Dear Speaker,

I am writing in response to the report entitled *Innoveren en ondernemen met beleid: analytische achtergrondstudie van Beleidsdoorlichting artikel 12 (Een sterk innovatievermogen) en 13 (Een excellent ondernemingsklimaat)*, attached as annexe 3 to this letter.

**Introduction**

Once every four to seven years, parliament is given information on the legitimacy, effectiveness and efficiency of the policy incorporated in a given item of the State Budget through a policy review. This policy review addresses items 12 and 13 of the budget of the Ministry of Economic Affairs (EZ) and covers the period 2009-2013. As the content of the two policy fields is strongly related, the two items were reviewed in full and in their mutual relationship.[[1]](#footnote-1) To this end, EZ commissioned research firm Dialogic to perform an analytical background study, monitored by an external committee.[[2]](#footnote-2)

The two budget items form the financial backbone of enterprise policy as implemented in its current form since 2010-11. It is a medium-term policy strategy with a comprehensive, interactive policy approach in which the actors involved bear their own responsibility and make their own contribution. The government plays its role in response to market failures and as a network partner. Enterprise policy must be long-term in nature, with a clear and consistent policy framework for the medium term. It also requires a government willing to learn and experiment and which, where necessary and according to the facts and analyses of progress on the policy, makes occasional adjustments and perseveres with what has been proven to work. This policy review aims to make a contribution to this following critical consideration of the facts on the policy being pursued.

The Regulations Derived from the Budget Law (*Regeling Periodiek Evaluatieonderzoek* - RPE) prescribe that the overall package of measures in a budget item (the policy mix) must be reviewed for legitimacy (what is the reasoning behind the policy?), effectiveness (to what extent does the policy achieve its objectives and what is the social gain?) and efficiency (are the social benefits greater than the social cost and/or could the benefits be achieved at lower cost?).[[3]](#footnote-3)

Broadly, the background study concludes that the policy has proper economic support (legitimate), that most of its instruments are effective (effectiveness is confirmed) and that it is being implemented efficiently (‘micro-efficiency’). It established that too little information is available to support comments on ‘macro-efficiency’ (weighing the total costs of the policy against the total benefits, or could the objectives be reached more cheaply?). This is mainly because of methodological limitations and the state of economic research in this area.

The background study makes a number of observations on possible reorientation of the balance and composition of the policy mix. Such improvements in the policy mix could potentially lead to a reduction in the cost of policy and/or to an improvement in the social gains from it. It also makes a number of suggestions on improving the quality of policy, communications and the policy cycle. Table 1 summarizes the recommendations of the background study and gives the government’s brief responses, which are explained below in the ‘A view to the future’ section of this letter.

*Table 1: Government response to the recommendations*

| **Recommendation in the background study** | **Government response** |
| --- | --- |
| ***Lower costs and/or higher gains and better return*** | |
| * **Reconsider tax incentives to enterprises.** | * The government addresses the tax incentives to enterprises in its response to the IBO-ZZP and in the context of the revision of the tax system. |
| * **Reorientation from relatively heavy use by SME target group and place focus on incentives to enterprises.** | * The use by SMEs has a relatively large budgetary effect because of tax incentives to enterprises (see above). * SMEs are a large, widely varied target group that warrants customization. The ambitious enterprise programme was started in 2014 partly as a result of this and to promote growth of enterprises. A ‘special start-ups envoy’ has been appointed and the Take-off-STW programme was set up for start-ups. The government has paid attention to challengers in the innovation-based procurement programme (incl. via SBIR). The government has also co-financed and recently expanded the DVI. * The government is also working on improved data on SMEs and entrepreneurship, which will be the basis for the *De Staat van het Mkb* monitor to be published this year. The Dutch Committee for Enterprise and Finance has been involved in this. |
| * **Less accumulation of instruments and clearer analysis of bottlenecks in instruments aimed at the same issue, particularly in the set of financing instruments.** | * Both the financing issues and the solutions are varied and require customization. The government attaches importance to an effective and robust set of financing instruments. * The government will in the near future increase clarity and awareness of the instruments, based on an analysis by the 2014 SME financing working group, in consultation with, inter alia, NVB and MKB-NL. * The government intensively evaluates and monitors the set of financing instruments. In due course, this will also provide more insight into bottlenecks and possible accumulation of instruments. |
| * **Integrate WBSO and RDA and evaluate Innovation Box.** | * As stated in the EZ budget 2015, the government is considering integrating the WBSO and RDA. The Ministry of Finance will commission an evaluation of the Innovation Box in 2015. |
| * **Reconsider *Subsidieregeling Innovatieve (Zee-) Scheepsbouw* (SIZ/SIS) (shipbuilding subsidies).** | * This instrument was ended in 2014, partly on the basis of the results of an evaluation. |
| * **Link policy focused on ICT applications even more with standard innovation policy.** * **Greater attention to non-technological aspects of innovation.** | * ICT policy will form an integral part of the top-sector approach, for example by setting up the National ICT team and the ‘Smart Industry’ action agenda. * To this end, the government now uses non-financial policy (awareness, ‘nudging’). After some policy experiments, the government will assess if financial instruments are also legitimate and effective. |
| * **More explicit alignment of national and European policy and communicate this more clearly.** | * The government supports better alignment with European programmes such as Horizon 2020, Eureka clusters, Eurostars and JTIs and is providing co-financing. The Innovation contracts in the Top sectors also address the link with European social themes and public knowledge institutions are reimbursed for matching costs of participating in EU programmes. Since 2011, the return percentage has increased annually. * Europe is systematically included in policy and progress reports, such as the *Monitor Bedrijvenbeleid*. |
| * **Focus R&D more on social challenges.** | * Enterprise policy already contributes to social challenges (see *Monitor Bedrijvenbeleid* *2014*). The government will continue this approach in the new Knowledge and Innovation agenda for the top sectors for the period 2016-2019. |
| * **Stronger interdepartmental links in relevant policy fields.** | * The top-sector approach, part of the enterprise policy, is an integrated policy approach. It has an interdepartmental structure and links policy fields such as research, human capital, development aid and economic diplomacy, sustainability and regulation promoting innovation. |
| ***Communications*** | |
| * **Position and legitimize new policy more clearly than with existing policy.** | * Policy documents introducing a new policy have a standard passage with the results of an analysis of issues and positioning vis-à-vis existing policy. |
| * **Integrate items 12 and 13 in a single budget item based on a cohesive policy framework.** | * The government proposes to do this in the EZ budget for 2017. |
| * **Clarify the position with respect to TO2 institutions.** | * The government drew up a vision on applied research in 2013. |
| * **Pay more attention in policy development and public communications to policy theory and legitimacy.** * **More communication of arguments on the logical line of reasoning and policy mix.** | * Both recommendations have a place in the annual *Monitor Bedrijvenbeleid*. * Policy documents introducing a new policy will have a standard passage on policy theory and legitimacy (the considerations that followed deployment of the Integral Assessment Framework). |
| ***Improve quality of policy by monitoring and measuring effects*** | |
| * **Qualitative ex ante cost/benefit analyses (legitimacy, intended effectiveness and efficiency) and analysis of issues.** * **Continue, where possible, with quantitative measuring of ‘first order effects’ (‘Theeuwes approach’) for individual instruments and develop methods for evaluating ‘integrated policy approaches’.** | The government is doing the following:   * Enhancing standard analysis of issues ahead of introduction of or major changes to policy instruments; * Continuing the ‘Theeuwes’ expert group effect measurement approach where possible and useful with focus on ‘first order effects’; * Contributing internationally (OECD, EU, NESTA, Kaufman) to development of qualitative SCBAs and evaluation methods for integrated policy approaches; and * Paying greater attention to the use of policy experiments including by participating in ‘Innovation Growth Lab’ (Kaufman/Nesta). |

The focus and scope of the policy review are addressed below, followed by a description of the policy strategy and theory. The benefits and results of the policy are then presented. Finally, there is a discussion of the recommendations of the background study and the government’s response.

