

**cpb**

*Lessons from NL*

Brussels,  
1-2-2006

# Independent forecasts and the budgetary process

---

## Lessons from the Netherlands

by

Henk Don

former director of CPB  
(Netherlands Bureau for Economic Policy Analysis)

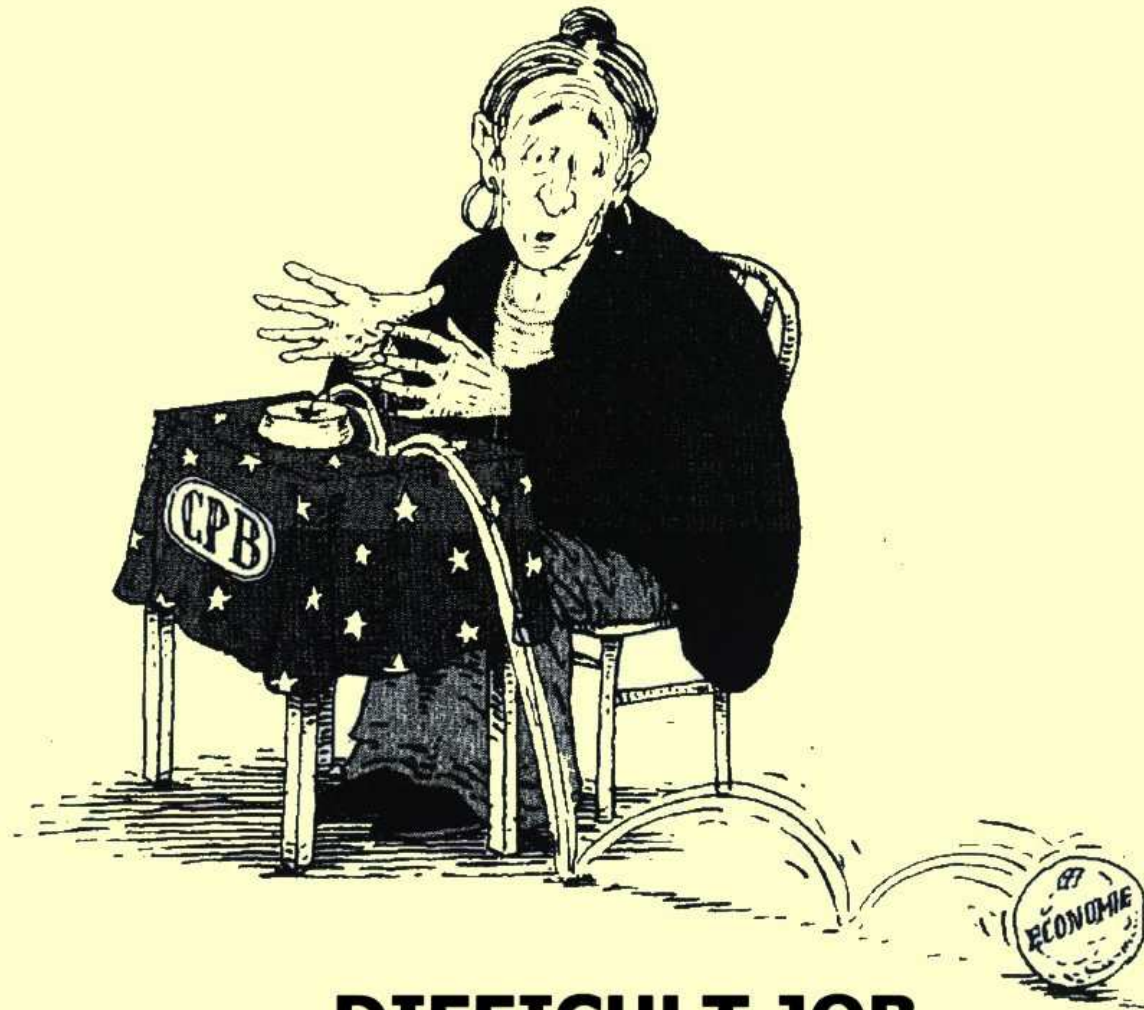
- CPB forecasting practice
  - ▶ medium term  
election platforms, coalition agreement
  - ▶ short term  
annual budget cycle
- Position of CPB
  - ▶ Conditions for quality and independence
- Lessons

**cpb**

*Lessons from NL*

Brussels,  
1-2-2006

# CPB forecasting practice...



**DIFFICULT JOB**

## Medium term

---

- timing: political cycle
  - ▶ every new cabinet + mid-term?
- two scenarios
  - ▶ cautious / optimistic (about potential growth)
  - ▶ end-year cyclically neutral
- relation with budgetary framework
  - ▶ asymmetric loss => use cautious scenario
  - ▶ cyclical fluctuations in receipts run in govt balance
- relation with long term
  - ▶ analysis fiscal sustainability, other LT studies

# Implementation

- cautious scenario is baseline...
  - ▶ for assessment election platforms
  - ▶ for coalition negotiations
- and benchmark
  - ▶ updated baseline + effects coalition agreement defines real expenditure ceilings in new cabinet period
- system supported by
  - ▶ advice (Study Group, Social Economic Council)
  - ▶ no formal rules

## Short term

---

- timing: fixed schedule  
March - June - Sept - Dec
- covers current year and next year
- draft figures for March, June and Sept available to Ministries  
(and usually leaked to the press)
- draft texts for March and Sept  
discussed with officials and cabinet

