



CPB Netherlands Bureau for Economic
Policy Analysis

Sound Public Finances

Experience with Fiscal
Institutions in the
Netherlands

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CPB Netherlands Bureau for Economic
Policy Analysis

- The CPB
- Lessons from the Netherlands



What's the CPB?

*Netherlands Bureau for
Economic Policy Analysis*



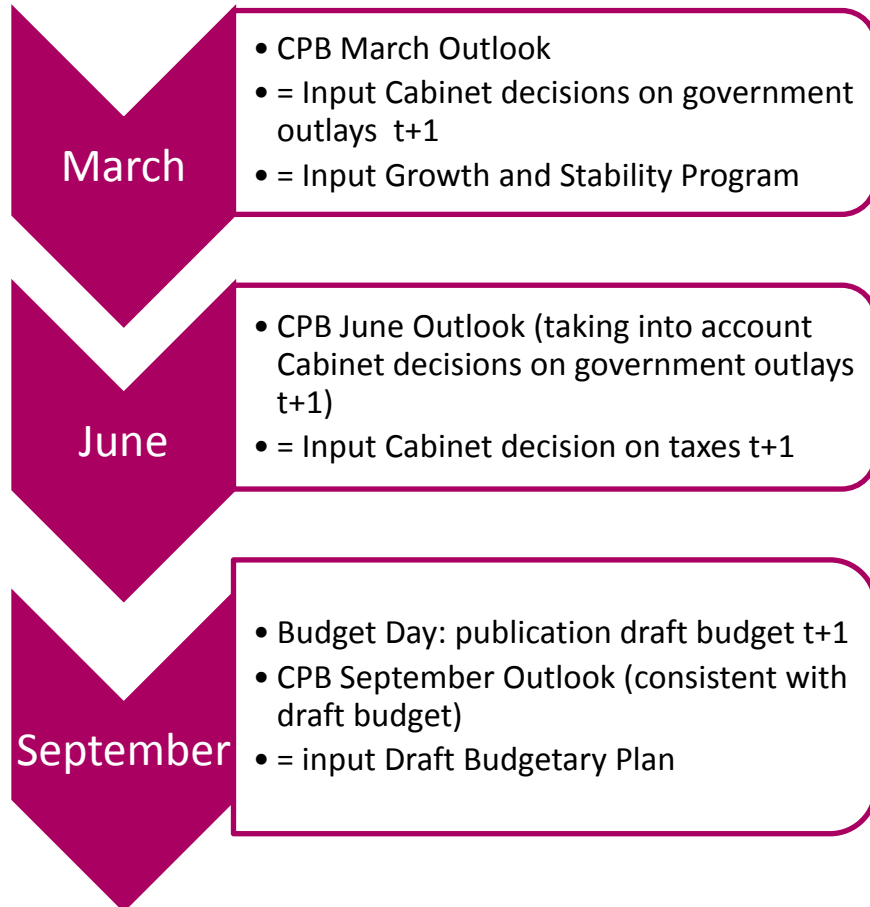


CPB is an IFI (Independent Fiscal Institute)

1. Responsible for the official Dutch short-term economic forecast
2. Preparing medium-term forecasts
3. Responsible for sustainability analysis government budget
4. Involved in financial annex of Government Agreements
5. Assessing the impact of major supplementary budget packages
6. Costing of major reforms
7. Analysis of election platforms



CPB's role in budget cycle



- Providing the official economic projection used in the budgetary process
- Providing information on expenditure overruns and discretionary tax measure overruns. (Also done by Ministry of Finance)

