

Netherlands

CPB Netherlands Bureau for Economic Policy Analysis

Established: 1945.

Enabling legislation: Law Concerning the Preparation of a Central Economic Plan adopted in 1947. Sustainable Public Finances Act (Wet Houdbare Overheidsfinanciën), 13 December 2013.

Mandate: Independent analysis relevant for economic policy making, particularly macroeconomic forecasting and the costing of policy proposals.

Budget: EUR 13 million (2011).

Staff: 117 full-time equivalents (2012).

1. Context

The CPB¹ was founded on the proposal of Social Affairs Minister Willem Drees on 3 September 1945 and commenced its work on 15 September. Highly regarded economist Jan Tinbergen was appointed as its first Director.² At the time, the Netherlands was faced with an urgent need to rebuild the country following the Second World War and to restore economic and employment growth. Hein Vos, who served as Minister of Economic Affairs in the emergency Schermerhorn-Drees government,³ asked Tinbergen to prepare a proposal for a new economic planning bureau. In an unpublished blueprint in 1943, Tinbergen had argued for a small agency to quantify the size and composition of the national economy and to analyse the policy measures needed for long-term economic development. Vos's idea was for a new agency that would periodically draft a macroeconomic plan with guidelines for the government's economic policy. Ultimately, the CPB chose to emphasise macroeconomic assessment and forecasting⁴ and its annual Central Economic Plan has never contained any such guidelines.

The first legislative proposal for the CPB (1946) was rejected by the parliament. However in April 1947, following a change of government, a second legislative proposal was approved and the CPB's legal status was established in the Law Concerning the Preparation of a Central Economic Plan.

There was broad political support for the establishment of the CPB and for combining forward planning with well-founded economic analysis. Nevertheless, the extent to which the government should intervene in the economy was a source of debate since there were still memories of painful policy responses during the Great Depression. Also, Keynesian views on macro-fiscal management were new. Another central issue at the time was whether the CPB should explicitly issue policy advice or limit itself to analysing the effects of proposed policy measures. The latter option was chosen and is still in place.

The Netherlands is now a member of the EU and the euro zone. As such, it is subject to the requirements of the Stability and Growth Pact (SGP) and the European fiscal compact. For many decades, the Netherlands has had coalition governments. Since the 1960s, coalition agreements include medium-term fiscal objectives.⁵ Since 1994, the agreements between political parties in government have been supplemented with a fiscal rule on total government expenditure. This is combined with a rule not to introduce new policy measures that would change revenues coming from tax and social security contributions (other than those agreed in the coalition agreement). The government's fiscal rule supplements the EU fiscal rules on deficits and gross debt. Despite the various changes in the way fiscal policy and government decision-making have been managed in the past 60 years, the CPB has consistently provided independent analysis of the economic impact of fiscal and other policies. While the CPB has seen many changes of government, its independence has not been compromised and its existence has not been threatened.

2. Relationship with the executive and the legislature

The CPB is an agency under the Ministry of Economic Affairs, Agriculture and Innovation.⁶ Although the CPB is part of the executive branch of government, it enjoys considerable independence, including by having its own advisory board with private sector representatives and by deciding on its own annual work programme. CPB's offices are also physically separate from those of the Ministry of Economic Affairs.

CPB's independence within the executive is *de facto*, not *de jure*: "independence" is not mentioned in the 1947 law. However, a new decree relating to all Dutch planning bureaus was issued in 21 February 2012.⁷ The decree clarifies some aspects of the CPB and other bureaus' independence, including the way the planning bureaus are to conduct research, the contents of their reports and the methodology to be employed.

The parliament can request research from the CPB. Until 2009, political parties and the parliament had to make a formal request for CPB analysis via the Minister of Economic Affairs. This procedure required the CPB to first report to the government after which the Ministry of Economic Affairs sent the CPB's report to the parliament. In 2009, a two-day delay in releasing a CPB report raised suspicions in the parliament that the government had tried to influence the report's conclusions. Subsequently, the procedure was changed. The CPB can now respond direct to parliamentary requests. This has enhanced the CPB's independence from the government. The February 2012 decree for the planning bureaus provides details on the new procedure; it also includes provisions for treating non-public requests for policy analysis received from politicians and other actors such as national trade unions and employer federations.

