



CPB Netherlands Bureau for Economic
Policy Analysis



The Role of Independent Fiscal Institutions in Fiscal Frameworks: The Dutch Case

Sander van Veldhuizen



Contents

- **An introduction to the CPB**
- CPBs role as a fiscal watchdog / independent fiscal policy institution / fiscal council
- The role of natural resources in the Dutch fiscal framework



CPB - history

- Established in September 1945
 - » Just after WWII
- First director: Jan Tinbergen
 - » First Nobel laureate in Economics (1969)
 - » Pioneer in the field of econometric modelling
- Since April 1947 CPB has a legal basis in the 'Law Concerning the Preparation of a Central Economic Plan (CEP)'
 - » CEP = overview of the actual economic situation
 - » Engaged in policy analysis, not planning





Founded with a confusing name: Central Planning Bureau



- Gerrit Zalm (CPB Director 1989-94, former minister of Finance): “The name Central Planning Bureau had led to confusion in the past. Due to the name I was invited for a congress of the Chinese communist party. I even shook hands with Deng Xiaoping”
- Thus, we changed our name in **CPB Netherlands Bureau for Economic Policy Analysis.**



CPB Netherlands Bureau for Economic Policy Analysis wants to be...

- ... a widely trusted source of independent economic analysis
- We want to provide feasible policy options to policy makers
- CPB strives to be the leading economic research institute in the Netherlands and also be a leading institute on an international level





Four core values

- I. Impartial
- II. Independent
- III. Policy relevant
- IV. Academically sound





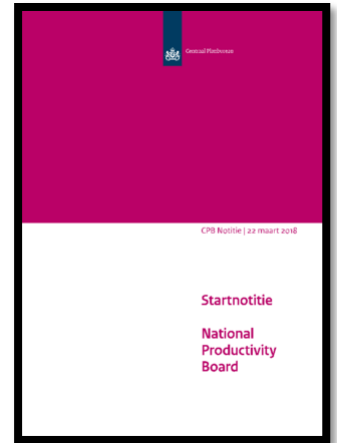
CPB – Mission

- No mission creep since 1945
 - » There have been, of course, ‘flavours of the day’
 - » And a trend: from short-term outlook to structural issues
 - » No major rise in size
- New topics covered by new institutes:
 - » SCP Netherlands Institute for Social Research (established in 1973)
 - » PBL Netherlands Environmental Assessment Agency (merger of institutes in 2008)



However, since 2017 'National Productivity Board (NPB)'

- There is a decline in productivity growth in the OECD countries and structural growth is slowing down in the Netherlands too.
- This has prompted the European Commission to propose setting up a National Productivity Board in every euro country. The EU Council of Ministers has taken up this proposal.
- An NPB is an organization that investigates the productivity of a country and publishes about it.





