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# National Productivity Boards after Seven Years: An Assessment

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## National Productivity Boards after Seven Years: An Assessment

Luis García, Alexander Leodolter and Alessandro Turrini

### Abstract

National Productivity Boards (NPBs) aim to foster debate relating to productivity and competitiveness and enhance policy making in these areas. In 2016, the Council of the European Union called on all euro area Member States to set up an NPB with characteristics such as independence and capacity to carry out high-quality analyses. The non-euro area Member States were also encouraged to establish similar bodies. More than seven years after the adoption of the NPB recommendation, the network of NPBs is well established. Through the annual reports, NPBs discuss productivity trends, productivity drivers and policies as well as economic developments with an impact on productivity and competitiveness. In most cases, NPB characteristics are broadly in line with those of the recommendation. However, not all EU Member States have an NPB in place and there are considerable differences in NPBs' institutional design, capacity, and involvement in policy making. This paper updates the assessment made in the 2019 and 2021 European Commission progress reports on the implementation of the NPB recommendation. It also identifies gaps with respect to additional criteria for NPB effectiveness found in the existing literature, this being its main novelty. Findings suggest that NPBs would especially benefit from stronger provisions to guarantee independence and adequate resources and from practices boosting their participation in domestic policy making.

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**Keywords:** National Productivity Boards, productivity, competitiveness.

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## ABBREVIATIONS

GDP:	gross domestic product
IFI:	independent fiscal institution
NPB:	national productivity board
OECD:	Organisation for Economic Cooperation and Development

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# 1. INTRODUCTION

Policies to boost productivity growth and enhance competitiveness are becoming a priority for the EU again. Productivity growth has been in decline since the early 2000s and has suffered further since the 2008 financial crisis. The rise of geopolitical tensions in 2022 and 2023, the ensuing energy price shock, the economic and social challenges brought about by the green transition and the ongoing demographic change further strengthen the need for economies in the European Union to become more productive and competitive. Therefore, adequate reforms and investments need to take place in Member States to raise productivity with a view to supporting competitiveness, enhancing sustainable growth and promoting convergence.

National Productivity Boards (NPBs) can contribute to enhancing policy making at the national level to address productivity and competitiveness issues. NPBs can help inter alia by raising awareness on challenges, building consensus on productivity-enhancing policies, assessing alternative reform design and trade-offs, and evaluating policy effects ex-ante or ex-post.

In 2016, the Council of the European Union recommended the establishment of National Productivity Boards (NPBs) in euro area countries<sup>1</sup>. The remaining EU countries were also encouraged to set up similar bodies<sup>2</sup>. Since then, most Member States followed up with the creation of such boards. These exist in 18 Member States (Table 1), with their characteristics broadly in line with those prescribed in the Council recommendation, and most boards produce annual reports and contribute to the policy debate at national level<sup>3</sup>. However, there are considerable differences in NPBs' institutional design, capacity, as well as degree of involvement in domestic policy making, which is due in part, to the non-binding nature of the legal instrument used by the EU institutions to establish an NPB (i.e., a Council recommendation).

Table 1: **Existing productivity boards and creation dates**

<b>Country</b>	<b>Name of the productivity board</b>	<b>Date of creation</b>
<b>Denmark</b>	The chairmanship of the Danish Economic Councils	February 2017
<b>The Netherlands</b>	Netherlands Bureau for Economic Policy Analysis ( <i>Centraal Planbureau</i> , CPB)	April 2017
<b>Lithuania</b>	Ministry of Economy and Innovation of Lithuania	December 2017

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<sup>1</sup> This reflects the importance of having productivity growth for countries in the monetary union and linked to that, good policy advice. The reason is that productivity gains relative importance as an adjustment channel if a country is unable to react to shocks through other channels such as setting national monetary policies or using exchange rate changes.

<sup>2</sup> The initiative to set up NPBs originated from the *Completing Europe's Economic and Monetary Union* (the five presidents' report). Against this backdrop, in October 2015, the European Commission presented a recommendation for a Council recommendation on the establishment of national competitiveness boards (now known as NPBs). In September 2016, the Council adopted the NPB recommendation. Their results further suggest a greater sensitivity of FDI inflows to both labour costs and the quality.

<sup>3</sup> At the time of writing, the Spanish government presented a draft government decree to set up a productivity board in Spain. In addition, the Slovak national productivity board was undergoing a reorganisation.

<b>Ireland</b>	National Competitiveness and Productivity Council	March 2018
<b>Portugal</b>	Productivity Council	March 2018
<b>Slovenia</b>	Institute of Macroeconomic Analysis and Development	April 2018
<b>Cyprus</b>	Cyprus Economy and Competitiveness Council	June 2018
<b>France</b>	National Productivity Council	June 2018
<b>Luxembourg</b>	National Productivity Council	September 2018
<b>Finland</b>	Finish Productivity Board	October 2018
<b>Belgium</b>	National Productivity Council	November 2018
<b>Malta</b>	The National Productivity Board	February 2019
<b>Greece</b>	Centre of Planning and Economic Research	March 2019
<b>Germany</b>	German Council of Economic Experts	August 2019
<b>Latvia</b>	Latvia's National Productivity Board	November 2019
<b>Croatia</b>	Croatian Committee for Productivity and Competitiveness	May 2020
<b>Austria</b>	Austrian Productivity Board	December 2021
<b>Slovakia</b>	Council of the Government of the Slovak Republic on Competitiveness and Productivity	December 2021

Source: DG ECFIN (European Commission), Directorate-General (DG) for Economic and Financial Affairs, based on national sources.

This paper describes the main features of NPBs across the EU. It updates the Commission's analysis of compliance in relation to the NPB recommendation <sup>4</sup>. It also identifies gaps with respect to additional criteria for NPB effectiveness found in the existing literature, this being its main contribution.

The paper is structured as follows. Section 2 describes the rationale for the set up of NPBs across the euro area and the EU. Section 3 reviews the characteristics of effective NPBs. Section 4 identifies the

<sup>4</sup> In February 2019, the Commission published a [report](#) about the state of play of the setup of productivity boards. It noted good progress in several EU countries and welcomed their growing contribution to domestic policy debates. The report showed that there was scope for enhancing the functional autonomy of some boards and their access to information. It stressed that national productivity boards have the potential to inform the discussions on productivity and competitiveness-related policies. The report concluded, however, that it was too early to evaluate the effectiveness of productivity boards, as most of them had been appointed only recently. The Commission announced that it would assess the implementation of the Council recommendation on the establishment of the productivity boards again. On 23 July 2021, the Commission published a [follow-up of the progress report on the implementation of the NPB recommendation](#). It concluded that there was scope to further enhance the role of productivity boards, to strengthen their functional autonomy, including by providing adequate resources and stable funding and to enhance their visibility vis-à-vis policy makers and the media in general, although it took no stance in reviewing the NPB recommendation.



achievements and existing gaps with the NPB recommendation and other best practices. Section 5 concludes.

