



Ministry of Finance

Spending Reviews in the Netherlands

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- Spending reviews
- Special case: Comprehensive spending review 2009/2010
- Assessment and experiences spending reviews





Context



Political context

APRIL 2015



ZETELS

VVD	40	ChristenUnie	5	Groep Bontes / Van Klaveren	2	1 Voorzitter
PvdA	36	GroenLinks	4	Houwers	1	2 Griffier
SP	15	SGP	3	Klein	1	3 Kabinet (vak-K)
CDA	13	PvdD	2	Van Vliet	1	4 Medewerkers Verslag en Redactie
D66	12	50PLUS	1			5 Spreekgestoelte
PVV	12	Groep Kuzu / Östürk	2			6 Interruptiemicrofoons

- Parliament with multi parties;
- Multi party coalitions
- Four year government term (cabinet period);
- Recent cabinet:
 - Liberal party and Socialistic party
 - 13 ministers, on equal foot and own budget



*Mr. Rutte
Prime minister
of The
Netherlands*



Policy and budget decisionmaking, phase 1

1) Coalition agreement at the start of a new Cabinet

- At the beginning of each parliamentary term
- Cutbacks and new policy proposals (detailed)
- Medium term budgetary framework is derived from a agreed budgetary target;

⇒ Need of information about effectiveness and cost of future policies





Policy and budget decision-making, phase 2

2) Annually update of plans and budget

- New priorities
- Update financial situation
- Over- and underspending
- Decisions about expenditure in spring
- Presentation on Budget day





Important institution: the Dutch fiscal council

- The Netherlands Bureau for Economic Policy Analysis (CPB);
- Economic forecasting for the short-term, long term
- Societal cost-benefit analyses of infrastructural plans
- Analyses of the election manifestos of political parties