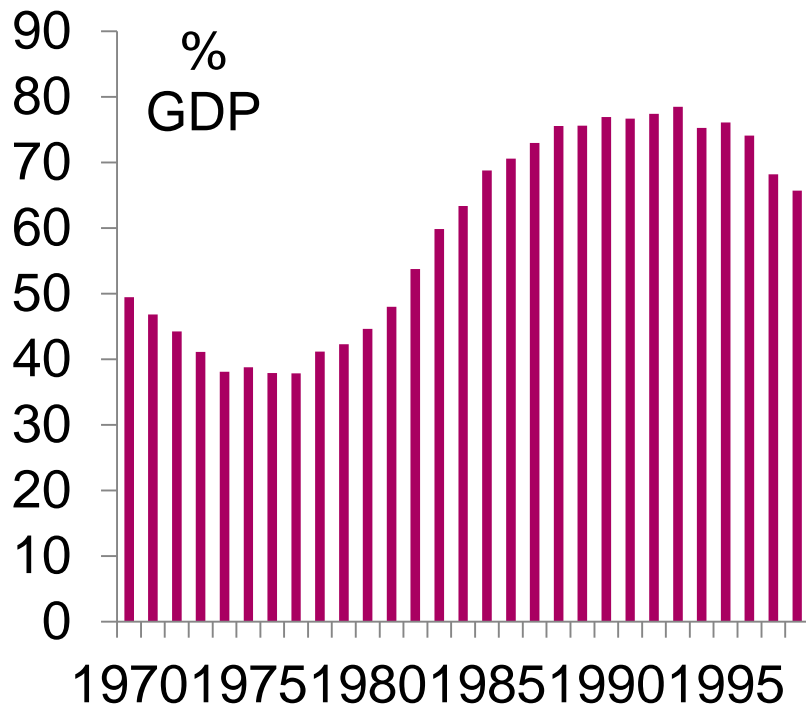


Lessons from the Netherlands

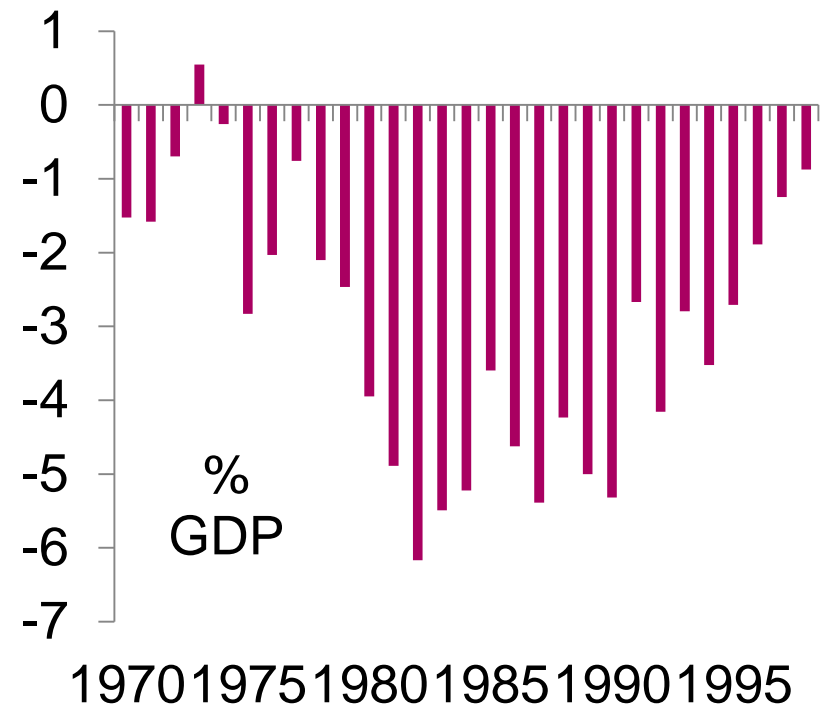
- 1. Commitment



Commitment: lessons learnt



■ General government gross debt



■ General government financial balance



Commitment: Play by the International rules



The Netherlands,



part of Europe,



and part of the world



Lessons from the Netherlands

- 1. Commitment
- 2. Know the past



Know the Past





Know the Past

- Timely & Sound Statistics -> Independent Statistics Office
- Timely & Sound Public Finance Data -> Independent Court of Auditors

