

CPB Netherlands Bureau for Economic  
Policy Analysis

# The Dutch medium- term budgetary framework and the role of CPB

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12th meeting of the Network of  
Public Finance Economists



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## Content

- Dutch MTBF in a nutshell
- Decisive Coalition Agreements
- Implementing the Agreement
- Preparing the Agreement
- The role of Ministry of Finance
- Problems and challenges

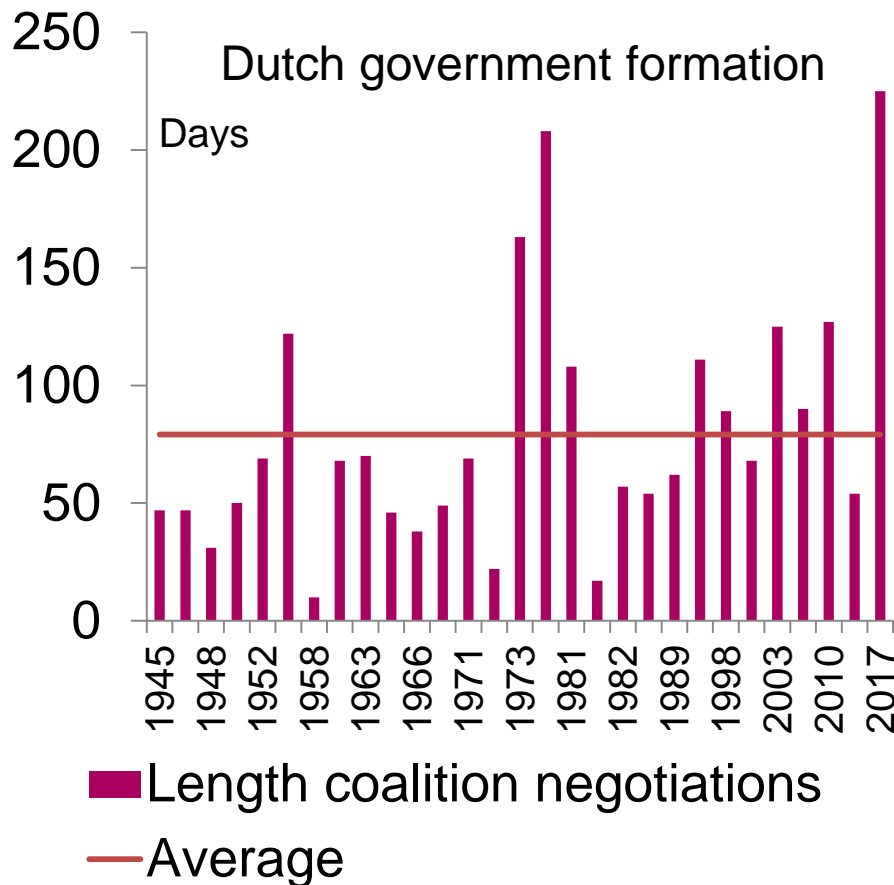


## Dutch MTBF in a nutshell

1. Expenditure ceilings, 4 years (period up to next elections).
2. Discretionary tax measures, maximum set for 4 years (period up to next elections).
3. Sustainability analysis as long-term anchor.
4. 1+2: automatic stabilisers can play their stabilising role on the revenue side.
5. Constraint: European budgetary rules (especially the 3%-deficit-ceiling)
6. Independent forecaster: CPB.
7. 10 pages of budgetary rules ([link](#)) on this trend-based budgeting (for instance on indexing real expenditure ceilings)



# Coalition Agreements are key in the Netherlands



- One key decision moment on budgetary policy every 4 years after the general election.
- Lengthy negotiations
- Detailed agreements
- Trend-based budgetary policy since 1994.
- In case the government or a coalition party wants a change in the Agreement it needs to provide an alternative with the same budgetary impact.