CPB Director appointed by Council of Ministers



Tinbergen Polak De Wolff
1945-55 1955-57 1957-66



Van den Beld De Ridder
1966-1984 1984-1989



Gerrit Zalm Henk Don Coen Teulings
1989-1994 1994-2006 2006-2013

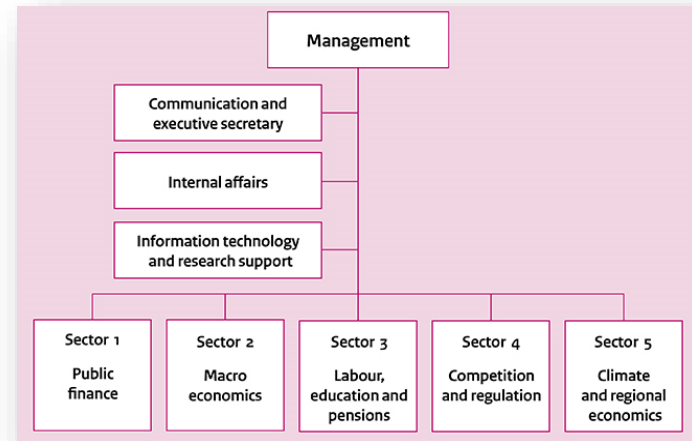


Laura van Geest
2013-



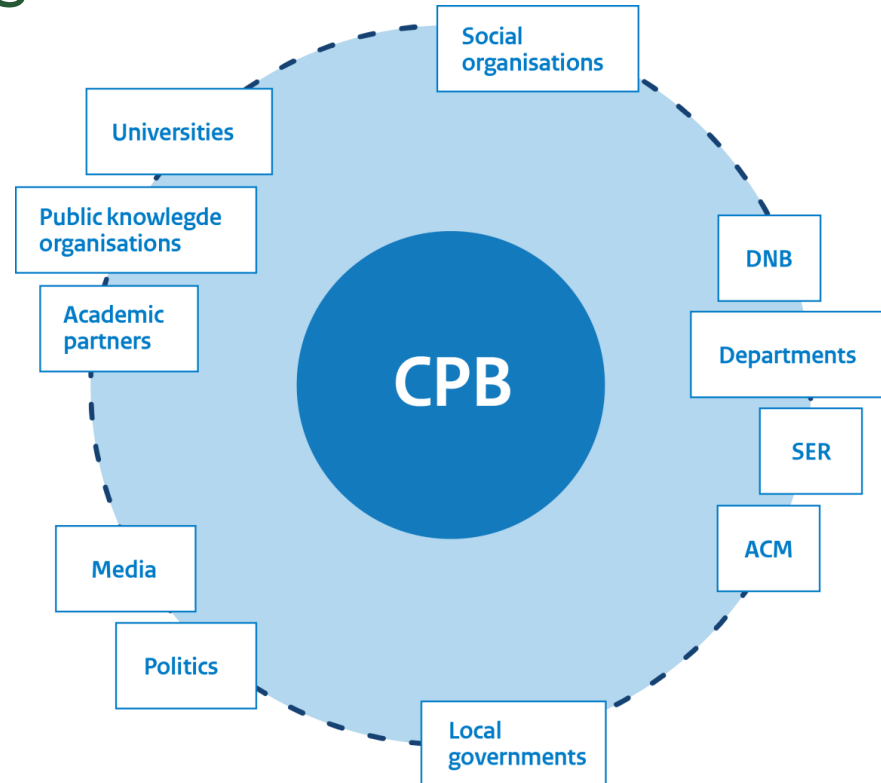
CPB – Organisation

- CPB has five sectors that form the heart of its organisation
- Staff consists of 120 FTE
 - two-third academic economists





Stakeholders





Formal supervision

- Central Planning Commission (independent advisory committee)
 - Experts from business and science
- Scientific review (once every five years)
- Policy-oriented review (once every five years)

Trust

- CPB's strong position in the Netherlands is not due to its legal position, but due to the high quality of work done in the past.
 - As a consequence, the (daily) assessment of CPB output by the policy community, press and general public matters a lot.





Economic policy analysis – topics

- Globalisation
- Education
- Population ageing
- Health care
- The functioning of financial markets
- Competition and market regulation (in telecommunication)
- Tax reform
- But also... cost-benefit analyses (CBA) for large projects
 - CBAs of the Delta Works





Value added of the CPB

- No bias in economic forecasts.
- No political discussion on forecasts. Policy makers can concentrate on making policy.
- Policy more evidence-based.
- Policy more long-term oriented.
- Bridge between economic science and policy making
- Effective as it is well integrated in decision making process (avoiding contributions too late, too general).





