Government at a Glance 2009

OECD

Government at a Glance 2009

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Commission of the European Communities takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

This work is published on the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.

ISBN 978-92-64-06164-4 (print),
ISBN 978-92-64-06165-1 (PDF),
ISBN 978-92-64-07506-1 (HTML),
DOI 10.1787/9789264075061-en

Also available in French under the title: *Panorama des administrations publiques 2009*

Photos credits: *Cover illustration:* © Glowimages/Getty Images. *Chapter 2* – Government Revenues: © Imagesource/Inmagine. *Chapter 3* – Government Expenditures: © Ableimages/Lifesize/Getty Images. *Chapter 4* – Public Goods: © Digital Vision/Getty Images. *Chapter 5* – Public Employment: © Brand X Pictures/Getty Images. *Chapter 6* – Human Resources: © Robert Manella/ Comstock/Corbis. *Chapter 7* – Budget Practices: © Image Source/Inmagine. *Chapter 8* – Regulatory Management: © Con Tanasiuk/ Design Pics/Corbis. *Chapter 9* – Integrity: © Dougal Waters/Digital Vision/Getty Images. *Chapter 10* – Open and Responsive Government : © OECD.

Corrigenda to OECD publications may be found on line at: *www.oecd.org/publishing/corrigenda*.

Foreword

This is the first edition of Government at a Glance*, a new addition to the OECD's At a Glance series.* Government at a Glance *fills an important gap in internationally comparative data and general knowledge on how governments work, providing indicators describing government institutions, structures, inputs and prevailing public management practices in OECD member countries. It also examines public governance issues that are important to governments' capacity to address the long-term effects of the recent crises, and raises some questions facing governments as they look to further transform their public governance practices. This publication is particularly timely as the recent financial and economic crises have heightened the role of government in the economy and society, while requiring governments to be more efficient, effective and citizen-centred.*

Government at a Glance *shows how OECD countries' governments work and perform compared to other member countries. As such, the publication will interest politicians, policy makers, public sector practitioners, advocacy groups, academics, students and the general public alike. In addition, the indicators included in* Government at a Glance *can help non-OECD member countries identify new ways to track and benchmark where they stand in relation to the development and implementation of policies and reforms.*

This work was led by Zsuzsanna Lonti under the direction of Martin Forst with major contributions from OECD staff members: Jani Heikkinen, Jordan Holt and Laurent Nahmias; Barry Anderson, Janos Bertok, Claire Charbit, Joset Konvitz, Nikolai Malyshev, Audrey O'Byrne and James Sheppard (Chapter I); Dirk-Jan Kraan (Chapters II and III on Revenues and Expenditures); Elsa Pilichowski (Chapter IV-VI on Production Costs, Public Employment and Human Resource Management Practices); Teresa Curristine, Ian Hawkesworth and James Sheppard (Chapter VII on Budget Practices and Procedures); Christiane Arndt, Gregory Bounds, Stéphane Jacobzone and Emmanuel Job (Chapter VIII on Regulatory Management); Janos Bertok and Jean-François Leruste (Chapter IX on Integrity); and Joanne Caddy, Jean-François Leruste, Barbara Ubaldi and Yih-Jeou Wang (Chapter X on Open and Responsive Government).

This publication benefited from comments provided by delegates to the OECD Public Governance Committee and members of the Steering Group (details in Annex F); members of the OECD Expert Group on Conflict of Interest, Network of Senior E-Government Officials, Public Employment and Management Working Party, Working Party of Senior Budget Officials and Working Party on Regulatory Management; delegates to the OECD Committee on Statistics; Nick Manning (World Bank); Wouter van Dooren (University of Antwerp); Geert Bouckaert (Catholic University of Leuven); Klaus Brösamle and Joachim Wehner (London School of Economics); Knut Rexed; Enrico Giovanni (Italian National Institute of Statistics); Nadim Ahmad (OECD Statistics Directorate); Jens Lundsgaard and Maurice Nettley (OECD Centre for Tax Policy and Administration); Rolf Alter, Barry Anderson, Christiane Arndt, Bob Bonwitt, Monica Brezzi, Stéphane Jacobzone, Josef Konvitz, Maria Varinia Michalun, Elsa Pilichowski, Odile Sallard, Andrea Urhammer and Christian Vergez (OECD Public Governance and Territorial Development Directorate); and Kate Lancaster (OECD Public Affairs and Communications).

A corrigendum has been issued for this page. See: http://www.oecd.org/dataoecd/59/28/44251675.pdf

Table of Contents

This book has...

StatLinks

A service that delivers Excel® files from the printed page!

Look for the *StatLinks* at the bottom right-hand corner of the tables or graphs in this book. To download the matching Excel® spreadsheet, just type the link into your Internet browser, starting with the ***http://dx.doi.org*** prefix.
If you're reading the PDF e-book edition, and your PC is connected to the Internet, simply click on the link. You'll find *StatLinks* appearing in more OECD books.

Preface

The current financial, economic, social and environmental challenges place governments at centre stage. Having responded successfully to the unprecedented financial crisis of 2008, governments are now striving to exit from their exceptional interventions and to return economies to self-sustained growth. Meanwhile, they are also looking for policy solutions to climate change, poverty, ageing populations, migration and a host of other long-term concerns. Designing and implementing these policies draws on the capacity of governments to serve the public interest and to strengthen frameworks for well-functioning markets.

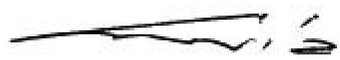
Against the backdrop of this renewed stewardship role for governments, the OECD is releasing *Government at a Glance*. This new publication aims at broadening the understanding of how governments can deliver on these public policy challenges. It does so by analysing and comparing governments' capacities, outputs and performance across a broad range of policy areas.

The publication's current set of quantitative and qualitative indicators include data on the size and role of government at the central and local levels in terms of revenues, expenditures and employment. It also presents indicators on a number of public management processes, such as regulation, budgeting and procurement – all three crucial in the current search for fiscal consolidation and reformed market mechanisms. There are also interesting insights into the underlying values of public service, and the instruments with which high standards are upheld.

This first edition brings some interesting and unexpected results. It shows a significant shift in core public service values. The percentage of countries identifying transparency as a core public service value almost doubled over the past decade, to 90%. Efficiency scored 80%. Outsourcing turned out to be increasingly common in OECD countries, with 43% of the value of public goods and services produced by the private sector. It also illustrates that OECD countries are still behind in some policy targets. For example, fewer women are represented at senior levels within central governments than in the wider labour force. Finally, it presents fundamental challenges facing governments, such as the need to cut spending in the face of rising debt levels. On average, over 50% of all expenditures in OECD countries are on social programmes, including health, education and unemployment. Any efforts to curb spending may affect the delivery of these programmes.

Government at a Glance is meant to be a snapshot of the quality of public governance in OECD countries. The ambition is for future editions to present comparable data over time, cover different policy areas and include more countries beyond OECD members, beginning with the ones on their way to accession to the OECD (Chile, Estonia, Israel, Slovenia and Russia) and those with whom the OECD is building an "enhanced engagement" partnership (Brazil, China, India, Indonesia and South Africa). They will thus offer a true "glance" at governance issues across the globe.

This new publication will contribute to substantiating a debate on how governments perform and can meet their ultimate objective to build stronger, cleaner and fairer economies and societies. I hope that citizens, elected officials and government employees will find *Government at a Glance* to be thought provoking. But, above all, I expect that it will be instrumental in our constant efforts to improve public governance.



Angel Gurría
Secretary-General

Introduction

Government at a Glance *is a new publication series produced by the OECD that explores emerging public governance issues and sets out indicators in a range of areas that, when examined together, constitute important building blocks of a well-functioning public management system. Chapter I – the special feature chapter – describes some key public governance issues that are important to governments' capacity to address the long-term effects of the current financial and economic crises and links them to indicators presented further in the publication. It also raises some fundamental questions facing governments as they look to further transform their public governance systems to better adapt and respond to unpredictable environments. Chapters II-X provide a set of indicators that show the current role and reach of government, and focus on important aspects of government's public management capacity.*

This new publication builds upon 20 years of expertise at the OECD in the area of public governance (defined as the exercise of political, economic and administrative authority) and public management, particularly in describing and analysing government activities, developing benchmarks and internationally comparative data, identifying good practices and monitoring results. It also benefits from a practitioner focus: the OECD's unique access to senior-level officials in member governments provides perspective on how public administration works to support sectoral policies such as health or education, which are dealt with in other OECD At a Glance publications.

Why measure government activities?

Government is a major actor in modern society, contributing to economic growth, delivering goods and services, regulating the behaviour of businesses and individuals, and redistributing income. Government activities affect people's lives in countless ways from birth to death, by providing basic health care services and education, helping people when they lose their jobs, issuing driver's licences and business permits, building roads and bridges, and regulating the environment and workplace health and safety. A significant portion of the economy is devoted to public activities: in 2007, government expenditures ranged between 30% and 53% of gross domestic product (GDP) in OECD member countries.

Thus, good governance is critical to long-term economic, social and environmental development. What government does matters. How well, how effectively and how efficiently government performs these tasks is also critical, as citizens increasingly demand more from governments in terms of services that better meet their needs and the transparent and accountable use of resources. The ability of governments to operate effectively and efficiently depends in part on their management policies and practices, including budgeting practices that support fiscal sustainability, human resource management practices conducive to good performance, regulatory management capacity, principles of public sector values and ethics, and the wise use of e-government tools. The transparency and participatory nature of these practices is also key. Thus, in order to comprehend and evaluate government performance, its activities (including the resources it uses to produce goods and services) and the underlying management processes and practices need to be measured. As governments provide a large and evolving array of goods and services, quantifying and measuring government actions can help managers and leaders make better decisions, and can help to hold governments accountable to their citizens. In addition, describing government structures and arrangements can illustrate important similarities and differences among countries, facilitating learning.

The long-term objective of the indicators presented in *Government at a Glance* is to assist countries to:

- better understand and situate their own practices;
- benchmark their achievements through international comparisons;
- learn from the experience of other countries facing similar challenges.

Government at a Glance is unique in that:

- the key aspects of public administration and the specific indicators presented were selected based on a consensus among member countries;
- data and qualitative information are provided by government officials of member countries, and verified by the OECD and/or peers;
- it does not reduce the evaluation of government performance to a single aggregate indicator nor does it provide an overall ranking of countries based on their performance.

In the short term, the publication could help governments better assess, plan and measure their activities. Over time, with time series data and information on outputs and outcomes, it might allow governments to link their activities to overall performance and help evaluate the impacts of their reform agendas. In addition, the comparative data developed for *Government at a Glance* are intended to stir a debate on the determinants of performance for public management practices and their wider impact on government performance in policy sectors.

What can you find in this publication?

Focus on public administration

Government at a Glance focuses on the workings of public administration, or the "machinery of government", in the 30 OECD member countries. This includes the resources, policies and practices of government that support the goods and services (such as health and education) that it produces and delivers. The focus on public administration builds on prior work of the OECD and benefits from the expertise of member country delegates to the OECD Public Governance Committee, the group guiding the OECD's work on *Government at a Glance*. In particular, indicators on public management practices (including integrity, budget and regulatory management) are based on good practices and common standards that were developed and agreed upon by OECD member countries. For example, indicators on regulatory management systems reflect the principles included in the OECD 2005 *Guiding Principles for Regulatory Quality and Performance*. While focusing on public administration builds on the accumulated expertise of the OECD, it also fills a void. Internationally comparative data on the functioning of public administration are scarce and constitute a largely uncharted territory.

Highlights of emerging public governance issues

Chapter I examines selected public governance issues whose importance has been heightened by the current financial and economic crises, and raises some fundamental questions facing governments as they re-assess their roles, capabilities and vulnerabilities. The speed with which governments have had to develop and begin implementing their responses to the crises may have meant that in some cases, important governance issues have been overlooked or that the long-term implications of actions have not been given the level of consideration that would usually be applied. Even as countries recover from the current economic crisis, they will continue to have to design and implement policies in dynamic and unpredictable environments due to the complexity of global challenges. Governments' ability to monitor, anticipate and adapt are key to achieving successful policies in the future. In this chapter, *Government at a Glance* identifies specific policy tools that have been developed by OECD members to strengthen governance systems. These tools can help address challenges and risks which have been aggravated by the financial and economic crises. While the indicators in Chapters II-X provide basic data on these issues, a full picture on the implementation of these policy tools and/or their effectiveness is still evolving. Expanding the data available on government actions in these areas may be the focus of future work.

Indicators on government activities and public management practices

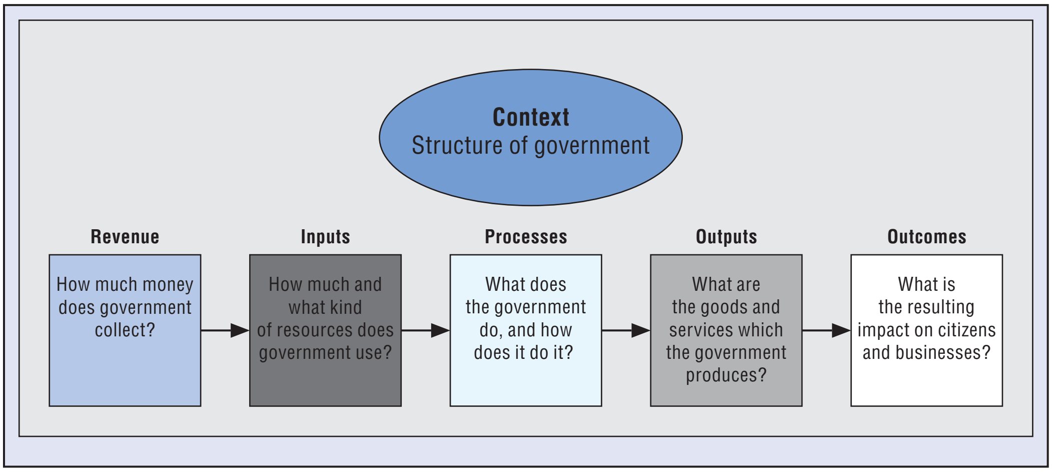
OECD member countries are primarily interested in collecting data and information to identify how public governance and more specifically public management practices contribute to government's ability to achieve its objectives. *Government at a Glance* is built on the following framework, which describes the public "production" process and identifies six major categories of indicators: context, revenue, inputs, processes, outputs and outcomes.

The first edition of *Government at a Glance* includes four of the six types of indicators identified in the framework: revenue, inputs, processes and context.

1) Revenue

Data on the revenue structure provide insights into the incentives and constraints that governments face in determining what types of goods and services to provide. In addition,

Framework for understanding and measuring the activities of government



Source: Hatry (1999), Pollitt and Bouckaert (2004) and W.K. Kellogg Foundation (2004).

the amount and structure of revenues collected determine how the costs of past, present and future government activities are shared across society. Government revenues include social contributions and other taxes, and other sources such as fees, oil production and international grants. While revenues may not match expenditures in any given year due to governments' ability to borrow, ultimately citizens must bear the cost of repaying debt.

2) Inputs

Input indicators include data on government expenditures, production costs, employment and workforce characteristics. These data allow countries to begin comparing the proportion of the economy devoted to producing different goods and services, as well as differences in the mix of inputs used in production. For example, labour is a key input in the government's production process, and the characteristics of the public workforce may affect government productivity and its capacity to provide goods and services. In addition, governments are increasingly outsourcing the production of goods and services, although the extent that private entities are involved in government activities varies greatly across countries.

3) Processes

Process indicators describe how governments implement policy, and focus on public management practices that influence government outputs and outcomes. Information on processes such as human resource management (HRM), budget, regulatory management, integrity, e-government and open government can allow countries to begin to examine the effects of recent reforms, and identify new strategies to improve productivity. For example, delegating the ability to line managers to hire, fire and promote staff can enhance the flexibility of government to respond to changing circumstances by enabling managers to obtain employees with needed skills. Likewise, the use of multi-year expenditure estimates in budgets can improve fiscal discipline and help to ensure that government resources are allocated productively and efficiently. Adopting strategies to assess the impact of regulations on businesses and citizens can help to ensure that the regulations meet the goals of government. Open and competitive procurement processes can reduce the incidence of corruption, increasing the resources devoted to producing goods and services and improving public trust in government. Similarly, the use of the Internet and other communications technologies to provide information and public services (such as tax payments or passport renewals) can both lower costs and save citizens and businesses time, thereby increasing efficiency and productivity.

4) Contextual information

Annex E presents contextual information describing some key features of the political and administrative structures for each member country. Situating policies and indicators within this contextual background can help us better understand differences among countries and identify those with similar structures that might serve as better comparators for benchmarking purposes.

Data sources and features

Most of the data used in *Government at a Glance* are collected from government officials by the OECD via specifically defined surveys. As such, they represent either official government statistics or the country's own assessments of current practices and procedures. While the surveys try to establish standard definitions, bias can occur in that countries may interpret and answer questions differently and/or may not answer the questions completely objectively. In general, the direction of the bias is known, but not necessarily its extent.* To try and minimise these biases, the OECD cleans and verifies the data it collects by following up with member countries directly when there are potential inconsistencies or outliers, benefiting from the OECD's body of knowledge obtained through its public management reviews. In some cases, the OECD uses other member countries as peer reviewers to verify responses, facilitating mutual learning. While an alternative to collecting data from member country government officials is to collect data from experts, the direction or extent of their biases is difficult to determine. In the few instances when OECD data are not available, the publication uses international data from the European Commission, the World Economic Forum and the United Nations.

In general, the data presented are based on the definition of the sector "general government" found in the System of National Accounts (SNA). In these terms, government encompasses ministries, agencies, offices, social security funds and some non-profit institutions at the central, state and local levels. Data on revenues and expenditures are presented for both the central and sub-central (state and local) levels of government, and, where applicable, for social security funds. Data on workforce characteristics and public management processes and practices refer to the central level of government only. In addition, data on employment refer to the "public sector", which expands the definition of government to include public corporations, such as publicly owned banks, harbours and airports.

As part of the indicator set describing public management practices, *Government at a Glance* introduces several descriptive composite indexes in narrowly defined areas that were developed according to OECD guidelines. These composite indexes are a practical way of

* Usually, we would expect the bias to be in a positive direction as officials "score" themselves more favourably. However, in the process of data cleaning it has been discovered that government officials in some countries are harder on themselves than outside experts and/or civil society observers.

summarising discrete, qualitative information on key aspects of public management practices, such as the types of recruitment systems in place. Details about the weights and variables used to construct these indicators are provided in Annex C, giving countries that want to take action on their indicator scores a clear indication of where to start. While the composite indicators were developed in co-operation with member countries and are based on best practices and/or theory, the variables comprising the indexes and their relative importance are based on expert judgements. They are presented with the purpose of furthering discussion and, consequently, may evolve over time.

How this publication is organised

Government at a Glance comprises 10 chapters. Following the introduction, Chapter I is a special feature chapter that discusses some public governance issues whose importance has been magnified by the current global challenges facing governments, and raises some fundamental questions about their implications for the future. Chapter II looks at the amount and structure of revenues collected by government, and Chapter III examines what activities countries spend these resources on. Chapter IV on production costs looks more closely at how goods and services are produced, *i.e.* whether the government produces power plants (goods) and/or provides health care (services) itself, or whether it contracts with non-profit or for-profit private entities to produce or provide them on its behalf to citizens and businesses. Chapter V looks more closely at the size and characteristics of the public sector workforce, which is related to government decisions about who should be responsible for providing public goods and services, and how. Chapter VI and VII explore the processes underlying government production, including human resource management practices that can influence the characteristics of the workforce, and budgeting practices that can influence decisions on the amount of revenues to collect and the size and direction of government expenditures. Chapter VIII examines the quality of government processes to design and reform government regulation, looking at the extent to which countries have adopted best practice standards. Chapter IX looks at government measures to promote integrity and prevent corruption, which can assume even more importance in countries that have outsourced the production of a larger proportion of goods and services to the private sector. Chapter X describes the legislation that governments have enacted and institutions that governments have created to help keep their actions accountable to the general public and looks at the level of development of e-government services in OECD member countries. Together, these chapters provide insights on what government does, how it does it and why it does things certain ways. They allow countries to better understand their practices, benchmark their performance, identify areas for potential future reform and begin to assess the effectiveness and efficiency of their operations.

For revenue, input and process areas, each topic is presented over two pages. The first page provides a brief commentary highlighting the key findings conveyed by the data, defines indicators and discloses any significant national variations from that definition which might affect data comparability. On the facing page is a set of charts. These charts typically show current levels of the indicator and, where possible, trends over time. Where an OECD average is included in a chart, it is the unweighted average of the countries presented, unless otherwise specified in the accompanying notes.

Measurement challenges

Data comparability and availability

The indicators presented in *Government at a Glance* are based on the best available data. To the extent possible, OECD data collection instruments use standardised definitions and common units of measurement. However, variances in the scope and purpose of national data collection efforts can result in differences among available data that may affect comparability. For example, countries can either collect data on employment in full-time equivalencies (FTEs) or as total number of employees. Because the latter counts part-time and full-time workers equally, it can overstate employment levels when compared to FTEs. *Government at a Glance* notes when these differences exist in the "Methodology and definitions" sections in the text.

Despite the significant accomplishments of international organisations to harmonise data collection efforts and units of measurement for revenue, expenditure and employment data, several differences remain in countries' data collection methods that can affect data comparability. This is important for the National Accounts data, which are used in Chapters II-IV on revenues, expenditures and production costs. These data are based on the 1993 System of National Accounts (SNA) or on the 1995 European System of National Accounts (ESA) so that all countries are using a common set of definitions. However, the comparability of the data can be affected in two ways. First, national differences in implementing SNA/ESA definitions can affect the comparability data across countries. For example, differences may exist among countries in how public corporations and non-profit institutions are classified in relation to the general government sector. Second, changes in implementing SNA/ESA definitions can affect the comparability of data within a country over time. Consequently, metadata should be consulted when making comparisons. Further, data of varying levels of detail are available for OECD member countries which can limit the type of analysis and comparisons that can be made. For example, detailed data on the purpose of government expenditures (called Classification of the Functions of Government, or COFOG II) are currently only available for 13 OECD European member countries. These data could be used to match public spending components to economic and social objectives, such as comparing expenditures on research and development in different policy sectors or expenditures on environmental protection. Using the available second-level COFOG data, the OECD has developed a methodology to estimate government expenditures by individual and collective goods and cash and in-kind provision. This information helps to understand important differences in policy and service delivery choices of governments. This methodology is called COFOG-Special and is published in this document.

In addition to variations in data collection methods, different strategies to achieve goals, particularly the use of tax policy, can impede comparisons of expenditure and revenue levels among countries. For example, a government can provide a targeted group with cash benefits to use for education, or it could provide this group with tax credits or rebates based on their private expenditures for education. While the goal is the same, countries that use direct expenditures rather than tax expenditures will have higher revenues and expenditures as a share of GDP. In addition, changing modes of production by governments in OECD member countries, in particular the increased involvement of the private sector through direct outsourcing or public-private partnerships, is challenging the usefulness of traditional indicators to describe the scope of government. For example, the increasing involvement of the private sector in government production has challenged the usefulness of measuring employment in terms of public servants.

This inaugural edition of *Government at a Glance* is the OECD's first step towards providing indicators that measure the performance of public management practices and systems. The content of *Government at a Glance* is inherently limited by data availability. As a result, many of the key issues and determinants of public management performance and capacity are not covered. The indicators in the publication mostly focus on the existence of different systems, which does not necessarily provide information about how effective the public management practices and structures are within a country. For example, in the area of open government, the publication looks at whether countries have established the legislative framework for transparency, participation and accountability – an important first step to achieve these goals. However, in order to evaluate whether these goals are actually achieved, one must look at how the laws are implemented, used and enforced. The OECD will work with countries to further develop the indicators to include greater information and data on outputs and outcomes. The intention is to broaden the indicators so that over time, not only will they provide information on what countries are doing, but they will also provide valuable material on how different systems contribute to improving the performance and overall effectiveness of governance.

Indicators of outputs and outcomes

It is difficult to develop valid indicators that truly measure the outputs and outcomes of public administration. The first edition of *Government at a Glance* does not include output or outcome indicators, such as indicators of service quality like customer satisfaction. Internationally there is still an extensive debate about how to measure outputs and outcomes in the public sector, and even leading countries in output and outcome measurement follow different paths.

The challenges associated with measuring outputs and outcomes go beyond those enumerated above, and are explored in depth in the recent OECD publication *Measuring Government Activity*. For example, output and outcome measurement may affect organisational behaviour. While the existence of output measures may lead staff to strive for improved performance, it may also lead to the neglect of non-measured dimensions or to "gaming", in which either the output itself is adjusted or the measurements are distorted in order to achieve the appearance (rather than the reality) of "good" performance. In addition, while it is usually reasonable to hold government responsible for outputs, it may not be reasonable to hold it responsible for outcomes because many other factors beyond government's control may influence the final impacts on society. In addition, the emerging discussion on the importance of values in public sector production makes the definition of outputs and outcomes more complex.

Due to these challenges, the data presented in *Government at a Glance* only give indications of government activities and performance. Absolute levels or numbers should be interpreted with caution due to measurement errors. The raw data presented in *Government at a Glance* should not in itself be used as a benchmark; rather comparisons among countries must be based on an analysis of all of the relevant indicators. The in-depth OECD public management reviews can provide more nuanced details of individual country policies, practices and contexts that can be used to better understand the drivers behind performance differences.

Future work

Government at a Glance is planned to be a biennial publication. This first publication is an important starting point to help the international community evaluate what is known and unknown about the comparative performance of public administrations, and to help identify areas that we would like to understand better. Future editions will build upon the data presented in this first publication to help governments improve decision making and their ability to address management challenges.

Specifically, future work may focus on expanding the availability of data on the characteristics of government inputs (*e.g.* the average educational attainment of government employees) and processes (*e.g.* how laws and regulations are implemented and/or enforced). In addition, future editions of *Government at a Glance* may further explore the relationship among the different levels of government (central, state and local) across OECD member countries. Despite the measurement challenges mentioned above, reliable and feasible internationally comparative output and outcome indicators for public administration are being developed in co-operation with member countries. Intermediate outputs are being identified for different public administration processes, together with several outcome measures that relate to the whole of government activity, such as public trust in government, equity and fiscal/economic stability.

Data will be collected at regular intervals, using methods that could minimise the burden of data provision on member countries. A stable and statistically robust dataset enables governments to compare their institutional arrangements and performance to other OECD member countries not only at one point in time but over time, to shed light on the possible causes of performance differences among governments, and to analyse the impact of public sector reforms in depth. Future data collection efforts will aim to improve the quality and comparability of the current dataset. At the same time, the dataset will not be static; new indicators (such as outputs and outcomes) can be added once their significance is established. In addition, data collection will be expanded to include countries currently in accession discussions whith the OECD as well as those countries with which the OECD is pursuing an enhanced engagement.

Chapter I

Current and Future Public Governance Challenges

Introduction

Governments have been concerned for quite some time with their institutional and human capacity to improve the livelihoods of citizens, the competitiveness or viability of business, the delivery of basic public services, and trust in regulatory institutions. As part of broad reform and change agendas, many OECD member countries have been developing and revising their governance institutions, frameworks and tools. The current global financial, economic, social and environmental challenges highlight the unique role of government in serving the public interest. They also direct renewed attention towards the institutions, policies and tools that help government deliver what citizens and businesses need and expect, highlighting areas where further changes may be needed, or where additional consideration may be required on how best to realise reform efforts. Not only are the regulatory rules, oversight systems and procedures for the financial services sector at the forefront of proposed actions by government, but the fiscal crisis has also put the role of governments, the scope of their activities and their effectiveness in advancing the public good at centre stage. In particular, governments are looking at how they can improve their capacity to anticipate and manage risks, and react quickly to complex problems in changing environments. Due to the global nature of these challenges, it is no longer enough to act at the national level. International co-operation and co-ordination is proving to be a critical element of any credible and effective policy response.

