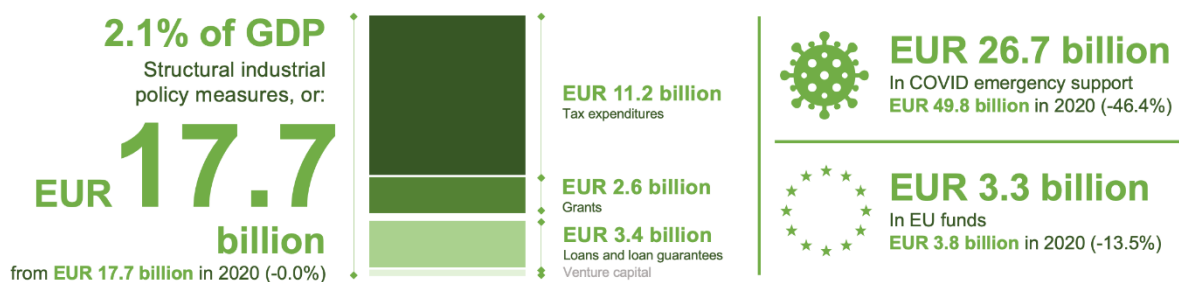


The Netherlands: Quantifying Industrial Strategy

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



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The QuIS project



The 'Quantifying Industrial Strategies (QuIS)' project measures industrial strategies across OECD countries through harmonised data on industrial policy expenditures, their composition, their mode of delivery, and the characteristics of their beneficiaries. This allows participating countries to benchmark their industrial strategies against each other in terms of industrial policy expenditures, policy priorities, policy instruments and recipients.

The data gathered for each country were sent to the member states for additional checks and validation, also with questions regarding the detail of certain instruments as well as gaps in the available data. After countries' validation, the final cross-country data were compiled in a common database. Another relevant delivery of the QuIS project is the report 'Quantifying industrial strategies across nine OECD countries' published as an OECD Science, Technology and Industry Policy Paper, which consists in a cross-country analysis of the industrial strategies of the first nine countries participating in the project. Both the database and the report will be downloadable from <https://www.oecd.org/industry/industrial-policy-and-strategies/>.

General picture

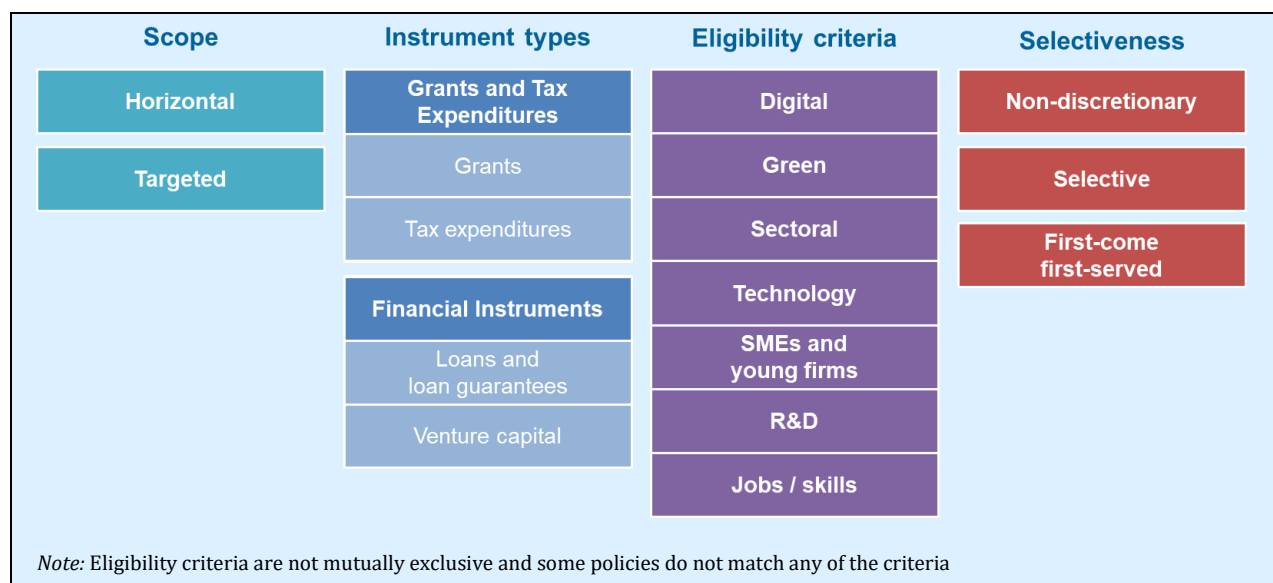
Dutch industrial policy relies much more on grants and tax expenditures than financial instruments, the use of the latter being significantly lower than the benchmark. The Netherlands uses a significant amount of tax expenditure measures, accounting for 81% of non-financial instruments. However, Dutch COVID support measures were mostly channelled through financial instruments in 2020 (dropping in 2021, while grants remained constant). The Dutch industrial strategy is characterised by a strong support to SMEs and young firms, accounting for 30% of its industrial policy spending on grants and tax expenditures in 2021 (and equivalent to 0.50% of GDP, vs. 0.15% in the benchmark). These policies, mainly channelled through tax expenditures, consist in across-the-board support to entrepreneurs and the self-employed and do not target specific sectors or technology, nor the green or digital transition objectives of those firms. Although sectoral support is way less important in the Netherlands than in the benchmark, Dutch sectoral policies go mostly to energy, with additional support going to the manufacturing and transport sectors.