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List of tasks of fiscal councils

	CPB
Forecasting	✓
Assessment of policy initiatives of government	✓
Evaluation of fiscal transparency	✓
Ex-post evaluation of fiscal policy	✓
Ex-ante evaluation of fiscal policy	✓
Complement to fiscal rules	✓
Evaluation of fiscal sustainability	✓
Normative recommendations	
Analysis of broader issues	✓

- CPB performs all tasks (except one), but is rather unique in additional tasks

	CPB
Analysis of election platforms	✓
Assessment of policy initiatives of political parties and social partners	✓

- Let me elaborate on three key tasks:
 1. Medium-term baseline
 2. Analysis election platforms
 3. Forecasting (4 times a year)



CPB – Medium-term Outlook

- In the Netherlands there is one main decision moment on budgetary policy during the 4-year government period: the Coalition Agreement after the general election.
- **Before** election CPB publishes a medium-term outlook based on unchanged policy
 - Macro Economic Outlook (MEV) published at September, 20 2016 (the day of the King's speech)
 - “The government budget is projected to go from a deficit of 0.7% GDP in 2017 to a surplus of 0.9% of GDP in 2021. The budget will prove sustainable in the long term”.





Budgeting Framework Commission

- Commission of high civil servants, including director CPB. Commission (chaired by Ministry of Finance) gives pre-election advice on budgetary policy coming cabinet period (based on CPB's mtb).
- Advice in April 2016:
 - Promote stable economic development
 - Growth towards a small actual surplus of 0.6 percent of GDP in 2021





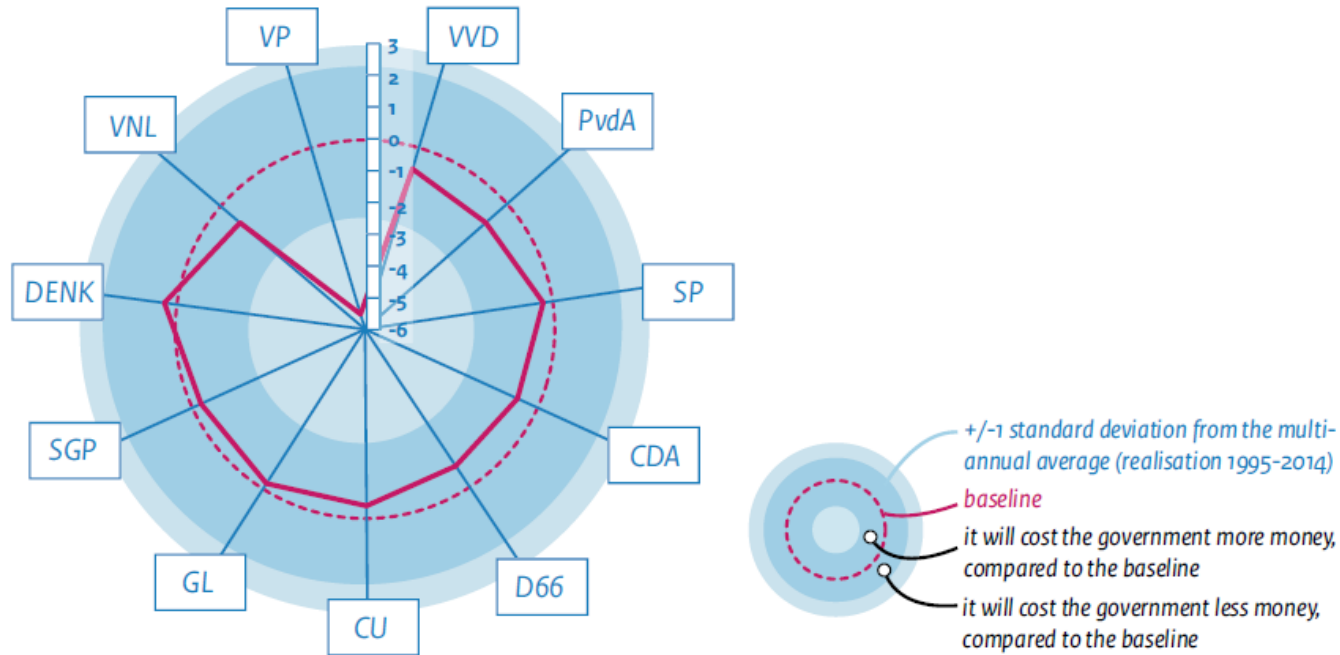
Analysis election platforms

- All parties in possession of at least one seat in the Dutch House of Representatives in mid October 2016 were invited by CPB to have their election manifestos assessed.
 - 11 parties responded to this call
 - Differences between them proved to be large; both in the types of measures chosen by the various parties and in the resulting effects (some results on next slides)
- During the calculations to determine their economic impact, the election manifestos were compared against the baseline situation as presented in before the elections.