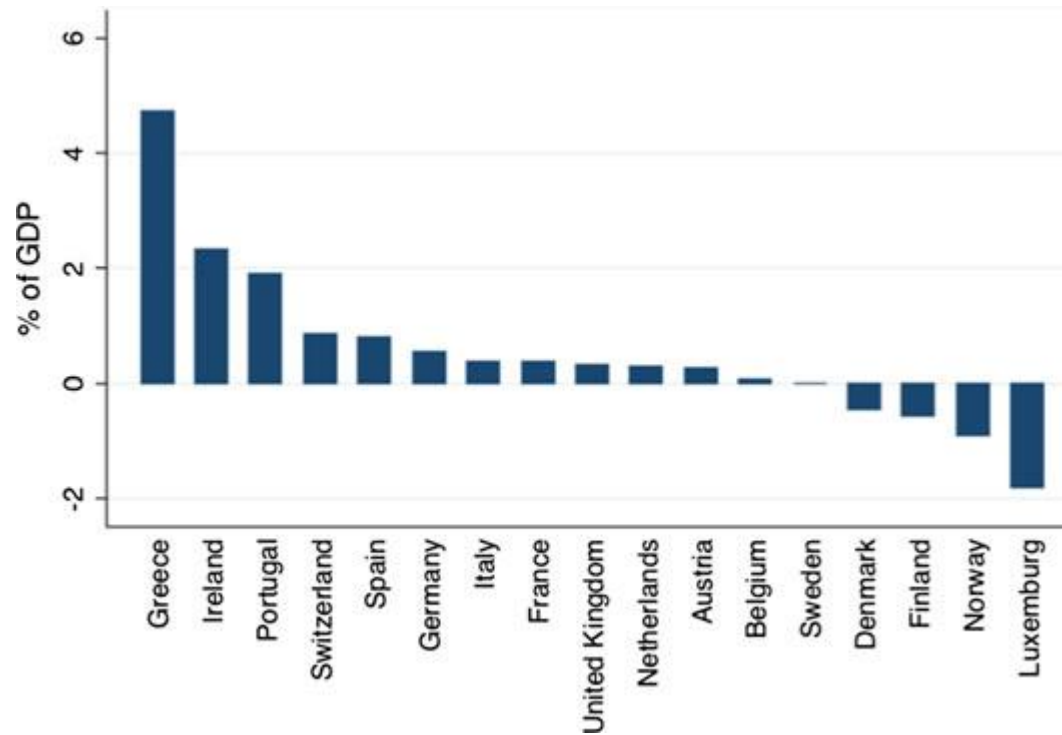


Lessons from the Netherlands

1. Commitment
2. Know the past
3. Clear eyed view of the Future



The case for independent forecasts



Mean 1-year ahead budget forecast errors (1999-2011)

Forecasts in countries with independent forecasters [UK, NL, Aus, Bel] less biased

Source: Frankel & Schreger, 2013



Lessons from the Netherlands

1. Commitment
2. Know the past
3. Clear eyed view of the Future
4. **Simple Fiscal Framework**



Clear Goal

- Intergenerational fairness
- Stress test
- Policy Mix
- Stability and Growth Pact



Rules: arguments for expenditure ceilings

- Expenditure rules enhance fiscal discipline:
 - Expenditures more frequently cause overruns than tax cuts
 - Volatility of government expenditure declines
 - Expenditure rules go together with stronger fiscal performance
- Other advantages:
 - It can be combined with automatic stabilization of revenues
 - Easy to communicate and easy to monitor by IFI/Media
- Expenditure rule introduced in EU-regulations



Lessons from the Netherlands

1. Commitment
2. Know the past
3. Clear eyed view of the Future
4. Simple Fiscal Framework
5. Rules of the Game



Rules of the Game

- **Concentrated Budget discussions**; budget claims are assessed at one point in time.
- **Individual budget responsibility**. Ministers must offset expenditure overruns by other expenditure reductions in their budget.
- **Overall expenditure ceiling** overcomes non intervention ministers





Lessons from the Netherlands

1. Commitment
2. Know the past
3. Clear eyed view of the Future
4. Simple Fiscal Framework
5. Rules of the Game
6. Evidence Based Policy