Drawing as much as possible on the indicators presented in Chapters II through X, this chapter examines selected public governance issues that are important to governments' capacity to address the long-term effects of the recent financial and economic crises, and raises some fundamental questions facing governments as they re-assess their roles, capabilities and vulnerabilities.

Selected public governance implications of the global financial and economic crises

As countries emerge from the financial and economic crises, governments cannot afford to resume business as usual. The crises have highlighted the need for governments to develop the capacity to foresee, prevent and respond to complicated, dynamic challenges. Examining the factors contributing to the crises has identified weaknesses in governance systems that may need to be strengthened. In addition, governments may need to address the long-term consequences of their responses to the crises in their exit strategies.

The following sections feature four governance issues whose importance has been highlighted by the recent crises: evidence-based policy making, integrity in the public sector, co-ordination of policies and programmes across levels of government and fiscal sustainability. OECD member countries were grappling with these issues prior to the crises, and many had begun to develop tools that are becoming particularly relevant in the current situation.

In crises and dynamic environments, there is an imperative on governments to act. While resulting policies have clear immediate objectives, they may also have profound and long-lasting consequences. Tools such as regulatory impact analysis can help governments base policy decisions on evidence and assess their actual impacts and consequences. The expanded role of the government in the economy – exemplified by increased public investment activities – requires governments to be especially vigilant that the principles and practices of integrity are upheld. In order to ensure that scarce resources are spent in ways that generate the most benefits, central and sub-central governments need to co-ordinate policies and programmes. In addition, increased spending and reduced revenues are putting pressure on budgets already strained by demographic change and current obligations. To improve the long-term sustainability of programmes and policies, governments may use long-term fiscal projections more frequently and systematically.

Achieving evidence-based policy making

Evidence-based policy making can help governments chart their return to a sustainable growth path. Coherent policies and, *de facto*, more effective policies and regulations require governments to take account of all pertinent information for more informed decisions. In particular, this implies that governments assess the benefits of policy proposals in relation to the future costs, and the interactions among structural reform policies. Through a coherent design, the return of each specific reform can be maximised. In addition, effective policy implementation requires effective governance: the capability to manage risks, manage procurement and contracts, obtain and allocate the right type and quantity of resources, provide oversight of processes and procedures, and review the impact and effectiveness of decisions and actions once undertaken.

The recent crises have placed additional emphasis on decision makers to give appropriate consideration to how regulation is implemented, enforced and overseen, particularly in the financial area. The indicators in Chapter VIII consider the extent to which regulatory management systems meet overall quality standards, such as those reflected in the *Guiding Principles for Regulatory Quality and Performance* endorsed by the OECD in 2005. They provide a tool to analyse regulatory governance systems as a whole and to help countries identify potential reforms.

As shown in Figure 22.1, the majority of OECD member countries are implementing regulatory impact analysis (RIA). RIA looks at how policies will be implemented, enforced, reviewed and complied with. It can help to ensure that all potential impacts of a policy are considered in advance, and that the regulation decided on by government is the optimal approach to take. Over the last decade, RIA systems have become more comprehensive across nearly all countries (Figure 22.3). An increasing number of countries have adopted formal requirements to undertake RIA for draft primary laws and subordinate regulations, as well as requirements to identify impacts (including costs and benefits of new regulations – see Figure 22.2). For example, over two-thirds of countries now require RIA to demonstrate that the benefits of new regulation justify the costs. However, the depth of RIA systems still differs across countries. In addition, the failure of regulatory oversight systems in the recent global financial crisis has clearly illustrated that the existence of such tools does not necessarily imply that they are being appropriately utilised, or are achieving the results and outcomes that were intended.

RIA has been seen by some administrations to be an obstacle to decision-making or legislative work due to the time needed to conduct assessments. When RIA is undertaken in the early stages of the decision-making process, it does not appear to slow the process down. Undertaken as part of the deliberative policy making process, RIA has also contributed to improving governmental coherence and intra-ministerial communication. However, resistance to carrying out RIA can be strong in a crisis, when there is a necessity to act quickly, and resulting regulation can be ill-conceived and may have unintended consequences. In these situations, governments can still take steps to conduct *ex post* assessments of long-term impacts in order to enable them to correct course.

The scope of usage of policy-making tools remains patchy and exemptions are often broad. RIA, for example, is rarely used at regional or local levels.[1] Uneven coverage of such programmes can seriously reduce the coherence and effectiveness of policy-making processes. In addition, in many situations, RIA is applied to a single regulation, rather than regulatory regimes as a whole. As a result, it can only provide a very broad estimate of cumulative impacts. Finally, RIA has mostly been designed for command and control regulations. It may not be as applicable to performance-oriented regulations and regulatory alternatives, which are increasingly used.

The capacity to carry out and best utilise policy-making tools and regulatory models such as RIA needs to be built up over time. In particular, if it is to become a routine part of policy development, RIA has to be integrated into the policy-making process and not be seen as a "legal" issue. However, integration is a long-term process, which often leads to significant cultural change within the public administration and among the political leadership. The challenge is ensuring that sufficient systems, checks and balances are in place to ensure that RIA does not become a "tick-box" exercise, or becomes a way of justifying pre-determined actions. The recent OECD publication *Regulatory Impact Analysis: A Tool for Policy Coherence* (OECD, 2009h) provides practical guidance on how to improve the performance of RIA systems to promote economic welfare through better quality regulation.

Fostering Integrity

Insufficient safeguards for integrity – particularly those that govern the intersection of the public and private sectors – were a contributing factor to the recent financial crisis. At the same time, the size, scale and speed of government responses to the economic crisis have increased the risks and opportunities for waste, fraud and corruption. As governments act to bolster the economy, strong integrity systems are more important than ever. The effectiveness of government actions also depends on its credibility and on the public's trust in government. Credibility stems from integrity – the ability of government to act in the public interest and to minimise waste, fraud and corruption.

As a result, many countries are reviewing their integrity frameworks. An integrity framework includes the instruments (*e.g.* ethics codes, conflict-of-interest policies, whistle-blowing arrangements), processes and structures for fostering integrity and preventing corruption in public organisations, while considering the contextual factors and conditions that influence their efficacy. Conflict-of-interest disclosures and procedures to report misconduct are two aspects of the OECD integrity framework discussed in Chapter IX. Countries can use these indicators to identify potential steps to strengthen their integrity systems. In addition, the OECD has developed a more comprehensive "checklist" for diagnosing the elements of the integrity framework. It is a practical tool for policy makers and managers to help them review and update existing integrity management solutions.

Besides strengthening their integrity frameworks, countries may need to take targeted action to address particular threats to integrity. Increased government intervention in the economy in response to the financial and economic crises has aggravated risks in three major areas: public procurement, lobbying and conflict of interest in the "revolving door" of post-public employment.

Public procurement

Public procurement has greatly increased over the past 18 months due to the large investments in infrastructure that are a part of fiscal stimulus packages in many countries. As shown in Figure 27.2, public procurement accounted for between 10% and 15% of most OECD member countries' GDP before the crisis. The fiscal stimulus plan in the United States, for example, includes an estimated USD 110 billion (almost 1% of GDP) just for infrastructure projects that support energy efficiency and long-term environmental sustainability.

Procurement is particularly vulnerable to waste, fraud and corruption due to the volume of transactions, financial interests at stake, and the close interaction between the public and private sectors. As shown in Figure 27.1, public procurement was considered to be the government activity most vulnerable to bribery before the crisis. As governments disburse billions of extra dollars to stimulate demand, they have to pay particular attention to the risks of fraud and corruption in the competition for contracts. A survey by Ernst and Young in May 2009 of 2 200 business employees in 21 European countries showed an alarmingly high tolerance of unethical business behaviour amongst European companies. Even after the onset of the crises, one in four respondents judged that making cash payments to win new business was acceptable and 47% of respondents were ready to accept other types of unethical behaviour. Hinting at wasteful business practices, 55% of the respondents expected corporate fraud to increase over the next few years.

Preventing corruption in the public procurement market is crucial to ensure a level playing field and to promote fair competition. With its member countries, the OECD has developed *Principles for Enhancing Integrity in Public Procurement*. These ten Principles draw on examples of good practices at all points in the whole procurement cycle – from the definition of needs to bidding, contract management and payment – to provide a blueprint for enhanced transparency, good management, the prevention of misconduct, and accountability and control. To help countries implement the Principles, the OECD is developing a toolbox to provide generic solutions based on good practices.

Lobbying

Private interests seeking to influence government decisions, legislation or the award of contracts are part of the policy making process in modern democracies. Lobbying can improve government decisions by providing valuable insight and data, but it can also lead to unfair advantages for vocal vested interests if the process is opaque and standards are lax. The public interest is at risk when negotiations are carried out behind closed doors.

Lobbying has become an industry with considerable resources: for example, a record USD 3.28 billion was spent on lobbying at the federal level in the United States in 2008, employing almost 15 000 registered lobbyists. In Canada, the number of lobbyists at the federal level exceeded 5 000. In Europe, the voluntary register of the European Commission, launched in 2008, received over 1 800 lobbyist registrations within the first year alone.

The stakes of lobbying are high, especially in the context of the current financial and economic crises, when actors are seeking to influence government bail outs of selected private firms, to manage massive stimulus packages and to rewrite regulations. For example, the financial services sector in the United States spent USD 3.4 billion lobbying the federal government between 1998 and 2008, principally promoting the deregulation of the financial sector.

In view of the risks of lobbying and the impressive mobilisation of private resources, public pressure is rising worldwide to put lobbying regulations on the political agenda. So far, actual experiences are limited and setting standards and rules for lobbying that are fair, adequately address major concerns and enforceable is proving to be difficult. For example, OECD survey findings show that only six member countries have established rules requiring reporting on lobbying contacts. The publication *Lobbyists, Government and Public Trust: Increasing Transparency through Legislation* (OECD, 2009c) reviews current approaches, models and trends that could help countries in efforts to make lobbying more transparent.

Conflict of interest in the "Revolving Door"

Conflict of interest is a major risk area in both the public and private sectors. The movement of employees between the public and private sectors (the "revolving door" phenomenon) has received particular attention in the context of the financial crisis. In addition to revolving doors at the individual level, the financial crisis has brought attention to emerging conflict-of-interest situations at the institutional level when government agencies became both owner and regulator due to bail outs and nationalisations.

The vast majority of OECD member countries have set general prohibitions and restrictions for post-public employment that are applicable across the whole public service, albeit less tailored to risk areas. However, there are much fewer mechanisms to put these rules into practice, enforce restrictions and impose sanctions in a timely, consistent and equitable manner. Current prohibitions and restrictions predominantly focus on officials leaving public office. Very few countries impose restrictions in the criminal code for the potential or new employer of former public officials. Principally, prohibitions relate to accepting future employment or appointment (*e.g.* to a board of directors, advisory or supervisory bodies) and misusing "insider information". Few countries apply specific restrictions for "switching sides" and lobbying back to government. However, several countries have developed specific standards that focus on the most senior level of officials, including policy makers and top civil/public servants. For example, while assets and liabilities remain the primary focus of conflict-of-interest disclosure requirements for leaders in the legislature and executive, the number of countries requiring information on previous and future employment more than doubled between 2000 and 2009 (Indicator 25).

To help countries improve their systems to handle these issues, the OECD has issued *Guidelines for Managing Conflict of Interest in the Public Service* (OECD, 2003), and has developed a set of principles and a good practice framework for post-public employment systems (OECD, 2009g).

Better co-ordination between levels of government

Managing the relations between levels of government is a key issue in public governance, since almost all countries are decentralised to one degree or another. Central governments depend on the co-operation of sub-central levels to achieve many of their policy objectives. At the same time, in order to carry out their responsibilities, the sub-central levels are often dependent on the collaboration or consent of higher levels. The fiscal crisis reinforces the search for public spending efficiency at all levels of government, which has directly motivated improved co-ordination between central and sub-central governments.

Impact of the crisis on sub-central levels of government

The global economic crisis has increased sub-central government budget deficits and debt due to a "scissors" effect: tax revenues are falling sharply due to decreasing economic activity, while expenditures are rising due to a higher demand for welfare services. The fiscal situation of sub-central governments is important for two reasons. First, their financial difficulties might affect the delivery of public services and public goods and lead to a decrease in long-term potential growth due to cuts in investment. On average, sub-central governments are responsible for 56% of public investment in OECD member countries. In addition, sub-central governments are responsible for welfare services and transfers, which represent about 16% of sub-central expenditures. Second, the measures they take to balance their budgets might be in contradiction to central fiscal stimulus plans.[2] For example, in the United States, sub-central government spending represents 20% of GDP; spending reductions to balance budgets (as most states have implemented) hamper central government efforts to stimulate the economy. In a recent article, Joseph Stiglitz notes that "…[a]bout half of [the US] recovery plan is annihilated by what happens at local level." (Stiglitz, 2009). This is less important in countries like Switzerland where sub-central governments are driving most of the stimulus projects.

Central governments are aware of the financial difficulties that sub-central governments face, and have introduced new mechanisms to facilitate co-ordination. These discretionary, transitory measures comprise a wide variety of instruments, ranging from general purpose and earmarked grants (mainly for capital expenditures) to less conventional instruments such as: incentive mechanisms (such as the French early VAT refund to sub-central governments that commit to not reduce investment); accelerating the roll-out of already existing infrastructure projects; simplifying procedures and regulatory measures; facilitating sub-central governments' borrowing; and temporarily easing budget constraints.[3] Many of these innovative instruments are inspired by regional development policy arrangements, which constitute a way to prioritize public investment in regions through co-funding arrangements.[4]

Key challenges for multi-level governance

Effective management of government relationships horizontally (across ministries) and vertically (across levels) requires narrowing a series of gaps (see Box 1). These gaps result from the fact that one level of government will depend on another for information, skills or resources. Minding these gaps represents one of the primary challenges of multi-level governance. Countries may experience each gap to a greater or lesser degree, but given the mutual dependence that arises from decentralised contexts, and the network-like dynamic of multi-level governance relations, countries are likely to face them simultaneously.

Box 1. **Five dominant gaps that challenge multi-level governance**

Information gap: characterized by information asymmetries between levels of government when designing, implementing and delivering public policy.

Capacity gap: arises when there is a lack of human, knowledge (skill-based and "know-how") or infrastructural resources available to carry out tasks, regardless of the level of government.

Fiscal gap: reflects the difference between sub-central revenues and the expenditures needed to meet their responsibilities. It indicates a direct dependence on higher levels of government for funding in order to meet obligations.

Administrative gap: arises when administrative borders do not correspond to functional economic areas at the sub-central level.

Policy gap: results when line ministries take purely vertical approaches to cross-sectoral policy (*e.g.* energy, water or youth).

Bridging the gaps through co-ordination and capacity building

OECD member and non-member countries are developing and using a broad set of mechanisms to help bridge these gaps, improve the coherence of multi-level policy making, and smooth the disparities that can arise from the allocation of tasks and resources. The set of tools is extensive and ranges from binding mechanisms, such as laws and municipal mergers, to "softer" techniques, such as *ad hoc* meetings and harnessing the work of co-ordinating bodies. *Legal mechanisms* can address the gaps in capacity and fiscal resources and can improve co-ordination by clearly identifying responsibilities. *Contracts* are based on mutual agreement and can help bridge all five gaps; in particular, they can be an effective means to manage vertical interdependences. *Quasi-integration mechanisms* include mergers and various methods of municipal co-operation, thereby affecting co-ordination vertically and horizontally and providing a means to address multiple gaps, including those of capacity. In the case of human resource management, for example, municipal co-operation can lead to pooling resources which may positively affect the capacity of local governments to deliver services in a more effective manner with lower cost. At the "soft" end of the spectrum are *co-ordinating bodies,* such as regional agencies, thematic working groups and task forces, which provide a forum to build capacity and share good practices, and *ad hoc and informal meetings*, which provide an opportunity to build communication, dialogue and networks that are horizontal, vertical and cross-disciplinary. Indicators-based *performance measurement* and *experimentation* in policy design and implementation are also mechanisms to bridge gaps. The main impact of performance indicators is their ability to reinforce linkages among policy stakeholders at different levels of government, and their contribution to learning and capacity building. In addition, systematic gathering of performance information can help identify and evaluate sources of effective and innovative governance practices. Experimentation can synthesise many of the mechanisms explored, can be an effective way for countries to work past resistance to reform, and offers a high possibility of identifying lessons and good practices.

Contributing to fiscal sustainability: the role of fiscal projections

The recent economic crisis has weakened the fiscal health of many countries around the world. Most of these same countries are also facing other severe long-term challenges

– such as demographic change, global climate change and government contingent liabilities – that also have the potential to threaten their fiscal sustainability. In the United States, near-term deficits of 10% to 13% of GDP may appear gigantic, but they are small relative to long-term projections of debt. According to the US Office of Management and Budget, debt will grow from around 60% of GDP in 2010 to nearly 120% in 2040 and 275% in 2080 in the absence of fundamental changes to health programs and other actions. Thus, governments may need to begin thinking of an "exit strategy" to reduce debt and deficits and move on a path towards fiscal sustainability.

Fiscal sustainability incorporates an assessment of four dimensions: *solvency* – the capacity of government to finance existing and probable future liabilities and obligations; *stable economic growth* – the ability of government to sustain economic growth over an extended period; *stable taxes* – the ability of government to finance future obligations without increasing the tax burden; and *intergenerational fairness* – the capacity of government to provide net financial benefits to future generations that are not less than the net benefits provided to current generations. Fiscal sustainability is therefore a concept to evaluate the social, political and financial implications of current and future policies.

In facing these challenges and trying to become better prepared for their fiscal futures, OECD member countries have experimented with several institutional budget reforms, including: the introduction of fiscal rules, especially spending rules; the use of performance information to encourage better value for money and entitlement spending reforms; and, more recently, the preparation of long-term fiscal projections. Indicators in Chapter VII describe how these reforms have been implemented across OECD member countries. For example, all but five OECD member countries use fiscal rules of some kind – most often rules concerning debt and balanced budget (Table 17.2). As part of its exit strategy, Germany has recently passed a new constitutional rule that will take effect in fiscal year 2011. The fiscal rule requires the Federation and *Länder* to generally balance budgets in terms of revenues and expenditures without net borrowing. It is hoped that this reform of the constitutional budget rules will make an important, credible contribution to resolving the crisis by hedging the current increases in spending to stimulate demand against losses in confidence that would arise from permanently higher general government debt. In addition, lawmakers hope that it will adjust the political incentives to increase spending that existed under the prior fiscal rule, which allowed for net borrowing up to the amount of gross investment.

Fiscal projections provide a means to assess fiscal sustainability based on the assumptions of current policies, stable taxes, and other key demographic and micro- and macroeconomic parameters. Fiscal projections offer invaluable signposts for where and when to act on fiscal pressures to avoid obstacles to growth and promote a cleaner and fairer economy. In doing so, they can also help position future governments to better manage unforeseen or less predictable fiscal pressures if and when they arrive. Moreover, long-term projections of the government's fiscal position can help decision makers prepare reforms once economies have resumed sustained growth.

While projections are one way of promoting fiscal sustainability, it is important to remember that they are projections and not predictions. Nor do they automatically restore or strengthen the government's fiscal position. Projections should complement – and themselves be complemented by – the government's short-term fiscal position and structural content of fiscal policies. Effective communication and the linkage of projections to decision-making practices and procedures and subsequent political action are important to manage the short-term political incentives shaping government spending.

Over the last decade, fiscal projections have become increasingly common within OECD member countries. In the mid 1990s, projections were published in only a handful of countries, namely New Zealand, Norway, the United Kingdom and the United States. In 2009, 27 member countries published them – two more than in 2007. As illustrated in Table 17.1, the time horizon of projections varies among countries, from 25 years in Korea to approximately 100 years in the Netherlands, though for most countries it is 41-50 years. Over half of all OECD member countries prepare fiscal projections on an annual basis, five countries prepare them on a regular periodic basis (every three to five years) and two prepare them on an *ad hoc* basis.

Many European Union countries annually report fiscal projections as part of their stability or convergence programme reports, as required by the EU Stability and Growth Pact. European Commission guidelines establish a minimum reporting requirement, a template and a deadline for reporting. Reports include projected budget aggregates in a standardised table along with "all the necessary additional information, both of qualitative and quantitative nature, so as to enable the Commission and the [Economic Policy] Council to assess the sustainability of Member States of public finances based on current policies" (European Commission, 2005). While EU member countries may publish fiscal projections solely for the Commission's reporting requirements, some also do so for domestic procedures. An overview of long-term fiscal projection reports for 12 OECD member countries surveyed is provided in Table 1, on page 31.

Fiscal projections raise the profile of fiscal sustainability, provide a framework to discuss the sustainability of current policies and the possible fiscal impact of reforms, and centralise responsibility for long-term policy analysis. Fiscal projections have been identified as good practice by the OECD since the late 1990s.[5] A recent paper by Anderson and Sheppard (2009) examines the analytical and institutional dimensions of fiscal projections in 12 OECD member countries. Based on their assessment, the authors suggest that fiscal projections should:

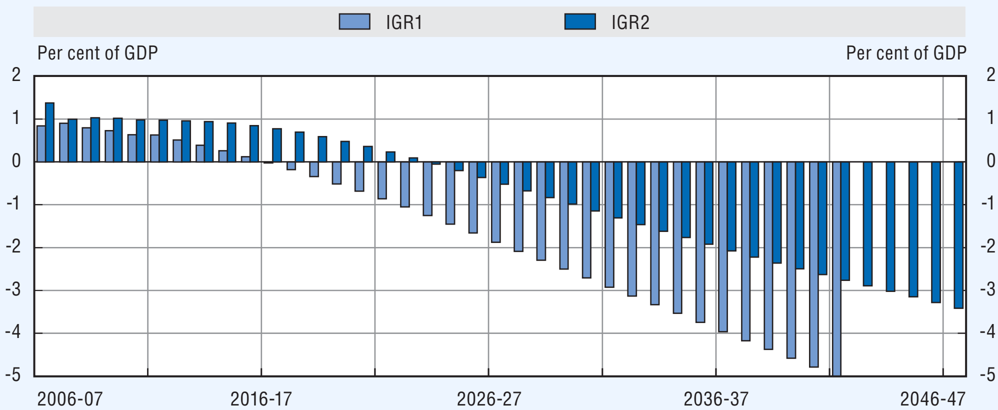
- be prepared on an annual basis to draw attention to the long-term fiscal consequences of current policies and to eliminate discretion over when projections are produced;
- incorporate comparisons with past government assessments to highlight whether the government's fiscal position has improved or deteriorated;
- include sensitivity analysis (or "alternative scenarios") for changes in demographic and macro- and microeconomic assumptions to illustrate the exposure to fiscal risks and the general direction of the impact of this exposure;
- clearly present changes in the methodology, key assumptions and data sources to provide an assurance of their credibility and quality. Projections are uncertain by their very nature and are sensitive to the assumptions underlying them. Disclosure and justification of changes in the underlying assumptions are one means to provide assurance about the quality of projections and a basis for an independent review of a country's fiscal future;
- be used by countries to illustrate the fiscal consequences of past reforms or general policy options. This has the potential to demonstrate to policy makers that while improvements in the country's long-term fiscal position are possible, they may not eliminate the long-term fiscal challenges altogether. However, when creating

Box 2. Australian approach to fiscal sustainability

Australia has given consideration to the issue of long-term fiscal sustainability, and has implemented many best practices for budget transparency (OECD, 2002). Projections of government spending per capita, the primary balance (the difference between revenues and expenditures, not including interest payments on debt) and net government debt are prepared by the Treasurer and presented to the House of Representatives in the Intergenerational Report (IGR). These data are complemented by a measure of the fiscal gap at the end of the projection period. Projections span 40 years and are updated at least every 5 years as required under the Charter of Budget Honesty Act 1998. However, the government has recently agreed to produce the IGR more frequently, updating projections every three years. Two projections have been prepared to date, in 2002/03 (IGR1) and 2007/08 (IGR2).

The 2007/08 report compared its projections of government spending per capita and the primary balance with those in the 2002/03 report. Figure 1 compares the projections of the primary balance between the two reports, illustrating that the projected fiscal position improved.

Figure 1. **Australian Intergenerational Report (IGR) 2007: Comparison of projections of primary balances**



Source: *Intergenerational Report* 2007. Copyright Commonwealth of Australia. Reproduced by permission.

StatLink http://dx.doi.org/10.1787/723233818633

The report analyses the sensitivity of specific projected expenditure categories – but not the projected primary balance, projected net debt or adjusted primary balance – to different Treasury demographic and macroeconomic assumptions. Policy options are also presented for gradual reductions in government spending. The report presents the methodology and key assumptions behind the projections and the sensitivity analysis, which are substantiated by textual discussion. There is not, however, a single high-level summary of key assumptions.

The Commonwealth government considers the intergenerational reports to have been influential in framing public debate on economic policy and focusing attention on the long-term consequences of current policies. The reports are widely used by the executive, ministers and cabinet to inform debates on a range of public policy areas including health, education, family benefits, welfare, superannuation and pensions. Moreover, in addition to the work of the Treasury's Budget Policy Division to prepare the IGR, issues of fiscal sustainability are now considered by a number of other units within the Treasury and the Department of Finance and Deregulation.

The reports have also generated changes to regular budget practices and procedures. Long-term fiscal projections have been embedded into the annual budget document through the inclusion of a 15-20 year (extended medium-term) projection of the underlying cash balance as part of the medium-term fiscal outlook for the federal budget.

projections, it is necessary to carefully review the types of forward-looking simulations used to ensure that policy options are not presented as prescriptions or means of circumventing political consultation about the types of reforms;

- be directly tied to the annual budget process and linked to other budget practices and procedures to ensure that adequate attention is given to the fiscal consequences of current policies. One method could be to link the results of fiscal projections to fiscal rules, such as medium-term expenditure ceilings, or to entitlement benefit formulas through either hard or soft budget triggers.

While sensitivity analysis of fiscal projections for changes in demographic and macroeconomic assumptions are common in the 12 countries examined by the authors, comparisons against the results of sensitivity analysis of past projections are far less so. Although OECD member countries may prepare fiscal projections, the linking of projections to other budget practices and procedures remains weak in many countries. Fiscal projections risk being considered as solely an analytical exercise by economists, far beyond the policy-making realm. In addition, projections are only presented together with the budget in a small number of the countries surveyed. Australia stands out as having implemented many of the OECD suggestions for fiscal projections (see Box 2 above).

What are governance challenges for the future?

A world in flux: Challenges for public governance

Current demographic, financial and environmental challenges have increased the urgency for rethinking the role of government and the capacities it needs to govern. The quality, flexibility and effectiveness of public governance systems are central to countries' capability to address future issues.

In particular, governments are devising new policy instruments or reshaping old ones in radically new ways in efforts to support economic activity, spur new growth and strengthen the framework for well-functioning markets. Governments have bought out financial institutions and bailed out selected private companies, are redesigning regulations and have increased public investment. It is difficult to foresee the potential implications that these measures will have over the longer term; interactions between governments, citizens, businesses and civil society may well function differently in the near term and perhaps far into the future. Moreover, both climate change and the financial crisis have illustrated the importance of global governance systems, now that actions in one or several countries can have world-wide ramifications. As worlds become more interconnected, governments need to be agile to respond quickly in dynamic environments.