**Focus and scope of this policy review**

*Focus*

The central objective and key issue in this comprehensive policy review is to present an opinion on the extent to which the package of measures (policy mix) and approach in the enterprise policy (innovation and business climate) contribute to the objectives set in the policy (‘strong innovative capacity’ and ‘excellent business climate’) and EZ’s general objectives (sustainable economic growth and a strong international competitive position).

The review covers the period 2009-2013 during which there was a substantial change of course in enterprise policy (from 2010-11). This policy transition included:

* fewer direct business subsidies, more tax incentives, more self-funding financial interventions (such as credits and guarantees) and an end to direct incentives from the Economic Structure Enhancement Fund (*Fonds Economische Structuurversterking* - FES);
* encouraging more privately financed research into public-private research and innovation programmes;
* interactive policy developments with a network approach. This creates policy in co-ordination with businesses and knowledge institutions;
* top-sector approach: the introduction of integrated policy and customized approaches in R&D-intensive top sectors;
* increasing the return and degree of valorization of publicly-financed (applied) research. This is shaped by greater co-ordination and more interaction between supply and demand, such as aligning agendas for applied research (TO2) and academic research (NWO) on the social needs of enterprises (in the top sectors);
* focusing policy strategy on the six large applied research institutes (TO2: TNO, DLO, ECN, Deltares, Marin, NLR) much more strongly than in the past on their contribution to public-private research alliances. Since the introduction of the enterprise policy, the Minister of Economic Affairs has had system responsibility and control of these knowledge institutions.

Not only did the character of the policy change in this period, the *method of policy development and implementation* also changed in nature. The background study, therefore, notes that policy has undergone a transition in this period from one based primarily on a market perspective (improving market operation and market conditions for businesses) to one that also uses ‘system perspective’ (improved operation of the innovation system and the interaction between enterprises, the public sector and knowledge institutions). As a result of this ‘network approach’, the government’s role is also changing. The accent is more than previously on facilitating and organizing public-private partnerships between the main actors in the ‘golden triangle’ of enterprises, knowledge institutions and the public sector who jointly – and each with its own role and competences in the network – shape and implement the policy strategy and approach.

This policy review used previously published figures on the Netherlands’ position in this policy area. For example, the background study used an analytical report by the OECD on the Dutch research and innovation system which presented considerable research material and figures.[[4]](#footnote-4) It also used recent statements of indicators in EZ’s annual *Monitor Bedrijvenbeleid* and the indicators presented in the Science, Technology and Innovation Indicators (WTI2) reports commissioned by the Ministry of Education, Culture and Science.[[5]](#footnote-5) In addition, regular statements on the Netherlands’ position are presented for example by the European Commission in the ‘Innovation Union Scoreboard’ and in the ‘Global Entrepreneurship Monitor’. EZ’s *Monitor Bedrijvenbeleid* *2014* presents the most recent and compact statement in this field. It was decided not to repeat this exercise in this policy review.

*Scope*

A policy review of budget items necessarily focuses primarily on the consequences of the government’s financial interventions. Although this type of intervention forms the financial backbone of enterprise policy, this angle only offers a limited view of the actual implementation of this policy, in which non-financial interventions by the government will play an increasingly significant and decisive role in the network approach. Examples are the build-up of organizational and catalysing strengths, tailoring legislation and regulation, such as for the Top sectors, Techniekpact, Top consortia for Knowledge and Innovation (TKI), Green Deals, the ‘Bio-Based Economy’ programme, the customized approach to the regulatory burden and ICT policy.

This policy review focuses on the policy in items 12 and 13 of the EZ budget: the enterprise policy. Interdepartmental links between policy fields (such as with science policy and sustainability policy[[6]](#footnote-6)) and synergy between policy fields within a single ministry (such as energy, sustainable agriculture and market forces policies) are not part of this policy review as they are subject to policy reviews to be carried out separately.

The rules for a policy review require the theory and logical reasoning of the policy to be set out explicitly, along with its theoretical economic legitimacy. The background study points out that such a rational perspective (objective-resource) can only make a limited justification of the political and administrative context in which the policy is created and implemented. As well as theoretical economic legitimacy, the policy of course has political-administrative legitimacy. Furthermore, a lot of policy is created in dialogue and interaction with the field and, in the end, political-administrative rationale and legitimacy determine whether and how policy is shaped and which objectives are pursued. The reconstruction of the theoretical legitimacy of the policy in this policy review can, however, assist in making the policy decisions more effective and efficient.

**Policy strategy and theory**

*What is Enterprise policy?*

Enterprise policy is a modern form of business and innovation policy (or alternatively: modern industrial policy) with the main aim of creating an excellent business climate and strong innovative capacity for the Dutch economy. Enterprise and innovation are the two main pillars of productivity growth and so of sustainable economic welfare growth: the mission of the EZ budget.

Enterprise policy has an overwhelmingly *generic* nature (focused on and in principle open to all businesses in the Netherlands) that, in general, aims mainly at promoting innovation, reducing the regulatory and administrative burden, increasing access to risk capital, public services to businesses (such as Chambers of Commerce, *Ondernemersplein* and *E-overheid*) and on fiscal and other support to business. The background study shows that the bulk of the government budget concerned with enterprise policy is of a generic and fiscal nature, with the lion’s share (almost €5 billion in 2014; see the table in annexe 1) being tax incentives to businesses (in the form of the self-employed individuals allowance and reduced VAT rates on, for example, food and accommodation in the hospitality industry).

Enterprise policy also has a *specific* track in the top-sector approach. Top sectors are clusters of enterprises and knowledge institutions where most Dutch research and development (‘R&D’) expenditure is concentrated and which as a rule are export intensive.[[7]](#footnote-7) Businesses, researchers, educational institutions and the public sector work together in the top-sector approach on developing and implementing innovation agendas and competitive strategies. This specific policy approach has an integrated nature since it works on both the programming of joint research agendas (via the TKIs) and the availability of technical staff (Techniekpact), focused and co-ordinated economic diplomacy, attracting foreign investment, identifying and removing specific legislative and regulatory obstacles for a sector, participation in European research programmes, using ICT applications and creating fuels based on bio-material and more environmentally-friendly energy consumption. As each top sector has a different individual nature (technology, nature of economic activity, particular obstacles), the specific policy mix and approach is also different for each top sector. This concerns customization aimed at more and better public-private partnerships, as this is known to improve the chance of innovative enterprise.[[8]](#footnote-8) Innovation bottlenecks are not dealt with in isolation (addressing a single facet) but as a co-ordinated whole. In practice, it is necessary to tackle financing bottlenecks, the availability of the right people and clearing regulatory obstacles at the same time.

