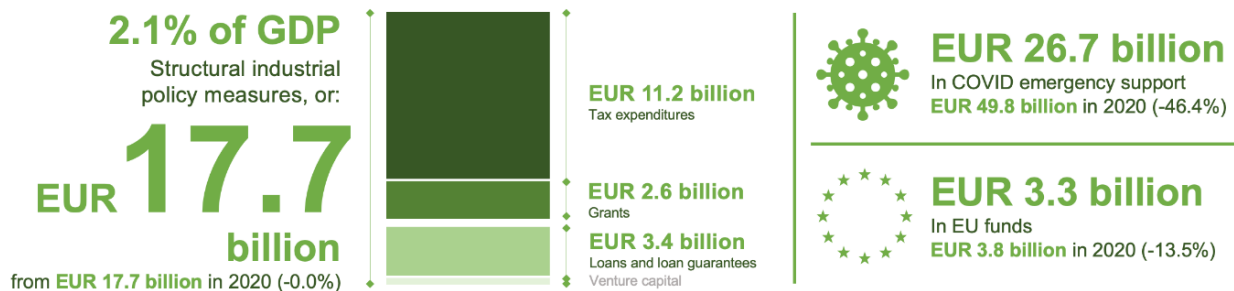


Quantifying Industrial Strategy: the Netherlands Factsheet

Highlights

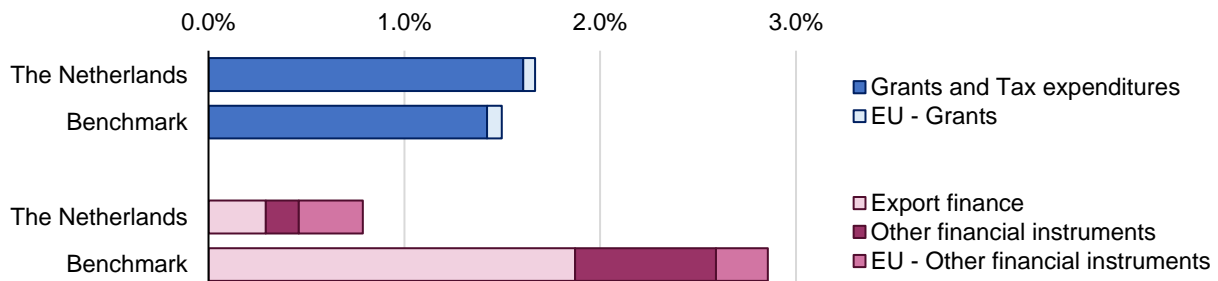
- Compared to other countries, the Dutch industrial strategy relies more on grants and tax expenditures and much less on financial instruments.
- The Dutch industrial strategy is characterised by a strong focus on SMEs and young firms, which consists in across-the-board support to entrepreneurs and self-employed, and does not focus on any sector or technology in particular, nor the green transition.
- Dutch green industrial policies is much less sectoral than in other countries, in which support is often largely earmarked to the energy sector. This follows a recent change to one of the main support instruments for the green transition: in 2020, the grant to stimulate the sustainable energy and climate transition, SDE+, became SDE++, and now covers not only energy but also the manufacturing sector, and is therefore no longer considered sectoral.
- Although less important than in other countries, Dutch sectoral support is mainly targeted to the energy sector, and to a lesser extent manufacturing and transport.

DUTCH INDUSTRIAL STRATEGY EXPENDITURES - 2021 NUMBERS



Dutch industrial policy relies much more on grants and tax expenditures than financial instruments relative to the benchmark. The Netherlands uses a significant amount of tax expenditure measures, accounting for 81% of non-financial instruments (**Figure 1**). On financial instruments, the Netherlands provides much less support than the benchmark. Export finance makes up a significant portion of this expenditure for both the Netherlands and the benchmark, but the amount of other financial instruments is higher in the benchmark than in the Netherlands. Dutch COVID support measures were mostly channelled through financial instruments in 2020 (dropping in 2021, while grants remained constant).

Figure 1. Dutch industrial policy expenditures by instrument type in 2021, % of GDP



Note: Includes EU support. Source: OECD calculations based on the QuIS database.

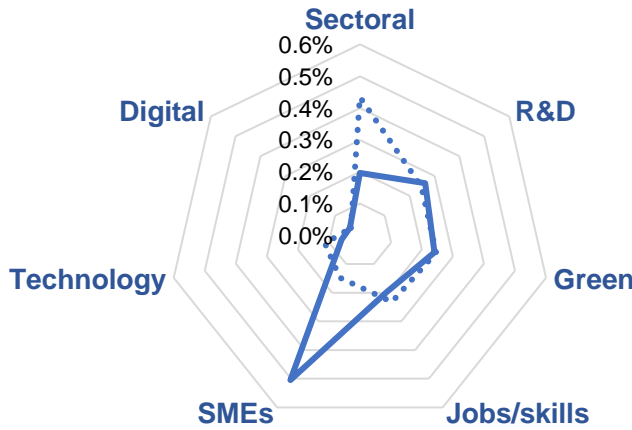


Figure 2. Industrial policy expenditures by eligibility criteria in 2021, grants and tax expenditures, % of GDP

— The Netherlands
..... Benchmark

Note: Structural policies (i.e., excluding COVID). Categories are not mutually exclusive, as policies can be tagged in several categories. Additionally, some policies do not fulfil any of these eligibility criteria. Source: OECD calculations based on the QuIS database.