Citizens are turning to the state, seeking immediate solutions to complex problems and demanding high-quality public services to meet their changing circumstances and needs. In addition, continuing technological evolution has raised citizens' expectations from government for new ways to communicate and personalise services. Better educated and less deferential citizens are judging their governments both on their "democratic performance" – the degree to which government decision-making processes live up to democratic principles – and their "policy performance" – their ability to deliver positive outcomes for society (OECD, 2009a). While society's expectations of government are increasing, the resources available to meet these needs are becoming more limited. Now many countries are experiencing increased budget deficits, which will generate stronger pressure to reduce public spending. Under these circumstances, rethinking the role of

Table 1. **Overview of reports in the 12 OECD member countries surveyed (2009)**[1]

	Formal reporting obligations	Most recent report title	Responsibility for prepares and release	First/most recent release	Level of analysis/ reporting entity	Most recent time horizon	Frequency produced
Australia	Charter of Budget Honesty 1998	Intergenerational Report 2	Department of the Treasury	2002/2007	Central government	40 years	At least every three years[2]
Canada	n/a	Staff working papers	Department of Finance	2000/2002	General government	40 years	*Ad hoc*
Denmark	EU Stability and Growth Pact	Convergence Programme Report	Ministry of Finance	1997/2008	General government	Until 2070 (fixed)[3]	Annually
Germany	EU Stability and Growth Pact	Report on the Sustainability of Public Finance	Federal Finance Administration	2005/2008	General government	Until 2050 (fixed)[3]	At least every four years
Korea	n/a	Vision 2030	Joint Task Force Team[4]	2006/2006	Central government	25 years	*Ad hoc* basis
Netherlands	EU Stability and Growth Pact	Aging and the Sustainability of Dutch Public Finances	Central Planning Bureau	2000/2006	General government	Until 2100[5]	*Ad hoc* basis
New Zealand	Public Finance Act (1989, as amended)[6]	New Zealand's Long-term Fiscal Position	New Zealand Treasury	1993/2006[7]	Central government	40 years	At least every four years
Norway	n/a	Long-term Perspective for the Norwegian Economy	Ministry of Finance	1993/ 2009[8]	General government	50 years	At least every four years
Sweden	EU Stability and Growth Pact	Sweden's Economy (Budget Bill)	Ministry of Finance	1999/2009	General government	Until 2060 (fixed)[3]	Annually
Switzerland	n/a	Long-term Sustainability of Public Finances in Switzerland	Federal Department of Finance	2008/2008	General government	50 years	At least every four years
United Kingdom	Code of Fiscal Stability 1998[9]	Long-term Public Finance Report	HM Treasury	1999/2008	General government	50 years[3]	Annually
United States	n/a	Analytical Perspectives (Long-run budget outlook)	Office of Management and Budget	1997/2008[10]	Central government	75 years	Annually
	n/a	The Long-term Budget Outlook	Congressional Budget Office	1991/2007	Central government	75 years	Approx. every two years
	n/a	Long-term Fiscal Outlook	Government Accountability Office	1992/2008	Central government	75 years	Three times per year

1. Data are current as of May 2009.
2. **Australia:** In December 2008, the government announced that it would produce the intergenerational report once every three years. Previously, the requirement was that an intergenerational report be produced at least once every five years.
3. **Denmark, Germany, Sweden and United Kingdom:** Fiscal projections also prepared for an infinite time period.
4. **Korea:** Joint Task Force Team consisting of government officials and other experts. Government officials were mainly from the Ministry of Finance and Economy, the Ministry of Planning and Budget, and the Ministry of Health and Welfare. Other experts were involved from the Korea Development Institute and the Korea Institute of Public Finance.
5. **Netherlands:** Time horizon spans until 2100 though the report also separately discusses policies until 2040.
6. **New Zealand:** Legal obligations were first required under the Public Finance Act, 1989, as amended in 2004.
7. **New Zealand:** In 1993 and 1996, as a pre-election report spanning approx. 50 years; since 2000, integrated in the budget for 10 years; since 2006, as a stand-alone report for 40 years.
8. **Norway:** Since 1954, the Cabinet's "Long-term Program" showed the Cabinet's policies for the next four years. Between 1954 and 1973, fiscal projections spanned four years. Between 1973 and 1993, projections spanned 20 years, but only focused on the development of government expenditure compared to projected GDP. From 1993, projections spanned 40-50 years and covered both government expenditure and income/net lending.
9. **United Kingdom:** While the Code does not explicitly mention the words LTPFR, the "Explanation to the Core" states that illustrative projections should be published covering a period of not less than 10 years by the government.
10. **United States (OMB):** The five-year budget projections prepared during the 1970s and 1980s were labelled "long-term" projections. These are considered as medium-term budget estimates in this report.

government and the scope of its activities, as well as improving public sector efficiency and effectiveness have become more urgent. An agenda of "more for less" seems here to stay.

Lessons from past reforms

In the past 25 years, governments have made major changes to the way they manage the public sector. Like today, the impetus for change came from the social, economic and technological developments. While in many countries fiscal stress and stagflation provided the trigger for reform, the underlying pressures for change also came from the fact the governments were increasingly out of step with a changing society which had new and different expectations. The public was more and more concerned about the quality of services they received and the choices available to them. Citizens were also increasingly resistant to government's growing share of the national economy.

Beginning in the 1980s and continuing into the 21st century, most countries aimed to modernise the public sector by introducing market-based mechanisms that would lead to greater cost-efficiency. "New Public Management" entailed a focus on performance (in terms of organisational efficiency and effectiveness), citizens as customers (rather than just constituents), and increased managerial autonomy and disaggregation of government functions. In many countries, these reforms involved a fundamental rethinking of the role and reach of government under the principle that government should "steer, but not row". The first question asked was what goods and services governments should provide, closely followed by whether these goods and services should be provided directly (*i.e.* by government employees) or indirectly (*i.e.* via contracts with private actors but paid from the public purse) and by what level of government. If the ultimate decision was to keep production of goods and services in-house, then leaders asked how performance could be improved and made more efficient and effective.

Public sector use of market-type mechanisms became more common across OECD member countries, due to their potential to produce significant efficiency gains by introducing competition. Privatisation, the move from direct service delivery to the creation and regulation of quasi-markets were popular reforms. Through privatisation, many governments not only removed themselves from several commercial enterprises (*e.g.* airlines), but also withdrew from ownership and provision of utilities such as energy, water and communications. Governments moved from direct provision of some services towards creating and regulating new markets. Some of these trends are illustrated by indicators in *Government at a Glance* on the use of outsourcing (Indicator 8) and the size of employment in government and public corporations (Indicator 9).

Another common reform was to restructure the organisation of government. This often involved separating policy making from service delivery and devolving more authority to state and local governments, dismantling existing organisations and creating new, more autonomous ones. In addition, managers were given more flexibility to make decisions regarding resource needs and use. Indicator 21 illustrates the flexibility granted to the executive to use budgeted funds for different purposes. Likewise, Indicator 13 shows that most countries have increased the role of line ministries in human resource decisions. Individualised employment policies became increasingly common; employment arrangements of public servants became more like those of the private sector by altering the legal status and employment conditions. In order to increase accountability in face of decentralised power, performance targets were established for ministries, agencies and programmes. In addition, performance assessments and performance-related pay were introduced for many employees (Indicator 15).

Due to a lack of data and numerous challenges in measuring outputs and outcomes, governments have a difficult time in determining whether the reforms have really resulted in efficiency gains. In addition, it has been difficult to evaluate not only the short-term effects of reform, but the long-term implications. In many cases, the changes made to rules, structures and processes have not resulted in the intended changes in behaviour and culture. In some cases, reforms have produced unintended or perverse consequences, and have negatively affected underlying governance values. For example, the proliferation of autonomous, arms-length public bodies has made collective action and co-ordination difficult. New Public Management has exacerbated the traditional separation between politics and administration, between policy decisions and their implementation. Dismantling organisations also sometimes led to a loss of continuity, institutional memory and long-term capacity. The focus on contracting and reporting may have come at the expense of coherence of strategy, continuity of values and connecting public interest to individual motivation. In addition, many governments have not developed sufficient oversight capacity, increasing the threat of provider capture. Often, governments adopted reform instruments or ideas from the private sector or from other governments without regard for the country context and/or understanding the inherent limitations and weaknesses of these instruments.

Is there a need for a new paradigm?

While the challenges facing government are not necessarily new, they are stronger and more pressing than in the past. Moreover, additional challenges result from the unintended consequences of reforms undertaken in the past few decades. In light of all these new developments, OECD member countries may need to reassess what has worked well in past 25 years, what has not and why, what might be discarded from those reforms, what needs to be adjusted, what might be further built upon and what are the conditions for success. The sections below lay out three questions that the OECD and its member countries may need to ask as they search for solutions to continue to strengthen their governance capacity.

How can countries achieve a better balance between government, markets and citizens?

More than any other recent event, the advent of the global financial crisis has prompted many to ask: What is the role of government? Should the relationship between government, the private sector, and citizens be redefined? Other challenges facing governments – from demographic shifts to climate change – also suggest the importance of this question and suggest a renewed stewardship role for governments.

The role of government

The 2005 OECD Ministerial Meeting on "Strengthening Trust in Government: What Role for Government in the 21st Century?" concluded that "a responsible government … works for the collective interest, and looks at the medium to long term to ensure that future generations are not short-changed." This idea, this role for government is still valid. Governments seek to better the social welfare of their citizens. What governments may need to rethink is *how* they approach this role: *how* they protect the collective interest, *how* they ensure that short-term considerations do not short change long-term interests and *how* effective they are in improving social welfare. For some, the global financial crisis highlights the legitimate role of government and effective public governance systems in securing the public interest; the downside of fragmented institutional arrangements; and the fundamental role government action plays in attenuating and solving crises. Others may point to the contributions that previous governance reforms and public policies played in generating the incentives that contributed to poor risk management and oversight. The way that governments approach their role to promote the collective interest affects required capacity and skills. In addition, their chosen approach affects the relationship between the public and private sectors.

Government and the private sector

As governments take stock of those areas in which they have responsibility, governments' relations with the private sector clearly deserve re-examination – particularly in the context of how to strengthen the framework for well-functioning markets. While the private sector's pursuit of profits and the government's pursuit of social welfare are not necessarily mutually exclusive, the crisis underscores the shortcomings of the past model of regulating markets to achieve socioeconomic goals. With governments facing unprecedented debt generated by the response to the financial crisis, efficiency gains will be at a premium. But new models to achieve efficiency gains are in order, ones that balance both short- and long-term interests. Market-based models that result in close co-operation with the private sector will continue to be of value, but in selecting and modifying them, governments must look at all relevant factors. For example, while market-based mechanisms have proven a useful tool for delivering public goods and services, assessment of the costs and benefits of relying on the private sector to deliver public services could reveal that short-term efficiency gains may – in some cases – be insufficient to offset long-term implications regarding equity, effectiveness and quality.

As public coffers shrink with the decline in revenue and as demands on the public sector increase, governments need to work with the private sector to enable a competitive business environment, while simultaneously evaluating and modifying the conditions that created the financial crisis. In the area of regulation, many OECD member countries have started to review their market regulations in order to stimulate increased competitiveness and growth. OECD countries who are also members of the EU have done so since 2000 as part of the broad-ranging Lisbon Strategy. While some markets have been deregulated and others have been targeted by improved regulatory regimes, scope exists to better consult and liaise with business on those areas of regulation that continue to stifle growth or competition. While most countries consult informally with selected groups, fewer than two-thirds publish public notices and calls for comments (Indicator 24). The challenge is achieving a balance. Limited regulation combined with deference to the market may have served the short-term well, but has proven highly problematic for companies and citizens alike over the longer-term. This is not to suggest more regulation is needed everywhere, but instead "smarter", better regulation in which rules and oversight processes can be viewed positively for their long-term risk-reducing effect. A "smart" approach includes ongoing reviews of regulations to remove, repeal or amend outdated legislation, to codify regulations to improve comprehension and compliance, and to take better account of the likely impacts compliance requirements may have on business. While most countries apply regulatory impact analysis to some extent, the depths of the systems vary (Indicator 22). As shown in Indicator 23, a large number of countries were heavily engaged in administrative simplification strategies in 2008, and commitments to reducing unnecessary administrative burdens may likely need to continue.

Citizens and government

Establishing and maintaining trust in government, delivering coherent high-quality public services efficiently and equitably, and ensuring responsiveness to societal needs and citizens' and businesses' demands must remain at the top of governments' agendas. Achieving these goals may well require new forms of e-government-supported service delivery, as well as increased choices for users of those services. OECD member countries exhibit a high capacity to implement e-government services (Indicator 29), but not all services may be available online (Indicator 30) and/or citizen usage rates of less than 50% suggest room for improvement (Indicator 31). Greater work may be needed on performance monitoring to better track the quality of services delivered and citizen satisfaction, as well as efficiency. These challenges may mean a growth in "co-design" of public services with citizens, an increase in public-private and public-non profit partnerships, better co-ordination of services across levels of government, or a continued shift in the role of government from service provider to service facilitator.[6]

In some cases, the dynamic between citizens and government may also need to change. The New Public Management approach brought a view of citizens as consumers, and OECD member countries have gone further to view citizens as partners for designing, delivering and evaluating services. Many countries see that innovation and greater productivity in service delivery in the next few years are likely to come from highly professional service providers forging stronger collaborative partnerships with citizens, as the co-production, integration and tailoring of services can save money, reduce unnecessary activity and harness untapped resources (user time, energy and motivation). Yet governments must ask: When and how should governments truly engage citizens?

Democracy and good governance is predicated on the fact that citizens have the right to be publicly engaged, to be consulted and to have their voices heard. Open and inclusive policy making requires that policy makers gather a wider range of views as input for evidence-based policy making and for defining the public interest. Successful practices for citizen engagement in service delivery have provided better information on available services, better access to more personalised services through multiple access points (on line and off line), and greater control of services including the possibility to commission one's own services. Challenges continue to exist, however, regarding consultation during the policy development phase. Notwithstanding efforts on the part of governments, some citizens may not be engaged. Some are "willing but unable" to participate for varying reasons, such as language barriers, geographic distance or disability. Others are "able but unwilling" to participate because they expect officials elected to represent them to do so, do not have time, are uninterested in politics or do not trust governments to make good use of their input. For the "willing but unable" governments may need to lower barriers to participation. This may require public officials to "think outside the box" and hold consultations outside of traditional office hours, including going to citizens, rather than inviting citizens to come to them. The new opportunities offered by Web 2.0 tools for citizens to take initiatives and self-organise open up a new scenario for government-citizen relations. Governments may increasingly move away from leading every public engagement initiative to facilitating and participating in them. For the unwilling, governments may need to examine the worthiness of their claims, reflect on the scope and mechanisms for engagement and, in some cases, make participation more attractive.

There are limitations to citizen engagement which governments may need to recognise: participation of the "willing" may suffer from self-selection bias and can produce consultation fatigue. In some cases, citizens have insufficient information to properly assess the risks of policy options or the long-term implications of policy solutions targeted to today's problems. Likewise, participation can add time to the policy making process. These considerations make choices regarding the scope and type of citizen participation particularly important.

Choices and trade-offs

The global financial crisis, along with the demanding challenges facing governments, is prompting a reassessment of the role of government and the relationship that governments have with markets and citizens. Confronted with the failures in both markets and public governance, citizens are right to demand change. But what will change look like? When might it come? How permanent should changes be? While the overarching role of government may remain the same, how countries approach good governance may shift. In choosing how to change, governments will likely confront trade-offs, such as:

- short-term stabilisation against intergenerational equity;
- competitiveness through deregulation against longer-term risks;
- private service provision against a smaller public sector, but with limited future capacity;
- citizen participation against consultation fatigue.

Ultimately, the traditions and cultural values inherent in any one country's approach to policy design and public governance may not be fully compatible with the values, priorities and risk tolerance of other countries. While the overarching role of OECD governments may be similar, and while governments' actions will likely expand the scope of their responsibilities in the wake of the current challenges, heterogeneity in how they approach that role and the tailoring of new approaches to domestic characteristics is of value. As there is no "optimal" model for public governance, OECD member countries will likely need to seek out good (context-dependent) practices which meet the challenges ahead and from which lessons can be drawn.

What governance capacities or competencies are needed for dealing with global challenges?

The global challenges facing governments bring into sharper focus the requirements for governments to think and act in the long-term, to co-ordinate internationally as well as within central governments, and to analyse and process diverse information due to their complex nature. To address these challenges, governments will need competent staff with the right skills. They will also need to foster collaboration and ensure that high quality information is available and used in decision making. Governments will likely need to develop new competencies, but also to continue to reflect upon current reforms: what has been effective? How do we foster the appropriate conditions for success?

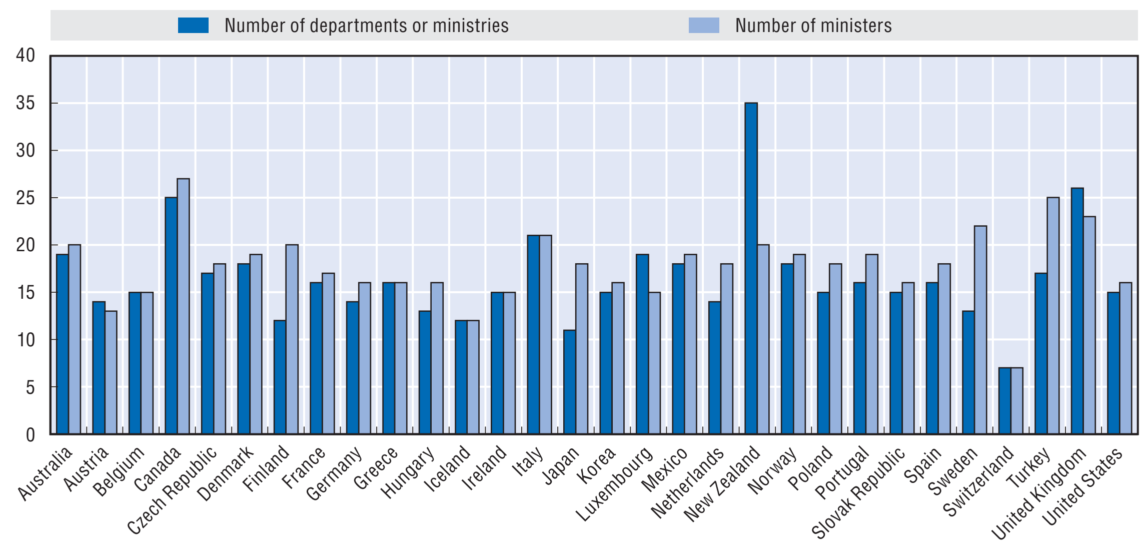
Ability to anticipate future challenges: Strategic planning and forecasting

Climate change, ageing and pandemics are just several of the known challenges facing governments which will require co-ordination and long-term planning to address. These challenges underscore the importance and continued need for improved risk assessment and management in the formulation, pursuit and evaluation of policies designed to serve the public interest. Due to short-term political and electoral imperatives, governments often find it difficult to appropriately predict and anticipate emerging areas of risk, or to adequately assess and anticipate governance challenges and opportunities. In addition, these same pressures can make it difficult to effectively develop and implement long-term responses that span multiple terms of office. Policy planning and forecasting within public administrations has tended to focus more on short- to medium- rather than long-term, with high level programmes of work or strategy statements largely linked to the electoral cycle. One exception has been in budgeting, where countries have adopted tools to incorporate a long- and medium-term perspective, including fiscal rules and projections (Indicator 17) and medium-term expenditure estimates and ceilings (Indicator 19). However, how can governments ensure that these tools are used effectively to inform decision making? How can governments develop the internal skills and capacity to undertake longer-term forecasting from an integrated, whole of government perspective? Developing this broader internal perspective may require greater horizontal co-operation across sectors and functions of government rather than "silo"-based thinking.

Collaboration and co-ordination

Governance challenges are often horizontal in nature, affecting multiple aspects of government activity. Consequently, addressing these challenges often requires co-ordination across ministries. Figure 2 illustrates that central governments vary widely in the number of ministries, with New Zealand at one end with 35 and Switzerland at the other with 7 ministries. Unfortunately, current governance structures can make co-operation difficult. Smaller administrations with fewer, larger ministries may make co-operation easier and offer efficiency gains due to savings in overhead and fixed costs. There are drawbacks, however, in that overly large organisations may make it difficult for managers to pay sufficient attention to all key issues. Large ministries can also mask

Figure 2. **Number of departments or ministries and ministers at the central level of government (2008)**



Source: Member country government websites. Data current as of 31 December 2008.
Note: The data presented refer to the number of ministers that comprise the cabinet at the central level of government and exclude deputy ministers.

StatLink http://dx.doi.org/10.1787/723240588421

internal schisms and breakdowns in information sharing and co-ordination. Traditional inter-ministerial or cross-departmental structures can be useful, but their effectiveness can be limited if actual front-line staff, service delivery agents and those involved in regulatory oversight or control are excluded from deliberations. They can also become formulaic rather than pro-active and innovative. Network approaches to working may offer new ways of improving co-ordination, particularly by facilitating discussion and co-operation across different levels of government, as well as with wider stakeholders. However, increasing co-operation may not just require structural adjustments, but also cultural changes to create an environment and incentives conducive to collaboration. High-level public service leadership may be integral to facilitating these changes, and some countries have taken steps to cultivate a separate group of senior managers (Indicator 16).

Building the right skills: Attracting and retaining the right staff

Under normal circumstances, governments are concerned with attracting and retaining a high calibre staff, and many countries have implemented reforms designed to improve their ability to do so, including delegating HRM decisions to line ministries (Indicator 13), opening recruitment to external candidates (Indicator 14), introducing performance assessments and performance-related pay (Indicator 15), and cultivating a separate senior management group (Indicator 16). Likewise, governments are addressing demographic shifts both internally (within the administration) and externally which can affect their capacity to provide goods and services. For example, central government workforces are ageing more rapidly than the wider labour market in many OECD member countries (Indicator 12) and women are increasingly participating in government employment, often at higher rates than in the wider labour force (Indicator 11).

However, addressing global challenges has both elevated these concerns and added new ones. As a result of the economic crisis, a number of governments are seeking to reduce spending by cutting the number of public service staff and limiting recruitment and promotion opportunities. While this may create opportunities to lose unproductive staff, how can administrations ensure that they are not losing the best of their staff to the private sector, or that they are not creating "generational gaps" or future skills shortages that can affect their capacity to address long-term challenges? Governments and public administrations are making choices now about the nature and shape of the public administrations they want moving into the future. Who within a public administration keeps an eye to future "global" public service needs (*e.g.* in ICT, procurement, project management) and how up-to-date is their information? Are their inputs sought in considering broader policy changes that could impact on service delivery? How have countries with large numbers of political appointees/advisors addressed challenges with building capacity and developing a corporate memory in the broader "permanent" public service?

Supporting evidence-based policy-making: Data collection and assessment

The challenges facing governments have long-term implications and solutions will impact a large part of the economy. As a result, there are many vested interests arguing for one policy option over another. To better provide empirical advice to governments, the public service must be able to readily access and analyse relevant, neutral information. Lobbyists/high-profile stakeholders often have access to alternative data and information sources which may or may not be impartial. On one hand, information has become easier to collect and store as it has become digitised. On the other, decentralisation and fragmentation (including the use of different, incompatible ICT systems) within government have often made it difficult to ensure data coherence, hindering comparisons. To improve the breadth and quality of the data available, it can be important to build the capacity of national statistical offices. Likewise staff involved in policy formulation may need training in how to analyse and critically evaluate data sources. Greater linkages may need to be made between the policy cycle and the breadth and quality of information that is available to administrations. When possible, identification of data needs must be developed in tandem with the planning of service delivery so as to maximise the ability to use operational data. The costs and benefits of requests for additional reporting and/or information from ministries and the public need to be weighed to ensure that unnecessary burdens are not being created. Finally, governments could consider putting more data in the public realm to encourage analysis by think-tanks, academics and non-profits.

Integrating policy making and implementation

The separation of policy making from policy implementation was a common reform in many OECD member countries. However, policy making and implementation are two sides of the same coin and both are necessary for a policy or programme to be successful at attaining its goals. Unfortunately, the separation of policy making and implementation has often broken the information flow, sometimes resulting in both poorly planned policies (which can make effective implementation difficult) and incomplete or partial implementation. The policy cycle is such that challenges regarding enforcement, implementation and compliance of both existing and proposed policy changes need to be considered as early in the policy-making process as possible. As the stakes rise with the size and seriousness of many of the global challenges, it could be important to re-establish the link between planning and implementation.

How can a continued focus on efficiency and effectiveness be reconciled with upholding other fundamental public service values?

Performance – improving it and measuring it – has preoccupied governments for more than half a century. Most recently, governments have tended to define performance in terms of efficiency and effectiveness. This will likely continue in the future as servicing the mounting public debt could lead to less money available for the provision of public services, while governments will be under pressure to increase their level and quality. Consequently, increased emphasis will likely be placed on how well those public services are provided, whether they are targeted appropriately and how much those services cost; *i.e.* whether citizens and businesses get value for their money.

However, the current set of global challenges has also illustrated the importance of defining performance more broadly than just efficiency and effectiveness to include governments' ability to uphold core values such as accountability, transparency and equity. Performance "is not a unitary concept within an unambiguous meaning. Rather, it must be viewed as a set of information about achievements of varying significance to different stakeholders" (Boviard, 1996). Governments cannot provide goods and services efficiently and effectively without ensuring that the basic values of a properly functioning democratic state and economy, such as the rule of law, impartiality and integrity, are upheld. Capacity and performance are not just based on strictly technical aspects of management, but depend on how these aspects link to other fundamental public values. As a result, public management may be experiencing a shift from a more technocratic focus on optimizing technical performance to a truly broader focus on public governance, which entails reincorporating basic public values such as integrity, transparency, accountability, equity and participation into the set of tools for improving efficiency and effectiveness.

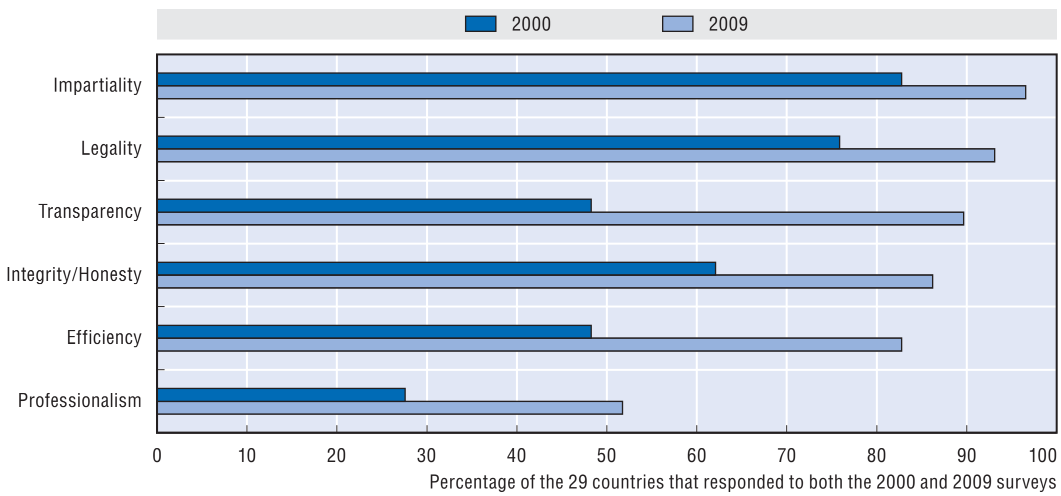
Values form the foundation of the public service. They are encoded in organisations' culture and manifested through attitudes, employee conduct and decision making. Values guide judgement about what is good and improper in serving the public interest. In addition, values stated in public documents shape citizens' expectations about the mission, vision and daily activities of public sector organisations. There is a growing recognition that public servants are not solely motivated by financial rewards for performance, and that public service values play a role in promoting the performance and integrity of government.