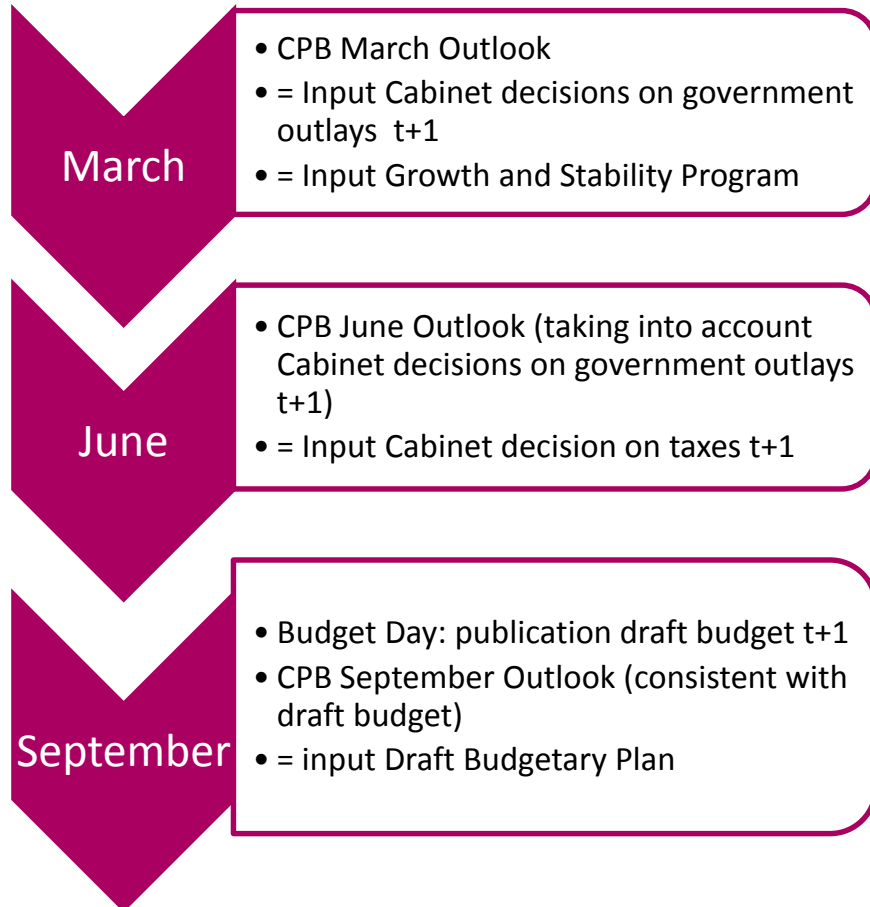
# Implementing the Coalition Agreement within the fiscal framework

- Annual budgets should be in line with the Coalition Agreement
- Expenditure overruns vis-à-vis the expenditure ceilings should be offset by reductions in other expenditures of the ministry
- Tax revenue windfalls cannot be used to offset expenditure overruns.
- Automatic stabilisers can play their full role on the tax side.





# CPB's role in implementing the Agreement



- 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)
- No explicit assessment of budgetary policy. No surveillance by CPB. (But numbers matter)
- New: providing the Council of State information needed for its budgetary surveillance (of the European rules)



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# Preparing the Agreement

Publications in series  
Promising Policies (CPB, SCP,  
PBL)

CPB: Medium-term baseline  
Including sustainability  
analysis

SBR- Advisory Group on  
Fiscal Policy  
Committee of high-level civil  
servants (including director  
CPB and DNB): advice on  
deficit target and budgetary  
rules





# Preparing the Agreement

CPB analyses  
of the election  
manifestos





## The coalition negotiations



- CPB will analyse the Coalition Agreement (close to the final decision by the negotiating political parties). The analysis provides information on impact on key variables (economic growth, unemployment government deficit and sustainability). The analysis is published by CPB after final decisions on the Agreement.
- CPB plays comparable role in case of an additional package.



- CPB adjusts its medium-term baseline on the basis of the Coalition Agreement.
- Coalition Agreement and CPB's adjusted medium-term baseline are integrated in new multi-annual budget by Ministry of Finance (Startnota including outlay ceilings).



