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**Statement by Mr. Bevilaqua, Ms. Mahabir, and Mr. Velloso on Kingdom of the Netherlands - the Netherlands
(Preliminary)
Executive Board Meeting
November 10, 2021**

We thank staff for their report and Mr. Hilbers and Ms. Eijking for their helpful statement. We agree with the thrust of the staff appraisal and would like to offer the following comments.

The Netherlands seems to have recovered from the pandemic with limited economic scarring, and GDP returned to its pre-pandemic levels in the third quarter of 2021. This positive development can be attributed to some extent to the high degree of digitalization of the economy and flexibility of the workforce that was able to continue working even during periods of mobility restrictions. We congratulate the Dutch authorities on achieving a high vaccination rate of over 80 percent of the adult population. At the same time, we take note of a recent spike in infections, particularly among the unvaccinated, and the reimposition of a mask mandate in public spaces.

Given its substantial buffers, the Netherlands was able to implement several measures to minimize the effects of the pandemic on the economy. Labor support, tax relief, and access to financing were some of the measures implemented. We note that Mr. Hilbers and Ms. Eijking indicated in their statement that some of these measures have been withdrawn, nevertheless we agree with staff that the remaining support should be carefully phased out. At the same time, investments in education and R&D will be important for the country's continued development. For example, policies addressing early childhood education, teacher shortages, and learning losses stemming from the pandemic are needed.

Tax reform may be adversely affected by the current precarious political situation. We take note of the various measures that the authorities are seeking to undertake in this area. However, as indicated in the staff report, the current caretaker government may achieve only

limited success. *We would be grateful if staff could elaborate on the impact on the Netherlands of the recently announced global tax agreement.*

While the banking sector remained resilient in the face of the pandemic, rising houses prices could negatively impact financial stability. The central bank highlighted in its latest financial stability report that while house prices increased by an annual average of 8 percent in the last five years, they rose by 10.3 percent and 13 percent (year-on-year) in the first and second quarters of 2021, respectively. The central bank made several recommendations that the authorities may wish to seriously consider, including gradually phasing out tax relief favoring home ownership, abolishing the gift tax exemption for house purchases, and increasing the supply of new homes. We note that outside the banking sector, there is a need for enhanced supervision of institutions that may have increased their risk appetite because of the low interest rate environment. *Staff comments would be welcome.*

Rising sea levels heightens the need for climate change adaptation in the Netherlands. Given its low-lying geography, with about one-fourth of its surface below sea level, the Netherlands has long had to address rising sea levels through the building of various coastal barriers. We note, however, that the discussion in the staff report focused on emissions and the country's ability to reach its set targets by 2030 and 2050. While the reduction of emissions even for a small economy like the Netherlands is important, we missed more focus in the staff report on the country's climate adaptation challenges and efforts. *Could staff provide information on the efforts of the Sea Level Rise Knowledge Program and the impact of practices such as allowing selected parcels of farmland to be flooded and turn into marshland?*

With these remarks we wish the Dutch authorities success in their future endeavors.