Enterprise policy contributes to growth in welfare as much innovation and modernization of products, production processes, services and businesses not only create added economic value but also contribute to solutions for social bottlenecks, such as in medical technology, water management and sustainable energy and materials consumption.[[9]](#footnote-9)

**Why government policy?**

*Logical reasoning*

Enterprise and innovation are closely related. New enterprises are a major source of economic growth and productivity (creative destruction). They launch new products and services and introduce new process techniques that raise welfare. Furthermore, the advent of new businesses (challengers or merely the threat of them) encourages competition and innovation in existing enterprises. Existing enterprises innovate in response to the potential competition.

Promoting sustainable economic growth (and so growth in welfare) by encouraging innovation and creating an excellent business climate is, therefore, the heart of the economic reasoning behind enterprise policy. This logical reasoning arises from endogenous growth theory in academic economics. Promoting innovation, improving market incentives and market conditions for enterprises (including legislation and regulation), improving the quality and availability of human and financial capital, promoting investment by enterprises (including ICT), supporting more efficient and sustainable use of energy, materials and raw materials and the quality of public services determine productivity growth.

Growth in labour productivity has a significant place in the logical reasoning on enterprise policy. Productivity growth, alongside growth in the supply of labour, is the main determinant of economic growth since, over time, growth in the supply and productivity of labour determines the potential for economic growth in a country. The Netherlands is forecasting a fall in the supply of labour and so has to focus mainly on productivity growth. Consequently, policy objectives emphasize its determinants: innovation and the quality of the business climate. In addition, the Dutch economy already has a high level of productivity and in many fields uses the most advanced know-how and technology available in the world. By international standards, Dutch enterprises are already operating at the limits of what is technologically possible (‘technology frontier’). Above all, therefore, the Netherlands needs new business activity and new ways to create added value and to remain at the forefront of new market applications coming from the use of know-how and technology. This is partly with a view to significant social challenges that demand a lower environmental burden from production.

The package of policy interventions (the policy mix) in enterprise policy focuses on the main determinants of sustainable productivity growth by (in broad terms):

1. increasing R&D and innovation, including ICT applications;

2. creating market conditions that support enterprise (including legislation and regulation);

3. the quality and availability of human capital;

4. public-private investment in knowledge and the availability of financing for it; and

5. efficient and sustainable use of energy, materials and raw materials.

The background study concurs with the utility and usefulness of this logical policy framework and line of reasoning but notes that, until recently, communications on the policy in formal policy documents paid little explicit attention to the theory and theoretical legitimacy of policy. This is of course related to the political-administrative context in which policy plans are launched by governments, with a relatively large amount of attention being given to policy action and political ambition and choices and less to theoretical policy analyses and reviews in communications with, for example, the House. The background study notes, however, that the introduction of the *Monitor Bedrijvenbeleid* offers more explicit and structured attention. This also of course applies to this policy review.

*Theoretical legitimacy of the policy*

The existence of logical economic reasoning sets the framework and cohesion of the policy mix (*policy theory*) but says little about economic utility and the need for specific government intervention (*policy legitimacy*). The background study notes that enterprise policy underwent a transition during the period from a more classical economic motivation of government policy (*market perspective*, with the emphasis on deficiencies in market forces and government conduct) to a more theoretical system (*system perspective*, with the emphasis on deficiencies in the operation of innovation and ecosystems).

*Figure 1: market and system perspective*



Figure 1 illustrates the differences between the two perspectives that are used together in policy legitimacy. In the *market perspective*, the individual enterprise and its business are central (enterprise system and business climate) and the emphasis is more on removing deficiencies in market forces. Government policy is, therefore, legitimized by the existence of market imperfections such as positive external knowledge effects (e.g. on R&D incentives), avoiding negative external effects (e.g. on sustainable raw materials), information asymmetry (in the capital market) and lack of co-ordination (public-private partnerships). In the *system perspective* both the enterprise and interactions between enterprises, knowledge institutions and the public sector are central. The emphasis is, therefore, on removing deficiencies in the operation of innovation and ecosystems, such as inadequate or absent institutions.

The background study notes that many recent policy initiatives (such as the top sectors, Techniekpact, ‘Bio-Based Economy’ (BBE) programme and ‘Green Deals’) seem inspired more by the system perspective than the market perspective and in its opinion this is a positive development. This system approach has also changed the government’s role in developing and implementing policy. In the system approach, policy is seen as the result of interaction and dialogue between the actors in the innovation system or enterprise network (enterprises, institutions, knowledge institutions, educational institutions, social organizations, public sector); there is interactive policy development in which the actors in the relevant ecosystem jointly develop and implement policy strategies and actions by dialogue, each with its own role and competences. The government operates more as a network partner, the ‘supplier’ of public services, and safeguards the public interest.

The background study established that the enterprise policy increasingly demonstrates system elements without completely abandoning the classical economic legitimacy of policy; the two perspectives, although theoretically different, are combined pragmatically and, according to the background study, offer proper motivation of the method and legitimacy of the enterprise policy.

The background study notes that this new approach to policy development and methods also adds a new dimension to the assessment of the effectiveness and efficiency of policy. Increasingly, policy is being created in co-operation with the many different actors in the relevant area, each of whom has its own responsibility for developing and implementing the policy agenda; it is no longer only the government that has to perform in policy but also the relevant public and private actors.

The system approach, and the network approach inspired by it, mean that not only the government’s roles but also the nature of many policy interventions have changed. As well as financial interventions, the government is increasingly using non-financial policy interventions (organizational and catalysing strength, institutional modernization, organizing the dialogue, information provision etc.). Non-financial policy interventions are the heart of the policy approach and financial interventions its backbone.

**The benefits and results of the policy**

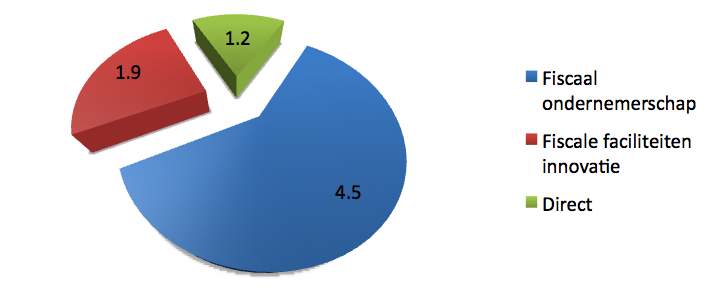
*Brief characterization of the financial policy mix*

Annexe 1 outlines the composition of the financial policy mix for enterprise policy. The background study shows that about two-thirds of the available budget for items 12 and 13 relates to promoting enterprise and creating favourable market conditions while one-third focuses on promoting innovation. In the current policy mix, the proportions of government resources available for direct spending, indirect fiscal support of innovation at enterprises and indirect fiscal support of enterprise are roughly 1:2:5 (reference date 2013, see figure 2).

There is, therefore, great emphasis on tax incentives to businesses (mainly the self-employed and low VAT rates). Measured by budgetary impact, the three largest instruments are the self-employed individuals allowance, the low VAT rate (food, hospitality and accommodation) and the small-scale investment allowance. Annexe 2 presents a full list.

The contributions to institutions, including to a significant extent knowledge institutions, rose from 4.2% of the total budget in 2010 to 8.6% in 2013 as a result of the government’s decision to transfer its contribution to TNO and some large technological institutions (GTIs) to items 12 and 13 of the EZ budget from 2011.[[10]](#footnote-10)

*Figure 2: Budgets in billions (2013) for indirect (tax) and direct (spending) incentives*



The share of direct business subsidies has fallen sharply in the period, in line with political decisions. The share of subsidy instruments has fallen from a peak of almost 7% of the total R&D policy budget in 2010 to over 4.5% in 2013. Much of this is ongoing payments on programmes that have now ended (‘phasing out’ of old policy).