Box 1. QuIS methodology

QuIS gathers publicly available data from many different and decentralised sources on industrial policy expenditures. For the case of the Netherlands, the project focuses on annual industrial policy expenditures higher than EUR 15 million (0.002% of GDP in 2017). The period covered is 2019-2021 and the data track both structural policies and COVID-19 emergency support measures. Instruments targeting agricultural firms are excluded from the database and the analysis. Policy instruments are classified along four dimensions: scope, instrument type, eligibility criteria and selectiveness. The QuIS methodological paper outlines the scope and the definitions in more detail and can be found here: [oe.cd/il/QuIS](https://www.oecd.org/industry/industrial-policy-and-strategies/). Importantly, financial instruments, defined as the provision of loans, loan guarantees or equity investments, are measured through the so-called notional amounts method, which measures expenditures as the amount of financing (or guarantees) provided by public entities. This measure was chosen as it is the most widely available across countries. However, amounts obtained with this method are not directly comparable with grants and tax expenditures, so the two types of instruments are recorded and analysed separately.

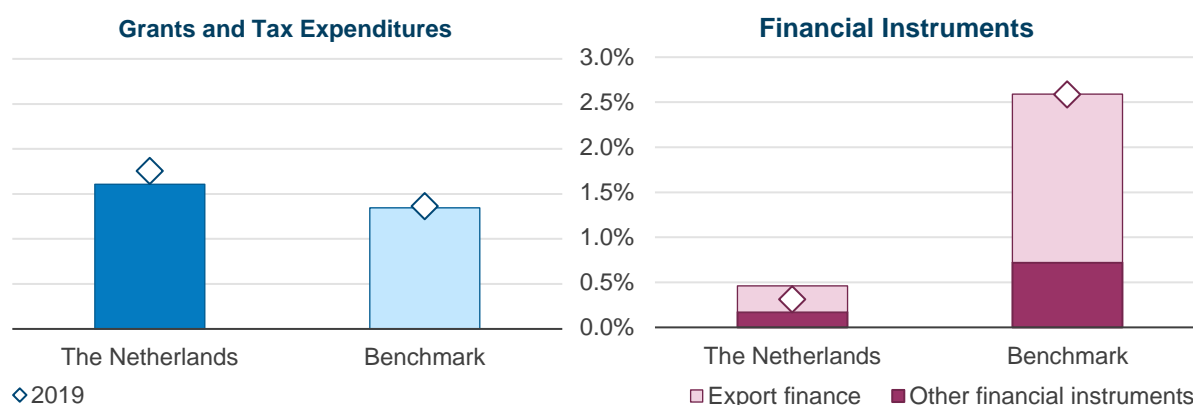
Countries used to define the benchmark are Canada, Denmark, France, Ireland, Israel, Italy, Sweden and the United Kingdom. Country notes are also available for these countries.

Figure 1. QuIS Data Categorisation



A. Dutch industrial strategy has a strong focus on SMEs and young firms, and resorts less to financial instruments

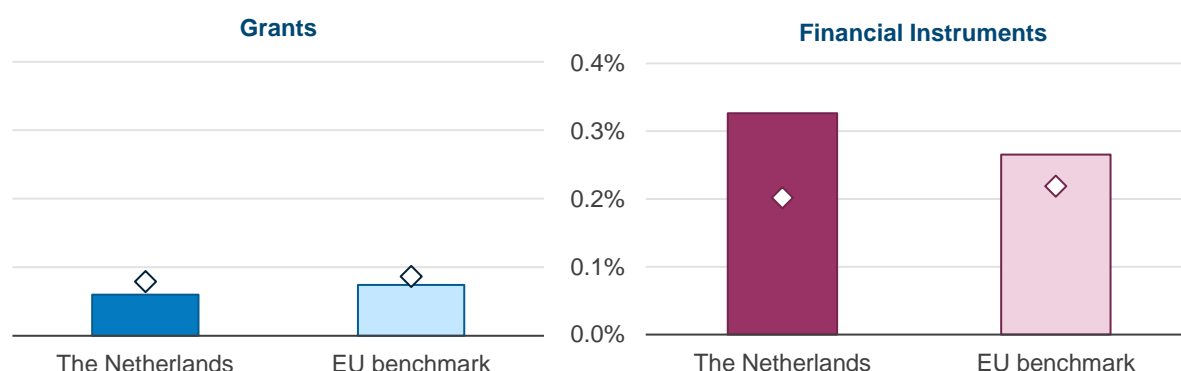
Figure 2. Industrial policy expenditures in 2021, % of GDP (diamonds – in 2019)



Note: Domestic and structural policies (i.e., excluding Covid and EU support).
Source: OECD calculations based on the QuIS database.

The Netherlands spends more on grants and tax expenditures as a percentage of GDP than the benchmark (**Figure 2**), the most important instruments being the 'Self-employment tax deduction' (*Zelfstandigenaftrek* - 0.19% of GDP), the 'R&D tax credit (WBSO)' (0.17% of GDP) and the 'Innovation Box' (0.16% of GDP). These instruments are all tax expenditure measures, and so are the ten largest non-financial instruments (together representing 63% of grants and tax expenditures). For financial instruments, the Netherlands provides less support than the benchmark. Export finance makes up a significant portion of expenditure on financial instruments for both the Netherlands and the benchmark, but the amount of other financial instruments remains three times higher in the benchmark than in the Netherlands.