Countries are remarkably similar in their stated values despite differences in social, political and administrative contexts. As shown in Figure 3, impartiality and legality have remained the top public service values over the past decade in OECD member countries. They are distinct from the private sector, which emphasises profitability and innovation (van Der Wal and Huberts, 2008).

At the same time, there has been a significant shift in stated core public service values between 2000 and 2009. For example, the number of countries identifying transparency as a core public service value almost doubled in the past decade, while efficiency is also increasingly identified as a core value by member countries, reflecting their increased focus on performance. Over 85% of OECD member countries reviewed and revised the statement of core public service values in the past decade to meet the evolving expectations of society for good governance and for an increasingly results-based public service. Whereas public servants were involved in the update in the majority of OECD member countries, the engagement of the public was not as common; only ten countries consulted citizens in the revision process.

The emphasis on efficiency and effectiveness views government primarily as a service producing entity. However, it is an institutional system that serves a large number of other tasks, including regulation, control, oversight and enforcement. In these activities, values such

Figure 3. **Frequently stated core public service values (2000 and 2009)**



Note: Time series data are not available for the Slovak Republic.

Source: OECD Survey on Integrity (2000 and 2009). Annex D provides data for each country on how core values are communicated to central government employees.

StatLink http://dx.doi.org/10.1787/723362586341

as legality, due process, impartiality and equal treatment are as important as efficiency and effectiveness. Furthermore, it is possible to argue that adherence to basic public values is paramount even in the provision of services. Effectiveness incorporates performance on how well other core public sector values are upheld, *e.g.* the impartiality of administrators when determining eligibility for welfare payments or disability benefits.

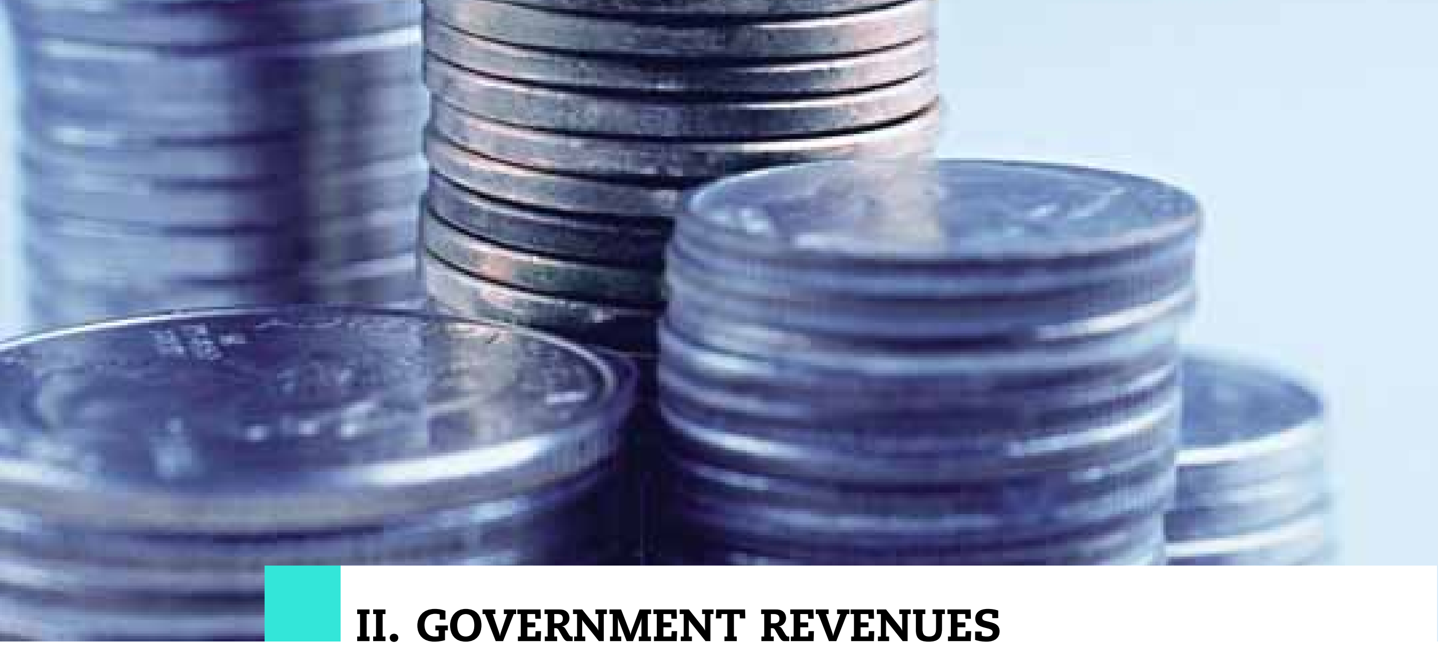
Broadening the definition of performance to include how well core values are upheld may require countries to update management and measurement systems. In doing so, it is important to avoid common pitfalls. Experiences with using performance measurement in management systems both at the individual and organisational level have shown that they can have many unintended consequences. For example, connecting performance to monetary or career incentives could lead to gaming, which entails the manipulation of the output information that is reported (*e.g.* cheating in the reporting process to show better than actual results) or to the alteration of the output itself (*e.g.*"teaching to the test" where staff focus on only those outputs that are measured). In addition, solely focusing on performance measurement can unintentionally set a minimum standard rather than incentivizing improved performance.

Expanding the definition of performance could have benefits given the difficulties inherent in measuring efficiency and effectiveness. Both notions require readily available data on inputs, outputs and the results of government action (outcomes). While the measurement of inputs is well advanced and standardised in OECD member countries, internationally there is an extensive and continuing debate on how to measure outputs and outcomes and how to use this measurement to influence individual, organisational and system-wide behaviour. There are notable advances in output (*e.g.* number of vaccinations provided) and outcome (*e.g.* increased life expectancy) measurement in the education and health sectors, but few countries measure other public sector outputs and outcomes and what is measured varies from country to country. Efficiency analysis also requires cost accounting based on accruals, which is applied in only a few member countries (the United Kingdom, New Zealand and Australia). Measuring effectiveness is also complicated by attribution problems: how much of the measured outcome can be attributed strictly to government action and how much is caused by other factors?

Addressing these issues is one of the key challenges, objectives and ambitions of future editions of *Government at a Glance*. As better and more frequent data become available and more robust analysis can be conducted of government strategies and activities, *Government at a Glance* will contribute to countries' efforts to tackle these areas and learn from others' experiences.

Notes

1. Australia is a notable exception, where several Australian states have pioneered the use of RIA.
2. OECD (2009) "Sub-National Dimension and Policy Responses to the Crisis", contribution to the experts' meeting of the OECD Network on Fiscal Relations Across Levels of Government, OECD, Paris, 12 June, *www.oecd.org/department/0,2688,en_2649_35929024_1_1_1_1_1,00.html*.
3. The instruments mentioned here do not encompass the indirect impact of national stimulus measures on sub-central finances (such as support to specific industrial sectors, employment measures, VAT reductions, tax breaks, reductions in social security contributions, etc.).
4. OECD (forthcoming), "Improving the Outcomes from Regional Development Policy", *OECD Regional Outlook*, OECD, Paris.
5. OECD (2002), "OECD Best Practices for Budget Transparency," *OECD Journal on Budgeting*, Vol. 1, No. 3.
6. OECD (2009), *Rethinking E-Government Services: User-Centred Approaches*, OECD, Paris.



II. GOVERNMENT REVENUES

All governments raise revenues to finance public spending, from highways to schools to social security. The question is what types of revenues to raise – particularly what kind of taxes to levy – how they are applied, and how they affect people and the economy. Does the revenue mix increase or decrease economic growth, improve competitiveness and protect jobs, or widen the gap between rich and poor?

This chapter compares the size and structure of government revenues among OECD member countries, as well as how revenues are collected and shared across levels of government within each country. Tracking revenue sources and levels over time can also shed light on how governments are responding to fiscal pressures.

It is important to note that revenues in any given year do not necessarily match expenditures in that year. For example, revenues collected in 2009 may finance current, past (through interest payments on debt) and/or future (through budget surpluses) expenditures. In addition, within the European Union, the Maastricht criteria include targets for the size of deficits and debts, and all European Union members have requirements for a value-added tax. These targets and requirements may affect the amount and structure of revenues.

1. General government revenues

The amount of revenues collected by countries is related to historical and current political decisions regarding the goods and services governments provide and the way that they are produced. For example, if governments provide support via tax breaks, revenue to gross domestic product (GDP) ratios will be lower. In addition, for OECD member countries that are also members of the European Union, the Maastricht criteria include targets for the size of deficits and debts that may affect the size of revenues in any given year.

The size of government revenues varies greatly across OECD member countries, comprising less than a third of GDP in Turkey to almost 60% of GDP in Norway. When grouped together, Nordic countries collect on average 10 percentage points of GDP more revenues than any other country group. However, in Nordic countries, most social benefits to individuals and households are taxable and account for 3% to 4% of tax revenues. In many other countries, social benefits are not taxable, which lowers both revenues and expenditures as a share of GDP.

Between 1995 and 2006, government revenue as a share of GDP increased slightly for most OECD member countries. When comparing countries according to government revenues as a share of GDP, country positions have remained fairly constant between 1995 and 2006. Government revenues as a share of GDP in Nordic countries were also high in 1995 when compared with other OECD member countries. Government revenues comprise a relatively lower share of GDP in both 1995 and 2006 in the United States, Switzerland and Australia. While Korea still has one of the lowest government revenue to GDP ratios of all OECD member countries, government revenues grew at a substantially faster pace (1.5 times) than GDP between 1995 and 2006, mostly due to changes to the social security system.

The amount of revenues collected per capita is an alternative way of comparing the size of government revenues across countries, and provides a rough assessment of the need for public services, since every person is a potential patient, student or customer. Luxembourg and Norway are clear outliers, with government revenues greater than USD 30 000 per capita in 2006. Nordic countries tend to collect above average government revenues per capita, while Central European countries collect comparatively fewer revenues per capita. Only two countries (the Czech Republic and Korea) experienced real annual growth in government revenues greater than 5% between 2000 and 2006. On average, per capita government revenues grew by about 2% a year in OECD member countries during this period, while real government revenues remained the same in Germany.

Methodology and definitions

Government revenue data are derived from the 2006 OECD National Accounts Statistics, the latest data available for the majority of countries at the time of writing. OECD National Account Statistics are based on the System of National of Accounts (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Using SNA terminology, general government revenue consists of central government, state government, local government and social security funds. Revenues encompass social contributions, taxes other than social contributions, and grants and other revenues. Gross domestic product (GDP) is the standard measure of the value of goods and services produced by a country during a period.

Government revenues per capita were calculated by converting total revenues to USD 2006 using the OECD/Eurostat purchasing power parities (PPP) for GDP and dividing by population. PPP is the number of units of country B's currency needed to purchase the same amount of goods and services in country A. The annual real percentage change was calculated using a deflator for GDP and a base year of USD 2000.

Further reading

OECD, *Benefits and Wages*, *www.oecd.org/els/social/workincentives*.

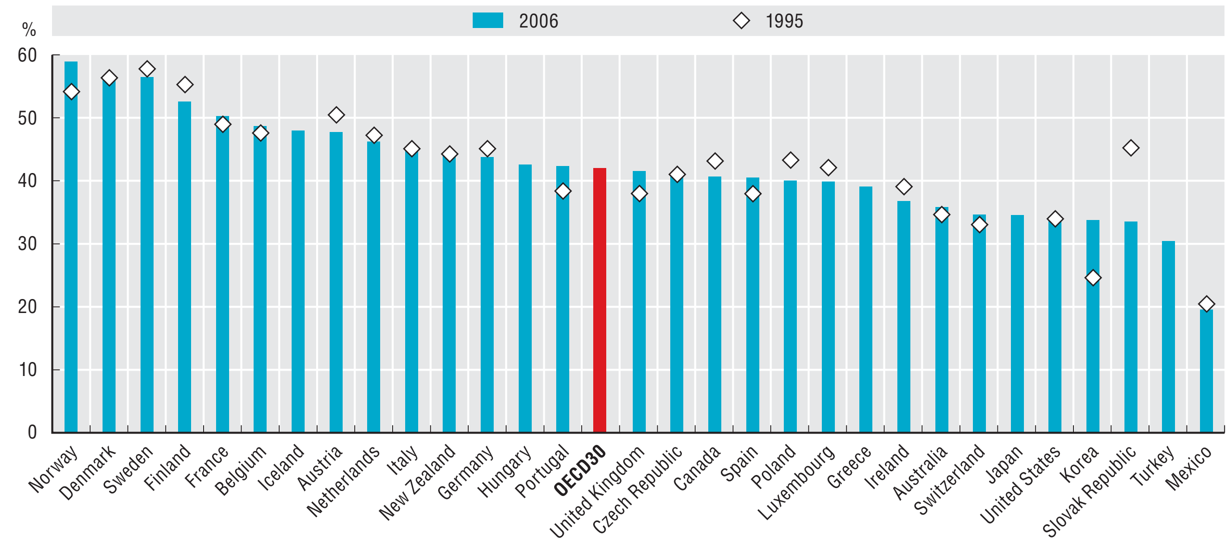
Notes

Data for New Zealand are for 2005 and data for Mexico are for 2004.

1.1: Data for 1995 are not available for Greece, Hungary, Iceland, Japan and Turkey.

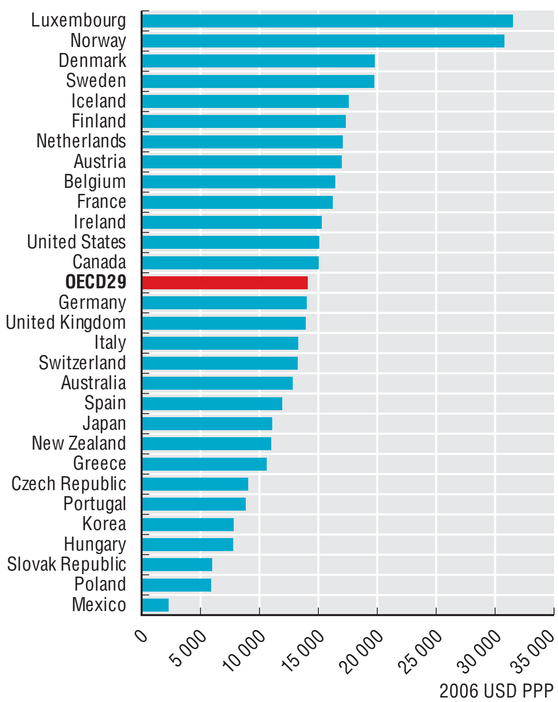
1.2 and 1.3: Data are not available for Turkey.

1.1 General government revenues as a percentage of GDP (1995 and 2006)

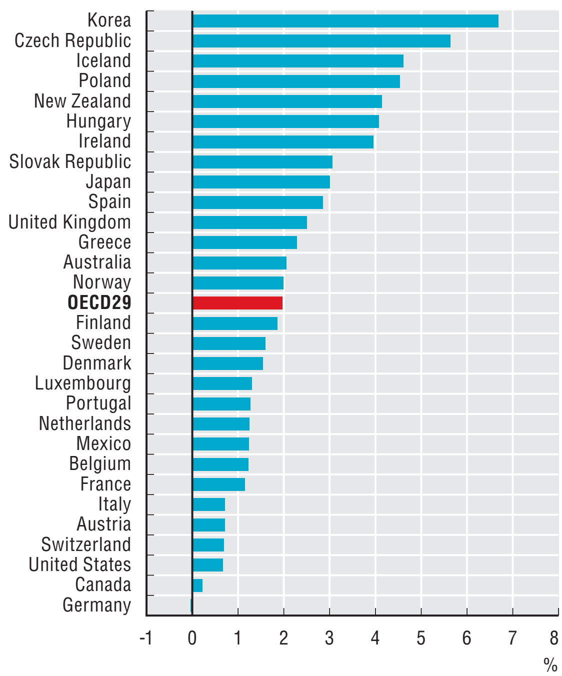


Source: OECD National Account Statistics. Data for Turkey were provided by government officials.

1.2 Revenue per capita (2006)



1.3 Annual real percentage change in revenue per capita (from 2000 to 2006)



Source: OECD National Account Statistics and OECD Population Statistics.

StatLink http://dx.doi.org/10.1787/723364536124

2. Structure of general government revenues

A country's revenue structure determines who pays for public services and goods. By spreading revenues across different instruments, countries can distribute the burden across particular groups of citizens and/or sectors of the economy.

In all OECD member countries, taxes other than social contributions represent the largest *share* of government revenues and this share has increased over the past decade. The proportion of general revenues financed by taxes other than social contributions increased in all but four countries between 1995 and 2006. In some cases, such as Italy, this is due to fiscal reform and the introduction of new taxes which increased total tax collections. In all OECD member countries, grants and other revenues (such as fees and sales of natural resources) are the smallest sources of revenue, usually representing between 10% and 15% of total revenues. Norway raises over 25% of revenues from other sources, mostly from the sale of oil resources.

While economic research suggests that the cumulative effect of taxes on economic growth is moderate, recent research (OECD, 2008b) has suggested that there is a relationship between the types of taxes imposed and economic growth. In general, property taxes (particularly taxes on immovable property) seem to be the most growth-friendly followed by consumption taxes and then by personal income taxes. Corporate taxes seem to be the most harmful for growth.

Methodology and definitions

Revenue data are derived from the 2006 OECD National Accounts Statistics, the latest data available for the majority of OECD member countries at the time of writing. OECD National Account Statistics are based on the System of National of Accounts (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Using SNA terminology, general government revenue consists of central, state and local government, and social security funds. Revenues encompass social contributions (*e.g.* contributions for pensions, health and social security), taxes other than social contributions (*e.g.* taxes on consumption, income, wealth, property and capital), and grants and other revenues.

Grants can be from foreign governments or international organisations. Other revenues include sales, fees, property income and subsidies. The aggregates presented (taxes other than social contributions, social contributions, and grants and other revenues) are not directly available in the OECD National Accounts, and were constructed using sub-account line items. Details about how they were constructed are available in Annex A. The data presented in 2.3 are from OECD Revenue Statistics.

There are some differences between the definitions of tax revenues used in OECD Revenue Statistics and in the SNA. In general, SNA definitions have been adopted in this analysis to permit the use of a single dataset covering all types of government revenues. (The impact of these definitional differences on the presentation is relatively small.)

Further reading

Arnold, J. (2008), "Do Tax Structures Affect Aggregate Economic Growth? Empirical Evidence from a Panel of OECD Countries", OECD Economics Department Working Papers, No. 643, OECD, Paris.

OECD (2008a), *Revenue Statistics 1965-2007*, OECD, Paris.

OECD (2008b), "Taxation and Economic Growth", Economics Department Working Papers, No. 620, OECD, Paris.

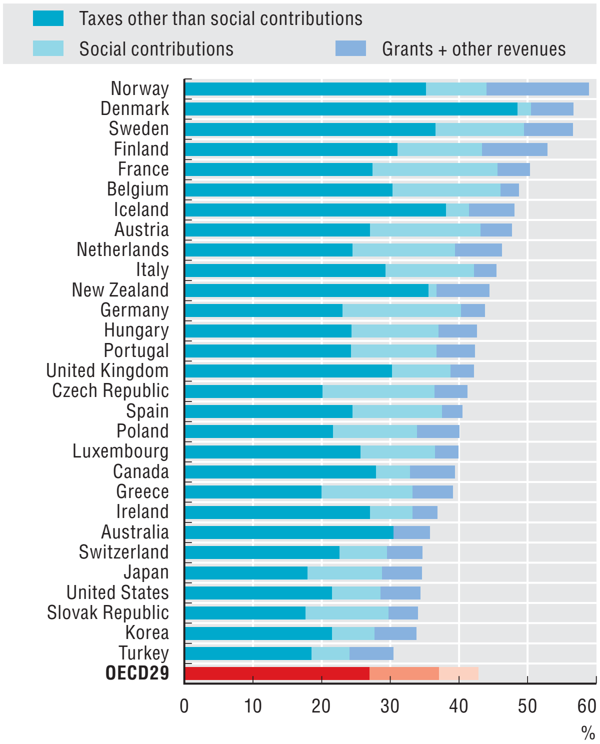
Notes

Australia does not collect revenues via social contributions because it does not operate government social insurance schemes.

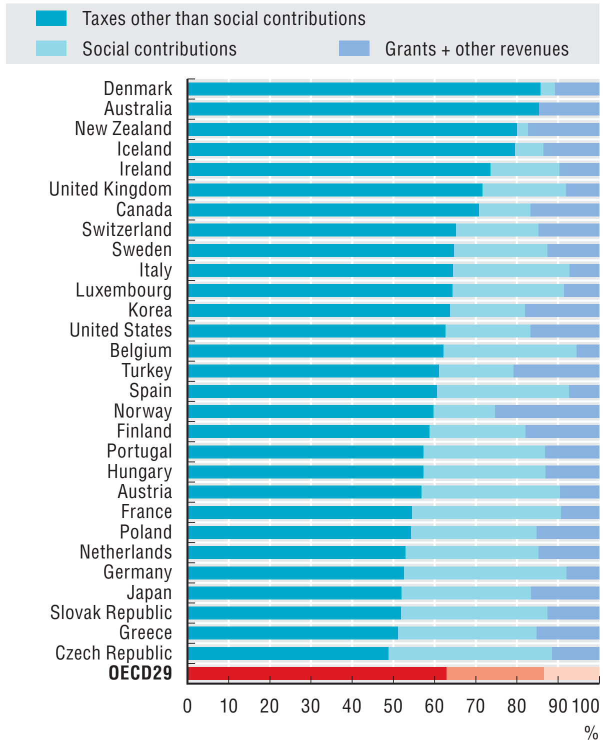
2.1 and 2.2: Data for New Zealand are for 2005. Data are not available for Mexico. Slight differences between 1.1 and 2.1 in total revenues as a percentage of GDP are due to the use of different data tables within the OECD National Accounts.

2.3: Data for New Zealand are for 1995 and 2005. Data are not available for Canada, Greece, Hungary, Iceland, Japan, Korea, Mexico and Turkey.

2.1 Structure of general government revenue as a percentage of GDP (2006)

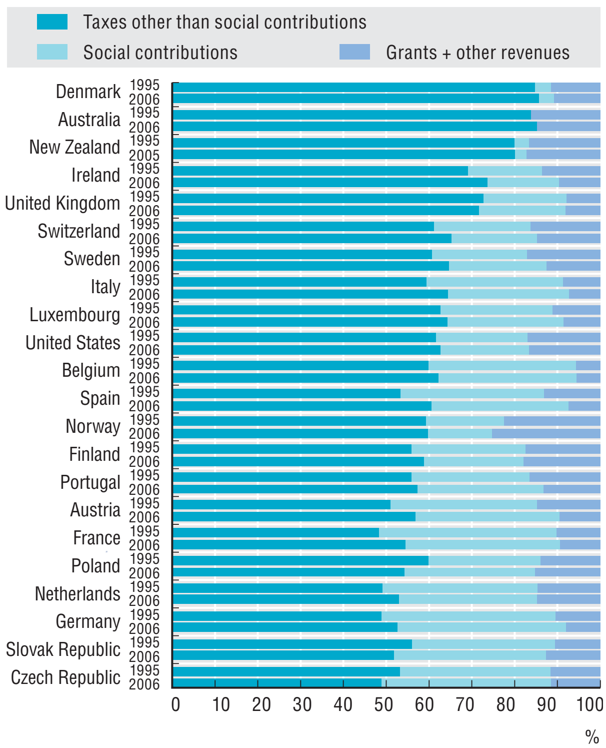


2.2 Structure of general government revenue (2006)



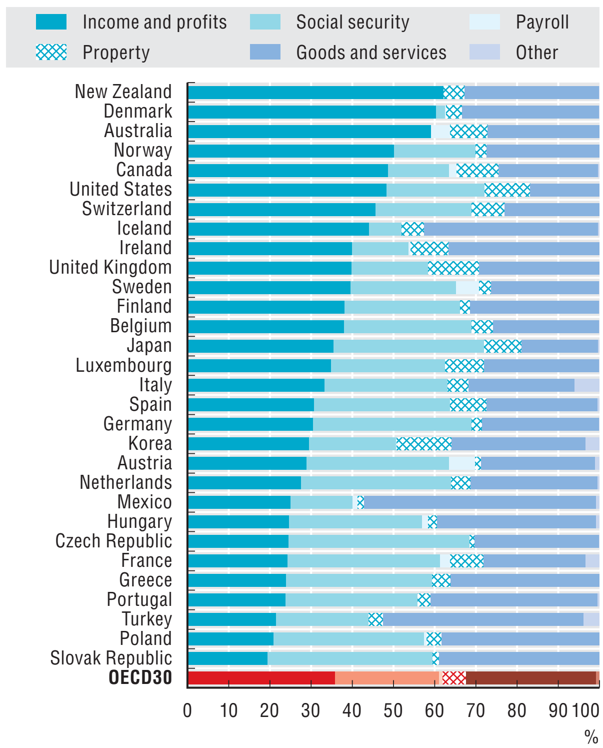
Source: OECD National Accounts Statistics. Data for Canada and Turkey were provided by government officials.

2.3 Structure of general government revenue (1995 and 2006)



Source: OECD National Accounts Statistics. Data for Canada and Turkey were provided by government officials.

2.4 Tax structure of general government (2006)



Source: OECD Revenue Statistics.

StatLink http://dx.doi.org/10.1787/723370242227

3. Revenue structure by level of government

Revenue structures and transfers between government levels illustrate the degree of fiscal autonomy of sub-central governments and their ability to shape public policy and public service delivery. These abilities are also affected by a country's institutional structure; federal states share sovereignty with sub-central governments that, consequently, may have more power to shape public policies.

In most OECD member countries, the majority of revenues are collected by the central government. Taxes other than social contributions are the main source of financing for central government budgets and generally represent between 80% and 90% of revenues. In almost all countries, grants and other revenues form the second largest source of central government revenues, comprising around 10% of finances. Most social contributions finance social security funds and therefore form a small proportion of revenues collected by central and sub-central governments.

In contrast to the relative homogeneity of central government revenue structures, the discretion over fiscal resources available to state and local governments varies considerably. Limits on sub-central governments' ability to set their own local tax bases, rates and reliefs reduce their power to generate their own revenue sources and potentially their ability to provide more tailored public services. Of the OECD member countries with federal systems, German states raise the most revenues via taxes other than social contributions, over 70% of state finances. In contrast, Belgian states collect less than 20% of their revenues from taxes other than social contributions.

Intergovernmental grants and other revenues are the key feature of local government finances in most countries, representing over 50% of revenues on average. Intergovernmental grants can be earmarked (tied to specific uses) or general, and can be used by central governments to compensate for a weak tax base in some localities or to ensure territorial cohesion in policies and services.