Budgetary balance

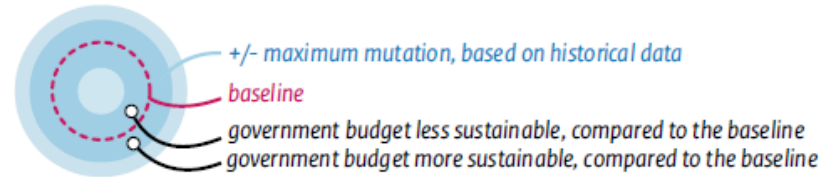
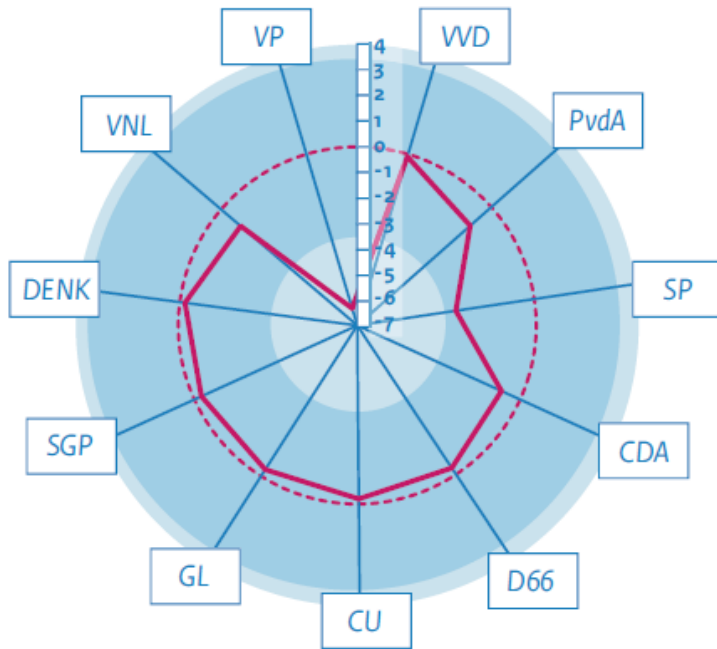
Effects, compared to the baseline, 2021, % of GDP





Impact on sustainability

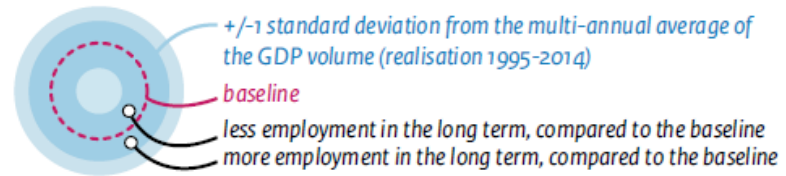
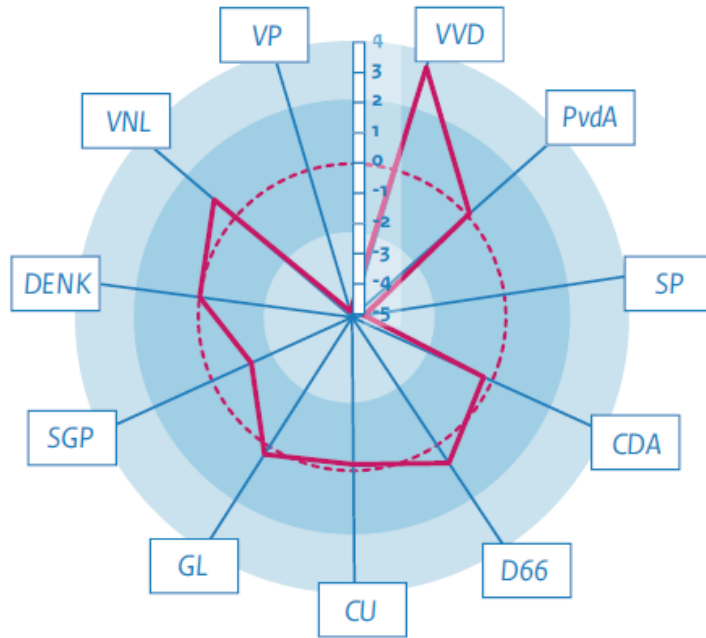
Effects, compared to the baseline, % of GDP





