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CPB Netherlands | Bureau for Economic Policy Analysis

Cost-benefit analysis, environmental policy & fiscal federalism in the Netherlands

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www.cpb.nl/en | [@PBnl_uk](https://twitter.com/PBnl_uk)

Outline

1. Netherlands versus Sweden: similar but also quite different
2. CPB & PBL: official expert institutes for economics & environment
3. Cost-benefit analysis in NL
4. Fiscal federalism in NL

1. NL & Sweden: similar but also quite different

Similar

- GDP per capita
- Size of social welfare state



Different

- Population: NL 16.1m; SWE 10.1m
- Size of country: SWE = 80 x NL
- Population density: NL = 40 x SWE (NL 814/km²; SWE 20/km²)
- Fiscal decentralization:
 - share of local taxes in total local revenue: NL very low (10%), SWE very high share (50%)
 - reflects economic logic: NL small distances, highly urbanized, relatively homogeneous regions



2. CPB & PBL:

reflects Dutch tradition of long-term planning and important role of experts

CPB

- Since 1946, first director Jan Tinbergen
- Economic policy analysis, macro-economic forecasting, monitoring world trade, public finance, cost-benefit analysis
- Impact on poverty and purchasing power, including the regressive effects of climate policy
- 100 'economists'

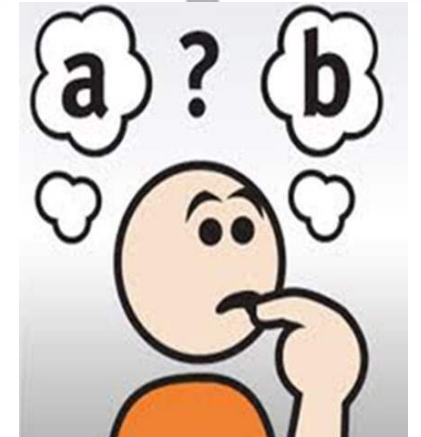


PBL

- Since 2008, merger of Spatial Planning Bureau (2002) and Environmental Planning Bureau (1998)
- Environmental policy analysis, monitoring biodiversity and forecasting climate change and its impact, NL and the world
- Spatial policy and biodiversity
- Regional spatial policy
- 300-400 researchers

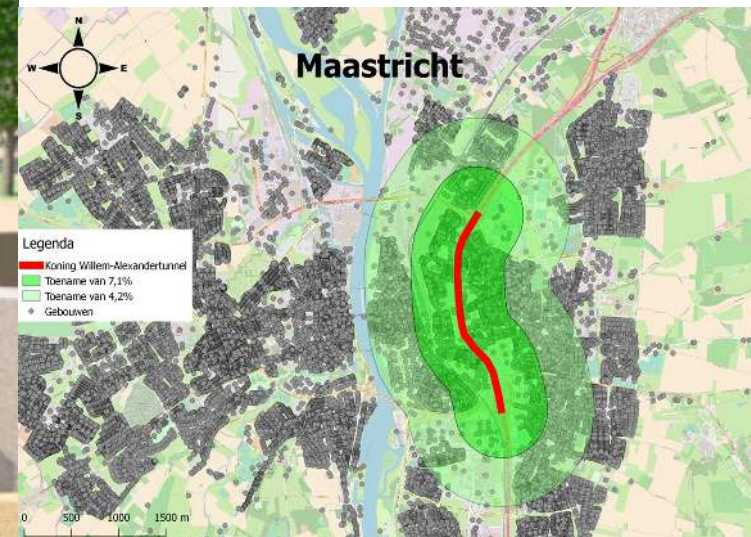
3. CBA in the Netherlands

- 1904-1958: CBA of very big flood risk projects



- 1959-1999: CBA on transport-infrastructure, flood risk and more
- 2000- present: standardization of CBA, in particular for infrastructure
 - 2000: CBA guidelines for transport, discount rates, key-figures, supervisory role for CPB, official long-term scenario's for economic development and spatial development by CPB and PBL
 - 2000: Obligatory CBA for major infrastructure projects, linked to long-term planning by central government
 - 2013: General CBA guidelines, supplementary guidance and research, PBL also supervisor
 - 2022: Supplementary guideline on CBA and well-being





Transport-infrastructure investment example: tunnel and green area in Maastricht.