## 2. THE RATIONALE FOR THE ESTABLISHMENT OF NATIONAL PRODUCTIVITY BOARDS

In accordance with the NPB recommendation, the main aim of productivity boards is to “analyse developments and policies in the field of productivity and competitiveness, thereby contributing to foster ownership and implementation of the necessary reforms at the national level, and hence foster sustained economic growth and convergence”. Indeed, devising and implementing productivity-enhancing policies can be challenging and requires technical knowledge that is not always available within a single ministry. As pro-productivity policies cut across the competences and responsibilities of several ministries and policy making bodies, NPBs can help facilitate information flows and take into account synergies and complementarity across policy measures (Banks, 2015; Renda and Dougherty, 2017; Cavassini et al., 2022). Productivity-enhancing reforms are also often delayed or neglected because of misaligned political incentives. Benefits are often widespread and take time to unfold, while costs may be more visible and touch the interests of organised groups (Olson, 1965). NPBs can therefore help devise effective solutions and forge consensus towards these policies with a medium to long term orientation, breaking the typical status quo bias that is responsible for reform inaction.

In addition to the improvement of policy making at the national level, the establishment of a network of NPBs was seen as instrumental in enhancing policy coordination at euro area and EU levels and addressing macroeconomic imbalances. A regular policy exchange between EU institutions and NPBs can help strengthen EU surveillance. Also, a regular exchange among NPBs can provide a system for information exchange with a view to addressing macroeconomic imbalances requiring an adjustment in competitiveness conditions (Sapir and Wolff, 2015).

## 3. WHAT MAKES NPBS EFFECTIVE?

The recommendation sets out several characteristics that would help guarantee NPBs’ effectiveness. These characteristics aim to facilitate NPBs’ successful role in providing high-quality analysis while having an impact on the economic debate. To that purpose, NPBs are recommended to: (i) be endowed with functional autonomy from the government; (ii) elect board members based on experience and qualification criteria; (iii) have the capacity to communicate in public in a timely manner; (iv) have appropriate access to information to carry out high-quality economic and statistical analyses; and (v) involve stakeholders in an unbiased manner<sup>5</sup>. These characteristics, which are inspired by those of Independent Fiscal Institutions (see Box 1) and in general, of independent bodies, reinforce each other. High-quality analyses by highly reputable board members and staff help the independence of NPBs. Independence in turn is key for the credibility of NPB analysis among stakeholders. The possibility for NPBs to engage with stakeholders and communicate publicly in a timely manner raises their visibility in the public debate and reinforces independence.

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<sup>5</sup> The NPB recommendation calls on NPBs to be impartial regarding analysis and content and not to “convey only or mainly the opinions and the interests of a particular group of stakeholders”.

The literature on pro-productivity institutions refers to additional characteristics to those set out in the NPB recommendation that are associated with the effectiveness of NPBs (e.g. Banks, 2015; Renda and Dougherty, 2017; Cavassini et al., 2022). Such elements include: firstly, a strong legal basis guaranteeing de jure and de facto the independence of the institution; secondly, adequate budget and human resources, and thirdly, being plugged into policy-making processes that have a bearing on productivity performance. This involvement in policy could, among other things, include a commitment to discussing NPBs' findings, tasking NPBs with the analysis of specific relevant policy issues, and having NPBs evaluate the productivity impact of policies.

Table 2 summarises the main criteria for effectiveness. They are presented according to the methodological framework of Banks (2015): (i) institutional set up; (ii) responsibilities and functions; and (iii) public consultation and communication. The table combines criteria found in the NPB recommendation with others found in the literature.

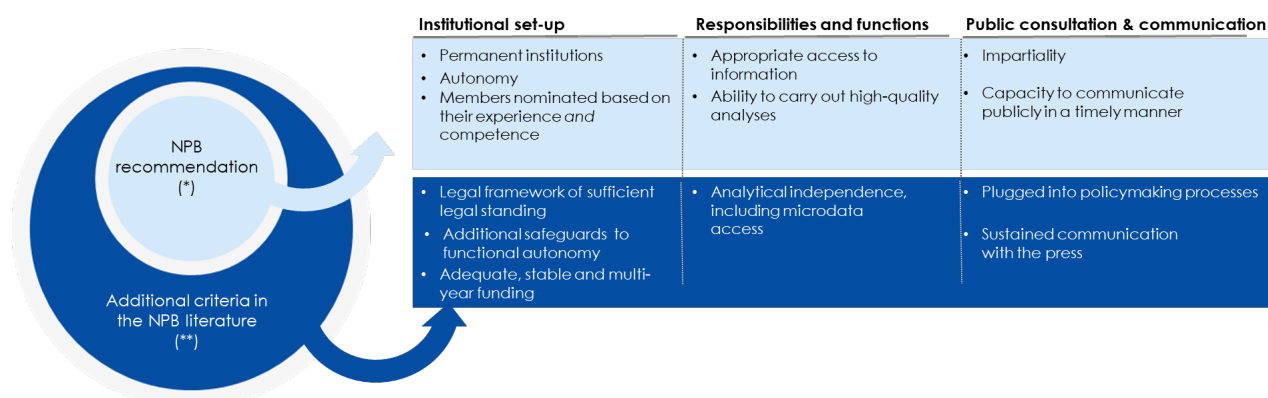


#### **BOX 1: NATIONAL PRODUCTIVITY BOARDS VERSUS INDEPENDENT FISCAL INSTITUTIONS**

Independent fiscal institutions (IFIs) contribute to fiscal policy making by fulfilling technical tasks (e.g. producing or endorsing macroeconomic forecasts, estimating the budgetary impact of policies, carrying out long-run sustainability analysis) and advising governments. The technical nature of IFIs and their independence help protect fiscal outcomes from political incentives that could be misaligned with the objective of sound fiscal policy making (so-called “deficit bias”). The amended Directive 2011/85/EU, part of the new economic governance framework, requires Member States to establish IFIs conforming to several characteristics of a similar nature to those found in the NPB recommendation and in the literature on NPB effectiveness, with some differences, however. Firstly, IFIs should have adequate resources to fulfil their mandate; in the case of NPBs, that is only implied in the NPB recommendation. Secondly, IFIs should be established by national laws, regulations or binding administrative provisions; the NPB recommendation, in contrast, does not specify the nature of the legal framework. Thirdly, the IFI legal framework includes criteria to ensure the independence of IFI members that are more detailed than those of the NPBs framework, such as the requirement that the term of office of the NPB chair is decoupled from national elections. Moreover, unlike NPBs, IFIs are plugged into policy making through several attributions during the budget procedure (such as producing or endorsing the macroeconomic forecasts underlying the government’s medium-term planning). Fourthly, the IFI legal framework requires that governments either follow the IFI recommendations or if they decide not to do so, provide the reasoning in public (i.e., the comply or explain principle), whereas this practice is absent from the NPB framework.

Well-designed public bodies tasked to promote pro-productivity policies can provide benefits to the policy making process and lead to tangible results. Success stories occur more frequently when governments rely on evidence to design their regulatory reform proposals and more generally, on the extent to which good governance and better regulation principles are embedded in the legal system. Moreover, effective pro-productivity institutions tend to be characterised by independence, being endowed with adequate resources and being given a clear mandate. These factors are instrumental to the acquisition of a strong reputation and influence in policymaking. For example, Australia’s Productivity Commission played a relevant role in steering the pro-competition reform process that characterised the country in past decades. The Danish productivity commission, active between 2012 and 2014, was an example of a domestic body that influenced the implementation of wide-ranging pro-productivity policies (Box 2). More generally, over time the perceived relevance and usefulness of pro-productivity institutions have been growing across advanced and emerging countries (Renda and Dougherty, 2017).