Structural employment

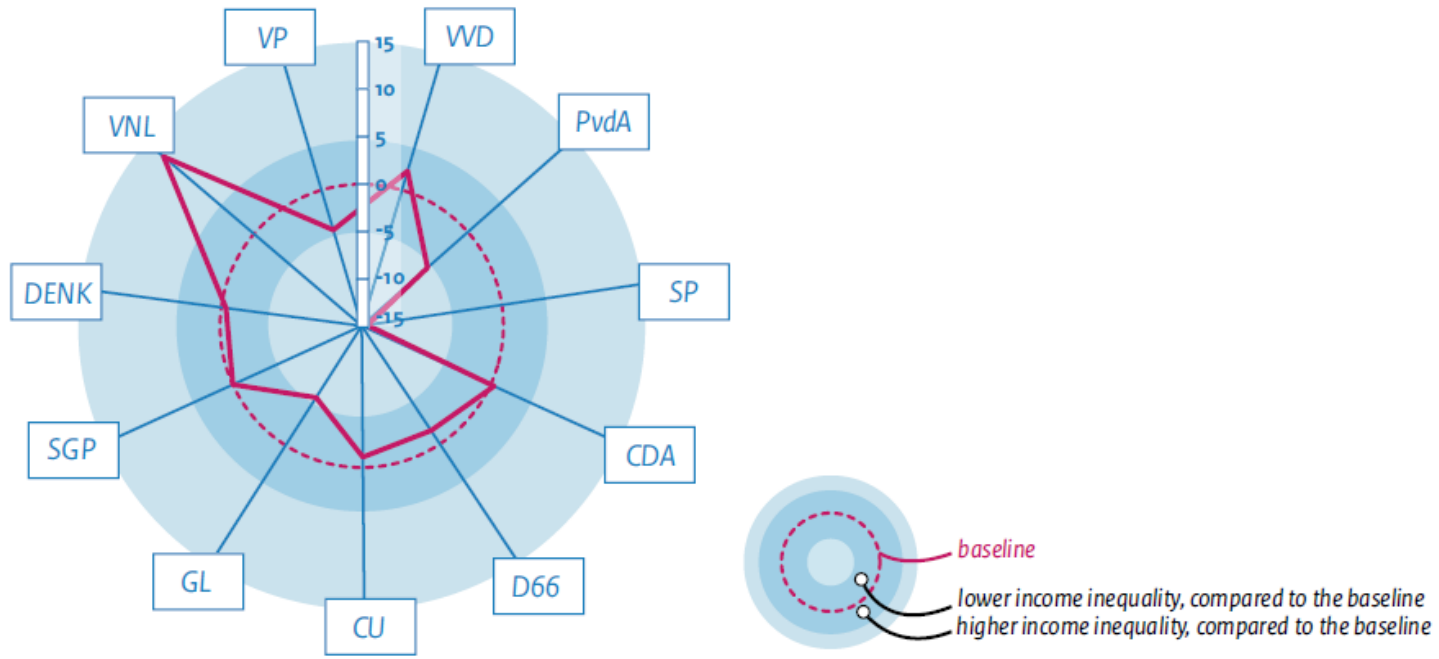
Effects, compared to the baseline, % in employment hours





Income inequality

Effects, compared to the baseline, relative mutation Gini coefficient, in %





Forecasting

- CPB projections are used for the budget.
- Three of the four CPB short-term outlook publications are essential for budgetary process.
- CPB receives confidential budget information to produce its outlooks.
- In August, the Cabinet receives preliminary CPB outlook to finalise draft budget for coming year.