CBA and regional policy versus national policy in the Netherlands

| Policy area | CBA? | Remarks |
|--|------|---|
| Transport | + | CBA overlooks the economic and social consequences of lack of public transport |
| Deltaprogramme (dikes, rerouting rivers) | + | National and regional policy fully integrated, mix of top-down and bottom-up |
| Sustainable energy | +/- | National sustainable energy subsidies use cost-effectiveness criteria, but for local regional plans CBA is absent |
| Agriculture, biodiversity & nitrogen | - | National policy goals are to be managed by least effective local government (provinces) |

Use of CBA depends whether it is institutionalized, i.e. when official part of public decision-making

4. Fiscal federalism in NL

Table 8. Dutch fiscal decentralisation since 1500

| Before Thorbecke's house (= before the Constitution of 1848) | |
|---|--|
| 1500-1580 | Part of the Habsburg Empire: efforts by the Catholic kings to impose one tax system and one religion. |
| 1581-1794 | The Dutch Republic of United Provinces: a federal state. |
| 1795-1847 | A unitary and centralised state imposed by the French; after 1814, the Kingdom of the Netherlands. |
| Thorbecke's house (= the Constitution of 1848) | |
| 1848-1928 | A unitary and decentralised state: more responsibility for municipalities; provinces reintroduced but with a much less prominent role. |
| 1929-1982 | A centralised welfare state. |
| 1983-present | A smaller and more decentralised welfare state. |

- Thorbecke's house: total government expenditure 45.0% GDP
 - Central government: 36.8% GDP
 - Local government: 8.2% GDP
 - 12 Provinces: 0.6% GDP
 - 342 Municipalities 7.3% GDP
 - 21 Waterboards 0.3% GDP



Operating expenditure by municipalities

| | % of total | % GDP | Thousands euro per inhabitant |
|--|------------|------------|-------------------------------|
| Total | 100 | 7,3 | 3,8 |
| Public administration | 20 | 1,5 | 0,8 |
| Safety | 3 | 0,2 | 0,1 |
| Traffic and transport | 6 | 0,4 | 0,2 |
| Economy | 2 | 0,2 | 0,1 |
| Education | 4 | 0,3 | 0,2 |
| Sport, culture, recreation | 8 | 0,6 | 0,3 |
| Social assistance and social services | 41 | 3,0 | 1,5 |
| Health care and environment | 8 | 0,6 | 0,3 |
| Social housing and maintenance of parks | 7 | 0,5 | 0,3 |

Operating expenditure by provir

| | % of total | % GDP | thousands euro per inhabitant |
|-----------------------|------------|-------|----------------------------------|
| Total | 100 | 0,6 | 0,5 |
| General reservation | 43 | 0,2 | 0,2 |
| Public administration | 2 | 0,0 | 0,0 |
| Traffic and transport | 25 | 0,1 | 0,1 |
| Water | 2 | 0,0 | 0,0 |
| Environment | 5 | 0,0 | 0,0 |
| Nature | 10 | 0,1 | 0,0 |
| Regional economy | 7 | 0,0 | 0,0 |
| Culture | 5 | 0,0 | 0,0 |
| Spatial development | 3 | 0,0 | 0,0 |



- But for many different policy topics, different ‘regions’, i.e. joint ventures by various public organisations:
 - 30 Sustainable energy regions (see map)
 - 25 Safety regions
 - 25 Health care regions
 - 35 Labour market policy regions
 - Etc.

Regions unbalanced in size, not standardized across (related) policy topics, no direct democratic check



- Recent developments:

- 2018: Climate policy agreements by public-private tables for 5 different sectors
- 2019: Dutch supreme court Urgenda-case: Dutch government should do more to prevent climate change, in 2020 CO₂-emissions should be 25% lower than in 1990.
- 2022: Dutch council of state (supreme administrative court): Permits for construction projects not allowed if it increases nitrogen.



- Recent developments (2):
 - 2022: After period of 10 years of deregulation: more guidance in spatial planning needed by central government, but how???
 - 2022: Big new public investment funds for climate, nitrogen, biodiversity, housing
 - March 2023, Elections: New farmers party is largest party in all Dutch provinces and the Senate!
 - June 2023: Provinces have to submit biodiversity report, validated by new ecological authority
 - October 2023: Provinces have to submit spatial plans, including for 16 NOVEX-areas





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