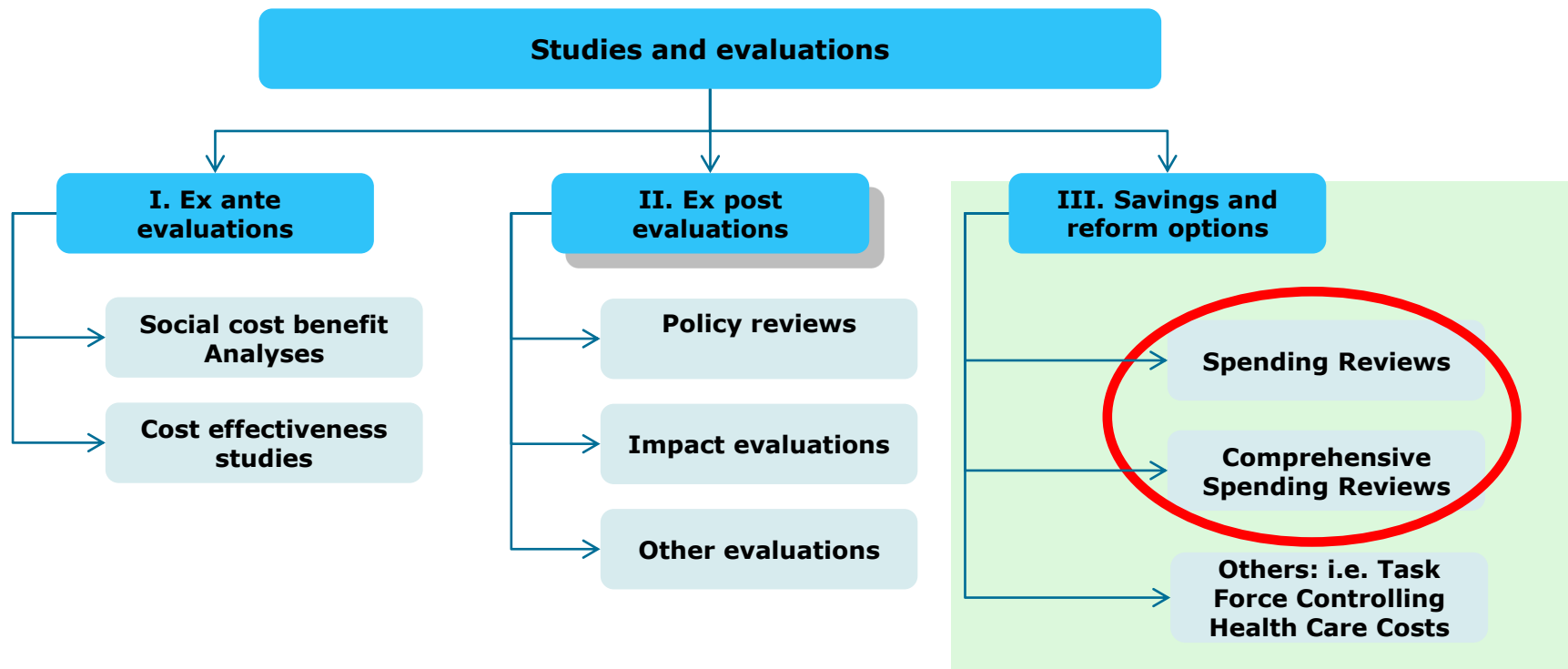


The trend-based budgetary framework

- Real expenditures ceilings, set for entire government period
- Automatic stabilizers on revenue side:
 - Income windfalls are credited to EMU-balance
 - Income setbacks are debited to EMU-balance
- Budget is based on forecasts made by the CPB
- One principal decision-making moment on the new budget
- European limit for deficit is crash barrier: additional measures have to be taken



Dutch evaluation system



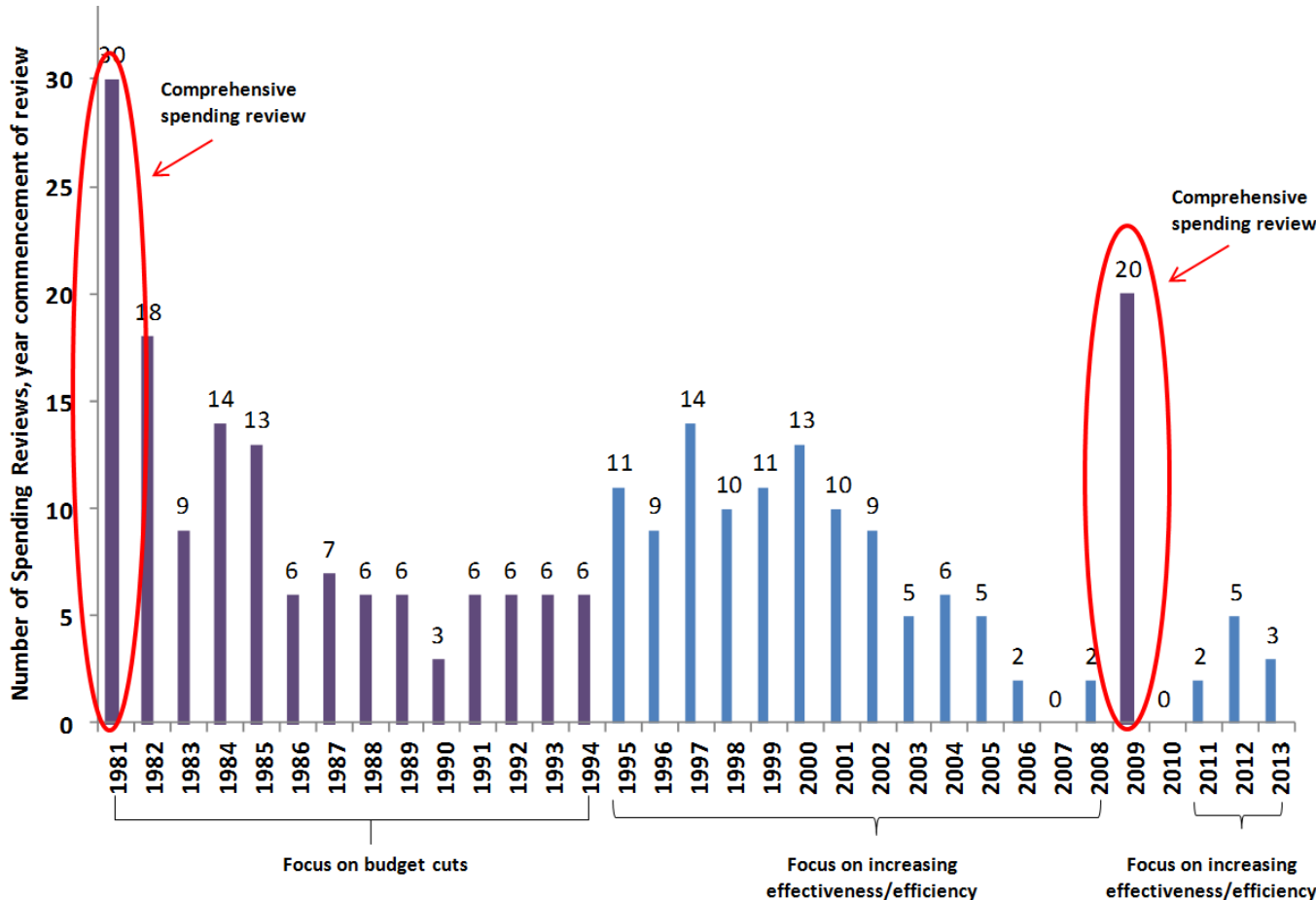
Many studies as inputs into policy and budget decision-making process, spending reviews most important for the Ministry of Finance