Table 2. **Elements contributing to NPB effectiveness**



Source: (\*) Council of the European Union (2016); (\*\*) Banks (2015); Renda and Dougherty (2017); Cavassini et al., (2022).



**BOX 2: PRO-PRODUCTIVITY INSTITUTIONS CAN MAKE A CHANGE: AUSTRALIA'S PRODUCTIVITY COMMISSION AND THE 2012-2014 DANISH PRODUCTIVITY COMMISSION**

*Australia's Productivity Commission*

Australia's Productivity Commission was created as an independent authority in 1998 replacing several predecessor agencies, most importantly the so-called industry commission. In 2022, there were 12 members of the commission, including the chair. The commission autonomously allocates its budget and has its own permanent employees (164 during 2021-2022) The government decides the commission's work programme to a large extent but does not influence its recommendations<sup>6</sup>.

The productivity commission produces inquiries and research studies at the request of the government or by its own initiative, provides performance monitoring and benchmarking services to the government, annually reports on developments in productivity, regulation and state aid issues, and investigates complaints about unfair competition from the side of government businesses.

In order to ensure transparency, tasks are defined in published terms of reference. Public input and feedback before the issuance of recommendations to the government are warranted by way of consultative forums such as public hearings and the release of draft reports. Its statutory guidelines require the commission to take a broad view, taking into account the benefits of the whole community including environmental, regional, and social dimensions.

In terms of results, the microeconomic policy reforms that followed proposals of the productivity commission (and its predecessors), such as the decrease of import tariffs, the reform of anti-competitive business regulations or the introduction of the possibility for productivity-based wage increases to be negotiated on at the enterprise level are considered to have been a substantial factor enabling Australia's catching-up process with the top performing OECD countries in the 1990s. Estimates indicate that these reforms may have contributed between 0.5 and 0.9 percentage points to

<sup>6</sup> See the webpage of the Australian Government Productivity Commission (<https://www.pc.gov.au/about/operate>), as well as Banks (2015).

aggregate productivity growth in that period <sup>7</sup>.

Reasons for the success of Australia's productivity commission may be: (i) a culture open to evidence-based policymaking; (ii) the independence of the commission which helped support its credibility; (iii) strong political commitment by successive governments, which includes adequate funding; (iv) good access to government data, despite not being located within the government, and (v) the productivity commission's broad notion of productivity, focusing on citizens' long-term wellbeing, which may help promote support for productivity-related matters.

#### *The 2012-2014 Danish productivity commission*

In 2012, the Danish government set up a temporary productivity commission (*produktivitetskommissionen*). It consisted of an independent committee of nine representatives of business and academia with a broad mandate to analyse the causes of the productivity slowdown in Denmark and to make recommendations to reform the national economy. It had its own independent secretariat of 14 people, met regularly for two years and was dissolved in 2014, after having published its recommendations.

The 123 recommendations of the productivity commission covered a wide range of areas, such as competition, internationalisation, better regulation, transport, digital and energy infrastructure, research and innovation, public expenditure and taxation, public sector governance and public-private cooperation. The findings and recommendations of the productivity commission were influential and were widely discussed in Denmark as well as in other Scandinavian countries facing similar issues.

Since the release of the productivity commission's recommendations in 2015, Denmark's hourly productivity growth has compared favourably with that of the EU-27. Moreover, Denmark is also performing well in many indicators that measure the drivers of productivity. For instance, the level of R&D expenditures and the share of R&D personnel in the total of employed people are comparatively high. Denmark was among the top innovators of the 2023 European innovation scoreboard. Also, investments in intangibles and patent applications is well above the EU average. Furthermore, Denmark also enjoys high readings on indicators measuring human capital, absorptive capacity and technology diffusion. The share of tertiary education and the number of PhDs in the science, technology, engineering, and mathematics fields are high. Lastly, according to the Commission's digital economy and society index, Denmark is a digital front -runner, owing to very good performance in the connectivity and integration of digital technology dimensions.

Sources: Banks, 2015; Renda and Dougherty, 2017; Cavassini et al. 2022; Webpage of the Australian Productivity Commission (<https://www.pc.gov.au>); Webpage of the Danish Productivity Commission (<https://produktivitetskommissionen.dk>); Produktivitetskommissionen (2014), "Slutrapport: Det handler om velstand og velfærd" ([https://produktivitetskommissionen.dk/media/18703/det-handler-om-velstand-og-velfaerd\\_slutrapport.pdf](https://produktivitetskommissionen.dk/media/18703/det-handler-om-velstand-og-velfaerd_slutrapport.pdf)).

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<sup>7</sup> Cf. Salgado (2000).

# 4. NPBS AFTER SEVEN YEARS: AN ASSESSMENT OF ACHIEVEMENTS AND GAPS

## 4.1 ACHIEVEMENTS

NPBs have been set up in most euro area countries. To date, 18 EU Member States have established an NPB, including 17 euro area Member States (Belgium, Germany, Ireland, Greece, France, Croatia, Cyprus, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland) and Denmark (Chart 1). The majority of NPBs were set up in the two years following the adoption of the NPB recommendation, despite the existence of only a “soft” legal instrument underpinning the EU NPB initiative, i.e., a Council recommendation (Chart 2).

Chart 1: EU Member States with and without an NPB

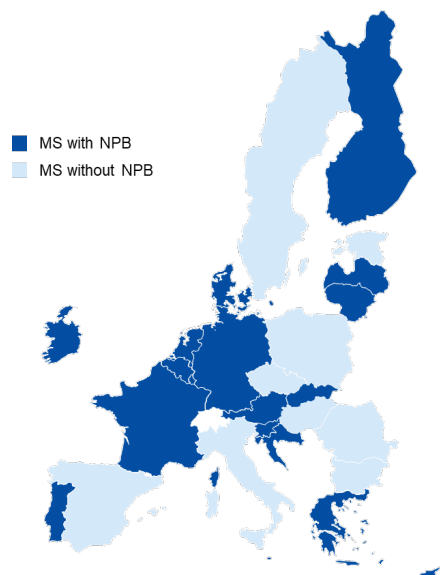
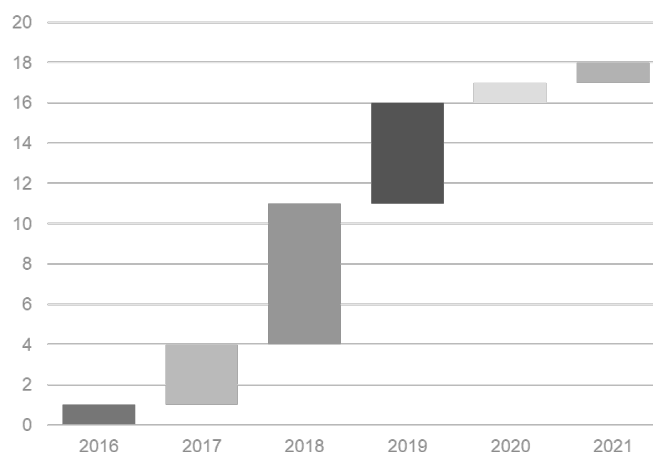


Chart 2: Number of NPBs per year of establishment



Source: DG ECFIN (European Commission), based on national sources.