Figure 3. EU industrial policy support on grants and financial instruments, 2021, % of GDP (diamonds – in 2019)

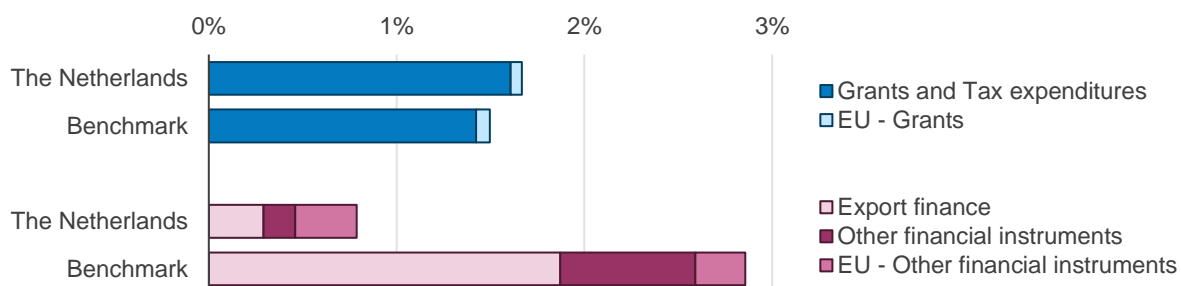


Note: Other EU countries are Denmark, France, Ireland, Italy and Sweden. Instruments targeting agricultural firms are excluded from the database and the analysis.

Source: OECD calculations based on the QuIS database.

The Netherlands benefits less from EU industrial policy grants than the EU benchmark (**Figure 3, left**). The support provided by the EU through financial instruments in 2021 is higher in the Netherlands than in the EU benchmark (**Figure 3, right**), and represents a significant increase from 2019. This is driven by European Investment Bank (EIB) loans, totalling 0.23% of Dutch GDP in 2021, the remaining being from European Investment Fund (EIF) in the form of loans, guarantees and venture capital.

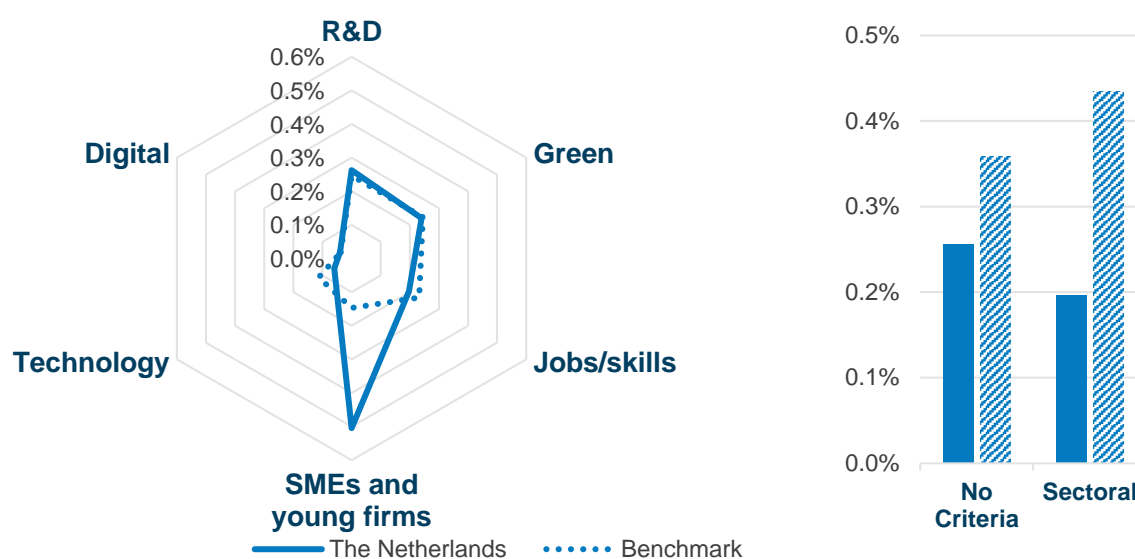
Figure 4. Structural industrial policy expenditures in the Netherlands in 2021, % of GDP



Note: Includes EU support.

Source: OECD calculations based on the QuIS database.

Figure 5. Industrial policy expenditures by eligibility criteria in 2021, % of GDP



Note: Structural domestic and EU policies (excluding Covid support measures). Categories are not mutually exclusive, as policies can be tagged in several categories. Policies that do not fulfil any of these eligibility criteria are reported in the right panel only and labelled as “no criteria”).

Source: OECD calculations based on QuIS database.

Regarding grants and tax expenditures, Dutch industrial strategy is structurally different than in other countries (Figure 5). 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. Important instruments in this category include the ‘Self-employment tax deduction’ (*Zelfstandigenaftrek* - 0.19% of GDP), the ‘Motor vehicle tax reduction for entrepreneurs’ and ‘Tax on passenger cars and motorcycles - Reduction for entrepreneurs’ (*MRB Verlaagd tarief bestelauto ondernemers* - 0.12% and *BPM Vrijstelling bestelauto ondernemers* - 0.10% of GDP respectively). 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.