Regarding grants and tax expenditures, Dutch industrial strategy is structurally different than in other countries (Figure 2). First, it has a strong focus on SMEs and young firms, with 0.50% of its GDP spent on SME policies compared to 0.15% for the benchmark. For other criteria, the Netherlands is in line with the benchmark for R&D, 0.26% vs 0.25% of GDP, green, 0.24% vs 0.25%, and jobs/skills, 0.20% vs 0.23%. Conversely, the Netherlands provides a much smaller share of support compared to the benchmark for sectoral and technology criteria.

Shifts in jobs/skills support levels in 2021

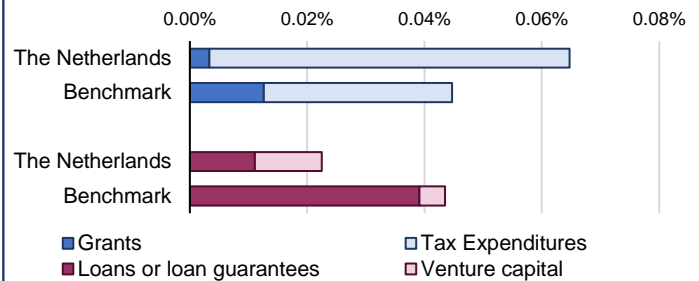
The Netherlands spent more than the benchmark on jobs/skills in 2020 (0.28% vs 0.21% of GDP), but the relationship inverted in 2021 as Dutch spending decreased (to 0.20% of GDP) and benchmark spending increased (to 0.23% of GDP). This is explained by increases in the benchmark (in particular Sweden and France) and reduction in key Dutch policies:

- The 30% ruling (*30%-regeling*, 0.08% of GDP in 2021 down from 0.14% in 2020¹): employers can pay up to 30% of the wage of skilled foreign employees tax-free, under certain conditions.
- The low-income benefit (*Lage-inkomensvoordeel (LIV)*, 0.05% of GDP in 2021 down from 0.07% in 2020²): an annual allowance for employers of low wage workers.

SME support driven by tax expenditures instead of loans

Dutch SME support is mainly driven by grants and tax expenditures, rather than financial instruments. The largest instruments target the self-employed and entrepreneurs (e.g. *Zelfstandigenaftrek*, 0.19% of GDP).

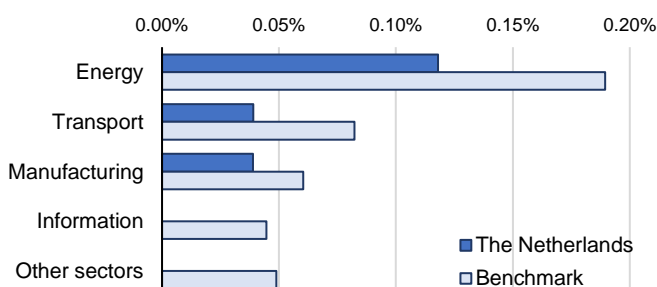
Figure 3. Industrial policy expenditures supporting SMEs by instrument type in 2021, % of GDP



Sectoral support is small and focused on three sectors

Sectoral industrial policy in the Netherlands exclusively focuses on three sectors: Energy and to a lesser extent Manufacturing and Transport

Figure 4. Sectoral support by sector as a percentage of total GDP - Grants and tax expenditures, 2021³



Green policy highlight: Stimulering Duurzame Energieproductie (SDE)

Dutch green policies already had a less sectoral focus than the benchmark in 2019 and 2020 (c. 50%) but the picture changed in 2021 (100% non-sectoral). The shift is due to a change in the Stimulation of sustainable energy production and climate transition policy (from SDE+ to SDE++) which for 2021 was extended beyond the energy sector and thus is no longer considered sectoral according to QuIS definitions. For instance, it allows carbon-abatement projects from other sectors to compete on an equal footing with those from the energy sector. SDE++ is the largest green policy in the Netherlands along with the Discount on additional taxable benefit for zero-emission cars (*IB/LB Korting op de bijtelling voor nulmissieauto's*, also non-sectoral), both at 0.06% of GDP.

1: Likely driven by the reduction of the 30% ruling maximum eligibility period from 8 to 5 years starting from 1 Jan. 2019, with a transitional arrangement which finished on 1 Jan. 2021
 2: Driven by a reduction in the amount paid per hour through low-income benefit scheme from € 0.51 to € 0.49, as well as a reduction in the yearly maximum from 1 000€ to 960€
 3: Reading example: the amount of Dutch grants and tax expenditures support specifically directed to the energy sector represents 0.12% of total GDP, vs 0.19% in the benchmark.
 Note: Includes EU support. Instruments targeting agricultural firms are excluded from the QuIS database and analysis. Source: OECD calculations based on the QuIS database.