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# Ministry of Finance and the MTBF

Ministry of Finance is key in medium-term budgetary framework

- Adding a year to multiannual budget numbers
- Providing crucial detailed information on budget central government



## Adding a year to multiannual budget numbers



Budgetary rule 32.2:

A year is added to the multiannual budget numbers solely based on demographic developments

Told in The Hague:

Heads of budgetary units (FEZ) earn their salary by succeeding in adding a year with some budgetary space.

Role Finance: to prevent this



# Connecting new multiannual budget & previous one

<b>V BUITENLANDSE ZAKEN: UITGAVEN</b>						
<b>bedragen in miljoenen euro's</b>						
	2015	2016	2017	2018	2019	2020
Stand Miljoenennota 2015 (excl. IS)	6.479,0	7.681,6	7.635,7	7.911,2	8.120,2	
Beleidsmatige mutaties						
Rijksbegroting in enge zin						
1. afronding begroting 2014	- 66,0	0,0	0,0	0,0	0,0	
2. begroting 2015	55,0	0,0	0,0	0,0	0,0	
3. terugbetaling van de naheffing	- 460,7	0,0	0,0	0,0	0,0	
4. vertraagde nederlandse korting door vertraagde ratificatie	2.077,1	- 2.077,1	0,0	0,0	0,0	
5. Commissieramingen	- 35,1	- 66,9	- 55,3	- 0,8	- 0,1	
	1.570,3	- 2.144,0	- 55,3	- 0,8	- 0,1	
Technische mutaties						
Rijksbegroting in enge zin						
6a. perceptiekostenvergoeding naar niet-belastingontvangsten	20,5	36,0	36,7	37,5	38,2	
6b. vertraagde Nederlandse korting naar niet-belastingontvangsten	0,0	2.077,1	0,0	0,0	0,0	
	20,5	2.113,1	36,7	37,5	38,2	
Extrapolatie						8.299,8
Totaal mutaties sinds Miljoenennota 2015	1.590,7	- 30,8	- 18,6	36,7	38,1	
Stand Miljoenennota 2016 (subtotaal)	8.069,7	7.650,8	7.617,1	7.947,9	8.158,3	8.299,8



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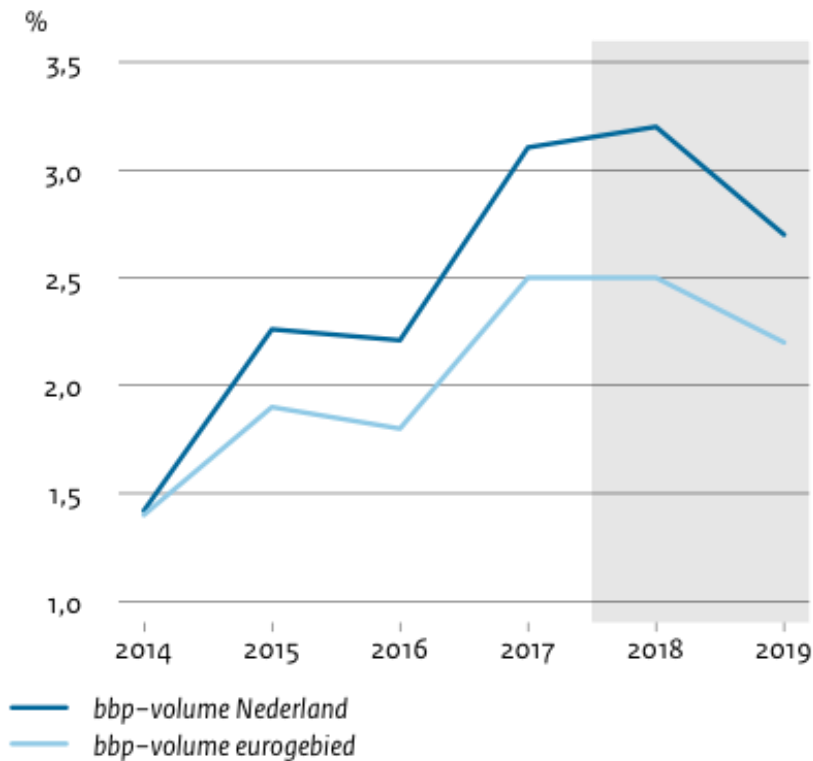
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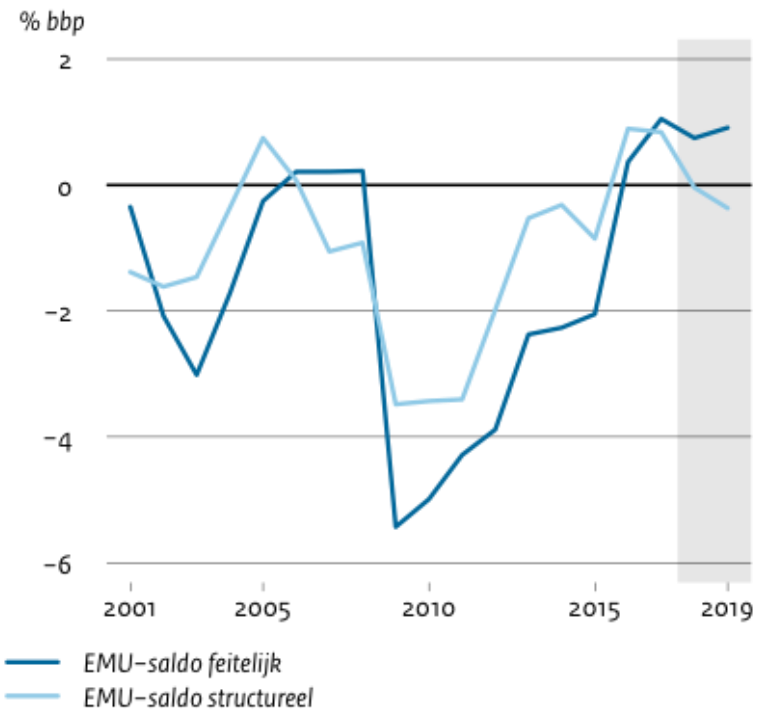