The other forms of policy have a minor impact on the budget. Although the relative significance of financing instruments (seed capital/loan/guarantee/credit) has increased from some 2.6% of the budget in 2010 to 3.7% in 2013, it is a relatively limited part of the total. The budgetary impact of the financing instruments only gives a limited indication of the policy effort, however; the public resources create leverage for private resources. For example, a limited budget of guarantees (via banks) allows a multiple of credit for enterprises.

|  |  |  |
| --- | --- | --- |
| **Table 2: innovation and enterprise policy budget (2013): use by SMEs** | | |
|  | SME share (%) | |
| Tax facilities for enterprises | | 91 | |
| *incl. - Self-employed individuals allowance*  *- Low VAT rate on food and accommodation \** | | *100*  *75* | |
| Tax facilities for innovation | | 54 | |
| *incl. - WBSO & RDA*  *- Innovation box* | | *65*  *40* | |
| Loans | | 100 | |
| Guarantees | | 99 | |
| Subsidies | | 72 | |
| *incl. - MIT*  *- ICT innovation \** | | *100*  *70* | |
| Other 1 | | 64 | |
|  | |  | |
| Total (weighted average) | | 79 | |

1) Consists of budgets for Agencies, contributions to organizations and other direct expenditure.

\*estimate.

Source: RVO.nl & Dialogic; Ministry of Economic Affairs calculations

The analysis in the background study also shows that the policy is largely generic in nature and that small and medium-sized enterprises (SMEs) benefit to a large extent from the policy funding. Including the tax facilities, roughly three-quarters of the policy funding goes to SMEs. Table 2 summarizes this. The instruments of enterprise policy are, therefore, easily accessible to SMEs and there are also relatively many SME-related policy instruments. Often these instruments are not focused on SMEs as a whole but, within SMEs, the target group varies by type of business and has a wide range of issues. The SME target groups include sole traders, family businesses, starters, growers, innovative SMEs, multi-national SMEs and knowledge-intensive R&D enterprises. SMEs consist of a range of business and so, therefore, does the instrument mix.

Although the specific route of enterprise policy has received a lot of attention in public debate, in budgetary terms it is of modest size. The background study notes that policy has become more generic in the period. It should be noted, however, that the specific policy is characterized mainly by the use of non-financial policy interventions (as described above) that inevitably receive only limited attention in the background study.

*Effectiveness of the policy mix*

The background study notes from the available evaluations that the regulations for promoting R&D and innovation and the few capital market interventions have been shown to be effective. Substantial additional effects of the policy have been established for the tax incentives for innovation (WBSO) and for innovation credits. A comparative international study recently made by the Netherlands Bureau for Economic Policy Analysis (CPB) for the EC also shows that R&D tax incentives attract additional private R&D investment and are effective, although the estimates vary.[[11]](#footnote-11) This international benchmark also shows that encouraging investment in research and development work (as done by the WBSO and RDA) seems more effective than offering a cut in taxes on profits (as in the Innovation Box). This is because it has been shown that instruments such as the WBSO actually lead to additional investment in knowledge. The effect of the Innovation Box is not yet known, as the instrument has not yet been evaluated; the Ministry of Finance plans an evaluation this year.

The background study concludes that measures addressing knowledge transfer between research institutions and enterprises, a key objective of the policy and a significant way to create innovation, achieve additionality to a greater or lesser extent. In other words, the target group acts as intended but would not have done so or would have done so less without the spur of policy. The instruments that focus explicitly on this (such as STW) are reasonably successful. For methodological reasons, the analyses of all evaluations in this area are limited to the policy’s first order effects (direct output of the policy intervention, such as the number of participating enterprises and the amount of R&D supported), since it is difficult to establish higher order effects (for example, on productivity growth) from research. All in all, the background study notes that the legitimacy, economic rationale and effectiveness of the policy mix in promoting innovation is in order.

According to the background study, the part of the policy mix designed to increase access to capital market financing (with guarantees and credit facilities) also succeeds in achieving additionality at the supported enterprises. Enterprises attract additional financing for their business activities on the capital market which would not have been obtained without government support. The background study concludes that the package of measures to support demand for financing of enterprises across the board, especially the elements for SMEs and starters, is in good shape and assists enterprises is attracting additional financing from banks and other private sources.

Little is known about the additionality from the fiscal policy focusing on promoting enterprise. The background study notes that additionality seems likely in some areas (such as ‘corporate governance’ and the ‘transparency benchmark’) but not in the area of tax incentives to businesses and negative additionality has actually been observed in one case (the co-working partner’s relief for the self-employed). The background study notes that it is uncertain and doubtful whether all of the major tax incentives to businesses (some €4.5 billion in 2014) contribute to the objectives of the enterprise policy (promoting innovation and enterprise); these are mainly the tax facilities for the self-employed and the low VAT rate on food in the hospitality industry and accommodation (see annexe 2). The Income Tax and Benefits Committee (*Commissie Van Dijkhuizen*) had previously noted that the former (including the self-employed individuals allowance) created some stimulus in the sense that it encouraged enterprise – as seen in the growing number of self-employed people (with or without staff) – but that it was doubtful whether these facilities encouraged businesses to grow. This is needed to achieve productivity growth. The low VAT rate is meant (in line with EU legislation) as financial encouragement for relatively labour-intensive (but knowledge-extensive) sectors, such as hospitality.

Very little evaluation research has been done into the parts of policy focusing on human capital or on sustainable use of materials and energy. Often no more is done than progress reporting and monitoring of developments. This is because the effects will only become clear over time (human capital) or because no measuring systems are available (BBE and Green Deals). There are few empirical facts available on the additional effects on human capital, such as increased enrolment for technical studies in higher education, although the background study states that they seem to be positive. According to the background study, the effectiveness of this pillar is difficult to measure as the effects are long term (education and labour market) and the ‘soft’ objectives (co-operation, image) are difficult to quantify. There are almost no hard evaluations of the part of enterprise policy that focuses on sustainable use of materials and energy (BBE, Green Deals) and reports of progress on policy have been used. The progress report states that some additionality has been noted for the Green Deals; thanks to this approach almost 70% of the 151 initiatives were accelerated or supplemental, but the effects on greening the economy are not known. The extent of additionality of the BBE programme was not established in the evaluation.

*Efficiency*

After studying the available evaluations, the background study established that implementation has been efficient both in promoting innovation and the business climate, with relatively low implementation costs and administrative burden: ‘*micro-efficiency*’. The background study notes that in general small complex measures often have relatively high implementation costs.

The background study also notes that no attention is given to the *macro-efficiency* of policy (efficiency in a broad sense) in evaluations or policy communication addressing the question of whether the costs of the policy outweigh its social benefits. This is mainly because it is difficult and complex to establish the social benefits of policy by research. The policy costs can often be properly identified but measuring and establishing the external effects of the policy are still in their infancy. There is often no empirical information on elasticities or the size of the external effects and the estimates vary widely, certainly in the area of innovation policy. Academic initiatives (including by the Royal Netherlands Academy of Arts and Sciences (KNAW), CPB and University of Amsterdam) have recently started to use the available empirical research in this area to arrive at a more considered estimate.[[12]](#footnote-12) Currently, there are few factual and reliable estimates of the macro-efficiency of this policy area.

