

To the Minister of Finance  
Mr J.R.V.A. Dijsselbloem  
THE HAGUE

date	Information	your reference	our number
14 September 2015			W06.15.0305/III/B

Subject  
Final Budget Supervision September Report

I am pleased to present the Final Budget Supervision September Report. I would like to direct your attention to the following points.

In its assessment against the European fiscal rules with regard to the structural budget deficit, the Advisory Division has determined the government relies on an approach by the European Commission that would mean the Commission's spring forecasts determine the extent of the policy efforts in 2016. On that basis, according to the Budget Memorandum, the policy effort for 2016 should be sufficient. The Advisory Division has established that this explanation of the concept of 'structural balance, based on freezing', which was used in the assessment of the Stability Programme this spring, has not been recorded in any public document of the European Commission.

The approach of the European Commission gives Member States the opportunity of transferring the necessary budgetary coverage for setbacks that occur after spring to the year following the budget year. This means, however, that the review under the European fiscal rules must be carried out not only for this and next year, but also for the years thereafter. Deviations from the European fiscal rules must, after all, be compensated for in later years.

In order to gain a clear impression of the consequences of this approach to decision-making, there must also be access to a more relevant and more consistent medium-term context than is now the case. The Stability Programme and the Budget Memorandum would have to include a continuous and consistent medium-term view, that would be drawn up independently and updated annually. This way, a consistent outlook for the budget deficit for the years following the budget year could be provided.

European fiscal rules form the underlying principle of Dutch fiscal policy. In applying policy and supervision, it appears that working with two sets of rules sometimes causes tension between them and is complicated. However, in order for fiscal rules to be effective, clarity, uniformity and simplicity are important. Further coordination between Dutch and European fiscal rules and a simplification of rules would be beneficial to both the implementation and supervision of fiscal policy.

The Vice-President of the Council of State,