate effect on the medium term resilience of the health care system, by reducing excessive stresses on health care workers and the health care system as a whole. Measures such as educating new health care workers aim to increase capacity during and after the pandemic effort.

Estimated cost (*amounts in € mln; - = budget balance improving)*:

	2020	2021	2022	2023	2024	2025	2026
Total	257	238	179	141,5	130		

2.1.2 Main challenges and objectives

The Dutch health care system aims to provide access to high-quality medical services for all. The system is characterised by decentralised decision making, with a central role for medical professionals, patients and health care purchasers in shaping healthcare.[1] This has resulted in high performance on indicators for quality and accessibility compared to other developed economies.[2]

The demographic changes facing many EU member states put the high standard of care in the Netherlands under pressure. An important question facing policymakers is to how to maintain the current levels of quality and accessibility, while managing increasing spending and labour market shortages. In the no-policy scenario, a quarter of the working population should work in (health) care in order to live up to the increasing demand that results from ageing, income growth and technological progress, amongst others.[3]

Against this background, the COVID19 pandemic has multiple effects on the health care system in the Netherlands. Three major effects are the following:

- The increased demand for health care services poses an immediate threat to accessibility. The pandemic has, on multiple occasions, forced hospitals to scale back non-COVID care.
- The reduction in non-COVID care has also created a large unaddressed burden of disease, the medium and long-term effects of which are difficult to predict, but will almost certainly result in greater labour demands for the health care system.

[1] For a general description of the health care system in the Netherlands: Health care in the Netherlands | Publication | National Health Care Institute (zorginstituutnederland.nl)
[2] See e.g. OECD (2020), *Health at a Glance*.
[3] Brede maatschappelijke heroverwegingen (2020), 'Naar een toekomstbestendig zorgstelsel'.

- The pandemic has also placed an unprecedented stress on health care personnel. This threatens to exacerbate existing personnel shortages by causing sick-leave and additional outflow.

As a result, the highest priority for maintaining the resilience of the health care system in the short, medium *and* long term is to take all necessary measures to effectively address the pandemic in line with CSR2020-1. Many investments in component 1 align with this objective, such as the investment in intensive care capacity. Other investments, in addition to reducing the immediate pressure of the pandemic, focus more on long-standing existing problems, for example by facilitating additional spending on training and education.

While the COVID19 crisis is acute and didn't leave much room and time for reforms, the response to the crisis has triggered action that may have led the way for future reforms that can improve the resilience of the health care system. For example, while the central role for medical professionals, patients and health care purchasers is a strong asset of the Netherlands system, the pandemic has also highlighted the benefits of central coordination for some specific aspects of health care, such as the availability of intensive care beds and redistribution of patients. Reforms based on COVID19 period insights are not yet included in this RRP, however, because their applicability and value added for non-COVID healthcare requires further evaluation before policy decisions can be made. Such evaluations will be carried out from 2021 onward.

2.1.3 Description of the reforms and investments of the component

The table below gives an overview of candidate-investments and reforms for this component. For a detailed description of individual measures, see Annex 2.

Measure	2020	2021	2022	2023	2024	2025	2026	Total
Amounts in mln EUR	257	238	179	141,5	130	0	0	945,5
Supporting the recruitment and retention of healthcare personnel	40	122	130	130	130	0	0	552
Extension Intensive Care: training new staff & building modifications	31	42	18					91
Medical equipment	115							115
Covid19 Research	71	74	31	11,5				187,5

2.1.4 Contribution to pillars, CSR's, flagships and the green and digital transitions

The table below shows to which pillars of the RRF, Country Specific Recommendations and/or flagships of the Commission the candidate-measures of this component contribute. The table furthermore shows, where relevant, climate and digitalization tags of measures. For a detailed description of individual measures, see Annex 2.

Measure	Climate coefficient	Digitalization coefficient	Pillar	CSR	Flagship
Supporting the recruitment and retention of healthcare personnel			5	2020-1	
Extension Intensive Care: training new staff & building modifications			5	2020-1	
Medical equipment			5	2020-1	
Covid19 Research			5	2020-1	

2.1.5 Do No Significant Harm

The measures included in this component have no or an insignificant foreseeable impact on the environmental objective.

2.2 COMPONENT 2: LABOUR MARKET AND EDUCATION

2.2.1 Description of the component

Labour market and education
Policy area/domain: macro-economic stabilization, labour market, education

Objective: to strengthen the sustainable growth potential, job creation, and economic and social resilience, and mitigate the economic and social impact of the crisis. The component addresses Pillars 3, 5 and 6; CSR-2020-1, CSR-2020-2 and CSR-2019-2; and flagship 7.

Reforms: reforms in this component aim to improve the position of self-employed as follows:
- Tax incentives for workers to become self-employed without employees (rather than an employee with an employer) are reduced by a reduction of the standard income tax deduction for self-employed. In this way the tax-treatment of employees and self-employed becomes more equal.
- Social protection for the self-employed is improved by introduction of a mandatory insurance for disability for all self-employed workers.

Investments: Sustaining the economy and support the ensuing recovery, mitigate the employment and social impact of the crisis, including combating youth unemployment, and promote adequate social protection for the self-employed. Online programs have been set up to strengthen comprehensive life-long learning. It enables workers and job seekers to obtain the necessary skills and knowledge for their (future) careers. All these measures are developed in order to promote further skill development for workers and job seekers. Thereby, these measures seek to prevent job losses and to enable job transfers between sectors with labour surpluses to sectors with labour scarcities. Creating online programs and activities contributes to the development of digital skills and digitalization.

In addition to the larger instruments in the Dutch Corona aid package, such as benefits to cover fixed costs and wages of affected companies, and monthly allowances for the affected self-employed, there is a supplementary package to diminish the negative social effects of the COVID19 (economic) crisis.

In short, several programs have been or will be set up to aid the more vulnerable part of the labour market population. The goal is to decrease the social impact of the Corona crisis, mostly by ensuring that the unemployed and those with threatened jobs are guided toward jobs with more long-term prospective. Through this approach, the side effects of unemployment and poverty are reduced, such as (mental) health issues, reduced employability, unstable relation-ships/situations within families, homelessness, polarization, and increased crime rates. Moreover, long term employability/labor market participation is boosted, which decreases the long-term economic effects of Corona and increases productivity and earning power.

Estimated cost or revenues (a*mounts in € mln; - = budget balance improving)*:

	2020	2021	2022	2023	2024	2025	2026
Total (investments)	74	1.471	106				
*Of which digitalization***	*34*	*45*	*9*				

2.2.2 Main challenges and objectives

The objective of this component is to strengthen the sustainable growth potential, job creation, economic and social resilience, and to mitigate the economic and social impact of the crisis.

In the current Dutch labour market, three important challenges can be identified:

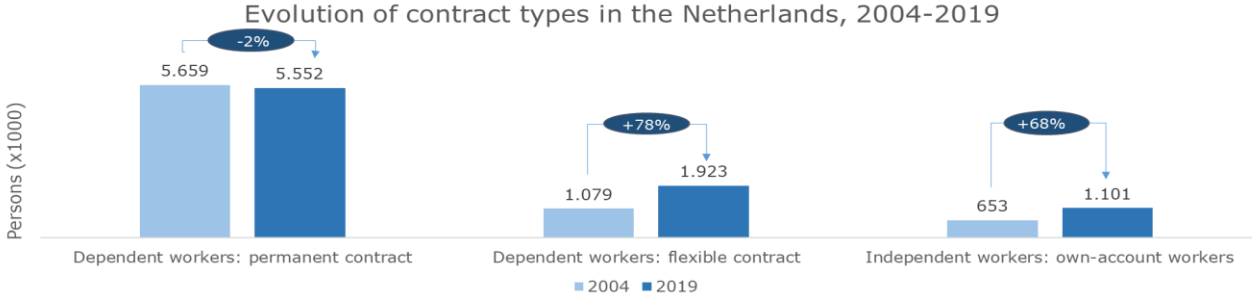
1. A growing share of self-employed workers, with less income and social security than employees.
2. Participation in lifelong learning is not yet prevalent among all segments of society.
3. The spread of the COVID-virus leads to serious learning losses among students in primary, secondary and tertiary education.

The main challenges, (policy) context, and subsequent reforms and investments are discussed per topic. Each section first discusses the labour market and then education.

Main challenges and context

Labour market

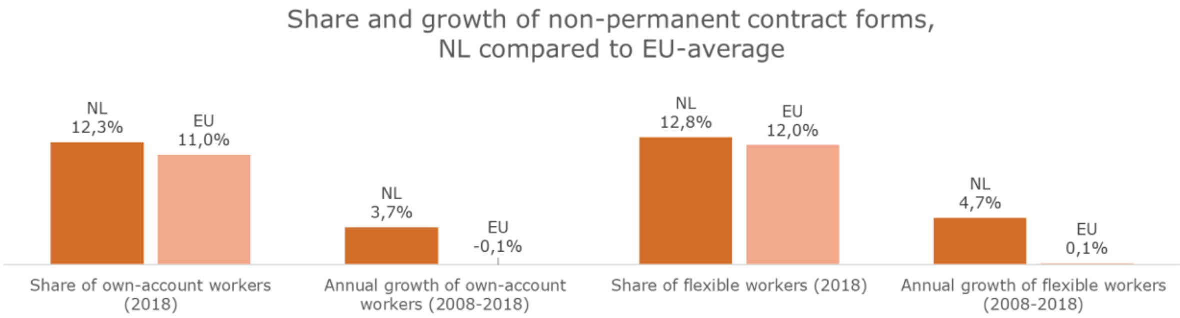
Over the past 20 years, the Dutch labour market has shown a sharp rise in the share of workers not employed on a regular permanent (or open-ended) contract. The number of self-employed workers without employees (also known as 'zzp' or own-account workers), increased by 68% between 2004 and 2019. The group of dependent workers in 'flexible' constructions, like temporary contracts, contracts with variable hours and employment relations involving intermediaries (contracting, payroll or temporary work companies), rose by 78% in the same period.



This strong trend towards more flexibility in employment relations and the resulting segmentation of the labour market may have downsides for the individual workers, society and the economy.

- These workers face more insecurity about their income and employment status. This is particularly the case for workers with a relatively low level of education and young workers. E.g. 35% of the lower-educated dependent workers has a flexible contract, whereas this is only 14% for the higher-educated. Moreover, some flexible contracts carry less generous fringe benefits and pension provisions than regular contracts.
- Independent workers in particular are poorly protected against basic income risks, although they (like every Dutch citizen) do have access to the means-tested public safety net (*bijstand*). They are not entitled to standard social insurance schemes for dependent workers, such as unemployment insurance, sickness pay and disability insurance and second pillar pension plans.
- Independent and flexible workers are the first to see their hours worked reduced in economic downturns, while own-account workers may also have to deal with lower prices for their activities. The resulting higher income volatility of this growing group of workers translates into a less stable economy overall. It also increase economic inequality. Moreover, the higher income insecurity has implications in other societal domains, such as access to home-ownership and family formation.

The Dutch employment share of own-account workers and flexible workers is currently close to the EU-average. However, it has increased sharply over the past twenty years, while the EU-average has been stable. This markedly different development suggests that specific Dutch policies (and possibly preferences), as opposed to common factors like technology and globalization, are the driving forces behind the rise in flexible employment.



There is broad agreement among policy makers and economists that differences in the regulatory treatment of the various legal employment forms in the fields of employment protection, social insurance and income taxation is the key issue. The recent report of the Independent Commission on the Regulation of Work (*Commissie Regulering van Werk*) provides a comprehensive analysis of these differences and how they induce both workers and firms to go for flexible employment forms.

- Self-employment is financially attractive because of tax breaks, the most important being the 'zelfstandigenaftrek' and the 'MKB-winstvrijstelling'. The former allows self-employed workers to deduct €7280 (in 2019) from their taxable income. The latter reduces the income tax base (after deductions) by 14%. The table below shows an illustrative calculation of the differences in income taxation between employees and self-employed, given the same labour cost to the employer or hiring firm.
- In addition, self-employed workers are not required to take measures for covering basic income risks (sickness, disability and inactivity) by taking out insurance or making reservations. They are also not required to take part in second pillar pension schemes, in contrast to the large majority of dependent workers, or to save for old age. Moreover they are not entitled to severance pay, the minimum wage and other forms of employment protection.

	Employee		Entrepreneur (incl. own-account workers)	
Total cost for employer, or total profits	**€**	**64.409**	**€**	**64.409**
Pensions paid by employer	€	3.665		
Unemployment premiums	€	2.081		
Disability insurance	€	3.904		
Zvw	€	3.309		
Reservation for wage payment in case of sickness	€	1.450		
Gross income	**€**	**50.000**	**€**	**64.409**
Income deduction for the self-employed (Zelfstand	€	-	€	7.280
Tax exemption for profit (MKB-winstvrijstelling)			€	7.998
Other tax deductions			€	-
Pensions paid by employee	€	2.390	€	6.055
Disability insurance paid by employee			€	3.904
Taxable income	**€**	**47.610**	**€**	**39.171**
Taxes	**€**	**14.222**	**€**	**13.774**
Subtotal tax payments	€	17.884	€	14.629
Generic tax credit	€	1.076	€	1.510
Tax credit for labour	€	2.586	€	1.578
Other taxes				
Zvw (for self-employed)	€	-	€	2.233
Net income	**€**	**33.428**	**€**	**40.676**

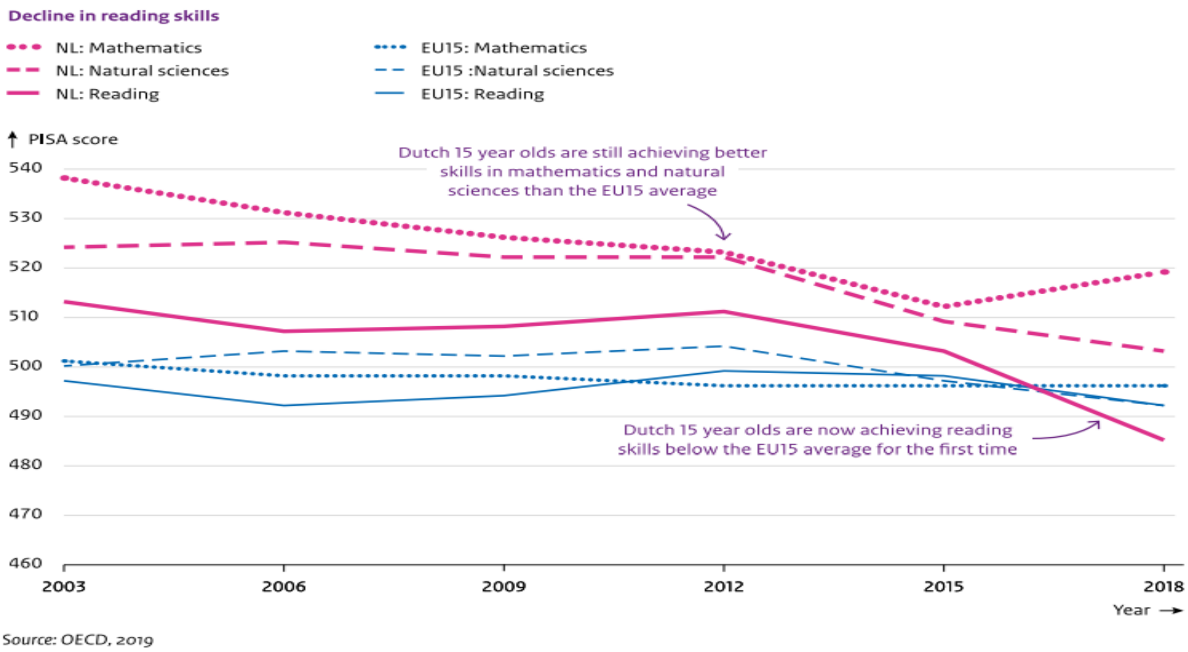
- The benefits for the employer of hiring employees on the basis of a flexible contract rather than a permanent contract depend on the construction used. Temporary work agencies and payrolling companies were not required to offer fringe benefits to the same extent as the regular employer would, making these constructions cheaper. Flexible contracts are also easier to terminate or to adjust to fluctuations in demand, allowing firms to shift inactivity risks to workers and the unemployment insurance scheme. Moreover, workers on permanent contracts are entitled to continued pay and protection against lay-off for two years, if they fall ill. Flexible contracts allow firms to reduce risks and obligations related to sickness and disability of workers.

The unequal treatment of self-employment and other flexible labour relations translates to lower costs for employers relative to the regular permanent contract. This gives employers incentives to use flexible forms of labour, even if this is not required by the type of work itself. In case of self-employment, the differences in taxation, social insurance and employment protection create a financial margin that is divided between the worker (higher net income) and the hiring firm (lower labour cost) depending on the relative bargaining power of worker and firm. Hence, the hiring firm and the worker often have a common interest to qualify their relationship as self-employment rather than dependent employment. As a consequence, it is hard for the relevant authorities to enforce the rules on dependent and independent work. At the lower end of the labour market, much of the advantage goes to the firm as the bargaining power of workers is low. As the hours worked by self-employed workers are hard to verify, some of these workers may be paid less than the hourly minimum wage.

Education

Participation in all forms of education is high in the Netherlands, but could be higher among the older, less-educated part of the population. Compared to other EU countries, relatively many adults in the Netherlands participate in learning[4]: over 19 percent in 2017. Only in the Scandinavian countries, this share is even higher. In Sweden, more than three in ten adults engage in education or training, followed by Finland and Denmark. The Netherlands and France complete the top five of countries. Still, the Dutch government has made 'lifelong learning' one of its priorities, seeking to engage all parts of society in the education system. Thereby, the labour force can adjust to changing demand and avoid unemployment.

In initial education, one of the foremost challenges is the declining student performance by teenagers (as measured by international test like PISA). In reading literacy, the Netherlands has dropped below the OECD-average on the 2018 standardized PISA-test[5]. Also, the motivation to read is low among Dutch students. Furthermore, 15-year-old pupils in the Netherlands traditionally performed well in mathematics and natural sciences, but in 2015 their performance fell in relation to other countries and also compared to previous years in the Netherlands. In 2018, the results for these subjects are the same as in 2015, but lower than in the past[6].



The most recent challenge to (the quality of) education is posed by the outbreak of the COVID-pandemic. Until now (February 2021), there have been 14 weeks of school closures in primary education and 18 weeks in secondary education. These school closures have resulted in major learning losses, especially among groups of students that were already vulnerable to falling behind. A study by Oxford University on Dutch primary school student performance shows that, on average, students made little or no progress whilst learning from home[7]. Some students, especially those with lower socio-economic backgrounds, even experienced a decline in their skills, as compared to the pre-lockdown period.

<u>Policy context: current/recent policy measures</u>

Labour market

The current government has taken measures to decrease the regulatory differences between permanent contracts and various forms of flexibility. The most important step has been the Law for a Balanced Labour Market ('Wet Arbeidsmarkt in Balans' (WAB)), taking effect from 2020. This law changes various aspects of labour market regulation in order to make permanent contracts more attractive to employers, and flexible constructs less attractive. Measures include, but are not limited to:

- Employers now pay a lower contribution for unemployment insurance for dependent employees on permanent contract than they do for employees on a temporary contract. Not

[4] CBS (2018), Nearly 1 in 5 adults in education or training, https://www.cbs.nl/en-gb/news/2018/47/nearly-1-in-5-adults-in-education-or-training
[5] OECD (2018), Netherlands: Student performance https://gpseducation.oecd.org/CountryProfile?primaryCountry=NLD&treshold=10&topic=PI
[6] Inspectorate of Education (2020), State of Education: System section
[7] Engzell, Frey & Verhagen (2020), Learning loss due to school closures during the COVID-19 pandemic

only does this make permanent contracts more attractive, it also globally distributes costs according to use (as workers on temporary contracts are more likely to claim unemployment benefits).

- Laying off employees is now easier, as a cumulative ground for dismissal was introduced in labour law. This makes it possible to dismiss employees on a permanent contract when multiple legal grounds add up. Previously, the employer had to argue that a single ground was fully applicable .
- The right to severance pay was extended to all temporary contracts and the amount per year no longer depends on tenure. Previously, severance pay was zero for contracts with duration of up to two years and higher than average for workers with a tenure longer than ten years.
- The total pay package (including fringe benefits) of employees hired via payroll constructions is further equalized with that of regular employees of the end user who perform similar tasks. From 2021 onwards, payroll workers have the right to an adequate pension scheme.

Additionally, measures are being taken to increase the attractiveness and accessibility of building up pensions for the self-employed. Originally, self-employed could only save for a pension in the third pillar, which was fiscally less attractive than the second pillar. Through the Pension Agreement of 2020, the fiscal treatment of the second and third pillar is being harmonized (see C6-r-1). Next to that, room is being created for pension funds to experiment with offering pension products for the self-employed.

In February 2020, the Independent Commission on the Regulation of Work (*Commissie Regulering van Werk*) issued its report, and recommended to greatly reduce differences in regulatory treatment between the legal forms of employment. As a follow-up, the cabinet has published a technical document in which the Commission's policy recommendations have been worked out into more concrete policy measures, including assessments of budgetary costs, legal issues, implementation and enforcement issues and possible alternatives or modalities. Additional recommendations include proposals such as changing the default so platform-employees are employees rather than self-employed by default and further decreasing other fiscal benefits (larger ones like the tax exemption for profit, and smaller ones like the deduction for starting self-employed). In the run-up to the election on March 15-17, all political parties have included policy proposals to address the unbalanced treatment of labour in its different legal forms in their election platforms. Further measures are expected to be taken as part of the platform of the next coalition government, which will be negotiated after the election.

Education

In terms of lifelong learning, the current government has taken a broad range of measures to stimulate participation in post-initial and other forms of education. To engage the lower-educated part of society in more schooling, support is offered to schools for secondary vocational education to develop flexible training programmes. In addition, a loan with favorable conditions ('life long learning credit') is available for available for people below 56 years old, who would like to enroll for a studies and are no longer eligible for the 'ordinary' student loans/grants.

With respect to tackling the declining student performance in secondary education, the most prominent effort that the government is embarking on is perhaps the curriculum reform. The revised curriculum should prepare students for the challenges of the future. Moreover, it gives teachers more guidance on the skills that students should learn during their educational careers. In a review of the curriculum proposal, the OECD identified the emphasis on literacy as one of the strengths of the proposal[8]. In addition, it has launched an initiative to stimulate reading among children ('Leesoffensief')[9]. Part of this initiative are investments in libraries at schools and subsidies to stimulate a more diverse supply of children's books.

In relation to the challenge of education in times of the COVID-pandemic, the government has taken several measures to raise the quality of education of distance learning and facilitate face-to-face education whenever possible. It has launched a website (www.lesopstand.nl) which gives teachers and schools guidance on how to engage in distance education properly. Furthermore, exceptions to the situation of distance education were made for vulnerable groups, such as children

[8] OECD (2019), Education 2030 Curriculum Content Mapping: An Analysis of the Netherlands Curriculum Proposal

[9] https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/kamerstukken/2019/12/03/kamerbrief-over-leesoffensief/Beleidsreactie+advies+leesbevordering+2019.pdf

who do not have the right facilities at home. In addition, students in their final years were also allowed to come to (secondary) school.

Objectives of reforms and investments in this RRP

Labour market

Three of the reforms and investments of this component help to improve this policy field:

- C2-r-1: Reduction of the standard income tax deduction for self-employed
- C2-r-2: Mandatory insurance for disability for all self-employed workers

The reduction of the standard income tax deduction and the mandatory disability insurance for all self-employed workers both decrease the gap in attractiveness between dependent and independent workers. The latter also contributes to a more stable economy, as disability insurance prevents a high fall in income in case of disability. A decrease of income tax[10], taking effect from 2020, intended to increase the household disposable income (part of the 2019 CSR), helps to partially offset the impact of the reforms on the income of the self-employed.

These reforms and investments contribute to:

- Pillar 3, by supporting a fair labour market, and promoting economic stability of individuals and the economy as a whole.
- Country specific recommendations point 2 from 2019 and 2 from 2020, by improving the position of the self-employed throughout the corona crisis, and reducing incentives for the self-employed in the long run.
- Flagship 7: reskilling and upskilling, through the supplementary issues.

Education

Two investments help to address the challenges in the field of education:

- C2-i-1: Lifelong learning and development
- C2-i-8: Tackling learning losses induced by school closures

Lifelong learning (C2-i-1) is stimulated by a combination of policies that target both demand (the adult population) and supply (educational programs). On the demand side, people are offered career advice and subsidies for retraining. On the supply side, online training programs have been set up and subsidies are granted to stimulate retraining to sectors where there is labour scarcity.

A package of interventions (C2-i-8) tackles learning losses that were incurred due to homeschooling during the COVID-pandemic. An ambitious National Program for Education after corona was recently launched with a budget of 8.5 bln EUR. The policies for the medium-long term (coming two school years) are still in development, but several policies for 2021 are already in place. Schools could apply for additional funding that allows them to organize additional educational support for students that are falling behind (‘inhaal- en ondersteuningsprogramma’s onderwijs’). This subsidy program encompasses 501 million euros and covers all educational sectors, except higher education. Also, a program was set up (€83 mln.) to specifically remedy the learning losses among children of newcomers, whose parents tend to struggle more with the language and are thus at greater risk of falling behind in the case of homeschooling. Furthermore, a program was set up to attract additional staff to schools. This may include teachers, but also other types of employees who can offer support with tasks related to education in times of COVID. Not only does this program relieve pressure from schools, it also facilitates that unemployed or workers that are superfluous in their current job due to the COVID-crisis, can temporarily work in education (such as by surveilling at tests or in overseeing the compliance with COVID-rules at schools).

These investments contribute to:

- Pillar 5, by investing in the continuation of high-quality education, even in extraordinary times.
- Pillar 6, by ensuring the whole population has the possibility to engage in schooling, and thereby preparing society for the challenges of the future.

[10] The tax decrease consists of three parts: a structural increase of the general tax credit (€750 mln.), a raise of the labour tax credit (€2,15 bln.), and a reduction of the tax rate in the (new) lowest tax bracket (€350 mln.).

- Country specific recommendations point 1: taking all necessary measures to address the pandemic and support the ensuing recovery also includes facilitating the continuation of education and having attention for the groups who are at risk of falling behind.
- Flagship 7: measure C2-i-3 specifically stimulates the participation of the adult population in training.

2.2.3 Description of the reforms and investments of the component

The table below gives an overview of candidate-investments and reforms for this component. For a detailed description of individual measures, see Annex 2.

Measure	2020	2021	2022	2023	2024	2025	2026	Total
Amount in mln EUR	74	1.471	106	0	0	0	0	1.650
NL continues to learn	48	58	9					115
Of which								
Career advice subsidies	*14*	*37*						
Online training programs	*34*	*21*	*9*					
Labour transfer subsidies		38						38
Sectoral job assistance		63	9					72
Of which *Basic skill training*		6						6
Vocational education programs		63						63
Youth unemployment	13	71						83
Regional mobility teams	13	130	88					231
Debt remediation fund		30						30
Tackling learning losses		1013						1013
Of which								
Program to tackle learning losses and offer educational support		*501*						
Devices and internet connection		*24*						
Additional staff, inside or outside the classroom		*368*						
Tackling learning losses among newcomers		*83*						
Support for students in the final year		*37*						
REFORMS								
Gradual reduction of the standard income tax deduction for self-employed								
Introduction of mandatory insurance for disability for self-employed workers without employees								

2.2.4 Contribution to pillars, CSR's, flagships and the green and digital transitions

The table below shows to which pillars of the RRF, Country Specific Recommendations and/or flagships of the Commission the candidate-measures of this component contribute. The table furthermore shows, where relevant, climate and digitalization tags of measures. For a detailed description of individual measures, see Annex 2.

Measure	Climate coefficient	Digitalization coefficient	Pillar	CSR	Flagship
NL continues to learn			3, 5, 6	20-2	7
Of which					
Career advice subsidies			3, 5, 6	20-2	7
Online training programs		100%	3, 5, 6	20-2	7
Labour transfer subsidies			3, 5, 6	19-2, 20-2	7
Sectoral job assistance			3, 5	19-2, 20-2	7
Of which *Basic skill training*			3, 5	19-2, 20-2	7
Vocational education programs			3, 5, 6	20-2	7
Youth unemployment			3, 5, 6	20-2	7
Regional mobility teams			3, 5	20-2	
Debt remediation fund			5	20-2	

Tackling learning losses		**6**	**20-1, 20-2**
Of which			
Program to tackle learning losses and offer educational support		6	20-1, 20-2
Devices and internet connection	100%	6	20-1, 20-2
Additional staff, inside or outside the classroom		6	20-1, 20-2
Tackling learning losses among newcomers		6	20-1, 20-2
REFORMS			
Gradual reduction of the standard income tax deduction for self-employed		3, 5	19-2
Introduction of mandatory insurance for disability for self-employed workers without employees		3, 5	19-2, 20-2

2.2.5 Do No Significant Harm

The measures included in this component have no or an insignificant foreseeable impact on the environmental objective.

2.3 COMPONENT 3: BOOSTING PRIVATE AND PUBLIC INVESTMENTS

2.3.1 Description of the component

Boosting private and public investments
Policy area/domain: Competiveness, regulation, investments, sustainable infrastructure, tax system, growth potential

Objective: to support and promote an upward trend in investment, thus strengthening the sustainable growth potential, improve the business climate, as well as fostering cohesion and convergence in the euro area. The component addresses pillars 1, 2, 3 and 4; CSR 2020-3, CSR 2019-3; and flagships 2, 3 and 5.

Reforms: reforms in this component aim to increase investments (in general) as follows:
- The National Growth Fund (NGF) boosts public investment in order to tackle challenges to economic growth, including demographic ageing, climate change and the stalling of productivity growth. The institutional infrastructure to ensure a high quality selection of projects is put in place. For the next five years, €20 billion (about 2.5% of GDP) is available.

Investments: Investments in smart mobility are accelerated to ensure stable and safe accessibility and a high quality infrastructure, while supporting the economic recovery in the short run and facilitating a more efficient and easier transport between Member States. The investments of the National Growth Fund are also part of this component.

Estimated cost (*amounts in € mln; - = budget balance improving)*:

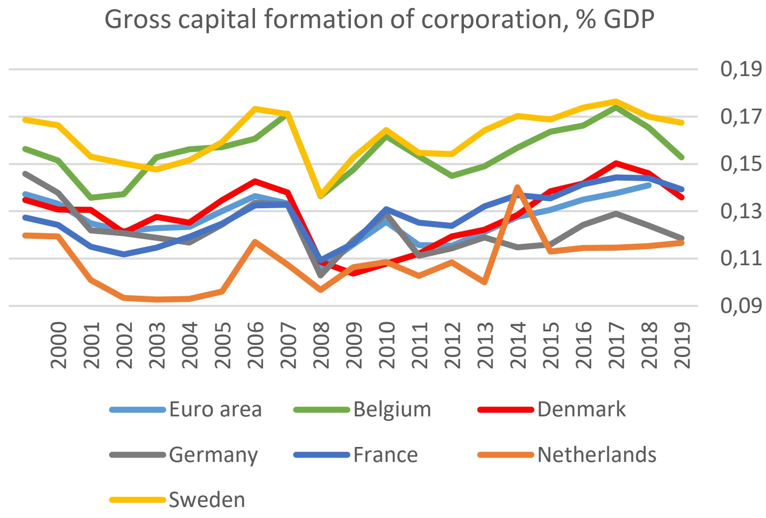
		2020	2021	2022	2023	2024	2025	2026
Total (investments)		0	681	45	75	0	0	-17
Of which:	*Climate**		*108*	*45*	*75*			*-17*
	*Digitalization***		*507*	*45*	*75*			*-17*

*Figures are adjusted for the relevant climate coefficient. Calculation based on codes 025 sin ANNEX I of COM(2018) 375 - 100%/40% (climate change objectives toward the green goals of the Commission)
** The coefficient for digital transition is 100%.

2.3.2 Main challenges and objectives
Productivity growth has slowed down in the Netherlands over the last fifty years. Whereas growth in the early seventies averaged above 5%, it slowed down to below 1% in the last 20 years, after a brief spike around the turn of the millennium. Although this is very much an international phenomenon (the so called productivity puzzle), it seems to affect the Netherlands more severely since the financial crisis of 2008-2009. As a result the Netherlands has lost some ground compared to other developed economies. At the same time the conditions and capacity for innovation do not appear to have worsened, given the high ranking of the Netherlands on international indices such as the Global Innovation Index.

A noted way to increase productivity is through investment, especially in R&D. Private corporate investment has been relatively low on the Netherlands for years. Over the last two decades (2000-2019) corporate capital formation averaged 10,8% of GDP, below the euro area average of 12,7% of GDP and below that of peer countries. This extends to relatively low R&D investment. The Netherlands has, as part of the Europe 2020-strategy, set a target for R&D investment to the tune of 2,5% of GDP. In practice however R&D expenditure has hovered between 1,7% and 2,2% of GDP for over fifty years. Public expenditure is at 0,72% of GDP, nearly equal to the OECD and EU average. While private expenditure is in line with the EU average, at 1,42% of GDP it lags the OECD average by almost 20%. Part of this can probably be explained by the higher than average share of corporations active in less R&D intensive industries.

Source: OECD, Global Innovation Index

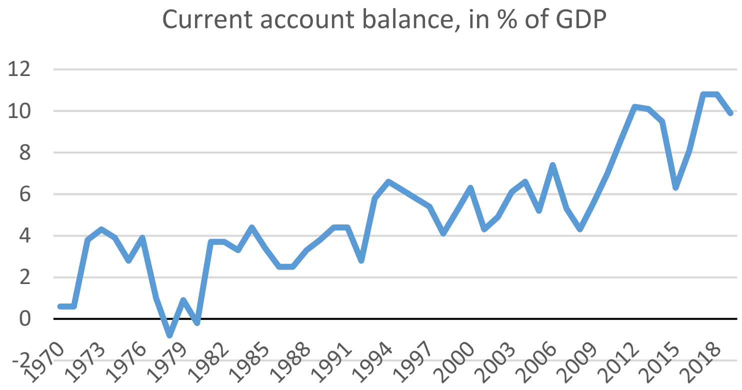


Source: AMECO

The lack of private investment does not seem to stem from a shortage of liquidity (although there have been some concerns over the access of SME's to bank credit). Profits developed favourably over the last years, and wage growth was rather subdued. Discounting multinationals, corporate debt was relatively stable and below the signal values for prudent debt set within the European framework[11]. The Netherlands has a large and well developed financial system, and the persistent and historically high current account surplus indicates a strong external position. Between the years 2000 and 2018, over 80% of the surplus was attributed to the non-financial corporate sector. A study by the Dutch Central Bank[12] showed the savings surplus was localised at both large corporations and SME's. The savings of large corporations can mostly be attributed to the significant presence of multinationals in the Netherlands, and the statistical convention to not count FDI as investments to be subtracted from the savings when making up the balance (which causes a significant upward bias). The increased savings of SME's are due to an increase in profits from domestic production, and are reflected in a declining labour share. SME's also retain a lot of their profits. This is possibly due to concerns over access to bank credit, which dried up to an extent for SME's during the global financial crisis. The Dutch Central Bank also notes the

[11] Country Report The Netherlands 2019, Including an In-Depth Review on the prevention and correction of macroeconomic imbalances, European Commission
[12] Het spaaroverschot van Nederlandse bedrijven ontrafeld, Butler et al., DNB Occasional Studies volume 17 – 4.

relatively large difference in the interest rate between small and large loans, and fiscal incentives for certain entrepreneurs (managing directors who are also the main shareholder) to retain profits instead of paying them out as labour income for themselves (although this does not necessarily affect the national savings surplus).



The European Commission has noted the lack of investment, and for several years has recommended to use fiscal and structural policies to support an upward trend in investment. This issue is made more pressing by the ageing population. This brings with it a stalling of labour supply growth and increasing age related costs, mainly on health care. Given current trends, health care costs will outpace economic growth, putting pressure on government finances in the long term. The Dutch government acknowledges the importance of public and private investment for future economic growth and addressing societal and environmental challenges. Therefore, from 2020, the government invested an additional EUR 400 million in fundamental and applied research (EUR 200 million each), plus two one-off amounts of EUR 50 million in research infrastructure (in 2018 and 2019).Total public expenditure on research and innovation has increased since 2017, largely due to the expenditure boosts referred to above. The expenditure boosts have been earmarked specifically for research and innovation. In addition, expenditure boosts have been earmarked for various budget items that will partly be allocated as funds for R&I, in areas such as energy and climate. There are also some sizable fiscal policies in place that promote investment in environmentally friendly assets (MIA, VAMIL), energy-saving techniques (EIA) and R&D (WBSO).

In light of the challenges mentioned, and given the investment shortfall due to the corona crisis the Dutch government has implemented two new policy reforms. The Employment–related investment discount ('Baangerelateerde investeringskorting', BIK) and the National Growth fund.

The Dutch economy is being hit hard by the corona crisis. Among other things, aggregate fixed capital formation declined by 3,2% in 2020. This leads to a short-run decline in GDP, but more importantly, can also lead to a longer-term protraction of economic growth. The government is already dealing with this by increasing public investments, and through expanding the possibilities for loan guarantees. However, as roughly 80 to 85% of all investments are made by the private sector, the government has opted for an additional impulse for the private sector. The BIK provides for the introduction of a new payroll discount for employers. Under this scheme, companies can discount 3,9% of their investments of up to € 5 million per calendar year and 1,8% of their additional investment from their payroll tax (income tax and social security contributions) for the years 2021 and 2022.

One of the lessons of the last crisis is that continued investment in the Dutch economy is required more than ever at a time of economic crisis. That is why the government has taken significant temporary measures to support the economy in the short term. In the longer term, robust growth is required to revive our economy and reduce the national debt as a percentage of GDP. The National Growth Fund will focus on public investment to boost the Dutch economy's long-term earning power. €20 billion is available for the next five years. This growth fund is a consequence of the growth strategy presented at the end of last year. In its growth strategy the government observes that extra one-off and non-regular investment is needed to strengthen the earning power of the

Dutch economy. Three focus areas for the National Growth Fund were chosen in which the government sees the greatest opportunities to increase productivity, namely: knowledge development, research & development (R&D) and innovation, and infrastructure.

Businesses (including SMEs), knowledge institutions and other stakeholders are invited to present proposals to be financed through the Growth fund. In order to ensure an effective, objective and politically independent evaluation of the projects submitted, the proposals are forwarded to a committee of independent experts, which will function as an independent advisory body to the government. The committee's task is to assess these plans based on an analysis of their impact on earning power and taking into account their financial cost. In addition, a proposal's social benefits must outweigh its social costs (e.g. in terms of liveability), and the committee must be sufficiently confident that the proposal is both practicable and of a high quality. Although the ultimate decision to finance a project lies with parliament, the committee's opinion will play an integral role in the process. This organisation structure was chosen following earlier experiences in the Netherlands with public funds aimed at improving structural growth in the nineties, where the criteria for eligibility were increasingly stretched to fund other departmental expenditures.

The Netherlands furthermore invest in future proofing infrastructure. Dutch infrastructure has been in the top of the Global Competeviness Rankings for several years. The infrastructure is now aging because of increasingly intensive and heavy use. Moreover, there are challenges regarding developments in the field of climate, sustainability and IT. To maintain a consistent high level of quality for a safe, accessible and future proof infrastructure, the Netherlands accelerate investments in smart mobility and the maintenance of (rail)road infrastructure.

2.3.3 Description of the reforms and investments of the component

The table below gives an overview of candidate-investments and reforms for this component. For a detailed description of individual measures, see Annex 2.

Measure	2020	2021	2022	2023	2024	2025	2026	Total
Amount in mln EUR	0	74	423	579	108	108	-56	1.236
Smart Mobility	0	35	45	75				138
National Growth fund investments		*646*						*646*
National Growth Fund: Groenvermogen waterstof		*73*						*73*
National Growth Fund: AiNed		*88*						*88*
National Growth Fund: Quantum		*282*						*282*
National Growth Fund: Health RI		*22*						*22*
National Growth Fund: Regmed		*56*						*56*
National Growth Fund: Leven Lang Ontwikkelen		*45*						*45*
National Growth Fund: Transitie naar innovatief en toekomstbestendig onderwijs		*80*						*80*
REFORMS								
National Growth Fund (NGF)								
BIK: Baangerelateerde investeringskorting – Employment-related investment discount								

2.3.4 Contribution to pillars, CSR's, flagships and the green and digital transitions

The table below shows to which pillars of the RRF, Country Specific Recommendations and/or flagships of the Commission the candidate-measures of this component contribute. The table furthermore shows, where relevant, climate and digitalization tags of measures. For a detailed description of individual measures, see Annex 2.

Measure	Climate coefficient	Digitalization coefficient	Pillar	CSR	Flagship
Smart Mobility	100%	100%	1, 2, 3, 4	19-3, 20-3	2, 3, 5
National Growth Fund investments	*100%*	*100%*	*1,2,3, 4*	19-3, 20-3	
REFORMS					
National Growth Fund (NGF)			3	19-3, 20-3	

2.3.5 Do No Significant Harm

A substantive analysis might be required for the measure ‘RWS road repair’.

2.4 COMPONENT 4: THE GREEN TRANSITION

2.4.1 Description of the component

The green transition
Policy area/domain: investments, sustainable infrastructure, tax system, growth potential, green transition

Objective: reducing greenhouse gas emissions, improving carbon pricing, improving the energy and resource efficiency of public infrastructure, improving energy performance of the building stock through a renovation wave, supporting clean energy deployment. The component addresses pillars 1 and 3; CSR 2020-3 and CSR 2019-3; and flagships1 and 2.