*Monitoring & measuring effects*

EZ significantly increased its efforts in the area of monitoring and measuring the effects in this policy area on the introduction of the new enterprise policy, but also in response to earlier criticism from the Court of Audit (AR), CPB and the Advisory council for science, technology and innovation (AWTI). A major milestone was the publication of the report by the Committee of Dutch evaluation experts led by the late Prof. Jules Theeuwes which made recommendations on the approach to evaluations[[13]](#footnote-13) which have been adopted by EZ.[[14]](#footnote-14)

The background study has a favourable opinion of progress on efforts in monitoring and measuring the effects of the enterprise policy. Almost two in three financial instruments in the two items were recently evaluated. The instruments which still have to be evaluated only started recently (and so will be addressed later) or concern the phasing out of lapsed policies. The background study notes that the number of evaluations per year and their quality has improved since the implementation of the recommendations of the Theeuwes Committee in 2012. About a third of all evaluations also make actual use of control groups; where this is not done, it is often because the necessary data are lacking or an instrument is not suitable for working with control groups. Since the publication of the Theeuwes Committee report, evaluation methods (‘regression discontinuity’ and ‘propensity score matching’) which were not previously used have also been applied to items 12 and 13. The share of evaluations using regression and correlation analyses also increased substantially.

According to the OECD, the Netherlands now has a well-developed evaluation culture in the areas of science, technology and innovation and, in contrast with other countries, uses advanced evaluation methods. Consequently the OECD recently characterized the current approach to evaluating enterprise policy as a strength of Dutch innovation policy.[[15]](#footnote-15) The background study also notes that EZ is in the lead in this area internationally.

The background study notes that often only the first order effects (the direct output of the policy intervention) of individual financial policy instruments (one actor, one intervention, one aim) can be evaluated and that integrated policy approaches are difficult to evaluate with current evaluation methods. The Theeuwes Committee reached the same conclusion; internationally, too, no evaluation techniques are yet available for properly and quantitatively evaluating an integrated network approach or complete policy mix.[[16]](#footnote-16) In addition both the Theeuwes Committee and the background study note that with the current state of the methodology and science it is unrealistic to expect that evaluations can be used to establish the effects of policy instruments on general macro-objectives (‘outcome’, such as productivity or welfare). This is methodologically complex since many (exogenous) factors may influence the ‘outcome’, the period over which real effects occur is often long and longitudinal micro-time series are often unavailable.[[17]](#footnote-17) This is not, however, a specifically Dutch phenomenon as it also applies to other countries and international research organizations.

There are, therefore, methodical limits to a policy review designed to establish the effectiveness and efficiency of a complete policy mix and integrated network approach using evaluations of individual instruments. That such effects on the ‘outcome’ cannot be established well from evaluations, does not, however, mean that nothing is known; academic economics literature often gives indications (albeit with a wide empirical range) of the relationship between the direct output of policy (such as R&D expenditure) and the ‘outcome’ (productivity).[[18]](#footnote-18) In this sense, the reasoning for establishing the effectiveness of the policy is indirect: the policy influences the ‘output’ (such as additional private R&D), and it is known from the academic literature that more private R&D expenditure makes a positive contribution to productivity growth.

**A view to the future**

The background study assesses the legitimacy and effectiveness of the policy mix in the enterprise policy implemented in 2010 and also the efficiency of the implementation as broadly positive but offers a number of suggestions that could further improve the return and quality. What lessons does the policy review have for the government reorienting the policy mix and policy approach? This question is answered after descriptions of the main policy changes, including a quantification of the savings and intensifications in the relevant period.[[19]](#footnote-19)

*Policy in flux*

A review of the future of policy must also look to the past. It was stated above that a substantial change of course started with the introduction of the enterprise policy. The OECD, and the AWTI, gave positive assessments of the policy transition started in this area but pointed out that the changes made, the new arrangements and the network and integrated approach need time and space to flourish and bear fruit.[[20]](#footnote-20) In some ways, there has been a break with the established system of enterprise policy since 2010, with substantial changes to existing institutions and financing structures. Institutional modernization requires a transitional period during which the players in the field have to adapt to the new policy frameworks. Such a period naturally involves some turbulence: the new enterprise policy also faced this in the early stages.

Effective and efficient policy, and success of public-private partnerships, also requires (after a transitional period) a stable policy framework for the medium term and is not helped by constant debate, changes and alterations to policy frameworks, strategy and mix once established. Both the OECD and the AWTI, and the background study, point this out. The enterprise policy is a long-term strategy in which the real effects on the economy *can* only become clear in the medium term. In the meantime, it is important to monitor whether target groups are acting in line with the policy objectives, the desired transition and intended effects.

*Re-orientation and intensification*

The introduction of the new enterprise policy by the Rutte 1 government and the changes started by the Rutte 2 government still have to work through into budgets in the coming years. In particular, enterprise policy has cut expenditure for direct subsidies since the Rutte 1 government.

In the period 2011-2018, there will be a net saving (savings less intensifications) of €150 million on spending (excluding reducing FES spending on knowledge and innovation and *Pieken in de Delta*[[21]](#footnote-21)). These are mainly savings in direct subsidies to promote innovation, including the end of the Innovation programmes, the contribution to Syntens and a reduction of subsidies for internationalization. The enterprise policy also ensures intensification by the introduction of the TKI supplement for public-private partnerships.

The enterprise policy ensures intensification of encouraging innovation by tax measures (lost tax income) of a structural amount of some €200 million in 2018 (excluding the Innovation Box). This was used on balance for the introduction of the RDA in 2012.

As well as intensification and savings, other budgetary changes have been made. For example, the financing model for applied research institutions has been altered by reducing the fixed basic financing and at the same time creating opportunities for obtaining supplementary financing based on the concrete contribution these institutions deliver to policy strategies focusing on social objectives and public-private research programmes.[[22]](#footnote-22) The revolving *Innovatiefonds MKB+* (part of the *Toekomstfonds* from 2015) was started and existing resources (such as certain NWO funds) are now earmarked for fundamental research in line with thematic knowledge and innovation programmes of the top sectors. This earmarking also applies to some co-financing resources for European programmes.

*Possible reorientation of the policy mix*

Stable policy frameworks are important for the success of the policy since enterprises and knowledge institutions have to be able to draw up plans for the medium term. This does not mean that regular critical reviews of policy and of whether it is on course and beginning to bear fruit are not essential. This is done in EZ’s annual *Monitor Bedrijvenbeleid* and this policy review is also making a contribution. The background study makes a number of observations for possible reorientation of the balance and composition of the policy mix. Such improvements in the policy mix may potentially lead to a reduction of the cost of the policy and/or an improvement in its social benefits. The background study also makes a number of suggestions to further improve the quality of policy, communication and the policy cycle. Table 1 summarizes the suggestions and they are discussed below as necessary.

Tax incentives to businesses

The main message from the background study is that the current policy mix for innovation and enterprise is dominated in budgetary terms by tax incentives to businesses, in particular facilities for the self-employed and low VAT rates for specific sectors (see also annexes 1 and 2). At the same time, the background study notes that tax incentives to businesses are difficult to defend in economic theory and also seem to have limited effectiveness in terms of promoting innovation and the business climate. These measures have, however, reduced the burden for specific target groups of enterprises and led to some employment creation, but these are not the primary objectives of the policy in items 12 and 13 of the EZ budget. This does not mean that tax measures do not have an indirect influence on enterprise and innovation; there are tax considerations in the choice between being an employee and self-employment, and an entrepreneur’s decision to take the risk to innovate or not.