NB: No new NPBs were established in 2022-2023.

Most productivity boards broadly comply with the spirit of the NPB recommendation. In most cases, the NPB’s functional autonomy is provided for in the legislation of the respective Member State. Also, in most cases, the domestic legislation sets out eligibility criteria for the NPB members/management in terms of professional qualifications or experience, along with safeguards for access to information.

The NPBs’ set-ups follow a variety of institutional designs and organisational models, which are compatible with the recommendation. Chart 3 summarises the various set-ups according to the following criteria:

- *Organisational structure:* The majority of NPBs consist of a board and a secretariat. The board gives the strategic direction to the secretariat. The secretariat, in turn, convenes meetings, sets agendas and

usually draws up the annual NPB report based on the board's guidance. In most cases, a ministerial department provides secretariat services. Alternatively, the role of an NPB is entrusted to an independent body (such as in the Netherlands and Slovenia) or a ministerial department (such as in Portugal), either of which is led by a director or chairperson working full time and equipped with its own staff.

- *Whether or not NPBs are embedded in an existing institution.* Most NPBs are embedded in an existing institution (i.e., the NPB is a section of the host institution, such as a ministerial department, a government advisory body, an academic/research institution, or an independent fiscal institution). Those that are not embedded count on the support of an existing body, such as a ministerial department or an autonomous institution. The advantages of an NPB being embedded in an existing entity are the facilitation of access to resources (offices, ICT equipment, etc.) and a smooth start-up.
- *Composition of the board: multistakeholder NPBs versus NPBs with a mainly technical profile.* Just below half of NPBs belong to the multistakeholder category, meaning that their decision-making bodies include relevant stakeholders. Among stakeholders, the three most represented institutions are academia, government, and employers' associations. The other NPBs have opted for a mainly technical profile, with a decision-making body consisting of economists. A priori, to meet their transparency and openness objectives, multistakeholder NPBs are less reliant on public consultation processes than are technical profile NPBs, as in the former the stakeholders are already represented on the board (Renda and Dougherty, 2017).

All but one NPB publish annual reports, thus contributing to evidence-based policy making. The average number of annual reports published by the NPBs since their date of establishment ranges from 0.3 to 1 (Belgium, Denmark, Germany, Greece and Ireland), with the overall average standing at 0.8<sup>8</sup>.

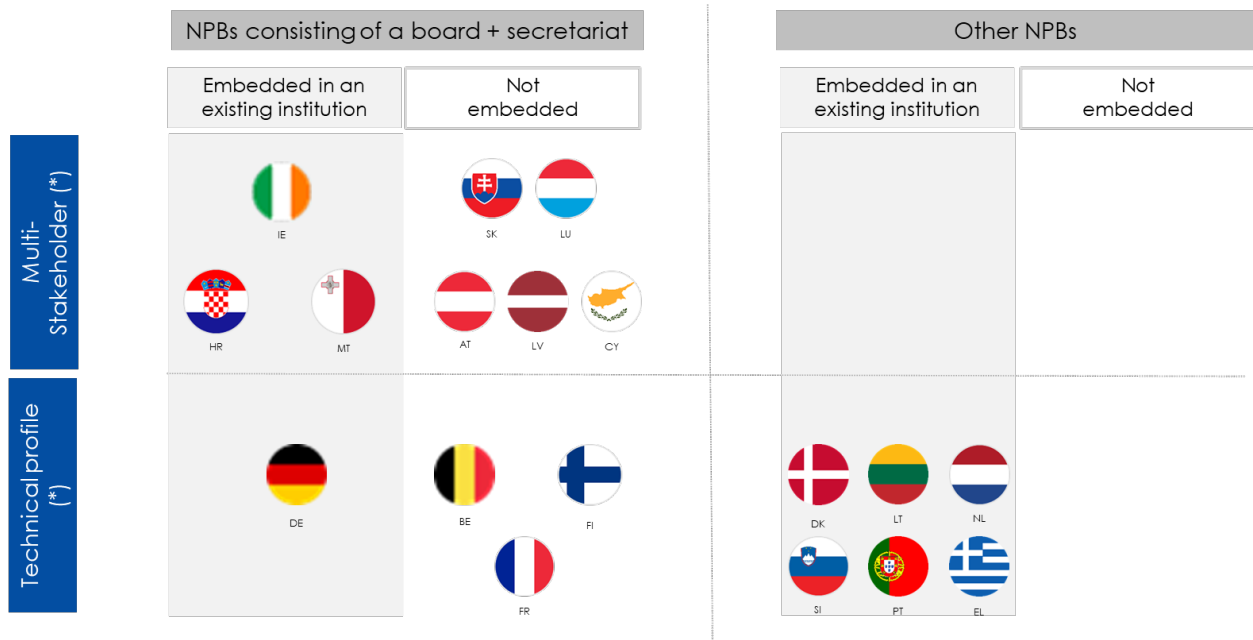
Through the annual reports, NPBs inform the discussion on policies to boost productivity and competitiveness. Examples are the analyses of the macroeconomic effects of recovery and resilience plans, the specification of criteria for the design of support measures in the context of the COVID-19 pandemic, the assessment of the productivity effects of the 2022 energy price hikes, and the evaluation of the implications of the green transition on productivity and competitiveness. Moreover, a majority of NPBs produce other publications in addition to the annual report<sup>9</sup> (Chart 4).

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<sup>8</sup> This is the ratio of published annual reports to number of years operational. The cut-off date is 31 March 2024.

<sup>9</sup> Examples include Centre of Planning and Economic Research's (Greece's NPB) productivity reviews, Latvia's NPB economic barometer series, the Institute of Macroeconomic Analysis and Development's (Slovenia's NPB) development reports and the National Competitiveness and Productivity Council's (Ireland's NBO) competitiveness scorecard series.