Reforms: The following reforms support the green transition:
- The Netherlands has introduced a CO_2-tax to reduce the greenhouse gas emissions in the industry. The aim of the CO2-tax is to reduce the emissions of the industry.
- (Draft) regulation to reduce CO2-emissions by limiting the production of energy by burning coal in two largest coal-fired power plants during 2021-2024. Additionally, subsidy for one coal-fired power plant to shut down voluntarily per 2021 in order to reduce CO2 emissions.
- The Dutch government has introduced an aviation tax since 1 January 2021. While its preference is for a European tax on aviation, it has drafted a bill for a national flight tax of €7,845 per departing passenger. The reform makes passengers more aware of the external costs of aviation and thereby contributing to the transition to a climate neutral economy.
- The National Growth Fund (NGF) boosts public investment in order to tackle challenges to economic growth, including demographic ageing, climate change and the stalling of productivity growth. The institutional infrastructure to ensure a high quality selection of projects is put in place. For the next five years, €20 billion (about 2.5% of GDP) is available.

Investments: Investments in ERTMS support an interoperable railway system in Europe that is more efficient and safer and to make rail operation between the Member States easier. Shutting down coal-fired power plants reduce CO2-emissions. A broad set of measures is implemented to reduce emissions of $C0_2$, NH_3 and NOx, contributing to long-term objectives as well as to the short-term target of 25% greenhouse gas reduction by 2020 (compared to 1990). The green renovation of public buildings is sped up.

Estimated cost (*amounts in € mln; - = budget balance improving)*:

	2020	2021	2022	2023	2024	2025	2026
Total (investments)	122	980	908	570	352	482	345
*Of which: Climate**	*120*	*689*	*378*	*234*	*146*	*193*	*132*

*Figures are adjusted for the relevant climate coefficient. Calculation based on codes 025 sin ANNEX I of COM(2018) 375 - 100%/40% (climate change objectives toward the green goals of the Commission)

2.4.2 Main challenges and objectives

This section discusses the headlines of the national climate policy and ambitions for the Netherlands. At the end of the section, some background on current issues related to nitrogen emissions is provided.

Main challenges and context

Global warming has far stretching damaging effects on the planet if it exceeds a global average of 1,5 degrees warming and even more so if it exceeds 2 degrees warming. For this reason UN initiated the Kyoto Protocol and the Paris Agreement. The Netherlands as well as the European Union have signed and ratified the Paris Agreement.

In the EU, the Netherlands have advocated to raise the European reduction target for 40% to 55% reduction in 2030 compared to the emissions in 1990. The European Council has formulated the new EU-wide reduction target at 55% in 2030 and net zero emissions in 2050. The translation to the new ETS- and ESR-targets are not clear yet. So the new ESR-target for the Netherlands is not certain yet.

The Netherlands have set a own nation reduction target of 49% in 2030 and 95% in 2050, compared to 1990. In the national Climate Act, these targets are embedded. In 2019 in the national Climate Agreement, the foundation for the national climate policy is formulated. The national Climate Agreement focusses on the 2030 reduction target.

Current policy

Climate act

In 2019 the Netherlands has introduced the Climate Act. This Climate Act has embed a reduction target of -49% in CO_2 by 2030 and -95% in CO_2 by 2050 in the Act. The Climate Act also provides the legal framework that defines the governance. Annual reporting on governance in the context of the Climate Act. The Climate Act prescribes governance that is specifically geared toward safeguarding the targets, for which the Minister of Economic Affairs and Climate Policy bears ultimate responsibility (1st line). The Act sets out the following aspects:

- Climate Plan: contains the key points of the government policy to be implemented in the next ten years. The first Climate Plan will be based on the Climate Agreement. The Climate Plan will first be published in 2019, can be amended in 2021 and will be revised and readopted at least once every five years;
- Climate and Energy Report (KEV): the KEV, which is published by the Netherlands Environmental Assessment Agency, provides a report of actual and forecast CO_2 emissions in the Netherlands (and broader energy management). The KEV will be published each year as of 2019;
- Climate Memorandum: contains a Government Appraisal regarding the targets, accompanied by any additional policy intentions to achieve those targets. This will first be published in 2020 and on an annual basis thereafter. The Climate Act cycle will align with the European accountability cycle. The submission of the Climate Plan will be aligned with the submission of the Integrated National Energy and Climate Plan (NECP). Europe calls for a progress report every two years, which will be streamlined with the Climate Memorandum.

Under the Climate Act, the Advisory Division of the Council of State will have a formal role in relation to the Climate Plan and the Climate Memorandum. The Advisory Division of the Council of State will be consulted with regard to both documents and will issue advice on the Climate Plan, and thereafter will issue a review of the Climate Memorandum each year. In its advice on the Climate Plan and the Climate Memorandum, the Council of State will conduct an assessment by reviewing the administrative, legal, financial and economic considerations made by the government.

Climate Agreement and climate policy (Climate Plan 2019)

In 2019 the Netherlands has laid the foundation of the climate policy of the Netherlands for the upcoming decade in the national Climate Agreement. The government's central goal with the National Climate Agreement is to reduce greenhouse gas emissions in the Netherlands by 49% compared to 1990 levels. The Climate Agreement is the result of negations between more than 100 parties, who jointly worked on a set of proposals with the aim of achieving the carbon reduction target in 2030. The climate policy is structured a long side 5 sectors, namely electricity, industry, mobility, agriculture and land use, and the built environment this structure will be followed in this overview as well.

Sector	**Target**
i. Electricity	20.2
ii. Industry	14.3
iii. Mobility	7.3
iv. Agriculture and land use	3.5
iv. The built environment	3.4

i. Electricity

The reduction target for the electricity sector is primarily the reduction of carbon emissions by at least 20.2 Mt by 2030. In addition, the electricity sector will have to supply carbon-free electricity to the other sectors due to electrification there. All of this requires a significant growth in the share of electricity from renewable sources.

The CO_2 reduction in the electricity sector is mainly driven by the ban on the use of coal to generate electricity. In 2019 a law was adopted in which the ban of the use of coal to generate electricity. Old coal fire power plants, are prohibited to use coal from 2025 onwards, new coal fired power plants are prohibited to use coal from 2030 onwards. A more detailed description of the ban of the use of coal to generate electricity can be found in Annex 2, measure c4-i-3.

Besides CO_2 reduction the electricity should also scale up the production of electricity from renewable sources to 84 TWh. Offshore wind will need to produce 49 TWh and renewable on land will need to account for 35 TWh.

Offshore wind

With regard to the period up to 2030, at the very least the existing Offshore Wind Energy Roadmap for 2030 will be realised. More offshore wind farms can be realised ahead of 2030 with the right spatial planning and facilitating policies.

The North Sea is currently used for a variety of purposes and there are various interested parties, ranging from nature conservation, shipping, fisheries, sand extraction, military activities, mining, recreation to the wind energy sector. First steps in the spatial planning are set with the North Sea Strategy.

Ahead of 2030, the national government will take a sufficient number of site decisions in a timely fashion, conduct preliminary studies, issue permits and a sufficient number of tenders and commission TenneT to construct the offshore grid (as long as wind farms are implemented for electricity), and will additionally, if possible, put out the tenders to market for the roll-out of atleast 49 TWh (approximately 11.5 GW) in accordance with the 2030 Roadmap and in accordance with the survey of the landfall of the offshore grid. The energy generated in the form of electricity or possibly as another energy carrier after conversion will be transported to the mainland and TenneT will realise the grid connections according to the development framework for Offshore Wind Energy (Electricity Act), the foregoing in accordance with the roll-out schedule of the current 2030 Roadmap. Completion will be coordinated with the wind farm developers. The costs of the offshore grid, as well as the grids on land, are currently paid from network tariffs.

The generation of renewable energy, among which offshore wind, can be granted subsidies via a tender mechanism (the SDE++). The SDE++ is the successor of the SDE+. It is a subsidy scheme in which subsidies are granted for the large scale production of renewable energy and large scale CO_2 reduction. This subsidy is intended for companies and organizations (non-profit and otherwise) in sectors such as industry, mobility, electricity, agriculture and the built environment. Subsidies are granted via tenders. The SDE++ is an operating subsidy, so the subsidy is received during the operating period of your project. Depending on the technology, this is a period of 12 or 15 years. The subsidies compensates the difference between the cost price of the sustainable energy or the reduction in CO_2 emissions and the revenue. The yearly cash expenditure of the SDE++ will increase to a 3.4 billion in 2030. The distribution of SDE++ among the different sectors is ex ante unknown because the SDE++ is technique neutral and grants its subsidies on base of costs via tenders. Based on the projected cost competitiveness form 2025 onwards, these tenders will end in 2025. The business case for the generation of renewable electricity, regarding offshore wind energy in particular will be reviewed to asses if the current policy mix is adequate to reach the required renewable electricity production.

Renewable on land

In addition to offshore wind energy, opportunities will also be seized on land regarding increased production of electricity from renewable sources. A richly varied, mainly local, renewable electricity system is being planned for 2050, primarily through wind energy on land and solar PV toward 2030. With regard to the target, a distinction is made between the small-scale production of solar-PV, primarily at household level, and the more large-scale production on land and on rooftops, as is currently stimulated through the SDE+ scheme and will be stimulated by the SDE++ named above.

The ambition to achieve more large-scale (>15 kW) electricity production on land amounts to at least 35 TWh of production by 2030. A technology-neutral assignment is used in this context. The objective is to enable local and regional authorities – and their social partners – to draw up an effective plan that will be supported by society. To achieve this, the local and regional authorities construct the Regional Energy Strategies (RES). in the RES there is maximum focus on social acceptance of the energy transition within society and on the way in which it can be realised within the region. The associated additional wind or solar capacity is not predetermined. It is up to the region to determine in what way the objectives can best be realised. Without prejudice to the task of achieving at least 35 TWh, plans relating to small-scale solar-PV and other renewable energy on land can be involved in the RES.

The analysis conducted by the PBL for the Climate Agreement has shown that the expected production of solar-PV (>15 kW) and wind energy on land in the baseline trajectory will already amount to approximately 17 TWh by 2030. The remaining target is regarded as feasible in spatial planning terms. Should the target be raised, renewed consultation will take place on the issue. In addition to increased large-scale electricity production on land, small-scale production of solar energy is also crucial to meeting the climate target. The generation of solar energy by households also contributes to increased involvement of citizens and the acceptance of the energy transition. Public authorities will chiefly leave initiatives with regard to sustainable electricity production to the market. The water boards have identified a relationship between the energy targets of water boards and their water management responsibilities. Further commitments will be made on these issues with the involvement of the parties. The market, in this case, is a collective term for all manner of initiators, from project developers to energy cooperatives. On that basis, the key starting point should be to make it more attractive to initiators to set up projects. If it is insufficiently clear whether the projects can earn back the amount invested or if the return will be too low in any form, there will be very little interest in setting up a project.

The large scale on land energy generation can be granted subsidies up to 2025 after which the tenders via the SDE+ will end because of the projected cost competitiveness. For small scale on land electricity production, a subsidy scheme will be in place up to 2030.

Hydrogen
In the mid (2030) to long (2050) term, hydrogen can and must be able to carry out a number of critical functions within the energy and raw materials management system. The principal areas of focus will be:

1. A carbon-free feedstock for the process industry. Hydrogen is already widely used (approximately 100 PJ converted to energy value) and the need for hydrogen will continue to grow as a result of new sustainable chemical processes. In time, this feedstock will have to be carbon-free hydrogen.
2. Carbon-free energy carriers for high temperature heat for the process industry. There are few alternatives for temperatures above approximately 600 degrees.
3. Controllable carbon-free capacity, energy storage for prolonged periods and energy transport over longer distances. These will be necessary in an energy supply in which the share of non-controllable weather-dependent sustainable energy is increasing significantly and where the sources (offshore wind energy) are situated at a considerable distance from the user.Those needs will chiefly begin to increase around 2030.
4. Mobility, especially with regard to passenger transport for greater distances and road transport as a focus ahead of 2025. Heavy road transport over long distances, shipping and rail are solid options for the longer term (toward 2030). In addition to battery electric transport, we will be committing significantly to hydrogen as part of the policy that aims to achieve zero-emissions mobility. The transition from grey to green hydrogen is crucial in that regard.
5. Built environment, possibly for buildings and districts that cannot easily be made more sustainable in other ways for various reasons.

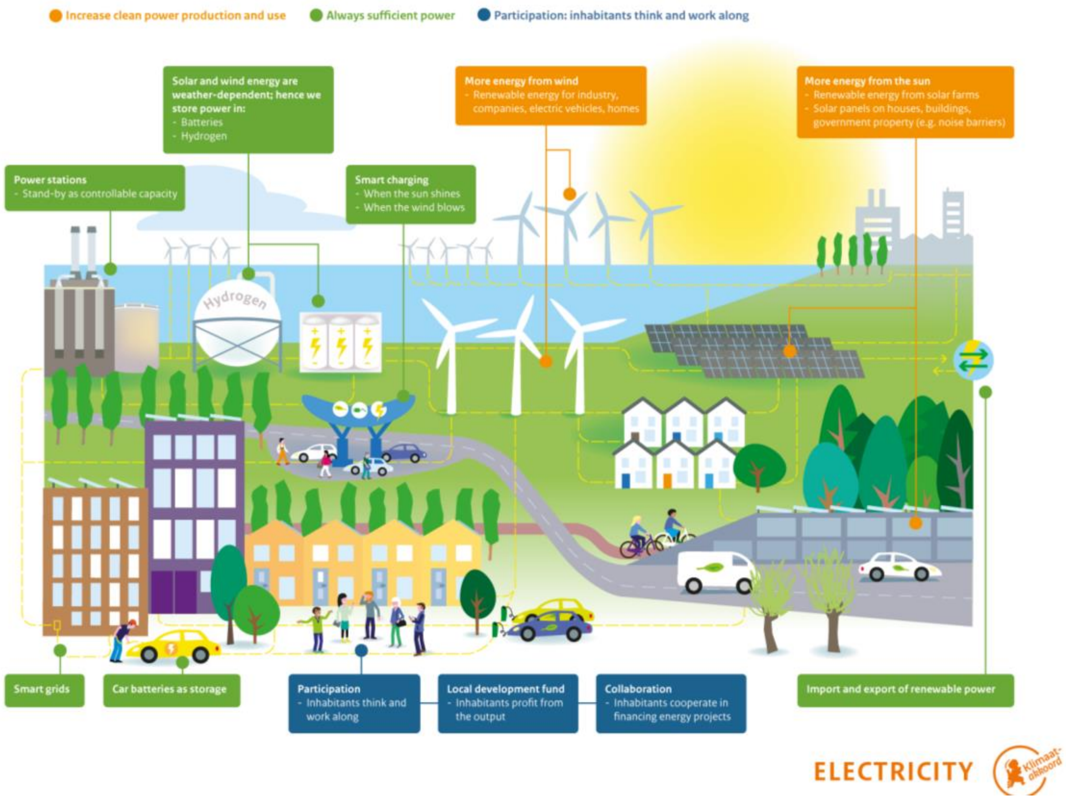
The extent to and rate at which a demand for hydrogen will come about for these functions will depend on a number of issues, including the availability and cost effectiveness of alternative measures to meet the requirements of the functions desired. Even simply in regard to the first three functions referred to, hydrogen –purely as H_2 and/or bound to so-called carriers –is a robust solution within the final target of a carbon-free energy and raw materials management system. The

Netherlands occupies a good starting position to prepare for a role for hydrogen through its extensive processing industry, which already uses approximately 100 PJ in hydrogen, its significant potential for offshore wind energy on the North Sea and its gas infrastructure and knowledge. Hydrogen will provide the Netherlands with an opportunity to integrate large volumes of sustainable energy into the system in a cost-effective way and to build new circular processes and value chains in the Dutch economy. Within all industrial clusters, market parties are preparing for a growing role played by hydrogen, including through studies, the development of business cases and proposed investments. The plans for green hydrogen collectively add up to a total aim to achieve electrolysis capacity of over 800 MW and 15 kilotonnes from biogenic fuels by 2025. In addition, there is a significant focus on hydrogen as a climate-neutral energy carrier on an international scale. It is expected that, in time, an extensive international hydrogen market will emerge, where the Netherlands can play a significant role.

The objective is to focus on green hydrogen as much as possible, primarily based on electrolysis using sustainable electricity, but also based on biogenic feedstocks, provided they have been produced sustainably. An optimal contribution to the development of a broader hydrogen system through the use of blue hydrogen –produced from natural gas with capture of carbon dioxide emissions –must be ensured, without impeding the growth of green hydrogen. Based on international plans and developments, it seems likely that a global hydrogen market will emerge that includes both blue and green hydrogen. Differentiation by carbon footprints will always be possible through certification.

To stimulate innovation in green hydrogen and the production of green and blue hydrogen, several subsidy schemes are introduced. Furthermore, an H_2-patform is introduced to ensure necessary developments and coordinate the approach. Moreover, the demand side is stimulate as well by policy instruments regarding the individual sectors such as the CO_2-tax for the industry and the fiscal stimulation of zero-emission vehicles.

In the figure below, an overview is given of the agreements on electricity from the Climate Agreement.



ii. Industry

The reduction target for the industry is 14.3 Mt in carbon dioxide on top of existing policy in the baseline trajectory of the PBL. In 1990, emissions amounted to 86.7 Mt. In 2015, the emissions figure for industry had decreased to 55.1 Mt. This means the indicative target for industry is a further 19.4 Mt in reductions by 2030. This is a combination of existing policy and the additional target (5.1 + 14.3 Mt).

The key focus is the emissions reduction target. However, in order to achieve that goal and simultaneously retain our prosperity, a transition will be needed, involving the building of new activities, the conversion of existing activities and the phasing out of activities that no longer fit within the climate-neutral and circular economy envisaged for 2050. This transition toward a new climate-neutral industrial sector is a system change, which requires coordination and cooperation between national actors: primary and manufacturing industry, other actors in the supply chain, public authorities and knowledge institutions.

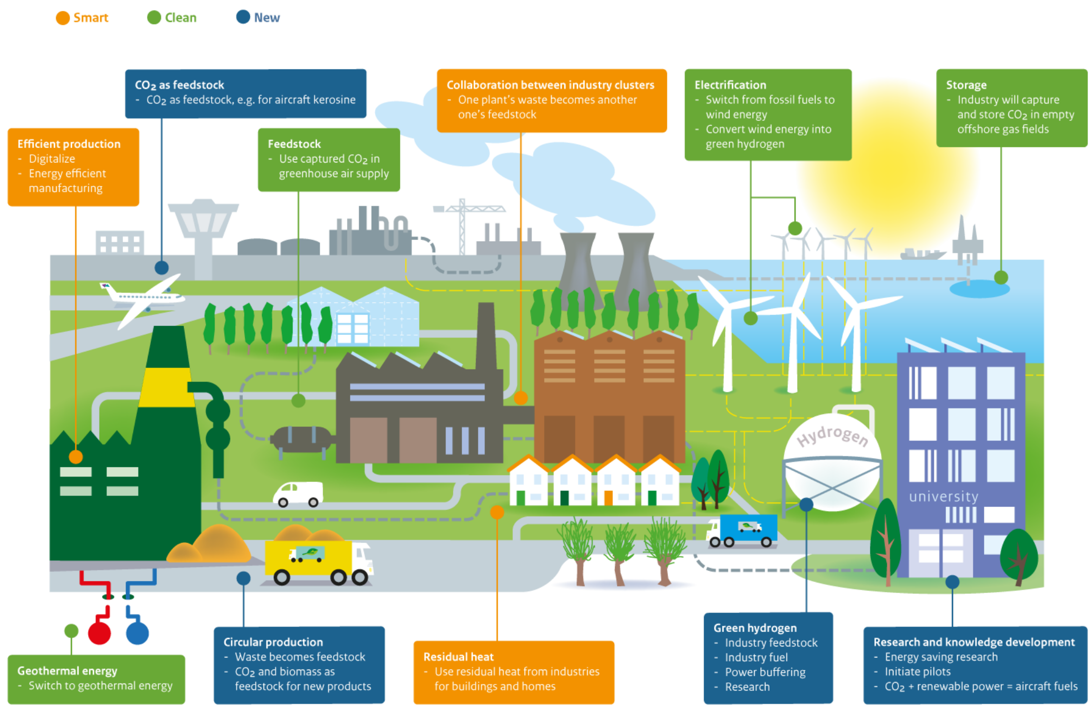
Broadly speaking, the industry in the Netherlands needs to reduce emission by implementing techniques such as process efficiency, energy savings, CCS, electrification, use of blue and green hydrogen and acceleration of circularity (such as plastics recycling, biobased raw materials or steel2chemicals). The Netherlands has five principal industrial regions in which energy-intensive activities are clustered: Rotterdam/Moerdijk, Zeeland (Terneuzen and surrounding areas), the North Sea Canal Area, the Northern Netherlands (Eemshaven-Delfzijl and Emmen) and Chemelot (Geleen region). The 12 major energy-intensive businesses, which collectively account for over 60% of carbon dioxide emissions from industry in the Netherlands, occupy key positions in these 5 industrial clusters.

To achieve the required reduction, innovation and system change, the climate policy for the industry contains the following elements:

- A carbon tax to stimulate carbon reduction in the industry. A more detailed description of the carbon tax can be found in Annex 2, measure c4-r-1.
- A tariff increase in the ODE (an energy tax). The ODE is used to finance the SDE++. The future ODE tariffs are not know yet. The ODE tariffs are based on the projected energy usage and the expected cash expenditure of the SDE++. Part of the Climate Agreement is that the maximum 1/3 of ODE income is generated by the households, and 2/3 by companies of which the industry will generate at least 550 mln. In 2030.
- A subsidy scheme to stimulate the reduction of carbon emissions in industry (SDE++[13]). With a maximum subsidisation of CCS in such a way that a sufficient budget remains available for other sustainable technologies, whilst also offering sufficient prospects for the industry sector to make the necessary preparations and achieve their reduction target in a cost-effective manner. To this end, CCS will be limited both in time and in scope.
- An innovation programme aimed at cost reductions for promising technologies. The government has implanted a subsidy schemes to levy the private investments in innovation. This subsidies are roughly a 100 million a year in 2030.
- It is obligatory to invest in energy saving measures or measures that reduce CO_2 emissions with a payback period of five years or shorter.

In the figure below, an overview is given of the agreements on the industry from the Climate Agreement.

[13] For more information see the explanation of the SDE++ in the part on offshore wind.



iii. Mobility

The carbon emissions reduction target for mobility is 7.3 Mt in 2030. The greening of the mobility sector focuses on the shift toward the use of more sustainable energy for all means of transport – whether by road, water or air. In addition to a behavioural shift in our personal mobility that should lead to less mileage, more car shares, more bikes and more public transport.

Sustainable energy carriers

This requires the use of batteries (renewable), electricity, green hydrogen, solar power, renewable fuels such as Power-to-X and synthetic fuels and sustainable biofuels. The strategy for making the various means of transport more sustainable prioritises electrification, with the use of renewable fuels being a temporary measure aimed at achieving emissions reductions in good time. It is hoped and expected that the electrification of passenger transport and short-distance transport will accelerate rapidly over the next few years, allowing the emissions reductions to be realised and rendering large-scale use of biomass in these sectors unnecessary for the realisation of the national targets. Scarce sustainable biofuels will preferably be used for the heavier segments within the sector. The entire process will be geared toward achieving low carbon emissions in the fuel chain of all energy carriers.

In relation to the use of renewable fuels, sustainability is a precondition both in quantitative and qualitative terms. To guarantee the sustainability of the renewable fuels that are used in the Netherlands in order to achieve the European target for renewable energy in transport, the European sustainability requirements of the new European Renewable Energy Directive (Article 29 of RED II) are be key. Furthermore the Netherlands excludes the use of biofuels produced from palm and soybean oil. The national government reserves 200 million euros, which it intends to use to increase the production and innovation of sustainable advanced biofuels and renewable synthetic biofuels. Besides biofulles, the development of hydrogen is important as an energy carrier in mobility, and particularly so for heavy transport, see the paragraph on hydrogen.

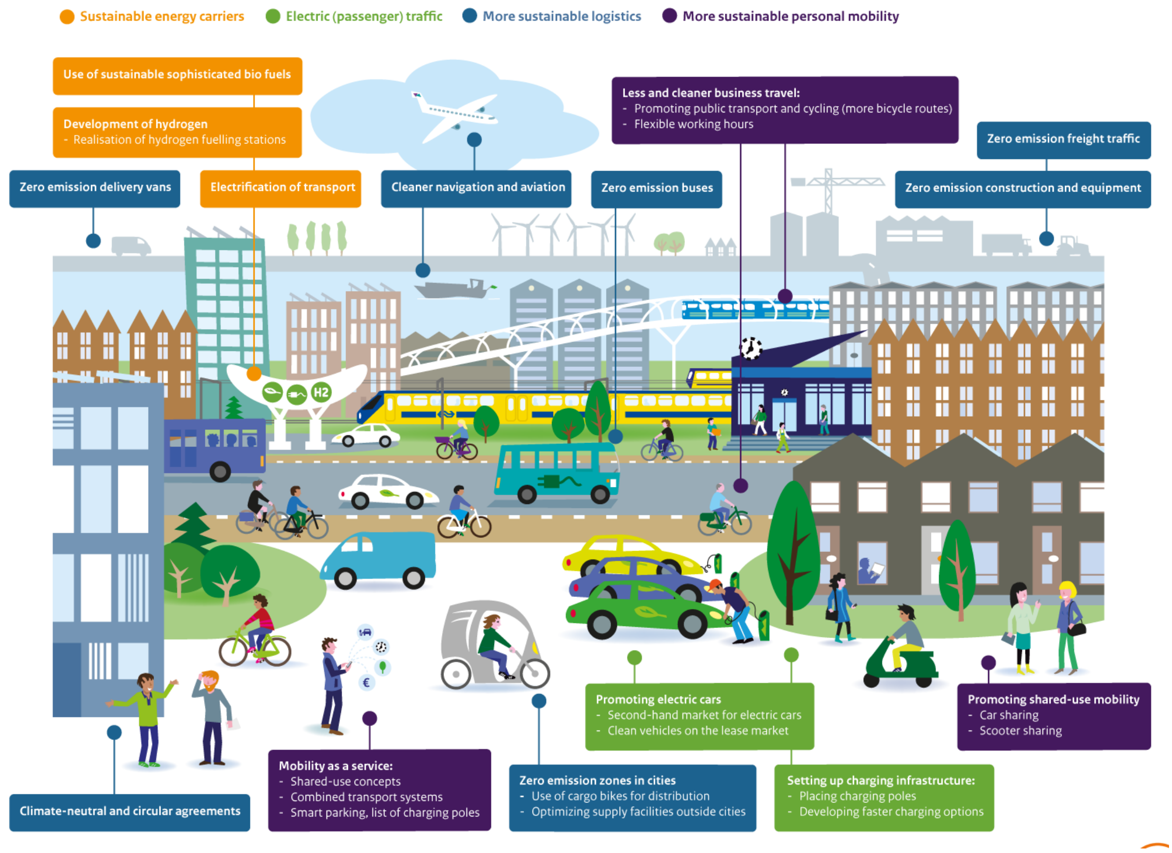
Emissions-free cars

Transport is responsible for a quarter of all emissions. The ambition is for all new cars to be emission free by 2030 at the latest. The solutions include hydrogen and electric cars. These vehicles produce zero greenhouse gas emissions, keep our air clean and cause less noise pollution. In the Netherlands, a new car will on average have a lifespan of nearly 18 years. The government's ambition is therefore for all new cars to be emission free by 2030 at the latest. To reduce emissions and reach this ambition a policy mix including standards for electric vehicles, supporting policies such as extended warranties on car batteries, accelerated roll-out of charging infrastructure and fiscal incentives is constructed. The fiscal incentives and subsidies include:

- Zero-emissions vehicles will remain exempt from the private motor vehicle and motorcycle tax up to 2024. In 2025, motorists will pay a fixed rate of 360 euros per vehicle.
- Zero-emissions vehicles will remain exempt from the national component of the motor vehicle tax up to 2025. In 2025, zero-emissions vehicles will be subject to a percentage of the national component of the motor vehicle tax of 25%. PHEVs will pay motor vehicle tax with a correction factor due to the heavier weight in respect of conventional fuel-powered cars.
- A decreasing cost-efficiency purchase subsidy will be introduced for private zero-emissions vehicles.
- In respect of commercial zero-emissions vehicles, a reduced rate of additional tax is applied. This reduce rate is applied up to a maximum of €50,000 of the catalogue price (for battery electric). This maximum will decrease to €45,000 in 2020 and will subsequently decrease further to €40,000 in 2021. This reduced additional tax rate starts at 8% (2020) and will rise to 12% in 2021 and to 16% in 2022. Monitoring and adjustments will take place on an annual basis. In respect of innovative zero-emissions cars that have not yet proven themselves on the market, such as hydrogen and solar-powered cars, the introduction of the maximum amount for additional tax will be postponed until after 2024.

From 2025 onwards it is expected that zero-emission vehicles will be competitive with fossil fuel vehicles. Moreover, the European policies on emissions standards, will be off vital importance for the national ambitions. What kind of stimulation is necessary after 2025, will be based on these developments.

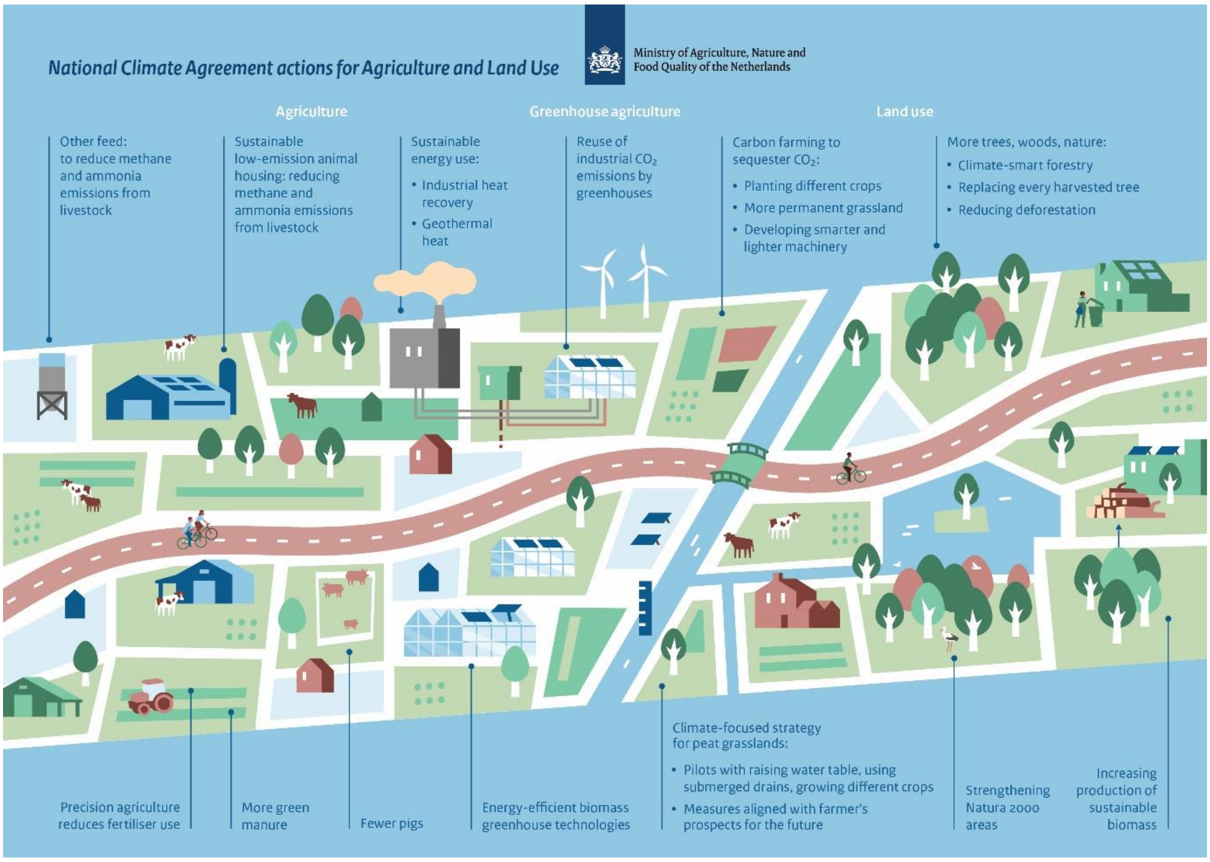
The figure below gives an overview of the agreements on mobility from the Climate Agreement.



iv. Agriculture and land use

The carbon emissions reduction target for agriculture and land use is 3.5 Mt in 2030. An overview of the different subsidies from the Climate Agreement for agriculture and land use are given in the table below and the figure below provides an total overview

Theme	**Measures**	**Envisaged emissions re-duction (Mt CO2-eq)**	**Subsidies 2020 –2030 (million €)**
Livestock farming	• Precision fertilising dairy farming • Low-emission dairy cattle housing and pig housing • Lifespan extension and selection of dairy cattle • Integrated approach to methane and ammonia emissions • Study of nitrification inhibitors • Pig farming sustainable housing systems • Scaling back pig farming • Fertiliser replacement • Knowledge and development	1.2 –2.7	252
Livestock farming around Natura2000 areas	• Measures to strengthen nature value in Natura2000 areas • Measures for the livestock sector		100
Peat meadow areas	• Stimulus approach to peat meadows • Pilots and demos • Roll-out of measures • Measures relating to nature and agriculture • Development of earning models	1.0	276
Agricultural soils and outdoor cultivation	• Pilots, knowledge dissemination, technological innovation, training of advisers	0.4 –0.6	28
Trees, Forests and Natural environment	• Forest strategy • Reduction of deforestation in N2000 • Climate-smart management • Development of government-owned land • Landscape elements	0.4 –0.8	51
Greenhouse horti-culture	• Intensification of the Greenhouse as a Source of Energy programme • EU Greenhouse as a Source of Energy scheme • Additional geothermal energy • Residual heat • Electric heating	1.8 –2.9	250
Food waste, residual streams and bio-mass	• Advising entrepreneurs on circular agriculture • Combating food waste	0.0	13

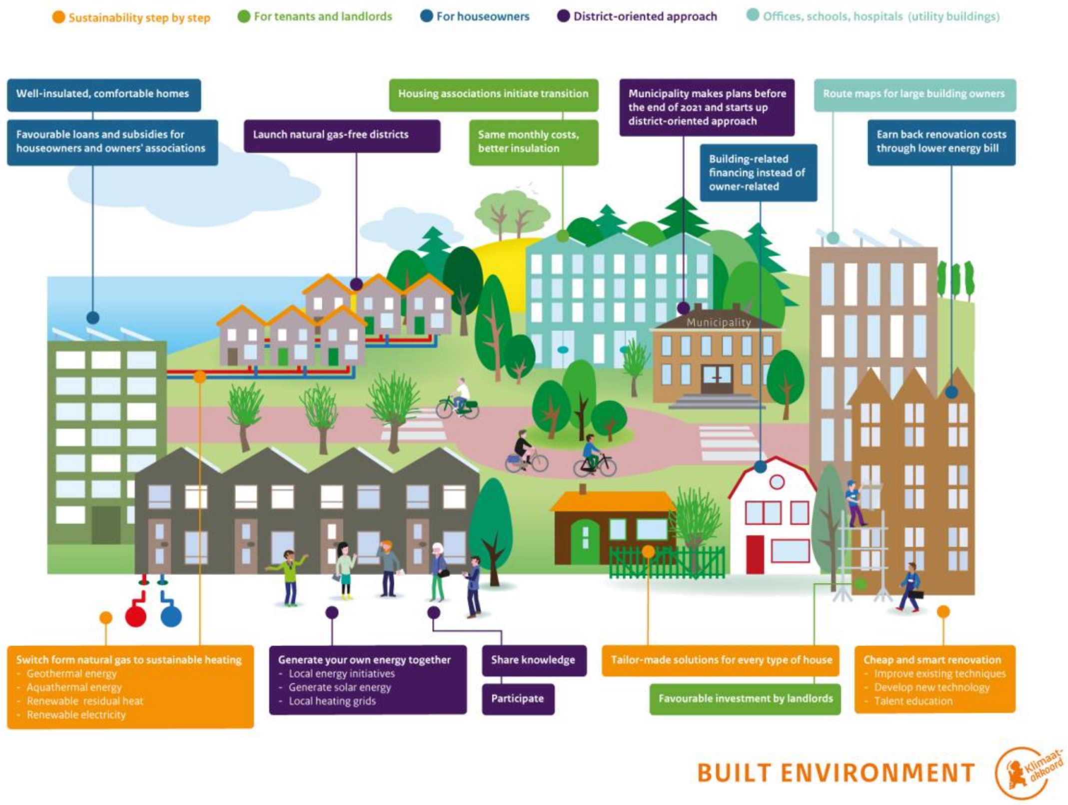


v. The built environment

The carbon emissions reduction target for the built environment is 3.4 Mt in 2030. Towards 2050 the built environment needs to be heated and provided of electricity based on carbon neutral energy sources. Currently there are approximately 7 million houses and 1 million buildings, many of which are moderately well insulated and virtually all of which are heated by natural gas.

A mix of policy measures is implanted to stimulate this transition, consisting on a fiscal measures, subsidy schemes, standards and agreements with municipality's and social housing organisations. Subsidies schemes are designed to stimulate low carbon energy sources, to insulate houses and buildings and to increase innovation and experiment with (the transition to) carbon neutral districts. The tariff on gas in energy tax is raised while lowering the tax on electricity and raising the tax-exempt base. This way an incentive to reduce gas for instance by improving the energy efficiency of a building is created while the energy-usage for households stay affordable. Municipalities are obligated to formulate Regional Energy Plans (RES) in which they specify their energy strategy as well as their approach towards the build environment.

In the figure below, an overview is given of the agreements on the built environment from the Climate Agreement.



Nitrogen emissions and Natura 2000

The Habitats Directive (together with the Birds Directive) forms the cornerstone of Europe's nature conservation policy. It is built around two pillars: the Natura 2000 Network of protected sites and the strict system of species protection.14 Natura 2000 is a European network of protected nature reserves. In Natura 2000 areas, certain animal species and their natural habitat are protected in order to preserve biodiversity. The main purpose of this network is to maintain or restore the habitats and species at a favourable conservation status in their natural range. Member states have to ensure that the conditions are in place to reach such a favourable status.

[14] The Birds and Habitats Directives | BirdLife

The Netherlands has 161 Natura 2000 protected areas. In 2017 for 55% of species, the conditions on land nature were in place to reach a favourable conservation status. According to planned policies, this is predicted to increase to 65% in 2027.[15]

A main contributor to the unfavourable state of some of the Natura 2000 nature is reactive nitrogen. Nitrogen in reactive forms, specifically ammonia (NH_3) and nitrogen oxides (NO_x), is an important nutrient for plant growth. Nitrogen[16] ends up in the environment as a result of manure applications in farming and emissions from industry and motor vehicles. However, too much of these compounds is harmful to plants that live on nutrient-poor soils. If these plants disappear, it can also be harmful to animals that live in that area.

For the majority of Natura 2000 sites in the Netherlands the amount of nitrogen deposition is too high.[17] This relates, among others, to the fact that the Netherlands is one of the world's highest exporters of agricultural products and has one of Europe's highest concentrations of livestock. Netherlands therefore has one of the highest levels of NH_3 emissions/ha within the EU.[18] Clearly, the reduction of nitrogen emissions would contribute to the improvement of the Natura 2000 areas and the adherence to the obligations under the European Habitats Directive.

Therefore, in 2015, the Dutch government introduced a program, the so-called "PAS", to reduce nitrogen emissions and protect Natura 2000 areas from nitrogen pollution. In the PAS, the Netherlands allowed organizations to compensate for increases in nitrogen emissions with measures (technical measures and/or nature restoration measures) that might deliver emission reductions in the future. However, in May 2019, the Dutch Council of State (the highest administrative court) ruled that this programme is inadequate and, hence, forced the Netherlands to promptly deal with its high nitrogen emissions. The Council particularly considered the fact that additional nitrogen emissions were allowed while the results of the compensating measures were not yet shown, as problematic and not in line with the requirements set by the EU Birds and Habitats directive.

This court ruling prompted the "Dutch nitrogen crisis", as the court ruling implied that the PAS could no longer be used as a basis to permit new activities. This immediately affected implementation of almost 20,000 projects, including building sites, industrial investments as well as farming operations. Late 2019 the Dutch government announced a few ad-hoc measures to enable some key economic development projects (the construction of 75.000 houses and 7 key infrastructure projects). This included the reduction of the speed limit on the motorways (from 130 km/h to 100 km/h between 6:00 and 19:00) to reduce NO_x emissions from traffic, and intensification of an existing subsidy programme to compensate pig farmers who voluntarily want to shut down their businesses to reduce NH_3 emissions from farming. However, these were ad-hoc measures, where a structural approach was needed in order to further balance nature and climate needs with economic and societal development.

Therefore, in April 2020, the Dutch Minister of Agriculture, Nature and Food Quality presented the government's long-term plan to strengthen the quality of nature and offer perspective for economic and societal development. The plan was accompanied by an investment package of 5 billion euro to restore nature and reduce nitrogen emissions in the Netherlands.

Natura 2000

Natura 2000 is a network of core breeding and resting sites for rare and threatened species, and some rare natural habitat types which are protected in their own right. It stretches across all 27 EU countries, both on land and at sea.

Nitrogen (N) is the most important nutrient for plants and essential for food production. Farmers therefore use it as fertiliser. Part of the nitrogen ends up in the air in the form of ammonia (NH_3). Other sectors, such as traffic and industry, also emit nitrogen oxides (NO_x).