Methodology and definitions

Revenue data are derived from the 2006 OECD National Accounts Statistics, the latest data available for the majority of OECD member countries at the time of writing. OECD National Account Statistics are based on the System of National of Accounts (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Using SNA terminology, general government revenue consists of central, state and local governments, and social security funds. State government is only applicable to the nine OECD member countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a *de facto* federal state in the National Accounts data), Switzerland and the United States. To calculate the share in general government revenues by level of government, transfers between the levels were excluded. Revenues encompass social contributions (*e.g.* contributions for pensions, health and social security), taxes other than social contributions (*e.g.* taxes on consumption, income, wealth, property and capital), and grants and other revenues. Grants can be from foreign governments, international organisations or other general government units. Other revenues include sales, fees, property income and subsidies. The aggregates presented (taxes other than social contributions, social contributions, and grants and other revenues) are not directly available in the OECD National Accounts, and were constructed using sub-account line items. Details about how they were constructed are available in Annex A.

Notes

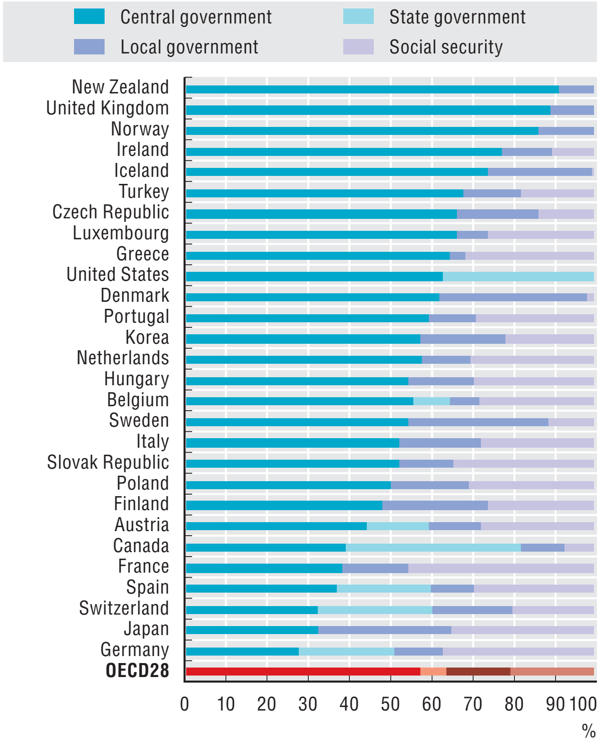
Data for New Zealand are for 2005. Breakdown between state and local governments is not available for the United States; therefore, local government revenues are included in state government revenues.

3.1: Data are not available for Australia and Mexico. Social security funds are included in central government revenues in New Zealand, Norway, the United Kingdom and the United States.

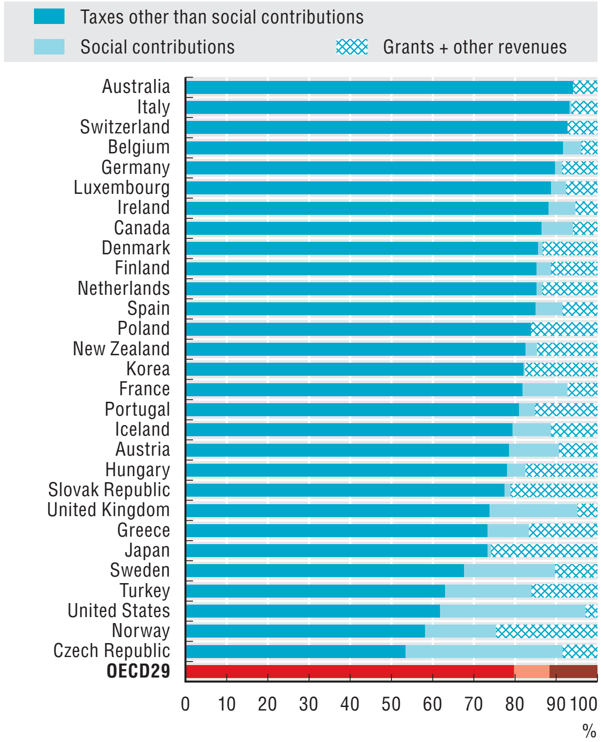
3.2 and 3.3: Data are not available for Mexico.

3.4: Data are not available for Mexico and the United States.

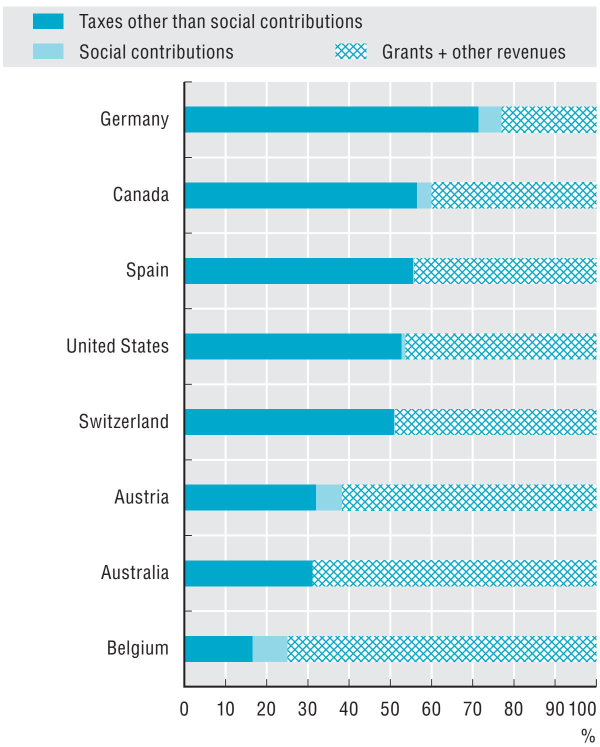
3.1 Distribution of general government revenues across levels of government (2006)



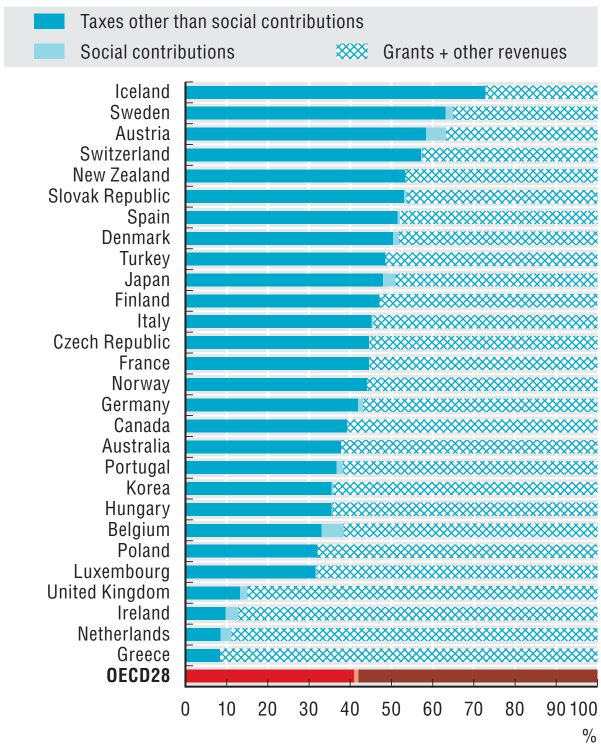
3.2 Structure of central government revenues (2006)



3.3 Structure of state government revenues (2006)



3.4 Structure of local government revenues (2006)



Source: OECD National Accounts Statistics. Data for Australia, Canada and Turkey were provided by government officials.

StatLink http://dx.doi.org/10.1787/723418413857

III. GOVERNMENT EXPENDITURES

Governments spend money producing and purchasing goods and services (e.g. *defence, education and health care) and on redistribution programmes* (e.g. *pensions and unemployment insurance). This chapter compares the size of government expenditures across countries and analyses how much of public budgets are spent on various functions. It also disaggregates expenditures by level of government, permitting comparisons of how responsibilities for providing goods and services vary across countries. For example, in some countries, education is mainly the responsibility of central governments, whereas in others, local governments play a larger role. Tracking these variables over time can illustrate how priorities change in response to the challenges facing governments.*

The data in this chapter are from the OECD National Accounts. The data are based on the 1993 System of National Accounts (SNA) or on the 1995 European System of National Accounts (ESA), so that all countries use a common set of definitions. The comparability of the data can be affected in two ways. First, despite the efforts of internatinal organisations to ensure international consistency, national differences in implementing SNA/ESA definitions may affect the comparability of government expenditures across countries. Second, changes in implementing SNA/ESA definitions can affect the comparability of data within a country over time. Consequently, metadata should be consulted when making comparisons.

4. General government expenditure

Government expenditures as a share of GDP and expenditures per capita indicate the size of the government and reflect historical and current political decisions about its role in providing services and in redistributing income. However, a large part of the variation in these ratios across countries display the different approaches to delivering goods and services and giving social support, rather than true differences in resources spent. For instance, if support is given via tax breaks rather than direct expenditure, expenditure/GDP ratios will naturally be lower. In addition, for OECD member countries that are members of the European Union, the Maastricht criteria include targets for the amount that expenditures can exceed revenues in any given year. Finally, it is important to note that the size of expenditures does not reflect government efficiency or productivity.

Since 1995, the spead in the size of government spending relative to GDP has narrowed in OECD member countries. Whereas government expenditures ranged from about 20% and 65% of GDP in 1995, today spending comprises between 30% and 55% of GDP in OECD member countries. Government expenditures as a share of GDP declined in all but two countries between 1995 and 2006. This decline can be attributed to an increase in GDP rather than a contraction in general government spending in an absolute sense. In comparison, government expenditures as a share of GDP rose slightly in Portugal and by a larger margin in Korea during this period. Despite the major increase in government expenditures as share of GDP in Korea since 1995, expenditures relative to GDP in 2006 remained low in Korea when compared to other countries. Continuing to track these variables over time will permit analysis of the medium- and long-term effects of recent increases in expenditures made by OECD member countries to stimulate their economies in response to the global financial crisis.

The range in government expenditures per capita is large; Luxembourg spent over ten times more per capita than Mexico on public services and goods. Expenditures per capita have risen in all OECD member countries since 2000, but have grown the fastest in Korea and the Central European countries of Hungary, the Czech Republic and Poland.

Methodology and definitions

Data are derived from the 2006 OECD National Accounts statistics, the latest data available for the majority of OECD member countries at the time of writing. OECD National Accounts Statistics are based on the System of National Accounts (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. In SNA terminology, general government consists of central, state and local governments and social security funds. Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period.

Government expenditures per capita were calculated by converting total public expenditures to USD 2006 using the OECD/Eurostat purchasing power parities (PPP) for GDP and dividing by population. PPP is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A. The annual real percentage change was calculated using a deflator for GDP and a base year of USD 2000.

Further reading

OECD, *Benefits and Wages*, *www.oecd.org/els/social/workincentives*.

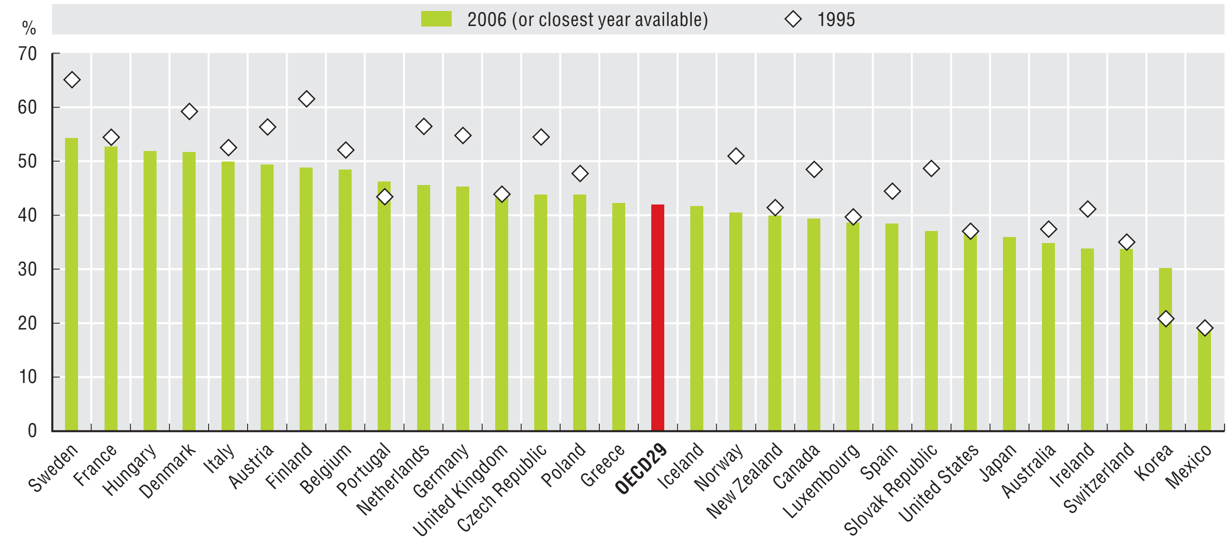
OECD (2008), *National Accounts of OECD Countries*, OECD, Paris.

Notes

Data for New Zealand are for 2005 and data for Mexico are for 2004. Data are not available for Turkey.

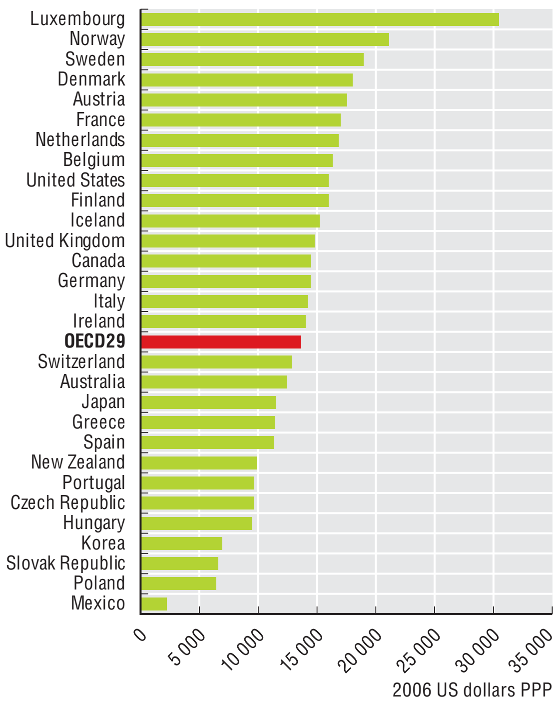
4.1: Data for 1995 are not available for Greece, Hungary, Iceland and Japan.

4.1 General government expenditures as a percentage of GDP (2006)

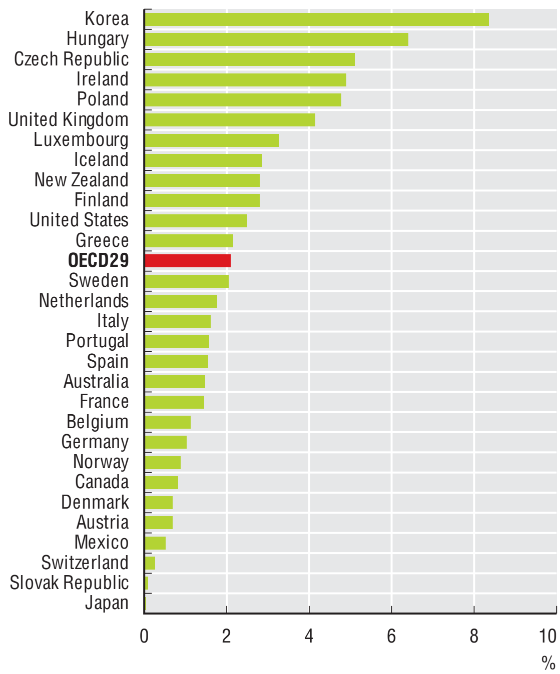


Source: OECD National Account Statistics.

4.2 Government expenditures per capita (2006)

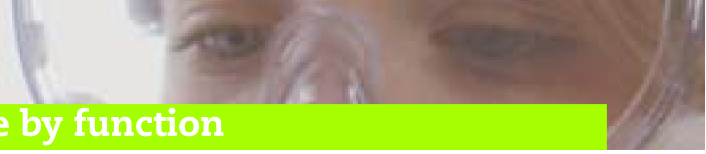


4.3 Annual real percentage change of government expenditures per capita (from 2000 to 2006)



Source: OECD National Account Statistics and OECD Population Statistics.

StatLink http://dx.doi.org/10.1787/723433536816



5. General government expenditure by function

Governments can choose to spend their money on a variety of goods and services, from providing child care to building bridges to subsidising alternative energy sources. For OECD member countries that are members of the European Union, common policy goals regarding economic growth, agriculture, energy, infrastructure, and research and development (among others) may also affect the structure of expenditures.

The variance among countries in expenditures as a share of GDP is mainly explained by political differences about the role of government in providing social protections (unemployment insurance, old age pensions and disability benefits). When government spending on social protection is excluded, expenditures range between 20% and 30% of GDP in all countries. Social protection is the largest category of expenses in all but three countries: Korea spends the most on economic affairs whereas the United States and Iceland spend more on health than any other government function.

Aside from social protection, OECD member countries spend the largest share of GDP on health, education and general public services (which includes public debt payments). Defence spending as a share of GDP is notably high in the United States, Korea, the United Kingdom and Greece compared to other OECD member countries. In general, OECD member countries spend the least amount of government financial resources on environmental protection and housing and community amenities.

The share of resources devoted to different activities has also shifted over the past decade. OECD member countries today spend a larger proportion of resources on social protection and health than in 1995. In most cases, the proportional increases in funds spent on social protection and health were balanced by proportional decreases in funds spent on general public services. In some countries, such as Italy, expenditures on general public services fell due to reductions in interest payments on debt. The large drops in spending on housing and community amenities in the Netherlands and on economic affairs in the Czech Republic and Germany between 1995 and 2006 are due to large, one-off capital expenditures in 1995.

Methodology and definitions

Data represent government expenditures in 2006, the latest data available for a majority of OECD member countries at the time of writing. Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into 10 functions: general public services; defence; public order and safety; economic affairs; environmental protection; housing and community amenities; health; recreation, culture and religion; education; and social protection. Further information about the types of expenditures included in each category is available in Annex B. General government consists of central, state and local governments and social security funds. Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period.

Further reading

Structure of general government expenditures by function (1995 and 2006), available on line at: *http://dx.doi.org/10.1787/723501646741*

OECD (2007), *Health at a Glance 2007: OECD Indicators*, OECD, Paris.

OECD (2008), *Education at a Glance 2008: OECD Indicators*, OECD, Paris.

OECD (2008), *National Accounts of OECD Countries*, OECD, Paris.

OECD (2009), *Society at a Glance 2009: OECD Social Indicators*, OECD, Paris.

Notes

Data for New Zealand, Norway and the United Kingdom are for 2005.

5.1: Data are not available for Australia, Mexico, Switzerland and Turkey. Slight differences among 4.1, 5.1, 7.1 and 7.2 in total expenditures as a percentage of GDP are due to the use of different data sources.

5.2: Time series data are not available for Australia, Hungary, Iceland, Japan, Mexico, New Zealand, Poland, the Slovak Republic, Switzerland and Turkey.

5.1 General government expenditures by function as a percentage of GDP (2006)

	General public services	Defence	Public order and safety	Economic affairs	Environ-mental protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection	Total
Sweden	7.7	1.7	1.3	4.8	0.4	0.7	6.8	1.1	7.1	22.7	54.3
France	6.9	1.8	1.3	2.9	0.8	1.9	7.2	1.5	6.0	22.3	52.7
Hungary	9.6	1.4	2.2	6.3	0.7	1.1	5.5	1.7	5.8	17.7	51.8
Denmark	6.0	1.6	1.0	3.5	0.5	0.5	7.0	1.6	7.7	21.8	51.2
Italy	8.7	1.4	1.9	5.9	0.8	0.7	7.0	0.8	4.5	18.2	49.9
Austria	6.7	0.9	1.5	4.6	0.4	0.6	7.2	1.0	5.9	20.6	49.3
Finland	6.5	1.5	1.5	4.5	0.3	0.3	6.8	1.1	5.8	20.4	48.9
Belgium	8.4	1.0	1.6	5.0	0.6	0.4	6.9	1.3	5.8	17.2	48.3
Portugal	6.9	1.3	1.9	3.8	0.5	0.6	7.2	1.0	7.1	16.0	46.3
Netherlands	7.3	1.5	1.7	4.7	0.8	1.0	5.9	1.4	5.1	16.4	45.6
Germany	6.0	1.1	1.6	3.3	0.5	0.9	6.2	0.6	4.0	21.2	45.4
United Kingdom	4.9	2.5	2.6	2.8	1.0	0.9	7.1	0.9	5.8	15.9	44.3
Czech Republic	4.9	1.2	2.2	7.0	1.2	1.2	7.2	1.3	4.9	12.7	43.8
Poland	5.9	1.2	1.8	4.4	0.6	1.2	4.7	1.1	6.0	16.9	43.8
Greece	8.2	2.3	1.1	4.5	0.6	0.4	4.7	0.3	2.3	18.0	42.4
Norway	3.9	1.5	1.0	3.7	0.6	0.6	7.2	1.1	5.8	16.2	41.7
Iceland	4.8	0.1	1.4	5.9	0.7	0.6	8.1	3.6	8.3	8.1	41.7
New Zealand	5.3	1.0	1.9	4.2	1.3	0.7	6.6	1.1	7.4	10.3	39.9
Canada	7.3	1.0	1.6	3.4	0.5	0.9	7.3	0.9	7.2	9.2	39.2
Luxembourg	4.0	0.2	0.9	4.5	1.0	0.6	4.6	1.7	4.5	16.4	38.6
Spain	4.6	1.1	1.8	5.0	0.9	0.9	5.6	1.5	4.3	12.8	38.5
Slovak Republic	5.1	1.8	2.2	4.2	0.7	0.9	5.4	0.9	4.2	12.4	37.7
United States	4.8	4.3	2.1	3.7	0.0	0.6	7.7	0.3	6.2	7.0	36.7
Japan	5.0	0.9	1.4	3.6	1.2	0.6	7.1	0.2	3.8	12.2	36.1
Ireland	3.5	0.5	1.4	4.5	0.6	1.3	7.7	0.6	4.1	9.6	33.7
Korea	4.0	2.8	1.4	6.4	1.0	1.2	4.1	0.9	4.7	3.7	30.2
OECD26	**6.0**	**1.4**	**1.6**	**4.5**	**0.7**	**0.8**	**6.5**	**1.1**	**5.6**	**15.2**	**43.5**

5.2 Change in general government expenditures by function as a percentage of GDP (1995 and 2006)

	General public services	Defence	Public order and safety	Economic affairs	Environ-mental protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection	Total
Sweden	–3.0	–0.7	–0.1	–1.2	0.2	–2.0	0.5	–0.8	0.0	–3.8	–10.8
France	–1.2	–0.7	0.0	–0.9	0.3	0.3	0.7	0.4	–0.6	0.0	–1.7
Denmark	–4.3	–0.2	0.0	–0.8	0.0	–0.2	0.1	–0.1	0.2	–2.7	–8.0
Italy	–5.4	0.2	–0.1	1.4	0.1	–0.1	1.7	0.0	–0.2	–0.1	–2.6
Austria	–2.0	–0.1	–0.1	–0.9	–0.9	–0.5	–0.5	–0.1	–0.3	–1.6	–7.0
Finland	–1.3	–0.5	0.0	–4.4	0.0	–0.5	0.6	–0.1	–1.1	–5.4	–12.7
Belgium	–3.8	–0.5	0.2	0.0	–0.1	0.1	0.8	0.4	–0.1	–0.8	–3.7
Portugal	–2.0	–0.4	0.3	–1.5	0.0	–0.1	1.6	0.2	0.9	3.9	2.9
Netherlands	–3.2	–0.5	0.3	–0.1	–0.1	–5.3	2.1	0.2	–0.2	–4.0	–10.8
Germany	–0.7	–0.3	–0.1	–7.8	–0.5	0.1	–0.1	–0.2	–0.3	0.5	–9.3
United Kingdom	–1.0	–0.6	0.4	–0.6	0.5	–0.1	1.5	0.0	1.1	–1.5	–0.3
Czech Republic	0.5	–0.6	–0.5	–13.2	0.1	0.2	1.3	0.2	0.6	0.8	–10.6
Greece	–7.6	0.6	0.5	–0.2	0.1	0.0	0.9	0.1	–0.3	2.7	–3.1
Norway	–2.2	–1.0	0.0	–3.2	–0.4	–0.3	0.3	–0.2	–0.7	–1.8	–9.5
Canada	–5.1	–0.4	–0.3	–0.8	–0.1	–0.1	1.2	–0.1	–1.5	–2.0	–9.3
Luxembourg	0.0	–0.3	0.2	–0.2	–0.3	–0.4	–0.3	0.2	0.1	–0.1	–1.0
Spain	–2.9	–0.3	–0.2	–0.7	0.1	–0.2	0.3	0.1	–0.3	–1.9	–5.9
United States	–1.8	0.3	0.2	0.1	0.0	–0.1	1.0	0.0	0.3	–0.4	–0.3
Ireland	–4.0	–0.5	–0.4	–0.9	0.1	0.5	1.6	0.2	–0.9	–3.0	–7.5
Korea	1.5	0.0	0.2	1.2	0.3	0.3	2.8	0.5	1.0	1.8	9.4

Source: OECD National Account Statistics.

StatLink http://dx.doi.org/10.1787/723501646741

6. General government expenditure by level of government

The responsibility for financing goods and services fall to different levels of government across OECD member countries. For example, in some countries, policing is the responsibility of local government while in others it falls to central authorities. However, these are also affected by a country's institutional structure: when central governments in federal states share sovereignty with sub-central governments, those sub-central governments may have more power to shape policies and programmes.

While central governments on average spend the largest proportion of total government resources, the level of fiscal decentralisation varies across OECD member countries. For example, in New Zealand (a unitary state), the central government accounts for 90% of all spending, reflecting a high level of centralisation; although goods and services may be delivered locally, they are paid for by the central government. In contrast, the central government accounts for less than 15% of total expenditures in Switzerland, a federal state where regional and local governments play a much larger role in financing goods and services directly.

In general, central governments spend relatively larger proportions of their budgets on general public services, social protection and defence than sub-central governments. Expenditures on social protection represent the largest proportion of central government budgets for about half of OECD member countries. The central governments of Spain and Belgium concentrate on general public services (accounting for over 50% of total expenditures). Although defence is predominately the responsibility of central governments in OECD member countries, it accounts for less than 6% of total expenditures on average.

Education, recreation, environmental protection, and housing and community amenities are generally the responsibility of sub-central governments, comprising larger proportions of state and local spending relative to central government expenditures.

Methodology and definitions

Data represent government expenditures in 2006, the latest data available for a majority of OECD member countries at the time of writing. Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into 10 functions: general public services; defence; public order and safety; economic affairs; environmental protection; housing and community amenities; health; recreation, culture and religion; education; and social protection. Further information about the types of expenditures included in each category is available in Annex B. General government consists of central, state and local governments and social security funds. State government is only applicable to the nine OECD member countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a *de facto* federal state in the National Accounts data), Switzerland and the United States.

Data in 6.1 exclude transfers between levels of government and thus provide a rough proxy of the overall fiscal burden for providing goods and services borne by each level of government. However, data on expenditures at the central and state levels (6.2 and 6.3) include transfers to local governments in addition to expenditures on goods and services, and therefore illustrate how much is spent on each function at each level of government.