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Proliferation of fiscal councils is excellent trend



- But, do not forget:

> **A strong Ministry of Finance is absolutely necessary for healthy public finance!!**



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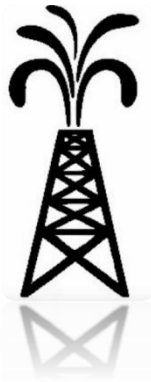


Why do we care about natural resources in the fiscal framework?

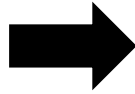
- I. The Dutch disease (in a nutshell)
- II. Their current influence on the Dutch treasury
- III. Relevance of energy reserves in Europe



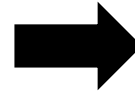
I. The Dutch disease (1)



Natural gas in Slochteren in 1959

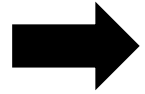


Exports \uparrow and imports \downarrow



f

Real exchange rate of guilder \downarrow

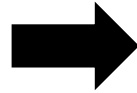




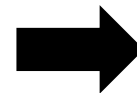
The Dutch disease (2)



Dutch firms became less competitive



Unemployment \uparrow



Economic diversification \downarrow

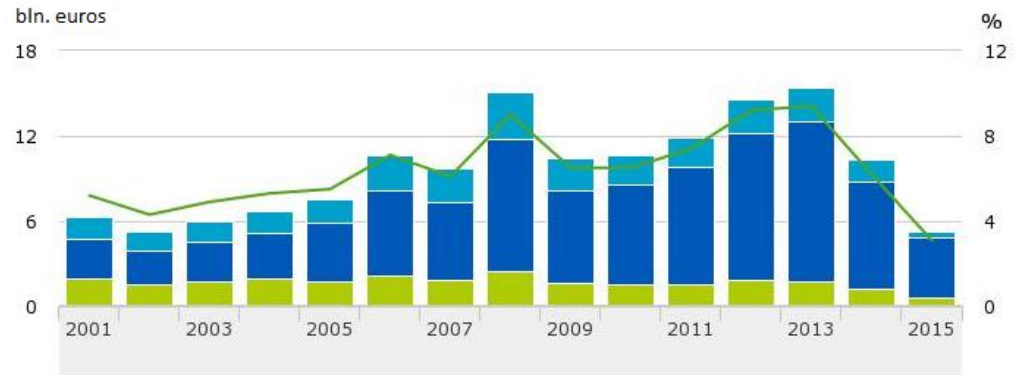




II. The influence of natural resources on the Dutch treasury (1)

- + €280 billion
- Revenues based on
 - Amount of gas extracted
 - Natural gas price
- Until 2014: 5-10% of central government revenues (CGR)
- 2016: 0,92% of CGR
- 2017: 0,88% CGR