The government addresses tax incentives to businesses in its response to the interdepartmental policy research of self-employment (IBO-ZZP) and in the context of the revision of the tax system, including the way in which the instruments can be focused more effectively on achieving a greater social return in terms of innovation, productivity growth, business climate and employment. Obviously the results and observations on tax incentives to businesses in this policy review should be incorporated in the proposed revision of the tax system.

The SME target group and incentives to businesses

The set of enterprise policy instruments seems to be easily accessible and beneficial to SMEs. The SME-related instruments focus on different types of businesses and their issues; the SME target group is very heterogeneous and includes sole traders, small-scale self-employment, family enterprises, starters, growers, innovative SMEs, multinational SMEs and knowledge-intensive R&D enterprises.

Generic enterprise policy quickly gains a high SME content (see table 2) simply because of the composition of the Dutch business population. Clarity on this heterogeneity in both policy and the target group and a clear analysis of issues can enhance transparency on this point. The proposed *De Staat van het Mkb* monitor will be useful for this and also assist in clarifying the policy vision on SMEs. The government will work on analysing and monitoring issues.

EZ started the *Ambitieus Ondernemerschap* programme in 2014 with a focus on businesses in incentives. This programme concentrates mainly on starters, challengers and growers. It gives start-ups better access to essential growth factors such as capital and knowledge to allow them to develop as players in the global market. The Minister of Economic Affairs has appointed Ms Kroes as ‘special start-ups envoy’ and with her ‘Start-up-Delta team’ she will strengthen the international position of start-ups in the Netherlands and encourage innovative foreign start-ups to set up here. There is also the ‘Take-off STW’ programme and challengers benefit in particular from greater efforts in innovation-based purchasing in the ‘urgent innovation procurement’ programme.

Instruments with the same objective

The background study notes that, in a number of areas, there are different instruments with the same objective, including for example the financing instruments (such as the BMKB loan guarantee scheme, GO, Groeifaciliteit, Qredits, Innovation Credit, and Financing package). The different financing instruments solve a range financing issues for widely-varying target groups (enterprises, banks or other private capital providers). For example, BMKB and GO focus on providers of smaller and larger credits respectively in the relatively lower risk segment of the capital market. The Groeifaciliteit is different in that it focuses on guarantees in the higher risk segment of the capital market. Qredits focuses on small credits for small enterprises which (partly because of high transaction costs) cannot call on the banks. It also focuses on permitting a greater private offering on the capital market, such as pension funds and insurance companies, new private forms of financing, subordinated loans and chain financing. All these financing instruments contribute to the policy objective and focus on the diversity of underlying financing issues (customization). This explains the variety of instruments, but good and clear analysis of issues and consideration of opportunities for ‘streamlining’ instruments could nevertheless increase transparency and possibly also effectiveness. The government will carry out such an analysis. The government attaches importance to an effective and robust set of financing instruments that assist enterprises to achieve their development and growth ambitions and so has co-financed and recently expanded the Dutch Venture Initiative.

Tax incentives for innovation

The background study notes that the tax incentives for innovation (WBSO and RDA) are working well. Evaluation studies and international research show that the tax incentives for innovation are legitimate and effective. Instruments such as the WBSO and RDA seem to be more effective on this point than settlement through profit tax (as in the Innovation Box). The Innovation Box will be evaluated for the first time this year, providing more information on the efficiency and effectiveness of this instrument.

There also seems to be a benefit from integrating the WBSO (labour) and RDA (capital) into a single fiscal instrument to promote private R&D expenditure. As stated in the EZ 2015 budget, the government is currently considering this.

Scope of the innovation policy

The background study states that the policy addressing the promotion of innovation has a strong focus on promoting productivity growth and innovation by boosting ‘technological’ R&D. The economic legitimacy (mainly via ‘knowledge spillovers’) of the policy on R&D incentives is not in dispute and good additionality and effectiveness have been demonstrated. The study did, however, note that attention to non-technological aspects of innovation, integration of ICT innovation in regular innovation processes[[23]](#footnote-23) and also a greater orientation on the contribution that the policy can make to ‘social challenges’ (including close links with the EU Horizon 2020 programme) could further increase the social return of the enterprise policy.

The government supports better links with European programmes, such as Horizon 2020, Eureka clusters, Eurostars and JTIs, by co-financing innovative SMEs, nano-electronics and ‘embedded computing systems’. At the request of the Ministry of Economic Affairs, top sectors are addressing the linking of innovation programmes on European social themes in the Innovation Contracts. Co-financing has been made for social challenges via NWO. The government is offering public knowledge institutions reimbursement of ‘matching’ costs for participation in EU projects. Since 2011 the return percentage has grown annually.

Research[[24]](#footnote-24) shows that successful innovation processes tackle modernization integrally by modernizing organization, logistics, marketing, training and suchlike at the same time, in addition to updating the technological and often also the ICT components. The OECD has shown that such non-technological aspects of innovation contribute to greater innovation and higher productivity gains. Innovating and introducing new products, services, production processes and business models is of course all the more enterprising. Non-technological aspects of innovation are important but it is not obvious that the government has a role to play here nor that financial intervention is needed. Discussion on the economic rationale of government policy is still underway here and internationally. Furthermore, there are only a few examples of successful policy initiatives in this area in other countries. It may be that specific and small-scale policy experiments, for example on service innovation, will give insight into what does and does not work in this area.

Interdepartmental control and co-ordination

The background study raises the question of whether EZ should intervene with other departments and manage joint and intensive agenda formation and co-operation with other departments (such as Education, Culture and Science, Infrastructure and Environment and Health, Welfare and Sport) even more strongly to meet its system responsibility in the fields of innovation and enterprise policy.

Since 2010, a core part of enterprise policy has been the integrated policy approach, for example for the top sectors. This is designed to tackle various issues that enterprises and knowledge institutions experience when successfully implementing their innovation strategies, integrally and with each other. This, therefore, involves a wide range of policy facets, such as labour market and training bottlenecks, legislative and regulatory obstacles, social challenges, financing issues and economic diplomacy. A successful, integrated approach demands good interdepartmental policy co-ordination.

In the past, the OECD has called for a more integrated policy approach, since a policy that focuses on removing just one facet is less effective and efficient than one that addresses a simultaneous and cohesive approach to all relevant obstacles to innovation.[[25]](#footnote-25) Encouraging more innovation spending is less effective if the success of innovation is hindered by regulation, insufficient availability of qualified staff, obstacles to internationalization or bottlenecks in financing. The OECD links to this a recommendation to put energy into aligning and co-ordinating policy fields. As responsibility for these policy facets often crosses departmental boundaries, it requires intensive interdepartmental co-operation and co-ordination. Parts of the enterprise policy are, therefore, particularly suited to an interdepartmental approach as expressed, for example in the Techniekpact, innovation contracts of the TKIs, ‘Bio-Based Economy’ programme, Green Deals and ICT breakthrough projects.

Despite being difficult in practice, this approach to interdepartmental co-operation in enterprise policy differs fundamentally from the way in which interdepartmental co-ordination was shaped before 2010. Previously, the choice was for central management by the government, in co-ordination with the then Innovation platform. This led in part to Social innovation programmes which were financed by many ad hoc FES resources and which focused on creating innovations that contribute to partial solutions for social issues.