Chart 3: **Types of national productivity boards**

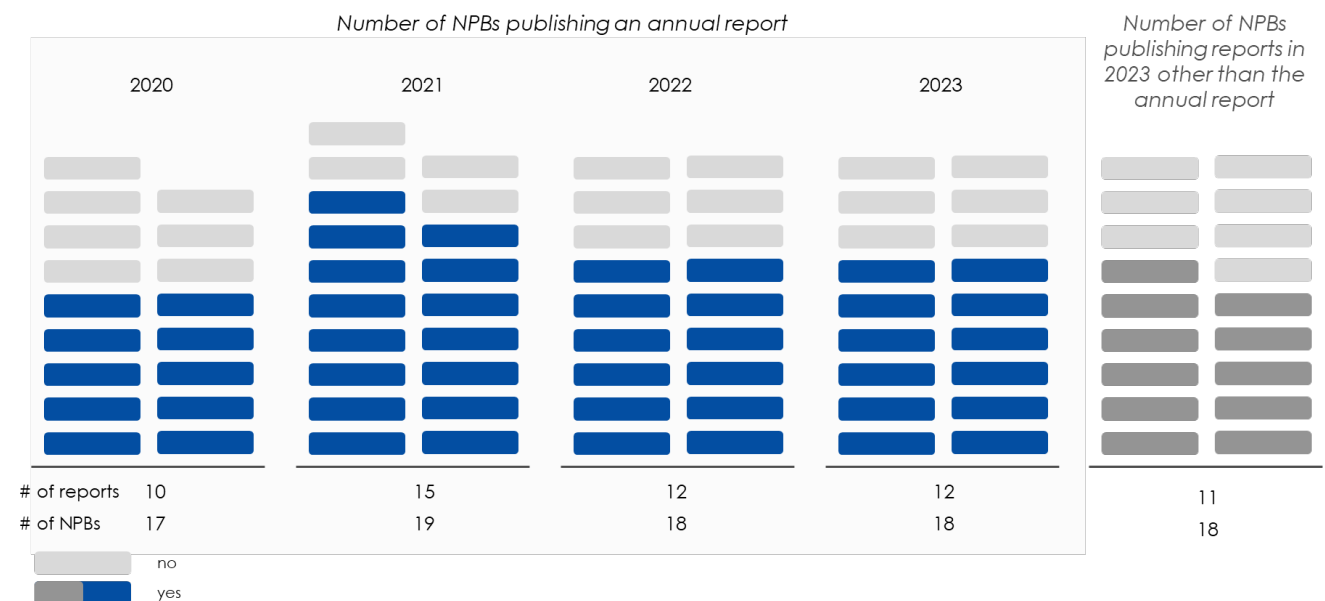


(\*) Multi-stakeholder: decision making bodies that include relevant stakeholders; technical profile: decision making bodies consist of economists.

(\*\*) The country acronyms follow Eurostat's two letter country codes: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Country\\_codes](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Country_codes).

Source: European Commission, DG Economic and Financial Affairs, based on national sources.

Chart 4: **Publication practices of national productivity boards**



Source: European Commission, DG Economic and Financial Affairs, based on national sources.

The annual productivity reports use a variety of analytical approaches (e.g., use of firm-level data, own econometric estimations, own model-based results). Most reports published in 2023 use firm level data to reply to various policy questions (Table 3).

Table 3: **Examples of the use of firm-level data in the 2023 annual productivity reports**

<b>NPB (country)</b>	<b>Source</b>	<b>Policy question</b>
<b>Denmark</b>	The Energi Danmark Group, Statistics Denmark	<ul style="list-style-type: none"> <li>• Impact of energy prices on productivity growth in the manufacturing sector.</li> <li>• Impact of automation on productivity and employment in Danish manufacturing.</li> </ul>
<b>France</b>	Indirectly (Bricongne, 2023 and Chanut, 2022)	<ul style="list-style-type: none"> <li>• Relocation in tax havens and labour productivity.</li> <li>• Impact of the carbon tax on agri-food emissions.</li> </ul>
<b>Finland</b>	OECD MultiProd	<ul style="list-style-type: none"> <li>• Productivity gap between companies at the 90<sup>th</sup> and 20<sup>th</sup> productivity percentile.</li> </ul>
<b>Germany</b>	Janis	<ul style="list-style-type: none"> <li>• Impact of depreciation on investment.</li> </ul>
<b>Ireland</b>	Central Statistics Office (Ireland)	<ul style="list-style-type: none"> <li>• Productivity gap between foreign-owned and domestically owned companies.</li> </ul>
<b>Luxembourg</b>	Eurostat's community innovation survey and structural business statistics	<ul style="list-style-type: none"> <li>• Management practices and labour productivity.</li> </ul>
<b>The Netherlands</b>	Statistics Netherlands	<ul style="list-style-type: none"> <li>• Characteristics of exporting firms in the Netherlands.</li> <li>• Relationship between firms' digital maturity and corporate resilience in 2020 in the Netherlands.</li> <li>• Impact of the 2020 COVID-19 support package on firm exit rates in the Netherlands.</li> </ul>
<b>Slovenia</b>	Statistical Register of Employment and the Slovenian Business Register	<ul style="list-style-type: none"> <li>• Impact of tertiary educated workers on firm productivity.</li> </ul>

Source: European Commission, DG Economic and Financial Affairs, based on the NPBs' replies to the progress reports' questionnaires.

The Commission has facilitated the exchange of views between the NPBs. This was done through bi-annual workshops where NPBs presented their analyses and heard recent productivity-related work of international organisations or academia. The network also holds an annual meeting with the EU's Economic Policy Committee. Furthermore, selected NPBs have benefited from the EU's Technical Support Instrument. The instrument's recent projects aim to strengthen the NPBs' institutional capacity<sup>10</sup> and facilitate access to firm-level data<sup>11</sup>.

<sup>10</sup> An example is the OECD's 2022 report on [Enhancing the Slovak National Productivity Board's set-up and analytical capacity](#). It provides an overview of practical strategies to enhance the capacity of the Slovak NPB to analyse productivity trends and contribute to the development of pro-productivity policies. It draws on international practices and the experience of other NPBs and pro-productivity institutions. It provides lessons tailored to the Slovak NPB that can also provide guidance and insights to other institutions working on productivity analysis in other EU Member States or OECD countries.

<sup>11</sup> For instance, the microdata platform for productivity project started in October 2022 for a period of 24 months. It aims to provide beneficiaries with i) harmonised micro-aggregated and cross-country comparable data to conduct policy analysis and produce policy



The following two sections identify the existing gaps with the NPB recommendation and other best practices according to the methodological framework of Banks (2015): (i) institutional set up; (ii) responsibilities and functions; (iii) public consultation and communication.

## 4.2 GAPS WITH RESPECT TO THE NPB RECOMMENDATION

### 4.2.1 Institutional setup

Despite progress made, three countries in the euro area (Estonia, Spain and Italy) and six non euro area countries (Bulgaria, Czechia, Hungary, Poland, Romania and Sweden) do not have an NPB<sup>12</sup>. While the network of NPBs grew steadily from 2016 to 2019, the total number of NPBs has stabilised at 18, with no new NPBs established in 2022 or 2023.

Moreover, since 2016, there have been reversals in the process of setting up NPBs. In the spring of 2020, the Romanian NPB was wound down following a reorganisation of the National Commission for Strategy and Prognosis. In December 2021, the Slovak government set up a new productivity board. While it has a more focused mandate relative to the previous one, it is less independent from the government as it is chaired by Slovakia's Minister of Economy, with the ministry providing support services to the NPB<sup>13</sup>. Lastly, in 2022, the Hungarian government wound down its NPB.

NPBs have not always sufficiently been guaranteed functional autonomy. The provisions governing six NPBs do not explicitly state their functional autonomy. The leadership and the staff of two of these are embedded in national ministries, so by design, they are not independent of the government. Moreover, in two others, people linked directly with the executive power (i.e., ministers and or vice ministers) sit on the management board, thus casting doubts on the independence of their judgment.

Furthermore, there are 10 NPBs that do not define eligibility criteria in their own legislation for board members based on experience *and* professional qualifications, as set out in the NPB recommendation (Chart 5).