[15] PBL Quick scan

[16] In this document nitrogen refers to reactive nitrogen.

[17] RIVM, https://www.rivm.nl/en/nitrogen

[18] Ammoniakemissie door de land- en tuinbouw, 1990-2018 | Compendium voor de Leefomgeving (clo.nl)

These ammonia and nitrogen oxides come down, also in the vulnerable Natura 2000 areas. Here they 'enrich' the soil. Rare plants that thrive on nutrient-poor soil lose out to plants that prefer nutrient-rich soil. Animals and insects that live off the rare plants also disappear. Of the 160 nature areas in the Netherlands, 120 have critical levels of nitrogen.

The programme for tackling nitrogen, which the government introduced in 2015, aimed at reducing nitrogen emissions. But in May 2019, the Dutch Council of State ruled that this programme is inadequate. After this ‘nitrogen statement’, many construction permits have been put on hold and planned new neighbourhoods and roads scrapped, and it has become harder to get new permits.

Objectives of reforms and investments in this RRP

As discussed above, the Netherlands implement reforms to reduce greenhouse gas emissions. A CO_2-tax for the industry stimulates innovation and the deployment of new techniques thereby increasing the reduction potential of the industry worldwide and enhancing the growth potential for low carbon production. Thereby, the reform contributes to the transition to a climate neutral economy. The government is furthermore pushing hard for European agreements on aviation tax in the context of the climate goals and creating a level playing field. The feasibility of a European levy on kerosene is also being investigated. In this vein, a flight tax is introduced. Unlike travel by car, bus or train, international flights from the Netherlands are not in any way taxed by the Dutch government. A flight tax will help close the price gap between plane tickets and, for example, train tickets.

The Netherlands invest substantially in curbing Dutch nitrogen emissions. The investments will be focused on nature restoration and encouraging farmers, industry, aviation, and shipping to reduce their emissions. The intent of the program is to significantly reduce nitrogen deposits by 2030. Through these measures, the government believes at least 50 percent of nitrogen-sensitive land in Natura 2000 areas will measure below critical deposition values (< 255 mole per hectare) in ten years. In order to ensure that this target will be reached, progress will be monitored and evaluated on a regular basis.

A number of additional investments support the green transition. These include measures to close down coal-fired power plants, reduce GHG emissions, invest in railway infrastructure, renovate public buildings and support the development of innovative solutions for a diverse portfolio of sustainability and green technology, including renewable energy, industry and built environment.

2.4.3 Description of the reforms and investments of the component

The table below gives an overview of candidate-investments and reforms for this component. For a detailed description of individual measures, see Annex 2.

Measure	2020	2021	2022	2023	2024	2025	2026	Total
Amounts in mln EUR	121	1.207	931	628	394	518	381	4.180
Nitrogen measures	8	726	922	620	385	518	391	3.570
Of which								
Nature restoration and improvement (B)		200	250	300	300	300	300	1.650
Subsidising business measures for farmers (A1)		98	94	94	2	2	1	291
Low-emission farming - manure		21	42	42				105
Circular farming fund		75	50	50				175
Circular techniques		2	2	2	2	2	1	11
Reorganisation pig and livestock farming (A2)		175	525	150	25	175	50	1.100
Mobility and industry measures (A3)	9	26	30	18	16	5	4	108
Climate friendly shipping engines	4	12	14	16	16	5	4	71
Shore power green transition shipping		4	6	2				12
Innovating low emission techniques mobile equipment	5	10	10					25
Urgenda	63	236						299
Coal-measures		240						240
ERTMS								
Green renovation public buildings	50							50
Mission driven, Research, Development and Innovation		5	9	8	9		-10	21

REFORMS
CO2-tax for the industry
Dutch aviation tax

2.4.4 Contribution to pillars, CSR's, flagships and the green and digital transitions

The table below shows to which pillars of the RRF, Country Specific Recommendations and/or flagships of the Commission the candidate-measures of this component contribute. The table furthermore shows, where relevant, climate and digitalization tags of measures. For a detailed description of individual measures, see Annex 2.

Measure	Climate coefficient	Digitalization coefficient	Pillar	CSR	Flagship
Nitrogen measures			1	2020-3	
Of which					
Nature restoration and improvement (B)	40%				
Subsidising business measures for farmers (A1)	40%				
Reorganisation pig and livestock farming (A2)	40%				
Mobility and industry measures (A3)					
Of which					
Climate friendly shipping engines	40%				
Shore power systems	100%				
Innovating infrastructure industry	100%				
Urgenda	100%		1	19-3, 20-3	2
Coal-measures	100%		1	19-3, 20-3	1
ERTMS			1, 2	19-3, 20-3	
Green renovation public buildings	100%		1	20-3	2
Mission driven, Research, Development and Innovation	100%		1, 3	20-3	2
REFORMS					
CO2-tax for the industry			1	19-3, 20-3	
Dutch aviation tax			1	19-3, 20-3	

2.4.5 Do No Significant Harm

The measures included in this component have no or an insignificant foreseeable adverse impact on the environmental objectives.

2.5 COMPONENT 5: THE DIGITAL TRANSITION

2.5.1 Description of the component

The digital transition
Policy area/domain: Competiveness, regulation, investments, growth potential, digital transition

Objective: digitalising public administration and public services, strengthening digital skills, digitalising key sectors, improving the business climate. The component addresses pillar2; CSR 2020-3 and CSR 2019-3; and flagship 5.

Investments: Several elements of government are digitalized or digitalization is improved, e.g. in criminal justice chains, [vertrouwelijk – defensie maatregel], and ICT systems of The Dutch Tax Authority and the general information system for providing information to the Parliament.

Estimated cost (*amounts in € mln; - = budget balance improving)*:

	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Total (investments)	11	503	531	446	414	298	200
*Of which: Climate**		*16*	*56*	*52*	*56*	*36*	
*Digitalization***	*11*	*359*	*477*	*422*	*402*	*292*	*200*

*Figures are adjusted for the relevant climate coefficient. Calculation based on codes 025 sin ANNEX I of COM(2018) 375 - 100%/40% (climate change objectives toward the green goals of the Commission)
** The coefficient for digital transition is 100%, except for [vertrouwelijk – defensie maatregel].

2.5.2 Main challenges and objectives
The Netherlands has been one of Europe's digital frontrunners in the past years (DESI, WEF Readiness Index). In last year's Digital Economy and Society Index the Netherlands ranks 4th out of 28 EU Member States with solid and steady 'digital growth'. Strong points over the past years have been the level of connectivity and use of internet services in the Netherlands. Key challenges over the past years regard amongst others the availability of human capital and digital skills in the labor market and the integration of (new) digital technologies (DESI, WEF, UWV)

In order to tackle the diverse challenges of the digital society and to benefit from its opportunities, the Dutch government launched in 2018 its first comprehensive national digitization strategy[19]. This strategy comprises all policy areas regarding digitization and is updated every year. Key to the strategy and underlying programs is the cooperation with companies, knowledge institutions and cooperation on EU level.

The main ambition of the Dutch government is to lead the way in the application of new digital technology and to become the digital frontrunner of Europe. This means that we aim to be at the forefront of research, innovation and implementation, while at the same time maintaining the trust and online security of our citizens and businesses. The strategy therefore comprises two tracks:

1) digitization of sectors such as healthcare, mobility, industry, energy, agri-food and government itself with specific sectoral programs.
2) strengthening cross-sectoral preconditions (the foundation) for digitization such as research and innovation (for example on AI), digital skills, availability and sharing of data, privacy and cybersecurity.

The strategy is updated every year and accompanied by specific policy programs. In the update of digitization strategy six cross-sectoral challenges (priorities) have been formulated, accompanied by specific policy programs (*see footnotes for further information and the underlying analysis*):

1) Artificial intelligence[20]

[19] https://www.government.nl/documents/reports/2018/06/01/dutch-digitalisation-strategy
[20] https://www.government.nl/documents/reports/2019/10/09/strategic-action-plan-for-artificial-intelligence

2) Using data for social challenges and economic growth[21]
3) digital education and skills[22]
4) digital government[23]
5) digital connectivity[24]
6) digital resilience

As also stated in the DESI 2020, the current COVID-19 pandemic has shown the importance of these digital assets to our economies and how they (AI, data, digital skills, networks and connectivity) sustain our economies and societies by allowing work and economic activity to continue (DESI 2020).

Proposals for the National growth fund are being developed on these challenges (amongst others). Measures in this RRP in particular focusses on digital skills and digital government.

Box: Current policy initiatives in the Netherlands in the field of digital transition

Innovation pact NL/DE

As neighbours and major export nations, Germany and the Netherlands have a long tradition of close economic and energy cooperation, and their economies are strongly integrated. Germany and the Netherlands, along with other EU Member States, also face the same societal challenges. However, innovation collaboration between both countries has been mainly 'ad hoc' and opportunity-driven, due to the absence of a broader bilateral strategic collaboration framework. A lot can be gained from sharing in each other's knowledge and experience on a more structural and strategic basis, also with a focus on the EU-dimension.

Therefore, on January 21st this year, the German-Dutch innovation pact was signed.[1] The pact serves as a strategic framework under which both countries can more closely cooperate on societal challenges that need innovative solutions. Under this pact, the relevant stakeholders from government, the private sector and knowledge institutes are being brought together in order to discuss possibilities for bilateral and pan-European innovation projects on topics evolving around, amongst other things, Smart Industry, carbon reduction in the industrial sector, economic policy aspects of mobility, the health sector and key enabling technologies.

Digital education and skills

Concerning the development of basic and/or digital skills in formal education and training, specific digital education strategies are being implemented in primary and secondary education, vocational and higher education. Additionally, a multi-annual curriculum reform in primary and secondary education is ongoing, which should result ultimately in a strengthened education in digital literacy.

The outbreak of the Covid-19 early 2020 has accelerated the development of innovative plans for online, blended and distance learning in all education sectors. In the context of the growth strategy of the Dutch cabinet, and parallel to the planned curriculum reform, a broad action plan for primary and secondary education is being prepared which should result in an ambitious improvement in education. This proposal is developed for the national growth fund. In addition a potential proposal is developed for the RRF which focusses on lifelong learning by scaling up successful programs in re- and upskilling. This proposal is still subject to national review.

[21] https://www.government.nl/documents/reports/2019/02/01/dutch-vision-on-data-sharing-between-businesses
[22] https://www.nederlanddigitaal.nl/documenten/publicaties/2019/11/19/digitalisation-agenda-for-primary-and-secondary-education
[23] https://www.nldigitalgovernment.nl/
[24] https://www.government.nl/documents/reports/2018/07/13/connectivity-action-plan

Box: Current policy initiatives in the Netherlands in the field of digital transition

Digital communication (5G etc.)

Availability of high-quality digital (connectivity) infrastructure is an important driver of economic growth and a powerful tool for tackling social challenges. The corona pandemic shows that digital technologies and the digital infrastructure are of great importance to keep our economy, healthcare, education running as much as possible. The Dutch digital infrastructure is one of the best in the world: excellent coverage of fixed and mobile networks offering high speeds, and wide availability of internet exchanges, datacenters and hosting- and housing providers.

In order to maintain and strengthen our position and stay ahead in the field of digitization, it is necessary that telecom companies continue to invest in fixed and mobile networks. In 2018 the Dutch government launched a connectivity action plan containing objectives and actions that should contribute to ensuring that the Netherlands is and remains well connected. The main objective is to "strive for high-quality digital connectivity that can serve a wide variety of demand and is available anytime and anywhere at competitive prices".

In addition, the following broadband goals are pursued to ensure everybody has access to broadband:

- In 2023 availability of fixed broadband for all households with speeds at least 100 Mbps and vast majority with speeds of 1 Gbps;
- In 2022 mobile coverage of at least 98% in every municipality and with a minimum of speed of 8 Mbps for every user, increased to 10 Mbps in 2026 (as the result of the auction of the 700 MHz frequency band in 2020).

Some of the main activities and actions to reach the objectives and broadband goals as stated in the connectivity action plan are:

- Timely allocation and distribution of frequency bands; last year the Dutch government has issued frequencies (Multiband auction) and in the coming year more frequencies will be issued, like the 3,5 GHz at the start of 2022. Issuing these frequencies paves the way for mobile telecom operators to gradually introduce the next generation of mobile technology 5G. Meanwhile all 3 mobile telco's have activated 5G on their networks and 5G is available in large parts of the country.
- Stimulating the smooth roll-out of fixed and mobile networks at the local level; whilst respecting the local autonomy of municipalities in NL, we strive for harmonization of local policy where possible (by co-production of guidelines and standards) and exchange of knowledge by means of best practices and information materials (factsheets, infographics, etc.) to accelerate deployment.
- Annual monitoring of the connectivity objectives through geographical surveys; the results of the last survey shows that in 2020 almost 99% of all Dutch households have access to a fixed internet connection of at least 100 Mbit/s and about half already have access to 1 Gbit/s connection. Meanwhile we are, together with provinces, investigating possible measures to be taken in areas where connectivity is lagging behind.
- Stimulating sufficient competition and investment; we monitor the digital ecosystem in the Netherlands and our connections to Europe and intercontinental connections and intervene when investments are hindered.

Box: Current policy initiatives in the Netherlands in the field of digital transition

Approach on cloud capacity & GAIA X

A scalable and safe cloud infrastructure is an essential part and prerequisite for digitalization and data sharing. Almost every digital innovation (AI, IoT, Connected Cars, Robotics) uses or is dependent on cloud computing. Also the more traditional sectors like the industry, healthcare and the public sector are requiring the use of cloud services in a fast growing amount. Cloud computing services provide the data processing capacities required to enable data-driven innovation.

The challenge for now is the possible market failure on the supply side, as the cloud infrastructure market is converging globally around four non-European players. The industry and (semi) public sector in the Netherlands is strongly dependent on this small group of suppliers. This is case for growing concerns about a lack of autonomy, vendor lock-in, control over strategic and sensitive data, privacy issues and risk for future economic activities. Additionally, the current supply does not meet the wishes and needs for present and future digital applications.

To address these challenges the Netherlands is actively participating in European initiatives as the European Alliance for Industrial Data and Cloud and GAIA-X. For the GAIA-X initiative – which aims to develop common requirements for a European data infrastructure – a GAIA-X hub is under development. Within this hub use cases for cloud services and data sharing in several sectors like Health and Smart Industry will be created.

Furthermore, several public-private partnerships are working on aspects of data- and cloud infrastructures. The public-private Data Sharing Coalition has been working on the facilitation of cross-sectoral data sharing during the past year already, the Online Trust Coalition is working towards assurance for cloud users and the Cloud Infrastructure Coalition works on developing new cloud services. Lastly under the IPCEI Cloud infrastructure and services there is the possibility to scale-up the forementioned initiatives. This is part of the flagship Scale-up.

2.5.3 Description of the reforms and investments of the component

The table below gives an overview of candidate-investments and reforms for this component. For a detailed description of individual measures, see Annex 2.

Measure	2020	2021	2022	2023	2024	2025	2026	Total
Amounts in mln EUR	11	503	531	446	414	298	200	2.403
• [vertrouwelijk – defensie maatregel]		240	90	40	20	10		400
Digitalization in criminal justice chains		45	46					91
ERTMS		40	140	130	140	90		540
Improving The Dutch Tax Authority's ICT-systems	11	74	75	85	74	14	14	347
Next level digital information management and Freedom of Information		104	180	191	190	184	186	1.025

2.5.4 Contribution to pillars, CSR's, flagships and the green and digital transitions

The table below shows to which pillars of the RRF, Country Specific Recommendations and/or flagships of the Commission the candidate-measures of this component contribute. The table furthermore shows, where relevant, climate and digitalization tags of measures. For a detailed description of individual measures, see Annex 2.

Measure	Climate coeffi-cient	Digitali-zation coeffi-cient	Pillar	CSR	Flagship
• [vertrouwelijk – defensie maatregel]		40%	2	20-3	
Digitalization in criminal justice chains		100%	2	20-3	5
ERTMS	40%	100%	1, 2	19-3, 20-3	
Improving The Dutch Tax Authority's ICT-systems		100%	2	20-3	5
Next level digital information management and Freedom of Information		100%	2	20-3	5

2.5.5 Do No Significant Harm

The measures included in this component have no or an insignificant foreseeable adverse impact on the environmental objectives.

2.6 COMPONENT 6: PENSIONS AND HOUSING

2.6.1 Description of the component

Pensions and housing
Policy area/domain: housing market, pensions, tax system, disposable income

Objective: to improve economic resilience of households and thereby the Dutch economy as a whole by i. improving the second pillar of the pension system and ii. reducing the debt bias for households and taking measures to reduce the housing shortage. The component addresses pillars 1, 3, 5 and 6; CSR-2019-1 and flagship 7.

Reforms:
- The government reached an agreement with social partners on reforming the second pillar of the pension system. The system will be drastically reformed, so as to ensure that the second pillar of the pension system becomes more transparent with a personal account, more equitable by making premiums and accrual independent of age and more resilient to shocks.

Investments: investments which facilitates the second pillar pension reform stimulates employers to invest in a sustainable workplace for their employees to ensure a longer and healthier working life in the face of a rising retirement age. The investments which facilitates the second pillar pension reform also stimulates continuous learning and development to ensure that employees remain or become even more valuable to the marketplace at older ages. In addition to the investments which facilitate the second pillar pension reform, we invest in affordable housing. This policy aims to resolve the housing shortage, especially for people with lower and middle incomes whom have a hard time finding affordable housing. This is in line with het CSR's and RRF-priorities.

Estimated cost (*amounts in € mln; - = budget balance improving)*:

	2020	2021	2022	2023	2024	2025	2026
Total (investments)	800	500	250	250	250		

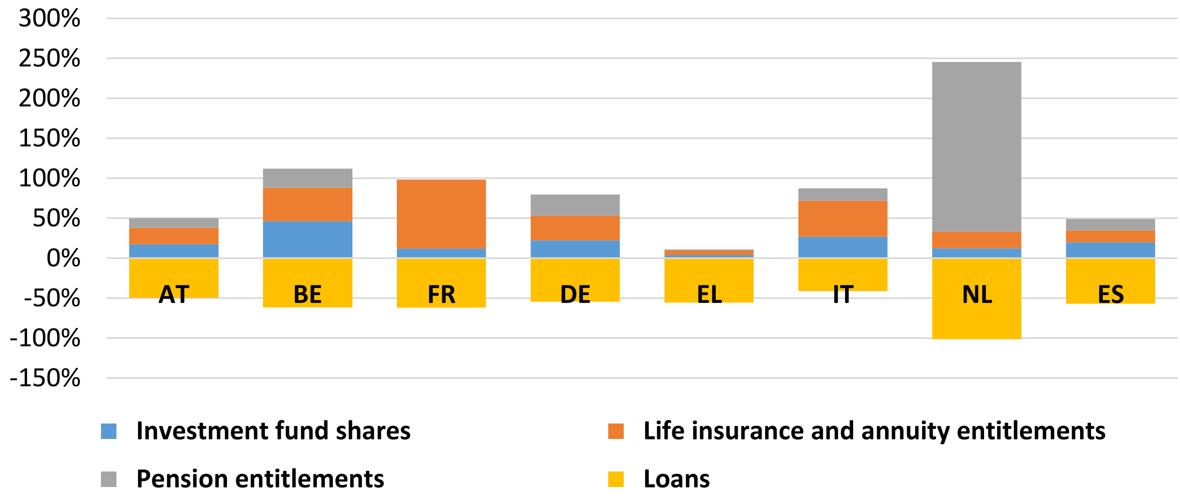
*Calculation based on codes 025 sin ANNEX I of COM(2018) 375 - 100%/40% (climate change objectives toward the green goals of the Commission)

2.6.2 Main challenges and objectives

Dutch households have remarkable balance sheets compared to households in other countries: they combine large illiquid assets in housing and pensions with high household debt. Figure 6.1 below shows financial assets (i.e. excluding housing wealth) and loans in eight euro area member states. The Netherlands stand out in having very high pension entitlements, a consequence of the choice for a largely capital funded pension system. On the liability side, Dutch households have high debts, mostly in the form of mortgages. Not all households have long balance sheets though; there is high diversity among Dutch households. House owners have on average higher net wealth than renters, even at comparable income levels. Many households have very low levels of financial assets[25].

Figure 6.1: Financial assets and liabilities of households and NPISHs, in % GDP, 2019. Source: OECD.

[25] Ciurila, N., H. van Heuvelen, R. Loginbuhl and B. Smid., 2020, Are the savings of Dutch households optimal?, CPB Communication 13 february 2020.



Despite the strong net wealth position of Dutch households, these long balance sheets, in combination with the nature of assets and liabilities, make households vulnerable to financial and economic shocks. Firstly, the nominal value of household liabilities – largely mortgages – is more or less fixed, at least in the short run. The value of assets however, is more volatile. Therefore, the net wealth position of households can decline rapidly during crises or recessions, as experienced during the Global Financial Crisis and the ensuing eurocrisis. In 2013, about 1.3 mln households in the Netherlands had an 'under water' mortgage. This put a break on household consumption. Household consumption declined by 7% in total, 6%-pt (4%-pt) of which can be explained by a reduction in consumption of highly indebted (under water) households.[26] Secondly, while Dutch households have large assets, these are to a large extent illiquid. Pension wealth and housing wealth cannot easily be transformed into liquid wealth, reducing their functioning as a shock absorber.

Policies in the past have shaped the wealth patterns of households, both in terms of size and structure. In this respect, in particular policy regarding pensions and the housing market plays a key role. For example, mandatory pension contributions are a main driver of large pension assets, while the deductibility of interest payments on mortgages stimulates households to finance their homes with debt. Therefore, the next two subsections focus on challenges and developments in the pension system and the housing market.

The pension system

The Dutch retirement income system is rated as the best in the world in the Global Pension Index 2020[27]. The robustness of the system is partly due to the combination of a pay-as-you-go system and a funded system. The Dutch pension system consists of three pillars. The first is a flat-rate state pension (AOW). Residents of the Netherlands accrue 2% of their AOW every year for 50 years until reaching the required age. They do not have to be (or have been) in paid work to accrue AOW. AOW is a pay-as-you-go funded. The second pillar is capital funded and an earnings-related occupational pension. The total assets of the pension funds in the second pillar amount to € 1400 billion. Finally, within the third pillar it is possible to save for retirement through savings or insurance products. This is, to a certain extent, fiscally facilitated.

While the second pillar of the pension system performs well on pension adequacy and fiscal sustainability, it has drawbacks in terms of intergenerational fairness, transparency of pension rights and flexibility. Moreover, occupational pension contributions are high and fluctuate depending on how pension funds perform. As such it may affect household spending in a pro-cyclical way. A reform of the pension system could, over the life cycle, lead to lower compulsory pension contributions and more stable consumption (or 'consumption smoothing').

[26] Teulings, R. and L. Zhang, 2019, Huishoudens met hoge hypotheek bezuinigen tijdens een recessie, CPB Notitie.
[27] https://www.mercer.com.au/content/dam/mercer/attachments/private/asia-pacific/australia/campaigns/mcgpi-2020/MCGPI-2020-full-report-1.pdf

In June 2020, the government signed an agreement with trade unions and employers on pension reform. This can be considered to be a major breakthrough, after 10 years of negotiations. The agreement affects all three pillars of the Dutch pension system, but agreements have also been made about sustainable employability and early retirement.

The adjustment of the first pillar, the state pension (AOW), concerns the rate at which the state pension age will increase. The state pension age will remain the same in 2020 and 2021. After this, the state pension age will rise by 3 months per year, to 67 years in 2024. From 2025, the state pension age will not increase by 1 year per year that we live longer, but by 8 months. The state pension age therefore remains linked to life expectancy, but more balanced.

The most significant part of the agreement, however, concerns the second pillar. Aim is to ensure that the second pillar of the pension system becomes: 1) more transparent, through using personal accounts; 2) more equitable, by making premiums independent of age and making accrual dependent on age and 3) more resilient to shocks.

The recent reform of the pension system is will result in enhanced transparency. Pension funds must explain clearly the pension that can be expected given the agreed upon pension premium in the case of three scenario's. The three scenarios are a positive, one neutral and a negative scenario. Promised pension entitlements that may not be fulfilled will no longer exist.

In addition, the new system will be made more actuarially fair and flexible. There is an average contribution system in the current system. This means that all employees of a company with the same salary, contribute the same premium and accrue the same pension. However, the investment of young people should result in a higher accrual. This will be the case in the new system. Pension payments will also be made more flexible, as it will be possible to withdraw 10 percent of the assets at once at the start date of the pension.

The new pension system will more resistant to economic shocks. Intergenerational solidarity within a pension scheme is achieved through a solidarity reserve. This reserve, filled by excess return and a small portion of the premium contribution, may not exceed 15% of the total pension assets. With this reserve, the effects of negative economic shocks can be mitigated.

The adaptation of the third pillar still needs to be further elaborated. Aim is to reduce the differences in the tax treatment of pension accrual within the second and third pillars. A budget of 100 million per year has been reserved for this. The survivor's pension will be adjusted in the new system. These adjustments are also still work in progress, but the greater aim is more consistency in the various schemes.

The last part of the pension agreement affects the labor market. For people who have been unable to prepare sufficiently for the earlier rise in the state pension age, there will be temporarily more opportunities to take early retirement. Tax penalties for early retirement will temporarily be partially lifted. In addition, efforts are made to ensure sustainable employability. For this, € 1 billion euros will be made available to support employers. The subsidy will be based on joint funding.

<u>The housing market</u>

Addressing the debt bias

Several elements contribute to stimulating demand on the Dutch owner-occupied housing market. A primary driver is mortgage interest deduction; this provides an incentive to invest in housing, in particular debt-financed, thus contributing to high household debts and distorted portfolio allocations. In addition, the high household indebtedness cannot be seen separate from households' high (largely mandatory) pension savings. After all, partly because households are already obliged to (collectively) save for retirement, they have both less need to accumulate wealth in their own homes and lower financial means to do so.[28] The absence of a legal maximum on the amount of mortgage with respect to the home value (loan to value, LTV) before 2013 facilitated high debts.

Therefore, since 2012 a series of measures has been implemented to address the household debt bias. Amongst others, in 2013 a legal maximum LTV was introduced and subsequently reduced by annual steps of 1%-pt, reaching 100% in 2018. Starting in 2014, the maximum rate against which mortgage interest payments can be deducted, was gradually reduced in steps of

[28] Parlevliet, J. and T. Kooiman, 2015, Wealth formation of Dutch households: A policy assessment, DNB Occasional Studies, Vol. 13-1.

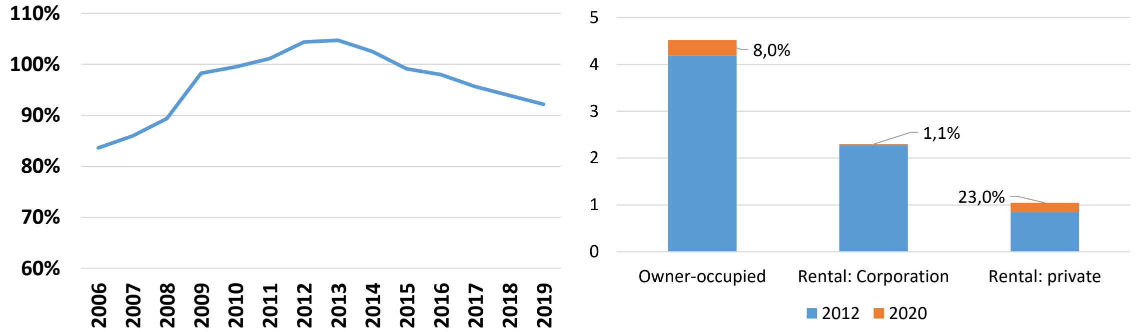
0.5%-pt a year. And in order for households to have access to mortgage interest deduction, a requirement was introduced to fully repay the mortgage in 30 years under an annuity-based or linear redemption schedule.

Subsequently, the current government decided to speed up the reduction in the mortgage interest deduction. From 2020 onwards, 3 percentage points per annum will be deducted in four steps. As a result, the final target of a maximum deductible rate of around 37% will be achieved by 2023, well into the next government's' term and 19 years earlier than in the original plans. Also, the deduction for no or a low mortgage debt (also known as the Hillen scheme) is being phased out in 30 equal annual steps with effect from 2019, as the repayment requirement introduced in 2013 has rendered this incentive for paying off mortgages redundant.

The effects of these measures are visible. Household debt levels have declined in recent years. As figure 6.2 LHS shows, the pre-crisis trend of increasing household debt seems to have been reversed since 2012. Mortgage debt rose from 84% of GDP to 105% in 2013, after which a decline set in, despite (strong) house prices increases since 2014-2015 and falling interest rate levels. It seems likely that at least part of this decline can be attributed to the policy measures taken. Furthermore, as the (relative) attractiveness of buying a house is reduced, one would expect to observe an increase in the private rental sector. And indeed, as it is the only non-subsidized segment the private rental market has been small in recent decades, but its growth outpaced that of social and owner-occupied housing (figure 6.2 RHS).

Figure 6.2

Left hand side: household debt – mortgages, as a % of GDP. Right hand side: housing stock by owner, in mlns; growth between 2012-2020 in %. Source: CBS.



Supporting the development of a private rental sector

Concerns on the affordability and accessibility of housing have risen, in particular in the private rental sector. A key issue is the housing shortage. Currently, the housing shortage stands at 4.2% (which compares to a long-term average and policy goal of about 2%). As household growth is expected to outpace net addition to the housing stock, the deficit is expected to increase in the upcoming years (Staat van de Woningmarkt, 2020). This shortage likely contributed to strong house price growth in recent years, with rates between 5 and 9% since 2016. As a result, finding affordable housing has become more difficult over time, in particular for middle-income households. Moreover, as households need to save longer before being able to buy a house (since the maximum LTV was capped) and as middle-income households do not qualify for access to social housing, pressure on the private rental sector increased. While a well-functioning middle segment on the rental market could offer more flexibility to households and reduce the need to debt-finance housing services, 40% of middle-income households in the private rental sector can now be considered to have high costs of housing.[29]

To improve the position of low and middle-income households on the housing markets, a number of measures were implemented. Amongst others, the Mid-priced Rental Segment Measures Act (Wet maatregelen middenhuur) was adopted in 2019. The Act implies that municipalities can decide to make homes in the midpriced rental segment available initially to people who

[29] EIB, 2020

qualify for these homes based on their income. Starting in 2021, all – that is, including in the private rental sector – rent increases are capped at inflation +1%-pt for at least 3 years. The income threshold to qualify for access to social housing is raised for multiple-person households, again for at least 3 years. Additionally, rents are one-off reduced in 2021 for renters in the social sector with low incomes and high rents. Furthermore, the government intends to reduce the role of house prices in determining regulated rents, weakening the link between market prices and regulated rents. These measures underscore the urgency currently felt in addressing affordability concerns.

In the end, the best answer to address the shortage of affordable housing however is an increase in supply – as the current government tries to achieve by a number of initiatives. In May 2018, market parties, residents' representatives, the umbrella organisation of the Dutch housing associations, the water authorities and the central government signed the National Housing Agenda. The target set in the agenda is to build 75,000 homes per year until 2025. The Minister of the Interior and Kingdom Relations has made agreements with these regions that have been laid down in housing deals. The potential acceleration of development locations will be examined for the short term, and safeguarding the availability of sufficient planning capacity for the longer term. Furthermore, in 2020 the government boosted construction social housing by means of a tax credit against the levy on landlords amounting to EUR 1.8 bln, potentially leading up to the construction of an additional 150.000 houses. Also, the market test for approved housing organisations has also been adjusted to remove unnecessary obstacles standing in the way of housing associations building homes in the mid-priced rental segment.

In this document, the Netherlands additionally proposes to includes the following measures for the housing market:

- Reforming the transaction tax: the transaction tax stands at 2% in 2020. From 2021 onwards, first-time buyers younger than 35 pay 0%, whereas the rate is increased to 8% for buyers who do not have the property as their main residency. On balance, this measure generates revenues (of about 0.5 bn EUR in 2021), implying that net subsidies to the Dutch housing market as a whole are reduced, which is beneficial given the lack of supply. Furthermore, young buyers, who generally have relatively small financial buffers, need less time to save money for the acquisition of their first home or need to borrow less, thus potentially reducing debts. In contrast, it becomes less attractive to buy a house with the intention of renting it out.
- Investing 1050 mln EUR in a stimulus programme for housing construction (‘Woningbouwimpuls’) in which the construction of affordable homes (incl. mid-priced rental) has to account for at least 50% of eligible projects. At least 50% of cofinancing by municipalities and other governments is required, doubling the financial impulse. Grants and subsidies allow them to overcome the problem of the ‘onrendabele top’ or inevitable losses. The programme was opened in May 2020, with disbursements between 2020 and 2023. According to the latest evaluation, the impulse has facilitated the construction of 51,021 new housing units so far. Of these, 32,579 are considered ‘affordable’.

2.6.3 Description of the reforms and investments of the component

The table below gives an overview of candidate-investments and reforms for this component. For a detailed description of individual measures, see Annex 2.

Measure	2020	2021	2022	2023	2024	2025	2026	Total
Amounts in mln EUR	800	500	250	250	250			2.050
Facilitating the pension reform (sustainable employability and earlier retirement)		250	250	250	250			1.000
Residential construction impulse	800	250						1.050
REFORMS								
Second pillar pension reform								

2.6.4 Contribution to pillars, CSR’s, flagships and the green and digital transitions

The table below shows to which pillars of the RRF, Country Specific Recommendations and/or flagships of the Commission the candidate-measures of this component contribute. The table furthermore shows, where relevant, climate and digitalization tags of measures. For a detailed description of individual measures, see Annex 2.

Measure	Climate coefficient	Digitalization coefficient	Pillar	CSR	Flagship
Investment to facilitate second pillar pension reform (Investment program for sustainable employability and earlier retirement)			3, 5, 6	19-1, 19-2	7
Residential construction impulse			1, 3, 5	19-1, 20-3	
REFORMS					
Second pillar pension reform			3, 5	19-1	

2.6.5 Do No Significant Harm

A substantive analysis might be required for the measure 'Residential construction impulse'. The other measures included in this component have no or an insignificant foreseeable adverse impact on the environmental objectives.

2.7 COMPONENT 7: FIGHTING AGGRESSIVE FISCAL PLANNING AND MONEY LAUNDERING

2.7.1 Description of the component

Fighting aggressive fiscal planning and money laundering
Policy area/domain: tax system, tax evasion, fiscal planning, institutions, rule of law

Objective: to combat tax avoidance, tax evasion and aggressive tax planning, and working towards a more balanced taxation of multinationals. This helps the Netherlands (and other EU members) securing tax revenues for public investment and reforms and avoid distortion of competition between firms, and thereby contributes to strengthening the sustainable growth potential and mitigating the economic and social impact of the crisis while fostering cohesion. The component addresses pillars 3 and 4, and CSR 2020-4 and 2019-1.

Reforms:
- In May 2020 the Dutch government published a new Memorandum on Tax Treaty Policy. Policies in this Memorandum are part of the Dutch agenda to tackle aggressive tax planning in and through the Netherlands. Three aspects are of most importance regarding the new policy:
  - The active implementation of anti-abuse provisions in tax treaties through the Multilateral Instrument of the OECD or (if the MLI does not apply) through bilateral negotiations.
  - Next to anti-abuse provisions, the special position of developing countries will be recognized by accepting higher withholding taxes at source, such as on dividends, royalties, and interest, in treaties with these countries (in comparison with treaties between the Netherlands and other countries).
  - The Netherlands introduced as per 2021 a withholding tax on interest and royalties paid to low tax- and non-cooperative states.
- A new withholding taxation on dividend payments to low tax jurisdictions as of 2024.
- A law (is proposed) to avoid double non-taxation resulting from transfer pricing mismatches, such as informal capital contributions.
- Limitation of loss set-off: the loss relief rules in the corporate income tax will be limited. This ensures that companies with profitable activities in the Netherlands are subject to corporate income tax at a minimum level.
- Interest deduction limitation: a specific interest deduction limitation is amended such that it will not apply insofar this, per individual debt, leads to an exemption of negative interest and/or positive currency exchange results on a tax base eroding intercompany debt.
- Limitation of the deduction of liquidation and cessation loss rules: the deductibility of final losses of an entity (liquidation losses) and final losses of a permanent establishment (final PE-losses) in the corporate income tax is limited.

Investments: Supervision and enforcement of the AML-framework is strenghtened. This is firstly achieved by constructing registers for ultimate beneficial owners of legal entities and trusts and similar legal arrangements. In addition, the measure entails the construction of a centralized register, allowing the timely identification of persons holding or controlling payment accounts and bank accounts by enforcement agencies. Lastly, the measure aims to establish supervision with regard to the cash ceiling, to be introduced in the near future.

Estimated cost (*amounts in € mln; - = budget balance improving)*:

	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Total (investments)	0	0	0	2	3	4	1

2.7.2 Main challenges and objectives

Main challenges and context

Aggressive fiscal planning
The Netherlands is a trading nation with an open economy. Foreign markets are very important for Dutch businesses. Our tax system reflects our economy's international orientation. It aims to minimize any obstacles to operating abroad for Dutch businesses. This is shown, for example, by elements aimed – at least in part – at avoiding double taxation of corporate profits, such as the participation exemption (substantial holding exemption), which ensures that Dutch businesses can compete on an equal footing abroad, and the extensive network of tax treaties, which is designed to avoid double taxation. The Netherlands wants to create a favourable environment for nationally and internationally operating businesses, as this ensures a buoyant economy and quality jobs.
The downside of a tax system that takes account of multinationals is that it may also be susceptible to arrangements that erode the tax base, at home and abroad. This can undermine tax compliance and damage the Netherlands' reputation and therefore the investment climate. And, just as significant, it is important that all, including businesses, pay their fair share, for all the public goods that we as a society hold dear. That is why support for arrangements favourable to multinationals has shrunk in recent years. As far as tax evasion is concerned, there is little room for debate. Taxpayers who evade the law should be met with a robust response. But the Netherlands also want to tackle tax avoidance. If businesses use international tax avoidance arrangements to defer taxation or circumvent it altogether, they will not be helping to fund the cost of general services, which is borne by individuals and businesses that do pay their taxes normally and on time. This is unjust, especially since those who avoid taxes still benefit from tax-funded facilities and services – in the form of good infrastructure and well-educated employees, for example. To combat this injustice the government has to prevent base erosion and increase transparency.

Money laundering
Being a trading nation with an open economy ensures that the Netherlands is a trading hub and financial center, but also brings a heightened risk of illicit financial flows from money laundering and the infrastructure being used by criminals to operate their businesses, presenting threats to security and prosperity. The Netherlands has long acknowledged these risks and has taken vigorous action over recent years to curb illicit finance, protecting its citizens and helping legitimate businesses to thrive. The Netherlands has a long history of national AML policy, starting in the beginning of the 90s. Incentive for the start of this policy was the introduction of the FATF standards and the implementation thereof in the first European AML Directive in 1991. This Directive led to the first Dutch legislation on preventive measures. Although European policy continues to be very important for the mitigation of money laundering risks in the Netherlands, over the last years, national policy has strengthened, with the introduction of the national 2019 AML Action Plan. The Action Plan sets out overall national strategy and priorities, among them priorities for European policy making.

Policy context: current/recent policy measures

Aggressive fiscal planning
In recent years, the Netherlands has actively engaged in combating tax avoidance on an international, bilateral and national level. The Netherlands will keep pushing for an international approach. Tax avoidance can only be tackled effectively at the international level. This is because unilateral measures merely shift the problem of international tax avoidance elsewhere. We have been a committed participant in the Base Erosion & Profit Shifting (BEPS) Project, which the OECD carried out at the G20's request. Within Europe, the Netherlands has played a leading role. During the Dutch Presidency of the European Council in 2016, the first Anti-Tax Avoidance Directive (ATAD1) was agreed, and a decision was taken to introduce a second Anti-Tax Avoidance Directive (ATAD2), which has since been adopted. In the adoption of both ATAD1 and ATAD2, the Netherlands has gone beyond the minimum standards. In addition to the abovementioned directives, various directives have been adopted to improve transparency, and the Netherlands is very diligent when it comes to exchanging information with other OECD and EU countries.

The preference for an international approach does not mean that the Netherlands has been idle at the national level regarding tax avoidance. In recent years, the Netherlands has introduced multiple measures to combat tax avoidance and increase transparency. In addition to introducing new legislation, the government also monitors it to see if it has the desired outcome.

A clear overview of the measures the Netherlands has taken to combat tax avoidance and increase transparency, both nationally and internationally, can be seen in the tables below. Where a measure is labeled "national", it is not the result of European directives or international agreements (e.g. the multilateral instrument) but it is a unilateral decision of the Netherlands.

Table 1: protecting the tax base (tax avoidance)

Measure	Level	Implementation date
Introduction of the compartmentation reserve in relation to the participation exemption	National	2014
Implementation of amendments to the Parent-Subsidiary Directive 2015	International	2016
Innovation box adjustment	National	2017
Introduction of the concept of a cooperating group for the purposes of interest deduction restrictions	National	2017
Restriction of carry forward loss relief	National	2019
Limitation of depreciation possibilities of self-used immovable property	National	2019
Implementation ATAD1 (stricter than required)	International	2019
Renewed ruling practice: 1) No ruling if tax avoidance is one of the main objectives 2) No ruling if a company has no economic nexus (insufficient presence) in the Netherlands 3) No ruling if there are transactions with low-tax jurisdictions	National	July 2019
Implementation of (almost all anti-abuse provisions in the) the Multilateral Instrument	International	July 2019
Minimum capital rule for banks and insurance companies	National	2020
Implementation ATAD2 (stricter than required)	International	2020
Conditional withholding tax on interest and royalties to low-tax and non-cooperative countries	National	2021

Table 2: transparency and integrity (tax avoidance and evasion)

Measure	Level	Implementation date
DAC1	International	2013
CBCR	International	2016
DAC2	International	2016
DAC3	International	2017
DAC4	International	June 2017
DAC5	International	2018
Dutch list of non-cooperative and low-tax jurisdictions	National	2019
Strengthening the investigative capacity of the tax authorities for concealed assets	National	2019
Measures to combat problems with the recovery of tax debts.	National	2019
Publication of (anonymized) summaries of (international) tax rulings	National	July 2019
Disclosure of tax fines by co-conspirators who provided assistance in a professional or business capacity	National	2020
DAC6	International	2021

The measures mentioned above have made a major contribution to tackling base erosion and increasing transparency. At the same time these measures have strengthened our cooperation with other jurisdictions. Lastly, the measures have shown that combating tax avoidance and maintaining a good investment climate can go hand in hand.