Although the CPB serves both chambers of the parliament, it is more frequently in contact with the House of Representatives. The head of the CPB regularly appears before the Finance Committee of the House of Representatives to explain new forecasts. The head may also appear before other committees to explain CPB analysis of specific issues. The same holds true for Deputy Directors and senior members of the CPB staff. The parliament has an opportunity to scrutinise the CPB's annual budget as it does for all government ministries. However, the parliament does not play any role in the key appointments at the CPB or other aspects of the CPB's functioning.

There is no other institution that prepares budget and economic analysis in as much depth as the CPB. Although the Central Bank of the Netherlands and some commercial banks also prepare macroeconomic and financial forecasts, the CPB is the only institution that prepares detailed projections in public finance and budget impact analysis of political parties' policies.

Box 1. Role of the legislature in the budget process

The Netherlands is a parliamentary democracy. The parliament is bicameral, with a 150-member House of Representatives (directly elected by proportional representation on a four-year cycle) and a 75-member Senate (indirectly elected, by 12 provincial councils). The House of Representatives has greater budgetary powers, as the Senate does not have the right to amend a bill; it can only adopt or reject it.

The constitution requires the budget to be presented to the parliament on the third Tuesday of September. This happens when the Minister of Finance presents to the House of

Box 1. Role of the legislature in the budget process (cont.)

Representatives a budget overview and 23 budget bills on behalf of cabinet ministers responsible for specific policy areas. The parliament has three months for budget scrutiny (for the steps of budget approval, see Table 4 of Bos, 2008) and all 23 appropriation acts are usually adopted before the end of December. The House of Representatives can amend the draft budget, in principle without limit. However, coalition agreements, especially spending ceilings, restrict the house from making significant modifications to the government's draft budget. Although reallocations between the 23 spending bills by the House of Representatives are possible, in practice this rarely happens because proposals to increase one budget line item without decreasing another line item would not be adopted by a majority of members on account of the ceilings in the coalition agreement. In the parliament, budget policies are first discussed generally in plenary session. Later, each spending bill is examined in detail by committees and each responsible minister must respond in writing to questions from a specific parliamentary committee before which he/she appears.

The Finance Committee of the House of Representatives is responsible for scrutinising overall budget aggregates. The Public Expenditure Committee is primarily concerned with budget procedures and rules, not with the 23 spending bills. Sectoral committees of the House of Representatives and of the Senate examine the spending bills, which are subsequently adopted in a plenary session. These sessions are open to the public. Technical support to the legislature during the budget process can be provided by the CPB or by the parliament's Bureau for Research and Public Expenditure (BOR), a small unit that provides analytical notes to MPs on budgetary and other issues. Box 2 below describes the BOR's tasks and activities.

The parliament experimented with establishing its own independent Council of Economic Advisors (Raad van Economisch Adviseurs, REA) from 2005-07. There was broad cross-party support at the time of its establishment (the vote was 100 for, 50 against). The goal was to provide the House of Representatives with independent policy advice on financial and economic affairs. The council's six members (university professors in economics and public finance) were appointed by the house's Committee on Finance. To ensure the independence of the REA, the council members could be in no way connected to the government or other related entities. The independence of the council was also reflected in its agenda and the timing of advice: both were determined by the council itself. During its three years of existence, the council published ten reports on macro-fiscal and specific issues (e.g. the tax base, ageing, housing, government regulation). However, after a critical interim assessment by the parliament, council members announced that they would not seek re-appointment, despite the fact that some parties expressed disappointment in this decision. In a self-assessment (REA, 2007), the council recognised that it had relatively little interaction with the parliament. In addition, some political parties criticised the style and content of the REA reports, which were perceived to be critical of some government policies. The council's website still exists and all council reports can still be downloaded.