# Problems of the recent past disappeared

## Bbp-volume Nederland en eurogebied



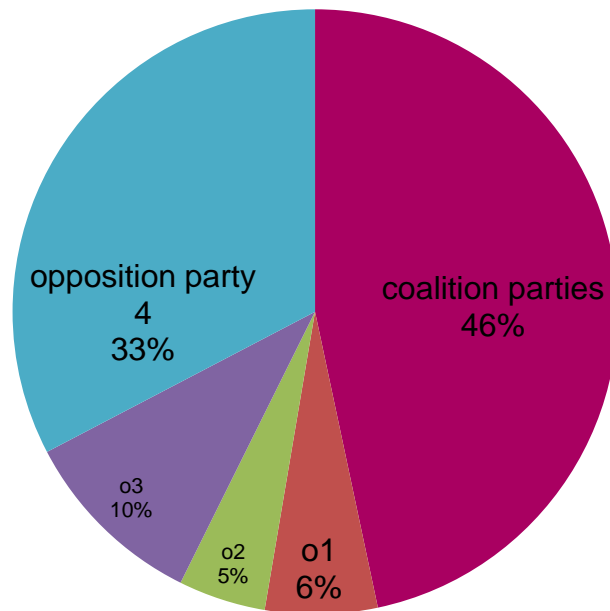
## EMU-saldo





## But other challenges remain

- Will a detailed Coalition Agreement for four years be feasible in case of a minority government (without stable partners in opposition)?





## But other challenges remain

To reconcile a national trend-based budgetary policy with a medium-term focus with European fiscal policy rules with an annual focus.