Further reading

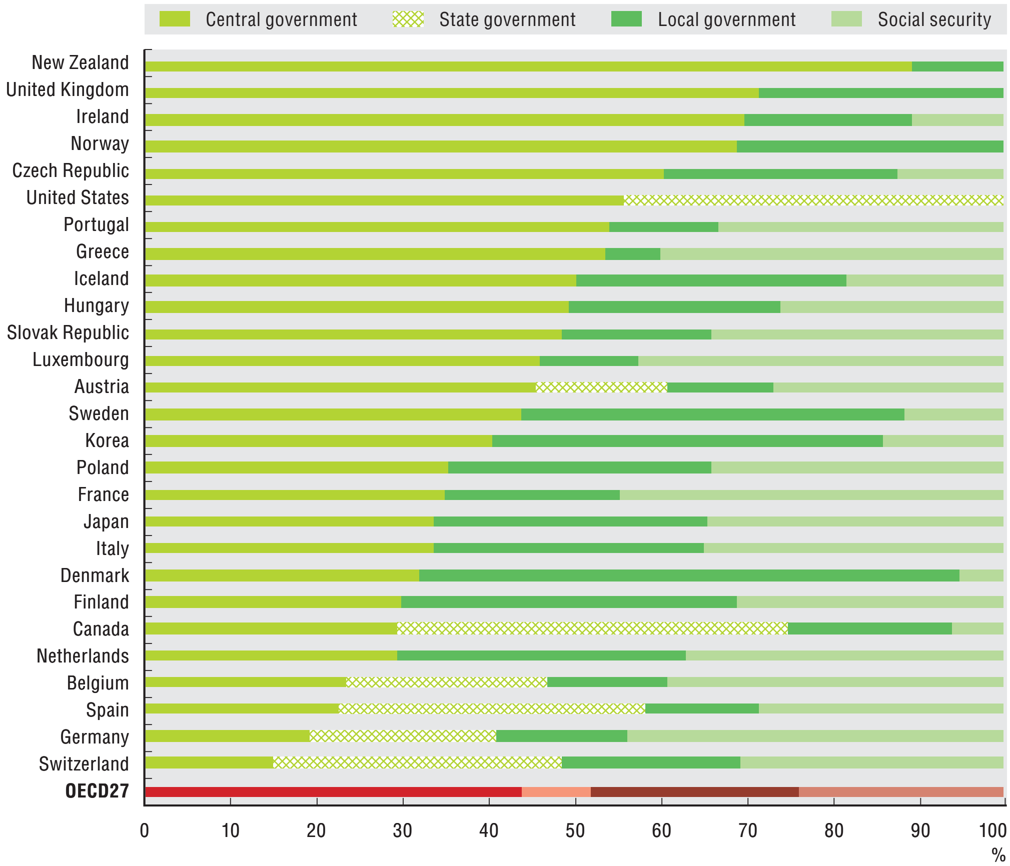
OECD (2008), *National Accounts of OECD Countries*, OECD, Paris.

Notes

Data for New Zealand, Norway and the United Kingdom are for 2005. For the United States, no breakdown between state and local governments is available; therefore, local government expenditures are included in state government expenditures.

6.1: Data are not available for Australia, Mexico and Turkey.

6.1 Distribution of general government expenditures by level of government (2006)



Source: OECD National Account Statistics.

StatLink http://dx.doi.org/10.1787/723508524025

Tables 6.2, 6.3 and 6.4 illustrate the proportion of total expenditures at the central (6.2), state (6.3) and local (6.4) government levels dedicated to each of the ten government functions (*e.g.* education, health and social protection). These tables are available on line at: *http://dx.doi.org/10.1787/723508524025*.

7. General government expenditure by type

Comparisons across countries of the proportion of benefits provided in cash by governments to eligible parties can illustrate differences in economic and social policies. Particularly within redistribution programmes (such as unemployment and health assistance), governments can provide benefits in cash (*e.g.* pensions) or in kind (*e.g.* food stamps or housing vouchers). OECD member countries spend more money on in-kind goods and services than cash transfers. Cash transfers generally have lower transaction costs, larger multiplier effects in the economy and provide individuals with more choice. However, governments may prefer in-kind transfers because it may be hard to identify eligible individuals, they want to control the delivery process, and/or they want to ensure that individuals receive adequate food, medical services or housing.

In the 13 countries represented, cash transfers range between 30% and 50% of all expenditures, or between 10% and 20% of GDP. Germany, Greece, Austria and Italy provide the largest proportion of expenditures as cash transfers (over 40% of all expenditures are cash transfers in these countries). When scaled to GDP, cash transfers represent over 20% of GDP in Italy, Austria and Germany. Cash transfers are least popular in the Czech Republic, the United Kingdom and Spain.

Government expenditures can also be classified into spending on collective goods (a good that benefits society as a whole, such as defence, and public order and safety) or spending on individual goods (a good that primarily benefits individual citizens, such as social services, health and education). Analysis of country spending on collective *versus* individual goods and services can help illustrate differences in the role of government in each country. Countries that spend a relatively larger proportion of funds on individual goods tend to be considered "welfare states".

In all 13 countries for which data are available, governments spend more resources on individual goods than on collective goods. On average, countries spend 25% to 35% of GDP on individual goods, compared to 10% to 20% of GDP on collective goods. Only Hungary spends more than 20% of GDP (or approximately 40% of all expenditures) on collective goods. In comparison, Norway spends just over 10 % of GDP (or about 26% of all expenditures) on collective goods.

Methodology and definitions

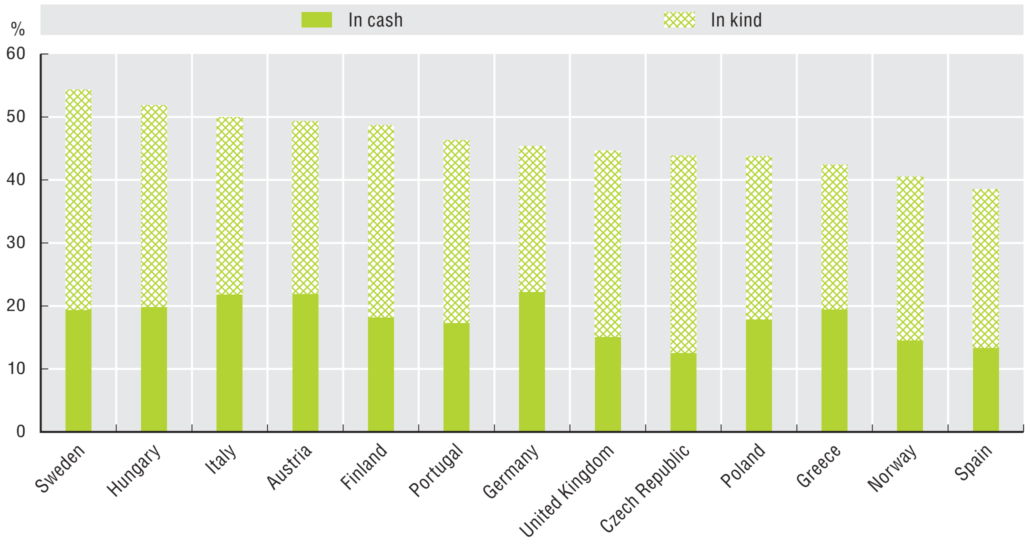
Cash transfers refer to benefits provided to eligible individuals by governments that are not required to be spent on a specific good or service. Examples of cash transfers include pensions, unemployment benefits and development aid. In-kind goods and services mean that the government provides (or contracts for the provision of) goods and services directly or reimburses households for their expenses. Examples of in-kind goods and services include housing vouchers, police, and most health and education services. Collective goods and services benefit the community at large and include expenditures on defence, and public safety and order. Individual goods and services mainly benefit individuals and include education, health and social insurance programmes. In this context, collective and individual goods and services are based on economic concepts. They are more expansive than the categories of collective and individual consumption expenditures contained in the National Accounts data. Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period.

Data represent government expenditures in 2006, the latest data available for a majority of OECD member countries at the time of writing. Based on a methodology devised by the OECD called Classification of the Functions of Government (COFOG)-Special, data were broken down into individual and collective goods, and cash and in-kind transfers using second-level COFOG classifications which are currently only available for 13 OECD European member countries. See Annex B for more details on the COFOG-Special methodology.

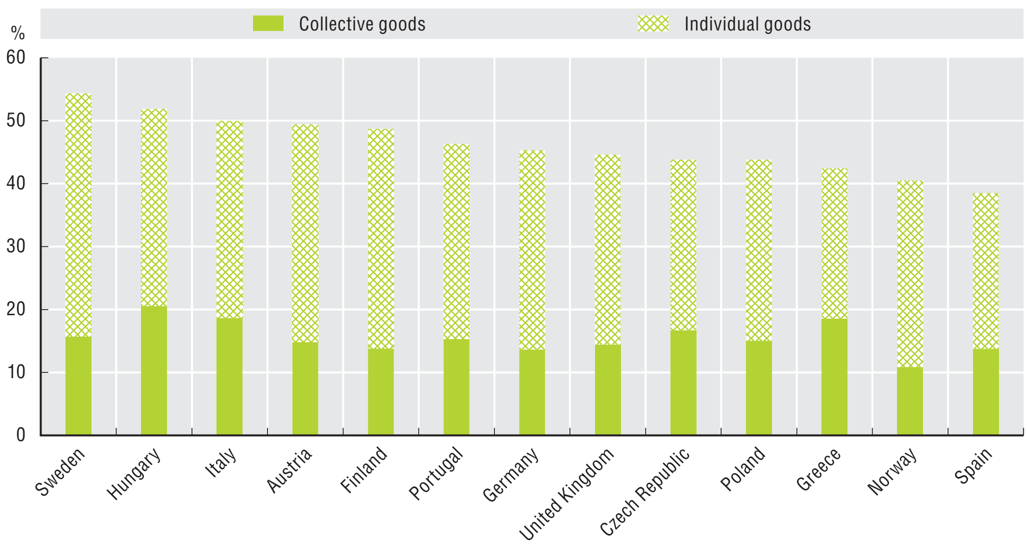
Note

Data are not available for Australia, Belgium, Canada, Denmark, France, Iceland, Ireland, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, the Slovak Republic, Switzerland, Turkey and the United States. Slight differences among 4.1, 5.1, 7.1 and 7.2 in total expenditures as a percentage of GDP are due to the use of different data sources.

7.1 General government expenditures on cash transfers and goods and services in kind as a percentage of GDP (2006)

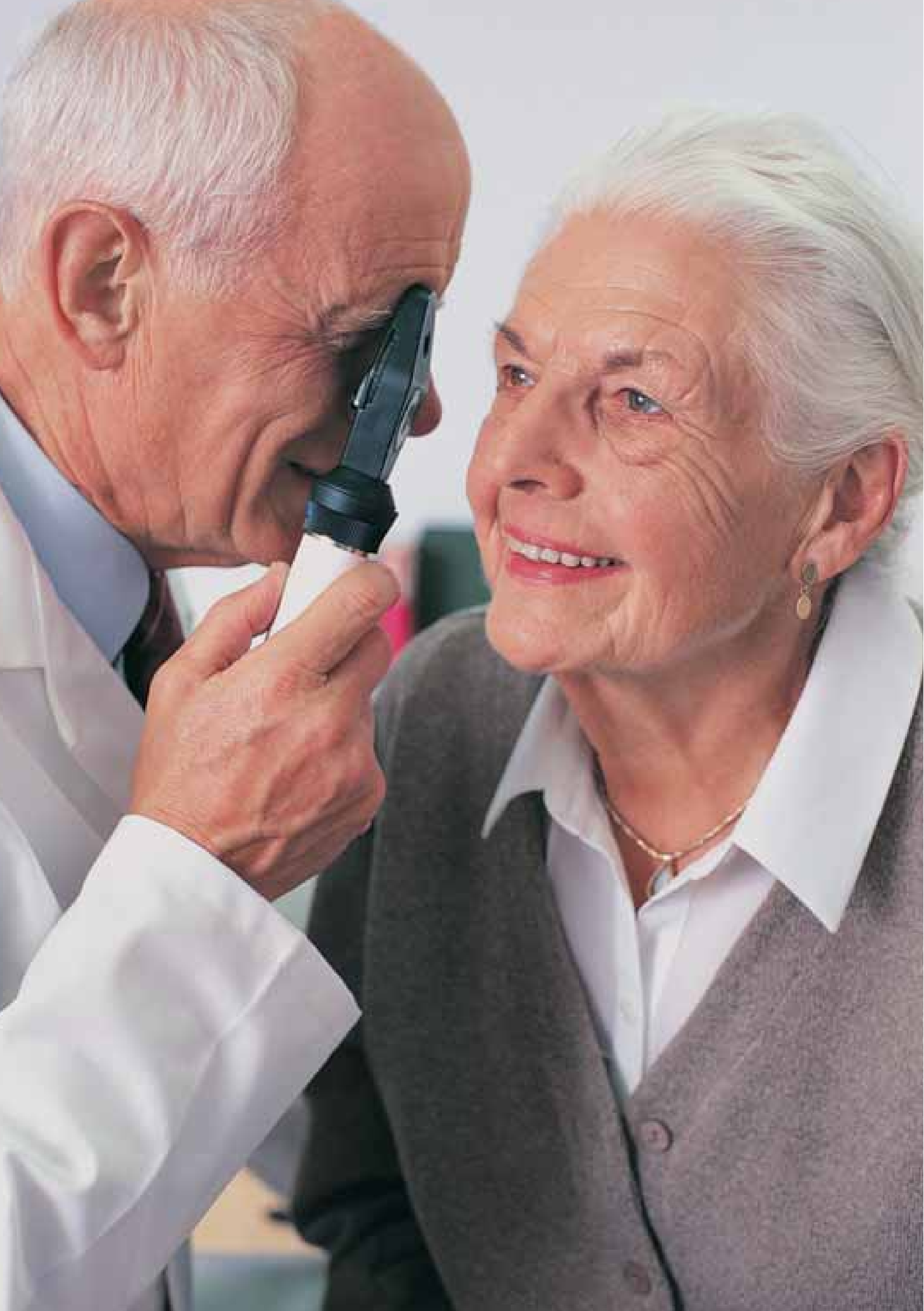


7.2 General government expenditures on individual and collective goods as a percentage of GDP (2006)



Source: Eurostat/OECD National Account Statistics.

StatLink http://dx.doi.org/10.1787/723608005173



IV. INTERSECTION BETWEEN THE PUBLIC AND PRIVATE SECTORS

8. Production costs in general government

For a variety of reasons, including lowering costs, increasing choice, improving access and fostering innovation, many governments have contracted with non-profit and for-profit private entities to produce goods and services that they formerly produced themselves. Outsourcing, co-production and/or public-private partnerships have affected most government sectors, including the development of weapons, care for the elderly, the operation of prisons and the delivery of foreign aid.

This chapter measures the total costs of producing goods and services for government, including those that are produced by government entities and those that are outsourced to non-governmental or private entities. The data allow countries to compare their relative use of outsourcing, and see trends over time. However, production cost data do not indicate the quantity or quality of goods and services produced and therefore are not an indication of efficiency or productivity.

Production costs are a subset of total government expenditures. Compared to total government expenditures, production costs of goods and services exclude government investment (other than depreciation costs), interest paid on government debt, and payments made to citizens and others not in exchange for the production of goods and services (such as subsidies or social benefits like unemployment insurance, family allowances and retirement pensions).

8. Production costs in general government

Decisions about the amount and type of goods and services to produce, as well as how best to produce them, are often political in nature and based on a country's social and cultural context. While some governments choose to outsource a large portion of the production of goods and services to non-governmental or private entities, others choose to produce the goods and services themselves.

The proportion of the economy devoted to producing public services and goods varies greatly across OECD members. For example, production costs as a percentage of GDP in Sweden are over double those in Mexico. The Netherlands, the United Kingdom, Germany and Japan rely comparatively more on private entities to produce goods and services than other OECD member countries. Outsourcing is used to a much lesser extent in Mexico and Greece, where over 60% of the value of public services and goods are produced by the government.

Total production costs as a percentage of GDP decreased in most OECD member countries between 1995 and 2007, although this could be attributed to increases in GDP rather than actual decreases in production costs. In countries where production costs as a percentage of GDP rose, the growth was primarily driven by increases in the costs of goods and services produced by private entities. In some countries, such as the Netherlands and Spain, these increases took place in parallel to a relative decrease in the proportion of goods and services produced by government employees, suggesting that some goods and services previously produced by government employees may have been outsourced to private sector entities. In other countries, such as the United Kingdom, Portugal and New Zealand, these increases occurred while the compensation costs of government employees remained relatively stable.

Methodology and definitions

The data use a methodology developed by the OECD Public Employment and Management Working Party that builds on the existing classification of organisations in the System of National Accounts (SNA). Specifically, government production costs include:

- Compensation costs of general government employees, including cash and in-kind remuneration plus all mandatory employer contributions to social insurance and voluntary contributions paid on behalf of employees. It is important to note that cross-country differences in how government employee pension schemes are funded can distort comparisons of compensation costs.
- Costs of goods and services produced by private entities funded by government (these include goods and services provided to both the government and citizens). In SNA terms, this includes intermediate consumption (procurement of intermediate products required for government production such as accounting or information technology (IT) services, including some relatively minor procurement between government-owned organisations) and social transfers in kind via market producers (a proxy for goods and services delivered by private actors directly to citizens, including those that are initially paid for by citizens but are ultimately refunded by government, such as medical treatments refunded by public social security payments).
- Consumption of fixed capital (indicating the level of depreciation of capital). This was originally excluded from the methodology published in OECD Working Paper on Public Government No. 8 and in *The State of the Public Service*.

The data include government employment and intermediate consumption for output produced by the government for its own use, such as roads and other capital investment projects built by government employees. The production costs presented here are not equal to the value of output in National Accounts.

Further reading

OECD (2008), *The State of the Public Service*, OECD, Paris.

Pilichowski, E. and E. Turkisch (2008), "Employment in Government in the Perspective of the Production Costs of Goods and Services in the Public Domain", OECD Working Papers on Public Governance, 8, OECD, Paris.

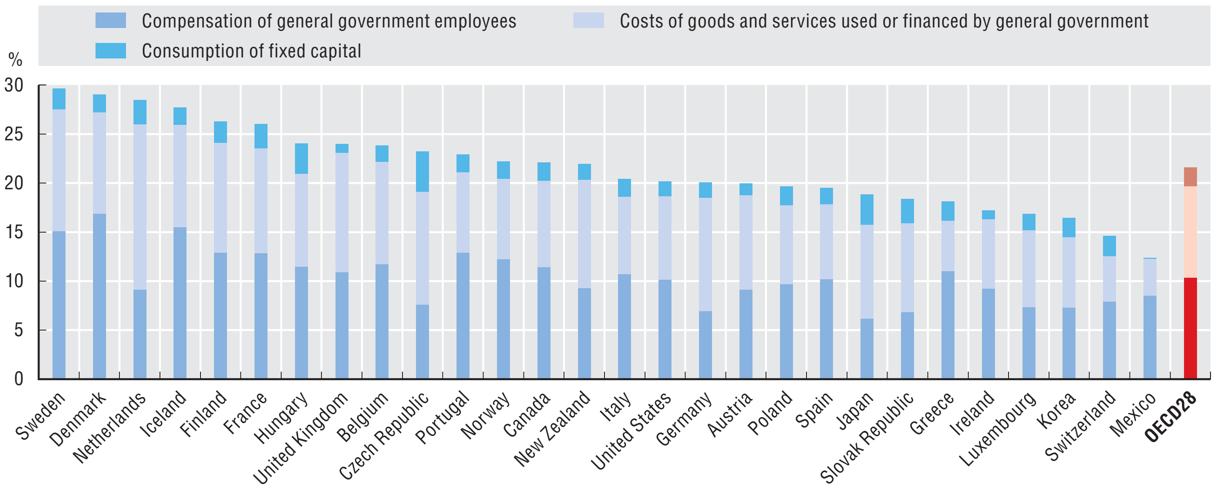
Notes

Data for Mexico are for 2004. Data for New Zealand are for 2005. Data for Japan, Korea and Switzerland are for 2006.

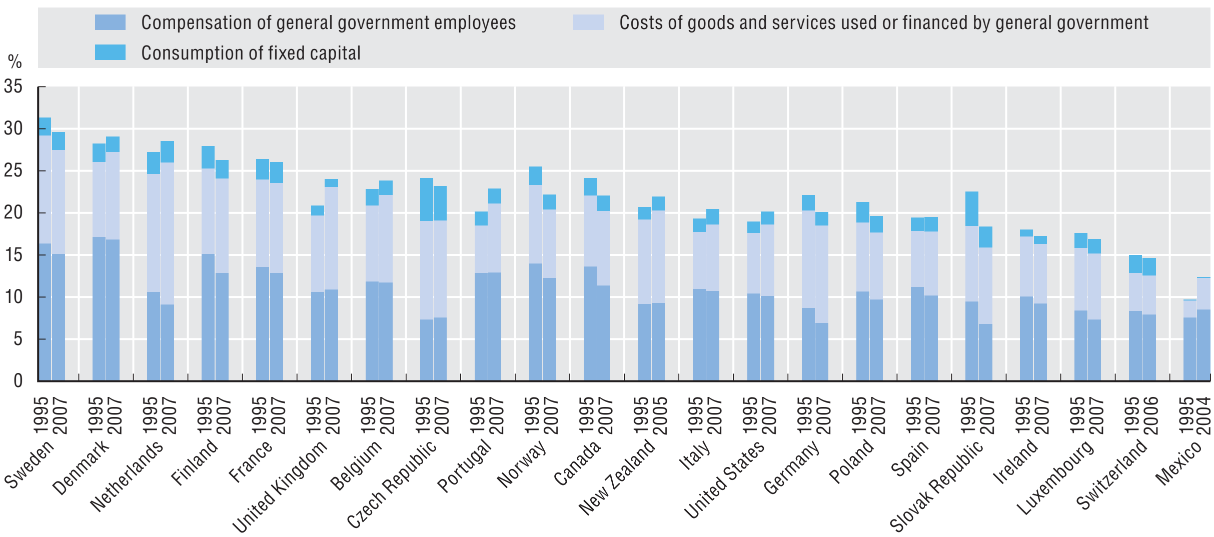
8.1 and 8.3: Data are not available for Australia and Turkey.

8.2: Data are not available for Australia, Austria, Greece, Hungary, Iceland, Japan, Korea and Turkey.

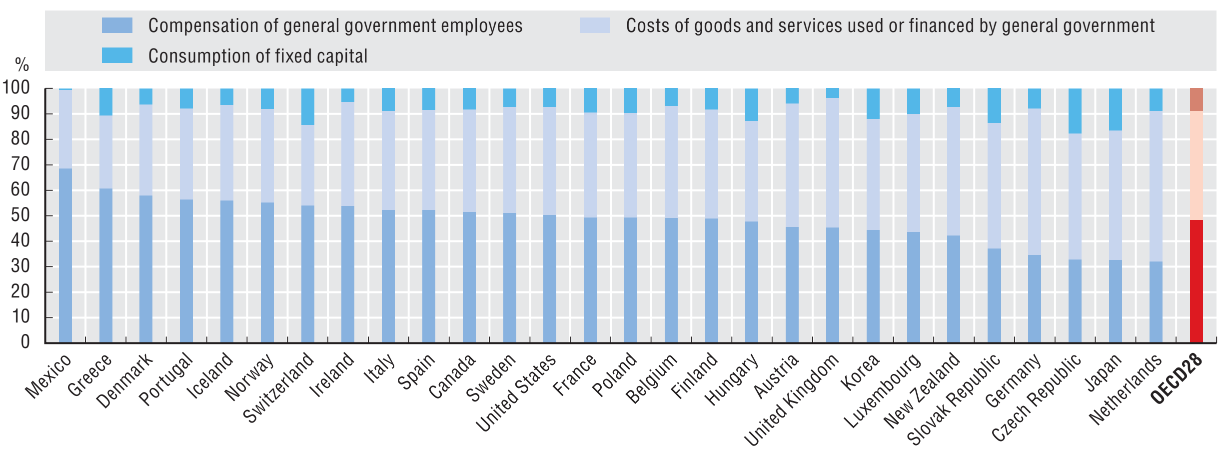
8.1 Production costs as a percentage of GDP (2007)



8.2 Production costs as a percentage of GDP (1995 and 2007)



8.3 Structure of production costs (2007)



Source: OECD National Accounts Statistics.

StatLink http://dx.doi.org/10.1787/723610442353

V. PUBLIC EMPLOYMENT

Labour is the most important input in the government production of goods and services. Through its size and human resource management practices and policies, government employment affects the functioning of the wider labour market. It influences wage levels, general working conditions and the supply and demand for occupations (such as teachers and health care professionals). Public employees are at the forefront of upholding the values that form the ethical infrastructure of government, such as impartiality, legality and integrity. Many governments strive to have a workforce that reflects the diversity of society in order to better understand the needs, aspirations and experiences of citizens.

This chapter compares the size of employment in government and public corporations (which together define the public sector) across OECD member countries, and looks at the proportion of total government staff employed at the central and sub-central levels. It also presents data on gender representation and age distribution in the central government workforce.

The data provide insight on the scope, level and delivery method of public services across countries. They also illustrate important differences in workforce characteristics across countries – such as the age structure – that could affect the capacity of government to deliver services and implement responses to current challenges. Tracking these variables over time can help analyse the effect of fiscal pressures on the size of the workforce.

9. Employment in general government and public corporations

Large differences in government employment among countries reflect choices regarding the scope, level and delivery method of public services. In terms of delivery methods, some countries prefer the work of government employees, while others choose to contract with the private sector. As a result, government employment should be interpreted in the perspective of the costs of goods and services funded by government but produced by the private sector, a topic discussed in Chapter IV.

The proportion of the labour force employed in government ranges from just over 5% in Japan and Korea to nearly 30% in Norway and Sweden, reflecting similar trends in government expenditures as a share of GDP. Since 1995, the proportion of the labour force working for the government has been relatively stable in most countries.

Public corporations can be a transitory stage towards a more privatised management mode. In some countries, the management of employees in these corporations is less flexible than in the private sector due to legal or historical reasons, or the political visibility of industrial relations. Except for a few countries, in particular the Netherlands and France, employment in public corporations is a relatively minor part of the labour force. From 1995 to 2005, the share of the labour force employed in the public sector (government and public corporations) declined in 9 of the 11 countries for which data are available, with the Netherlands and Spain being the two exceptions. Slight overall increases in public employment in Spain are due to increases in employment at the local government level and in Autonomous Communities.

Methodology and definitions

Data refer to 2005 and were collected by the OECD 2006 Comparison of Employment in the Public Domain (CEPD) Survey. Respondents to the survey were predominately national statistical offices.

The data are based on System of National Accounts (SNA) definitions, and cover employment in general government and public corporations. The general government sector comprises all levels of government (central, state, local and social security) and includes ministries, agencies and non-profit institutions controlled by government. Public corporations are legal entities that are owned or controlled by the government and produce most of their goods and services for sale in the market at economically significant prices.

Public corporations include quasi-corporations, which are unincorporated enterprises with a complete set of accounts that behave in much the same way as corporations. Countries that do not compile a specific "public corporations/quasi-corporations" data in the National Accounts could provide data based on a pre-existing inventory of public corporations.

Data represent the number of employees, except for Austria, the Netherlands, Sweden, Switzerland and the United Kingdom, where data represent full-time equivalents. As a result, employment numbers for these five countries are understated in comparison. The labour force comprises all persons who fulfil the requirements for inclusion among the employed or the unemployed.

Further reading

OECD (2008), *The State of the Public Service*, OECD, Paris.

Pilichowski, E. and E. Turkisch (2008), "Employment in Government in the Perspective of the Production Costs of Goods and Services in the Public Domain", OECD Working Papers on Public Governance, 8, OECD, Paris.