Since 2013, legislation integrating new EU requirements into Dutch law gives the role of monitoring compliance with the fiscal rules to the Council of State. In the case of non-compliance the Council of State must assess the government's correction plans. While the CPB does not formally monitor compliance with the fiscal rules, it does so indirectly through calculations with respect to public finances and expenditure ceilings.

Box 2. The Parliamentary Bureau for Research and Public Expenditure (Bureau Onderzoek en Rijksuitgaven, BOR)

The BOR was established in December 2007 by merging the Research and Verification Bureau of the House of Representatives and experts of the Public Expenditure Committee. Its creation was an internal decision of the House of Representatives and it is not established in law or in the House's internal Rules and Regulations.

The BOR, which is politically neutral in its work, has three main tasks:

- Supporting parliamentary investigations, enquiries and research. This is done both in-house within the BOR and by providing BOR resources for one-off studies commissioned by standing committees of the House of Representatives.
- Providing analytical notes to parliamentary standing committees, especially on budget-related matters. All standing committees are served equally.
- Advising MPs and sharing knowledge, including drafting amendments to the budget bills and providing briefings to MPs on budget, financial and other matters.

Each year, the BOR prepares about 150 written notes to MPs, including on the draft budget bills, the annual public accounts and other government documents with budget implications, especially major projects. These notes suggest questions that standing committees may ask government ministers when called upon to defend their budget proposals or outcomes. The BOR also supports the parliament's efforts to prepare "foresight studies" (a relatively new development recommended to improve parliamentary oversight), *ex post* evaluations, and *ad hoc* budget-related research of relevance to the parliament. The BOR does not prepare revenue and spending projections to "compete with" those of the CPB. Nor does it prepare assessments of the impact of new budget proposals or draft laws.

The BOR employs about 15 staff (12 FTE), formally appointed by the Secretary General of Parliament. Staff are recruited for their technical abilities, not by political affiliation. Most staff are generalists but they specialise their work according to the standing committee they serve. The head of the BOR and all staff are recruited and paid according to civil service rules and regulations. BOR staff salaries are comparable to those of staff in ministries.

The BOR's notes are not published externally. The rationale for this policy is that BOR notes to standing committees are comparable to the unpublished speaking notes prepared by government ministries for their ministers. BOR notes are, however, accessible internally to all MPs and parliamentary staff on the Intranet of the house. Exceptionally, a standing committee may authorise the publication of a BOR note if it is considered highly pertinent and if MPs want to use the note in a debate or receive a minister's formal reaction on it.

The BOR's budget in 2011 was EUR 0.9 million. It is part of the administrative budget for parliamentary support services and is integrated into the parliament's budget that is approved as one of the 23 annual appropriations acts. For 2012-15, the budget of all government ministries – and that of the parliament – is highly restrained. The BOR's annual budget has been relatively spared. For example, the number of full-time staff is expected to remain constant in coming years.

A first evaluation of the BOR was conducted in 2009 (see evaluation of BOR).

3. Legal basis for establishment

In 1947, the CPB obtained a legal basis with the adoption of the Law Concerning the Preparation of a Central Economic Plan. This law establishes the CPB as a part of the Ministry of Economic Affairs. It briefly specifies the CPB's mandate and creates the CPB's

oversight body, the Central Planning Commission. The law is worded in a general way and is not a fundamental reference for the CPB. The law has never been amended, although new regulations on the planning agencies were adopted in 2012. The CPB's *de facto* role as the institution responsible for macroeconomic projections was formalised under the 2013 Sustainable Public Finances Act which embedded new European requirements in Dutch law.