Money laundering
Over the recent years a plethora of policy measures was adopted to strengthen the national AML/CFT-framework. The national AML Action Plan, that was launched on 30 June 2019, is central in these efforts. The measures in this action plan aim to strengthen the AML/CFT-framework on all relevant levels (national and international) and putting all relevant partners in the AML-chain in a position that enables them to fulfill their role effectively.

The Action Plan is comprised of three main pillars:

I. Raising barriers:
- Enhanced transparency about legal persons and arrangements by means of – among other things – the BO registers from 2020 onwards;
- A prohibition on cash transactions above € 3,000 for dealers from 2021, and efforts to reduce the usage of the € 500 banknote;
- Regulation of virtual assets service providers from 2020 onwards;
- Strengthening the legal framework for the Caribbean part of the Netherlands from 2021 onwards;
- Continuously identifying and, where possible, tackling emerging risks for the FATF mutual evaluation in 2022.

II. Increasing the effectiveness of the gatekeeper function and supervision
- Further investments in the gatekeeper function by Wwft institutions (obliged entities);
- Enabling interbank data sharing, joint transaction monitoring and removing relevant legal barriers;
- Optimizing cooperation between public and private partners;
- Mitigating risks in the TCSP sector. The framework for trust and company service providers has been revised and strengthened with the Wet toezicht trustkantoren 2019 which entered into force on the first of January 2019. Strict supervision brought remaining risks to light. Legislation will be send to parliament in the first half of 2021 which will further reduce the risks. This legislation will ensure that TCSP's can not be used for the flow of money through the Netherlands and TCSP's will not be able to provide services to clients in high risk third countries and non-cooperative jurisdictions for tax purposes;
- Better identification of money laundering risks by auditors;
- Promoting AML/CFT supervision at the European level.

III. Strengthening investigation and prosecution
- An improved information position for LEAs from 2020 onwards by way of data sharing with supervisors and the Bank Data Retrieval Portal;
- Additional capacity for money laundering investigations from 2020 onwards;
- Strengthen the approach to predicate offences linked to money laundering;
- Strengthen the confiscation of criminal assets.

In the fight against organized crime and money laundering, authorities such as the Dutch national police, Fiscal Information and Investigation Service (FIOD) and Tax and Customs administration (TCA) collaborate as much as possible. In recent years, multiple measures have made a significant contribution to strengthening this collaboration, including additional budget for the FIOD and TCA.

<u>Objectives of reforms and investments in this RRP</u>

The great strides the Netherlands has made in recent years in the fight against tax avoidance and evasion and money laundering does not deter the government from taking further measures. Tax avoidance is still happening and the government will continue to implement measures that prevent base erosion and increase transparency. This is reflected in the reforms that we have implemented (or will be implemented) since February 2020. The policy measures include:

- C7-r-1: New policy regarding tax treaties
- C7-r-2: Withholding tax on dividend payments to non-cooperative and low-tax jurisdictions
- C7-r-3: Avoiding mismatches Arm's length principle
- C7-r-4: Limitation of loss set-off
- C7-r-5: Interest deduction limitation
- C7-r-6: Limitation of the liquidation and final PE-loss regime
- C7-i-1: Fighting organized crime
- C7-i-2: Strengthening supervision and enforcement of the framework for combating money laundering

These tax related measures were introduced because it became clear to the authorities that some of the tax legislation intended to reduce the burden on companies and stimulate the economy were being abused (by the use of certain tax structures, for example). This could lead to situations where these companies made little profit and therefore paid little to no tax. The introduction of these measures prevents this base erosion and combats tax structures that run through the Netherlands purely for tax purposes. Thus, these measures also contribute to the creation of a global level playing field.

Tackling money laundering is a continuous effort. As supervision and enforcement play a key role in the AML-chain, the government intends to put in place measures to strengthen these parts of the AML-framework.

These measures contribute to objective 4 from the 2020 Country Specific Recommendations which states:

Take steps to fully address features of the tax system that facilitate aggressive tax planning in particular on outbound payments, notably by implementing the adopted measures and ensuring its effectiveness. Ensure effective supervision and enforcement of the anti-money laundering framework.

The first 6 measures listed above address aggressive tax planning by preventing base erosion. These measures make the Netherlands less desirable for companies to use in structures to avoid taxes. The commission specifically mentions outbound payments. This method of tax planning is being tackled in the measure 'Withholding tax on dividend payments to non-cooperative and low-tax jurisdictions'. Furthermore, the measures will be monitored to see if they are effective.

The measure regarding the money laundering framework is aimed to strengthen the supervision and enforcement of the AML-framework. This is firstly achieved by constructing registers for ultimate beneficial owners of legal entities and trusts and similar legal arrangements. These registers aim to create more transparency regarding the ultimate beneficial owners, making it harder for criminals to use these entities for money laundering. In addition, the measure entails the construction of a centralized register, allowing the timely identification of persons holding or controlling payment accounts and bank accounts by enforcement agencies. Lastly, the measure aims to establish supervision with regard to the cash ceiling, to be introduced in the near future.

The aim of the additional annual investment of 150 million in the fight against organized crime is to make criminal activities get less attractive and strengthen social and economic resilience. As a result, young and vulnerable people are less likely to end up in criminal environments and more people will opt for regular (legal) jobs. This potentially leads to more taxes being raised.

2.7.3 Description of the reforms and investments of the component

The table below gives an overview of candidate-investments and reforms for this component. For a detailed description of individual measures, see Annex 2.

Measure	2020	2021	2022	2023	2024	2025	2026	Total
Amounts in mln EUR	0	0	0	2	3	4	1	10
Money laundering supervision and enforcement	0	0	0	2	3	4	1	10
REFORMS								
New policy regarding tax treaties								
Withholding tax on dividend payments to low-tax jurisdictions								
Measure to avoid mismatches resulting from downward adjustments under the application of the arm's length principle								
Limitation of loss set-off as of 2022								
Amendment of the specific interest deduction limitation								
Limitation of the deduction of liquidation and cessation loss rules								

2.7.4 Contribution to pillars, CSR's, flagships and the green and digital transitions

The table below shows to which pillars of the RRF, Country Specific Recommendations and/or flagships of the Commission the candidate-measures of this component contribute. The table furthermore shows, where relevant, climate and digitalization tags of measures. For a detailed description of individual measures, see Annex 2.

			Flagship
Money laundering supervision and enforcement	4	2020-4	
REFORMS			
New policy regarding tax treaties	3, 4	19-1, 20-4	
Withholding tax on dividend payments to low-tax jurisdictions	3, 4	19-1, 20-4	
Measure to avoid mismatches resulting from downward adjustments under the application of the arm's length principle	3, 4	19-1, 20-4	
Limitation of loss set-off as of 2022	3, 4	19-1, 20-4	
Amendment of the specific interest deduction limitation	3, 4	19-1, 20-4	
Limitation of the deduction of liquidation and cessation loss rules	3, 4	19-1, 20-4	

2.7.5 Do No Significant Harm

The measures included in this component have no or an insignificant foreseeable adverse impact on the environmental objectives.

Annex 1: Country Specific Recommendations for the Netherlands

2020

1. In line with the general escape clause, take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Strengthen the resilience of the health system, including by tackling the existing shortages of health workers and stepping up the deployment of relevant e-Health tools.
2. Mitigate the employment and social impact of the crisis and promote adequate social protection for the self-employed.
3. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on digital skills development, sustainable infrastructure and clean and efficient production and use of energy as well as mission-oriented research and innovation.
4. Take steps to fully address features of the tax system that facilitate aggressive tax planning in particular on outbound payments, notably by implementing the adopted measures and ensuring its effectiveness. Ensure effective supervision and enforcement of the anti-money laundering framework.

2019

1. Reduce the debt bias for households and the distortions in the housing market, including by supporting the development of the private rental sector. Ensure that the second pillar of the pension system is more transparent, inter-generationally fairer and more resilient to shocks. Implement policies to increase household disposable income, including by strengthening the conditions that support wage growth, while respecting the role of social partners. Address features of the tax system that may facilitate aggressive tax planning, in particular by means of outbound payments, notably by implementing the announced measures.
2. Reduce the incentives for the self-employed without employees, while promoting adequate social protection for the self-employed, and tackle bogus self-employment. Strengthen comprehensive life-long learning and upgrade skills notably of those at the margins of the labour market and the inactive.
3. While respecting the medium-term budgetary objective, use fiscal and structural policies to support an upward trend in investment. Focus investment-related economic policy on research and development in particular in the private sector, on renewable energy, energy efficiency and greenhouse gas emissions reduction strategies and on addressing transport bottlenecks.

Annex 2: Overview of reforms and investments

Table of contents

[30] *Naming convention: component number – investment/reform (i/r) – measure number*

Component 1: Health

C1-i-1: Supporting the recruitment and retention of healthcare personnel

Type: Investment

A. Description of investment

- These investments support the recruitment of additional health care personnel and the retention of existing personnel for pandemic relief. This policy aligns with broader efforts to address labor market shortages and follows a three-pronged approach:
    a. The creation of 5.000 extra jobs for the duration of 6 months between Jan-July 2021 supporting essential functions in the health care sector. This is achieved by a subsidy directed at health care providers for specific functions related to COVID care. While primarily aimed at addressing the pressures on regular health care personnel, this will also allow a large number of persons to experience work in the health care sector. This will increase interest in health care sector employment past COVID as well.
    b. The creation of an additional facility aimed at targeted matching of jobseekers and vacancies, effectively improving the efficiency of the labour market and thereby reducing shortages. This is supported by education and training as part of the government funded 'Nationale Zorgklas'.
    c. Extra investments in the regional infrastructure addressing labor market shortages.
- Elements of this approach have been validated by the Dutch Commission 'Werken in de Zorg'. The latest review has focused on the facility matching jobseekers and vacancies. Other reviews, for instance on the regional infrastructure, are in progress.
- These are non-recurrent measures.

- Een risico is dat de maatregel wordt gezien als staatssteun, omdat een deel van de middelen bestemd is als subsidie voor werkgevers.
- Investeringen in de arbeidsmarkt in de zorg betreffen onder andere verruiming van het aantal opleidingsplaatsen en hebben daarmee een structureel karakter. Dit is moeilijk in te passen in het RRP-raamwerk, dat betrekking heeft op tijdelijke impulsen.
- Deze maatregel betreft beleid in uitvoering, de precieze uitwerking van het plan staat nog niet vast. Cijfers zullen daarom nog wijzigen en dienen geüpdatet te worden bij eventuele indiening van het RRP.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendation

- This policy aligns with CSR2020-1.
  In line with the general escape clause, take all necessary measures to effectively address the pandemic […] Strengthen the resilience of the health system, including by tackling the existing shortages of health workers and stepping up the deployment of relevant e-Health tools.

  This policy directly contributes to the resilience of the healthcare system in the medium and long term. Investments made in recruitment and retention of health care personnel primarily increase capacity in the short-term. However, as new workers choose to stay employed in the sector, we address existing labor shortages and reduce stress on workers. In addition, by investing in additional training and qualifications, we continue to build a high-quality labor force equipped to fight a future pandemic.

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
40	122	130	130	130		

D. Milestones and targets

1. 5.000 extra jobs for the duration of 6 months between Jan-July 2021 supporting essential functions in the health care sector.
2. The facility aimed at matching jobseekers to employers is currently operational. In addition, there is room for 1.000 study places in the 'Nationale Zorgklas' which provided a short course to volunteers and jobseekers before they start work in the sector. No further quantitative targets have been identified.
3. All 28 regions have created their own set of goals. There is no single indicator. Depending on the region these include targets for boosting enrolment in the sector, targets for additional on-the-job training, acquisition of additional certificates for a certain number of workers, etc.

E. Timeline decision making process

This policy has been set in motion in the spring of 2020, at the height of the first wave of covid-19 in the Netherlands. Expenditures have been specifically classified as covid-19 expenditures and appropriated in the 2020 and 2021 budgets.

F. Social impact

The investments in the recruitment and retention of healthcare personnel will strengthen the Dutch health care system. A secondary impact is on the Dutch job market.

Effectively addressing the pandemic in the Netherlands has positive spillovers to European public health and the resilience of the European economy as a whole.

C1-i-2: Extension Intensive Care

Type: training new staff & building modifications

A. Description of investment

- Hospitals have received a subsidy from the Dutch government to expand their IC capacity during the Covid-19 crisis. To reach the goals of the upscaling, they need to attract new IC nursing staff and make some structural adjustments to buildings – which permanently improve the capacity of the health care system to react to crises - and increase the medical inventory.
- A committee was appointed to advise the government on the necessity of the structural adjustments and inventory and check the plans that the hospitals submitted.
- As for the training activities, the Dutch government financed only the necessary training activities for new IC nursing staff. There is a subsidy rule included that the hospitals have to show how many new FTE they've attracted per new IC bed and how it contributed to reaching the goals of IC expansion.
- The impact of the temporary investments in structural adjustments and training activities was that the IC capacity in the Netherlands could be expanded with 550 new IC beds.
- The measure is non-recurrent because the upscaling of the IC capacity is only needed because of the Covid-19 crisis. So hospitals can only claim money while the Covid crisis has an effect on the hospital care.
- Included below are only the expenditures related to training and educating new nursing staff, as well as investments into structural building improvements. Direct staff expenditures have been excluded in response to previous feedback by the European Commission.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

a. This measure contributes to goal 5: health, and economic, social and institutional resilience, including with a view of increasing crisis reaction and crisis preparedness.
b. This measure also contributes to CSR2020-1.

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
31	42	18				

D. Milestones and targets

a. Milestones: The upscaling of the IC capacity must be fully realized by January the first in 2021.
b. The realization of extra ICU beds in hospitals throughout the Netherlands. From 1 October, 1350 ICU beds have been realized. From 1 January 2021, 1700 ICU beds can be realized. Attracting additional staff and, if necessary, training, have also been made available for these beds. Hospitals needed to deliver a plan how they reached this goal. One of the requirements was that if hospitals were unable to attract enough new FTE per new IC bed (at least 5 FTE per new IC bed), the minister of Health Care could decide to lower the amount of subsidy.
c. For the realization of these extra ICU beds, structural adjustments have been made by the hospitals.

E. Timeline decision making process

- In August 2020 the Dutch government decided to provide funding for the upscaling of the IC capacity. In October the subsidy itself was published (https://wetten.overheid.nl/BWBR0044273/2020-10-31).

F. Social impact

- Impact: The IC upscaling has a social impact. Because of the Covid-19 crisis there is a shortage of IC beds, which has led to a lockdown of the Dutch society. The upscaling might alleviate pressure on hospital care, and therefore hopefully make it possible to loosen the restrictions of the lockdown. The restrictions have a big impact on the economy, the education system and physical and mental well-being of citizens.

C1-i-3: Medical equipment

Type: investment

A. Description of investment

The purchase and distribution of medical equipment for COVID19 treatment. In particular, this concerns the purchase of intensive care equipment for treatment of COVID19 patients.
The central government has directly purchased ventilation equipment for use by hospitals. The details of this purchase program are described in this letter to parliament (link).
The ventilation equipment have given on loan to hospitals during the COVID19 crisis and will be donated to the hospitals, to permanently improve the capacity of the ic-units in Dutch hospitals to respond to similar crises in the future.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- This measure aligns with CSR 1. The aim is to ensure the pandemic is addressed from the health care perspective fully, by safeguarding access to curative health care for COVID19 and regular patients during the pandemic. Effective pandemic control also has an immediate effect on the medium term resilience of the health care system, by reducing excessive stresses on health care workers and the health care system as a whole.
- In addition, because the equipment remains available for use after the COVDI19 crisis, this measure permanently improves the capacity of the Netherlands healthcare system to react to similar crises.

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
115						

Note: The final costing depends on, among others, pending deliveries and potential international donations.

D. Milestones and targets

a. The investments into medical equipment have already been realized.
b. Any shortages of essential healthcare equipment are considered unacceptable.
c. The transfer of all equipment to healthcare providers can be considered a future milestone to be achieved.

E. Timeline decision making process

- The government has initiated the purchase and distribution of medical equipment for COVID19 treatment in march 2020 in response to the COVID19 crisis.
- The donation of the ventilators and as such transfer of ownership to Dutch ic-units is now taking place and will be completed by the end of June 2021.
- As we have done also more donations might be necessary for the Netherlands Antilles.

F. Social impact

- The pandemic has a large direct impact on the economy and broader societal welfare. Limiting the spread of the pandemic and treating its symptoms is therefore crucial in the reduction of these negative effects.
- The improved availability of medical equipment as a result of this investment has a lasting impact on the ability of the healthcare system to deal with crises.

C1-i-4: Covid 19 research

Type: Investment

A. Description of investment

- This concerns research into the spread, prevention and treatment of COVID19. The goal of these incidental additional investments is to improve the national and international response to COVID19 and accelerate the return to social and economic normalcy. These non-recurrent additional research investments have lasting effects by reducing structural damage of the COVID19 pandemic in the Netherlands and permanently improving the ability of the international community to deal with COVID19.
- The instruments used include:
    - Grants for scientific research into Covid diagnosis, vaccine research and treatment through ZonMW, National Institute for Public Health and the Environment and Sanquin.
    - Funding for the National Institute for Public Health and the Environment to conduct sewer system research to improve Covid tracking and response.
- The increased expenditure for scientific research has been prioritized on fields deemed likely to yield significant insights in the short term, that allow for a lasting improvement in the fight against COVID19. These include tracking the recovery process of recovering patients, studies into the transmission among children, epidemiology in the hospital setting, short term medication development, antibody research, studies of virus evolution and BCG vaccine effectiveness. Additionally, this includes some research on the effects of COVID19 on mental wellbeing through increased social isolation.
- The subsidies granted through ZonMW are described in detail on the ZonMW COVID19 programme website (link). The sewer system research programme is described on the National Institute for Public Health and the Environment website (link).

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- This measure aligns with CSR 1. The aim is improve the effectiveness of the national and international response to COVID19. Temporary increases in research expenditure have the potential to permanently increase the body of knowledge about COVID19 (effectively addressing the pandemic) and improving the ability of the Netherlands health care system to respond to COVID19 in the future (improving the resilience of the health care system).

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
70,7	74,3	31,1				
			11,5	4,4		

D. Milestones and targets

a. The relevant grant programmes have already been opened (see ZonMW-website for an overview).
b. The sewer system research programme is also already fully operational.

E. Timeline decision making process

- The government has decided to increase research funding on multiple occasions. This includes a number of budgets, starting from the first supplementary budget 2020 (29 april 2020) to the fourth incidental supplementary budget 2020 (16 november 2020).

F. Social impact

- The pandemic has a large direct impact on the economy and broader societal welfare. Limiting the spread of the pandemic and treating its symptoms is therefore crucial in the reduction of these negative effects.
- In addition, the research programme specifically includes research into the social effects of COVID19. These are substantial, especially for groups in crucial phases of their social developments, such as adolescents, and already socially vulnerable persons, such as the elderly. Improving the understanding of the social effects will allow for more targeted programmes to ameliorate these effects and will permanently improve the ability of mental health professionals to treat long term psychological effects.

Component 2: labour market and education

C2-r-1: Gradual reduction of the standard income tax deduction for self-employed

Type: Reform

A. Description of reform

- Gradual reduction of the standard income tax deduction for self-employed (mainly own-account) workers (zelfstandigenaftrek). Self-employed workers are allowed to apply a standard deduction to their income before the income tax is calculated, if they work at least 1225 hours per year for their firm. In 2019 the deduction amount was €7280, with a planned trajectory to decrease this to €5000 in 2028.[31] To accelerate and extend the reduction of the tax deduction, the government decided in August 2020 to add 16 annual steps of €110 as from 2021. The tax deduction will thus be €3240 in 2036.[32]
- Background. Unlike most countries, the Netherlands has seen a strong rise in self-employment in the past 20 years. It is generally accepted that (earlier) Dutch policy choices are a major cause for this development. Both workers and firms currently have incentives to choose for non-standard employment relationships rather than regular employment contracts. This choice comes with a number of disadvantages, however. Self-employed workers are in general poorly insured against income risks (such as sickness, disability and old age) compared to dependent workers who take part in mandatory social insurance schemes. This increases inequality and labour market segmentation. Moreover, the strong rise of self-employment undermines the automatic stabilizing function of the social insurance system, making the economy more unstable, and weakens the economic base of the social insurance system. It also leads to a fragmentation of the production, reducing economic efficiency and labour productivity.
- The policy reform measure reduces the differences in taxation of (labour) income between dependent workers and self-employed workers. This will weaken the incentives of workers and firms to choose for non-standard employment relationships rather than regular employment contracts.
- Relevant documentation. The Independent Commission Regulation of Work (aka Commission Borstlap) published in January 2020 a wide-ranging report on the future of labour market regulation and social insurance. One of its key recommendations is that the government should adhere to the principle of equal tax treatment across different employment forms. The policy reform fits in with this recommendation.
- This is a structural reform measure that permanently lowers the tax deduction. Recurrence of costs is not a relevant issue.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- The policy reform is aimed at enhancing growth potential, economic efficiency and resilience, and employment by improving the functioning of the labour market.
- These objectives fit in with pillars 3 and 5.
- The policy reform measure reduces the incentives for becoming self-employed without employees, which is in line with CSR #2 in 2019.

C. Estimated costs
Limited to the acceleration and extension of decrease in the tax deduction voted on in 2020.

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026	Structural (2036)
0	-33	-66	-99	-132	-165	-198	-526

D. Milestones and targets

- The reform measure consists of a concrete time-table for the annual reduction of the deduction for the self-employed until 2036, written into law (Belastingplan), and its consequences for government revenues are taken into account in the budgetary baseline.

[31] With eight annual steps of €250 and one step of €280 to €5000 in 2028, starting from 2020. This was decided on in August 2019.
[32] The commission asked if a differentiated system of tax deduction was considered. Assuming this is meant as an income-dependent differentiation, it is not expected that this will improve the situation of low-earning own-account workers. Due to their (generally) poor negotiation position, fiscal benefits tend to lead to a lower wage, thus benefiting their employers. A regressive tax deduction would thus not necessarily benefit them. A proportional tax deduction would benefit the well-earning self-employed more than the low-earning.

E. Timeline decision making process

- The total reform consists of two separate actions. The first action was announced in Miljoenennota and Belastingplan 2020 in September 2019 and formally approved by Parliament in December 2019. The second action was announced in Miljoenennota and Belastingplan 2021 in September 2020 and formally approved by Parliament in December 2020. Only the second part of the reform is suggested for the RRF. Additional documentation: Belastingplanstukken | Belastingplan 2021 | Rijksoverheid.nl
- The first actual reduction of the tax deduction took place in 2020 (the last one will be in 2036).

F. Social impact

  - Impact - The policy reform measure weakens the incentives of workers and firms to choose for independent worker relationships rather than regular employment contracts. Its main effect is a change in the composition of employment in the direction of dependent workers (employees) who are better protected against basic income risks such as sickness, disability, pensions and unemployment. A quantitative estimate of the size of this shift is not available.
  - Additional reforms on the topic of the self-employed are dependent on the formation of a new coalition in the Dutch Parliament.
- Synergy – Not relevant

C2-r-2: Introduction of mandatory insurance for disability for self-employed workers without employees

Type: Reform

A. Description of reform

- Introduction of mandatory insurance for disability for all self-employed workers without employees (own-account workers), regardless whether their firm is incorporated or not. Entrepreneurs who employ other workers do not fall under the scheme. The scheme is financed by a contribution that fully covers the cost of the distributed disability benefits and the organizational costs. Self-employed workers can influence the height of their contribution by selecting their waiting period (half a year, one year (default choice) or two years). The maximum income to be insured is equal to 143% of the minimum wage, rendering the maximum disability benefit equal to 100% of the minimum wage.
- Background. The large majority of self-employed workers do not have any form of disability insurance, making them vulnerable to severe and long-term income risks. This is a source of inequality. The absence of mandatory participation in disability insurance also leads to imbalances between the different forms of employment on the labour market, as regular employment contracts are typically more expensive for firms than self-employment contracts. However, firms should pay the full social cost of labour, which includes a premium for disability insurance, and pass this cost on to workers and consumers. Like they do in case of dependent workers.
- Mandatory insurance reduces the (inefficient) differences in regulation between self-employed workers and dependent workers, and improves the functioning of the labour market (less segmentation) by discouraging socially inefficient choices for self-employment. It also reduces income inequality.
- Relevant documentation. The Independent Commission Regulation of Work (aka Borstlap Commission) published in January 2020 a wide-ranging report on the future of labour market regulation and social insurance. One of its key recommendations is that all workers should be insured against disability (and old-age) income risk to a certain basic income level. The policy reform fits in with this recommendation.
- This structural reform is a permanent change. Recurrence of costs is not a relevant issue.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- The policy reform is aimed at enhancing economic and social efficiency in the labour market. It also contributes to sustainable public finances as fewer self-employed workers will need to make use of the social safety net.
- These objectives fit in with pillars 3 and 5.
- The policy reform measure improves the social protection for the self-employed, in line with CSR #2 in 2019 and 2020.

C. Estimated costs

Net budgetary effect is zero as the insurance scheme will be financed by contributions that cover all relevant costs.

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
0	0	0	0	0	0	0

D. Milestones and targets

- See under E

E. Timeline decision making process

- The introduction of a mandatory disability insurance scheme for the self-employed was agreed upon as part of the (preliminary) Pension Agreement (Pensioenakkoord) with the social partners in 2019.
- At the request of the government the social partners produced a design of the scheme in March 2020, which the government has accepted as part of the final Pension Agreement in July 2020. Kamerbrief uitwerking pensioenakkoord | Kamerstuk | Rijksoverheid.nl
- The government is now working with social partners and government agencies (e.g. the Belastingdienst) to flesh out this sketch into a workable scheme. Considerations being discussed include but are not limited to: the groups being included in the insurance (e.g. whether farmers are included) and the trade-off of choices for the self-employed and feasibility for the government agencies.
- There are currently no planned milestones available for this insurance, except the starting date of the new Pension Agreement. However, there is a broad consensus that such an insurance will be

set up, the question is mostly what form it will take exactly. Six out of the 7 biggest parties in parliament have a form of this insurance in their election programs. Additionally, the Pension Agreement was supported by coalition parties, opposition parties and social partners alike – the insurance can thus count on broad support.

F. Social impact

- Impact - The policy reform measure improves income security for the self-employed against the risk of disability, which improves economic equality. It also weakens the incentives of workers and firms to choose for independent worker relationships rather than regular employment contracts. This may change the composition of employment in the direction of more dependent workers (employees) who are better protected against basic income risks such as sickness, disability, pensions and unemployment. A quantitative estimate of the size of this shift is not available.

C2-i-1: NLD continues to learn (NL leert door)

Type: investment

A. Description of reform/investment

- In addition to the larger instruments in the Dutch Corona aid package, such as subsidies to cover fixed costs and wages of affected companies and monthly allowances for the affected self-employed, there is a supplementary package to diminish the negative social effects of the Corona (economic) crisis. This package is divided into multiple categories, of which schooling and lifelong development is one. The schooling and lifelong development package contains several measures, each targeted at a specific group hit by the social and economic effects of the coronavirus. Therewith, the package aims at offering an integral approach to schooling and lifelong learning. The *NL continues to learn program* forms part of this supplementary schooling and lifelong learning package.
- The *NL continues to learn program* is designed to assist workers and job seekers, who are experiencing labor market difficulties as a result of the corona crisis. Via the program, workers and job seekers can follow additional schooling programs and receive career advice.
- The goal of this program is twofold. Firstly, it is designed to ensure that workers can receive additional schooling in order to maintain their employment. Secondly, it is aimed at assisting job seekers in order to find employment.
- The program consists of two components:
    - Firstly, a subsidy is granted for workers and job seekers through which they can apply for personal development and career advice via certified job coaches.
    - Secondly, online programs have been set up to enable workers and job seekers to obtain the necessary skills and knowledge for their careers.
    - These two components are accompanied by a media campaign to target those who might benefit the most from this program (such as the self-employed, unemployed, and those with flexible contracts). Partners of the Ministry of Social Affairs and social partners were asked to promote this program towards the target groups that need it most.
- The program is an additional crisis mitigation measure and is therefore non-recurrent. Lessons learned can be used for new policies in the future.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

a. By focusing on skill development to promote lifelong learning, the *NL continues to learn* program is in line with the RRF policy priorities 3 (smart, sustainable and inclusive growth), 4 (social resilience) and 6 (policies for the next generation).
b. Furthermore, the program is in line with CSR2020-3 as it aims to mitigate the social impact of the crisis by assisting workers and job seekers in finding and maintaining employment
c. Lastly, the program contributes to the seventh flagship, reskill and upskill, by offering training programs.

C. Estimated costs

Amounts in € mln; - = budget balance improving					
	2020	**2021**	**2022**	**2023**	**2024**
1. Career advice subsidies	14	37			
2. Online training programs	34	21	9		
Total	**48**	**58**	**9**		

D. Milestones and targets

a. The first objective of this program is to assist as many workers and job seekers as possible. The second objective of this program is to contribute to improving the target groups' labor market prospects. Therefore, the program has the following specified targets:
    - Firstly, the program aims at enabling 70.000 individual career-coaching plans. The subsidiy for a single career advice is € 700.
    - Secondly, the program aims at offering a maximum of 160.000 individual online schooling programs. There are different categories of schooling programs, with different levels of subsidy. There is a subsidy of € 150 for online automated modules, a subsidy € 500 for a basic

skills training and a subsidy of € 1000 for more elaborate training programs for which the participant receives a diploma or certificate. It is possible to follow a more expensive program, but the subsidy amounts are fixed so participants then have to cover a part of the costs themselves (or cover them through other funds).

b. The program has the following milestones:
    a. The necessary legislation is designed (the program has been gazette on the 4th of September)
    b. The portal for career coaching subsidies is opened (the portal has been opened)
    c. The portal for online schooling programs is opened (the portal has been opened)

E. Timeline decision making process

On the 2nd of July 2020, the Minister of Social Affairs informed the Parliament about the content of the program[33]. The regulation of the program was gazetted on the 4th of September 2020.[34]

- Social impact
- The goal of the program is to assist workers and job seekers by enabling schooling and career coaching. Thereby, the expected impact of the program is to mitigate the social and economic impact of the corona crisis.
- The program has been developed in cooperation with the relevant stakeholders, such as trade unions and employers' organizations in order to tailor the program to the needs of the target group.
- The program forms part of the broader package of measures taken to mitigate the effects of the corona crisis by focusing on schooling and lifelong learning.
- By providing a free offer, a broad audience can be reached, including those who are normally held back because of financial reasons. It can also provide a longer-term stimulus in establishing a learning culture. A part of the users of this program will experience life-long learning for the first time and thereby get motivated to participate in training more often to maintain their skills and knowledge levels.

[33] Kamerbrief "Hoofdlijnen NL Leert Door", July 2020, https://www.rijksoverheid.nl/documenten/kamerstukken/2020/07/02/tk-kamerbrief-hoofdlijnen-nl-leert-door.

[34] Staatscourant van het Koninkrijk der Nederlanden, September 2020, https://zoek.officielebekendmakingen.nl/stcrt-2020-46170.html.

C2-i-2: Labor transfer subsidies

Type: investment

A. Description of investment

- In addition to the larger instruments in the Dutch Corona aid package, such as subsidies to cover fixed costs and wages of affected companies and monthly allowances for the affected self-employed, there is a supplementary package to diminish the negative social effects of the Corona (economic) crisis. This package is divided into multiple categories, of which schooling and lifelong development is one. The schooling and lifelong development package contains several measures, each targeted at a specific group hit by the social and economic effects of the coronavirus. Therewith, the package aims at offering an integral approach to schooling and lifelong learning. The labor transfer subsidy forms part of this supplementary schooling and lifelong learning package.
- The labor subsidies aim at stimulating workers to transfer between profession, specifically towards ICT and technical professions. Therefore, employers in sectors with labor shortages can receive a subsidy to retrain workers from different sectors, whereby workers can gain the relevant knowledge and skills necessary to work in another industry. The 'labour transfer subsidies scheme' intends to stimulate employers with structural shortages to hire new people from other sectors/professions and offer them reskilling to be able to perform the new job. Full reskilling asks for an expensive investment and is difficult to realise for an individual employer. The scheme should be seen in light of the rest of the package.
- This subsidy is granted to businesses who hire someone in a technical or ICT profession which are considered as sectors with labor scarcity. The goal of this subsidy is to prevent frictional unemployment and to stimulate the transfer of workers from sectors with a surplus of labor supply to a sector with labor shortages. By doing this, long-term employment can be achieved for these individuals in sectors with labor shortages. By making sure employees can get the necessary education, this subsidy is a long-term investment. The education can consist of training/courses/practical guidance.
- The selection of recipients is not based on the sectors, but on professions, since the UWV (Dutch PES) measures labor shortages for professions. ICT is not restricted to specific sectors, for example. The criterion is that UWV considers the profession as "promising" or as a "shortage". Employers are eligible to receive a subsidy if they hire someone into a shortage profession that was not working in the same category of professions before. There are no prerequisites concerning the employee, for example that the employee was working in a sector or profession with a labor surplus before. The chance is high that mostly people coming out of a profession with little prospect will be hired in the shortage professions.
- The subsidy is based on co-financing from the private sector. The co-financing percentage is 50%. The total costs of reskilling per employee should be at least € 7.500. An amount of € 3.750 can be requested per employee. The employee should receive a labor agreement during the reskilling phase and the employer is obliged to have the intention and strive for a sustainable working relationship with the employee.
- The subsidy is an additional crisis measure and is therefore non-recurrent. Lessons learned can be used for new policies in the future. Other, more structural, schemes are directed to other shortage professions such as teachers and healthcare professionals. However, investing in human capital through this scheme is essential for the future resilience of the Dutch economy. The Netherlands faces structural shortages of ICT and technical professionals. These jobs are also essential in the green and digital transitions. Investing in reskilling people to work in those professions positively affects the realization of common societal goals.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- By focusing on skill development, the labor transfer subsidies are in line with the RRF policy priorities 3 (smart, sustainable and inclusive growth), 5 (social resilience) and 6 (policies for the next generation).
- Furthermore, by enabling labor transfers via necessary retraining, this measure is in line with CSR2020-2, mitigate the social impact of the crisis and CSR2019-2, strengthening lifelong learning and skill upgrades.
- Lastly, the program contributes to the seventh flagship, reskill and upskill, by stimulating retraining programs.

C. Estimated costs

Amounts in € mln; - = budget balance improving					
	2020	**2021**	**2022**	**2023**	**2024**
Labor transfer subsidies		37,5			

D. Milestones and targets

a. The objective of this measure is to enable labor transfer and thereby prevent unemployment. Thereby, the target group are employers in sectors with labor shortages. The specified target of this measure is to enable 9.000 job transfers.
b. Milestones:
    a. The necessary legislation is designed.
    b. Employers can apply for the subsidy.
    c. The subsidies are granted.
    d. Workers have transferred between sectors.

E. Timeline decision making process

The labor transfer subsidy has been explained in a letter to the Parliament on the 23rd of September 2020 and 30th of November 2020.[35] Currently, the specifics of the subsidy are being developed. The call for application is expected in the spring of 2021.

F. Social impact

- The goal of the program is to prevent job losses by facilitating labor transfers. Thereby, the expected impact of the program is to mitigate the social and economic consequences of the corona crisis.
- The program is being developed in cooperation with the relevant stakeholders, such as trade unions and employers' organizations in order to tailor the subsidy to the needs of the target group.
- Furthermore, the rationale of the scheme is to 'transfer' people to different labour market sectors by reskilling them into a profession that is indicated as 'promising' or 'structural shortage'. Consequently, people are reskilled to jobs with a good labour market prospect while they previously worked in jobs with less labour prospects, which they might have lost in the near future. Subsequently, the expectation is that unemployment will decline, which will also have an effect on the long-term.

[35] Kamerbrief "Uitwerking aanvullend sociaal pakket", September 2020, https://www.rijksoverheid.nl/documenten/kamerstukken/2020/09/23/uitwerking-aanvullend-sociaal-pakket
Kamerbrief "Voortgang uitwerking aanvullend sociaal pakket", November 2020, https://www.rijksoverheid.nl/documenten/kamerstukken/2020/11/30/voortgang-uitwerking-aanvullend-sociaal-pakket

C2-i-3: Sectoral job assistance

Type: investment

A. Description of investment

- In addition to the larger instruments in the Dutch Corona aid package, such as subsidies to cover fixed costs and wages of affected companies and monthly allowances for the affected self-employed, there is a supplementary package to diminish the negative social effects of the Corona (economic) crisis. This package is divided into multiple categories, of which schooling and lifelong development is one. The schooling and lifelong development package contains several measures, each targeted at a specific group hit by the social and economic effects of the coronavirus. Therewith, the package aims at offering an integral approach to schooling and lifelong learning. The sectoral job assistance forms part of this supplementary schooling and lifelong learning package.
- The goal of the sectoral job assistance is to prevent job loss. Therefore, the sectoral job assistance offers tailored support to market parties in sectors with labor surpluses. Therewith, they can support workers whose job security is uncertain. Via for example schooling, career advice and career guidance job loss can be prevented by guiding workers to different jobs. The employability of workers is increased by these activities, which will have a long-term effect on the Dutch economy.
- The sectoral job assistance consists of two parts:
  1. Firstly, there is a subsidy for employers in the private sector to assist workers in their personal development needs in order to guide them from one job to another. It can for example be used to finance training or career advices. Co-financing is a prerequisite for obtaining this subsidy.
  2. Secondly, an additional budget is granted for basic skill training (reading, writing and digital skills of employees)
- The sectoral job assistance stimulates cooperative applications by companies and sectors in order to increase the reach of the measure. There are categories of activities with standardized subsidy amounts per category. More elaborate programs have a higher standardized subsidy amount. This way, more vulnerable (groups of) workers will receive more elaborate programs. A collaboration of sector representatives, employers and employee representatives, sectoral education funds, etc. can apply for a total number of activities for a certain amount of workers. This is how the total subsidy per sector is calculated. There are also minimal total subsidy amounts, to ensure that the plans reach a large number of workers and can make a real difference for the sectors that apply.
- The sectoral job assistance is an additional crisis measure and is therefore non-recurrent. Lessons learned can be used for new policies in the future.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- By focusing on workers with a risk of job loss, the labor transfer subsidies are in line with the RRF policy priorities 3 (smart, sustainable and inclusive growth) and 5 (social resilience).
- Furthermore, by focusing on preventing job loss via tailored assistance, this measure is in line with CSR2020-2, mitigating the social impact of the crisis. Furthermore, the measure stimulates additional skill development, therewith promoting CSR2019-2, strengthening lifelong learning and skill upgrades.
- Lastly, the program contributes to the seventh flagship, reskill and upskill, by focusing on the necessary development of workers.

C. Estimated costs

Amounts in € mln; - = budget balance improving					
	2020	**2021**	**2022**	**2023**	**2024**
3. Sectoral job assistance		62,5	9		
4. Basic skill training		6			
Total		**68,5**	**9**		

D. Milestones and targets

- The objective of this measure is to prevent as many job losses as possible. Thereby, the target group are sectors with labor shortages. It is, however, uncertain how many people will be applicable for the sectoral job assistance, as we only have estimates of the amount of people that will become unemployed or will be threatened by unemployment in the coming period. The target of this

measure will be to assist as many people as possible. Due to the tailor-made approach of this measure, a total target number cannot be given.
- The progress of the measure will be monitored in order to examine whether the assistance is received by the target group.
- Milestones:
  a. The necessary legislation is designed.
  b. Employers can apply for the subsidy.
  c. The subsidies are granted.
  d. Workers have improved their job security.

E. Timeline decision making process

The labor transfer subsidy has been explained in a letter to the Parliament on the 23rd of September 2020 and 30th of November 2020.[36] Currently, the specifics of the subsidy are being finalised. The call for application is scheduled to open on the 1st of March 2021.

F. Social impact
- The goal of the program is to prevent job losses by facilitating labor transfers. Thereby, the expected impact of the program is to mitigate the social and economic impact of the corona crisis.
- The program is being developed in cooperation with the relevant stakeholders, such as trade unions and employers' organizations in order to tailor the subsidy to the needs of the target group.
- By focusing on cooperative applications, the measure seeks to have the biggest impact possible.
- As the Netherlands faces structural shortages of ICT and technical professionals. These jobs are also essential in the green and digital transitions. Investing in reskilling people to work in those professions positively affects the realization of common societal goals.