Dutch spending on jobs/skills industrial policies is slightly below the benchmark, and it has fewer such instruments than the other countries. The benchmark is primarily driven by France, which spends significant amounts on two labour instruments: labour cost reduction (*Crédit d’impôt en faveur de la compétitivité et de l’emploi*, 0.3% of GDP) and support to apprenticeships (*Aide exceptionnelle aux employeurs d’apprentis (AECA) / Aide unique pour les employeurs d’apprentis (AUEA)*, 0.3% of GDP). The Netherlands does not have similar labour cost reduction policies and only spends 0.03% of GDP on practice-based learning support for firms (*Subsidieregeling Praktijkleren*). Additionally, the Netherlands saw a drop in spending from 2020 to 2021, 0.08% of GDP (or 440M€) across its two largest policies (cf. Box 2).

SME support is high in Netherlands, compared to the benchmark. The higher support to SMEs and young firms in the Netherlands is not driven by its firm demographics. Both the Netherlands and the benchmark employ just under 2 people in SMEs for every one large firm employee¹. Other countries, such as the United Kingdom, have high SME support through similar large instruments which partly accounts for the difference with the benchmark (Self-employment tax deduction in the Netherlands – *Zelfstandigenaftrek*, 0.19% of GDP; and ‘Reduced contributions for self-employed’ in the UK – 0.2% of GDP). However, the Netherlands is the only

¹ As per Eurostat data on the employment in large firms vs. SMEs

country with a large car and van related tax deduction, driving not only the differences with the benchmark, but also the difference with the United Kingdom (see sub-section C of the Deep dive below).

Box 2. Changes in support levels of Dutch industrial policies in the jobs/skills criteria

In 2021, both the Netherlands and the benchmark saw significant changes (in opposite directions) of the levels of spending on jobs/skills policies compared to 2020. While the Netherlands spent more than the benchmark in 2020 (0.28% vs 0.21% of GDP), the relationship inverted as Dutch spending decreased (to 0.20% of GDP) and benchmark spending increased (to 0.23% of GDP). For the benchmark, this change was driven by France and Sweden, while for the Netherlands the drop is largely explained by the change in the largest jobs/skills instruments:

- The 30% ruling (*30%-regeling*, 0.08% of GDP in 2021 down from 0.14% in 2020²): 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 2020³): an annual allowance for employers of low wage workers.
- Grant Scheme for practice-based learning (*Subsidieregeling Praktijkleren*, 0.03% of GDP in 2021, and in line with 2020): a contribution towards the costs employers incur for the supervision of a pupil or student, similar to an apprenticeship programme.

Interactions with other labour market programmes

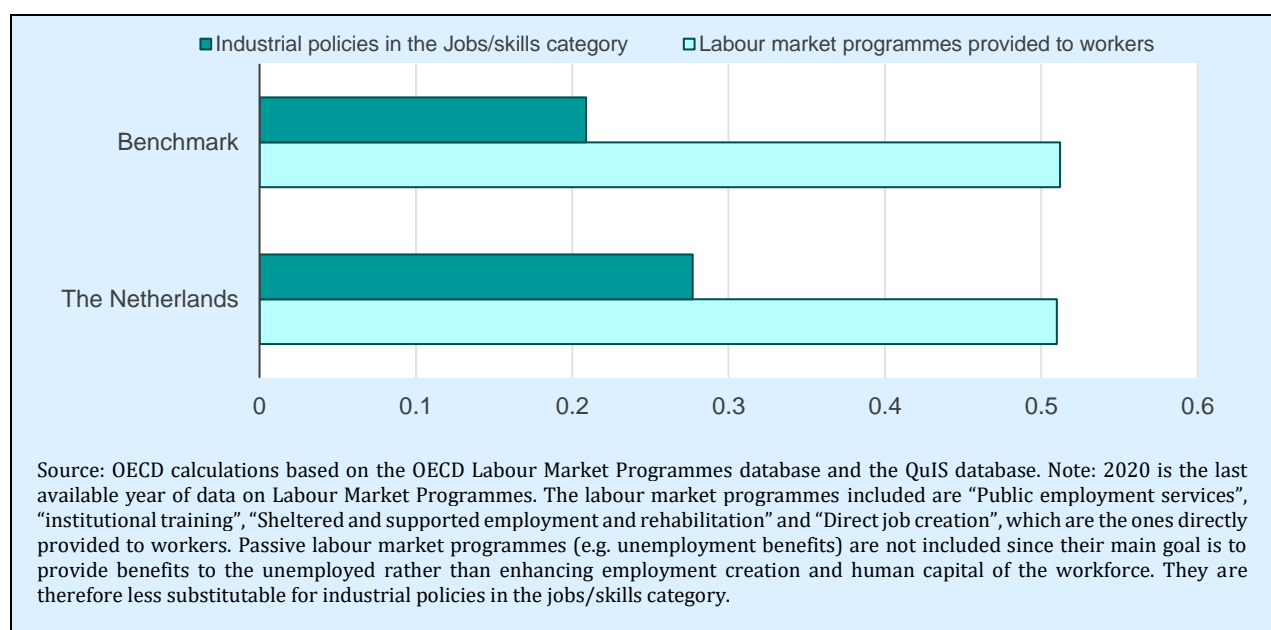
The scope of this project includes labour policies geared towards enhancing competitiveness, investment, or economic development by providing direct support to firms, linked to their wage bill, employment, hiring or training expenditures. Hence, active labour market policies which could also enhance competitiveness but are directly provided to workers are excluded, such as public employment services, institutional training, ‘sheltered and supported employment and rehabilitation’ and direct support to job creation.