Expenditure reviews, CBA, Evaluations



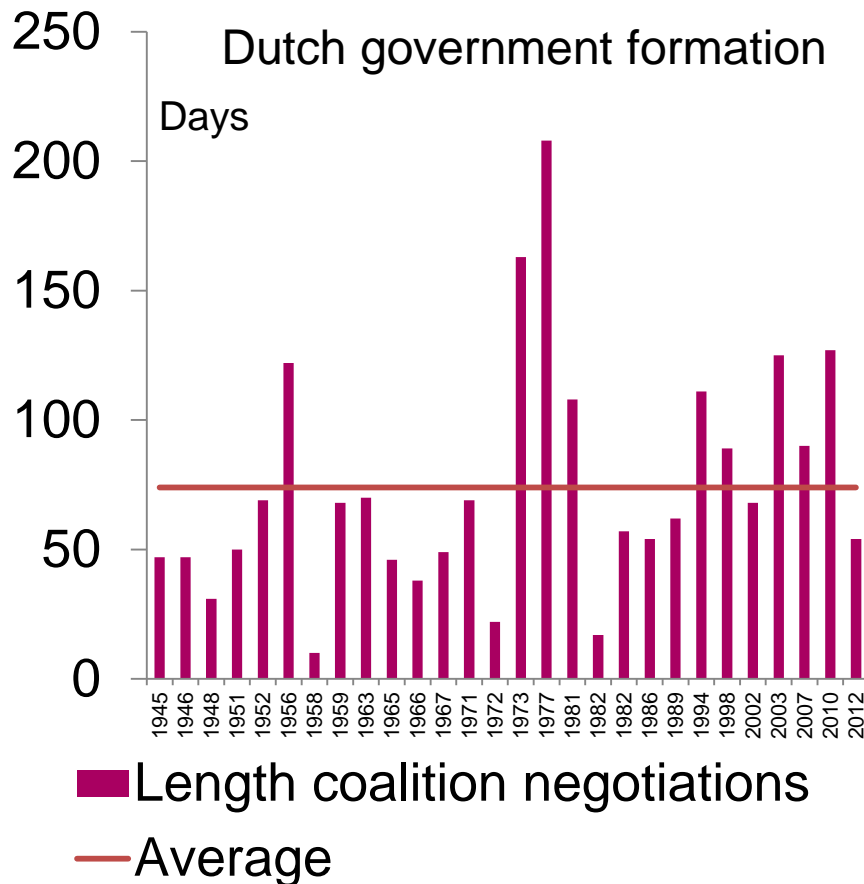


Lessons from the Netherlands

1. Commitment
2. Know the past
3. Clear eyed view of the Future
4. Simple Fiscal Framework
5. Rules of the Game
6. Evidence Based Policy
7. Commitment in Practice



Coalition Agreements are key in the Netherlands



- One key decision moment on budgetary policy every 4 years after the general elections
- Lengthy negotiations
- Detailed agreements
- Extensive financial annex (30 pages)
- Trend-based budgetary policy since 1994.