4. Mandate

The CPB's mandate has consistently been to conduct independent analysis relevant for economic policy making. The CPB is also responsible for the official government forecasts of economic and fiscal developments.⁸ The only document that the CPB is mandated by law to produce is the annual Central Economic Plan, which provides an overview of the actual and projected economic situation.⁹

Over the years, the activities within the CPB's mandate have broadened substantially. Since the 1960s, the CPB has been publishing reports on the state of public finances and costings for policy proposals. Since the 1980s, it has been costing political parties' election manifestos¹⁰ and coalition agreements after elections. Since the 1990s, the CPB has been preparing long-term fiscal and debt analyses. The CPB continues to make spatial cost-benefit analyses and has a broad research agenda. Finally, the CPB reports on a wide variety of microeconomic and sector-specific topics such as health care, housing, the labour market and welfare policies.

The CPB does not have a mandate to influence fiscal policy directly. It does not provide normative assessments of coalition governments' commitments and fiscal objectives. It does not formally monitor compliance with EU fiscal rules, although, as noted earlier, it does this indirectly.

5. Functions

Forecasting, costing of policy proposals and research are CPB's major functions. Today, macroeconomic modelling and forecasting take up less time than in the early years of the CPB, even though these activities are still crucial. About two-thirds of CPB staff time is devoted to research and one-third to policy analysis.¹¹

Forecasting

The CPB is the only macroeconomic forecaster for the government and for the parliament. Modelling is used extensively by CPB in preparing the following forecasts:

- Short-term macroeconomic and fiscal forecasts: The CPB updates and publishes macro forecasts four times a year. The main forecasts are the Central Economic Plan, published every spring, and the Macro Economic Outlook, which is published jointly with the annual budget at the opening of the parliamentary year each September. Short updates of these forecasts are published in June and December. The time horizon of these projections is the upcoming budget year and one out-year. The impact of forecast budget changes in net real income of various groups of households is also analysed.
- Revenue forecasting: The CPB forecasts tax revenues. The Tax Office provides the CPB with monthly revenue realisations and the Ministry of Finance provides information on planned changes in tax laws in future years. The Ministry of Finance is responsible for the budget estimates of revenues.

- Medium-term baseline budget projections: The CPB prepares, at least once every four years, a medium-term baseline forecast for the upcoming budget year and three out-years. The medium-term forecast is the basis for costing political parties' electoral platforms and for the medium-term expenditure framework consistent with the coalition agreement of each new government.
- Pre-election forecasts: These are published six months prior to parliamentary elections.
- Long-term forecasts: Every few years, the CPB publishes a long-term forecast (up to 50 years) that focuses on the sustainability of public finances. These projections and the medium-term budget projections are the basis for the advice for the next period of government by the National Advisory Group on Budgetary Principles.¹²

Budget analysis

The CPB analyses the budgetary impact of new policy measures. At times, the CPB's estimates of savings from new budget cuts are lower than the estimates of the Ministry of Finance. The CPB also analyses the budgetary proposals of new coalition agreements and updates the government's medium-term projections based on new coalition agreements. When a coalition agreement is modified in a substantial way, the CPB analyses the economic and budgetary impact.

Costing and cost-benefit analysis

All major infrastructure projects must be subjected to cost-benefit analysis, which is performed either by the CPB or another research institute.¹³ The CPB may provide a second opinion on the cost-benefit analysis of another research institute. Moreover, every ministry can request a cost estimate and/or economic impact forecast of any policy initiative. In practice, no major policy initiative is submitted to the Cabinet of Ministers without a forecast of its cost by the CPB. The parliament and political parties also have access to CPB's costing "service". For example, opposition political parties' "shadow budget"¹⁴ proposals are often first costed by the CPB, at the request of the political party concerned, prior to their presentation to the parliament.

Costing of election manifestos

Political parties and civil society organisations can request costing and economic impact forecasts from the CPB. This tradition has grown since 1986 and, although voluntary, all major parties now ask for such costings. The scope of such evaluations has expanded substantially as more political parties request analyses. The CPB not only analyses the short-term effects on economic growth and public finance, but also examines the long-term effects and the impact of the proposals on the distribution of income and unemployment. Most major political parties also ask the CPB to cost major sectoral policy topics, like education, mobility, environment and the housing market. This process has had the advantage of making party manifestos much more specific.