It is useful to compare industrial policies in the jobs/skills category with expenditures on labour market programmes provided to workers. In 2020, while the Netherlands spent almost the exact same share of GDP as the benchmark on active labour market programmes (0.51% of GDP), it spent slightly more than the benchmark on industrial policies in the jobs/skill category (0.28% of GDP vs 0.21% of GDP) (**Figure 6**).

Figure 6. Jobs/skills industrial policies and labour market programmes provided to workers in the Netherlands and the benchmark, % of GDP in 2020

² Likely driven by the reduction of the 30% ruling maximum eligibility period from 8 to 5 years starting from 1 January 2019, with a transitional arrangement for employees who entered employment in the period from 1 January 2012 through 31 December 2018, for whom the change applied on 1 January 2021, source: [30% facility | Decision: validity and review of the conditions | Belastingdienst.nl](#)

³ 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€, source: [Lage-inkomensvoordeel \(LIV\) | Wet tegemoetkomingen loondomein \(Wtl\) | Rijksoverheid.nl](#)



Regarding financial instruments, export support, provided by the Dutch ‘Atradius’ agency, *Exportkredietverzekering (EKV)* was only 0.3% of GDP in 2021, while the export credit provided by Canada⁴ and Sweden⁵ was 3.7% and 1.9% respectively. The latter two countries have the largest export support schemes in the benchmark, followed by France and Denmark, that are closer to 0.8% of GDP, highlighting the relatively low levels of export support provided by the Netherlands.

Dutch non-export focused financial support remains significantly lower than the benchmark (0.2% of GDP vs 0.7%) because Dutch instruments are fewer and less significant in scale than other countries. The benchmark is driven by France and Italy. For instance, Bpifrance, the French public investment bank, offers close to 1.1% of GDP in financial support (excluding export finance) through a variety of instruments, in Italy the SMEs guarantee fund is 0.76% of GDP alone (*Fondo di Garanzia per le PMI*). In contrast, Invest NL equity investments amount to 0.03% of GDP.

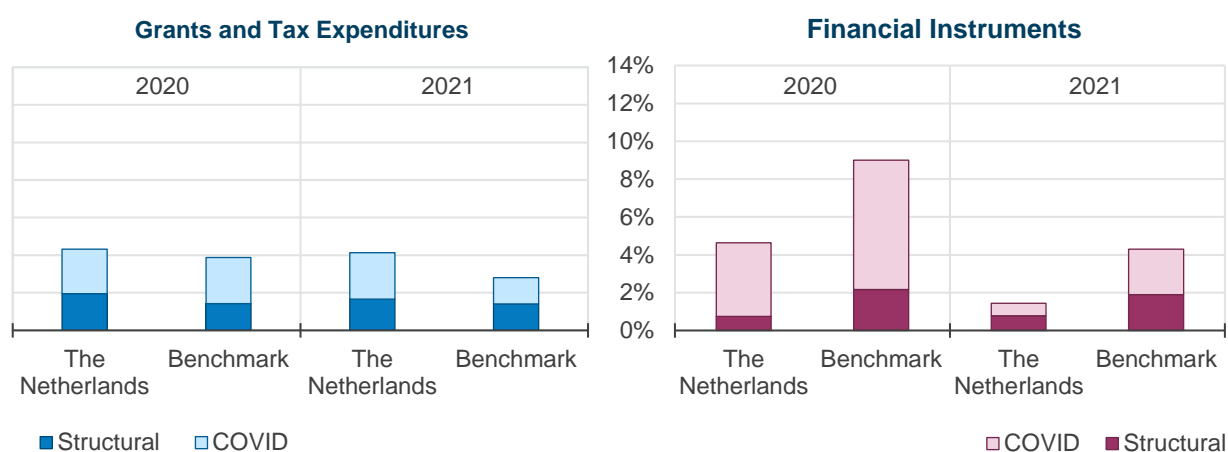
It is worth noting that 89% of Dutch financial support does not follow any eligibility criteria (a higher share than the benchmark average of 78%), with the biggest instrument being the aforementioned export credits. While the remaining 15% is mostly provided to SMEs and young firms by the SME credit guarantee scheme (*Borgstelling MKB Kredieten (BMKB)* – 0.04% of GDP) and Invest-NL (0.03% of GDP – also a green instrument).

⁴ Provided by Export Development Canada.

⁵ Provided by the Swedish National Export Credit Guarantee Board (EKN) and the Swedish Export Credit Corporation.

B. The Netherlands significantly relied on financial instruments for its COVID emergency support

Figure 7. COVID emergency support through grants/tax expenditures (left) and financial instruments (right), % of GDP



Source: OECD calculations based on the QuIS database.