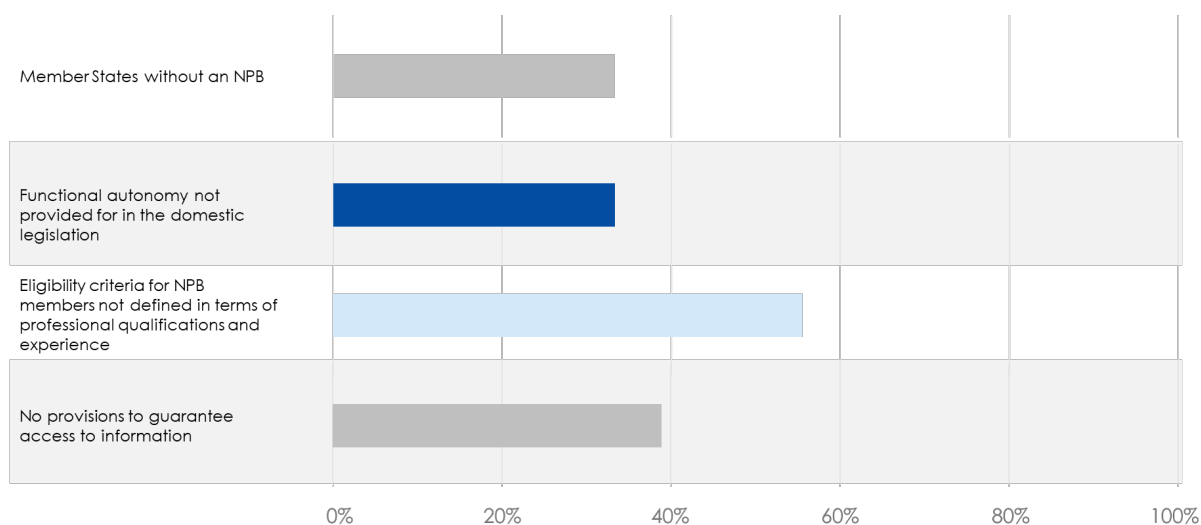
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recommendations; ii) training to help beneficiaries exploit the micro-based data infrastructure, and iii) a network to share best practices and common goals. The Halle Institute for Economic Research is the project provider.

<sup>12</sup> At the time of writing, the Spanish government presented a draft government decree to set up a productivity board in Spain.

<sup>13</sup> At the time of writing, the Slovak national productivity board was undergoing a reorganisation.

Chart 5: **Gaps with respect to the NPB recommendation (% of NPBs)**



Source: DG ECFIN based on the NPB replies to the progress reports' questionnaires.

#### 4.2.2 Responsibilities and functions, public consultation and communication

The mandate of NPBs primarily consists of drawing up and publishing an annual report, and in eight NPBs it consists solely of this. The NPB recommendation also sets out among NPBs' tasks: (i) an "independent analysis of policy challenges in the field of productivity and competitiveness" and (ii) "to the extent foreseen in their national mandate, an assessment of the effects of policy options", which suggests that NPBs could do (*ex ante* and *ex post*) policy evaluation, at least from the point of view of productivity and competitiveness. However, the mandate of a minority of NPBs includes the evaluation of policies (Denmark, Latvia and Portugal), the drawing up of reports upon the government's request (Denmark, Germany, Greece, Ireland and the Netherlands) and giving opinions / making policy proposals (Croatia, Austria and Slovenia).

Moreover, seven NPBs have no guaranteed access to information needed to perform their duties. While NPBs claim that they can communicate in public in a timely manner, this feature is legally guaranteed only in a handful of cases (Chart 5).

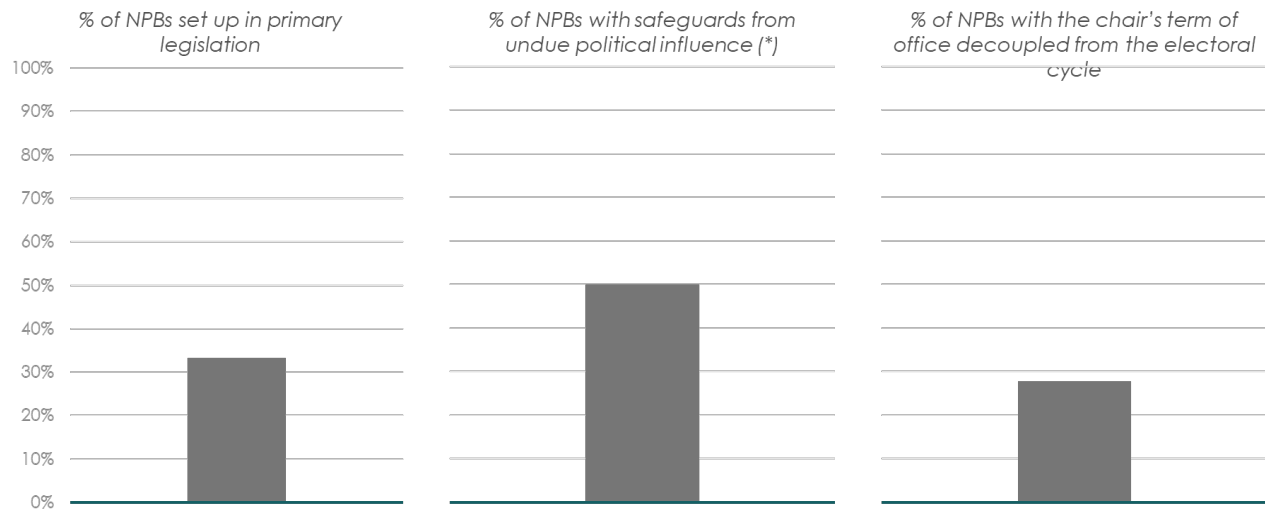
### 4.3 GAPS WITH RESPECT TO OTHER CHARACTERISTICS ASSOCIATED WITH NPB EFFECTIVENESS

#### 4.3.1 Institutional set up

Only six NPBs have been incorporated into legislation votes in parliament. Legislation voted in parliament has a higher standing than other legislative acts such as government decrees and / or administrative acts. Moreover, acts of a legislative nature are usually subject to public consultation and an *ex ante* evaluation of impacts, which contribute to their quality. Fundamentally, laws voted in parliament are more difficult to amend than other acts, thus providing a stronger guarantee of continuity for NPBs and a higher chance of maintaining relevance despite changing priorities and orientations of alternating governments.

There is scope for strengthening the functional autonomy in the NPBs' legislation. The legislation of 15 NPBs does not set out incompatibility criteria for board members<sup>14</sup>. In addition, the legislation of less than half of NPBs includes additional safeguards for independence that take the form of a requirement for board members not to follow instructions from the government and /or the duty of board members to perform their obligations in an objective, neutral and fully independent manner. Moreover, the term of office for the NPB leadership should be sufficiently long to foster independence of opinions and to be disconnected from the term of parliament. Provisions in this respect, however, apply only to five NPBs. The legislation of seven NPBs does not define the term of the NPB chair, while for the remaining seven NPBs the term is set at or below four years (Chart 6).