Research

The CPB initiates its own research programme to analyse policy-relevant issues. This programme is independent of ministries' requests for costing and impact studies. The CPB has examined, for example, the economic effects of ageing, globalisation, health care, education, the financial crisis and the regulation of markets. In some instances, such work is co-financed externally. Although the conclusions of these studies can be politically

sensitive, the CPB makes every effort to maintain its reputation of being strictly neutral. CPB researchers also conduct research for the European Commission, often as part of international consortia.

The CPB does not provide normative policy advice to the government. Nor does the CPB comment on the government's economic or budget policies apart from considerations of feasibility and impact. And the CPB does not formally monitor compliance with fiscal rules.

6. Work programme

The Director of the CPB decides on CPB's annual work programme. The CPB sets its own priorities in accordance with various needs, including: the preparation of certain annual outputs each year, notably those linked to the annual budget cycle; the CPB's perceived research needs for the central government on economic topics; and research topics suggested by government ministries with which the CPB consults. The CPB also follows the guidance on its work programme provided by its advisory board, the Central Planning Commission and by the Minister of Economic Affairs. The minister can make special requests for certain research, although this rarely happens.

Various institutions can request analysis from the CPB. Roughly 60% of requests come from government ministries (mainly the socio-economic departments); 30% from political parties, parliamentary committees and individual parliamentarians (mainly in the lower house), and the remaining 10% are from labour or trade unions, the employers' federation, the Social and Economic Council¹⁵ and others. There is no automatic system for prioritising requests. This is left to the discretion of the director of the CPB, who is guided by the provisions of the February 2012 decree on the planning bureaus. Currently, the number of requests received is manageable. In the future, with the prospect of further declines in CPB staffing, it may be challenging to meet all requests, especially if the House of Representatives seeks more analysis from the CPB.

7. Budget

The CPB budget is part of the budget of the Ministry of Economic Affairs, Agriculture and Innovation, which follows standard budget preparation procedures for government ministries. Based on its coalition agreement, a new government adopts a multi-annual budget that provides the starting point for subsequent annual draft budgets. Following a cabinet decision on the budget framework, usually in April, the Ministry of Finance sends "Letters of Totals" to each ministry, indicating maximum spending for the upcoming new fiscal year (which begins on 1 January).

The CPB's draft annual budget is first prepared internally and approved by the director. In May, it is discussed with the Ministry of Economic Affairs, Agriculture and Innovation. These discussions may lead to changes in the budgeted amounts, not because of any specific work that the CPB is proposing, but because the general cuts in government spending are also applied to the CPB.¹⁶ Once these discussions take place, the CPB budget for year $t+1$ and four out-years is finalised by the end of June. In August, when the cabinet reviews the budget's revenue projections, the amount of proposed budget spending may be fine-tuned. The CPB's net spending is included in Appropriation Bill XIII (i.e. the one pertaining to the Ministry of Economic Affairs, Agriculture and Innovation).

The CPB is not entirely funded by the lump-sum allocation from the central government budget as it is authorised to receive revenue for analytical work contracted for third

parties.¹⁷ CPB's "clients" are limited to central government ministries, local governments, European institutions and international governmental organisations. The CPB is not allowed to compete with commercial research bureaus. The revenue for work received from external sources cannot exceed 20% of the CPB's spending funded through the annual budget. Recently these revenues have amounted to 10-15% of spending.

Administrative spending in all government ministries has been falling in real terms since 2002 and the CPB's funding has not been spared. However, the declines in the CPB's budget have often been less than the average for all government ministries. Nonetheless, for 2002-06 and 2008-10, the CPB's budget fell by 11% and 10% respectively, to EUR 13 million. A further reduction of 10% has been decided for 2011-15.¹⁸

8. Staffing

8.1. Leadership

The Director of the CPB is appointed by the Cabinet of Ministers upon a proposal by the Minister of Economic Affairs. In selecting a new head of the CPB, the main criterion is the ability to perform the required duties in a professional and non-political manner. This is not a written rule but a long-standing practice that is accepted by all political parties. When directors change, which is relatively infrequently, the Minister of Economic Affairs and his/her advisors consult widely including with the Minister/Ministry of Finance and university professors involved in economic policy making. The background and qualifications for a new director are not formally laid out. Current informal understandings are that the director needs to be a top Dutch economist with considerable experience in policy issues.