**FRICTION**



# Challenge: national versus European budget rules

Tabel 1.6 Structureel EMU-saldo en begrotingsopdracht op basis van CEP2016

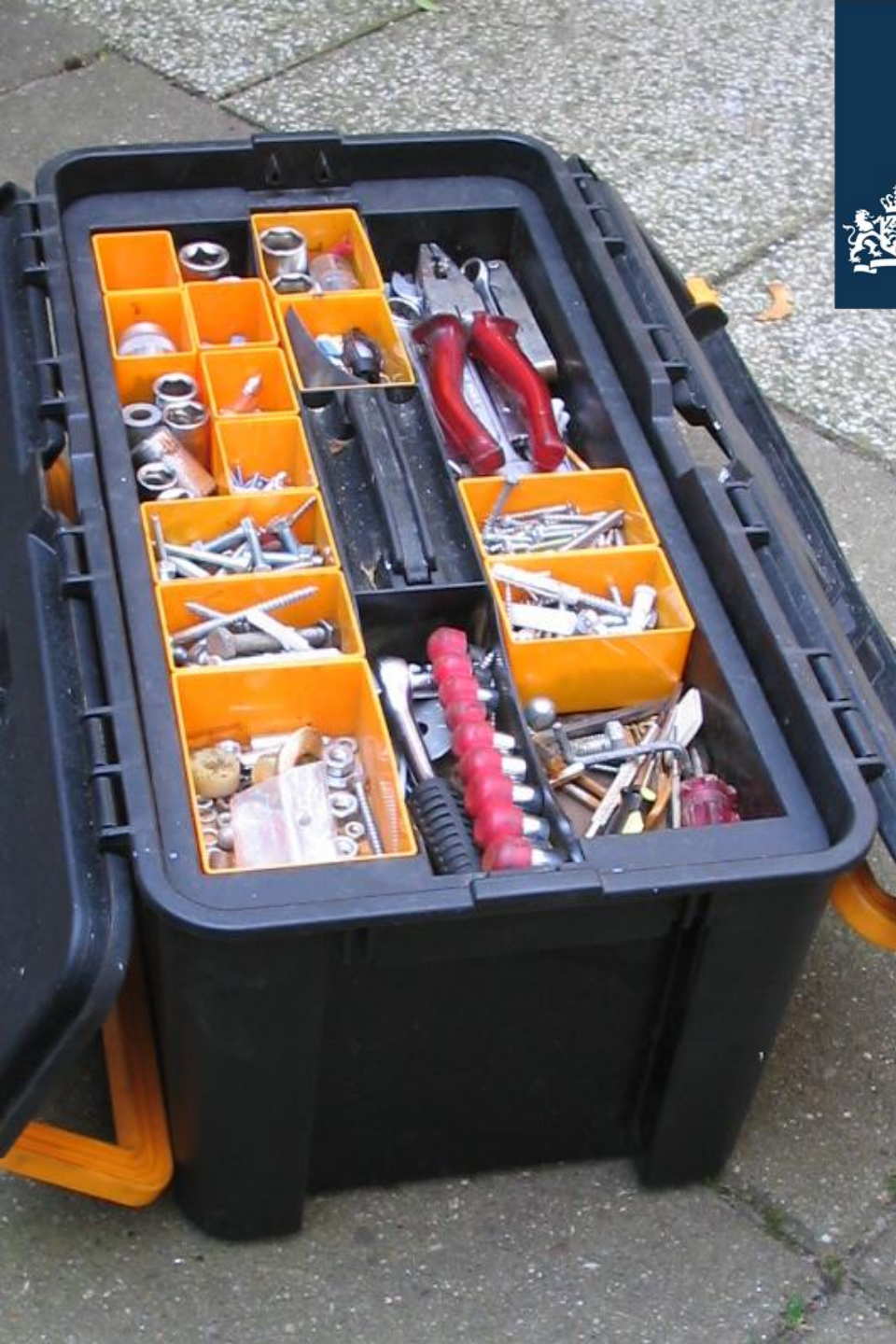
	2014	2015	2016	2017
In % bbp				
Structureel EMU-saldo (EC-methode)	-0,6	-1,0	-1,6	-1,2
Mutatie in structureel EMU-saldo	0,2	-0,4	-0,6	0,4
Begrotingsopdracht		-0,3	-0,2	0,6
Afwijking van begrotingsopdracht (in Jaar t)		-0,1	-0,4	-0,2
Gemiddelde afwijking van begrotingsopdracht (in Jaar t en t-1)		0,1	-0,3	-0,3
<b>Mutatie structureel EMU-saldo conform begrotingsopdracht</b>				
Een niet-significante afwijking: Verbetering structureel EMU-saldo minder dan 0,5% bbp per jaar of 0,25% bbp gemiddeld per twee jaar achter bij begrotingsopdracht.				
Een significante afwijking: Een overschrijding van de vereiste verbetering van het structureel EMU-saldo van meer dan 0,5% per jaar of meer dan 0,25% gemiddeld in twee jaar.				