With the introduction of Enterprise policy a different, more ‘bottom up’ approach took its place; the links between the various policy facets and related co-operation between departments have become part of the public-private policy partnership. Co-ordination, therefore, now comes from the bottom, based on concrete action plans and performance contracts. Consequently, co-operation between departments is now more specific. Nevertheless, further steps can be taken in this area, in particular by linking social objectives to the TKIs’ research roadmaps.[[26]](#footnote-26) Today’s and tomorrow’s social challenges require intensive effort on integrated solutions through know-how and innovation. The Minister of Economic Affairs has asked the top teams and knowledge chairmen to pay greater attention to this in the 2016-2019 Know-how and Innovation agendas. Departments with policy responsibility will more than now be able to use the benefits that the TKIs offer, such as cross-sector co-operation with international parties in business, academia and local government.

The learning government

The background study notes that considerable progress has been made in monitoring and measuring the effects of enterprise policy and that EZ is in the lead internationally in this area. The transition to interactive policy development and the associated process of ‘learning’ and ‘experimenting’ was regarded positively. The policy lessons can increase further if greater use is made of small-scale and specific policy experiments in new policy areas such as in non-technological or service innovations. These could use insights from behavioural economics and new methods of setting up policy experiments, with more and more international experience (such as in the UK and in the ‘Innovation & Growth Lab’ in which EZ participates) being gained. The effectiveness and efficiency of the policy can be improved by using small-scale pilots to test what does and does not work in new policy fields.

Enterprise policy is clearly a policy area in which strategy for medium-term and short-term action plans can be created in close dialogue and with shared responsibility with the relevant players in the economy and society. It is also a policy field that has to respond properly to an ever-changing international balance of forces and at the same time offer stable policy frameworks on which enterprises, knowledge institutions and social organizations can base their plans. The available data, including from the *Monitor Bedrijvenbeleid* *2014*, show that this approach is gradually beginning to bear fruit and that the key indicators are moving in the right direction, although many effects will only become evident in the medium term. As a result it is useful occasionally to establish if the policy is on course, what is going well and where adjustments could be made to improve the return from the policy in the future. In this sense, this policy review itself is a contribution to increasing the effectiveness and efficiency of a policy field in flux.

(signed) H.G.J. Kamp

Minister of Economic Affairs**Annexe 1: Financial policy mix: enterprise policy 2009-2013**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Financial policy mix: enterprise policy 2009-2013 (x €1000)1** | | | | | |
|  | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Tax incentives for businesses** | **3,924,000** | **4,050,001** | **4,415,000** | **4,379,000** | **4,524,000** |
| **incl. - Self-employed** | 1,817,000 | 1,702,000 | 1,853,000 | 1,943,000 | 1,897,000 |
| **- Low VAT rate** | 1,361,000 | 1,495,001 | 1,436,000 | 1,527,000 | 1,643,000 |
| **Tax incentives for innovation** | **792,000** | **1,045,000** | **1,522,000** | **1,974,000** | **1,853,000** |
| **incl. - WBSO & RDA** | 704,000 | 700,000 | 921,000 | 1,122,000 | 1,001,000 |
| **- Innovation box2** | 88,000 | 345,000 | 601,000 | 852,000 | 852,000 |
| **Loans** | **36,780** | **33,229** | **47,144** | **40,396** | **130,527** |
| **Guarantees** | **103,684** | **73,284** | **87,913** | **145,397** | **114,100** |
| **Subsidies** | **270,252** | **296,868** | **246,096** | **220,427** | **133,823** |
| **incl.: - Phasing out subsidies** | 45,153 | 49,402 | 49,989 | 57,645 | 31,484 |
| **- Innovation** | 182,680 | 185,596 | 138,100 | 96,356 | 48,564 |
| **- Enterprise** | 5,395 | 9,835 | 6,636 | 7,928 | 7,383 |
| **- ICT & innovation** | 27,500 | 19,500 | 25,270 | 20,155 | 14,610 |
| **- Bio-Based Economy** | . | . | . | 10,741 | 6,668 |
| **Agencies** | **105,424** | **146,885** | **145,916** | **129,432** | **133,572** |
| **incl. - RVO.nl** | 66,928 | 96,689 | 97,410 | 90,419 | 96,634 |
| **- Syntens** | 32,967 | 33,038 | 32,506 | 31,453 | 19,797 |
| **Contributions to organizations** | **295,980** | **351,713** | **563,662** | **504,864** | **678,234** |
| **incl. – TNO3** | 29,059 | 29,190 | 147,180 | 145,931 | 154,840 |
| **- GTIs3** | 6,209 | 14,259 | 46,670 | 49,047 | 54,802 |
| **- Top sectors** | 153,090 | 235,658 | 242,596 | 227,401 | 183,625 |
| **- TKI supplement** | . | . | . | . | 25,434 |
| **- ESA (space)** | 91,155 | 58,436 | 111,136 | 48,805 | 92,895 |
| **- Chamber of Commerce3** | . | . | . | 18,496 | 153,144 |
| **Other direct expenditure** | **83,327** | **95,292** | **83,028** | **46,474** | **24,600** |
| **incl. - E-government** | 22,000 | 35,200 | 22,800 | 8,695 | 3,210 |
|  |  |  |  |  |  |
| **Total** | **5,611,447** | **6,092,272** | **7,110,759** | **7,439,990** | **7,591,856** |

1)See annexe A in the background study (p. 138) for a detailed breakdown.

2) 2013 figure not yet known. Based on 2012 figure for comparison of totals.

2) The structural increase from the budget in 2011 is a result of the decision of the Rutte I government to transfer responsibility for TNO from Education, Culture and Science and for MARIN, Deltares & NLR from Infrastructure and Milieu to EZ (incl. the budget).

3) Before 2012, enterprises paid levies direct to the Chamber of Commerce; the Rutte I government decided to fund the Chamber of Commerce from taxes through the State Budget.

**Annexe 2: Tax measures with budgetary significance**

In millions of euros

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2013** | **2014** | **2015** |
| **Self-employed individuals allowance** | 1,712 | 1,718 | 1,741 |
| **Extra self-employed individuals allowance for starters** | 106 | 168 | 110 |
| **Starters deduction in the event of disability** | 2 | 2 | 2 |
| **Tax-deferred special purpose (retirement) reserve, not converted into annuity** | 53 | 53 | 54 |
| **Co-working partner’s relief** | 7 | 7 | 7 |
| **Cessation relief** | 17 | 16 | 16 |
| **Transfer of cessation profit** | 220 | 232 | 245 |
| **Business succession facility in Inheritance Tax Act** | 197 | 201 | 205 |
| **Small-scale investment allowance** | 353 | 371 | 397 |
| **Accelerated depreciation starters** | 8 | 8 | 8 |
| **Accelerated depreciation for business assets** | 57 |  |  |
| **Personal allowance for venture capital** | 7 | 5 | 3 |
| **Low VAT rate on accommodation (incl. camping)** | 272 | 276 | 280 |
| **Low VAT rate on food in restaurants etc.** | 1,370 | 1,386 | 1,404 |
| **Small business VAT regulations** | 129 | 136 | 143 |
| **Low duty rate on small breweries** | 1 | 1 | 1 |
| **Tax exemption for business transfers within a family** | 13 | 16 | 16 |

Source: State Budget 2015, Ministry of Economic Affairs, policy item 13.