**Chart 6: Gaps with respect to best practice to safeguard functional autonomy**



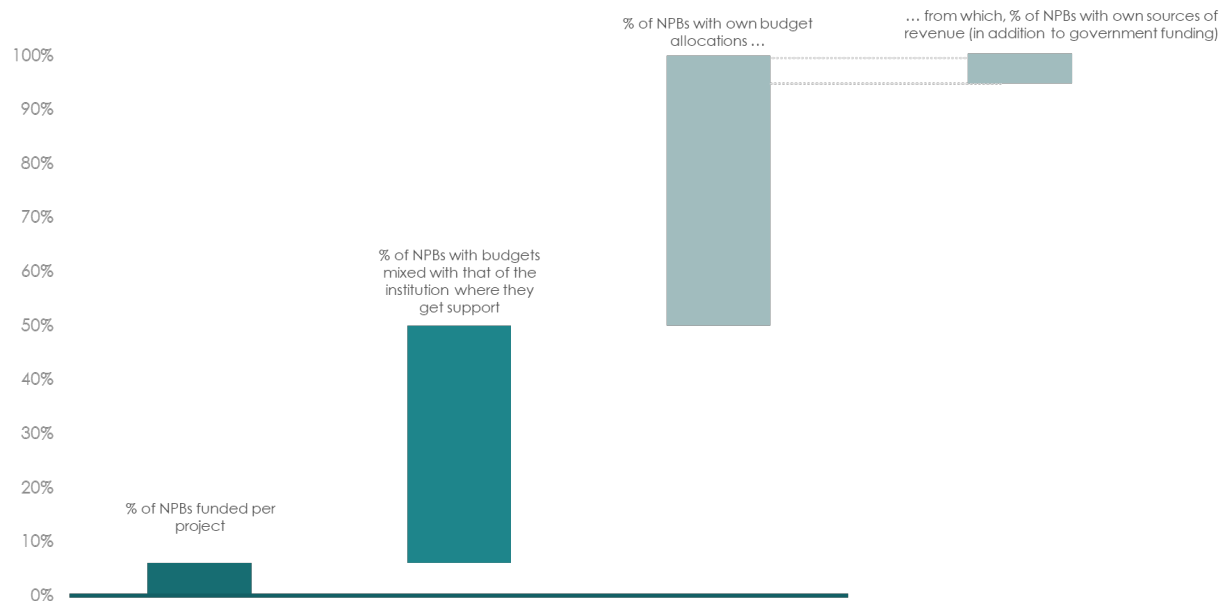
(\*) For example, the requirement of board members not to follow instructions from the government or the duty of board members to perform their obligations in an objective, neutral and fully independent manner.

Source: DG ECFIN based on the NPB replies to the progress reports' questionnaires.

Furthermore, adequate and stable own resources for NPBs to conduct their mandate in an effective manner are not always guaranteed by statute. The NPB recommendation calls on NPBs to do economic and statistical analyses with a high degree of quality, including those recognised by the academic community. However, it is silent about the need to ensure sufficient resources for the NPBs. Against this backdrop, just under half of NPBs are endowed with their own funding. In most other cases, NPBs rely on the funding of the institutions in which they are embedded or get assistance, and, in one case, the NPB is funded per project. This raises the question of whether budget allocations are sufficiently stable and predictable for NPBs to carry out their tasks (Chart 7).

<sup>14</sup> For example, to preserve the autonomy of the NPB from undue political influence, Article 7 of the Belgian law on the creation of the National Productivity Council, of 25 November 2018, prohibits political appointees and civil servants from federal / regional ministries/ union or business representatives' workers from becoming a member of the productivity board. Similarly, Article 1(3) of the German law on the appointment of a council of experts on economic development, of 14 August 1963 (as amended), sets out that "members of the Council of Experts shall not be members of the government or of any legislative body of the Federal Government or of a Lander, or of the public service of the Federal Government, of a Land or of any other legal person governed by public law".

Chart 7: **Funding of NPBs**



Notes: The budget of eight NPBs (Ireland, France, Croatia, Cyprus, Lithuania, Luxembourg, Portugal and Slovakia) is mixed with that of the institution from which they get support (e.g., a national ministry, a government consultative body), which runs contrary to the principle of financial autonomy. Another nine NPBs have their own budget allocations which in 2024, amounted to EUR 250,000 in Austria, EUR 10,000 in Belgium, EUR 4.1 million in Denmark, EUR 2.7 million in Greece, EUR 2.6 million in Germany, EUR 60,000 in Finland, EUR 100,000 in Malta and EUR 2.5 million in Slovenia; (note that the Danish, German, Greek and Slovenian NPBs are embedded in an existing institution, which has attributions in addition to the NPB tasks). The Dutch CPB has its own sources of revenue, other than government funding, such as fees from studies commissioned by private or public bodies. This helps it increase its financial autonomy. Lastly, the Latvian NPB receives funding per project, with no *ex ante* amount.

Source: DG Economic and Financial Affairs, based on the NPBs' replies to the progress reports' questionnaires and the legal text setting out the NPBs.

#### 4.3.2 Responsibilities and functions, public consultation and communication

The research output of a minority of NPBs is subject to internal peer review processes, such as CPB Netherlands, which, in addition, is the only NPB undergoing periodic external reviews.

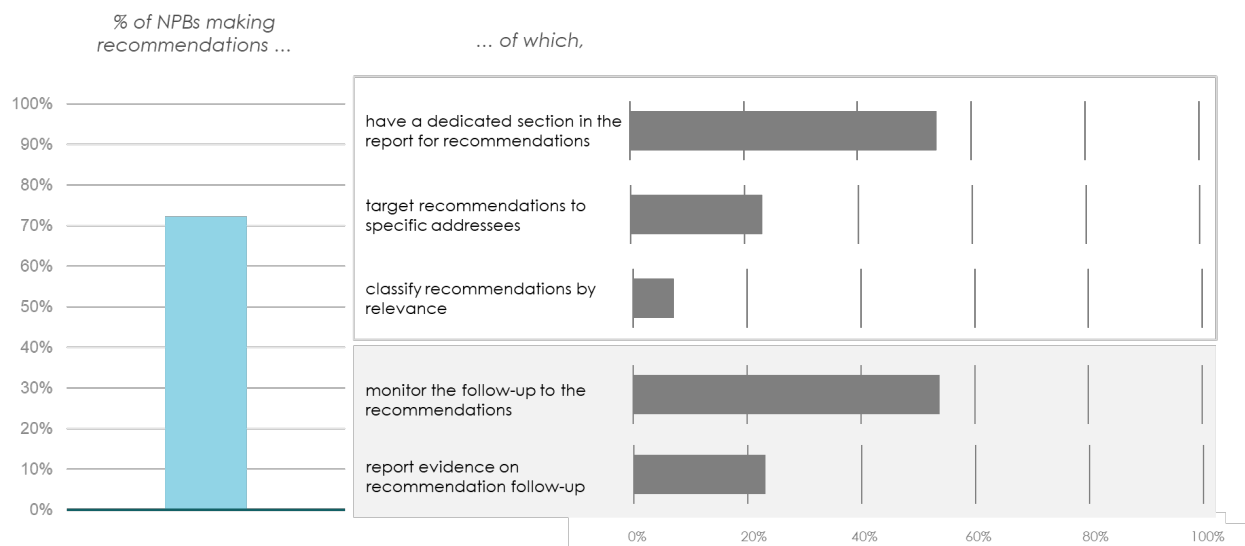
There is scope to increase the policy relevance of NPBs' output. In a few cases the NPB reports are the object of a follow-up by the government. For example, the German NPB submits its report to the federal government, which sends it to parliament and within eight weeks after submission, the federal government comments on the annual report to the legislative bodies<sup>15</sup>. Belgium's Central Economic Council and Luxembourg's Economic and Social Council issue an opinion on their respective NPBs' annual reports<sup>16</sup>. These practices increase the impact the NPB reports may have on each government's policy making.