Each appointment is for a seven-year period that is renewable once. The seven-year term is delinked from changes in government that occur at least every four years. This enhances CPB's independence from political influences. The formal appointment process and the director's salary follow the rules applicable for higher civil servants. Should removal be necessary, this would also follow civil service procedures. However, during its entire 65 years of operation, no CPB director has ever been removed.

8.2. Staff

The staff of the CPB are civil servants. As such, they are recruited, dismissed and remunerated according to the civil service regulations, and are subject to civil service rules on conflicts of interest. The terms of employment and range of salary scales are shown on the CPB website.¹⁹

The CPB hires staff both domestically and internationally (strong Dutch language skills are needed). CPB's professional employees are either policy analysts or researchers. Policy analysts address short-term and medium-term policy issues that are raised by the government, political parties, the parliament and other interest groups. Researchers investigate new themes or prepare the ground for future policy analysis. Researchers must have qualifications and experience in economics or econometrics. Although a PhD is not a prerequisite for a position at the CPB, it is preferred and in recent years, the share of research staff with PhDs has risen. Policy analysts need at least a higher vocational education.²⁰ Recruitment and selection policies for professional staff aim at attracting strong candidates with a broad interest in applied policy-relevant issues, rather than highly specialised personnel. The bureau's policy is to avoid its staff becoming locked into

just a single topic. Nonetheless, the CPB recognises the need to recruit specialist staff, including mathematicians, IT specialists, technicians and administrators. All staff are hired by the director of the CPB, who is supported by a human resources unit.

The across-the-government budget cuts have resulted in a considerable fall in the number of CPB staff, which peaked at 158 FTE in 2002. In 2010, there were 148 FTE. In 2011, the number dropped to 135 and in 2012 to 117, of which 91 work in economics and public finance while the others are mainly administrative. The staff work either in one of the CPB's five sectors (public finance, macroeconomics, labour and education, competition and regulation, and climate and regional economics) or in one of the four support units (executive secretariat, human resources, internal affairs and IT).²¹

The CPB has an academic partners and visiting scholars programme for prominent university researchers who work together with CPB staff in writing academic papers and who advise the CPB in its research. Academic partners are appointed to work for a period of one year, with the option of extending the appointment. Because of this programme, the CPB does not use outside consultants for operational work. Finally, the CPB has ties with a number of foreign institutes for economic policy analysis (see www.cpb.nl/en/international-partners, which includes Sweden's Fiscal Council and the United Kingdom's Office for Budget Responsibility). Co-operation is on the basis of mutual independence: each partner remains fully responsible for the content and quality of its work.²²

9. Access to information

Although ministries are not legally obliged to provide information to the CPB, they co-operate with the CPB for making the official economic forecast and providing other information needed by the CPB to respond to requests for analysis. Being a government "insider", the CPB has relatively easy access to non-published information held by the ministries and information is received in a timely manner. For costing, the Ministry of Finance provides much of the needed information. For specialised issues such as health and social security, the CPB receives the required information directly from the relevant ministry.

There are no standard procedures for communicating with ministries. At the working level, there is regular contact between ministry and CPB staff. At higher levels, the CPB director or senior CPB staff meet with high-level civil servants in different government committees, such as the Central Economic Committee. Within the Ministry of Economic Affairs, the CPB director holds regular meetings with the Secretary General.

10. Transparency

All CPB reports are publicly available in electronic form. These are published by the CPB under its own authority. The CPB's analytical methods are fully transparent: all assumptions, empirical data and economic models are fully specified and published. All major CPB publications are accompanied by a news release. For its spring forecast (the Central Economic Plan), a news conference is normally organised. If the CPB director judges that a major CPB study warrants a news conference, he/she may choose to hold such a conference. News conferences are attended by journalists from all major daily newspapers, and the remarks of the director are typically reported by the major radio and television stations.