Spending reviews



Number of spending Reviews: 1981-2015



Spending Reviews

2014 and 2015

1. Weapon systems
2. Pensions Public sector
3. Self-employed persons
4. Police
5. Traffic enforcement
6. Social Housing
7. Cost efficiency of Co2 reduction options
8. Risk control with treasury banking
9. Health prevention
10. Tax revenue service
11. Infrastructural planning
12. Effectiveness of education



Selection process

- Ministry of Finance coordinates instrument
- Negotiations are anchored to the budget negotiations
- Cabinet decides about terms of references
- Terms of reference are published in budget memorandum



Terms of reference

- Background and Rationale
- Scope
- Description of what at least one policy option must entail
(i.e. reduction of spending, or improve efficiency of spending)
- Composition of the working group, including external experts
- Date by which report needs to be completed



Governance arrangements

- Independent, non-political working groups
 - senior civil servants and external experts;
- Chaired by senior officials not responsible for the policy at hand
 - Someone who understands “how things work in The Hague”;
- Non veto: ideas may not be blocked by other members working group;
- Clear distinction between ‘technocratic’ en ‘political decision making’ phase
 - After finalization of report, working group discharged and relevant Minister drafts ‘Cabinet response’.
- Report + Cabinet response are sent to parliament and are downloadable for wider public.



Interdepartmental committee

- Members of the committee:
 - Chairperson: Director-General Budget
 - Members: Ministries of Finance, Prime Minister's Office, Home Office, Health, Social Affairs and Employment, Economic Affairs, Education
- Tasks are:
 - Procedural guidelines
 - Quality assurance
 - Arbitrator by conflict in working group



SPECIAL CASE: COMPREHENSIVE SPENDING REVIEW 2009/2010





Need for comprehensive spending review 2009/2010



- Start financial crisis in 2008
- From budget surplus to 5.5% GDP budget deficit
- Assignment by Cabinet
“Provide insight into different cutback options and their effects”



Timetable

- September 2009: Spending Review Working Groups started
- February 2010: Collapse of Cabinet, early elections announced
- April 2010: 20 reports sent to Parliament (but no Cabinet Response)
- June 2010: National elections



Comprehensive Spending Review 2009/2010

- 20 Spending Reviews covering a broad range of policy areas
- One compulsory policy option: 20% reduction in spending and/or tax expenditures
- Theme-based: across all departments, both expenditures and tax expenditures
- External expertise of Netherlands Bureau for Economic Policy Analysis to ensure quality of proposed options and realism of proposed spending cuts.
- Exercise overseen by Prime Minister and the two Vice Prime Ministers at the time

In total reports identified **€35 billion** in possible savings.