[36] Kamerbrief "Uitwerking aanvullend sociaal pakket", September 2020, https://www.rijksoverheid.nl/documenten/kamerstukken/2020/09/23/uitwerking-aanvullend-sociaal-pakket
Kamerbrief "Voortgang uitwerking aanvullend sociaal pakket", November 2020, https://www.rijksoverheid.nl/documenten/kamerstukken/2020/11/30/voortgang-uitwerking-aanvullend-sociaal-pakket

C2-i-4: Vocational education programs

Type: investment

A. Description of investment

- In addition to the larger instruments in the Dutch Corona aid package, such as subsidies to cover fixed costs and wages of affected companies and monthly allowances for the affected self-employed, there is a supplementary package to diminish the negative social effects of the Corona (economic) crisis. This package is divided into multiple categories, of which schooling and lifelong development is one. The schooling and lifelong development package contains several measures, each targeted at a specific group hit by the social and economic effects of the coronavirus. Therewith, the package aims at offering an integral approach to schooling and lifelong learning. The vocational education programs form part of this supplementary schooling and lifelong learning package.
- The aim of this measure is to improve the sustainable employability of vulnerable workers in order to prevent job loss. Thereby, the target group are workers and job seekers who do not have the necessary certificates and are therefore vulnerable for job loss. In order to achieve this aim, the measure seeks to increase the number of vocational education programs and to tailor those programs to the needs of workers and job seekers. Thereby, workers and job seekers can acquire the necessary skills and certificates to enter the labor market or to remain employed.
- The vocational training programs combine both studying and working, whereby students can immediately demonstrate their obtained theoretical skills in practice.
- The budget of this measure is granted to both employers who hire the target group after they have obtained the necessary certificate and to educational institutions offering the vocational programs.
- The regional mobility teams (see also C2-i-8) can direct the target group of this measure towards the vocational education programs, which are executed by educational institutions and employers. The regional mobility teams will have a clear picture of the most vulnerable workers. Therefore, it is most efficient that this group of vulnerable workers is also eligible to receive a vocational education program. The mobility teams will have a national coverage, so in every region there will be the possibility to provide these educational programs to those who most need it.
- It is the responsibility of the provider of the program (in this case educational institutions) to apply for one source of funding per training program. This means that no double funding is possible.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

a. By focusing on skill development and sustainable employability, the NL continues to learn program is in line with the RRF policy priorities 3 (smart, sustainable and inclusive growth), 5 (social resilience) and 6 (policies for the next generation).
b. Furthermore, the program is in line with CSR2020-2 as it aims to mitigate the social impact of the crisis by assisting workers and job seekers in acquiring the necessary skills in order to find and maintain employment.
c. Lastly, the program contributes to the seventh flagship, reskill and upskill, by offering vocational training programs.

C. Estimated costs

Amounts in € mln; - = budget balance improving					
	2020	**2021**	**2022**	**2023**	**2024**
Vocational educational programs		63			

D. Milestones and targets

- The first objective of this program is to assist workers and job seekers as possible in acquiring the necessary skills and certificates to improve their sustainable employability. The target group of this measure are workers and job seekers who do not have the necessary certificates and are therefore vulnerable for job loss.
- The specific target of this measure is to enable 30.000 vocational training programs/people. This depends on the demand for the programs. This number is based on the predicted average time and costs per program.
- The program has the following milestones:
  - The necessary legislation is designed.
  - The designated parties can apply for the vocational programs.
  - The vocational programs are selected by the regional mobility teams.
  - The vocational programs are financed by the Dutch job center.

E. Timeline decision making process

The vocational education programs have been explained in a letter to the Parliament on the 23rd of September 2020 and 30th of November 2020.[37] Currently, the specifics of the measure are being developed.

F. Social impact

- The goal of the measure is to improve sustainable employability of workers by offering vocational programs. Thereby, the expected impact of the program is to mitigate the social and economic impact of the corona crisis.
- The measure is being developed in cooperation with the relevant stakeholders, such as trade unions and employers' organizations in order to tailor the subsidy to the needs of the target group.
- The measure focuses on the 35 labor regions as explained with the other measures of Component 2. Therewith, the goal of the measure is to offer tailored support to these regions in order to prevent job losses and to create synergies within the regions

[37] Kamerbrief "Uitwerking aanvullend sociaal pakket", September 2020, https://www.rijksoverheid.nl/documenten/kamerstukken/2020/09/23/uitwerking-aanvullend-sociaal-pakket
Kamerbrief "Voortgang uitwerking aanvullend sociaal pakket", November 2020, https://www.rijksoverheid.nl/documenten/kamerstukken/2020/11/30/voortgang-uitwerking-aanvullend-sociaal-pakket

C2-i-5: Youth unemployment

Type: investment

A. Description of investment

- In addition to the larger instruments in the Dutch Corona aid package, such as subsidies to cover fixed costs and wages of affected companies, and monthly allowances for the affected self-employed, there is a supplementary package to diminish the negative social effects of the Corona (economic) crisis. The package encompasses various measures to assist vulnerable youth (e.g. those without a degree) back to school or toward a job with a long-term prospective.
- The investments to tackle youth unemployment are carried out locally. A budget is given to one central municipality per region (35 regions in total) to coordinate the regional approach. The budget for coordination covers staff costs, among other things. In every region, a coordinator youth employment will be appointed. The local actors need to intensify their collaboration. The coordination budget also guarantees that local parties can set up a way to organize the programs in each region.
- Part of the approach is helping youth towards existing facilities or other measures that are part of the supplementary social package of the corona aid package.
- In addition to this budget for coordination, there is an extra budget for assisting vulnerable students who leave school towards a new educational program, retraining programs, including 'learning-on-the-job' programs, or if that approach does not work, towards a job with a long-term prospective (output). The guidance of vulnerable students is organized locally, in cooperation between municipalities and schools. These regional/local parties are well informed about the local labor market circumstances and are able to provide custom-made support. Schools can get a subsidy for the extra assistance and submit a plan in which their actions and cooperation with other parties is explained. The Ministries of Social Affairs and Education will facilitate in exchanging knowledge, good practices and experiences between the regions, for example through superregional sessions in order to facilitate peer-to-peer learning. The umbrella organization of the different educational fields, the Association of Netherlands Municipalities, and the Ministries of Social Affairs and Education are planning to sign a letter of intent on the youth unemployment approach with all the involved parties. In this letter, we emphasize the importance of collaboration to combat youth unemployment and to improve the position of (vulnerable) young people on the labor market. This letter will also provide guidelines in effective interventions.
- The budget is divided between municipalities, which have experience expertise in guiding people towards jobs (the execution of this policy area has been decentralized to the municipalities and labor market regions), but can also help in other areas of life (health, debts, addiction), and schools, which can track their ex-students to see if they find their way on the job market. The municipalities are responsible for spending this budget effectively, and are also held accountable for that locally. The extra assistance provided by the schools starts in the last year of the educational program. In this last year, it can be determined what could be the most successful step in the students' educational or professional career. If the next step is deemed precarious, municipalities can help to guide these students. This is a familiar task for municipalities, but to do it this pro-actively, is a new task. Both parties can intervene when needed. Both parties are encouraged to engage other local or regional organizations if necessary. This type of intensive collaboration is also new, and will be supported nationally. For example, municipalities can receive an overview of students that might be deemed vulnerable, based on objective criteria that are gathered nationally.
- There are thee specific target groups of vulnerable 'school leavers': 1) those who leave intermediate vocational educational programs (with a degree), but who have an increased chance of not being able to find a job, for example because of the poor job market prospects their degree provides. 2) those who leave school without a degree. The first priority regarding this group is getting them back to school. 3) those who finished the lower vocational/practical educational programs. These programs do not provide a degree. With the extra budget, these youths can be guided towards the next educational step or, for example, an internship.
- The desired outcome is that vulnerable youths receive more education with better job market prospects, attain jobs with a long-term prospective, and do not find themselves lost when taking the leap from school to a job.
- The investment is non-recurrent. This support system is (for the most part) new. Lessons learned can be used for new policies in the future.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- This measure contributes to country specific recommendation 2020-2: mitigate the employment and social impact of the crisis and promote adequate social protection for the self-employed, and pillars 3 (smart, sustainable and inclusive growth), 5 (social resilience) and 6 (policies for the next generation), and flagship 7 (Upskill and reskill).

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
12,5	70,5					

D. Milestones and targets

- With this budget, as many people as possible will be assisted. These measures are executed locally, so most monitoring and accountability takes place locally. There will be a national dashboard in which the social consequences of Covid will be measured. The dashboard will be updated every two months. A variety of aspects will be monitored, such as poverty, mental health issues and crime rates, as well as youth unemployment. Also evaluation research will be done by an external party.
- The individuals that will be supported with these measures, will receive tailor-made assistance. A total target number is therefore difficult to determine.
- Milestones:
  a. All necessary legislation is formalized
  b. An approach is set up in every municipality/region – local organizations will sometimes need to establish new forms of working together.
  c. The approach is fully operational.

E. Timeline decision making process

- The decision making process concerning the regional mobility teams took place over the summer of 2020. The teams were first announced in a letter by the government on August 28th, 2020.[38]

F. Social impact

The goal is to decrease the social impact of the Corona crisis, mostly by ensuring that the unemployed and those with threatened jobs are guided toward jobs with more long-term prospective. Through this approach, the side effects of unemployment and poverty are reduced, such as (mental) health issues, reduced employability, unstable relationships/situations within families, homelessness, polarization, and increased crime rates. Moreover, long term employability/labor market participation is boosted, which decreases the long term economic effects of Corona and increases productivity and earning power.

[38] Kamerbrief Steun- en herstelpakket | Kamerstuk | Rijksoverheid.nl

C2-i-6: Regional Mobility Teams

Type: investment

A. Description of investment

- In addition to the larger instruments in the Dutch Corona aid package, such as subsidies to cover fixed costs and wages of affected companies, and monthly allowances for the affected self-employed, there is a supplementary package to diminish the negative social effects of the Corona (economic) crisis.
- This package consists of several measures to ensure that the (newly) unemployed and those whose jobs might disappear in the near future, are assisted in finding a new job with a long-term prospective (outcome). There is a focus in this approach on those who receive welfare and others whose chances on the job market are slim.
- Concretely, regional mobility teams have been and will be set up. They will assist the abovementioned target group (those who are (likely to become) unemployed) towards new jobs, using several instruments, such as setting up career plans, job interview trainings, retraining programs, or other tailor-made programs (output). The overall objective is to either prevent unemployment or to keep the period of unemployment as short as possible.
- There are 35 labor market regions and thus 35 teams in total. Within these regions, central municipalities have a coordinating and directing role in the cooperation within the region. This arrangement is settled in existing legal frameworks. The regional mobility teams are a new and intensive form of cooperation, including private and public sector parties.
- Regional mobility teams provide additional and targeted assistance to the recently unemployed, or to workers who are at risk of becoming unemployed. The support programs are really targeted at the specific situation and skills of the individual. The teams consist of representatives of a multidisciplinary group of organizations. Within the teams they will work together more closely than they normally do. Representatives of labor unions, employers, UWV (the organization normally responsible for those with unemployment benefits), municipalities (normally responsible for those who receive welfare) and, when necessary, educational institutions will make up the teams. The teams are regionally organized to ensure a maximum connection to the local labor market. All representatives contribute their own expertise. Labor unions and employers' representatives are used as signals of companies and sectors in which people will lose their jobs. UWV has a large network of hiring employers. Municipalities are specialized in helping those with multiple issues (health, debts, addiction, etc.).
- The budget is divided between the regions nationally. This can be adjusted a few times along the way. This way, it is assured that each region can set up a team and can carry out the program. The budget is compartmentalized: a part is reserved for the assistance programs and a part for the institutional/labor costs. The involved institutions are all existing institutions, which decreases the amount of time and money needed for the organizational/administrative part of the plan.
- There is special attention for those who are part of the so called 'job deal'. This is a target group with a very uncertain position on the job market, mostly due to disabilities. The government has made a deal with the private sector concerning the number of jobs that have to be created for this group. When these individuals lose their jobs, they lose their skills quickly. Therefore, special attention is required. The regional mobility teams also have experts on this group and the teams can decide to place certain individuals in temporary sheltered employment, so that they maintain their skills. This will improve their odds of returning to a 'regular' company.
- Some preparation work has taken place in 2020. In the first half of 2021, the teams will take shape and get started. The running time is 1,5 years.
- This investment is non-recurrent. The mobility teams are a new structure within the Dutch labor market assistance infrastructure, and will (for now) be temporary. Lessons learned can be used for new policies in the future. The existing labor market assistance infrastructure will also (of course) remain in place, and will also receive extra budget in order to help more people. This proposal (regional mobility teams) is extra.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- This measure contributes to country specific recommendation 2020-2: mitigate the employment and social impact of the crisis and promote adequate social protection for the self-employed, and to Pillar 3: smart, sustainable and inclusive growth, and Pillar 5: social resilience.

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
13	130	88				

D. Milestones and targets

- It is uncertain how many people will become unemployed or will be threatened by unemployment in the coming period. With this budget, as many people as possible will be assisted. Due to the highly tailor-made programs that they will receive, a total target number cannot be given. To illustrate: budget is reserved per region, but it is possible (and likely) that the effects of the Corona economic crisis will hit different regions differently, depending for example on their sectoral make-up. Within the running time of the teams, close monitoring might prove that a re-allocation of budget is needed.
- Therefore, the progress of the regional mobility teams will be closely monitored. UWV will take on this task. The teams report to UWV once a month, so that the number of programs is being monitored, as well as the part of the total budget that is needed for that. Once every two months, the responsible minister receives a report of the progress. Monitoring information consists of the number and types of programs that have been carried out, the number of participants and their personal characteristics, and the number of people that are successfully placed in new jobs, among other indicators.

- Milestones:
    - d. Legislation is deemed executable (has been tested and confirmed)
    - a. Legislation is formalized (this happened on March 26, 2021).
    - b. Teams are set up in every region (all representatives are selected), this currently is happening in all regions.
    - c. Teams are fully operational

- Note that teams are already being formed and even up-and-running in twelve frontrunning regions where the impact of the Corona economic crisis is the most severe (such as Amsterdam). Due to the great importance of acting quickly in order to mitigate the economic and social effects of the crisis, execution has been started in expectance of swift formalization of all necessary legislation.

E. Timeline decision making process

- The decision making process concerning the regional mobility teams took place over the summer of 2020. The teams were first announced in a letter by the government on August 28th, 2020.[39]

F. Social impact

- The goal (impact) is to decrease the social impact of the Corona crisis. Through this approach, the side effects of unemployment and poverty are reduced, such as (mental) health issues, reduced employability, unstable relationships/situations within families, homelessness, polarization, and increased crime rates. Moreover, long term employability/labor market participation is boosted, which decreases the long term economic effects of Corona and increases productivity and earning power.

[39] Kamerbrief Steun- en herstelpakket | Kamerstuk | Rijksoverheid.nl

C2-i-7: Debt remediation fund

Type: investment

A. Description of investment

- In addition to the larger instruments in the Dutch Corona aid package, such as subsidies to cover fixed costs and wages of affected companies, and monthly allowances for the affected self-employed, there is a supplementary package to diminish the negative social effects of the Corona (economic) crisis.
- Currently, a new instrument is being developed. The details are therefore still not known. In this proposal, the outline of this measure will be sketched. Once the details of this instrument have been designed, we will give a more elaborate description of this measure.
- A debt remediation fund is being set up. Municipalities are responsible for debt relief programs in the Netherlands. Many people who are dealing with problematic levels of debt, have several (sometimes dozens) of creditors. It is very difficult for these people to get a grip of their situation, because they lack an overview. With regular debt settlements the municipal debt counselor mediates between the creditors and debtor to arrange a debt settlement. The debtor agrees to make monthly payments during three years. The amount of the monthly payments takes into account the amount of money that is needed to live. The rest of the debt is written off (or forgiven) by the creditors. This kind of debt settlement is less effective than a remediation credit. In the case of a remediation credit, a municipal credit bank provides a loan to the debtor for the amount that the debtor would have paid to the creditors in three years. After approval, the creditors receive that money immediately instead of over a period of three years. The debtor has only one creditor left: the credit bank. In three years, the debtor makes monthly repayments to the credit bank instead of to multiple creditors. This creates a stable, manageable situation for the debtor (outcome).
- The central government makes available € 30 million to deposit in a debt remediation fund. This fund compensates municipalities lose money. Until now, this might withhold municipalities to use this kind of schemes, even though it can be beneficiary for the debtors. Municipalities can organize this type of scheme themselves as well, but often lack the professional or financial ability to do so. The fund acts as an insurance for municipalities. This will ensure that municipalities will use this instrument to solve debts more often (output). The fund is mostly intended to help municipalities that cannot already use this method. Municipalities pay fees to use the fund.
- It is expected that the number of people with problematic debts will rise in the near future, due to the economic impact of the corona crisis. It is therefore the right time to implement such a new way of helping this group. The intention is that most types of debtors can use this scheme (including the self-employed). The goal is to solve the situation for people with problematic debts, so they can fully participate in society again. Creditors benefit because they receive their money immediately instead of over a period of three years. This means they have more certainty and lower costs for administration. Municipalities benefit because the municipal debt counselor spends less time monitoring the situation during the three years of the debt settlement. More effective debt relief can also reduce problems in different areas of life, by reducing levels of stress and improving health, etc. This reduces the work needed by municipalities in these areas. Municipalities are responsible for debt relief programs in the Netherlands. They can also choose to implement accompanying measures, such as assistance towards a new job for example. Most municipalities use a multi-dimensional approach in their debt relief programs.
- Municipalities will pay a fee for every remediation credit that is covered with the remediation fund. This makes the fund 'revolving', so that no extra budget is needed in the future. The fee will be based on the risk of the remediation credit. This is still being investigated. The budget that is needed, is thereby non-recurrent. In a way, it is an investment as well as a reform, since the goal is to achieve a permanent new way of helping people in coping with their debts.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- This measure contributes to country specific recommendation 2020-2: mitigate the employment and social impact of the crisis and promote adequate social protection for the self-employed and to Pillar 5: social resilience.

Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
	30					

C. Milestones and targets

- It is uncertain how many people will build up problematic levels of debt due to the current economic situation. With this budget, as many people as possible will be assisted. As mentioned above, the goal is to make a 'revolving fund', so that this fund can be used permanently.
- The use of the debt remediation fund will be closely monitored, in order to improve this measure in the future when necessary.
- Milestones:
  a. The plan for the debt remediation fund is fully developed,
  b. A managing organization has been found or set up,
  c. The necessary legislation is ready and tested on executability,
  d. Legislation is formalized,
  e. The fund is fully operational.

D. Timeline decision making process

- The decision making process concerning the debt remediation fund took place over the summer of 2020. The plan was first announced in a letter by the government on August 28th, 2020.[40]

E. Social impact

- Problematic levels of debt can have a severe impact on mental health and the ability to participate in society. If this way of solving debts is used more frequently, more people can be helped. By helping to make it easier to cope with problematic levels of debt, this debt remediation fund will ensure that more people can set their mind to improving their lives in multiple areas, such as finding a (new) job, finding a way out of poverty, and reducing stress levels and other mental health issues. This will make it easier for them to fully participate in society.

[40] Kamerbrief Steun- en herstelpakket | Kamerstuk | Rijksoverheid.nl

C2-i-8: Interventions to tackle learning losses induced by school closures

Type: investment

A. Description of investment

- School closures have led to significant learning losses among students in primary, secondary and post-secondary vocational education. These closures were decided upon in an effort to curb the outbreak of the COVID-pandemic.
- Primary schools were closed for approximately 14 weeks and secondary schools for approx. 19 weeks (at the moment of writing, Feb 2020). A study by Oxford University among thousands of primary school students in the Netherlands, shows that pupils have, on average, not made learning progress during the first period of school closures[41] (8 weeks in March-May).
- According to the Oxford Study, the most vulnerable students even 'lost' knowledge in comparison to the period before the period of learning from home.
- Several measures were taken to (1) prevent the accumulation of new learning losses and (2) remedy losses that were already incurred. The package of measures has a focus on groups of students who are traditionally already at risk of accumulating learning losses, as several studies suggest that this group suffered the hardest blow in terms of learning progress.
- The package of measures targeting the learning losses have a total size of €1.022 bln. and consists of the following measures[42]:
    a. Program to tackle learning losses and offer educational support ('inhaal- en ondersteuningspro-gramma') (501 mln. (first tranch: 280 mln., second tranche: 221 mln.)): a subsidy program that funds schools' plans for tackling learning losses in the school year 2020/2021 and the first part of 2021/2022 (until December 31 2021). Schools have the autonomy to design a program that fits the needs of their student population, but do have to substantiate how the proposed interventions will contribute to tackling learning losses. 4000 primary schools and 600 second-ary school participate in the program, helping approximately 300 thousand students.
    b. Devices and internet connection (€24 mln.): schools receive financial support to purchase de-vices, which they can lend to students to facilitate online education. The policy is specifically aimed at students whose parents do not have the financial means to purchase these devices. Schools decide which students fall into this category. In applying for funds, priority is given to schools which traditionally have a student population at greater risk of falling behind. An exist-ing indicator (the so-called 'CBS-indicator') is used for this purpose, which looks at factors like the average level of education of the students' parents. Approximately 75 thousand have re-ceived support thus far.
    c. Additional staff, inside or outside the classroom ('extra hulp voor de klas') (368 mln. (first tranche: €210 mln., second tranche: €158 mln.)): primary schools, secondary schools and post-secondary vocational education can apply for funding to temporarily attract additional staff. This can both be in the form of qualified teachers, but may also imply hiring external staff to provide guest lectures. Also, schools have the possibility to use the funds to hire staff that can support with COVID-related tasks, such as making sure that students adhere to the dis-tance rules. The program intends to relieve some of the pressure off the existing staff and fore-see in additional support for students who are most in need. Thereby, it contributes to both (1) more and (2) more efficient teaching, which are both crucial in quickly addressing the existing learning losses. The longer these losses remain undressed, the harder it will become to remedy them at a later stage. This justifies a temporary investment for attracting additional staff.
    d. Tackling learning losses among newcomers (83 mln. (first tranche: €21 mln., second tranche: €62 mln.)): Students who have recently migrated to the Netherlands have proven to be particu-larly vulnerable to accumulate learning losses during times of school closures, as they (and their parents) often do not yet fully master the Dutch language. Schools that offer educational programs for newcomers have received financial means to provide additional educational sup-port to this group.
    e. Additional support for students in their final year (37 mln.): Pupils in their exam year of second-ary education receive additional support. An online platform is launched with webinars, assign-ments and instruction videos on exam subjects. Also, extra tutoring is offered.

[41] Engzell, Frey & Verhagen (2020), Learning inequality during the COVID-19 pan-demichttps://ideas.repec.org/p/osf/socarx/ve4z7.htmlplllllllllllllldfo'

[42] https://www.rijksoverheid.nl/documenten/kamerstukken/2021/01/22/funderend-onderwijs-tijdens-en-na-de-coronacrisis-een-nationaal-programma

- The measures are non-recurrent: they apply to the period until December 31, 2021.
- The Dutch government has also announced policies targeting the medium-long term (until 2023). Together with (most of) the interventions described here, these policies form the so-called 'National Program Education: support program for recovery and perpective'[43]. This program has a total size of approx. €8,5 billion.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- The policies contribute to the sixth pillar ('Policies for the next generation, children and youth, including education and skills'). It is important to address learning losses at an early stage, to prevent that these accumulate further and result in lower career prospects for the future generation.
- In addition, the measures contribute to CSR2020-1, which calls on the Netherlands to take all necessary measures to effectively address the pandemic and support the ensuing economic recovery. Investing in the prevention and reduction of learning losses is crucial for keeping the country's human capital at a high level. A US study shows that a learning loss of 3 months in primary school can accumulate to a full year's worth of learning if it is not mitigated in time, because children will be behind the curriculum when they re-enter school and fall further behind as time goes on[44]. The measure also contributes to CSR2020-2, by mitigating the social impact of the crisis.

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
	1013					

D. Milestones and targets

a. Milestones

- Successfully setting up the various subsidy programs and announcing these on the government's website.
- Granting subsidies to schools whose plans meet the criteria.
- Launching an online platform with learning materials for students in their final years (expected: March 2021)
- Monitoring the effects of the various policies on learning outcomes.

b. Targets

- Program to tackle learning losses: reaching at least 15% of the student population with additional educational support (such as summer schools)
- Devices: providing 75.000 thousand students with a laptop or other device that facilitate learning-from-distance.
- Additional staff: hiring extra staff, for teaching and for tasks that facilitate face-to-face teaching in times of the pandemic (such as logistic support and surveillance to check if students adhere to the COVID-rules). No specific target specified for number of extra employees, as this depends on the mix of staff (teachers/concierges/teaching assistant/other) schools decide on.
- Newcomers: facilitating the transition of newcomers from newcomer education to the regular educational system.

The recently announced multi-year program has set as target to erase all learning losses by the end of school year 2022-2023. This program consists of more interventions than are described here. The government is currently working on a monitoring and evaluation scheme for this multi-year program, which will look at cognitive as well as psychological indicators.

E. Timeline decision making process

- All measures were taken in response to the outbreak of the COVID-virus in the Netherlands (March 2020) and apply to this school year (September 2020-August 2021).

[43] Ministerie van Onderwijs, Cultuur en Wetenschap (2021), nationaal Programma Onderwijs: steunprogramma voor herstel en perpectief, https://www.tweedekamer.nl/kamerstukken/brieven_regering/detail?id=2021Z03294&did=2021D07290

[44] Kaffenberger (2020), Modeling the Long-Run Learning Impact of the COVID-19 Learning Shock: Actions to (More Than) Mitigate Loss, https://riseprogramme.org/publications/modeling-long-run-learning-impact-covid-19-learning-shock-actions-more-mitigate-loss

- The government announced the first measures in a letter to parliament on May 15, 2020[45]. The policy 'extra hulp voor de klas' was added on Novermber 16th, 2020[46]. The progress was set out in a letter to parliament on January 22, 2021[47]. On February 17, 2021, the government announced new measures, as well as expansion of the running programs[48].

F. Social impact

- This set of policies seeks to prevent that a whole generation falls behind in terms of learning outcomes. By investing in tackling and preventing learning losses, the labour market perspective of the future generation is kept bright. Also, specifically targeting groups of students with a greater risk of falling behind due to their socio-economic background is essential in terms of equality of opportunity. This is important both for reasons of justice and economic efficiency.
- If the educational system does not receive additional support, the effects on GDP will be severe. A study by the OECD warns that the effects of the school closures can result to a negative impact of 3% on personal income and a lower long-term annual gdp growth rate of 1,5%[49]. This underlines the urgency of a swift and substantial policy response.

[45]Ministerie van Onderwijs, Cultuur en Wetenschap (2020), Kamerbrief Compensatie studenten en ondersteuningsmaatregelen onderwijs COVID-19,
[46] Ministerie van Onderwijs, Cultuur en Wetenschap (2020), Kamerbrief over extra hulp voor de klas en verbeterde naleving maatregelen COVID-19,
[47]Ministerie van Onderwijs, Cultuur en Wetenschap (2020), Kamerbrief over programma voor funderend onderwijs tijdens en na de coronacrisis,
[48] See footnote 3
[49] OECD (2020), The Economic Impacts of Learning Losses

Component 3: boosting public and private investments

C3-r-1: National Growth Fund

Type: reform

A. Description of reform

- With the establishment of the National Growth Fund, an institutional infrastructure is set in place to sustainably foster public investments in an efficient manner. The National Growth Fund will focus on public investment to boost the Dutch economy's long-term earning power. These investments are needed in order to tackle challenges to economic growth, including demographic ageing, climate change and the stalling of productivity growth. €20 billion is available for the next five years.
- The Netherlands is currently suffering the economic consequences of the coronavirus pandemic. But one of the lessons of the last crisis is that continued investment in the Dutch economy is required more than ever at a time like this. That is why the government has taken temporary measures to support the economy in the short term.[50] In the longer term, robust growth is required to revive our economy and reduce the national debt as a percentage of gross domestic product (GDP).
- This growth fund is a consequence of the growth strategy presented at the end of last year. In its growth strategy the government observes that extra one-off and non-regular investment is needed to strengthen earning power. Three focus areas for the National Growth Fund were chosen in which the government sees the greatest opportunities to increase productivity, namely:
    a. *knowledge development*: This type of investment strengthens earning power in several ways Firstly, it develops relevant knowledge and skills that immediately raise labour productivity. Workers who have the right know-how and skills enhance the quality of work. Secondly, it fosters dynamism: human capital makes the economy more adaptable. It makes us better able to respond flexibly to the demands of tomorrow's economy and equip ourselves with the skills it requires
    b. *research & development (R&D) and innovation*: Investment in R&D and innovation is a key pillar for productivity growth in developed countries such as the Netherlands. We have to strengthen existing research and innovation ecosystems and set up new, high-potential ecosystems. This is consistent with the government's aim announced in the growth strategy and with the public-private cooperation that has been established in the mission-driven policy for top sectors and innovation. We will therefore simultaneously target research and development, research infrastructures, startups and scale-ups, and regulation and human capital. Investments in the economy of the future, for instance in artificial intelligence, robotics and sustainability technology, are vital to future innovation.
    c. *Infrastructure*: Good infrastructure is vital to economic performance. Good connections reduce the cost of transporting both goods and people. This means more than simply good mobility infrastructure, such as good road, rail, water and air connections. It also includes high-quality energy infrastructure and digital connections.
- These areas are of key importance to the earning power of the Dutch economy. Moreover, the investments in these areas will most likely prelude investments by other parties in the future. For example, the R&D&I-projects often establish a research ecosystem, where companies, knowledge institutions and universities work together in exploring a promising technique, like artificial intelligence or quantum. The investment from the National Growth Fund kick-starts such an ecosystem, but as the innovative technique matures, other investors (both private and public) will see merit in contributing. Hence, the initial investment by the National Growth Fund lays the foundation for many more (public and private) investments in the future.
- Businesses (including SMEs), knowledge institutions and other stakeholders are invited to present proposals, which are then formally submitted to the fund managers (Ministry of Economic Affairs and Climate Policy and the Ministry of Finance) by the coordinating ministries in the fund's fields of investment (infrastructure, knowledge development and research & development). The fund managers check if proposals meet the minimum requirements, such as that the investment are a form of non-regular and non-structural expenditure.
- In order to ensure an effective, objective and politically independent evaluation of the projects submitted, the proposals are subsequently forwarded to a committee of independent experts, which functions as an independent advisory body to the government. The committee's task is to assess these plans based on an analysis of their impact on earning power and taking into account their financial cost. In addition, a proposal's social benefits must outweigh its social costs (e.g. in terms of liveability), and the committee must be sufficiently confident that the proposal is both practicable and of a high quality.

50 The measures were presented in two emergency packages on 17 March and 20 May 2020.

- The committee weighs several aspects that have close resemblance with the DNSH-principle (although it does not explicitly use the criterion in its analysis). For example, a knock-out criterion is whether proposals yield net societal benefits. If proposals have a significant impact upon the environment (either positive or negative), then these should be included and monetarized in the calculation of societal benefits using efficient CO2-prices. These prices are higher and thus more strict than the current ETS-price. Furthermore, investments should be in line with existing government policy, including its support for the ambitions set out in the Paris Accords.
- The committee will draw up an advisory opinion concerning which projects deserve funding the most, given the objectives of the Fund[51]. The committee's opinion will play an important role in the process, but ultimately political approval is required. The government will therefore make the decision on which projects will be financed from the fund, on the recommendation of the fund managers.
- The investments that the National Growth Fund enable do not go at the cost of other government expenditures. This government underscores the importance of *additional* investments in the long-term economic growth. Given the current economic situation, the government believes it would not be prudent to cut expenditure nor investment, since this could damage the vulnerable economy. Estimated expenditure from the fund is thus being charged to the balance, rather than being covered by the expenditure ceiling (in which case it would supplant other expenditure).
- The National Growth Fund itself is recurrent, in the sense that parliament approved the budget for the coming five years. The intention of the government is to preserve the National Growth Fund after this five-year period as well. However, the projects that are financed by the Growth Fund are all non-recurrent in nature. Investment projects must concern non-regular, non-structural expenditure.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- This measure contributes to pillars 1 ('Green Transition') and 2 ('Digital Transformation') by funding projects in the field of Research and Development and infrastructure. Also, it contributes to pillar 6 ('policies for the next generation') and flagship 7 ('Reskill and upskill') by funding projects in the field of education and by explicitly making long-term economic growth the aim of the Fund.
- The government has recently announced which projects will receive funding in 2021. This ranges from investments into life long learning, to a data-infrastructure in health-care, to research into artificial intelligence and quantum computing[52]
- The national growth fund seeks to boost the Dutch economy's structural economic growth. Higher economic growth is not an end in itself but a means to promote societal objectives and prosperity in a broad sense for the benefit of all. By increasing the productivity of the Dutch economy we can increase our future national income. This will increase the disposable income of households and businesses. It will also lead to more government tax revenue, enabling the Netherlands to continue to benefit from valuable public goods such as healthcare and pensions, as well as first-class education, excellent infrastructure and an attractive, green living environment, for both the present and future generations.
- The National Growth Fund contributes to achieving CSR2019-3: "Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on digital skills development, sustainable infrastructure and clean and efficient production and use of energy as well as mission-oriented research and innovation." (CSR2020-3, European Commission, 2020) "
- Also, it contributes to CSR2019-3: "While respecting the medium-term budgetary objective, use fiscal and structural policies to support an upward trend in investment. Focus investment-related economic policy on research and development in particular in the private sector, on renewable energy, energy efficiency and greenhouse gas emissions reduction strategies and on addressing transport bottlenecks." (CSR2019-3, European Commission, 2019)
- Both recommendations stress the need for public investments in areas that the growth fund focusses on: infrastructure, knowledge development, and R&D and innovation including innovations that address challenges related to climate change).

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
	4.000	4.000	4.000	4.000	4.000	

D. Milestones and targets

a. Milestones

[51]See here for their first advisory report: Adviescommissie Nationaal Groeifonds (2021), Rapport eerste beoordelingsronde

[52] Ministerie van Economische Zaken (2021), Kamerbrief bekostiging investeringsvoorstellen uit Nationaal Groeifonds

- April 2021: expert committee publishes its advisory opinion to the government on first round of proposals
- April 2021: government decides which projects to finance (max. 4 billion)
- May-Sept 2021: Call for proposals for second investment round
- Besides annually monitoring the progress and results achieved by projects under the fund, the Ministry of Economic Affairs and Climate Policy and the Ministry of Finance will also periodically evaluate the fund themselves. This evaluation will take place every five years; an interim evaluation will take place after two years, focusing on governance.

b. Targets

- *Higher structural long-term economic growth*: The impact on earning power will be analysed and weighed against the investment costs. Proposals should include a quantitative estimate of their impact on structural growth and will be assessed on this criterion by the expert committee.
- *Net societal benefits*: The net social costs and benefits of investments, such as in terms of quality of life, must be be positive.

E. <u>Timeline decision making process</u>

The National Growth Fund was announced on September 7, 2020 in a letter to parliament[53]. Its budget was approved by parliament on January 12, 2021[54].

Currently, a law is drafted that foresees in the permanent legal embeddedness of the National Growth Fund, which will be sent to parliament before the summer of 2021. This law will also specify the process from submitting investment proposals, to financing and evaluating them, in greater detail

F. <u>Social impact</u>

- The aim of the National Growth Fund is to raise long-term economic growth, but in doing so, it may also boost employment and economic activity in the short term.
- By investing in R&D, infrastructure and knowledge development, the National Growth Fund brings forth social benefits in a broad range of fields.
- Investment proposals only qualify for funding if they bring about net social benefits. In the calculation of social costs and benefits, elements like the effects on climate change should be quantified.
- The financed projects can have positive cross-border, spillover effects. For example, investments in faster and more sustainable infrastructure not only benefits the Netherlands, but also provides opportunities for faster export routes through the country. Also, foreign researchers will likely profit from the additional investments in R&D and innovation.

[53] Ministerie van Financiën (2020), Kamerbrief Nationaal Groeifonds, https://www.rijksoverheid.nl/documenten/kamerstukken/2020/09/07/nationaal-groeifonds

[54] Eerste Kamer der Staten-Generaal, Wetsvoorstel Begrotingsstaat Nationaal Groeifonds https://www.eerstekamer.nl/wetsvoorstel/35570_xix_begrotingsstaat

C3-i-2: National Growth Fund investments

Type: investment

A. Description of investment

- **Strengthening Infrastructure Lifelong Development**

The proposal Strengthening Infrastructure Lifelong Development (LLO) invests in (i) personalizing a digital training overview, (ii) a pilot with development advice and (iii) making funded (post-initial) education in MBO and higher education more flexible. The aim is to strengthen both the supply and demand side of Life-long Development, thereby contributing to increasing knowledge and skills and keeping them up to date.

- **Transition to innovative and future-proof education**

The Transition to innovative and future-proof education proposal invests in (i) a National Education Lab and regional education labs that develop and validate prototypes, (ii) a subsidy scheme for market development based on the prototypes, (iii) strengthen national knowledge infrastructure and (iv) granting grants to educational institutions to accelerate the deployment of digital learning and resources. The aim is to increase the quality of education by investing in digital learning and aids and ICT.

- **AiNed**

The proposal AiNed is a broad investment program that aims to utilize the potential of artificial intelligence (AI) for the Dutch economy and society and proposes twelve instruments to tackle existing bottlenecks.

- **Green capacity of the Dutch economy**

The Green Power of the Dutch economy proposal invests in a green hydrogen ecosystem consisting of (i) small and large-scale demonstration projects, (ii) an R&D program and (iii) a human capital program. The aim of the proposal is to accelerate the applications of green hydrogen in, among others, chemistry, transport and heavy industry through innovation and cost reduction. In this way, the proposal can also make a valuable contribution to the transition to a CO_2-neutral society.

- **Health-RI**

The Health-RI proposal invests in (i) the development of an integrated, national health data and research infrastructure, (ii) the removal of social and organizational barriers by means of an agreement system, (iii) a central point for data issue. The aim is to stimulate innovation in the life sciences and health sector by standardizing and connecting data from Dutch hospitals and care organizations, knowledge institutions, public health organizations, patient organizations, health funds and companies. The proposal focuses on sharing and using (research) data.

- **QuantumDeltaNL**

The QuantumDeltaNL proposal focuses on strengthening the Dutch quantum ecosystem by investing in (1) quantum computing, (2) quantum networks and (3) quantum sensing. Quantum is a developing technology that can be a game-changer in the field of computing power and thus provide new revenue models and solutions for social problems. Quantum technology may enable much safer networks and communications to be established in the future.

- **RegMed XB**

The proposal RegMed XB invests in the construction of four pilot plants for the further development of regenerative healthcare. Regenerative medicine aims to develop new treatments that make smart use of the self-healing capacity of our body. For this, use is made of gene therapy and (stem) cell therapy. The aim of RegMed XB is on the one hand to be able to prevent or cure chronic diseases in the long term, and on the other hand to enable the Dutch business community to develop innovative products and processes and to respond to a rapidly growing foreign market.

- The National Growth Fund will focus on public investment to boost the Dutch economy’s long-term earning power. These investments are needed in order to tackle challenges to economic growth, including demographic ageing, climate change and the stalling of productivity growth.
- This growth fund is a consequence of the growth strategy presented at the end of last year. In its growth strategy the government observes that extra one-off and non-regular investment is needed to strengthen earning power. Three focus areas for the National Growth Fund were chosen in which the government sees the greatest opportunities to increase productivity, namely:
    a. *knowledge development*: This type of investment strengthens earning power in several ways Firstly, it develops relevant knowledge and skills that immediately raise labour productivity. Workers who have the right know-how and skills enhance the quality of work. Secondly, it fosters dynamism: human capital makes the economy more adaptable. It makes us better able to

respond flexibly to the demands of tomorrow's economy and equip ourselves with the skills it requires

b. *research & development (R&D) and innovation*: Investment in R&D and innovation is a key pillar for productivity growth in developed countries such as the Netherlands. We have to strengthen existing research and innovation ecosystems and set up new, high-potential ecosystems. This is consistent with the government's aim announced in the growth strategy and with the public-private cooperation that has been established in the mission-driven policy for top sectors and innovation. We will therefore simultaneously target research and development, research infrastructures, startups and scale-ups, and regulation and human capital. Investments in the economy of the future, for instance in artificial intelligence, robotics and sustainability technology, are vital to future innovation.

c. *Infrastructure*: Good infrastructure is vital to economic performance. Good connections reduce the cost of transporting both goods and people. This means more than simply good mobility infrastructure, such as good road, rail, water and air connections. It also includes high-quality energy infrastructure and digital connections.

c. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- The measures contributes to pillars 1 ('Green Transition') and 2 ('Digital Transformation') by funding projects in the field of Research and Development. Also, the measures contribute to pillar 6 ('policies for the next generation') and flagship 7 ('Reskill and upskill') by funding projects in the field of education and by explicitly making long-term economic growth the aim of the Fund.
- The National Growth Fund contributes to achieving CSR2019-3: "Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on digital skills development, sustainable infrastructure and clean and efficient production and use of energy as well as mission-oriented research and innovation." (CSR2020-3, European Commission, 2020) "
- Also, it contributes to CSR2019-3: "While respecting the medium-term budgetary objective, use fiscal and structural policies to support an upward trend in investment. Focus investment-related economic policy on research and development in particular in the private sector, on renewable energy, energy efficiency and greenhouse gas emissions reduction strategies and on addressing transport bottlenecks." (CSR2019-3, European Commission, 2019)

d. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
	656					
Climate	73					
Digital	528					

e. Milestones and targets

a. Milestones

- April 2021: expert committee publishes its advisory opinion to the government on first round of proposals
- April 2021: government decides which projects to finance (max. 4 billion)
- May-Sept 2021: Call for proposals for second investment round
- Besides annually monitoring the progress and results achieved by projects under the fund, the Ministry of Economic Affairs and Climate Policy and the Ministry of Finance will also periodically evaluate the fund themselves. This evaluation will take place every five years; an interim evaluation will take place after two years, focusing on governance.

b. Targets

- *Higher structural long-term economic growth*: The impact on earning power will be analysed and weighed against the investment costs. Proposals should include a quantitative estimate of their impact on structural growth and will be assessed on this criterion by the expert committee.
- *Net societal benefits*: The net social costs and benefits of investments, such as in terms of quality of life, must be be positive.

f. Timeline decision making process

The National Growth Fund was announced on September 7, 2020 in a letter to parliament[55]. Its budget was approved by parliament on January 12, 2021[56]. Currently, a law is drafted that foresees in the permanent legal embeddedness of the National Growth Fund, which will be sent to parliament before the summer of 2021. This law will also specify the process from submitting investment proposals, to financing and evaluating them, in greater detail
g. <u>Social impact</u> • The aim of the National Growth Fund is to raise long-term economic growth, but in doing so, it may also boost employment and economic activity in the short term. • By investing in R&D, infrastructure and knowledge development, the National Growth Fund brings forth social benefits in a broad range of fields. • Investment proposals only qualify for funding if they bring about net social benefits. In the calculation of social costs and benefits, elements like the effects on climate change should be quantified. • The financed projects can have positive cross-border, spillover effects. For example, investments in faster and more sustainable infrastructure not only benefits the Netherlands, but also provides opportunities for faster export routes through the country. Also, foreign researchers will likely profit from the additional investments in R&D and innovation.