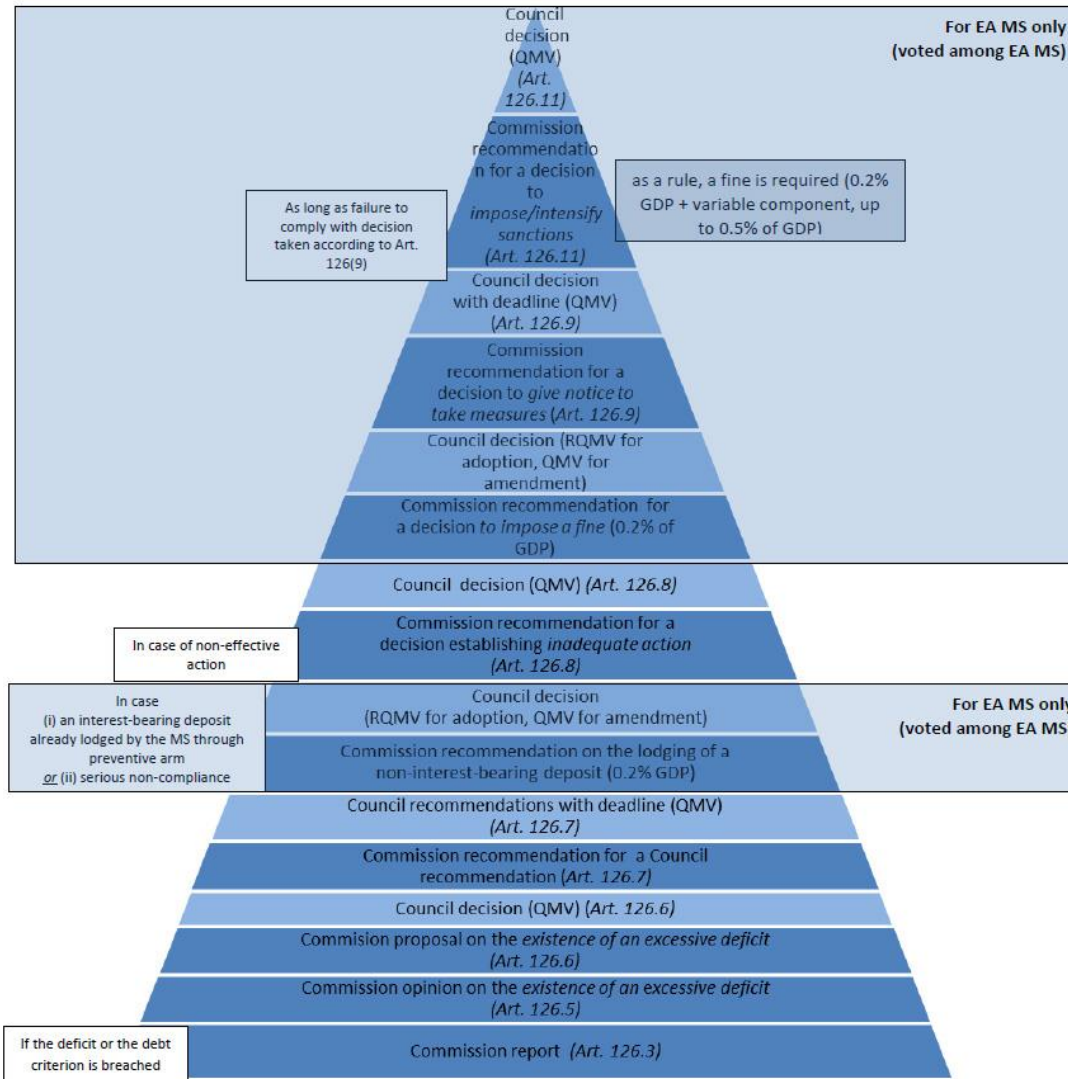


CPB: Fiscal Watchdog



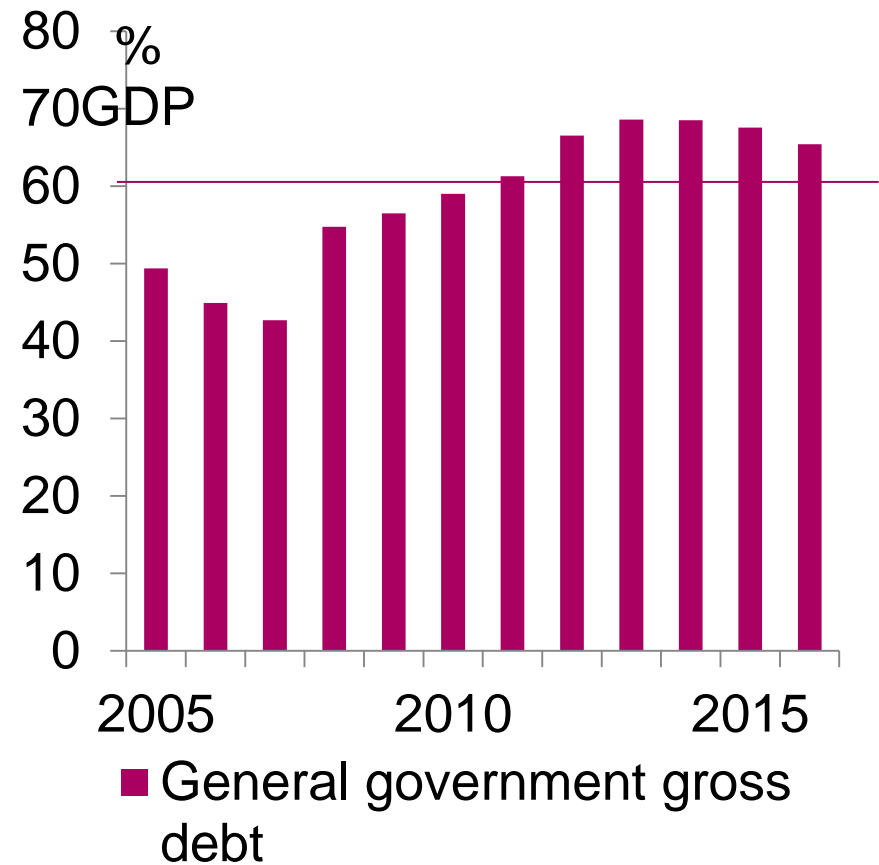
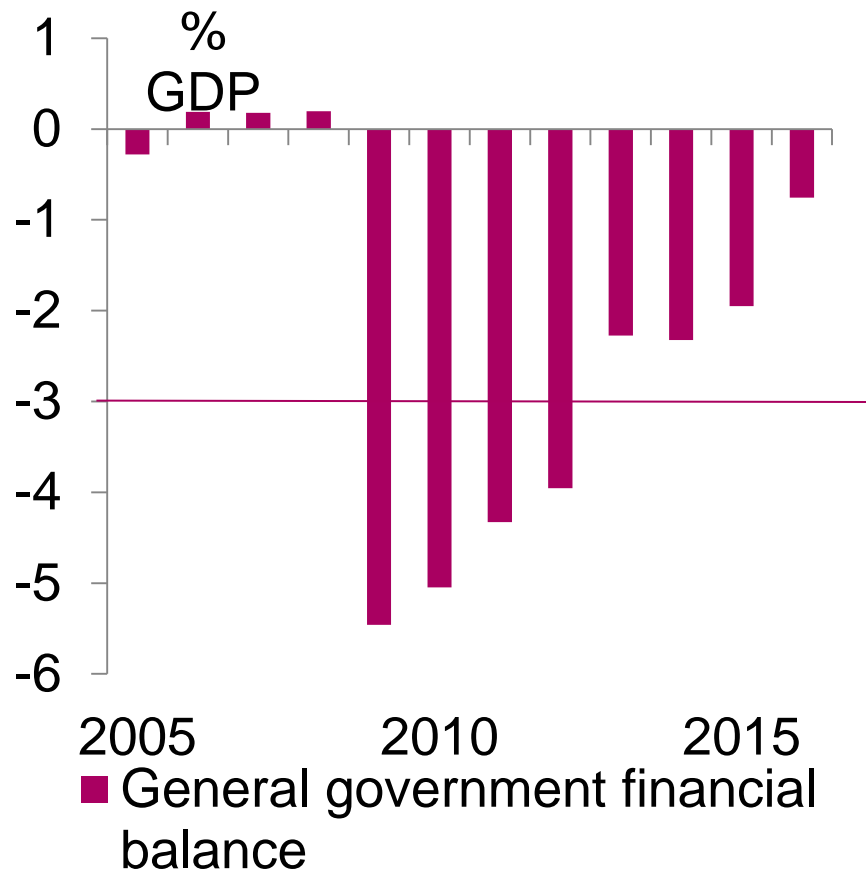


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The Results: EMU Balance and Debt





Take away

- Independent Institutions help (statistics, auditors, forecasters)
- Proper Analysis (expenditure reviews, CBA, evaluations) helps
- Fiscal Framework: keep it simple
- Expenditure ceilings are effective
- Rules of the Game help to deliver
- **Commitment, Commitment, Commitment**