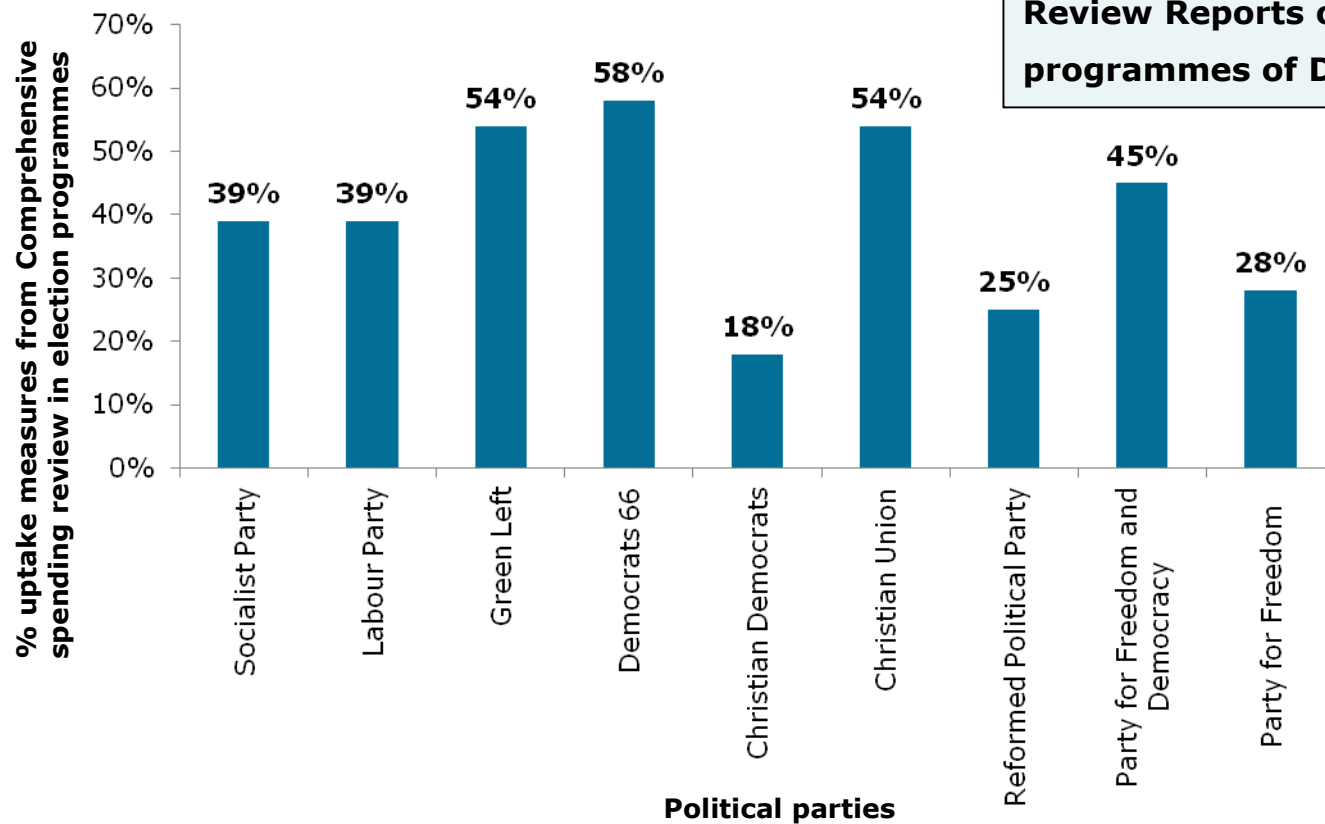


Topics comprehensive spending review 2009/2010

1. Energy and Climate Change
2. Environment
3. Transport and Water Management
4. Housing
5. Productivity in Education
6. Higher Education
7. Child benefits
8. Innovation and Applied Research
9. Income support & Employment
Programmes for People with Few Skills
10. Unemployment benefits
11. Curative Healthcare
12. Long Term Healthcare
13. Official Development Aid
14. Immigration, Integration and Asylum
15. Public Safety and Terrorism
16. Tax Administration
17. Administration of Income Support
18. Public Administration
19. Operational Management in the Public
Sector Institutions
20. International Security



Outcome



Substantial influence of Spending Review Reports on 2010 election programmes of Dutch political parties!



Conclusion



Spending reviews have significant impact:

- The analysis chapter tends to result in significant public discussion;
- Substantial influence on election programmes of Dutch political parties;
- Many proposals of spending reviews have been adopted;



Examples of reforms caused by spending reviews

- Integration of different kinds of child benefits
- Significant reforms of labor market policies directed at people with few skills
- Reintegration of long term unemployed into labor market
- Concentration of highly specialized health care
- Decentralization of youth services
- Benefits – incentives for local government to get people into work, out of benefits
- Adjustment to support and benefits for elderly people
- Changes to basis medical benefit package
- Improved maintenance decisions for major infrastructural works
- Changes to methods of financing water infrastructural works



Success factors

- Different responsibility of politicians and civil servants:
 - Politicians select policies and priorities,
 - civil servants prepare options
- Independent chairman
- At least one compulsory policy option: 20% reduction in spending
- Sound analysis and concrete options
- Non veto principle
- Publication of the reports



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