Tabel 1.7 Gecorrigeerde overheidsuitgaven op basis van de CEP2016-raming

		2013	2014	2015	2016	2017
In miljard euro						
Totale overheidsuitgaven	(r1)	302,0	306,5	305,4	310,1	315,8
Rentebetalingen	(r2)	9,9	9,6	8,8	8,3	8,4
Overheidsuitgaven volledig gedekt door EU-middelen	(r3)	1,3	1,2	1,2	1,1	1,1
Overheidsinvesteringen	(r7)	23,7	23,1	23,3	23,1	23,2
Overheidsinvesteringen (3-jaarsgemiddelde)	(r8)	24,9	24,2	23,6	23,3	23,2
NAIRU (EC-methode)	(r9a)	5,8	6,0	6,1	6,2	6,3
Werkloosheidspercentage	(r9b)	7,3	7,4	6,9	6,5	6,3
Werkloosheidsuitgaven	(r9c)	13,7	14,2	13,3	12,6	12,4
Conjuncturele werkloosheidsuitgaven	(r9) = (r9c) - (r9a)/(r9b)/(r9c)	2,7	2,7	1,5	0,6	0,0
Relevante overheidsuitgaven	(r14) = (r1) - (r2) - (r3) - (r7) + (r8) - (r9)	289,3	294,0	294,1	300,3	306,2
Beleidsmatige lastenontwikkelingen die niet voortvloeien uit bestaande wetten	(r12a)	8,3	10,1	-0,6	-2,6	-0,3
Beleidsmatige lastenontwikkelingen die voortvloeien uit bestaande wetten (zorgverzekeringspremie)	(r12b)	0,8	-2,5	-1,0	0,3	0,5
Totale beleidsmatige lastenontwikkelingen	(r12) = (r12a) + (r12b)	9,1	7,6	-1,6	-2,3	0,2
Gecorrigeerde overheidsuitgaven	(r15) = (r14) - (r12)	280,2	286,4	295,7	302,6	306,1
Gecorrigeerde overheidsuitgaven (nominale mutatie in %)	(r16) = [(r15)/(r14)](t-1) - 1	-4,7	-1,0	0,6	2,9	1,9
bbp-deflator (a)	(r17)		1,5	1,2	1,7	0,9
Gecorrigeerde overheidsuitgaven (reële mutatie in %)	(r18) op basis van (r16) en (r17)		-2,5	-0,6	1,2	1,0
bbp	(r19)		662,8	679,1	696,6	719,1
Begrotingsopdracht (maximale stijging gecorrigeerde overheidsuitgaven)	(r20)		0,7	1,4	1,2	-0,7
Afwijking in Jaar t (in % bbp) (= overschrijding begrotingsopdracht)	(r21) op basis van (r18), (r20), (r14) en (r19)		-0,3	-0,9	0,0	0,7
Gemiddelde afwijking in Jaar t en t-1 (in % bbp)	(r22) op basis van (r21)			-0,6	-0,4	0,3

(a) Voor 2014 t/m 2016 het gemiddelde van de Voorjaars- en Najaarsraming van de Europese Commissie; 2017 op basis van het CEP.

**Been overschrijding van de maximale uitgavengroei**  
 Een niet-significante overschrijding: Een overschrijding van de maximale uitgavengroei van minder dan 0,5% bbp per jaar of 0,25% bbp gemiddeld in twee jaar.  
 Een significante overschrijding: Een overschrijding van de maximale uitgavengroei van meer dan 0,5% bbp per jaar of meer dan 0,25% bbp gemiddeld in twee jaar.



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Thanks for your  
attention