Special costing requests done by the CPB and submitted to a client remain confidential until the client reviews them. If the request for a CPB analysis is formal (e.g. a contract), the CPB normally publishes the report. It is rare for a CPB client not to publish an analytical

report prepared by the CPB under contract, although it has happened. If the request is informal, the client decides on its publication. However, should the client mention part of the report in public, the CPB will publish the full report.

Most requests to the CPB from the media are channelled through the CPB media officer. Nonetheless, CPB staff members may explain to the media their technical research results. Each CPB staff member is listed on the CPB website, facilitating direct media contact with an individual staff member. The CPB keeps internal records of media coverage of its work.

11. Governance, advisory support, monitoring and evaluation

The 1947 law established an advisory board for the CPB: the Central Planning Commission (CPC). The CPC advises the management of the CPB on its work programme. CPC members, who are well-respected experts in economic policy making and public finance, are formally appointed by the Minister of Economic Affairs for a three-year term, with the possibility of renewal for one consecutive term, after consultation with the Cabinet of Ministers. Currently there are eight members on the commission. The management of the CPB takes the CPC's advice very seriously and incorporates CPC suggestions as much as possible.

About every five years, the work of the CPB is evaluated through peer reviews by academics (on scientific value) and by clients (on policy relevance). Nearly all of the academics for the scientific review are non-Dutch, which enhances objectivity.²³ Finally, the CPB encourages close contact with the academic community, and CPB staff are encouraged to publish in academic journals and to work with academics.

12. Concluding remarks

As a 65-year-old independent government institution, with a reputation for providing objective analysis, relatively accurate and unbiased forecasts²⁴ and cost-benefit analyses, the CPB has considerable credibility in the eyes of the government, the parliament, the media and the public. It is the government's and the parliament's only forecaster of macroeconomic and budgetary developments. CPB's short-term, medium-term and long-term projections of economic and fiscal developments serve as the backbone of budgetary processes and policy discussions. The five-year projections on the basis of unchanged revenue and expenditure policies provide a firm basis for assessing the cost of new election platforms of political parties and also the coalition agreements of new governments. The CPB's costings of election platforms have had a positive impact in terms of making party manifestos more specific so that the costings are meaningful.

The CPB has considerable autonomy despite the formal appointment of the CPB director by a government minister, the lack of a status for CPB staff separate from the civil service and the financial dependence of the CPB on the national budget. Several elements contribute to the CPB's *de facto* independence, including: the seven-year renewable term of the CPB director (c.f. four-year election cycles), the extensive discretion given to the CPB director for establishing the annual work programme; an independent advisory board that oversees the CPB annual work programme; periodic independent evaluations of CPB outputs (by academics and by CPB clients); the authority granted to the CPB to respond directly to requests for policy analysis from the parliament; and the publication of CPB forecasts and analyses under its own authority.

While the CPB's specific contribution to Dutch fiscal performance is difficult to measure, there are three channels of influence. First, before elections, the National Advisory Group on Budgetary Principles, which includes the CPB Director, suggests fiscal targets and a medium-term fiscal framework. Although a new government is not obliged to take on board the advice, the group's views have influenced government coalition agreements. Second, the CPB's analyses of election platforms have raised awareness of the need, at a political level, for prudent and sustainable budget policies. Third, the CPB's pre-election analyses of political parties' proposed policies are subsequently used in negotiations for the four-year coalition agreement by the parties forming a new government. These features make the CPB an independent institution that plays a wider role than similar agencies in other countries.²⁵