[55] Ministerie van Financiën (2020), Kamerbrief Nationaal Groeifonds, https://www.rijksoverheid.nl/documenten/kamerstukken/2020/09/07/nationaal-groeifonds
[56] Eerste Kamer der Staten-Generaal, Wetsvoorstel Begrotingsstaat Nationaal Groeifonds https://www.eerstekamer.nl/wetsvoorstel/35570_xix_begrotingsstaat

C3-i-1: Smart Mobility

Type: Investment

A. Description of investment

- Much of the Dutch(rail)road infrastructure was constructed during the 1960s and 1970s. As a result many residential and working locations became easily and safely accessible by car and public transport. The quality of our mobility infrastructure has been one of the main pillars driving the strong economic development of the Netherlands in the 20th century. Dutch infrastructure has been in the top of the Global Competiveness Rankings for several years. The infrastructure is now aging because of increasingly intensive and heavy use. In order to ensure the quality, sustainability, and safety of our mobility infrastructure in the future, investments in management en maintenance are necessary. Furthermore there are challenges regarding developments in the field of climate, sustainability and IT. To maintain a consistent high level of quality for a safe, accessible and future proof infrastructure in the Netherlands investments are needed. For this purpose we have accelerated investments in maintenance of (rail)road infrastructure and smart mobility for a total of 1.2 billion euros.
- This investments have a direct impact on economic recovery by stimulating i.e. the construction industry, and furthermore strengthen mobility, and accessibility of economic locations in the Netherlands.
- The acceleration of investments falls within the time horizon of the RRF. While regular investments in the management and maintenance of infrastructure are recurrent, the accelerating investments in overdue maintenance are eligible under the RRF regulations, and are closely linked to the Country Specific Recommendations for the Netherlands (see below).

In algemeenheid staat de reeks nog niet volledig stil, omdat het allemaal beleid in uitvoering is. Reeksen dienen dus geüpdatet te worden voor indiening van het definitieve plan.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- The intended effect of accelerating investments in existing infrastructure and smart mobility is to ensure stable and safe accessibility, which is essential for economic development, as well as adaptation to new developments such as sustainability, IT and heavy use. Investments in infrastructure contribute to the country specific recommendations, the digital and green transitions (smart mobility), and effectively strengthen the potential for sustainable growth, job creation, and economic and social resilience.

Contribution to Country Specific Recommendations

- The measures also contribute to the country specific recommendations (CSRs). The acceleration of investments in management and maintenance of existing mobility infrastructure contributes to the CSRs. Specifically the front-loading of mature public investment projects to foster economic recovery, including sustainable infrastructure.

Contribution to general objectives (six pillars)

- The measure contributes to the six pillars. Firstly, these investments contribute to the Union's economic cohesion, productivity, competitiveness, job growth and employment, and the well-functioning single market (pillar 3 and 5). The Netherlands is one of the main ports of Europe and many European countries benefit from the quality and stability of the infrastructure by exporting oversees. Companies are increasingly depended on fast and stable transportation. The stability and safety has given European companies a head start in the competition with companies around the world. This means investments in Dutch infrastructure contribute to the social en territorial cohesion of the EU as a whole (pillar 4).
- In addition, investments in the modernization and digitalization of mobility infrastructure contribute to the green transition (pillar 1) and digitalization (pillar 2). By the use of data, new materials and IT-solutions the infrastructure becomes smarter, which means people can make better use of it. In turn this leads to a higher return on investment for future infrastructure projects, which opens the door for the research and use of new forms of transportation (pillars 3 and 6).

Flagships

- The measure can be linked to several of the seven flag ships, including (2) Renovate, (3) Recharge and refuel, and (5) Modernize.

C. Estimated costs

Amounts in € mln; - = budget balance improving

	2020	2021	2022	2023	2024	2025	2026
Total	0	74	423	579	108	108	-56
RWS			108	108	108	108	
ProRail		39	270	396			-39
Smart mobility		35	45	75			-17

D. Milestones and targets

- Investments in infrastructure are part of the yearly budgetary cycle (see below). Therefore, progress on milestones and targets will be reported on periodically in all budgetary products during the entire period. Setting targets and milestones for the allocated funds is part of this.
- The milestones and targets are set by ProRail and RWS. These organizations regularly report the status of the infrastructure through data and inspections and together with the policymakers define which project and milestones contribute best to the predetermined goals. The progress is reported in report cycles which are compatable to the budgetary cycles.

E. Timeline decision making process

- These investments will become part of the regular budget cycle and will therefore be monitored in the same way all national investments are monitored, including efficiency testing, auditing reports and the regular checks and balances of the involved organizations. The budget has already been allocated in the annual amending budget and has been approved by parliament. The planning and decision making on the exact distribution of the available funds falls under the responsibility of the Minister of Infrastructure. The execution of the investments will be done by the Ministry of Infrastructure and related executive organizations (ProRail and Rijkswaterstaat). The executive organizations dispose of the necessary experience and planned activities so expenditure is expected to start in 2021.

F. Social impact

Safety
Front-loading investments in management and maintenance of our infrastructure positively impacts the safety of the users of (rail)roads, bridges, tunnels, viaducts. Smart mobility projects can further enhance the safety of infrastructure.

Economic stability
Public investments in infrastructure will directly impact the stability and recovery of the European. Modern, safe and smart infrastructure in the Netherlands will benefit the EU as a whole because of the importance of transit from large economic hubs such as the port of Rotterdam, which connects the North Sea with the European hinterland. Furthermore, front loading infrastructure investment will create jobs and directly stimulate the construction industry.

Transportation and mobility
Investments in infrastructure and smart mobility will have a positive effect on transportation and mobility.

Component 4: the green transition

C4-r-1: Introduction of the CO_2-tax for industry

Type: Reform

A. Description of reform

- The Netherlands has introduced a CO_2 tax to reduce the greenhouse gas emissions in the industry by 14.3 Mt CO_2 compared to the expected baseline emissions in the industry.
- It is a tax with a CO_2 exempt free base. If an installation emits more CO_2 than the tax-exempted bases, these emissions will be taxed.
- The exempt free base gradually reduces over time, so the total amount of exempted emissions in 2030 is in accordance with the national reduction target for the industry.
- To provide an incentive to produce more efficient instaed of for instance reducing production, the exempted CO_2-emissions are based on the ETS-productbenchmarks, the production rate and a national reduction factor (which is equal for all companies).
- The aim of the CO_2-tax is to reduce the emissions of the industry. So the cost of emitting should by higher than the cost of reducing CO_2. Therefore, the tariff is set above the expected abatement costs corresponding with the required CO_2-reduction. The tariff gradually increases from 30 euros in 2021 to 125 euros in 2030.
- Further reading:
  - https://www.pbl.nl/publicaties/actualisatie-inzichten-co2-heffing-industrie
  - https://www.pbl.nl/publicaties/effect-kabinetsvoorstel-co2-heffing-industrie
  - https://www.emissieautoriteit.nl/onderwerpen/co2-heffing
  - https://www.rijksoverheid.nl/onderwerpen/belastingplan/belastingwijzigingen-voor-ondernemers/co2-heffing
  - https://www.rijksoverheid.nl/documenten/kamerstukken/2020/09/15/wetsvoorstel-wet-co2-heffing-industrie

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- The main aim of the policy reform to reduce greenhouse gasses in the industry and thereby contributing to the transition to a climate neutral economy. The CO_2-tax will stimulate innovation and the deployment of new techniques thereby increasing the reduction potential of the industry worldwide and enhancing the growth potential for low carbon production.
- The reform closely aligns with RRF-priorities: climate and green transition. It is a reform that aims to reduce greenhouse gasses in the industry and aims to stimulate innovation and the deployment of new techniques in the green transition. Therefor it contributes directly to the green transition, according to the example in the Commission guidance document.
- Finally: the option is directly related to the efforts of the Dutch government to meet the 2020 and 2019 CSR's, specifically CSR 2020-3 and CSR 2019-3, regarding the green transition and securing a decrease in CO_2 emissions in the industry and boosting private investments in green innovation.

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026

. We expect the CO_2-tax not to generate revenues. The tax is designed to have a 100% behavioural change for the industry as a whole because the price of pollution for the industry as a whole becomes higher than the cost of reducing carbon emissions. However, in the case that revenues are generated, these revenues will be used to stimulate innovation and development in the green of the industry. This will be done by using existing subsidy schemes. Which subsidy schemes will be used, is not yet decided.

D. Milestones and targets

- The CO_2-taks is part of the Dutch Climate Agreement. The Climate Agreement is part of the Dutch climate policy. It is an agreement between many organisations and companies in the Netherlands to combat climate change. The government's central goal with the National Climate Agreement is to reduce greenhouse gas emissions in the Netherlands by 49% by 2030 compared to 1990 levels.
- The CO_2-tax has a CO_2-reduction target for 2030 but no targets for the intervening years. The aggregated tax exempted base is 16.9 Mt lower in 2030 than the expected emissions in 2030, if no climate policy would be introduced. Thereby the expected CO_2-redcution for the industry is 14.3 Mt compared to the baseline.

E. Timeline decision making process

- On the first of January 2021 the CO_2 tax has come into effect. The legislation has passed in parliament in November and December 2020.

C4-r-2: Aviation tax

Type: reform

A. Description of reform

- As of 1 January 2021 the Netherlands has introduced a national aviation tax.
- Dutch airports will be charged € 7,845 per departing passenger. Transfer passengers, children below the age of 2 and boarding crew members are excluded.
- The airports will charge the tax to the airlines, who are obliged to pay the due amount.

- Goal: The national aviation tax is part of the 'fiscal greening' attempt - to increase of taxes on polluting activities while at the same time decrease taxes on labor. Its goal is to make passengers more aware of the external costs of aviation. The budgetary goal is to collect € 200 million per year (prices 2017). The rates will be yearly adjusted to the inflation.
- Output: The aviation tax is supposed to increase costs for airlines who can choose to pass on these costs to passengers by increasing ticket prices. By adding a fixed tariff per passenger, the prices for cheaper (and mainly shorter) flights will increase relatively more.
- Outcome: In doing so other means of transport, such as train and bus, may become more attractive for short distance travels.
- Documentation: CE Delft has done research on the potential effects of a Dutch aviation tax.[57]
- This is a recurrent measure starting as of 1 January 2021.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- This measure contributes to pillar 1 ('green transition').
- This measure contributes to CSR2020-3 and CSR2019-3.

C. Estimated costs (prices 2017, to be yearly adjusted to the inflation)

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
0	-200	-200	-200	-200	-200	-200

D. Milestones and targets

a. Milestones:
  - Measurement to come into force as of 1 January 2021;
  - Efficiency of the aviation tax will be evaluated 5 years after implementation;

b. Targets: To collect € 200 million per year (prices 2017, to be yearly adjusted to the inflation).

E. Timeline decision making process

- Parliamentay debates took place on 11 March 2020 (House of Representatives, original version)[58], 2 December 2020 (House of Representatives, adjustment)[59] and on 7/8 December 2020 (Senate, original version and adjustment, together with Belastingplan 2021)[60]
- Parliament adopted the measure on 1 April 2020 (House of Representatives, original version)[61], (House of Representatives, adjustment)[62] and on 15 December 2020 (Senate, original version and adjustment)[63]

[57] "Economische- en Duurzaamheidseffecten Vliegbelasting", CE Delft june 2018 & "Economische- en Duurzaamheidseffecten Vliegbelasting: doorrekening nieuwe varianten", CE Delft april 2019.
[58] Plenaire verslagen | Tweede Kamer der Staten-Generaal
[59] Algemeen overleg: "Belastingdienst en Belastingen" | Tweede Kamer der Staten-Generaal
[60] Eerste Kamer der Staten-Generaal - Wetsvoorstellen van het pakket Belastingplan 2021
[61] Wijziging van de Wet belastingen op milieugrondslag (Wet vliegbelasting) (35205) | Tweede Kamer der Staten-Generaal
[62] Wijziging van de Wet vliegbelasting | Tweede Kamer der Staten-Generaal
[63] Eerste Kamer der Staten-Generaal - Stemming Wet vliegbelasting & Eerste Kamer der Staten-Generaal - Stemming Novelle Wet vliegbelasting

- Aviation tax was published on 16 December 2020[64] and came into force as of 1 January 2021.

F. Social impact

- Impact: 'Fiscal greening' means to create awareness for polluting activities by adding to the price of such activities. Additionally the aviation tax aims to stimulate alternative means of transport on short distances, such as train and bus.
- Synergy: Several European countries already implemented a comparable air passenger tax. The Netherlands (re)joins this group of countries.
- As aviation is a primarily international issue, solutions are best to be found on international or EU-level.
- Therefore, in November 2019 the Netherlands, supported by 8 other EU member states, called upon the European Commission to bring forward a proposal for an EU initiative on aviation pricing, for example by means of taxation.[65] Furthermore, the Netherlands are in close contact with other member states, for example via conferences[66], and regularly addresses the issue during ECOFIN meetings.

[64] vletg0l3vozk.pdf (eerstekamer.nl)
[65] Nederland roept samen met 8 andere landen op tot Europese vliegbelasting | Nieuwsbericht | Rijksoverheid.nl
[66] International conference on carbon pricing and aviation taxes is starting | News item | Government.nl

C4-i-1: Nitrogen measures

Type: investment

A. Description of investment

General policy description

The Dutch nitrogen problem, first, causes deprivation of nature and biodiversity. According to the European Birds and Habitats Directives, Natura 2000 areas have to be maintained, or restored, to a favourable conservation status. Therefore, The Netherlands needs to decrease nitrogen emission and deposition and implement nature restoration measures to adhere to these Directives. In 2019, the Dutch Council of State ruled that the active Dutch nitrogen policy, “Programma Aanpak Stikstof” (PAS), conflicted with the European Habitat Directive and could no longer be used to grant permits. As a consequence, all permit applications for activities that cause nitrogen emission, including infrastructure, industry and housing, have been put on hold. In order to continue these activities, the Netherlands, first, has to decrease nitrogen levels. A decrease of nitrogen levels is needed to relieve nitrogen-sensitive Natura 2000 areas that suffer from too much nitrogen deposition. Part of the reduction can be used to compensate for new nitrogen emissions from for instance the building of new houses or the development of new alternative energy sources. However, this can only be done when the reduction of nitrogen is actually realized (in contrast to the PAS policy, under which it was possible to compensate with reductions expected in the future). Therefore, the government has formulated a diverse range of measures to decrease nitrogen emissions and depositions and, thereby, improve and restore Natura 2000 areas. Alongside these efforts, a substantial amount of funding is directly available to nature restoration measures.

While developing this long-term approach, all sectors that produce nitrogen were taken into consideration. It is important to distinguish nitrogen emissions and depositions. Nitrogen is emitted, carries a certain distance and lands on the ground. Nitrogen deposition affects the quality of nature and is therefore primarily relevant in relation to the obligations to protect Natura 2000 areas. NH3 carries less far than NOx, which explains why NH3 is a relatively larger contributor to deposition on Dutch Nature 2000 sites.

The Dutch agricultural sector is source of approximately 45% of the nitrogen deposition in the Netherlands. Approximately 32% of deposition is caused by “imported emissions” from neighbouring countries.Traffic and housing account for respectively 8 and 6%.[67] This contribution was reflected in the national nitrogen strategy: all sectors should contribute, but these contributions are not equal.

[67] https://www.cbs.nl/nl-nl/dossier/dossier-stikstof/stikstofdepositie.

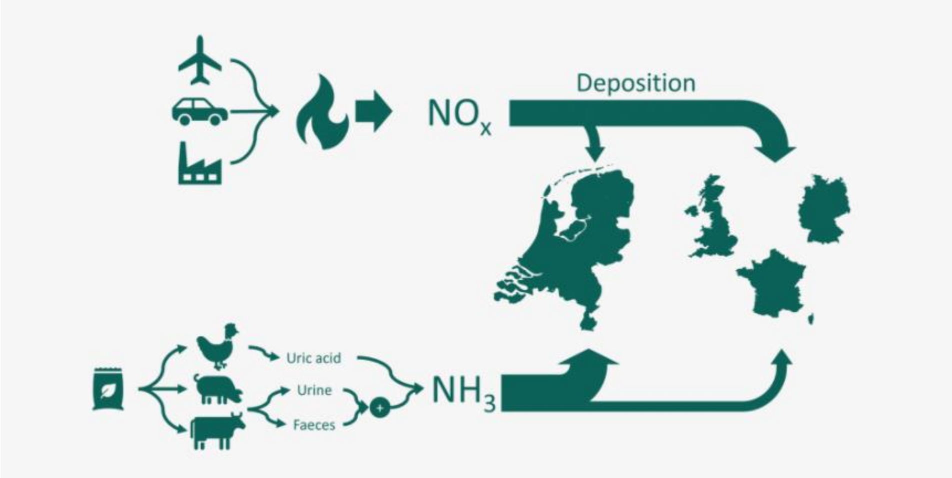


Figure 2 – Summary of how nitrogen oxides (NO_x) and ammonia (NH_3) are created and how far they are carried before deposition

Source: The Dutch Nitrogen Crisis (greenfish.eu)

Description of measures
Within the national nitrogen strategy two types of measures may be distinguished: (A) emission reduction measures and (B) Nature restoration and improvement These packages of measures will be explained below.

A. Emission reduction measures[68]
First, between 2020 and 2030 approximately 2 bln. will be invested in concrete measures to decrease NH3 and NOx emission. Between 2020 and 2026, a total amount of 1,77 bln. will be invested (this is specified in section B).
The aim is to achieve approximately 26% emission reduction in 2030. These measures contribute to the reduction of CO2-equivalents as well. The measures can be classified into three categories:
A1. Subsidising low-emission business measures for farmers;
A2. Reorganisation livestock farming;
A3. Mobility and industry low-emission measures.

A1. Subsidising low-emission business measures for farmers
These measures stimulate innovation for farmers who want to continue their business. New techniques are being developed to induce a more circular way of farming. Key factor is reducing waste by reusing it to lower emissions. By establishing subsidy schemes, the government attempts to help farmers with the financial obstacles they experience when transforming their business model. These measures include:

- *A1a. Developing techniques to reduce emissions from manure*
  - A technique used is diluting manure by adding water.
  - This technique is already used on grassland on clay and peat soils. On sand grounds it has not been used as much due to the lack of available surface water. This is why the government invests in this measure to stimulate businesses to collect rainwater from stable roofs and yards in order to be able to dilute manure with it.
- *A1b. Developing techniques to process livestock manure more circular, in order to reduce emissions*
  - With this technique, manure is processed into high-quality fertilizers at a central location where emissions are captured. These fertilizers can serve as a fertilizer substitute and are then applied

[68] Kamerbrief+24+april+voortgang+stikstofproblematiek+structurele+aanpak (11).pdf; Analyse stikstofbronmaatregelen (2020), PBL Netherlands Environmental Assessment Agency; Quick scan intensivering natuurmaatregelen (2020), PBL Netherlands Environmental Assessment Agency.

with low emissions, or exported outside Dutch agriculture and sold in North West European arable areas. This will limit the emission of ammonia from animal manure in the Netherlands.
  - Funds made available by the government will be used for an investment subsidy scheme, which subsidizes part of the investment in such installations. The budget is higher in the first years and expires towards the end of the term. By opening the scheme for a long time, certainty is provided to entrepreneurs. Investing in stable innovations in order to build more environmental-friendly stables.
- *A1c. Establishing a fund to support farmers who want to transform their business model to circular farming, thereby targeting the nitrogen and climate goals*
  - Extensification or conversion to a different business operation makes an important contribution to nitrogen reduction. However, farmers who want to convert sometimes run into financing problems. This is why the government has introduced a fund (175 mln.) to support farmers who want to change their business to a more sustainable one.
  - The fund is based on two tracks: 1. the conversion track focuses on temporarily relieving cash flow when a company wants to switch to a more sustainable business operation. 2. the investment track focuses on making investments in sustainability/conversion of business operations, processes and development of products and product concepts.

A2. Reorganisation livestock farming

Livestock is responsible for a significant part of the nitrogen emission and deposition. The government is offering financial compensation to farmers who (voluntarily) want to stop keeping livestock. Specifically, two subsidy schemes are set up. A crucial component of both schemes is cost effectiveness: as much nitrogen emission reduction should be achieved per euro.

- *A2a. Reducing high-emission pig farmers*
  - The first subsidy scheme targets pig farmers. This scheme was developed to decrease odour nuisance from pig farms in problematic areas, by offering pig farmers a subsidy to end their business. This not only has a positive impact on odour nuisance, but also decreases nitrogen emission. Therefore, in light of the nitrogen problem, the Dutch government extended the scheme to be able to include all farmers interested (meeting certain cost effectiveness targets) in the scheme.
  - Pig farmers are forced to stop the farming activity without the option to move to another location.
- *A2b. Reducing high-emission livestock farmers*
  - The second one aims at reducing national nitrogen levels by targeting the whole livestock sector. Here, only farmers who substantially contribute to the nitrogen problem will be qualified for a subsidy. Again, farmers should stop their farming activity without the option to move to another location.
  - Livestock farming is the major contributor to nitrogen emissions. Without reorganising the sector, the nitrogen problem is nearly impossible to solve. As a result, Nature 2000 areas will not be able to recover. Currently, the Dutch government is working on the specific characteristics of this measure and is also consulting the European Commission on this.

A3. Mobility and industry measures

Although the agricultural sector is responsible for the vast majority of nitrogen emission, the mobility and industry sectors also contribute to the emission problem of both NOx and CO2. Therefore, the government additionally takes several measures in order to realise a sustainable reduction of nitrogen and CO2 emission. These measures include:

- *A3a. Supporting climate friendly shipping engines*
  - The retrofit measure is based on the installation of SCR catalytic converters on existing engines of inland vessels, in order to reduce the nitrogen emissions of the engine. A nitrogen reduction of

over 80% can be achieved per ship. To this end, the subsidy scheme that is being drawn up in the context of the Green Deal for Maritime Navigation, Inland Shipping and Ports will be expanded.

- *A3b. Subsidising shore power systems for a green transition in shipping*
  - This measure is aimed at realizing five shore power facilities for maritime shipping. With a subsidy, the unprofitable top can be removed. This mainly concerns shore-side power facilities in the port of Rotterdam and IJmuiden.
- *A3c. Innovating the mobile equipment in the construction sector to develop low-emitting techniques*
  - This measure provides for area-specific pilots for the next few years in the field of zero-emission mobile equipment. The pilots are used in construction projects, including residential construction, non-residential construction and civil engineering projects in urban areas and near Natura-2000 areas, in order to get them going.

B. Nature restoration and improvement

Second, between 2021 and 2030, 3 bln. will be invested in nature restoration and improvement. Between 2021 and 2026 an amount of 1,65 bln. will be invested.
The aim of this so-called “Nature Programme” is twofold:

1) Strive to realise conditions for a favourable or improved conservation status for all sorts and habitats under the Birds and Habitat directive, and, together with the measures taken to reduce nitrogen emission, fulfil the requirements set in the Directive. The specific aim is to increase the area of N2000 land nature where conditions are in place to reach a favourable conservation status by 5-7%, to ensure that conditions are adequate for 70% of the protected habitats and sorts.
2) Ensure a good base quality of nature, inside and outside N2000 areas and stimulate the transition to a nature-inclusive society to overall restoration of biodiversity.

The programme takes a learning approach, as it will be set up in phases. The first phase (2021-2023) is designed as a start-up phase. Implementation of nature restoration measures will initiate but at the same time this phase will be used to further tailor the programme towards the challenges that have to be addressed, and to ensure the coherence between the various measures. The second phase (2024-2030) will built upon findings and results from the first phase. The programme will be further finetuned to a structural approach towards 2030.
The execution of nature policy is decentralized in the Netherlands, which implies that the bulk of the amount will be transferred to the 12 provinces. The central government and the provinces are in the process of coming to an agreement about the division of funds.

For the first phase (2021-2023) the following guidelines are set out:

- 20% (150 mln.) will be spent by the Central government to:
  - Increase maintenance fee for organisations that restore and maintain nature; (42 mln.)
  - Forest compensation (planting of new trees to compensate for deforestation which has taken place for the purposes of improving nature) (41 mln.)
  - Improve quality of rivers (40 mln.)
  - Ensure base quality of nature, research and monitoring (25 mln.)
- 80% will be transferred to the provinces based on a detailed action plan. Indicatively 25% of the funds will be spent on measures to improve the quality of nature (including forest revitalisation), 20% will be spent on hydrological improvement and 30% will be used to speed up the process of acquiring and optimal design of natural areas. About 20% will be spent on measures in buffer zones, such as improving connection between areas.

The Nature Programme is set up as a programme for 10 years; it does not have a structural nature. That it, there is only funding available between 2020 and 2030. If the programme is continued, additional funding by the government will be required.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

a. This investment aligns with (3) the climate policy priority of the RRF. The measures pursue, among others, the following goals as specified by the EC: the promotion of sustainable food production and consumption, an increased use of sustainable and environmentally transport, the support of the development and deployment of innovative clean technologies and the restoration of ecosystems, such as forests, the protection of biodiversity and promoting nature-based solutions.
b. The investment corresponds to CSR-2020-3. The investment accelerates both public and private investments that support the green transition.
c. The measures do not address any of the seven European flagships that the Commission has identified.
d. Since these measures count for the climate target, they contribute either 40% or 100%.
   - The nature restoration and improvement measures contribute 40% to the climate target.
   - All measures related to subsidising business measures for farmers contribute 40% to the climate target.
   - Reorganising livestock farming contribute 40% to the climate target.
   - The mobility and industry measures contribute 40% to the climate target. However, three measures contribute 100% to the climate target:
     - Reducing high-emitting industrial installations.
     - Shore power systems for green transition shipping.
     - Innovation low-emission techniques mobile equipment.

- De structurele aanpak van de stikstofreductie en natuurverbetering vergt flexibiliteit in de inzet van middelen om de wettelijk verankerde omgevingswaarden (2025, 2030 en 2035) en verwachte natuurverbetering te kunnen realiseren. Resultaten die afwijken van de ramingen zijn mede als gevolg van het vrijwillige karakter van de maatregelen, waarschijnlijk. Flexibiliteit is een harde voorwaarde om de noodzakelijke ruimte voor het legaliseren van voormalige PAS-meldingen en de wenselijke ruimte voor maatschappelijke ontwikkelingen als woningbouw te creëren. Flexibiliteit in de maatregelen is ook noodzakelijk, om te kunnen anticiperen op eventueel noodzakelijke intensiveringen op regionaal niveau, bijvoorbeeld wanneer dit blijkt uit de gebiedsanalyses die de provincies opstellen. Daarom is in de wet- en regelgeving voorzien dat het programma zo nodig wordt bijgesteld als uit monitoring, uit de gebiedsplannen of anderszins blijkt dat de doelen – van individuele maatregelen of de omgevingswaarden – niet zullen worden gehaald of anders zullen worden gehaald (meer gebied-specifiek i.p.v. landelijk). Het RRP vereist vooraf gedefinieerde maatregelen, waarbij invoering van maatregelen als mijlpalen en doelen kunnen worden genomen. Het werken met mijlpalen kan de structurele aanpak stikstof compliceren-indien onduidelijk is op welke wijze een maatregel wordt uitgevoerd en het daadwerkelijke beroep op EU-middelen niet met grote zekerheid is te voorspellen. De additionele kaders vanuit de EU mogen het snel en adequaat kunnen bijstellen van het programma van maatregelen, volgend uit de natuuropgave, de legalisatie van PAS-meldingen en economische ruimte, niet negatief beïnvloeden

C. Estimated costs

B1. Budgets per category of measures

In the table below all budgets per category of measures are specified. This table shows that the majority of budgets are invested in nature restoration and improvement. Furthermore, it highlights a significant amount of budget will be invested in the reorganization of the livestock farming. The majority of the budgets for the A category of measures (measures resulting in lower emission production) is expected to be spend between 2021-2023.

Amounts in € mln; - = budget balance improving

	2020	2021	2022	2023	2024	2025	2026
TOTAL A: Emission reduction measures	**9**	**299**	**649**	**262**	**43**	**182**	**55**
A1. Supporting business measures for farmers		98	94	94	2	2	1
A2. Reorganisation livestock farming		175	525	150	25	175	50

A3. Mobility and industry measures	9	26	30	18	16	5	4
TOTAL B: Nature restoration and improvement		**200**	**250**	**300**	**300**	**300**	**300**
TOTAL (A+B)	**8**	**726**	**922**	**585**	**343**	**482**	**355**

B2. Budgets per specific measure
In the table below all budgets per measure are specified.

Amounts in € mln; - = budget balance improving

	2020	2021	2022	2023	2024	2025	2026
TOTAL A: Emission reduction measures	**9**	**299**	**649**	**262**	**43**	**182**	**55**
A1. Supporting business measures for farmers		***98***	***94***	***94***	***2***	***2***	***1***
A1a. Low-emission manure		21	42	42			
A1b. Circular techniques		2	2	2	2	2	1
A1c. Circular farming fund		75	50	50			
A2. Reorganisation livestock farming		***175***	***525***	***150***	***25***	***175***	***50***
A2a. Reducing high-emission pig farmers		100					
A2b. Reducing high-emission livestock farmers[69]		75	525	150	25	175	50
A3. Mobility and industry measures	***9***	***26***	***30***	***18***	***16***	***5***	***4***
A3a. Climate-friendly shipping engines	4	12	14	16	16	5	4
A3b. Shore power green transition shipping		4	6	2			
A3c. Innovation low-emission techniques mobile equipment	5	10	10				
Total B: Nature restoration and improvement		**200**	**250**	**300**	**300**	**300**	**300**
TOTAL (A + B)	**9**	**499**	**899**	**562**	**343**	**482**	**355**

D. Milestones and targets

[69] For this measure, it should be noted that a two-step procedure is adopted: the first 750 mln. will be made available for a subsidy scheme. After that, it will be determined whether the remaining 250 mln. will also be invested in the scheme or whether more cost effective measures focused on innovation are available by that time.

- Targets for the overall program for both 2025 and 2030 are formulated and part of the law. This law was agreed on by the House of Representatives in December 2020, and the Senate in March 2021 (further information is provided in section D). Therefore, the Dutch government is legally obliged to meet these targets. If the total of the current measures, unfortunately, do not result in meeting the targets, additional or alternative measures need to be formulated and implemented. The targets are expressed in “KDW”. This is the Dutch abbreviation of critical load (in Dutch: “kritische depositiewaarde”); a measure of the risk of a decline in ecological quality in Natura 2000 areas. This target is matched with a target for the nitrogen emission reduction that is approximately needed to obtain the “KDW-goal”. This is shown in the table below. Besides that, there is a goal for 2030 formulated in terms of the contribution to meeting the goals the Birds and Habitat Directive, namely that the *conditions* in Natura 2000 areas improve. An additional increase of 5 to 7% because of the B category measures “Nature restoration and improvement” is expected. Currently, the monitoring programme of the nature measures is developed. During this process, it could be decided that intermediate goals are helpful, but this is not decided yet (as is the case with the KDW-goal for 2025).
- Every two years the general progress of the national nitrogen program and its measures will be monitored and evaluated. As stated above, if the goals for 2025 and 2030 are not met, additional or alternative measures will be taken.

Formally established targets for the overall national nitrogen strategy

Year	Target	Approx. emission decrease
Targets in % “KDW”		
2025	40% under “KDW”	tbd
2030 – target 1	50% under “KDW”	26%
Target in contribution to Birds and Habitat Directive		
2030 – target 2	Contribution of 5-7% to the Birds and Habitat Directive	n/a

KDW = Dutch abbreviation of critical load (“kritische depositiewaarde”); a measure of the risk of a decline in ecological quality.

- Obviously, all measures presented in section A contribute to this overall goal in their own right. These goals are specified in the table below. Two things should be noted. One, it should be clear that these are ex-ante estimates, calculated by the independent Netherlands Environmental Assessment Agency (PBL). Ex-durante, as well as ex-post research, monitoring and evaluation should establish in the coming years whether these goals are actually met. This is part of the monitoring and evaluation plan. Second, goals are expressed in a target for 2030 (mol/ha/yr). For all measures, it has yet to be determined what, if applicable, the intermediate target for 2025 is. Currently, the Netherlands Environmental Assessment Agency (PBL) is recalculating the whole 2020 package based on the most recent insights and information. This will be used as input.
- Given this uncertainty related to the effectiveness (as well as the efficiency), it is highly important to underscore a crucial component of the national nitrogen strategy: if specific measures do not lead to the estimated nitrogen emission reduction (i.e., the measure is not effective nor efficient) remaining budgets may be invested in other nitrogen measures that have actually proven to be effective and efficient. It should be clear that the budgets may only be invested in alternative measures that contribute to achieving then national nitrogen strategy goal: the significant reduction of nitrogen emission in the Netherlands. Furthermore, it should be noted these type of decisions may have an effect on the timing of the actual

budget expenditures as specified in section B. These are, if necessary, updated based on actual insights at the formal budgetary moments.

- As explained above, every two years there will be a formal monitoring and evaluation moment. This is the moment, that the overall package and budgets that are attributed to specific measures may be reconsidered. Between 2020-2026 there are two crucial evaluation moments; The first evaluation is expected in 2023, the second in 2025. These results may also serve as input to the Dutch reports on the results that are achieved with the RRF-funded measures.

Nitrogen emission reduction goal per measure (only category A measures)[70]
In this table the reduction goals per measure as specified in the April 24, 2020 letter of the Minister of Agriculture, Nature and Food Quality are provided.

	Nitrogen emission reduction goal (mol/ha/yr)
A1. Supporting business measures for farmers	
A1a. Low-protein food	14,4 - 63,4
A1b. Grazing	0,8 - 3,7
A1c. Low-emission manure	2,3 - 9,2
A1d. Circular techniques	tbd
A1e. Circular farming fund	3,5
A2. Reorganisation livestock farming	
A2a. Reducing high-emission pig farmers	8,5
A2b. Reducing high-emission livestock farmers	31,7
A3. Mobility and industry measures	
A3a. Reducing high-emitting industrial installations	0-0,3
A3b. Climate-friendly shipping engines	4,2
A3c. Green transition shipping	0,3
A3d. Low-emission techniques industry	tbd

E. Timeline decision making process

- On April 24, 2020 the Minister of Agriculture, Nature and Food Quality published the Dutch national nitrogen strategy that contained the measures described in part A.[71] The budgetary effects were part of the first budgetary note of 2020, that the Minister of Finance published on April 24, 2020, as well as the Budget Memorandum for 2021 published on September 15, 2020.
- Based on the Dutch national nitrogen strategy a (change of) law was prepared. The Dutch House of Representatives ('Second Chamber") approved the law on December 17, 2020. The Dutch senate ("First chamber") approved the law on March 9, 2021.
- The Ministry of Agriculture, Nature and Food Quality, the Ministry of Infrastructure and the Ministry of Economic Affairs and Climate are currently working on the development and implementation of the

[70] Kamerbrief+24+april+voortgang+stikstofproblematiek+structurele+aanpak (11).pdf
[71] Kamerbrief+24+april+voortgang+stikstofproblematiek+structurele+aanpak (11).pdf

measures. The implementation of the majority of measures as well as actual expenditure is planned from 2021 onwards. This is also shown in the table in part B (estimated costs)..

F. Social impact

- All measures in this investment lead to reduced CO_2, NO_x and NH_3 emissions of some sort and therefore contribute to climate policy priorities. For example, measures in the agricultural field reduce nitrous oxide emission and methane emission. In addition, these emission reductions contribute to the air pollution problem and odour nuisance. Interventions other than in the agricultural field also lead to reduced CO_2 levels. Applying shore power systems and ensuring proper catalysts in trucks directly cause a decrease of CO_2 emission.
- Reducing nitrogen emissions is necessary to start with the green transition. Considering the European Birds and Habitats Directives, the Dutch Council of State has decided that any activity that causes nitrogen emissions should be delayed until nitrogen levels have dropped. Therefore, this investment is crucial to resume economic and societal activities. This is particularly relevant in light of the current crisis, which requires a fast and robust recovery. The Dutch government also started discussing their nitrogen strategy with the Belgian and German federates stated as, clearly, this is a cross-border problem (nitrogen compounds are found in the atmosphere and once airborne, carried along by the wind and spread quickly) and synergies may be achieved in reducing emissions.
- Furthermore, the investment has positive effects on the climate objectives as it follows the European Birds and Habitats Directives, which aim to protect vulnerable species and habitats types. Therefore, restoring nitrogen deposition levels can be linked to the European biodiversity strategy that aims to conserve flora and fauna. Finally, there are also synergies with other projects, including the European farm to fork strategy that aims to accelerate a fair, healthy and environmentally-friendly food system.

C4-i-2: Measures to reduce greenhouse gas emissions due to the Urgenda case

Type: investment

A. Description of investment
- In order to be compliant with the verdict by the Dutch Supreme Court (the so-called Urgenda case), a 25% greenhouse gas reduction must be achieved from 2020 onwards compared to 1990.[72] The Dutch government has started with the implementation of apackage of measures that have the potential to achieve an additional CO2 reduction of 11 Mton.
- The additional package consists of numerous measures that can be implemented quickly, are cost-effective and result in short-term structural emission reduction. The measures are, among other things, aimed at:
    - making both owner-occupied and rental homes more sustainable through energy-saving measures,
    - innovation and energy efficiency in greenhouse horticulture,
    - CO2-reducing measures that are important to achieve more and better reuse of (raw) materials,
    - and several specific investments in the industry, aimed at i.a. reducing nitrous oxide.
- The package also consists of two measures aimed at reducing emissions from coal-fired power stations. These measures are addressed separately.
- The additional package of measures will result in an emission reduction in 2020 and further.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations
- The measures contribute to pillar 1 ('green transition'), CSR2019-3 and CSR2020-3, and addresses flagship 2, 'Renovate'.
- These measures contribute to climate goals for 100%.

C. Estimated costs

Amounts in € mln; - = budget balance improving

	2020	**2021**
Total	€63 mln	€236 mln

The measures to reduce emissions will cost a maximum of €299 million.

* De kolenmaatregelen zijn nog steeds in voorbereiding. Zodra meer bekend is over de uitkomsten en er besluitvorming is geweest over dit traject zullen de bedragen en toelichting in het Nederlandse RRP worden aangepast
** Aangezien slechts een deel van de Urgenda-middelen in aanmerking komt voor het RRF, moet worden bezien of deze betreffende tranche uit de Voorjaarsnota 2020 in concrete milestones voor de Europese CIE valt om te zetten

D. Milestones and targets

CO2-emissions – *all measures*
- Milestone: implementation and execution of the measures in 2021 - so that emission reduction is achieved as quickly as possible.
- Targets: The additional package is designed to close the gap to realising a 25% cut of emissions in the Netherlands from 2020 onwards, compared to 1990. The package consists of measures that

[72] On 20 December 2019, the Supreme Court rendered judgment in the State's appeal in cassation in the proceedings between the Urgenda Foundation and the State. The State's appeal in cassation has been rejected by the Supreme Court. As a result, the reduction order that the District Court of The Hague has imposed on the State has become irrevocable. This order implies that the State is obliged to reduce the joint volume of annual Dutch greenhouse gas emissions by at least 25% by the end of 2020 compared to 1990.

have the potential to achieve an additional CO2 reduction of 11 Mton. Actual reductions achieved depend on external factors, such as the willingness of external parties to make use of subsidies.

For the following measures milestones and targets have been formulated.

1. Specific measures for industry
- Milestone: Realisation of several projects that reduce CO2-emissions. The first projects were realized in the course of 2020 and they monitor process optimization, installation of low-CO techniques and reduction of nitrous oxide emissions.
- Target: Reach an emission reduction of up to 0,9 Mton by these measures in 2021.

2. Intensify control on energy savings regulation
- Milestone: To increase the effectiveness of the energy saving obligation, competent authorities can request extra capacity for supervision and enforcement. Milestone is to use the total amount of €5 million for extra capacity. Via https://vue.databank.nl/dashboard/ the requested services and the progress per competent authority have been made transparent.
- Target: Reach an emission reduction of up to 0,2 Mton by these measures in 2021

3. Stimulate energy savings in houses and medium small companies
- Milestone: implement regulation that offers municipalities to subsidize rentals, owner-occupied properties and SME's that stimulate energy-reduction. The regulation has been implemented in January 2021 (https://www.rvo.nl/subsidie-en-financieringswijzer/rrew)
- Target: reach an emission reduction of up tot 0,2 Mton by these measures in 2021.