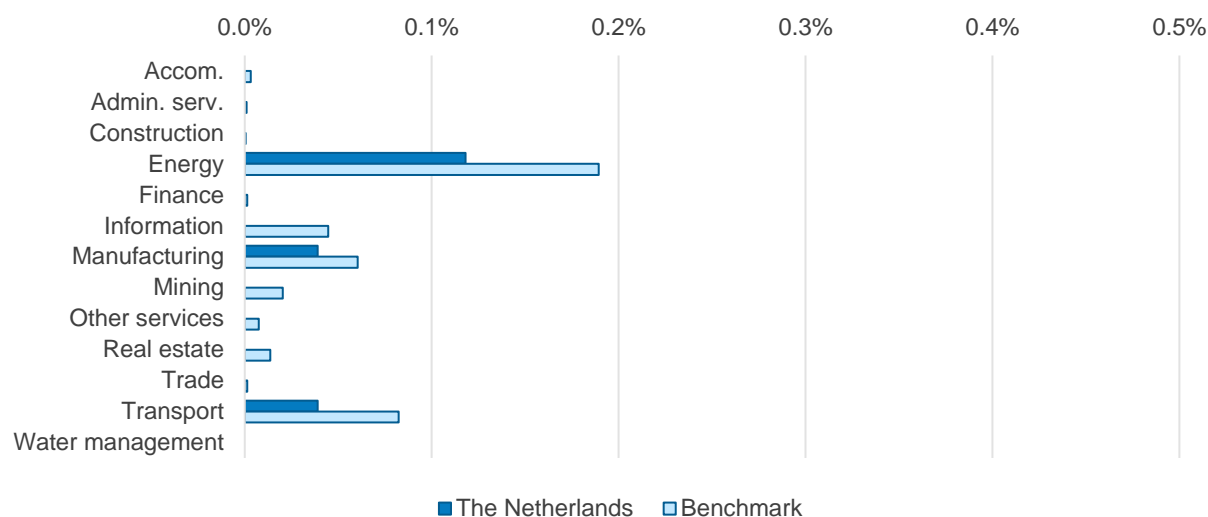
COVID support in the form of grants and tax expenditures was slightly higher than structural support in 2020 (2.4% vs 2.0% of GDP, **Figure 7**), and COVID support through financial instruments dwarfed the structural support (from 3.9% vs 0.7% of GDP). For example, tax deferrals (considered as loans) represent 1.8% of Dutch GDP in 2020 (*Uitstel belastingbetaling*), which is in line with Canada (*Business Income Tax Deferral*, 1.4% of GDP), but less than Denmark (*Udskydelse af betalingsfrister for indkomstskatter, moms- og lønsumsafgift og andre afgifter*, 7.2% of GDP). The other large items in the Dutch financial instrument support toolkit are the Supplier Credit Reinsurance (*Herverzekering leverancierskredieten* – 1.5% of GDP) and large guarantees (KLM, Synlab, Eurofins – totalling 0.3% of GDP). The benchmark also channelled most of its COVID support through financial instruments.

While the large increase in financial instrument support did not continue in 2021, the high level of grants and tax expenditures in the Netherlands was maintained (whereas the benchmark saw a decrease). This was driven by a large wage grant scheme (*Noodmaatregel overbrugging voor behoud werkgelegenheid (NOW)/ Tijdelijke Noodmaatregel Overbrugging voor Werkbehoud*, 1.6% of GDP), one of the largest single grant schemes across the countries analysed, with only the Canadian ‘*Emergency Wage Grant*’ being larger in relative terms, at 3.8% of GDP. The next three largest Dutch measures are focused on self-employed and entrepreneurs: income support the self-employed and support for entrepreneurs fixed costs and overheads (*Tijdelijke overbruggingsregeling zelfstandig ondernemers (TOZO)*, *Tegemoetkoming Vaste Lasten (TVL)*, *Tegemoetkoming schade COVID-19 (TOGS)* – totalling 0.6% of GDP). These grant measures were also maintained at similar scale in 2021, with the Fixed Expenses Allowance (TVL) increasing massively in 2021, reaching 1% of GDP from 0.1% in 2020

Deep dive on Dutch industrial strategy

- A. The Netherlands spends less than other countries in sectoral policies, but focuses, among other sectors on energy

Figure 8. Sectoral support by sector as a percentage of total GDP - Grants and tax expenditures, 2021



Reading example: In the Netherlands the amount of support, in the form of grants and tax expenditures specifically directed to the energy sector, represented 0.12% of total GDP in 2021, whereas it represented 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.

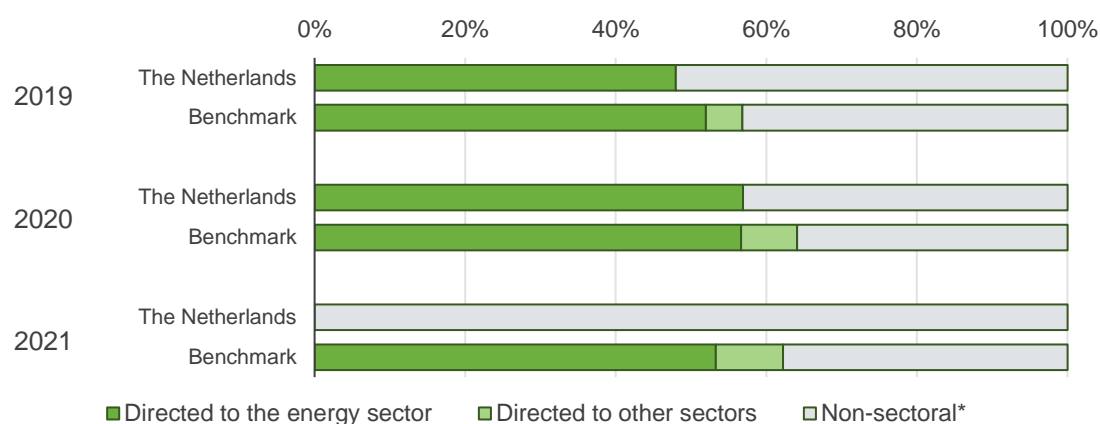
An industry-level perspective reveals that sectoral industrial policy in the Netherlands exclusively focuses on three sectors: Energy and to a lesser extent Manufacturing and Transport (**Figure 8**). By this measure, sectoral support is lower than in the benchmark in every case: Energy (0.12% vs 0.19%), Manufacturing (0.04% vs 0.06%) and Transport (0.04% vs 0.08%). Unlike the benchmark, the Netherlands offers no direct support to the Information sector. The comparison between the Netherlands and the benchmark displayed in Figure 8 is not significantly affected when comparing support rates (i.e. support as a percentage of sectoral GDP).