Notes

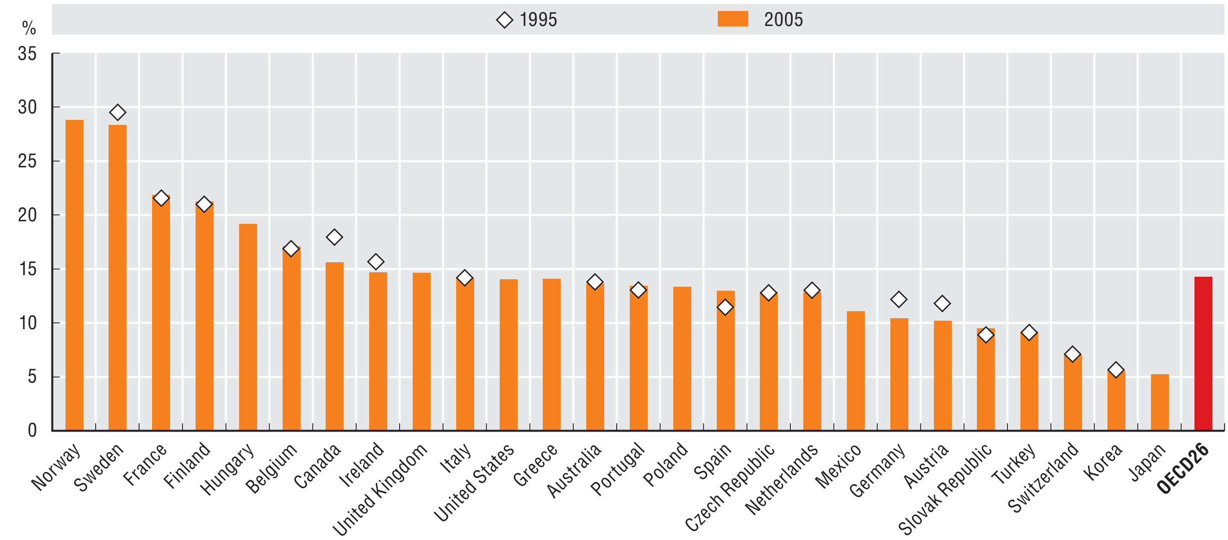
Data for Austria do not include non-profit institutions financed by government or social security (1995), and public corporations data are partial and only include universities that have been reclassified. Data for France exclude some public establishments. Data for Belgium, France and Poland are for 2004. Data for Austria and Finland are a mix of 2004 and 2005. Data for Mexico are for 2000. Data for Greece are for 2006 and include staff under private law. Data are not available for Denmark, Iceland, Luxembourg and New Zealand.

9.1: Data for 1995 are not available for Greece, Hungary, Japan, Mexico, Norway, Poland, the United Kingdom and the United States.

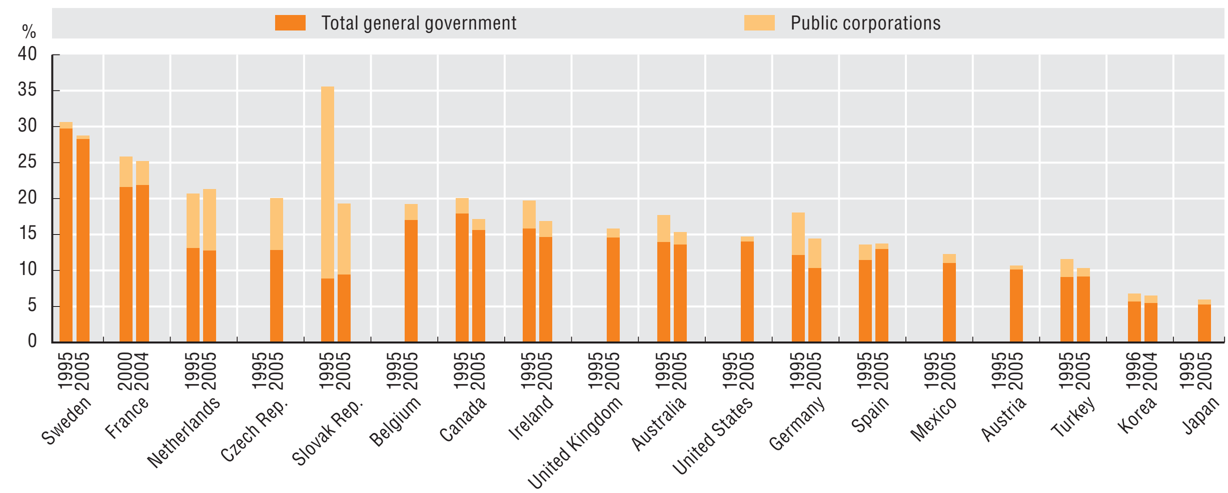
9.2: Data for 1995 and 2005 are not available for Finland, Greece, Hungary, Italy, Norway, Poland, Portugal and Switzerland. Data for 1995 are not available for Austria, Belgium, the Czech Republic, Japan, Mexico, the United Kingdom and the United States.

A corrigendum has been issued for this page. See: http://www.oecd.org/dataoecd/59/28/44251675.pdf

9.1 Employment in general government as a percentage of the labour force (1995 and 2005)



9.2 Employment in general government and public corporations as a percentage of the labour force (1995 and 2005)



Source: OECD CEPD and Labour Force Survey (2006). Data for Germany, Ireland, the Slovak Republic and the United Kingdom were provided by government officials.

StatLink http://dx.doi.org/10.1787/723622503117

A corrigendum has been issued for this page. See: http://www.oecd.org/dataoecd/59/28/44251675.pdf

10. Decentralisation of employment

The proportion of government staff employed at sub-central levels is a potential indicator of the level of decentralisation of public administration and the level of responsibility accorded to state and/or local governments. In general, the larger the staff at sub-central levels, the more responsibilities these governments would be expected to have for providing public services. While decentralisation is generally thought to improve government response to local needs and priorities, it can lead to differences between central and sub-central government interests and human resource management practices, as well as variations in service delivery within countries.

Of the 21 countries for which data are available, the vast majority have more employees at the sub-central level than at the central level. In general, federal states have fewer than one-third of all government employees at the central level, confirming higher levels of decentralisation. The range in the proportion of government employees at the central level of government is much wider for unitary states, from 15% in Sweden to almost 90% in Turkey.

For countries for which data are available, the proportion of government employees at the central and sub-central levels has been relatively stable between 1995 and 2005. Norway stands out as having experienced a relative re-centralisation of staff, whereas Spain experienced a relative decentralisation of staff.

Methodology and definitions

Data refer to 2005 and were collected by OECD's 2006 Comparison of Employment in the Public Domain (CEPD) Survey. Respondents to the survey were predominately national statistical offices.

The data represent employment in central and sub-central government-owned or government-controlled organisations. The data use the definition of "central" and "sub-central" government found in the SNA and generally include core ministries, departments and agencies, and non-profit institutions controlled by government.

Sub-central government comprises state and local government including regions, provinces and municipalities. Together, the central and sub-central levels comprise general government. Ten of the 21 countries for which data are available provided information on employment in social security, which were included in employment at the sub-central level: Austria, Belgium, Finland, France, Japan, Korea, Netherlands, Spain, Sweden and Turkey. Social security represents a small number of employees and is of minor importance as a percentage of the total government workforce.

Further reading

OECD (2008), *The State of the Public Service*, OECD, Paris.

Pilichowski, E. and E. Turkisch (2008), "Employment in Government in the Perspective of the Production Costs of Goods and Services in the Public Domain", OECD Working Papers on Public Governance, 8, OECD, Paris.

Notes

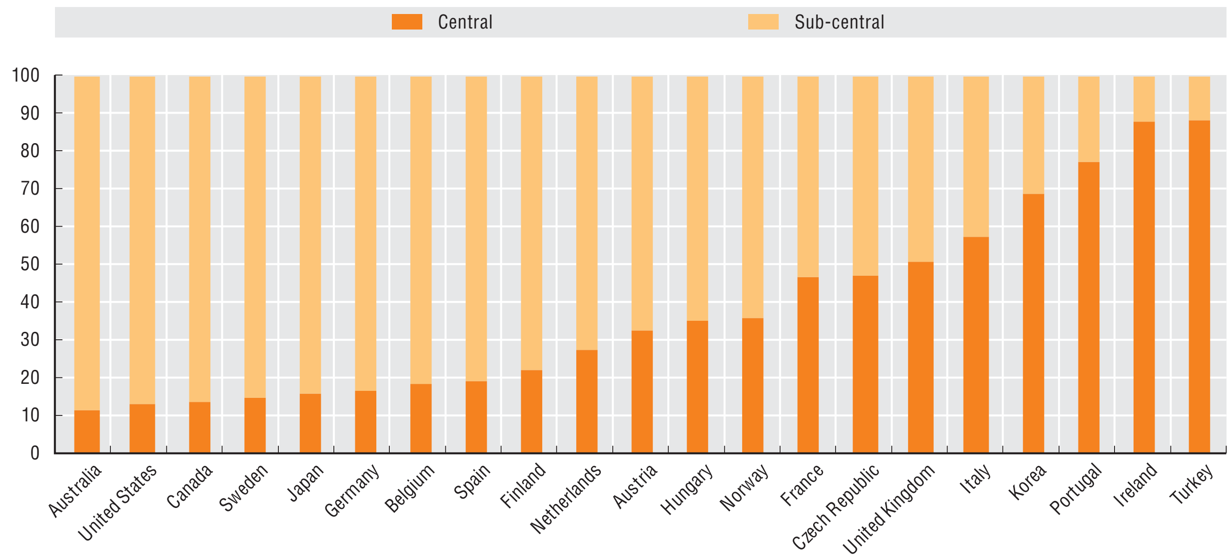
Data for Austria do not include private non-profit institutions financed by government. Data for France exclude some public establishments and all teachers are central government employees. Korean data include teachers and police officers at the central level (which account for 75% of the central government workforce). Data for Austria and Finland are a mix of 2004 and 2005. Data for Belgium and France are for 2004.

10.1: Data are not available for Denmark, Greece, Iceland, Luxembourg, Mexico, New Zealand, Poland, the Slovak Republic and Switzerland.

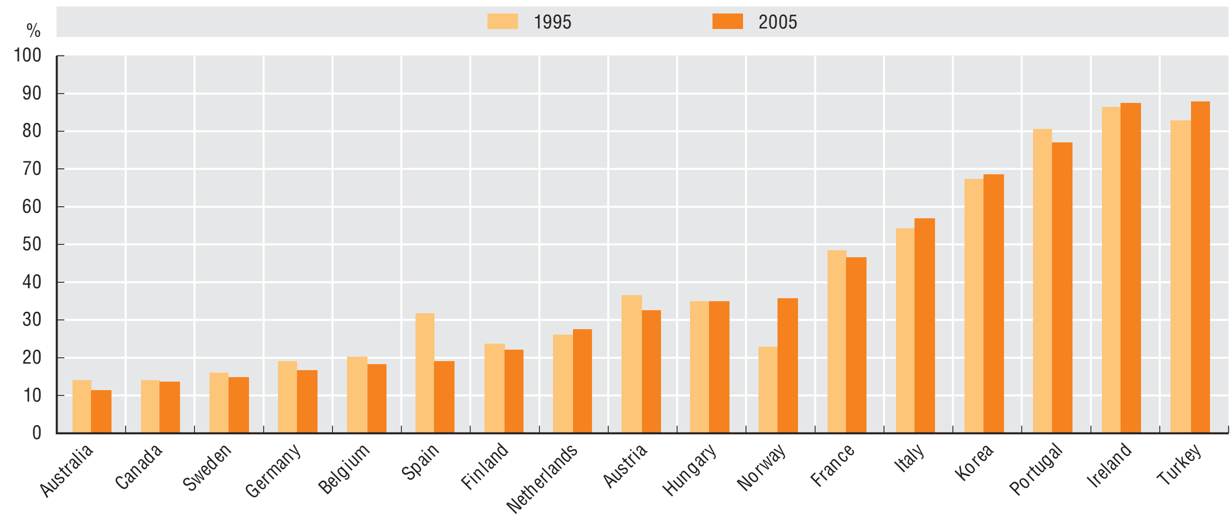
10.2: Data are not available for the Czech Republic, Denmark, Greece, Iceland, Japan, Luxembourg, Mexico, New Zealand, Poland, the Slovak Republic, Switzerland, the United Kingdom and the United States. Data for France, Hungary and Norway are for 2000 and 2005. In Austria, public hospital employees were reclassified from government to public corporations (not depicted in graph) between 1995 and 2005.

A corrigendum has been issued for this page. See: http://www.oecd.org/dataoecd/59/28/44251675.pdf

10.1 Distribution of employment between the central and sub-central levels of government (2005)



10.2 Change in the percentage of government staff employed at the central level (1995 and 2005)



Source: OECD CEPD Survey (2006). Data for Ireland, Germany and the United Kingdom were provided by government officials.

StatLink http://dx.doi.org/10.1787/723627140760

11. Employment of women in central government

Many OECD member countries have established policies aimed at increasing female participation in the government workforce, especially at managerial levels, to increase equity, diversity and the size of the labour pool.

The data show a persistent increase in women's participation in central government employment between 1995 and 2005. While women represent between 40% and 50% of the total labour force in most OECD member countries, female participation in the central government workforce varies much more across countries, from 70% in Poland to just over 10% in Turkey. In most countries for which data are available, women are better represented in the central government workforce than in the general labour force. However, women are relatively underrepresented in the central government workforce in Switzerland, Germany, Japan and Turkey, where they make up less than one-third of all workers. This may be a result of the responsibilities of central government in these countries, which can affect the type of positions available. For example, in Germany, a large number of central government employees work in defence or police positions with a traditionally low share of female employees. In comparison, women represent 52% of the government workforce in Germany when employment at the sub-central level is also considered.

Women are less represented at more senior levels than they are in the general central government workforce. Here again, the situation differs across countries. Whereas over a third of all senior employees in Greece, New Zealand, Mexico and Portugal are women, women represent less than 5% of senior managers in Korea and Japan. In comparison, women are usually more strongly represented at lower levels or in administrative posts. In 10 of the 15 countries for which data are available, women are over-represented in administrative positions when compared to the general central government workforce.

Methodology and definitions

Data refer to 2005 and were collected through the 2006 OECD Strategic Human Resource Management in Government Survey. Respondents to the survey were predominately senior officials in central government personnel departments. Australia, Austria, Canada, Greece and Spain subsequently provided 2005 data which were initially missing from their survey responses. Countries missing from the figures include those that did not respond fully to the survey questions.

The data concern the core civil service in central government. Definitions of the civil service, as well as sectors covered at the central level of government, differ across countries and should be considered when making comparisons. The definitions of "senior positions" and "administrative tasks" were left to the interpretation of countries when responding to the survey, and are thus indicative of broad trends. The labour force comprises all persons who fulfil the requirements for inclusion among the employed or the unemployed.

Further reading

OECD (2008), *The State of the Public Service*, OECD, Paris.

Notes

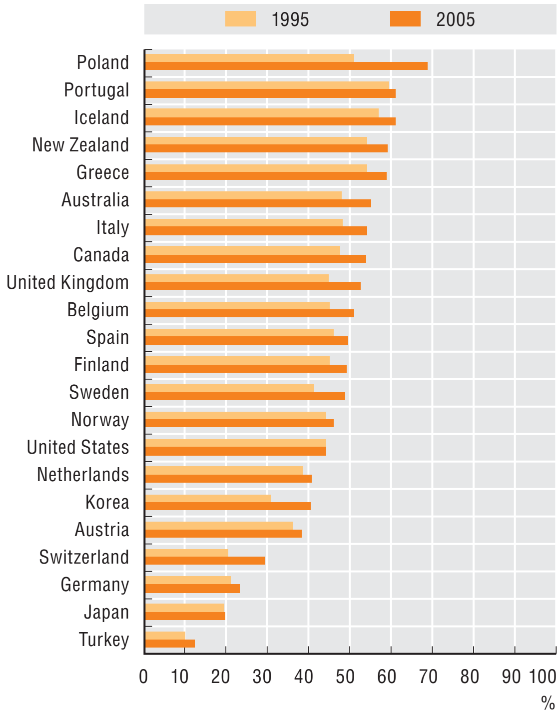
11.1: Data are not available for the Czech Republic, Denmark, France, Hungary, Ireland, Luxembourg, Mexico and the Slovak Republic. Data for Greece are for 1996 and 2005. Data for the Netherlands are for 2000 and 2005. Data for Poland are for 1995 and 2004.

11.2: Data are not available for the Czech Republic, Denmark, Hungary, Ireland, Luxembourg, Mexico and the Slovak Republic. Data for Poland and France are for 2004.

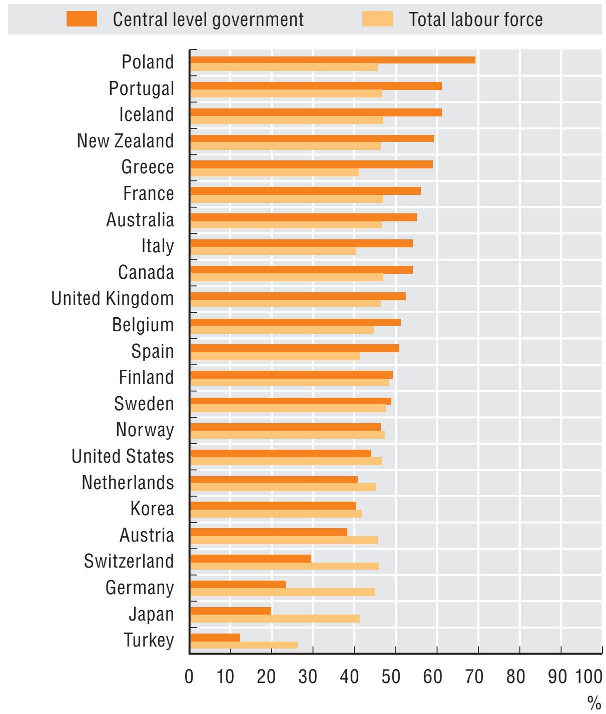
11.3: Data are not available for the Czech Republic, Denmark, Hungary, Iceland, Luxembourg, Poland, the Slovak Republic and Turkey. Data for Italy are for 2003. Data for Ireland are for 2001. Data for Austria are for 2006. Data for Spain refer to the number of women in "alto cargo" positions (not including ministers and state secretaries) as well as career officials at levels 28-30.

11.4: Data are not available for the Czech Republic, Denmark, France, Hungary, Iceland, Luxembourg, Norway, Poland, the Slovak Republic, Spain, Switzerland, Turkey and the United States. Data for Italy are for 2003. Data for Ireland are for 2001. Data for Canada refer to employees in the Administrative Services occupational group in the Core Public Administration.

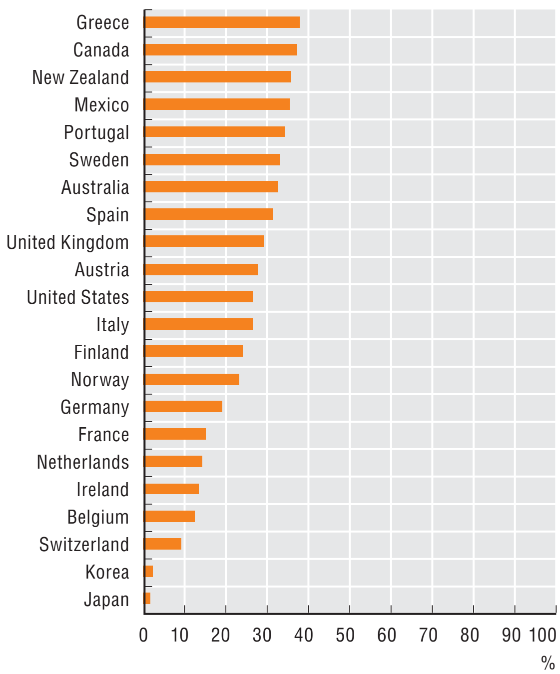
11.1 Percentage of central government employees who are female (1995 and 2005)



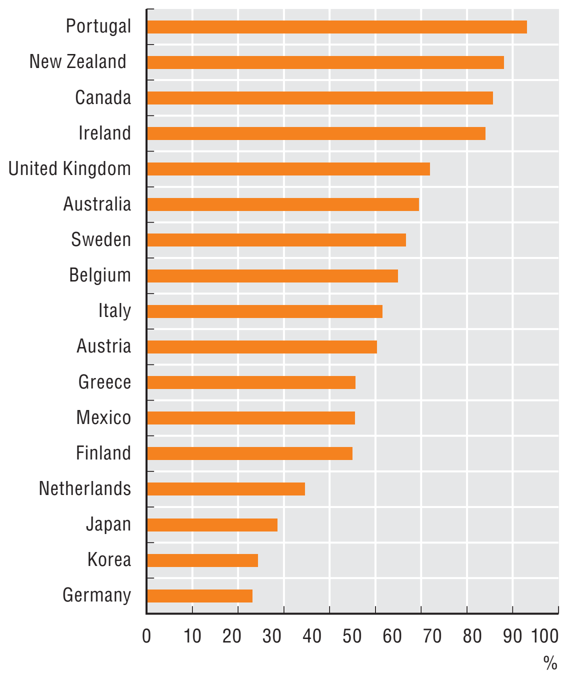
11.2 Percentage of employees who are female in the central government compared to total labour force (2005)



11.3 Percentage of senior positions in central government filled by women (2005)



11.4 Percentage of central government administrative positions filled by women (2005)



Source: OECD Strategic Human Resource Management in Government Survey (2006). OECD Labour Force Survey (2006).

StatLink http://dx.doi.org/10.1787/723642841533

A corrigendum has been issued for this page. See: http://www.oecd.org/dataoecd/59/28/44251675.pdf

12. Ageing workforce

While the government must respond to the changing demands made by an ageing society (such as declining demand for primary education and increasing demand for health and elderly care services), government workers are themselves ageing. A very large proportion of the central government workforce will be retiring over a relatively short period of time. Maintaining the government's capacity to deliver the same level and quality of services remains a complex issue. Significant staff departures create an opportunity to bring staff with new skills into government, downsize the workforce where needed, decrease staff costs (as entry-level salaries are lower) and re-allocate human resources across sectors. However, this can lead to loss of capacity and the need to postpone the retirement of some key staff. In addition, given the large share of government employment in many OECD member countries, these high replacement needs could risk pre-empting the private sector's access to new labour market entrants.

With the exception of Korea, the central government workforce is getting older in OECD member countries. The roots of this demographic profile lie in the rapid expansion of public services from the 1970s until the mid-1980s and the massive hiring that took place at that time. This was followed by a period of hiring freezes in the 1980s and 1990s, as the numbers in the workforce were stabilised.

In many OECD member countries, central government workforces are ageing more rapidly than the rest of society and the wider labour market. The difference is most pronounced in Belgium, where almost 45% of the central government workforce is over 50 compared with just over 20% of the total labour force. In 13 OECD member countries, over 30% of the central government work force will retire within the next 15 years.

Methodology and definitions

Data refer to 2005 and were collected through the 2006 OECD Strategic Human Resource Management in Government Survey. Respondents to the survey were predominately senior officials in central government personnel departments. The Human Resource Management survey was completed by all OECD member countries excluding Greece; Greece subsequently provided the OECD with data for 2005. Australia and Canada subsequently provided 2005 data which were initially missing from their survey responses. Countries missing from the figures include those that did not respond fully to the survey questions or whose data were not comparable with other countries.

The data concern the core civil service at the central level of government. Definitions of the civil service, as well as sectors covered at the central level of government, differ across countries and should be considered when making comparisons. For example, in Germany, a large number of central government employees work in defence or police positions with special rules regarding retirement. The labour force comprises all persons who fulfil the requirements for inclusion among the employed or the unemployed.

Further reading

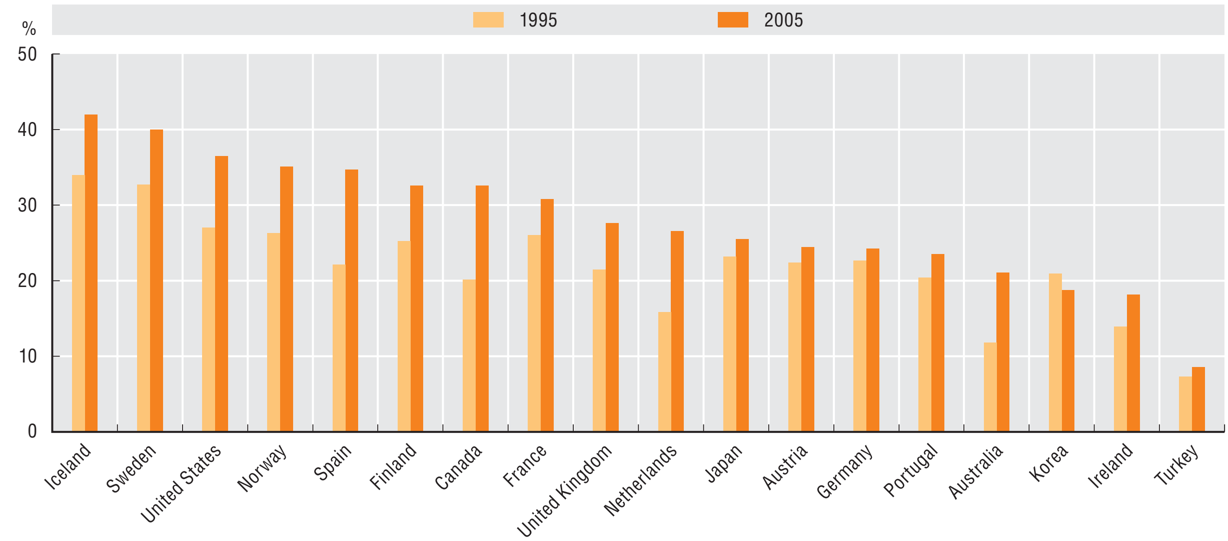
OECD (2007), *Ageing and the Public Service: Human Resource Challenges*, OECD, Paris.

Notes

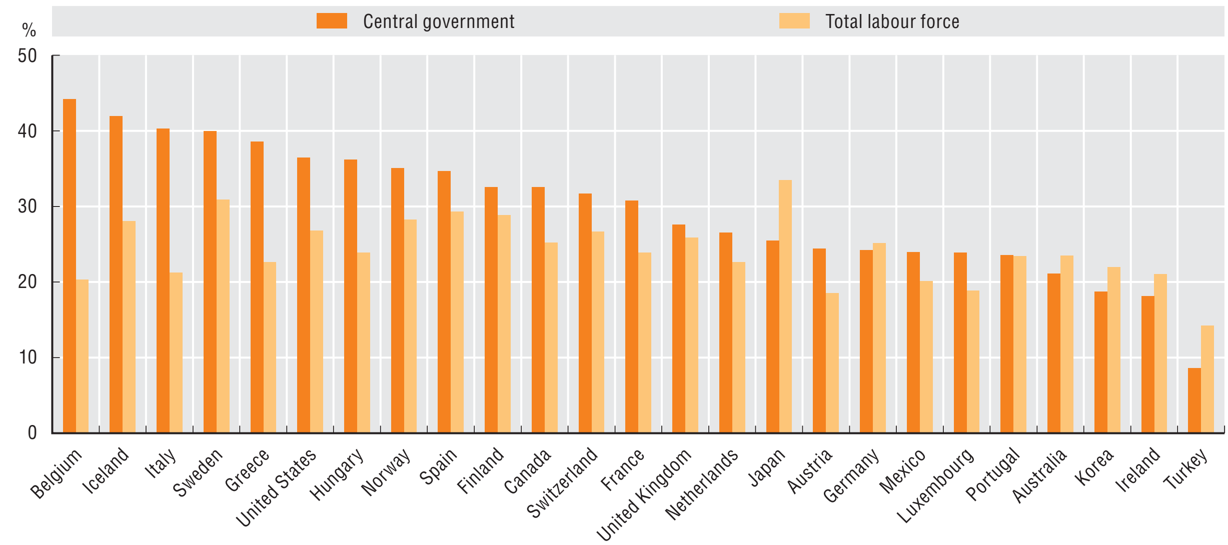
12.1: Data are not available for Belgium, the Czech Republic, Denmark, Greece, Hungary, Italy, Luxembourg, Mexico, New Zealand, Poland, the Slovak Republic and Switzerland.