4. Stimulate use of LED in greenhouse horticulture
- Milestone: implement regulation that offers subsidies for the installation of several energy-saving measures, including the application of LED in greenhouse horticulture. The amended EC regulation, including the subsidy for LED lighting, is currently being assessed by the European Commission against state aid rules.
- Target: Reach an emission reduction of up to 0,05 Mton in 2021.

5. Application of CO_2-reducing circular measures in road and hydraulic engineering
- Milestone: Implement regulation that stimulates the use of more CO2-reducing circular measures in contracts from Rijkswaterstaat (responsible for the design, construction, management and maintenance of the main infrastructure facilities in the Netherlands). This includes new asphalt or concrete mixtures and the use of recycled steel. In a number of the upcoming contracts (both construction and maintenance contracts for dry and wet infrastructure) that will be drawn up in 2020 and 2021, are explicitly aimed at CO2 reduction.
- Target: The reach an emission reduction of up to 0,1 Mton in 2021.

E. Timeline decision making process

- On April 24, 2020, the cabinet announced these measures.
- Measures were implemented in regulations in the past year, by, among other things, opening up subsidy-instruments.

F. Social impact
- The effect of these measures is additional CO2-reduction in the year 2021 and will reduce emissions structurally. The impact on society is positive with regard to the measure's impact on battling climate change.
- These measures are expected to provide an economic boost in the short and medium term, including in sectors affected by the effects of Covid-19.

C4-i-3: Measures to reduce greenhouse gas emissions from coal plants

Type: investment

A. Description of investment

- The Netherlands is currently working on two additional measures in reducing greenhouse gas from coal plants:
  1. A legislative measure that puts a maximum cap on the CO2-emissions per coal plant for the period 2021 until 2024;
  2. A direct subsidy for one coal plant operator to voluntarily terminate the use of coal immediately (additional to measure 1).
- The direct objective of both measures is an additional greenhouse gas emissions reduction in the years after 2020, to which de Dutch authorities are held with regard to a verdict by a Dutch court of law; the "Urgenda-case". Next to the verdict, the measures in the coal sector contribute to realizing the goals as set out in the Paris Agreement and the (national and EU) greenhouse gas reduction goals.
- The two measures are in addition to the coal-phase out in 2030 and thus are an acceleration of the reduction of greenhouse gas emissions in the coal sector. The measures are of a non-recurrent nature.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- The measures contribute to pillar 1 ('green transition'), CSR2019-3 and CSR2020-3, and addresses flagship 1, 'Power up'.
- The measure contributes to climate goals for 100%.

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
	€240mln + PM					

The direct subsidy to terminate the use of coal will cost a maximum of €240 mln. The costs associated with the cap on CO2-emissions in the period 2021-2024 are still very uncertain and are calculated with help of an external party.

* De kolenmaatregelen zijn nog steeds in voorbereiding. Zodra meer bekend is over de uitkomsten en er besluitvorming is geweest over dit traject zullen de bedragen en toelichting in het Nederlandse RRP worden aangepast
** Aangezien slechts een deel van de Urgenda-middelen in aanmerking komt voor het RRF, moet worden bezien of deze betreffende tranche uit de Voorjaarsnota 2020 in concrete milestones voor de Europese CIE valt om te zetten

D. Milestones and targets

- Legislative CO2-cap:

  a. Milestone: a legislative cap on CO2-emissions from the use of coal in the generation of electricity, approved by parliament.
  b. Targets: reduced CO2-emissions from coal plants, resulting to maximum 35% of total emissions, measured by registering the input (coal) in order to calculate the CO2-emissions from that amount of input.
  c. Legislative reduction: the CO2-reduction is dependent on the date the legislation becomes effective for 2021. For the years thereafter, a cap of 7.7 Mton CO2 is put in place for the modern coal plants if no plant closes (see next). Historically, emissions have ranged between 18.3 Mton and 10.2 Mton in the period 2016-2019 for these coal plants. The actual CO2-reductions depend on forecasted emissions rather than historical realizations and on the amount of import versus substitution by Dutch gas power production.

- Subsidy for voluntary termination use of coal

d. Milestone: a subsidy for one coal plant to voluntarily end the use of coal, in accordance with state aid legislation and approval of the Commission.
e. Targets: Additional CO2-reduction in the years 2021 – 2029. In 2030, the use of coal in The Netherlands will be terminated completely.
f. Subsidy reduction: historically between 2016 en 2019 the specific plant that requested a subsidy has emitted between 2.1 and 3.4 Mton CO2. Entirely stopping electricity production with coal in this plant will reduce the effect of the legislative process, but the combined effect of the two measures will be greater. The actual CO2-reduction depends on forecasted emissions rather than historical realizations and on the amount of import versus substitution by Dutch gas power production.

E. Timeline decision making process

Legislative CO2-cap

- The legislative measure can only come into force after parliament has voted on the bill that is currently waiting to be debated. Debate will probably take place after Dutch parliament elections on 17 March. The costs will not come into effect before parliament has voted for the law that introduces the CO2-cap.
- Legislative cap timing: "in the first half of 2021, depending whether or not parliament wishes to put it on the agenda in this period. The legislation has already been sent to parliament by the cabinet.

Subsidy for voluntary termination use of coal

- In order to grant subsidy for one coal plant to voluntarily terminate the use of coal, a call for proposals was issued. The coal plant which was willing to terminate the use of coal to the lowest subsidy amount per Megawatt, has won the tender. Currently, the offer is being assessed, taking into regard that the subsidy will not cause overcompensation. It is expected that in the first quarter of 2021 a decision regarding the subsidy will be taken.
- Subsidy timing: "we expect to make a final decision in the first half of 2021, depending on amongst others a state aid assessment.

F. Social impact

- The effect of both coal measures is additional CO2-reduction in the years 2021 until 2024, while the subsidy for terminating the use of coal entirely will also reduce emissions structurally. The impact on society is positive with regard to the measure's impact on battling climate change.
- Measure 2 implies impact on employment, in the sense that the voluntary closure of one coal plant will cause a loss of employment positions at the company. The requirements set out in the subsidy set a minimum level of a social plan, so that employees are adequately supported in the transition.

C4-i-4: ERTMS

Type: investment

A. Description of investment

- ERTMS stands for 'European Railway Traffic Management System'. It is the European standard for the Automatic Train Protection (ATP) and command and control systems. ERTMS comprises a safety system that enforces compliance from trains with speed restrictions and signalling status. The system is partly installed trackside and partly installed onboard.
- In 2018, the Dutch National Implementation Plan (NIP) for ERTMS was delivered. The plan entails the roll out of ERTMS on seven Dutch main tracks between 2024 and 2028.
- In April 2020 the procurement procedure for the central safety system was started. Currently, the procurement procedure is in the dialogue phase and is expected to be finalized in 2021.
- From 2030 onwards, all other tracks of the Dutch rail network will be equipped with ERTMS level 2.

In algemeenheid staat de reeks nog niet volledig stil, omdat het allemaal beleid in uitvoering is. Reeksen dienen dus geüpdatet te worden voor indiening van het definitieve plan.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- The intended effect of implementation of ERTMS is to create an interoperable railway system in Europe that is more efficient and safer and to make rail operation between the Member States easier. Investments in ERTMS also contribute to the digital transition in line with the logic of the Rio markers for climate.
- Therefore, this measure contributes to both the promotion of the Union's economic, social and territorial cohesion (general objective 1) *and* the support of green and digital transitions (general objective 4).
- Coefficient for the calculation of support to digital transition is 100%.
- The investments in ERTMS also align with the country specific recommendations to focus on investments that promote a sustainable infrastructure and digital and green transitions (CSR 2020-3).
- The measure contributes to pillar 1 and 2.

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
	40	140	130	140	90	

D. Social impact

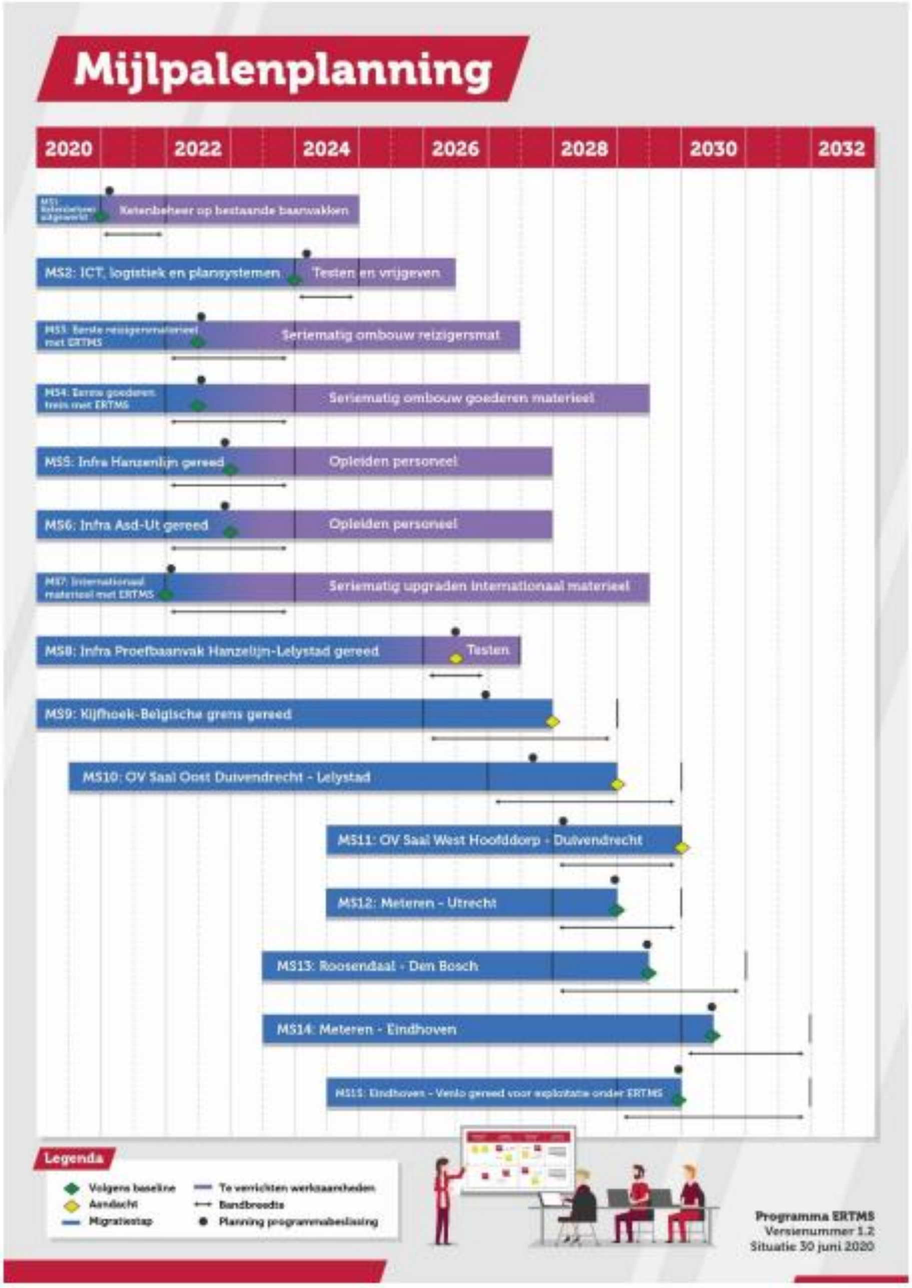
- *Safety:* The continuous supervision of the speed of trains through ERTMS entails a higher safety level on the Dutch rail network. The amount of 'signals passed at danger' (SPAD) is expected to decrease with 72%.
- *Interoperability:* Once fully deployed in the Netherlands, ERTMS will facilitate the development of cross-border rail services. The interoperability of cross border transport of goods is expected to increase from 65% to 93%. The interoperability of cross border passenger transport is expected to increase from 10% to 31%.
- *Increased efficiency of the network:* ERTMS allows reduction of up to 25% of the minimum distance or time between trains, which increases network capacity. ERTMS also allows for increased speed of trains. Combined, this is expected to reduce travel time with 1,7% per train in 2030.

- *Indirect economic effects:* The above mentioned impact may also lead to indirect economic effects, due to increased accessibility and safety. There are no data available.

E. Milestones, targets and timeline

- In April 2020 the procurement procedure for the central safety system was started. Currently, the procurement procedure is in the dialogue phase and is expected to be finalized in 2021.
- Within the Dutch ERTMS program that focuses on investments in the first seven tracks, 14 milestones have been identified. These planning milestones are highly dependent on multiple factors, among which the impact of covid-19 on current tenders and agreements with suppliers.

- Het RRP gaat gepaard met een additionele verantwoordingslast. Sommige departementen geven aan dat het formuleren van mijlpalen en doelen (noodzakelijk om aan de RRF-criteria te voldoen) bij sommige bestaande maatregelen (bouwsteen 1) problematisch is, bijvoorbeeld omdat het complex is om uitgaven uit te splitsen naar specifieke regelingen en plannen. Ook wordt soms aangegeven dat het onwenselijk is maatregelen op te nemen in het RRP vanwege risico’s op vertraging. Het is aan de formerende partijen om, bij integrale weging, te bepalen welke projecten worden opgenomen in het nationale RRP.


Mijlpalenplanning
2020
2022
2024
2026
2028
2030
2032
Ketenbeheer op bestaande baanvakken
MS2: ICT, logistiek en plansystemen
Testen en vrijgeven
MS3: Eerste reizigersmaterieel met ERTMS
Seriematig ombouw reizigersmat
MS4: Eerste goederen trein met ERTMS
Seriematig ombouw goederen materieel
MS5: Infra Hanzelijn gereed
Opleiden personeel
MS6: Infra Asd-Ut gereed
Opleiden personeel
MS7: Internationaal materieel met ERTMS
Seriematig upgraden internationaal materieel
MS8: Infra Proefbaanvak Hanzelijn-Lelystad gereed
Testen
MS9: Kijfhoek-Belgische grens gereed
MS10: OV Saal Oost Duivendrecht - Lelystad
MS11: OV Saal West Hoofddorp - Duivendrecht
MS12: Meteren - Utrecht
MS13: Roosendaal - Den Bosch
MS14: Meteren - Eindhoven
MS15: Eindhoven - Venlo gereed voor exploitatie onder ERTMS
Legenda
Volgens baseline
Aandacht
Migratiestap
To verrichten werkzaamheden
Bandbreedte
Planning programmabeslissing
Programma ERTMS
Versienummer 1.2
Situatie 30 juni 2020

C4-i-5: Green renovation public buildings

Type: investment

A. Description of investment

- In order to speed up the green renovation of public buildings, the Dutch government made a total of € 50 mln. available in the form of grants for municipalities to renovate schools (40 mln.) and subsidies for sports facilities (10 mln.). The aims leverage private investments up to € 250 mln. for energy saving provisions, especially insulation and to modernize climate installations in order to lower CO2 emissions and provide better climate within the living space of these buildings.
- The costs are non-recurrent.

- Documentation relevant to the policy option (in Dutch)
  Letter to the Dutch Parliament concerning additional investments to support the construction sector during Corona crisis.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- The policy option is closely aligned with pillar 1 (green transition) of the RRF. It is an investment in energy saving provisions in public buildings, and therefore contribute directly to the green transition, according to the example in the Commission guidance document (according SWD(2020) 205 final, p. 18).

- According to codes 025 sin ANNEX I of COM(2018) 375 final, this means that this policy options count for 100%/40% (climate change objectives/environmental objectives) towards the green goals of the Commission.

- Furthermore, this measure addresses flagship "renovate".

- Finally, the option is directly related to the efforts of the Dutch government to meet the 2020 CSR's, specifically CSR 2020-3, regarding the green transition and securing a decrease in CO2 emissions in the built environment.

C. Estimated costs

Amounts in € mln; - = budget balance improving

	2020	2021	2022	2023	2024	2025	2026
Investment Impulse green renovation public buildings	50						

D. Milestones and targets

Miletones
For sports facilities, the grants have been given in 2020 and will be spent in 2020 and 2021. For schools the conditions of the grants are that the renovation has to start before January 2022 and to be completed before December 31th 2023. Municipalities are obligated to report on progress.

Targets
Due to the nature of the grants there are no SMART target in terms of CO2 reduction. This is inherent to the different buildings and the extent to which they are renovated.

E. Timeline decision making process

- The letter to parliament (see A, may 2020) announces several COVID related decisions regarding additional investment in the construction sector, to support the sector during the COVID pandemic.

F. Social impact

- *Impact:* The exact reduction in CO2 as a result of the investment impulse green renovation public buildings. However both these subsidies will leverage private and public investments in green renovation provisions up to a total of € 250 mln. This will subsantially contribute to the climate goals set by the Commission.
- *Synergy:* The international synergy for this particular policy measure is limited.

Q&A CIE

- What was, prior to 2020, the baseline (normal) annual budget foreseen for the project (and each of the sub-projects) in the period 2020-2026? What will be the total budget with the RRF project included and the additional budget financed by the RRF?
  - *There is no annual budget for the project foreseen. The base assumption in the climate agreement is that owners of public buildings should allocate sufficient budget for the transition.*
- It is indicated that the aim is to mobilise EUR 250 million of private investments. Could you please provide details on how this money will be mobilised?
  - *this is co-financing from the sector. This is partially privately held, mainly sports facilities. The proposal will be amended: 250 mln. In investments in (green) renovation.*
- The proportion of the public budget allocated to energy efficiency and building renovation is comparatively small. What is happening in relation to investments in energy-saving renovations in the existing housing stock/the residential sector? Are there other programs that will be started outside the context of the RRP?
  - *The total required investments in the public sector are substantially smaller than the residential sector. Combined with the starting point that owners of public buildings should allocate sufficient budgets themselves for the transition results in smaller subsidies.*
- Please provide more information on the number of schools, sport facilities to be renovated. How does their number relate to the total stock of public buildings? What are the requirements for the renovation? How did you come to the cost estimate for all renovations in total (please note that detailed cost justifications will be needed)?
  - *It is not possible at this point to provide more information at this moment, because the investments in the facilities vary significantly. This is due to differences the size, typology of the facilities. For example: sports facilities can be canteens for football clubs, but also swimming pools and major sports accommodations. The same holds for schools: they are not uniform in size and construction as well as the current energy performance of the buildings that are renovated.*
- How do you plan to address investment bottlenecks deriving from the shortage of skilled labour?
  - *The bottleneck of skilled labour has been a concern for several years and have a broader impact than just these programmes. Policy programmes to address these bottlenecks are part of general policies of the ministry of Education.*
- Will energy performance contracting be used under this component?
  - *Not specifically.*
- The Excel sheet provides for a 100% climate tag. Please provide a justification of the reported tagging, with reference to the precise intervention field (RRF Regulation, Annex VI).
  - *This should be 40%, given the efficiency criteria in line with tag 025.*

C4-i-6: Mission driven, Research, Development and Innovation (Dutch: MOOI)

Type: investment

A. Description of investment

- MOOI is an instrument that subsidizes the development of innovative solutions for a diverse portfolio of sustainability and green technology. This includes renewable energy, industry and built environment. The instrument aims to increase cooperation and integration between knowledge-bearing organizations and organization with implementation capacity, especially in SMEs. Thus strengthening a multi-disciplinary approach in innovation and the green transformation. The grant is given after a tender where the most promising projects are selected.
- In 2020 an the program was accelerated in 2021-2024 for a total of EUR 31 mln., specifically aimed at the built environment.
- The option is especially aimed at green transition, both innovation and acceleration, while increasing increase private investments and in turn contribute to the Renovation Wave. This complies with Dutch CSR 2020 (2020-3).
- The costs are non recurrent, since it is a subsidy for innovation projects. However the instrument MOOI itself is a longer-term and each year new projects are funded.

- Documentation relevant to the policy option (in Dutch)

Official announcement of the terms of the MOOI subsidies (Dutch)

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- The policy option closely aligns with pilars 1 (green transition) and 3 (Smart, sustainable and inclusive growth). It is an investment in the innovative solutions of energy saving provisions in residential buildings and public buildings, either to increase efficiency and scaling up the implementation of these provisions. Therefor it contributes directly to the green transition, according to the example in the Commission guidance document (according SWD(2020) 205 final, p. 18) and due to the mechanism behind MOOI (subsidizing innovative solutions) it also aligns with pillar 3.
- According to codes 025 sin ANNEX I of COM(2018) 375 final, this means that these policy options count for 100%/40% (climate change objectives/environmental objectives) towards the green goals of the Commission.
- Furthermore, this measure addresses flagship "renovate".
- Finally: the option is directly related to the efforts of the Dutch government to meet the 2020 CSR's, specifically CSR 2020-3, regarding the green transition and securing a decrease in CO2 emissions in the built environment and boosting private investments in innovation.

C. Estimated costs

Amounts in € mln; - = budget balance improving

	2020	2021	2022	2023	2024	2025	2026
Mission driven, Research, Development and Innovation (Dutch: MOOI)		5	9	8	9		-10

D. Milestones and targets

- The conditions for the grants are strict. Each proposal has to be made SMART and is required to provide progress reports for the purpose of accountability and knowledge sharing. The RVO (Rijksdienst voor ondernemend Nederland), the executor of the grant, reports on the instrument as a whole. However, due to the nature of the instrument – innovation and cooperation – there are no SMART goals for the instrument as a whole.

E. Timeline decision making process

- MOOI is an existing instrument, however in august 2020 the instrument has been accelerated in light of the COVID pandemic and green recovery.

- Documentation (dutch): letter to parliament (September 2020) concerning the acceleration of MOOI, amongst other COVID related measures.

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F. Social impact

- *Impact:* The exact reduction in CO_2 as a result of the investment impulse green renovation public buildings. However both these subsidies will leverage private and public investments in green renovation provisions up to a total of € 250 mln. This will subsantially contribute to the climate goals set by the Commission.

- *Synergy*: The instrument MOOI addresses several different fields of green innovation: energy, housing and boosting cooperation between organisations. This in itself creates synergy. Moreover, the knowledge and experience gained with these innovative projects can potentially utilized in other (green) policy disciplines.

Q&A CIE

- What was, prior to 2020, the baseline (normal) annual budget foreseen for the project (and each of the sub-projects) in the period 2020-2026? What will be the total budget with the RRF project included and the additional budget financed by the RRF?
    - The requested budget is part of a bigger policy program and is an acceleration within the budget and has yet to be allocated to projects. The baseline budget (2019) for MOOI is summarized in the following table (in mln. Euro). Source: Beleidsartikel 4 Een doelmatige energievoorziening en beperking van de klimaatverandering - Vaststelling begroting Ministerie van Economische Zaken en Klimaat 2021 - Rijksbegroting.nl

	2019	**2020**	**2021**	**2022**	**2023**	**2024**
MOOI	58	46	49	52	49	46

- Tagging: Could you please indicate the exact intervention field according to Annex VI of the RRF Regulation?
    - This could be either 022. Research and innovation processes, technology transfer and cooperation between enterprises focusing on the low carbon economy, resilience and adaptation to climate change *OR* 024. Energy efficiency and demonstration projects in SMEs and supporting measures
- Please explain why you have added a negative costing number in 2026.
    - This policy option consists of accelerating the MOOI initiative, which is an existing policy budget. The negative costing signifies one of the years in which the funds were originally allocated.

Component 5: the digital transition

C5-i-1: [vertrouwelijk – defensie maatregel]

Type: investment

- Description of investment

A. Impact of measure on RRF-objectives and/or Country Specific Recommendations

B. Estimated costs:

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
-	240M€	90M€	40M€	20M€	10M€	-

C. Milestones and targets

D. Timeline decision making process
E. Social impact

C5-i-2: Digitalisation in criminal justice chains

Type: investment

A. Description of investment

- In June 2020, the ministry of Finance approved additional funding (45 million for 2021 and 46 million for 2022) for digital reform of the Dutch criminal justice system, coordinated by the ministry of Justice and Security. The objective of the programme is to improve IT systems, so that all stakeholders within the criminal justice system have access to relevant information and can digitally manage actions at any point in time.
- The programme has three sub goals. First, partners within the criminal justice system (such as the National Police, the Public Ministry (the Dutch public prosecutor) and the Judiciary branch) will share documents regarding all cases digitally instead of on paper. Secondly, all video- and audio material regarding cases will be made accessible for all stakeholders. Third, a portal will be launched through which civilians can manage actions regarding criminal cases, such as reporting crimes.
- As a result, civilians have a better access to the criminal justice system. Also, the process of criminal trials will be more lean, because inefficiencies due to paperwork are put to a minimum.
- The investment is non-recurrent.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- The program fully (100%) contributes to digital reform (pillar 2), CSR 2020-3, and flagship 5, 'Modernise', as the measure fully consists of non-recurrent investments in digitalisation. Apart from extra revenue for IT and consultancy firms that participate in the program, the measure has no direct impact on the Dutch economy. However, digitalisation of the criminal justice chains will make its processes more lean and mean, which contributes to the rule of law. The latter is a key element of EU member states and is also essential for a stable economy.

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
	45	46				

D. Milestones and targets

a. In 2021, a digital portal is in place, which civilians can use to manage actions regarding criminal cases, such as reporting crimes.
b. In 2021, all cases within the criminal justice system will be managed digitally.
c. In 2022, video- and audio material regarding cases will be made accessible for all stakeholders

E. Timeline decision making process

- In 2017, at the start of the third Rutte cabinet, the government reserved non-recurrent budget for digital reform of the criminal justice system (in total 296 million, meant for the period between 2018 and 2022) in the coalition agreement. The budget was not immediately provided to the organisations within the criminal justice system, but was controlled by the ministry of Finance. The ministry of Justice and Security had to make a plan for each year how to effectively spend the budget, which was then analysed and approved by the ministry of Finance. In June 2020, the ministry of Finance approved the plan regarding budget for 2021 and 2022.

F. Social impact

- Impact – As a result of the digital reform, criminal trials are expected to take less time . This has a positive impact on sense of justice of civilians.

C5-i-3: Improving The Dutch Tax Authority's ICT-systems

Type: investment

A. Description of investment

- In April 2020, the ministry of Finance allocated additional resources to improve the tax authorities' ICT facilities. The Dutch Tax Authority's ICT-systems, supporting the primary processes in the tax domain, are outdated and they lag behind prevailing standards. As a result, a great deal of work is carried out by hand, making the services vulnerable to errors and more expensive. Therefore, the Dutch Tax Authority is working on the so called "controlled renewal" of ICT facilities. The key element of controlled renewal is the alignment of the Tax Authority with the many technical and digital technologies and developments facing the Tax Authority. The aim is to implement the reform in a cost-effective and uniform manner by improving standard solutions, so-called 'generic solutions", which are common to all parts of the Tax Authority.

- Examples of these generic solutions are:
  - Data fundaments that integrate various data sources for dashboard tooling;
  - Risk models for Information Managed Supervision;
  - Document management systems for case management, workflow management and intelligent solutions;
  - A Generic Portal for citizens and businesses that provides insight into the shared information position;
  - Contact center for supporting citizens and businesses.

- *Non-recurrent costs:* One-off investment in infrastructure and applications. The costs of maintenance are not included in this plan but are included in the Dutch Tax Authority's existing budget. The measure relates to investments in modernisations of applications for the improvement of the information infrastructure for the Dutch Tax Authority's and citizens. Structural costs for staff are included in the Dutch Tax Authority's existing budget. The budget for the measure is for the implementation of applications.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- The proposed measure contributes to pilar 2, digital transformation. The proposed measure will help to facilitate public investment in the digital transition of public services. In addition, the measure contributes to the country-specific recommendation for the Netherlands CSR 2020-3: Frontload mature public investment projects and promote private investment to foster the economic recovery. Focus investment on digital transition, in particular on digital skills development, sustainable infrastructure. In addition the measure contributes to Fagship 5: Modernise – The digitalisation of public administration and services.
- The proposed measure contributes to improving the service for the Dutch taxpayer. By implementing generic solutions, the quality and reliability of services are improved. The problem that the innovation aims to solve is that the primary processes within the Dutch Tax Authority are outdated, contain too much manual work, are error-sensitive and expensive, and no longer match the expectations of citizens and businesses. The working methods, ICT systems and services of he Dutch Tax Autority are out of date with respect to the applicable standards. Moreover, the capacity for supervision and enforcement is limited. The large amount of manual work can also lead to a lack of overview and, as a result, suboptimal control over the aforementioned activities. Administration, complaints, objections, telephony and error recovery require capacity that is at the expense of supervision capacity.
- The Dutch Tax Authority's primary processes must therefore be renewed in order to ensure the continuity of the service in the medium term and thus to ensure tax revenue, to resolve the major inefficiencies in the process, to make it more accessible for citizens and businesses and to meet their expectations in terms of service provision, thereby reducing the probability of errors and increasing compliance. These include wider use of a digital channel, shorter turnaround times for service processes and easier requests for information.
- The generic facilities are provided by four service units of the The Dutch Tax Authority: Data Foundations and Analytics (DF&A), IV Accent (component IV), Customer Interaction & Services (KI&S) and Central Administration Processes (CAP).

C. Estimated costs

Generic solutions are standard solutions that can be used in multiple processes and renewal projects. By applying these facilities, synergy benefits will be obtained. This synergy would be lost if each supply chain were to finance a chain-specific solution with temporary resources on the basis of its own development efforts. The Tax Authorities operate from the view that such chain-specific solutions are neither efficient nor sustainable.

The investments for the generic solutions are divided into two parts:
1. development costs for generic solutions
2. project costs

The costs of developing the generic solutions consist largely of material costs (investments) and the costs of contracting in expertise and know-how for the development and implementation of the generic solutions. The project costs are intended for the management of the project organisation, the management and maintenance of developed generic facilities; and pre-portfolio work for generic solutions. The table below gives a detailed overview of the costs.

	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Generic solutions							
Hiring external temporary capacity	11,1	42	36	35	34	14	14
Overhead							
Material expenses		26	33	29	19	0	0
Project budget							
Project costs		6	6	21	21	0	0
Totaal	**11**	**74**	**75**	**85**	**74**	**14**	**14**

The first costs are planned for 2020. It is a one-time investment in the IT applications. The costs are in the project organisation and the implementation of applications. The structural costs are for the most part included in the regular budget. This project is based on various external studies by, EY and KPMG. They studied, the state of the application landscape, the way in which portfolio management is carried out and what it takes to renew old applications. In addition, they examined the organisational and financial impact. These reports contain estimates of costs. In the first place, this measure is intended to implement the reform in a cost-effective and uniform manner by improving standard solutions, so-called 'generic solutions", which are common to all parts of the Tax Authority. The budget for the measure is for the implementation of applications. The costs of maintenance are not included in this plan but are included in the Dutch Tax Authority's existing budget. The measure relates to investments in modernisations of applications for the improvement of the information infrastructure for the Dutch Tax Authority's and citizens. Structural costs for staff are included in the Dutch Tax Authority's existing budget. Some of the costs are non-recurring, such as project costs and application procurement costs. There will also be recurring costs for application maintenance.

The budgeted costs are mainly non-recurrent costs and intended as one-off investment in infrastructure and applications. The costs of maintenance are not included in this plan but are included in the Dutch Tax Authority's existing budget. The measure relates to investments in modernisations of applications for the improvement of the information infrastructure for the Dutch Tax Authority's and citizens. Structural costs for staff are included in the Dutch Tax Authority's existing budget. The budget for the measure is for the implementation of applications.

D. Milestones and targets

Controlled renewal tries to implement the renewal of the ICT landscape in the best possible way through a step-by-step approach to renewing ICT applications (generic facilities).

Milestones:
Controlled renewal aims to achieve step-by-step and controlled progress on a limited number of projects. The milestones focus on the implementation of individual ICT projects:
- Data foundations;
- Risk models for Information Managed Supervision;
- Document management systems (DMS)
- Generic Portal for citizens and businesses

A detailed description of the generic solutions and planned results is provided in Annex 1.

Target:
The Dutch Tax Authority's has to deal with complex and outdated ICT systems that affect the heart of the primary processes. In 2019, the presence of what is referred to as a technical debt (lagging technical maintenance) was determined for approximately 50% of these applications. Technical debt provides insight into the degree of outdatedness of an application. By implementing new applications, the technical debt is reduced. The proposed policy measure contributes to the reduction of the technical debt. The target is to reduce the technical debt to 30 % by 2022. Technical debt is reported annually in the annual report.

It is important for the tax authorities' continuity of service that the renewal takes place on time. In order to prevent potential slippage of the implementation timeline of this measure, various measures have been taken:

- first, a separate programme has been organised to supervise the implementation of the programme;
- second, a new governance structure is implemented to ensure that there is a clear principal and a contractor for the implementation of the programme.
- Third, a separate portfolio council has been introduced where the progress of the implementation is monitored and where considerations are made if there is a delay;
- Fourth, LCM has been implemented. According to the LCM guidelines multi-year management and maintenance plans are drawn up focusing on the application landscape and the underlying IT infrastructure.

Together, these measures result in improved insight, controllability and market conformity of life-cycle management. This leads to better assurance of the execution of necessary management and maintenance and therefore to more effective and efficient use of the ICT landscape.

E. <u>Timeline decision making process</u>

In April 2020, the ministry of Finance allocated additional resources to improve the tax authorities' ICT facilities. The Dutch Tax Authority's ICT-systems, supporting the primary processes in the tax domain, are outdated and they lag behind prevailing standards.

The first costs for the renewal were spent in 2020 (see Article 1 of Budget Chapter IX Finance and National Debt). These can be found in the budget. In addition, the Dutch Tax Authority's draws up an annual plan that includes the targets for the ICT renewal. A progress report is sent to Parliament three times per year.

F. <u>Social impact</u>

Impact: the intended generic solutions will safeguard the medium-term continuity of the Tax Authority, eliminate inefficiencies in the primary processes in the tax domain and improve the services provided to citizens and businesses. The generic solutions contribute to:

- the improvement of service performance in terms of supervising, collecting and interacting with taxpayers; cost-effective performance of the services;
- reduction of service errors
- improvement of organisational control and accountability.

After a generic solution has been implemented, an evaluation is carried out. This makes it possible to determine the extent to which the generic solution contributes to the objectives and whether the intended effects have been achieved.

Appendix 1: Explanation of the results of the generic solutions

Generic solutions	Description	Target 2020-2024
Data foundations	Data foundations are collections of data on a specific theme, in which different data sources are integrated. Data foundations are a precondition for the realisation of other facilities, such as dashboards. Data foundations are required to be able to develop other generic facilities.	In the planning period, a number of generic functionalities will be developed as part of the Generic Office platform. In 2020, the following will be started, among other things Modification of DF Collection in connection with new sources (e.g. IOA, COA services) Modification of DF Supervision in connection with the discontinuation of IKB Modification of DF SAP Modification of DF Gift & inheritance; Modification of DF LH (collective) Further development of DF Subject; Start rebuilding DF Bank Expansion of DF Real estate
Risk models	Analytical tools are used to create models, which are analytical products that make risk estimates and provide signals when action seems necessary, so that the models contribute to Information Based Surveillance (IGT). Implemented risk models contribute to improving enforcement capabilities	Various risk models are being phased out or developed, such as Early Warning System (EWS), Wet Keten Aansprakelijkheid (WKA), Recovery Assistance Programme (IHP)
Document management	Registering and accessing documents related to a case. Basic facility for case management, workflow management and intelligent solutions. Contributes (indirectly) to increasing employee satisfaction and increasing control options	A number of generic functionalities will be developed in the planning period.
Intelligent solutions	Cognitive solutions that enable smarter dialogue or further automation of processing. Examples: virtual assistant, automated meta-dating of documents, answering questions in natural language. Contributes to increasing employee satisfaction and increasing control options	In the planning period, a number of generic functionalities will be developed as part of the Generic Office platform. Creation of a case file. Support customer and case handling for employees at offices and within supervision.
Case management and workflow management	The support for case-managed work, including the management of the associated documents (case file). Contributes to increasing employee satisfaction and increasing control options	In the planning period, a number of generic functionalities will be developed. This concerns case management and workflow management systems: Process control for the handling of work at the office. The current products for BPM and Case Management will be integrated by IBM; this movement offers new opportunities, but also means work to include existing systems in this movement.
Generic portal	A single digital application for citizens and businesses in which they can view the shared information position, do business with the Tax Authority and manage personal settings. This environment will gradually replace the existing ones. Contributes towards increasing client satisfaction.	In the original business case/ procurement plan, the starting point was that services were in order and data was accessible. It was also assumed that the specifications were clear in advance. It has since become clear that many services in the hinterland still have to be created, that data still has to be made accessible and also that Business Cases cannot be realised without a design. The structure of the foundation is also more complex than originally anticipated. As a result, the workload of generic components yet to be developed is still largely current.

		After the results of the tests on the criteria for prioritisation have been delivered, an overall picture will be drawn up, which will be the subject of administrative approval. Work on the Roadmap (planning) for the Generic Portal can then begin, followed by clarity about the planning for customer queries.

C5-i-4: Next level digital information management and Freedom of Information

Type: investment

A. Description of investment

- The cabinet has opted for a broad program to bring digital information management to a next level and at the same time broaden the scope of the Freedom of Information act. In order to achieve a different way of providing information internally and externally (e.g. to the public and to parliament), the backlog in information management has to be improved. The information should be permanently accessible, findable, correct, complete and reliable. As a result, the government can always provide substantiation during and after making policy and legislation.
- Sustainable digital information management is a precondition for broadening the scope of the Freedom of Information-act (condition sine qua non), but also for broadening the application of data and information in policy making.

In algemeenheid staat de reeks nog niet volledig stil, omdat het allemaal beleid in uitvoering is. Reeksen dienen dus geüpdatet te worden voor indiening van het definitieve plan.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- The program fully (100%) contributes to digital reform, pillar 2 and flagship 5.
- The program contributes to CSR 2020-3.

C. Estimated costs

Amounts in € mln; - = budget balance improving

	2021	**2022**	**2023**	**2024**	**2025**	**2026**
Information management and active disclosure	104	151	152	127	127	127
Implementation of the WOO central government		29	39	53	57	59
Totaal	**104**	**180**	**191**	**190**	**184**	**186**

D. Social impact

- The primary objective of this broad program is to enlarge the rights of citizens under the new Freedom of Information-act and improve quick and proper handling of requests. The new act (‘Wet open overheid’) has a much larger working sphere (many more organizations exerting public power at central, provincial or municipal level fall under its scope), all these organizations have a new and extensive duty to publish several broad categories of documents actively, and for the remaining documents that must be published passively (on demand) the grounds to deny this are more restricted. Implementation of this new law requires a much higher standard in information management than currently in place (conditio sine qua non). It is publicly known that the Dutch government, while being highly digitalized, now struggles with its information management. Information is stored in too many different ways (non-interoperable document management systems, local drives, network drives, e-mail, digital collaboration roams, etc.) to quickly and properly carry out all sorts of information requests.

- Besides the objectives related to the new Freedom of Information-act, obtaining the correct information in a fast and efficient manner is of course also of great importance for internal processes of government, such as operational management and policy making, and being accountable to parliament. Unfortunately, there has been a recent case (childcare allowance) in which information sharing with parliament has been insufficient due to problems in our information management. This has increased the sense of urgency, but a sense of urgency was already present and preparations for the program were already underway.

E. Milestones, targets and timeline

- The decision to start and finance this program was taken in January 2021.

- The program is set to start in 2021 and run until 2027.

Component 6: pensions and housing

C6-r-1: Pension System Agreement **Type: Reform**
A. Description of reform • On the 12th of June 2020 the government reached an agreement (Pensioenakkoord) with social partners on the reform of the pension system. The first proposals for changes to the system had already been agreed upon in 2019. In 2020 practical implementation is established which will lead to changes in legislation. The Dutch pension system has three pillars: the first is a state pension (AOW), the second contains compulsory corporate pension schemes and the third is based on individual or private pension schemes. • The biggest reform concerns the second pillar, which will be drastically reformed to achieve a more personal pension whilst retaining the collective nature of the second pillar and safeguarding a sustainable system for the future. Aim is to ensure that the second pillar of the pension system becomes: 1) more transparent, through using personal accounts; 2) more equitable, by making premiums independent of age and making accrual dependent on age and 3) more resilient to shocks. • The vast majority of the current pension schemes are based on a defined benefit agreement, and will change to a defined contribution agreement in the new system. This counts not only for the future entitlements, but also for the accrued pensions from the past, which will be included in the new schemes. Joining the new scheme is not legally mandatory, but deviations must be approved by the regulator (the Dutch National Bank). • The new pension system will be a defined contribution system that works with individual accounts within a collective system. The expected pension is based on the contribution of the employer and the employee in the employees benefit. A small part of contribution (maximum of 10%) will be reserved for a common buffer to absorb shocks, which is called a solidarity reserve. The maximum size of the solidarity reserve is limited to 15% of the total assets and may not be negative. Moreover, both the percentage of the premium contribution and the percentage of the positive excess returns that are the benefit of the solidarity reserve is limited to 10%. With the existence of a solidarity reserve, pension funds thus have the opportunity to mitigate the effects of major economic shocks and to spread them over several generations. • In the Pension Agreement, the first pillar is also adjusted. The age at which one is entitled to the state pension remains linked to life expectancy, but with a different ratio. An increase in the life expectancy of one year now translates to an 8-month increase in the state pension age. • Relevant documents can be found here and here (Dutch only).
B. RFF policy priorities and country specific EU recommendations • The new pension system will be a defined contribution system that works with individual accounts within a collective system. Pension benefits are thereby no longer based on years of contribution, but on the basis of the built-up capital. This system aims to stabilize premiums over the economic cycle and thereby reduces pro-cyclical shocks to the economy. In the current situation premium generally increased in an economic downturn as a result of the defined benefit nature of the current system. Furthermore, people will have more freedom of choice when it comes to the payout of their pensions to match their personal situation. People can either withdraw 10% of their pension assets at the start date of the pension or opt for a payout that starts higher and ends lower. As such, this reform addresses CSR2019-1 and Pillar 5 by increasing the economic resilience of Dutch households and the economy as well as the sustainability of the system. • Furthermore, the 'doorsneepremie' which grants pension benefits on the basis of age independent of the contributed premium will be abolished. This should contribute to a more equitable system, which leads to a more transparent system. Also, it reduces the high implicit tax on moving to self-employment at higher ages, adapting the pension system to the labour market of today. This part of the reform improves the functioning of the Dutch economy and addresses CSR2019-1 and Pillar 3.