In the energy sector, support is driven by exemptions from the energy tax for power plants (*Inputvrijstelling energiebelasting voor elektriciteitsopwekking* - 0.09% of GDP). The SDE+ instrument, a grant scheme to stimulate sustainable energy and the climate transition, which was targeted to the energy sector (cf. section below), was changed to SDE++ in late 2020 (0.06% of GDP in 2021) and opened to other sectors. If it were still targeting only the energy sector, sectoral support to energy would be closer to 0.17% of GDP, but still below the benchmark.

The support for Manufacturing comes from two main instruments: an ETS indirect cost compensation and energy tax exemption for energy-intensive processes (*Subsidieregeling Indirecte kostencompensatie ETS (IKC-ETS)* and *EB Vrijstellingen voor energie-intensieve processen* - 0.02% of GDP each). Finally, support for Transport is channelled through tax exemptions, on shipping (*Tonnageregeling winst uit zeescheepvaart* and *Afdrachtvermindering zeevaart*, totalling 0.02% of GDP) and taxis and public transport (*MRB Vrijstelling taxi's en openbaar Vervoer* - 0.01% of GDP).

B. Dutch green policies are also more horizontal since 2021

Figure 9. Sectoral composition of green support in the Netherlands, % of total green industrial support in grants and tax expenditures



*"Non-sectoral" refers to policies that are not targeted to a specific sector. Nevertheless, some beneficiaries of these policies may belong to the energy sector.

Note: Includes EU support.

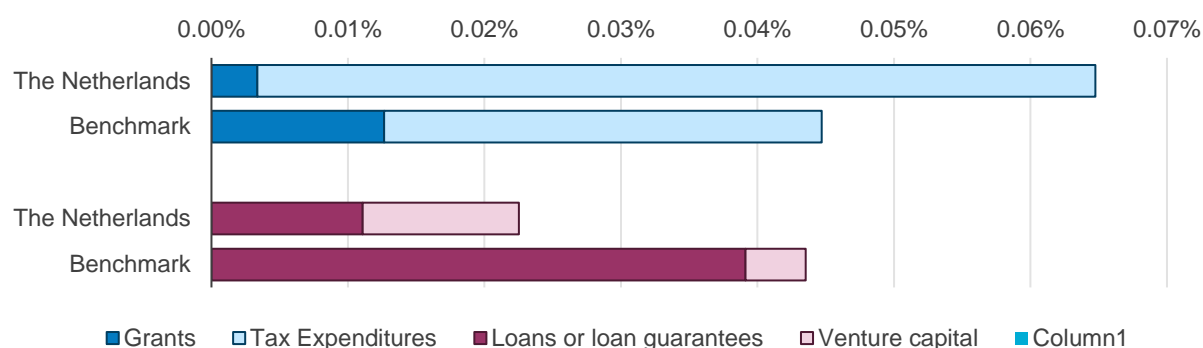
Source: OECD calculations based on the QuIS database.

Dutch green policies already had a less sectoral focus than the benchmark in 2019 and 2020 (c. 50%, **Figure 9**) but the picture changed in 2021 (100% non-sectoral). The drop is due to a change in the Stimulation of sustainable energy production and climate transition policy (from SDE+ to SDE++, *Stimulering Duurzame Energieproductie*) which for 2021 was extended beyond the energy sector and thus is no longer considered sectoral according to QuIS definitions (Criscuolo, Lalanne and Díaz, 2022^[1]). Since it allows carbon-abatement projects from other sectors to compete on an equal footing with those from the energy sector, this change is considered as improving the overall efficiency of carbon abatement in the short run, but may also favour close to the market technologies, such as Carbon Capture and Storage (CCS), at the expense of breakthrough technologies that will be needed for reaching carbon neutrality, such as hydrogen (see Anderson et al. (2021^[2])).

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. The largest other Dutch green instrument is the Energy tax equalisation for small-scale producers of sustainable electricity (*Salderingsregeling* – 0.04% of GDP), the remaining instruments are smaller ($\leq 0.02\%$ of GDP) some of which are also Sectoral, R&D and Technology-focused.