<sup>15</sup> See Article 6(1) of the German law on the appointment of a Council of Experts on economic development of 14 August 1963 (as amended).

<sup>16</sup> See Article 4(2) of the Belgian law on the creation of the National Productivity Council, of 25 November 2018 and Article 4 of the Grand Ducal decree of 23 September 2018.

Moreover, the visibility of the recommendations of NPBs could be increased. Most annual reports include recommendations for the government. The reports differ, however, in the way they do this. Around 55% of the reports with recommendations display them in a dedicated section. The remaining share includes them, in passing, in the various sections of the report or as part of the conclusions of the analyses, thus giving less prominence to the recommendations. The recommendations are generically addressed to the government except in a few cases, where they are addressed to specific government departments (as in Ireland), to the various tiers of government (i.e. federal, regional local) and / or the legislative power (as in Austria) or even to the private sector in addition to the government (as in Slovenia). In one case (Malta), the recommendations are classified into high / medium / low categories according to their implementation priority. However, only a minority of NPBs follow up on their implementation and an even smaller share reports the results of the monitoring exercise (Chart 8). Moreover, only in very few cases are the recommendations followed up on by the government <sup>17</sup>.

**Chart 8: Ways of making and following up on recommendations**

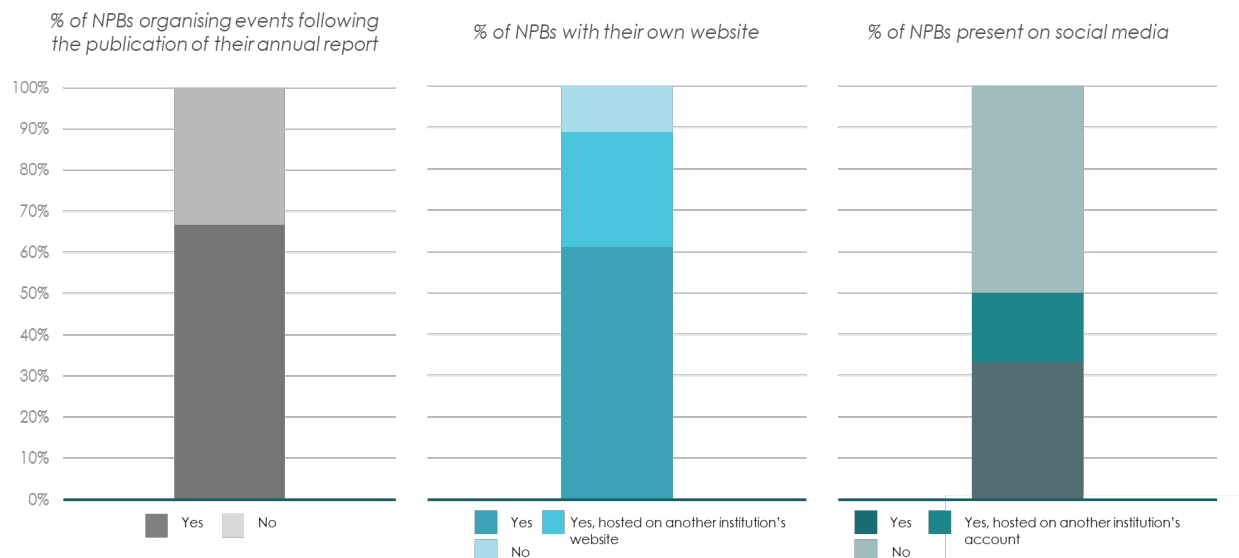


Source: European Commission, DG Economic and Financial Affairs, based on the NPBs' replies to the progress reports' questionnaires.

There is also room to increase the media visibility of NPBs' output. The media and written press are the main vectors for pro-productivity institutions to reach the wider public (Cavassini et al, 2022). However, not all NPBs organise events following the publication of their annual productivity reports. Neither do all NPBs have their own website or social media accounts (Chart 9), thus limiting the outreach of the NPBs' research.

<sup>17</sup> For example, the Irish board's annual report makes recommendations to specific government departments. Since November 2020 the Irish government has provided a formal response to the recommended measures proposed by Ireland's National Competitiveness and Productivity Council four times.

**Chart 9: Communication practices of NPBs**



Source: DG ECFIN based on the NPB replies to the progress reports' questionnaires.

#### 4.4 NPBS' PERCEPTIONS OF FACTORS HINDERING THEIR EFFECTIVENESS

NPBs consider that insufficient resources and not having attributions in domestic policymaking reduce their effectiveness. In a survey launched by DG Economic and Financial Affairs in May 2023, NPBs were invited to report on which features of their institutional setup hindered their capacity to influence policy making. Chart 10 shows the results. Of the four main "requirements" of the NPB recommendation (i.e., safeguards for functional autonomy, capacity to communicate in public, access to information and stakeholder involvement), only one (access to information) appears to be problematic for the surveyed NPBs. Conversely, the two most frequent obstacles flagged by NPBs were insufficient degree of involvement in policymaking and, above all, the adequacy of resources. A possible interpretation of this evidence is that the provisions regarding NPBs' effective involvement in policy making and adequate resources are missing from the NPB recommendation and are, therefore, insufficiently reflected in current NPBs' statutes.

Chart 10. **Do you consider the following to be a problem for your NPB to be influential in policy making?**



Source: survey to NPBs carried out in May 2023. Based on the replies of 12 NPBs.

## 5. CONCLUSION

This paper takes stock of the implementation of the NPB recommendation that was adopted in 2016. It also discusses additional criteria that could support the effectiveness of the NPBs, and that go beyond the NPB recommendation.

Despite progress, gaps still exist in the implementation of the recommendation. The network of EU NPBs is still incomplete and has become smaller. Moreover, there is scope for greater alignment of the legislation of several NPBs with the NPB recommendation with a view to boosting their functional autonomy from the government, setting out eligibility criteria of board members based on experience *and* qualifications and ensuring NPBs' access to information to perform their duties.

The assessment also suggests that the effectiveness of NPBs could benefit from legal provisions guaranteeing the sufficiency of human and financial resources and to facilitate the involvement of NPBs in domestic policy making. Both elements are only implied in the NPB recommendation, although they feature prominently in the literature on pro-productivity institutions' effectiveness.

There are considerable differences in the capacity and policy role of NPBs across EU Member States. Progress along the above-mentioned directions (i.e. completion of the NPB network, strengthening NPB functional autonomy, resources and participation in domestic policy processes) is also desirable to better leverage the role of NPBs in a context where productivity and competitiveness are increasingly prioritised in the policy making agenda in the EU.

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