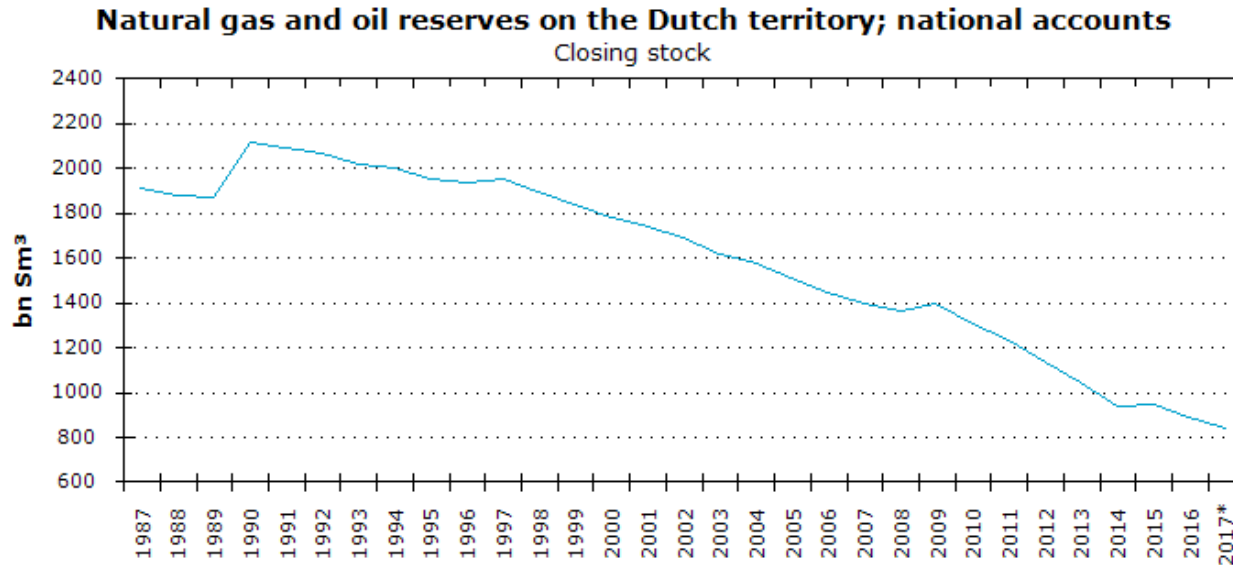
Revenues from the central government from natural gas



- Dividend (left axis)
- Income from land and mineral reserves (left axis)
- Corporation tax (left axis)
- Natural gas revenues as a percentage of total central government revenues (right axis)



The influence of natural resources on the Dutch treasury (2)





But...