1. I gave you information on this in written answers to questions on the 2013 Annual Report (Parliamentary Papers II, 2013/2014, 33 942, No. 10, p. 3) and in my letter of 13 October 2014 (Parliamentary Papers II, 2014/2015, 30 991, No. 12). [↑](#footnote-ref-1)
2. This external monitoring committee was chaired by Prof. Jarig van Sinderen (ACM/EUR-FEW), with external specialists Prof. Henk Volberda (EUR-RSM), Prof. Bart Verspagen (UNU-MERIT), Dr Bas Straathof (CPB), Dr Marcel Kleijn (AWTI) and administrative representation from the ministries of Economic Affairs and Finance. [↑](#footnote-ref-2)
3. The background study includes a written statement from the monitoring committee expressing its opinion that the study was of good quality and performed in accordance with the provisions of the old and new RPE of the Ministry of Finance. The monitoring committee also concurs with the study’s conclusions. [↑](#footnote-ref-3)
4. *OECD Reviews of Innovation Policy: Netherlands 2014*. <http://www.oecd-ilibrary.org/science-and-technology/oecd-reviews-of-innovation-policy-netherlands-2014_9789264213159-en> [↑](#footnote-ref-4)
5. The *Monitor Bedrijvenbeleid* is available via [www.rvo.nl](http://www.rvo.nl), the WTI2 report via [www.wti2.nl](http://www.wti2.nl). [↑](#footnote-ref-5)
6. For this reason, the government’s ‘Groene Groei’ strategy, implemented interdepartmentally, with EZ having responsibility for control, is not part of this policy review. A separate interim report will be issued on this in June 2015. [↑](#footnote-ref-6)
7. See Ministry of Economic Affairs, *Monitor Bedrijvenbeleid 2014*, The Hague 2014. [↑](#footnote-ref-7)
8. See for example: Faems, D., Looy, B. van & Debackere, K. (2005). Interorganizational Collaboration and Innovation: Toward a Portfolio Approach. *Journal of Product Innovation Management*, Vol. 22, pp. 238-250; Hulsing, J.P.J. de & Hulsink, W. (2010). Patterns of innovation networking in Dutch small firms. *EIM Research Reports*, H201002. [↑](#footnote-ref-8)
9. This is set out in figures in the *Monitor Bedrijvenbeleid* *2014* (see note 7). See also ‘Nederlandse oplossingen voor wereldwijde uitdagingen’, annexe to the letter from Minister Kamp and State Secretary Dekker to the House in November 2013 (TK 2013-2014, 32637, No. 70). [↑](#footnote-ref-9)
10. Parts were previously in the budget of Education, Culture and Science, Infrastructure and Environment and in other items in the EZ budget. See also the notes to annexe 1. [↑](#footnote-ref-10)
11. EC DG for Taxation and Customs Union (2014), *A Study on R&D Tax Incentives*. Final report. Taxation papers, Working paper no. 52 – 2014, CPB in consortium with CAPP, CASE, CEPII, ETLA, IFO, IFS, HIS, European Union, Luxembourg. [↑](#footnote-ref-11)
12. See KNAW ‘Waarde van Wetenschap’: <https://www.knaw.nl/nl/adviezen-/adviezen-en-verkenningen/recent-afgeronde-adviezen/waarde-van-wetenschap>. [↑](#footnote-ref-12)
13. Theeuwes Committee, ‘*Durf te meten: Eindrapport Expertwerkgroep Effectmeting*’, 2012. The implementation of these recommendations are referred to below as the ‘Theeuwes approach’. [↑](#footnote-ref-13)
14. See the government’s response to the Theeuwes Committee: [http://www.rijksoverheid.nl/documenten-en-publicaties/Parliamentary Papers/2012/12/13/-kamerbrief-over-rapport-durf-te-meten-eindrapport-expertwerkgroep-effectmeting.html](http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2012/12/13/-kamerbrief-over-rapport-durf-te-meten-eindrapport-expertwerkgroep-effectmeting.html) [↑](#footnote-ref-14)
15. See note 4. [↑](#footnote-ref-15)
16. See Theeuwes Committee, ‘*Durf te meten: Eindrapport Expertwerkgroep Effectmeting*’, 2012 and K. Warwick, A. Nolan, ‘*Evaluation of Industrial Policy: Methodological Issues and Policy* Lessons’. OECD: Paris, 2014. [↑](#footnote-ref-16)
17. Positive exceptions are the datasets developed by the CBS and RVO.nl for evaluating the WBSO and for the Innovation Credit and those being developed for future evaluation of the Innovation Box. [↑](#footnote-ref-17)
18. See the KNAW’s recommendations ‘Waarde van Wetenschap’: <https://www.knaw.nl/nl/adviezen/adviezen-en-verkenningen/recent-afgeronde-adviezen/waarde-van-wetenschap>. [↑](#footnote-ref-18)
19. The provisions in the RPE on the description of the -20% variant took effect in 2015. As the policy review of items 12 and 13 started in June 2014, it was not initially under the regime of the new RPE. Nevertheless, the policy review provides insight into the way in which budget cuts have been handled in recent years. An external monitoring committee conducted a review and reported in writing that the policy review was performed in accordance with the guidelines in the governing RPE provisions and was of good quality. [↑](#footnote-ref-19)
20. See AWTI, *Balans van de topsectoren 2014,* The Hague, 2014; and note 4. [↑](#footnote-ref-20)
21. The Rutte 1 government decided to end the impulse financing for knowledge and innovation in the Economic Structure Enhancement Fund (FES) of an average of some €250m per year in the period 2008-2014 (see Parliamentary Papers TK 2012-2013, 32 637, No. 47). As the financing of programmes that have already started is continuing, this spending will gradually decline. In 2012 the innovation-focused regional programme ‘Pieken in de Delta’ (average of some €75m per year, item 18 of the EZ budget) was also ended following the decision of the Rutte 1 government to decentralize regional policy. [↑](#footnote-ref-21)
22. The government issued its view on applied research in 2013 (TK 2013-2014, 32 637, No. 68). See also the government response to the TO2 strategic framework and the TNO 2015-2018 strategic plan of 2 July 2014 (TK 2013-2014, 29 338, No. 146) and also the TO2 letter from the Minister of Economic Affairs of 6 March 2014 (TK, 2013/2014, 32637, No. 123). [↑](#footnote-ref-22)
23. See for a comprehensive review of the role of ICT in the economy and innovation: Dialogic (2014), *De impact van ICT op de Nederlandse economie*, study commissioned by the Ministry of EZ, Utrecht. [↑](#footnote-ref-23)
24. See the recent OECD studies on the significance of knowledge capital: <http://www.oecd.org/science/inno/newsourcesofgrowthknowledge-basedcapital.htm>. See also e.g.: Volberda, H.W., Commandeur, H., Van Den Bosch, F.A.J., Heij, K. (2013), *Sociale innovatie als aanjager van productiviteit en concurrentiekracht*, in: M&O: Tijdschrift voor Management en Organisatie, 67, pp. 5 – 34. [↑](#footnote-ref-24)
25. See the OECD ‘Innovation Strategy’: <http://www.oecd.org/site/innovationstrategy>. [↑](#footnote-ref-25)
26. See also AWTI (2014). Balans van de Topsectoren 2014. [↑](#footnote-ref-26)