## Relation CPB - politicians

---

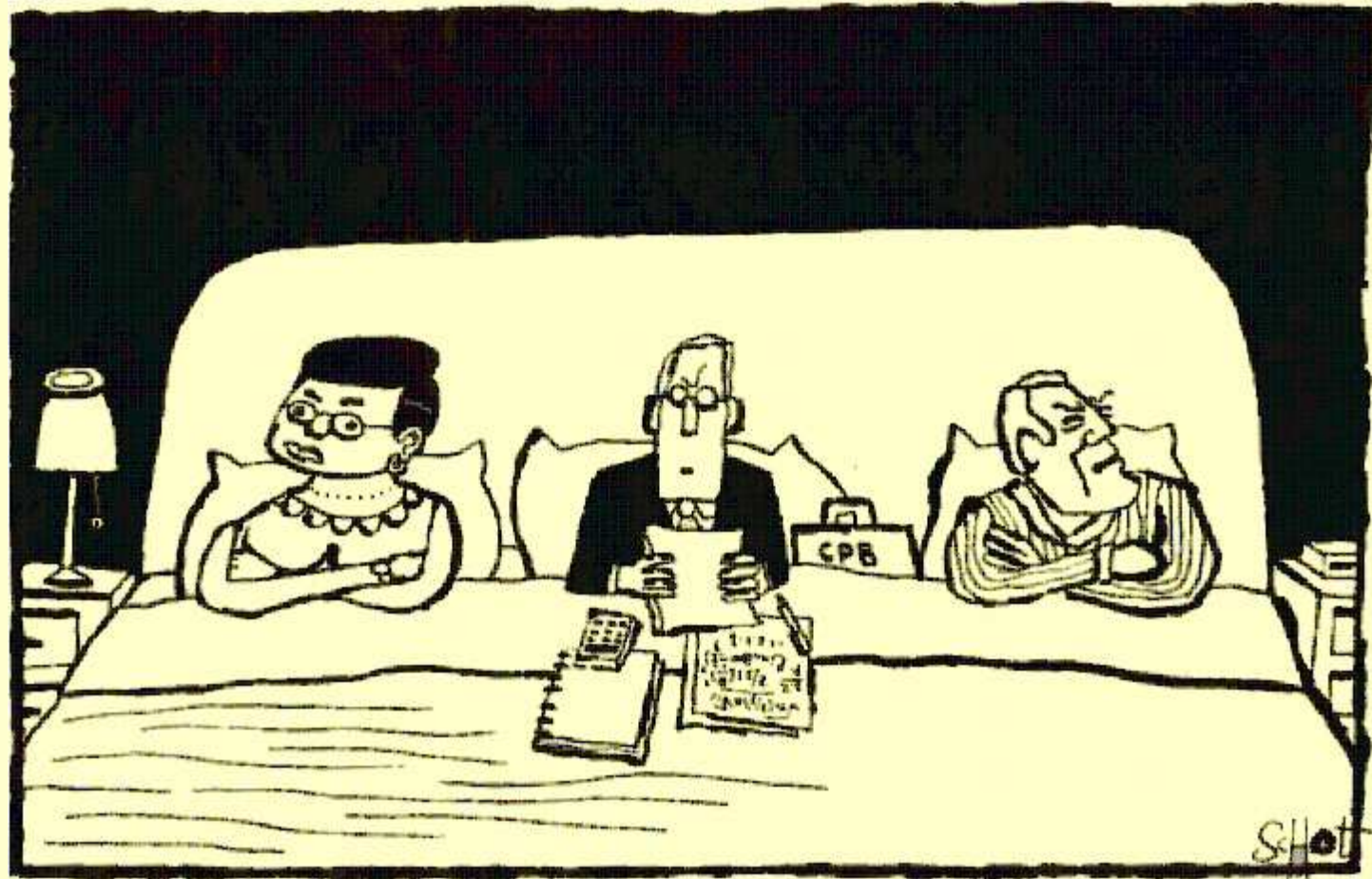
- CPB determines forecast and assesses likely effects of policy measures
- Politicians weigh the results and choose policy measures
- No formal obligation to use CPB forecast in budget

*cpb*

*Lessons from NL*

Brussels,  
1-2-2006

# Coalition negotiations...



NO CHEMISTRY

# Position of CPB (1)

---

- Part of Ministry of Economic Affairs
  - ▶ Budget (11,5 mln), labour statute
  - ▶ Outside requests need Minister's fiat
- No political interference with methods and analysis
- No paid assignments from private parties or local government
- About 15% project funding
  - ▶ Ministries
  - ▶ EU, OECD

## Position of CPB (2)

---

- Advice on work program from
  - ▶ Central Planning Commission (experts from business and science)
  - ▶ Committee for Economic Affairs (top level civil servants)
- Quality ensured by
  - ▶ Open attitude, transparency, accountability
  - ▶ Broad scope, comprehensive knowledge base
  - ▶ Active contacts with scientific community
  - ▶ Peer evaluations, reviews, ...
- Protocol contains code of conduct

# Independence

---

- formal rules not decisive
- CPB relies largely on quality  
(track record, trust, public opinion)
- refrain from political statements  
(e.g. no unconditional advice)
- checks and balances  
(external scrutiny and reviews)

# Lessons (1)

---

## Independent quality forecasts

- help improve the quality of the policy debate
  - ▶ avoid political quarrels about assumptions and policy impact
- cannot remove uncertainty, but help cope with it
- lead to better policies??

## Lessons (2)

---

### Safeguards for independence

- rules are not decisive
  - ▶ institutional setup country-specific
- checks and balances
  - ▶ trust must be earned
- freedom of publication
  - ▶ visit us at [www.cpb.nl](http://www.cpb.nl)

# Good idea?

THEY EASILY FIND THOSE  
20 BLN IN SAVINGS

Zorgverzeker	- 2.000.000.000
Kinderen	- 1.500.000.000
Wonen	- 1.000.000.000
Reizen	- 700.000.000
Kluis	- 600.000.000

AND HOW ABOUT  
CLOSING DOWN THE CPB?

BINGO!