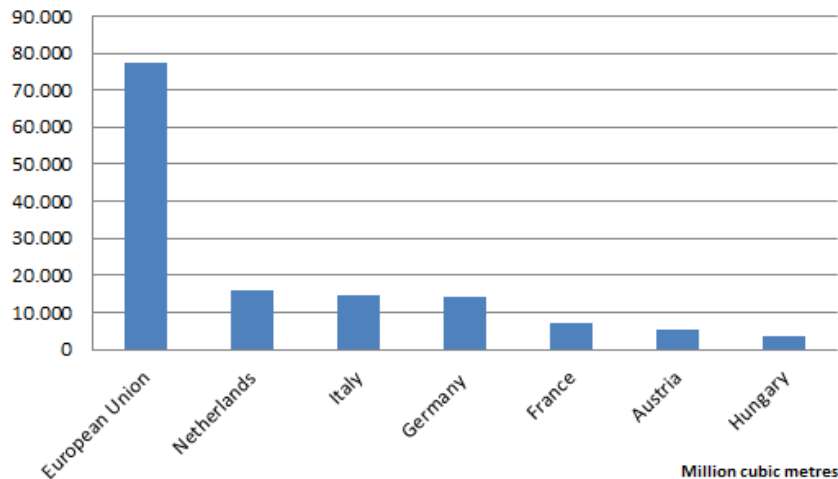


Sigrid Smit voor Milieudefensie

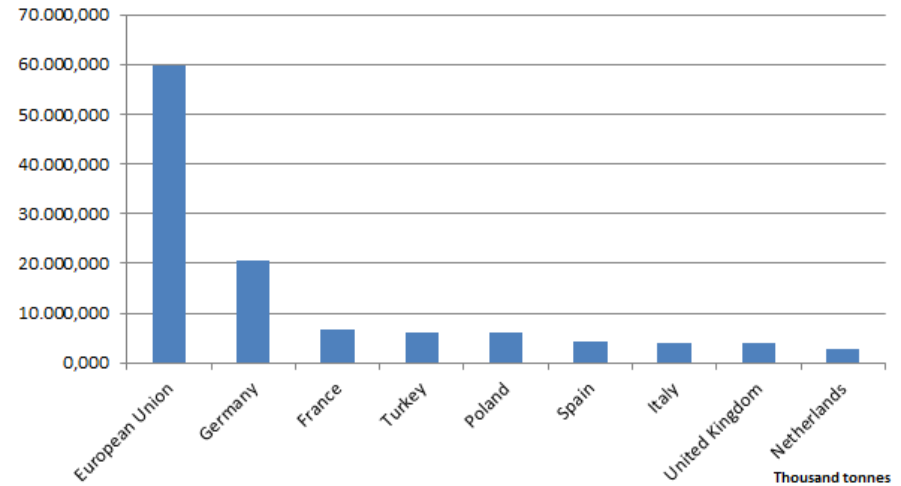


III. Relevance of energy reserves in Europe (1)

Stock levels for gaseous and liquefied natural gas (2017)



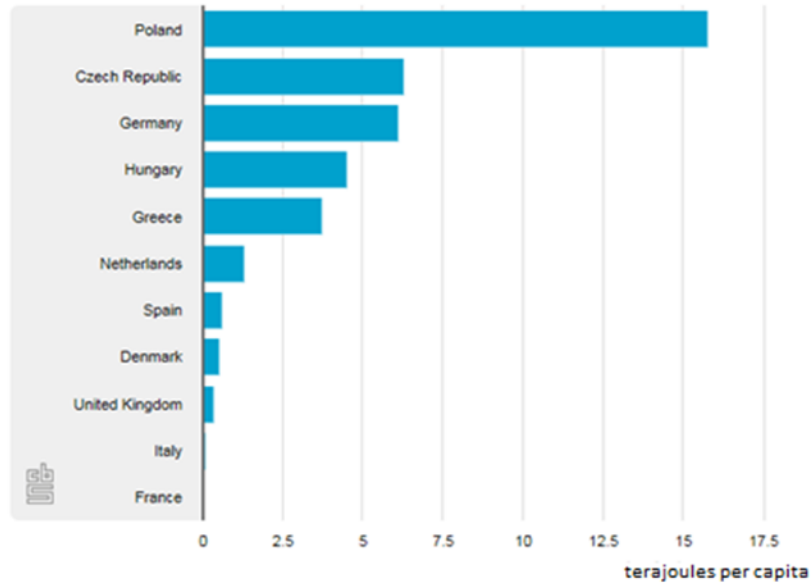
Stock levels for crude oil (2017)





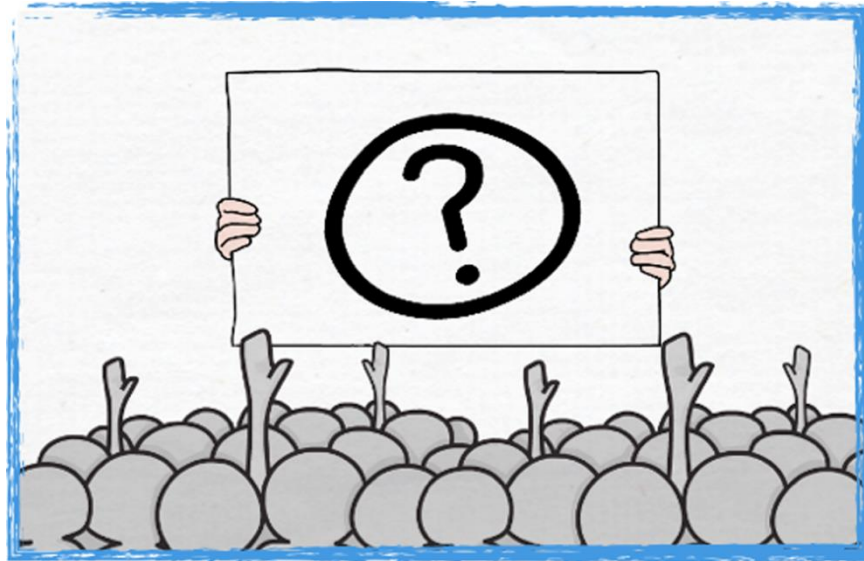
Relevance of energy reserves in Europe (2)

Energy reserves in Europe (2016)





Questions?





Thank you for your attention!

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