C. Estimated costs

	Amounts in € mln; - = budget balance improving							
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**structural**
Government expenditu-res	**1.084**	**1.350**	**960**	**700**	**93**	**10**	**140**	**10**
A. Adjustment of the first pillar (AOW)	824	1.090	700	440	83	0	130	0
B. Sustainable employabil-ity	260	260	260	260	10	10	10	10
Government revenues	**415**	**662**	**432**	**296**	**107**	**97**	**171**	**104**
A. Adjustment of the first pillar (AOW)	412	555	345	205	13	0	70	0
C. Harmonization of tax policy in the first and sec-ond pillar.	0	100	100	100	100	100	100	100
D. Flexibility of pension payment	0	0	-23	-23	-23	-23	-23	-23
E. Additional year in leave savings	3	7	10	14	17	20	24	27
Total	**1.498**	**2.012**	**1.392**	**996**	**199**	**107**	**311**	**114**

A. The starting age of the first pillar (state pension, AOW): The effective date of the AOW would in-crease in 2020 compared to 2019. It has been decided that this increase will not take place. It has also been decided that the increase to 67 will be completed in 2024. This table does not include the adjusted link between the state pension age and life expectancy. Instead of a one-to-one link, the state pension age will increase by two-thirds of the increased life expectancy. This is expected to lead to a structural deterioration of the budget balance of 0.4% of GDP per year (increase in the sustainability gap) in the long run.
B. The government intends to contribute € 10 million per year on a structural basis for sustainable em-ployability. In addition, the government wants to support companies with subsidies (see the sheet about sustainable employability and earlier retirement).
C. The third pillar (private pension saving) will be more harmonized fiscally with the second pillar (pension schemes for employees). This ensures that self-employed workers receive more equal treatment from a tax perspective.
D. Possibility to withdraw 10% of the pension assets at the retirement date.
E. The possibility for save for one more year in leave right before the state pension age (AOW-age).

Furthermore, within the tax system it has been arranged that additional pension contributions can be tem-porarily deposited in order to provide for possible compensation for groups affected by the system reform.

D. Social impact

- The new pension agreement has been accomplished by a joint effort of the government and social partners (employers and employees). The social partners are also extensively consulted in the drafting of the law.
- The pension reform affects almost everyone in the Netherlands. The reform affects all three pillars of the pension system to a greater and lesser extent. Furthermore, research is still underway to see how pension accrual and disability assurance for self-employed people can be further promoted.
- Reform of the pension system was necessary to ensure that the Netherlands maintain a good and sustainable pension system. At present, pensions often cannot be indexed and the promises that are made (pension entitlements) cannot be kept. the reform provides a more transparent pension system that provides clear insight into what people can expect for retirement.
- Part of the pension agreement also includes agreements on sustainable employability. The subsidy is expected to contribute to the sustainable employability of workers by assisting employers in taking necessary measures in their sector.

E. Milestones and targets

- The parliament will vote on the new pension law in the beginning of 2022. Pension funds need to file their proposal for partaking with the Dutch National Bank no later than 1 January 2024. The new system will go into effect at the latest on 1 January 2026. Individual pension funds can move to the new system earlier.

F. Timeline decision making process

- The Dutch pension reform was signed by unions and employers' associations in June of 2020. The details of this reform were explained to Parliament in a letter on the 6th of July[73].
- Concept legislation is published in December 2020 for public consultation. After amendments, the legislation will be presented to the Council of State in 2021 and subsequently to parliament. The law is expected to come into effect in 2022.

[73] Kamerbrief *Uitwerking Pensioenakkoord,* July 2020, https://www.rijksoverheid.nl/onderwerpen/pensioen/documenten/kamerstukken/2020/07/06/uitwerking-pensioenakkoord.

C6-i-1: Investment program for sustainable employability and earlier retirement (facilitates the second pillar pension reform)

Type: investment

A. Description of investment

- The Dutch pension system is rated as the best in the world. However, in order to maintain a sustainable pension system in the future, reform was much needed. After a decade of deliberation the government, social partners and the pension industry reached an agreement. This agreement contains many aspects, such as a reform of the corporate pension schemes. This investment was essential to reach an agreement with all stakeholders in the overall pension deal.
- This subsidy forms part of the Dutch pension system reform and stimulates employers to invest in a sustainable workplace for their employees to ensure a longer and healthier working life in the face of a rising retirement age.
- For every additional year in life expectancy, the retirement age increases by 8 months (automatically). A prerequisite for such an extension of working life is a healthy and sustainable workplace.
- This subsidy supports employers to make initial investments to this extent, such as the advancement of a healthy and safe working environment, improving awareness of employees and stimulating them to take control of their own employability, setting up (the promotion of) training and creating the sectoral infrastructure for lifelong learning.
- For employees (no more than three years removed from the age of retirement) who cannot benefit from the investments in sustainable employment because they will reach the age of retirement before these measures take effect, the subsidy facilitates earlier retirement (by reducing the current penalty of earlier retirement temporarily). The subsidy does not cover ongoing costs and is by definition a temporary measure, because it is linked to a change in tax laws that provides a temporary (2021-2025) pause in the long standing penalty the Dutch government poses on earlier retirement.
- In essence, however, the policy stimulates continuous learning and development to ensure that employees remain or become even more valuable to the marketplace at older ages. This subsidy encourages a much needed culture change in an aging labor market. The temporary subsidy scheme must contribute to ensuring that employers and workers are naturally aware of their responsibility for sustainable employability. Activities aimed at sustainable employability must form a natural part of personnel policy and business processes. In addition, workers must know why and how they can manage their career and their employability, and what help they can receive in this regard. Finally, the government wants individual customization to become commonplace in the transition from work to retirement.
- The subsidy is based on co-financing, with a rate of 50% for sustainable employability programs and 25% for early retirement programs. To obtain a subsidy, at least 25% of the total request should be spent on sustainable employability.
- The subsidy program has opened on the 1st of February 2021. Groups of cooperating employers apply for the subsidy at the Ministry of Social Affairs. The subsidy program will end in 2025.
- This subsidy program is temporary and is therefore non-recurrent. Lessons learned can be used for new policies in the future.
- An analysis has been made and the appropriate legal measures have been taken to address any issues regarding State Aid.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- The subsidy prevents employees from working in an unsustainable environment and, thereby, limits the number of people that depend on disability benefits at the last stages of their working life.
- With this subsidy, the Dutch government aims to increase the sustainable participation of elderly people in the labour force, and thereby prevent unemployment. Therewith, this subsidy contributes to pillar 3, (smart, sustainable and inclusive growth) pillar 5 (health, and economic, social and institutional resilience) and pillar 6 (policies for the next generation)
- Furthermore, by promoting lifelong learning and skill development in order to improve sustainable employability, this subsidy is in line with CSR 2019-2. By facilitating the second pillar pension reform, this measure also contributes to CSR 2019-1.
- Similarly, this measure promotes flagship 7, reskill and upskill, as well.
- Although this measure and measure C2-i-1 can be categorized as investment in lifelong learning and development, these measures do not overlap. This subsidy can be used in a broader sense (lifelong learning is just one of its goals). Activities that are subsidized via the lifelong learning program are excluded from subsidy in this scheme.

C. Estimated costs

Amounts in € mln; - = budget balance improving[74]

2020	2021	2022	2023	2024	2025	2026
	410	209	279	94	8	

- For sustainable employability, a budget of about 250 mln is reserved. For earlier retirement, the tentative budget is 750 mln. A bottom-up analysis of the initiatives by employers can be provided at the end of the summer 2021.

D. Milestones and targets

a. This subsidy aims at improving the sustainable employability of workers in order to ensure a healthy working life until the increased retirement age. The target of this measure is to assist as many workers as possible. The target group are employers in sectors where sustainable employability needs to be improved the most. All employers can apply for this subsidy.

b. Milestones:

   i. The necessary legislation is published (the measure was published in the Government Gazette in January 2021).

   ii. Employers can apply for the subsidy in four pre-determined timeslots over the years.

   iii. Consequently, each application will be reviewed, monitored, and evaluated over a period of two years. A subsidy will be granted if the application fulfills all requirements (targeted employees, prevention of disability due to labor, improvement of sustainable work environment, etc.).

E. Timeline decision making process

a. The subsidy was part of the Dutch pension reform, signed by unions and employers' associations in June of 2020. The details of this reform, including the subsidy, were explained to Parliament in a letter on the 6th of July.[75]

b. After approval by Parliament, the subsidy was published in the Government Gazette on the 18th of January 2021.[76]

c. The first payments within this subsidy will be made in the second half of 2021.

F. Social impact (see also A en B)

- The subsidy is expected to contribute to the sustainable employability of workers by assisting employers in taking necessary measures in their sector.
- The pension reform was developed in cooperation with and signed by the relevant stakeholders, such as unions and employers' associations in order to tailor the subsidy to the needs of the target group.
- The subsidy actively stimulates cooperative applications by companies and sectors in order to increase the reach of the measure.

[74] The Ministry of Social Affairs is currently finishing the budgetary details of this program. Consequently, the budget may shift to different years. The total budget of this program is one billion euros.

[75] Kamerbrief *Uitwerking Pensioenakkoord,* July 2020, https://www.rijksoverheid.nl/onderwerpen/pensioen/documenten/kamerstukken/2020/07/06/uitwerking-pensioenakkoord.

[76] Staatscourant, January 2020, https://www.uitvoeringvanbeleidszw.nl/documenten/publicaties/subsidies/mdieu/sectoranalyse_format-def_20-01-2021/publicatie-mdieu-staatscourant-en-staatsblad-21-januari-2021.

C6-i-2: Residential construction impulse

Type: Investment

A. Description of investment

- In recent years, a housing shortage has emerged and is expected to continue to exist if construction is not stepped up. Especially citizens with lower and middle incomes have a hard time finding affordable housing. Therefore, the Dutch government decided to make a total of (initially) €1 bln. available in the form of grants (the 'Woningbouwimpuls (WBI)', or 'Housing impulse' in English), in order to speed up the process of building affordable housing for young people and citizens with a lower or middle income. The goal of this Housing impulse is twofold. On the one hand it aims to speed up the process by bringing means and projects 'forward in time'. On the other hand the impulse makes it possible to realize more (affordable) housing in certain locations. Priority is given to regions with bigger housing shortages.

- As the Commission itself also concludes in the Dutch CSR 2019 (CSR 2019-1), the housing market in the Netherlands can be considered as distorted. The last few years the housing shortage has increased and especially citizens with lower and middle incomes have a hard time finding affordable housing. In 2019 the Dutch government made a total of €1 bln. available inthe form of grants, in order to speed up the process of building affordable housing for young people and citizens with a lower or middle income. The goal of this 'Woningbouwimpuls (WBI)' or 'Housingimpulse' in English is twofold. On the one hand it aims to speed up the process by bringing means and projects 'forward in time'. This correlates with CSR 2020-3. On the other hand the impulse makes it possible to realize more (affordable) housing in certain locations. Priority is given to regions with bigger housing shortages. Per the 1st of July 2020 both legal prerequisites (Besluit Woningbouwimpuls 2020 and Regeling Woningbouwimpuls 2020) are in force, which makes it possible to disburse the financial means to municipalities in the form of so called 'specific grants'. As is shown in the documentation below ('Kamerbrief over woningbouwimpuls'), decision-making was finalized at the years' end of 2019, with disbursements starting from 2020 onward. In practice, the first disbursement took place on July 1st of 2020. It also shows that the measure is designed to be non-recurrent, by limiting the total amount and the amount of disbursements. Specifically, this policy measure regards the 50 mln. that was earmarked by the Dutch government to speed up the 'Housingimpulse' process in August 2020, as it is widely considered to be an effective policy tool.

- Firstly, local communities apply for the subsidy. In a 13 weeks period, an independent commission advises the Minister of Internal Affairs. Thereafter, the minister of Internal Affairs and Kingdom Relations allocates the subsidies based on the advises. There are several application rounds in which the local government can apply for a subsidy. The subsidies are paid to the local government within a couple of months after the decision of the Minister. After receiving the subsidy, the local government has to report the progress of the project on a yearly basis. The subsidy supports public investments. There is no direct link to developers or contractors.

Documentation relevant to the policy measure (some in Dutch, however most are also available in English):

Kamerbrief over uitkomsten eerste tranche woningbouwimpuls | Kamerstuk | Rijksoverheid.nl (correspondence with Parliament)
Staatsblad 2020, 141 | Overheid.nl > Officiële bekendmakingen (officielebekendmakingen.nl) ('Royal Decision' Housingimpulse)
Staatscourant 2020, 28062 | Overheid.nl > Officiële bekendmakingen (officielebekendmakingen.nl) ('Ministerial Regulation' Housingimpulse)
Versnellen woningbouw | Woningmarktbeleid (explanation of Dutch governments' housing policy)

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- This measure aligns closely with pillars 1 and 3 of the RRF. According to the latest evaluation, (see relevant documentation in paragaraph A.) the Housing impulse has facilitated the construction of 51,021 new housing units (houses, apartments, etc.). Of these 51,021 new units, 32,579 are considered 'affordable', meaning that they contribute to the social housing stock in the Netherlands. The outcome of the first tranche of the impulse is, at 65%, above the set goal and can be considered a success for the housing policy of the Dutch government.

- Furthermore, the Housingimpulse contributes to pillar 1, as all newly constructed housing units have to meet new and higher environmental and durability standards previously set by the Dutch government. A good example of these rules is that newly constructed housing no longer uses (natural) gas, as central heating and cooking use electricity rather than gas. This means that this policy measure contributes significantly to the 'twin transitions' example in the Commission guidance document (p. 19).

- Another possible effect of the Housingimpulse is its implication on pillar 3 of the RRF. The extra financial means contribute to keeping a 'backlog' of building projects on hand, meaning that employers and employees in the building sector keep the perspectives of their job. This in turn means that citizens that work in the building sector are able to stay active and participate in the labor market. This creates more equal opportunities in the labor market as, for example, office workers are also still able to participate because they are able to work from home during the crisis.

- Finally, the policy measure 'Housingimpulse' is a practical example of how the Dutch government aims to meet its 2019 and 2020 CSR's (CSR 2019-1 and CSR 2020-3). The Housingimpulse is geared towards alleviating the stress on the Dutch housing market. At the same time, it creates affordable housing for lower-income citizens as to promote socio-economic cohesion and equality in the European Union. By shifting financial means forward in time, the policy measure also aligns with CSR 2020-3, which aims to speed investments that affect the green and digital transformation.

- The subsidy supports local governments in order to support public spending to develop areas ('areas ready to build on'). The measure is aimed at e.g. infrastructure, cleaning up polluted land, and selling ground for affordable housing. There are no direct links to social housing corporations. However, ground are sold to housing corporations in enable the building of affordable housing.

C. Estimated costs

Amounts in € mln; - = budget balance improving

	2020	2021	2022	2023	2024	2025	2026
Original amount	800	200[77]					
Added in August 2020		50					

D. Milestones and targets

SMART

The milestones and targets for the Housing impulse have been agreed upon in a SMART fashion.

Specific: alleviating the stress in the Dutch housing market by building at least 65,000 new housing units in several Dutch regions using subsidies and grants to municipalities.

Measurable: a number of (intermediary) KPI's have been established, see table below (in Dutch). These KPI's will function as the cornerstone of the monitoring and evaluation instruments explained below.

[77] *This amount is still being held in a special account at the Ministry of Finance. The 800 mln. has been transferred to the budget of the Ministry of the Interior in 2020 for distribution to local government.*

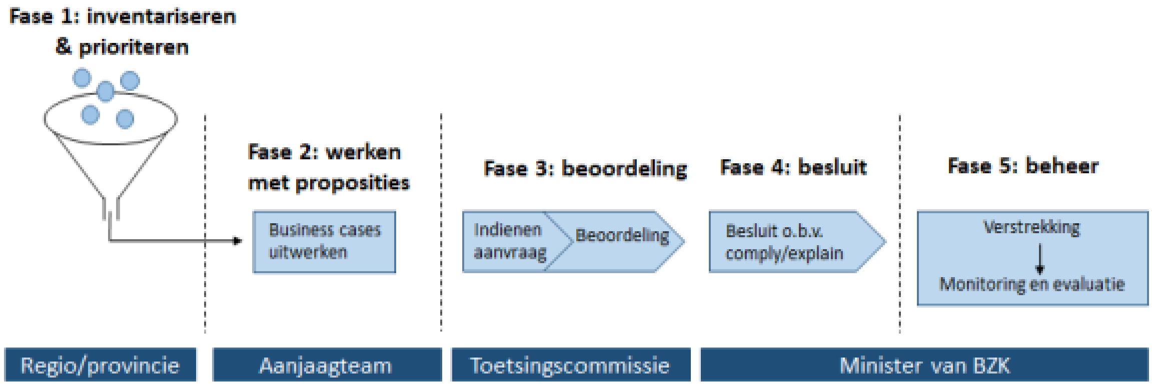
	Criteria ter beoordeling door de Toetsingscommissie		
	1. Noodzaak bijdrage	**2. Effectiviteit project**	**3. Efficiëntie project**
Weging %	Y1%	Y2%	Y3%
Deelscore op schaal 1-10	X1	X2	X3
Subcriterium 1	*Realiteitsgehalte tekort*	*Kwantiteit en kwaliteit woningen*	*Proportionaliteit*
Indicatoren	1. Omvang financieel tekort. 2. Onderbouwing kosten maatregelen en omvang financieel tekort. 3. Aantonen dat alle mogelijkheden tot kostenverhaal zijn uitgeput.	1. Het aantal betaalbare woningen uitgedrukt als % van het totale woningbouwprogramma. 2. Maatregelen die getroffen zijn om de betaalbare woningen voor langere termijn betaalbaar te houden 3. Doelgroepen die met het woningbouwprogramma bediend worden. 4. Gemiddelde m2 gbo per prijscategorie.	1. Gevraagde bijdrage per woning 2. Gevraagde bijdrage per betaalbare woning 3. Gevraagde bijdrage als % van het financiële tekort. 4. Het financieel tekort als % van de totale investeringskosten.
Subcriterium 2	*Gevolg niet verlenen bijdrage*	*Hardheid: zekerheid tijdig realiseren van woningen*	*Optimalisatie*
Indicatoren	1. Omvang woningproductie bij geen bijdrage als % van productie bij wel bijdrage. 2. Het aandeel betaalbare woningen bij geen bijdrage als % van het aandeel betaalbare woningen bij wel bijdrage. 3. Vertraging in start bouw in maanden bij geen bijdrage. 4. Overige consequenties (op de kwaliteit van de leefomgeving, stikstof, infrastructurele ontsluiting, koppelkansen).	1. Planologische status project 2. Stand van zaken rond consultatie, selectie en/of overeenkomsten met (markt)partijen 3. Moment van start bouw. 4. Tempo realisatie uitgedrukt als gewogen gemiddelde oplever- of start bouw moment 5. Aantonen van voldoende garanties voor het tijdig realiseren van de maatregelen waarvoor bijdrage gevraagd wordt. 6. Aantonen van voldoende hardheid financiële bijdragen aan het tekort.	1. De mate waarin het project kwalitatief en financieel is geoptimaliseerd binnen de randvoorwaarden.
Subcriterium 3	*Niet van toepassing*	*Kwaliteit van de leefomgeving*	*Indirecte effecten*
Indicatoren		1. De kwaliteit van het ruimtelijk ontwerp inclusief het mobiliteitsprofiel. 2. Aandeel categorieën bebouwing (wonen, werken, voorzieningen) in % van de gerealiseerde m2 gbo	1. De mate waarin de opgevoerde maatregelen bijdragen aan het realiseren van woningen buiten het project.

<u>Acceptable:</u> the policy measure enjoys broad political and public support. Both the government and the opposition have unanimously agreed on this measure and the response on the consultation was overwhelmingly positive. A number of Dutch municipalities have been asking for such a measure for years.

<u>Realistic:</u> disbursing grants and subsidies to municipalities helps them to plan and construct affordable housing, because it allows them to overcome the problem of the 'onrendabele top' or inevitable losses, which would normally make a project unfeasible for housing development contractors. To avoid financial leakage in this matter, specific arrangements have been made between the Dutch government and local government.

<u>Time-bound:</u> the disbursement takes place between 2020 and 2023, well within the scope of disbursements from the RRF. Furthermore, the grant applications of local governments are also time-bound with a specific start and end date. Three years after allocation of the subsidy, it is obligated to start the construction (hence, the grounds should be ready to built on, sold to private constructors and there should be contracts that ensures that the actual building of a house has started).

As mentioned earlier, an important milestone for the measure was the first evaluation. As it turned out, 51,021 new housing units were constructed of which 32,579 are considered 'affordable'. A schematic overview of the fazing of the measure can be found below (in Dutch). First, local governments must create an inventory of possible projects, prioritize them and select the most viable ones. Then, the local governments write business cases and hand these over to the ministry of the interior. The ministry weighs these business cases according to criteria in the table above. After that, the ministry makes a selection using the 'comply or explain' principle. If the explanation is satisfactory, the ministry disburses grants or subsidies to the local governments. After this is done, monitoring and evaluation starts right away using the abovementioned KPI's and the instruments below.



Monitoring and evaluation

Arrangements between the Dutch government and local governments have also been made concerning monitoring and evaluation parameters. Several instruments have and will be used to monitor the progress of the measure. It starts with a baseline measurement on macro and micro level for the abovementioned KPI's. Next to that, a yearly monitoring report will be made, which could also be shared with the Commission upon request. Lastly, a final evaluation will be conducted based on article 3.1 of the Dutch Government Accounts Act.

Documentation relevant to the policy measure:

Dashboard Datawonen (overall data)
Dashboard Datawonen (data per region)

E. Timeline decision making process

- During the negotiations about the state budget of 2020, the government decided to allocate € 1 billion to stimulate affordable residential constructions. In September 2019, the measure (Woningbouwimpuls) was announced in the budget memorandum (Miljoenennota 2020).
- As is shown in the documentation below ('Kamerbrief over woningbouwimpuls'), political decision-making was finalized at the end of 2019. Disbursements start from 2020 onward. The first disbursement took place on July 1st of 2020.
- In August 2020, is was decided to add 50 mln to the impulse, as it is widely considered to be an effective policy tool.
- Documentation relevant to the policy measure:

  Kamerbrief over woningbouwimpuls | Kamerstuk | Rijksoverheid.nl (correspondence with Parliament about the introduction of the measure and the specific prerequisites)

F. Social impact

- *Impact* – So far, €290 mln. in grants has been invested in constructing affordable housing for citizens with lower and middle class incomes. This amounts to 51,021 new housing units of which 32,579 are considered 'affordable'. The impulse is expected to continue to speed up the construction process considerably and make it possible for more municipalities to start with the construction of affordable housing. This, in turn, will help alleviate the stress on the Dutch housing market and create more equal opportunities for citizens to find affordable housing in their own regions.
- *Synergy* – The international synergy for this particular policy measure is limited, as it focuses on alleviating the stress in the Dutch housing market and aims to create more equal opportunities for citizens to find affordable housing.

• *State Aid* – There is no relation to State Aid regulation since the measure aims at the public investments by local governments. There is an information memorandum from the central government to inform local governments in order to avoid state aid when actual works to during the residential construction impulse, because the local government should be able to perform their legal duties after receiving the subsidy. However, if a local government is using the subsidy to hire third parties, there could be existence of State Aid. Accordingly, the local government should apply for an assessment by the European Commission to determine if there is existence of State Aid.

Component 7: fighting aggressive fiscal planning and money laundering

C7-r-1: New policy regarding tax treaties

Type: Reform

A. Description of reform

- In May 2020 the Dutch government published a new Memorandum on Tax Treaty Policy. Policies in this Memorandum are part of the Dutch agenda to tackle aggressive tax planning in and through the Netherlands.
- Three aspects are of most importance regarding the new policy:
- 1) The active implementation of anti-abuse provisions in tax treaties through the Multilateral Instrument of the OECD or (if the MLI does not apply) through bilateral negotiations.
  2) next to anti-abuse provisions, the special position of developing countries will be recognized by accepting higher withholding taxes at source, such as on dividends, royalties, and interest, in treaties with these countries (in comparison with treaties between the Netherlands and other countries).
  3) The Netherlands introduced as per 2021 a withholding tax on interest and royalties paid to low tax- and non-cooperative states. An additional withholding tax on dividends to such states has been announced. In cases where a current tax treaty with a low-tax country prohibits the Netherlands from effecting these withholding taxes (see measure C7-r-2), the Netherlands will initiate renegotiations of the current tax treaty with the goal of abolishing this prohibition.
- The Tax Treaty Policy clarifies the Dutch negotiating position in advance of any future negotiations. Treaty partners will be actively approached with proposals regarding these improvements in the tax treaties. Concluding or amending tax treaties along the lines of the updated tax treaty policy is expected to further counter use of the Dutch tax system to avoid taxation / funnel funds to low tax jurisdictions. Furthermore, it will ensure that developing countries will have opportunities to tax economic activities on their territory and reap the benefits of international trade and investment.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- This measure is in line with the following country specific recommendation for the Netherlands "Take steps to fully address features of the tax system that facilitate aggressive tax planning in particular on outbound payments, notably by implementing the adopted measures and ensuring its effectiveness. Ensure effective supervision and enforcement of the anti-money laundering framework (CSR2020-4)." It also contributes to the priorities of the RRF, especially enhancing economic resilience (not only within the EU, but also in developing countries).
- Furthermore, the measure is in line with Pillar 3 "inclusive growth" and 5 "Health, and economic, social and institutional resilience." This is the case in the Netherlands where fair taxation contributes to more inclusive growth, combating inequality and increased tax morale, and in the developing countries which may increase taxing possibilities (withholding taxes at source).

C. Estimated costs

- It is envisaged that measure 1 and 3 will have a prohibitive effect; shareholders will change their shareholding structures due to this new adverse withholding taxation. It is expected that it will not have any budgetary effects in the Netherlands. Measure 2 will arguably lead to more tax revenues in developing countries. It may have (very) limited budgetary effects in the Netherlands.

D. Timeline decision making process

- On 29 May 2020 the Dutch government published a new Memorandum on Tax Treaty Policy. The letter to Parliament and the accompanying Memorandum (in English) can be found here: https://www.rijksoverheid.nl/documenten/rapporten/2020/05/29/2020-memorandum-on-tax-treaty-policy.
- The publication followed a public consultation process.
- This is the fifth Memorandum on Tax Treaty Policy, the last stemming from 2011.

C7-r-2: Withholding tax on dividend payments to low-tax jurisdictions

Type: reform

A. Description of reform

- The Dutch government has announced the introduction of a new withholding taxation on dividend payments to low tax jurisdictions as of 2024.
- This measure is part of the Dutch agenda to tackle aggressive tax planning in and through the Netherlands.
- The measure introduces a new withholding tax on dividend payments with the aim to target specific structures in which it is under the current rules still possible to distribute a dividend to affiliated entities established in countries with a profit tax rate of less than 9% and countries that are on the EU-list of non-cooperative jurisdictions (hereafter referred to as: low-tax jurisdictions) without Dutch dividend withholding taxation.
- The following structure are targeted:
  1) **Low-tax treaty countries**: profit distributions to affiliated entities established in a low-tax jurisdiction with which the Netherlands had concluded a tax treaty.
  2) **Non-holding cooperatives**: profit distributions to affiliated entities established in a low-tax jurisdiction by so-called non-holding cooperatives.[78]
- Both described situations are not subject to Dutch withholding tax according to the current legislation and for that reason the envisaged measures provide for an additional withholding taxation.
- Under these new rules, dividend payments in these situations will be subject to 25% Dutch withholding tax.
- As a result, it would in principle not be possible anymore to distribute a dividend within group structures from the Netherlands to a company established in a low-tax jurisdiction without adverse Dutch withholding tax.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- This measure is in line with the following recommendation for the Netherlands "Take steps to fully address features of the tax system that facilitate aggressive tax planning in particular on outbound payments, notably by implementing the adopted measures and ensuring its effectiveness. Ensure effective supervision and enforcement of the anti-money laundering framework (CSR2020-4)."
- Furthermore, the measure is in line with Pillar 3 "inclusive growth" and 5 "Health, and economic, social and institutional resilience." This is the case in the Netherlands where fair taxation contributes to more inclusive growth, combating inequality and increased tax morale, and in the developing countries which may increase taxing possibilities (withholding taxes at source).

C. Estimated costs

It is envisaged that the new conditional withholding tax will have a prohibitive effect; shareholders will change their shareholding structures due to this new adverse withholding taxation. Therefore, it is expected that this legislation will not have any budgetary effect.

D. Timeline decision making process

- This measure was announced by the Dutch government in the second quarter of 2020 (May 29th). For more information, we refer to the letter included in the link below:
  Aankondiging aanvullende maatregelen tegen dividendstromen naar laagbelastende jurisdicties | Kamerstuk | Rijksoverheid.nl

E. Milestones and targets

- The goal is to have this proposal adopted in 2021 so that it can be implemented by 2024. State of play as of 2 April 2021: the proposal has been finalized and sent to the second chamber for a vote.

[78] A holding cooperative is defined as a cooperative whose activities for 70% or more consist of holding the participations and/or the direct or indirect financing of affiliated persons or entities

C7-r-3: Measure to avoid mismatches resulting from downward adjustments under the application of the arm's length principle

Type: reform

A. Description of reform

- A law proposal to avoid double non-taxation resulting from transfer pricing mismatches, such as informal capital contributions, is expected to be presented to Parliament in 2021. If adopted, the measure ensures that as of 1 January 2022, downward adjustments on a transaction between related entities based on the at arm's length principle are no longer deductible from the Dutch taxable base of a corporate income taxpayer if and insofar no upward adjustment is taken into account at the level of the other party to that transaction. As a result, the amount of income and expenses taken into account on a transaction between related entities should, in general, be aligned, regardless of where those entities are resident.
- This law proposal is being drafted as part of the key policy objective of the Netherlands to combat tax avoidance and tax evasion. This measure is also part of the unilateral solutions proposed by a research committee on the taxation of multinational companies.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- In line with the country specific recommendation CSR2020-4, which recommends the Netherlands to take steps to fully address features of its tax system that facilitate aggressive tax planning, in particular on outbound payments, the Netherlands has taken, amongst others, the following action:
    - A law proposal to avoid double non-taxation resulting from transfer pricing mismatches, such as informal capital contributions, is being drafted. More specifically, with respect to outbound payments, it aims to limit the deductibility of at arm's length imputed expenses (downward adjustment), if, in the country where the receiving entity is a resident, no corresponding upward adjustment is made. This way, double non-taxation resulting from transfer pricing mismatches should no longer occur. The law proposal is expected to be presented to Parliament in 2021 and should be applicable as of 1 January 2022.
- Furthermore, the measure is in line with Pillar 3 "inclusive growth" and 5 "Health, and economic, social and institutional resilience." This is the case in the Netherlands where fair taxation contributes to more inclusive growth, combating inequality and increased tax morale, and in the developing countries which may increase taxing possibilities (withholding taxes at source).

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
		-173	-173	-173	-173	-173

D. Social impact

Social partners - As mentioned, the law proposal is based on one of the unilateral solutions suggested by a research committee on the taxation of multinational companies. This research committee was composed as an independent and balanced committee. The members of the committee had a great variety in backgrounds. In the early stages of the research, several branch organizations were consulted for their input.

E. Timeline decision making process

- This measure was announced by the Dutch government in the third quarter of 2020 (September 15th). For more information, we refer to the letter (paragraph 2 sec c) included in the link below:

  https://www.rijksoverheid.nl/documenten/kamerstukken/2020/09/15/aanbiedingsbrief-pakket-belastingplan-2021

F. Milestones and targets

- The aim is to have this proposal adopted by the Dutch parliament in 2021 so that the measure can be implemented by 2022. State of play as of 2 April 2021:
  A draft legislative proposal was presented for public internet consultation at the beginning of March 2021. Stakeholders were given the opportunity to respond till 2nd April 2021. Subsequently, after processing the input from the public internet consultation, a tax bill will be submitted to the parliament (probably) this summer.

C7-r-4: Limitation of loss set-off as of 2022

Type: Reform

A. Description of reform

- As of 1 January 2022 the loss relief rules in the corporate income tax will be limited. Loss relief is only available to 50% of the taxable profit that exceeds the amount of € 1 million. Losses up to an amount of € 1 million in taxable profit will be fully available for relief. In combination with the 50% limitation, losses can be carried forward indefinitely (currently: maximum six years).
- The limitation is in accordance with a recommendation of the Advisory committee on the taxation of multinationals and aims to implement a minimum level in the corporate income tax.
- The limitation of loss relief aims to prevent profitable companies from avoiding paying corporate income tax due to the possibility to off-set profits with losses from other years. The limitation of the loss relief rules ensures that companies with profitable activities in the Netherlands are subject to corporate income tax at a minimum level. This leads to a more balanced taxation of multinationals.
- Relevant documents: Adviescommissie belastingheffing van multinationals, 'Op weg naar balans in de vennootschapsbelasting', 15 april 2020, bijlage bij Kamerstukken II, 2019/20, 31066, nr. 623 (https://zoek.officielebekendmakingen.nl/kst-31066-623.html)
- This law proposal is being drafted as part of the key policy objective of the Netherlands to combat tax avoidance and tax evasion. This measure is also part of the unilateral solutions proposed by a research committee on the taxation of multinational companies.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- This measure is in accordance with the RRF policy priority to increase the sustainability of the government finances as it implements a minimum level in the corporate income tax.
- This measure is in accordance with CSR2020-4 as ensures that companies with profitable activities in the Netherlands are subject to corporate income tax.
- Furthermore, the measure is in line with Pillar 3 "inclusive growth" and 5 "Health, and economic, social and institutional resilience." This is the case in the Netherlands where fair taxation contributes to more inclusive growth, combating inequality and increased tax morale, and in the developing countries which may increase taxing possibilities (withholding taxes at source).

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	Struc.
0	-117	-995	-889	-776	-555	-555

D. Timeline decision making process

- This measure was announced by the Dutch government in the third quarter of 2020 (September 15th). For more information, we refer to the letter (paragraph 2 sec b) included in the link below:

  https://www.rijksoverheid.nl/documenten/kamerstukken/2020/09/15/aanbiedingsbrief-pakket-belastingplan-2021

C7-r-5: Amendment of the specific interest deduction limitation

Type: reform

A. Description of reform

- Article 10a Corporate Income Tax Act 1969 (CITA 1969) denies the deduction of interest expenses, including costs and currency exchange results (both positive and negative), on specific intercompany debts related to tainted transactions in order to avoid tax base erosion in the Netherlands.
- As of 1 January 2021 this specific interest deduction limitation is amended such that it will not apply insofar this, per individual debt, leads to an exemption of negative interest and/or positive currency exchange results on a tax base eroding intercompany debt. Before this amendment article 10a CITA 1969 could lead to a tax exemption of negative interest and/or positive foreign exchange results in certain situations.
- It is undesirable that this specific anti-abuse measure could lead to an exemption in specific circumstances.
- As a result of this amendment article 10a CITA 1969 can no longer lead to an exemption of negative interest and/or positive foreign exchange results.
- This law proposal is being drafted as part of the key policy objective of the Netherlands to combat tax avoidance and tax evasion.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- This measure is in accordance with the RRF policy priority to increase the sustainability of the government finances as it ensures that a specific interest deduction limitation can no longer lead to an exemption.
- This measure is in accordance with CSR 2020-4 as it ensures the effectiveness of article 10a CITA 1969.
- Furthermore, the measure is in line with Pillar 3 "inclusive growth" and 5 "Health, and economic, social and institutional resilience." This is the case in the Netherlands where fair taxation contributes to more inclusive growth, combating inequality and increased tax morale, and in the developing countries which may increase taxing possibilities (withholding taxes at source).

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	Struc.
-42	-83	-125	-125

D. Timeline decision making process

- This measure was announced by the Dutch government in the third quarter of 2020 (September 15th). For more information, we refer to the letter included in the link below:

  https://www.rijksoverheid.nl/documenten/kamerstukken/2020/09/15/aanbiedingsbrief-pakket-belastingplan-2021

C7-r-6: Limitation of the deduction of liquidation and cessation loss rules

Type: Reform

A. Description of reform

- As of 1 January 2021 the deductibility of final losses of an entity (liquidation losses) and final losses of a permanent establishment (final PE-losses) in the corporate income tax is limited.
- Three conditions are added to the liquidation and final PE-loss regime:
  - The quantitative condition under which liquidation or cessation losses are only deductible if the taxpayer has a controlling interest in the dissolved entity (only relevant in case of liquidation losses).
  - The territorial condition under which liquidation or cessation losses are only deductible if the dissolved entity or permanent establishment is established in the Netherlands, another EU/EEA member state or in a state with which the EU has a specific association agreement.
  - The temporal condition under which losses are only deductible if the liquidation or cessation is completed within three years following the calendar year in which the business operations ceased or the calendar year in which the decision thereto was taken.
- The quantitative and territorial condition only apply to losses that exceed € 5 million.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- This measure is in accordance with the RRF policy priority to increase the sustainability of the government finances as it prevents companies with profitable activities in the Netherlands to compensate those profits with foreign losses in certain cases and it prevents deferral of taxation via the liquidation and cessation loss regime.
- This measure is in accordance with CSR2020-4 as prevents companies with profitable activities in the Netherlands to compensate those profits with foreign losses in certain cases and prevents a possibility of tax deferral.
- Furthermore, the measure is in line with Pillar 3 "inclusive growth" and 5 "Health, and economic, social and institutional resilience." This is the case in the Netherlands where fair taxation contributes to more inclusive growth, combating inequality and increased tax morale, and in the developing countries which may increase taxing possibilities (withholding taxes at source).

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	Struc.
0	-18	-35	-53	-100	-148	-242

D. Timeline decision making process

- This measure was approved by the Dutch in the last quarter of 2020 (December 15th), https://www.eerstekamer.nl/verslagdeel/20201215/wet_beperking_liquidatie_en.

C7-i-1: supervision AML

Type: investment

A. Description of investment

Money laundering supervision and enforcement will be strengthened in the following ways:

• Further development of the BDRP (Bank Data Retrieval Portal): the BDRP implementing article 32a AMLD entered into force on the 10th of September 2020. With the further development of the BDRP it will be possible to request, inquire and provide account balance and transaction data (semi) automatically. It provides the FIU-the Netherlands and other competent authorities such as law enforcement agencies and the Tax Administration with relevant information quicker and more efficiently, within existing national legal frameworks and guarantees. It also saves time for the financial institutions considering the more automated and uniform manner of data provision. The required legislation with the specifics for the extended information sharing through the BDRP will be publically consulted in the first half of 2021. This further development requires incidental IT-funding. This development is not part of AMLD and is national policy abonve the European requirements.

• This application for the Recovery and Resilience Facility only requests costs that are non-recurrent in nature and fall within the time horizon of the Recovery and Resilience Plan. Costs following the implementation of the measures taken are covered within the budgets of the requesting departments.

B. Impact of measure on RRF-objectives and/or Country Specific Recommendations

- This measure contributes to CSR2020-3. The measure regarding the money laundering framework is aimed to strengthen the supervision and enforcement of the AML-framework. The construction of a centralized portal to retrieve bankaccountinformation, allows the timely identification of persons holding or controlling payment accounts and bank accounts by enforcement agencies.

C. Estimated costs

Amounts in € mln; - = budget balance improving

2020	2021	2022	2023	2024	2025	2026
0	0	0	2,1	2,5	3,6	1,3
Total: 9,5						

D. Milestones and targets

- The further development of the BDRP is a common effort of the criminal authorities and the banks. To develop the IT a board has been set up which monitors the progress

a. Milestones
- In the first half of 2021 the final decisions will be made on the requirements for the development. At the same time the required legislation for the sharing of information through the portal will be drafted.

b. Targets
- Realization of the enhancement of the retrieval portal in 2023.

E. Timeline decision making process
- The required legislation with the specifics of the extra data sharing through de BDRP will be publically consulted in the first half of 2021 and is expected to enter into force in 2023.

F. Social impact

Impact – stable financial system and security

- AML/CFT is of great importance for the stability and the integrity of the financial system and for effective prevention and repression of different forms of crime. Concealing the criminal origin of proceeds enables criminals to stay out of reach of government agencies and benefit from their accumulated wealth undisturbed. These proceeds can also be used to finance other criminal activities or offer the opportunity to acquire positions in bona fide companies and in some cases the authority of the government. It is therefore critical that the channels through which these processes can take place are protected against misuse and are monitored for money laundering.
- As the prevention of money laundering is risk-based, regular evaluation of the policy and its effectiveness is indispensable. The Netherlands has put in place a policy cycle which entails the periodical updating of the National Risk Assessment. In this NRA experts estimate the risks with the greatest potential impact. The next NRA is foreseen in 2022 and will also encompass analyses based on KPIs. In addition, AML policy is regularly evaluated nationally and internationally. Examples are the assessment by the Financial Action Task Force in 2022 and the evaluation by the European Commission for effective implementation of AMLD4.