C. Support to SMEs and young firms in the Netherlands rely more on tax expenditures and less on loans

Figure 10. Industrial policy expenditures supporting SMEs and young firms by instrument type in 2021, as a % of GDP

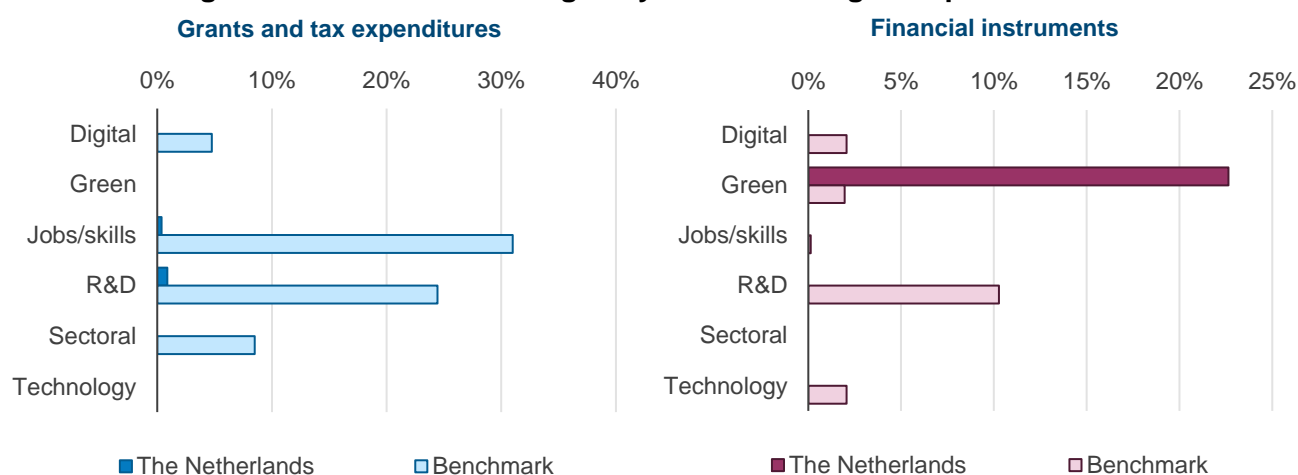


Note: Includes EU support

Source: OECD calculations based on the QuIS database.

Overall, support to SMEs and young firms in the Netherlands is higher than in the benchmark. This support is mainly driven by grants and tax expenditures (0.065% of GDP, **Figure 10**), rather than financial instruments (0.023% of GDP). The former is largely done through tax expenditures, another significant difference with the benchmark (95% vs 72%). The largest policies in this category are tax instruments targeted to the self-employed and entrepreneurs ‘Self-employment tax deduction’ (*Zelfstandigenaftrek* - 0.19% of GDP) and the ‘Motor vehicle tax reduction for entrepreneurs’ and ‘Tax on passenger cars and motorcycles - Reduction for entrepreneurs’ (*MRB Verlaagd tarief bestelauto ondernemers* - 0.12% and *BPM Vrijstelling bestelauto ondernemers* - 0.10% of GDP). The closest (in % of GDP) tax instrument support for SMEs in the benchmark is the French reduction of social contributions for SMEs in overseas territories (*Déduction de cotisations patronales pour les entreprises implantées outre-mer* – 0.05% of GDP).

For financial instruments, the Netherlands also has a different approach than the benchmark, with an even split of support between loans and loan guarantees vs. venture capital, while the benchmark mainly uses the former (49% vs 91%). The Dutch SME venture capital is driven by Invest NL (0.03% of GDP), which is also a green focused instrument. This is the largest VC support to SMEs in GDP terms across the benchmark, the closest policy is Sweden’s *Stiftelsen Industrifonden* (a foundation that invests in Swedish industry – 0.01% of GDP). The loans and loan guarantees are also driven by a large policy, the SME credit guarantee scheme (*Borgstelling MKB Kredieten (BMKB)* – 0.04% of GDP), France having a similar, though much larger, programme (*BpiFrance’s* guarantee scheme – 0.26% of GDP).

Figure 11. Share of other eligibility criteria among SME policies - 2021

Reading example: In the Netherlands the share of support to SMEs, in the form of financial instruments, that also has a green eligibility criterion is 24%

Source: OECD calculations based on the QuIS database.

While, in the benchmark, grants and tax expenditures targeting SMEs and young firms often have a jobs/skills dimension (31.0% of SMEs and young firms support, mostly driven by France), this is not the case for the Netherlands (0.4%). Grants and tax expenditures supporting SMEs and young firms partly reflect R&D support in the benchmark (24.4%, largely driven by the United Kingdom), whereas it is rarely the case in the Netherlands (0.9% of grants and tax expenditures targeting SMEs and young firms).

However, the picture changes when looking at financial instruments, with 22.6% of the Dutch financial instrument support to SMEs and young firms being Green focused (vs. 2.0% for the benchmark countries). It is worth noting that the Netherlands is only one of two countries that offers green SMEs support through financial instruments, with Invest NL (0.03% of GDP), Canada with the Canada Foundation for Sustainable Development Technology offers significantly lower support rates (0.005% of GDP). As with grants and tax expenditures the benchmark offers some SME R&D support (10.3% of SME financial support) where the Netherlands does not.

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- Criscuolo, C., G. Lalanne and L. Díaz (2022), "Quantifying industrial strategies (QuIS): Measuring industrial policy expenditures", *OECD Science, Technology and Industry Working Papers*, No. 2022/05, OECD Publishing, Paris, <https://doi.org/10.1787/ae351abf-en>. [1]