Notes

1. Literally translated from the Dutch, the agency is the "Central Planning Bureau". However, its English name, CPB Netherlands Bureau for Economic Policy Analysis, better describes its function. The CPB has never been engaged in economic planning. Rather it analyses the effects of current and future government policies.
2. In 1936, Tinbergen constructed the first econometric model for the Dutch economy, which is generally considered the first econometric model in the world (Don and Verbruggen, 2006). In 1969, he received the Nobel Prize for his pioneering work in econometric modeling.
3. In place from 4 June 1945 to 3 July 1946.
4. CPB's first macro model became operational in 1953. It served as a basis for forecasting and policy advice for most of the 1950s. At the time, the use of such a model to analyse the expected impact of particular policies was ground breaking. It reflected Tinbergen's view on planning, namely that policy makers should define the targets of government policy while the optimal mix of instruments for achieving targets should be chosen on the basis of an economic model (Bos and Teulings, 2013).
5. Box 1 of Blöndal and Kristensen (2001) lays out the main features of coalition agreements on budget policy.
6. Prior to 2011, the Ministry of Economic Affairs and the Ministry of Agriculture were separate ministries.
7. The CPB has two sister planning bureaus: the Netherlands Institute for Social Research (SCP) and the Netherlands Environmental Assessment Agency (PBL). The directors of the three bureaus meet periodically to discuss work plans and to ensure that efforts are complementary. As from 2015, the three bureaus will be housed in the same building.
8. CPB's fiscal projections are for general government. Local government fiscal data is submitted to the CPB with considerable lags, which adds to the uncertainty of CPB's fiscal projections for local governments. In its analysis of public policies, the CPB's focus is also on the impact on the central government's finances.
9. The CPB has never prepared detailed central planning documents comparable to those of the former centrally planned economies of Eastern Europe and the Soviet Union. "Central Economic Plan" is a misnomer.
10. Bos and Teulings (2011) discuss the 25-year experience of costing election platforms.
11. Figure 2.2 of CPB (2009) discusses the various activities of CPB in more detail.
12. The group is comprised of senior government officials responsible for financial and economic policy making, the director of CPB, and the Governor of the Central Bank. For more details, see Bos (2008).
13. Examples are: Netherlands Economic Institute and the Tinbergen Institute.
14. "Shadow budgets" are selected policy proposals made by political parties during the annual budget debate in the parliament. See Box 8 of Blöndal and Kristensen (2001).
15. This council is composed of representatives from trade unions, employers' organisations and independent experts. The council discusses draft agreements on major socio-economic issues like social security, wage rates and pensions.

16. For example, in 2010, following agreement to increase civil service salaries, all ministries – and the CPB – had to agree on a staff retrenchment plan.
17. The basis for this authorisation was formalised in the February 2012 decree on the Dutch planning bureaus.
18. www.rijksbegroting.nl/2012/voorbereiding/begroting,kst160374_16.html. CPB budget projections made in 2011 for the 2012 budget show the CPB's total budget rounded to the nearest million euros. In previous years, before the merger of the Ministries of Economic Affairs and of Agriculture, the CPB's budget projections were shown in slightly more detail. See www.rijksbegroting.nl/2011/voorbereiding/begroting?hoofdstuk=40.6.
19. See www.cpb.nl/en/working-cpb.
20. Chart 2.1 of CPB (2009) shows the composition of staff by educational qualifications.
21. For details of the responsibilities of each of the five sectors and four management support directorates, see www.cpb.nl/en/organisation. This organisational structure has been operational since September 2011; prior to this restructuring there were six sectors (see CPB, 2009).
22. Until recently, the CPB had a Young Professionals Programme (YPP) which aimed at attracting talented young academics, economists and non-economists without a PhD in economics. The YPP was a two-year programme in which a young professional participated in three projects and took courses in the extended Masters programme at the Tinbergen Institute. Due to budget cuts, the YPP has been suspended.
23. CPB (2009) is the most recent such evaluation; Annex A identifies the members of the review committee.
24. Bos (2008) discusses the accuracy of projections and refers to a more detailed CPB study in 2006 by Kranendonk and Verbruggen; Box 6 of Bos discusses the CPB's use of cautious economic assumptions from 1994 to 2007.
25. Bos and Teulings (2010) reflect more fully on the distinct roles of the CPB.

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