12.2: Data are not available for the Czech Republic, Denmark, New Zealand, Poland and the Slovak Republic.

12.1 Percentage of central government workers 50 years or older (1995 and 2005)



12.2 Percentage of workers 50 years or older in central government and the total labour force (2005)



Source: OECD Strategic Human Resource Management in Government Survey (2006). OECD Labour Force Survey (2006).

StatLink http://dx.doi.org/10.1787/723656070327

A corrigendum has been issued for this page. See: http://www.oecd.org/dataoecd/59/28/44251675.pdf

VI. HUMAN RESOURCE MANAGEMENT PRACTICES

The ability of governments to recruit, train, promote and dismiss employees is a key determinant of their capacity to obtain staff with the skills needed to provide public services that meet client needs and to face current economic and governance challenges. Over the past 20 years, many governments have reformed their human resource management (HRM) practices with the goal of improving the skill level and efficiency of their workforce. The scope of reforms, however, has varied tremendously depending on the economic, social and cultural context. While there is evidence that HRM practices can improve performance, there is no agreement or evidence on how specific HRM features do so.

The composite indexes developed in this chapter focus on the most common features of HRM reforms, including: delegation of HRM policies and practices by central bodies to line managers, characteristics of recruitment systems, use of performance assessments and performance-related pay, and use of different HRM policies and practices for senior civil servants.

The indexes are designed to allow countries to compare the main characteristics of their HRM systems and the extent to which they have implemented reforms. Individual country scores should be interpreted with caution and only provide a general indication about where a country might stand relative to its peers. None of the indexes evaluate the performance of HRM policies, nor do they provide any information about the quality of the work performed by public servants.

13. Delegation in human resource management

Public managers are expected to improve the performance of their organisations and the outcome of their activities. As such, they have to work with their staff to encourage, enable and support them in a continuous quest for improved quality and productivity while simultaneously upholding core public sector values. By delegating some authority for HRM to line ministries, departments and agencies, governments aim to increase the ability of public sector managers to adapt working conditions to the business needs of their organisation and to the merits of individual employees. As HRM responsibilities have been delegated to line ministries, the role of the central HRM body has begun to focus more on setting minimum standards and formulating policy rather than implementing them. However, delegation is not without risks, which can include an increased variability of conditions of employment across government organisations, decreased mobility of staff, and difficulties in maintaining shared government values and a whole-of-government perspective.

Most OECD member countries have increased the role of line ministries in HRM decision making. However, the extent of their involvement varies across OECD member countries, and sometimes even across government bodies within the same country. Thus, there is no single model or common standard. A few countries stand out as having granted line ministries a greater degree of authority: New Zealand, Sweden and Australia. In these systems, ministries have more flexibility to identify their staffing needs, recruit staff, and determine compensation levels and other conditions of employment. In comparison, Italy, Ireland, France and Turkey tend to have more centralised HRM models. The level of delegation does not indicate how well public service staff members are managed. However, it does indicate the level of flexibility that departments have in adjusting their HR policies to the specificities of the organisation, the job or the individual.

Compensation levels are a key factor in managers' ability to recruit, motivate and retain staff. Most OECD member countries have delegated managers some authority to determine compensation levels. Across OECD member countries, the basic level of pay is more likely to be determined by a centralised authority, while public sector managers have more authority to determine the variable portions of pay, such as benefits or performance-related increases.

Methodology and definitions

Data refer to 2005 and were collected through the 2006 OECD Strategic Human Resource Management in Government Survey. Respondents were predominately senior officials in central government personnel departments. The survey was completed by all OECD member countries excluding Greece. Countries missing from the figures are those for which the OECD had incomplete or inconsistent data.

Data refer to HRM practices at the central level of government for the civil service. Definitions of the civil service, as well as sectors covered at the central level of government, differ across countries and should be considered when making comparisons.

This index is comprised of the following variables (weights in parentheses): existence of a central HRM body (16.7%) and the role of line ministries in determining: the number and types of posts needed in an organisation (16.7%); compensation levels (16.7%); position classification, recruitment and dismissals (16.7%); conditions of employment (16.7%); and the actual impact on conditions of employment (16.7%). The index ranges between 0 (no delegation) and 1 (high level of delegation). For a description of the methodology used to develop the composite index, please see Annex C. The variables comprising the indexes and their relative importance are based on expert judgements. They are presented with the purpose of furthering discussion, and consequently may evolve over time.

Further reading

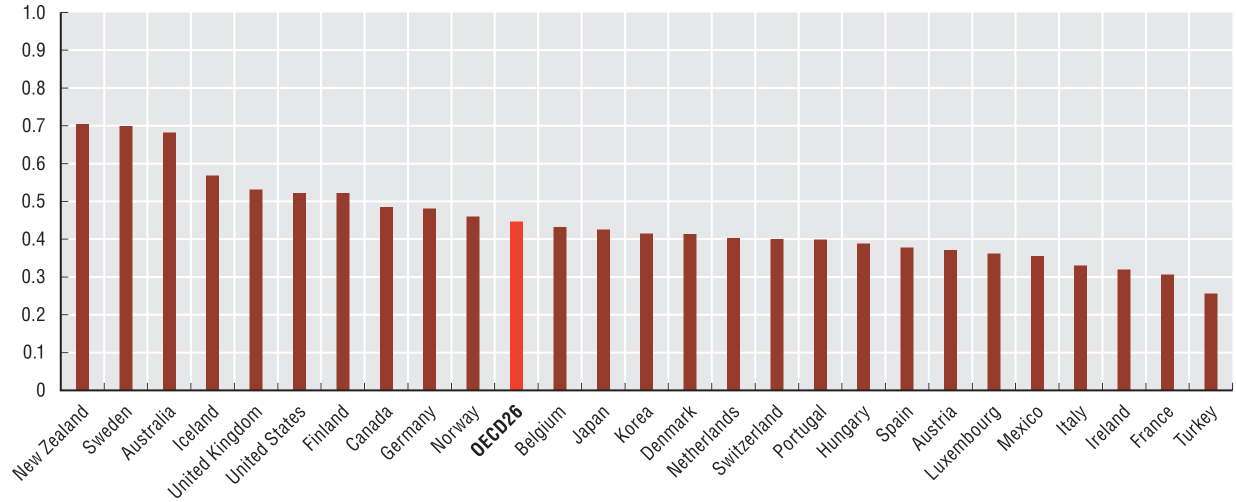
OECD (2008), *The State of the Public Service*, OECD, Paris.

Notes

13.1: Data are not available for the Czech Republic, Greece, Poland and the Slovak Republic.

13.2: Based on Q.36 "Do the levels of pay/terms and conditions of employment vary significantly across government organisations for the same level of posts?".

13.1 Extent of delegation of human resource management practices to line ministries in central government (2005)



Note: This index summarises the relative level of authority provided to line ministries to make HRM decisions. It does not evaluate how well line ministries are using this authority.

13.2 Authority of central government managers to determine compensation levels (2005)

Country	Basic pay	Other types of remuneration/social benefits
Australia	●	◍
Austria	❍	◍
Belgium	◍	◍
Canada	n.a.	n.a.
Czech Republic	n.a.	n.a.
Denmark	●	◍
Finland	◍	●
France	❍	●
Germany	❍	❍
Greece	n.a.	n.a.
Hungary	❍	◍
Iceland	◍	◍
Ireland	❍	❍
Italy	◍	◍
Japan	◍	◍
Korea	❍	●
Luxembourg	❍	❍
Mexico	❍	◍
New Zealand	n.a.	n.a.
Netherlands	◍	❍
Norway	◍	❍
Poland	●	●
Portugal	❍	◍
Spain	❍	◍
Slovak Republic	◍	❍
Sweden	●	◍
Switzerland	❍	❍
Turkey	❍	◍
United Kingdom	●	●
United States	◍	◍

● Managers have significant authority. ◍ Managers have some authority. ❍ Managers have no authority.
n.a.: Data not available.
Source: OECD Strategic Human Resource Management in Government Survey (2006).

StatLink http://dx.doi.org/10.1787/723663744332

14. Central government recruitment systems

The objective of recruitment systems is to ensure that government organisations have the right number of people with the right skills and values at the right time.

This index looks at the type of recruitment system in place in central governments. A career-based system is characterised by competitive selection early on in the public servants' career with higher-level posts open to public servants only. Career-based systems may cultivate a dedicated, experienced group of civil servants. In contrast, in a position-based system, candidates apply directly to a specific post and most posts are open to both internal and external applicants. In general, recruitment systems that are open to external candidates at any point in their careers provide managers with the possibility to adjust their workforce more quickly in response to a changed environment. However, while these systems offer managers flexibility, they make it difficult to maintain cross-government values. For example, central bodies must pay more attention to recruitment processes to guarantee merit-based selection at all position levels. The index does not take into account the recruitment of contractual or casual staff or, in many cases, exceptions to recruitment processes that have been introduced in some OECD member countries with career-based civil services.

The index displays a long-standing distinction between career-based and position-based systems in place in OECD member countries. In Finland, the Netherlands, New Zealand, Sweden, Switzerland (except for diplomatic careers) and the United Kingdom, all posts below senior management and even some senior management positions are open to external recruitment, and applicants apply directly to a specific post. In other countries with career-based systems such as France, employees are recruited almost exclusively at lower levels and move up to higher positions throughout their time in their civil service. In some countries with relatively career-based systems, such as Belgium, Germany, Ireland, Japan, Korea, Luxembourg, Mexico and Portugal, recruitment for top managers and special experts is open to external candidates.

Countries with more position-based recruitment systems also appear to grant line ministries more authority to make HRM decisions. In Australia, New Zealand and Sweden, line managers have more flexibility in determining both who they hire and the conditions of employment. However, there are exceptions; while the Netherlands and Japan grant line ministries similar levels of authority to make HRM decisions, the Netherlands uses a position-based system whereas Japan uses a career-based system to recruit employees.

Methodology and definitions

Data refer to 2005 and were collected through the 2006 OECD Strategic Human Resource Management in Government Survey. Respondents were predominately senior officials in central government personnel departments. Countries missing from the figures are those for which the OECD had incomplete or inconsistent data.

Data refer to HRM practices at the central level of government for the civil service. Definitions of the civil service, as well as sectors covered at the central level of government, differ across countries and should be considered when making comparisons.

The index focuses on the possibilities individuals have to become part of the civil service throughout their careers at all seniority levels. It includes the following variables (weights in parentheses): policies for becoming a civil servant in general (*e.g.* competitive examination or direct application) (25%) and for recruiting senior civil servants (25%), and systems for appointing entry-level positions (25%) and for allocating posts across departments (25%). The index ranges between 0 (career-based system) and 1 (position-based system). See Annex C for a description of the methodology used to develop the composite index. The variables comprising the indexes and their relative importance are based on expert judgements. They are presented with the purpose of furthering discussion, and consequently may evolve over time.

Further reading

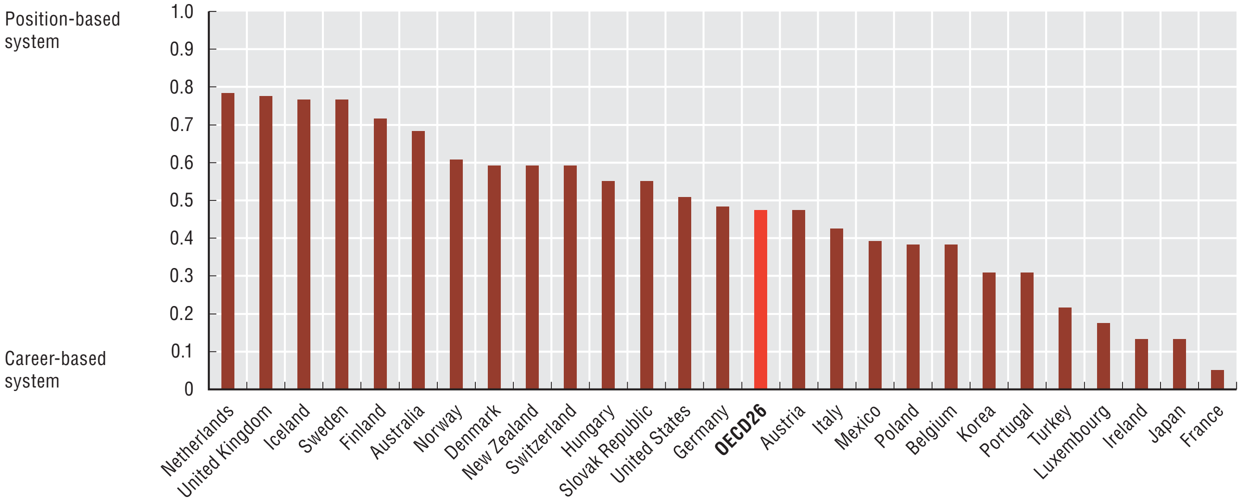
OECD (2008), *The State of the Public Service*, OECD, Paris.

Notes

14.1: Data are not available for Canada, the Czech Republic, Greece and Spain. A very small change to the composite index has been made to Norway and Poland since the publication of *The State of the Public Service*, slightly affecting their ranking.

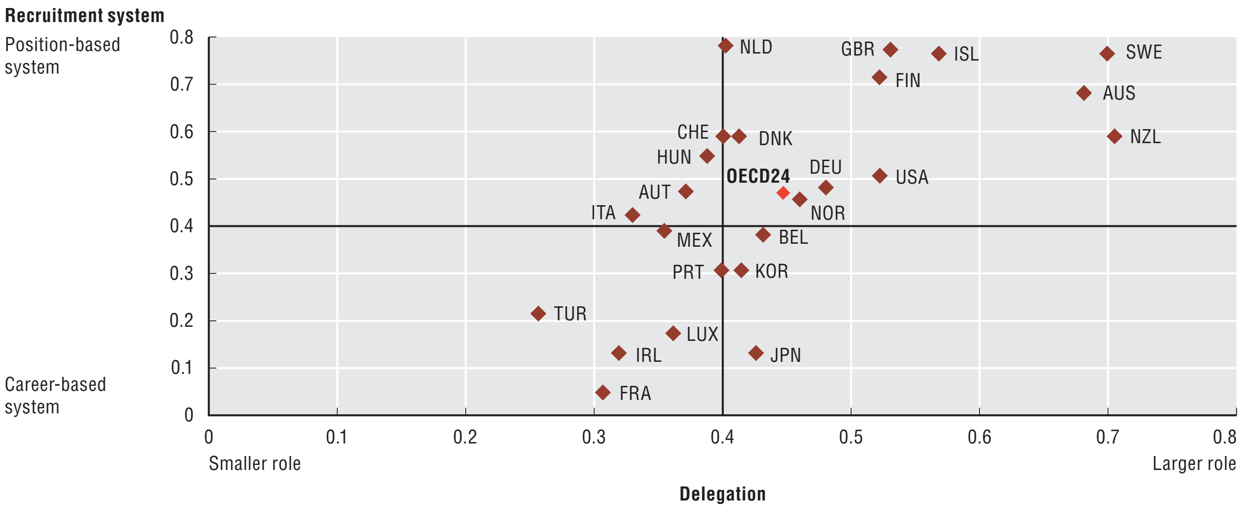
14.2: Data are not available for Canada, the Czech Republic, Greece, Poland, the Slovak Republic and Spain. The coefficient of correlation is 0.672.

14.1 Type of recruitment system used in central government (2005)



Note: This index describes a spectrum of recruitment systems in place in OECD member countries. It does not evaluate the performance of different systems.

14.2 Relationship between type of recruitment system and delegation in HRM in central government (2005)



Source: OECD Strategic Human Resource Management in Government Survey (2006).

StatLink http://dx.doi.org/10.1787/723668744361

15. Staff performance management

A focus on performance is at the core of modernising public administrations in most OECD member countries. Assessing performance is often the first step in recognising both individual and collective efforts in a more fair and objective manner. At the same time, performance assessments can clarify the goals of the organisation for staff, linking their roles to organisational objectives and helping implement change. However, creating a performance management system does not in itself improve performance. Its success, in part, depends on goals and strategies being clearly defined and communicated to employees, and on managers' ability to objectively assess and measure performance.

In recent years, incentives have been linked to performance assessments with the goal of increasing the motivation and accountability of civil servants. A couple of decades ago, nearly all central government employees were given pay increases based on length of service on the assumption that increased experience would lead to better performance, regardless of individual efforts. As improving staff performance took on a new urgency in light of budget constraints, elements of performance-related pay (PRP) were introduced in many countries, along with an increased delegation of HRM responsibilities. PRP can vary along several dimensions, including: range of staff positions, whether the targets and incentives apply to individuals or groups, the extent to which rankings are used, and the size of awards (one-off bonuses or merit increases in basic pay). PRP is not without disadvantages: its impact on trust, pay differentials (particularly for minority groups) and equity must be carefully monitored.

Almost all countries have formalised performance assessments for most core government employees. Of the 26 countries for which there are comparable data, about one-third do not use PRP. There is no single model of PRP among the remaining countries. However, a trend is that PRP has spread from the management level to cover other categories of staff. Several countries in the middle, such as Canada, Ireland or Italy, use PRP only for senior managers. In the Netherlands, only some government organisations use PRP. None of these indexes measure the capacity of the HRM system to motivate employees or the performance of employees. Further, many countries manage to nurture a performance culture without a formalised performance focus and some are implementing performance-based policies (such as PRP) more informally.

Methodology and definitions

Data refer to 2005 and were collected through the 2006 OECD Strategic Human Resource Management in Government Survey. Respondents were predominately senior officials in central government personnel departments. Countries missing from the figures are those for which the OECD had incomplete or inconsistent data.

Data refer to HRM practices at the central level of government for the civil service. Definitions of the civil service, as well as sectors covered at the central level of government, differ across countries and should be considered when making comparisons.

The performance assessment index indicates the extent to which it is used in career advancement (25%), remuneration (25%) and contract renewal decisions (50%), based on the views of survey respondents. The PRP index looks at the use of PRP in general (25%) and the specific instruments used (25%), the range of employees to whom PRP applies (25%) and the maximum proportion of base pay that PRP may represent (25%). Both indexes range between 0 (no use) and 1 (high use). Annex C provides a description of the methodology used to develop these composites. The variables comprising the indexes and their relative importance are based on expert judgements. They are presented with the purpose of furthering discussion, and consequently may evolve over time.

Further reading

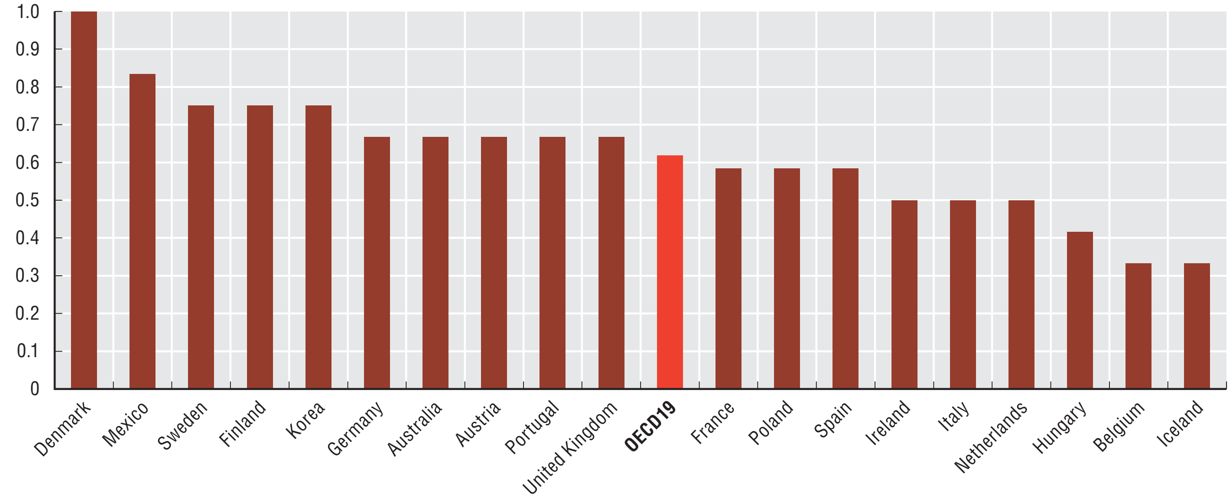
OECD (2008), *The State of the Public Service*, OECD, Paris.

Notes

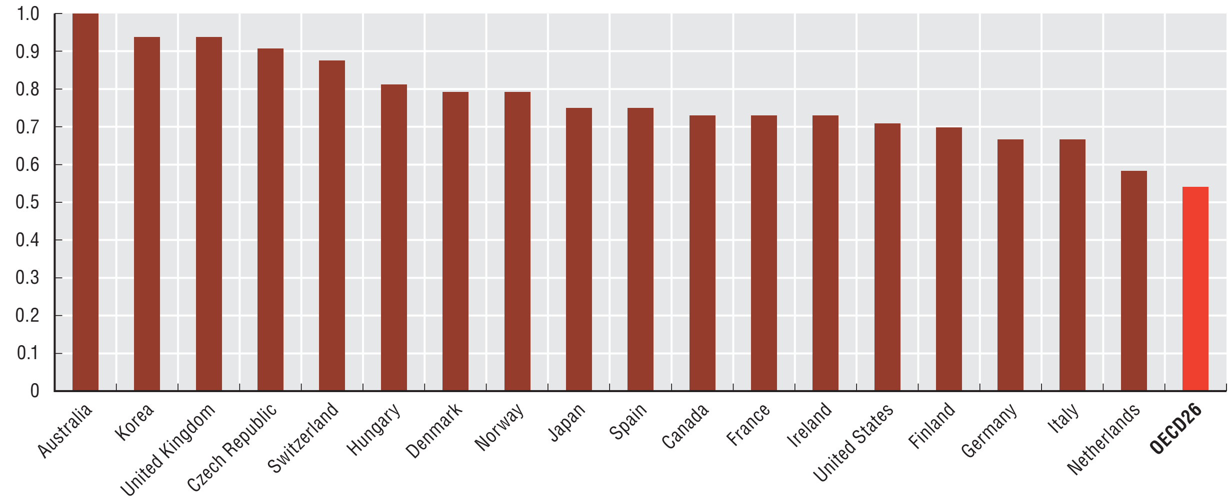
15.1: Data are not available for Canada, the Czech Republic, Greece, Japan, Luxembourg, New Zealand, Norway, the Slovak Republic, Switzerland, Turkey and the United States. A small change has been made to German data since the publication of *The State of the Public Service*, slightly affecting its score.

15.2: The OECD average includes eight countries that do not use PRP which are not depicted in the figure: Austria, Iceland, Luxembourg, Mexico, Poland, Portugal, the Slovak Republic and Sweden. While Sweden does not implement PRP universally, individual pay may be set by agencies in part based on performance. Data are not available for Belgium, Greece, New Zealand and Turkey.

15.1 Extent of the use of performance assessments in HR decisions in central government (2005)



15.2 Extent of the use of performance-related pay in central government (2005)



Note: These indexes provide information on the formal use of performance assessments and PRP in central government, but do not provide any information on their implementation or on the quality of work performed by public servants.

Source: OECD Strategic Human Resource Management in Government Survey (2006).

StatLink http://dx.doi.org/10.1787/723750171710

16. Senior civil service

Countries need senior civil servants who are able to pursue performance-oriented management, ensure cohesion across ministries, and at the same time protect the ethos of a politically neutral and professional public administration. The senior civil service is the interface between politicians and the public administration. They are responsible for the implementation of legal instruments and political strategies. They are also responsible for the coherence, efficiency and appropriateness of government activities. Thus, the capacity of the senior civil service has become a key public governance issue.

Due to the growing leadership expectations placed on senior civil servants, there is an increasing tendency to group and manage them separately under different HRM policies. The table shows the level of institutionalisation of specific HRM practices that apply to the group of senior managers. However, the existence of separate management rules and practices applying to senior civil servants does not indicate how well they are managed or how well they perform. The table only reflects the efforts made in recent years to adjust the rules and practices to the management needs created by the increased importance of senior civil servants.

In general, senior civil servants represent a very small percentage of all central government employees, and most are not politically appointed. There is a broad spectrum of senior management arrangements across countries that reflect different administrative cultures and historical developments. Seven OECD member countries do not have a separately defined senior civil service: Austria, Denmark, Germany, Ireland, Mexico, Sweden and Switzerland. The Netherlands, the United Kingdom and the United States stand out as having institutionalised the management of their senior civil servants the most, including the establishment of a separate formal senior executive service.

Methodology and definitions

Data refer to 2005 and were collected by the OECD 2006 Strategic Human Resource Management in Government Survey. Respondents were predominately senior officials in central government personnel departments. To calculate senior civil servants as a percentage of central government staff, 2005 data from the Comparison of Employment in the Public Domain (CEPD) Survey were used for the total number of central government employees, except for Australia and Canada, which subsequently provided updated 2005 data.

Data refer to HRM practices at the central level of government for the civil service. Definitions of the senior civil service, as well as sectors covered at the central level of government, differ across countries and should be considered when making comparisons.

Further reading

OECD (2008), *The State of the Public Service*, OECD, Paris.

Notes

16.1(*) While Germany, Iceland and Sweden do not have a defined group of senior civil servants, they have implemented certain HRM policies and practices relevant for senior managers.

(**) Finland: Not formally. However, the Ministry of Finance is planning to promote career thinking and systematic development of potential managers and experts. Each ministry and agency are responsible for their HRD.

(***) Korea: No. However, the young middle managerial officials who passed the Senior Entrance Exam for Government Service are usually recognized as potential future leaders.

(****) United States: Federal agencies may establish and administer formal leadership and executive development programmes to prepare future leaders. The establishment of SES Candidate Development Programmes is required by section 3396 of title 5, US Code, and requirements relating to those programes are found in subpart B of part 412 of title 5, Code of Federal Regulations.

A corrigendum has been issued for this page. See: http://www.oecd.org/dataoecd/59/28/44251675.pdf

16.1 Use of separate HRM practices for senior civil servants (SCS) (2005)

	Existence of separate group of SCS	Idenfication of SCS early in their careers	Percentage of employees who are SCS	Recruited with a more centralised process	More attention is paid to the management of their careers	More emphasis on the management of their performance	More emphasis on avoiding conflicts of interest	Pay that is not basic salary and not PRP is higher than for regular staff	The part of their pay that is performance-related is higher	Appointment contract is for a specific term	Apppoint-ment is shorter than for regular staff	Appointment depends on renewal of contract
Australia	●	❍	1.59	❍	❍	●	❍	❍	❍	❍	❍	❍
Austria	❍	❍	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Belgium	●	❍	0.12	●	❍	●	●	●	❍	●	●	●
Canada	●	n.a.	0.20	●	❍	●	❍	●	●	❍	❍	❍
Czech Republic	●	❍	n.a.	❍	❍	❍	❍	❍	❍	❍	❍	❍
Denmark	❍	❍	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finland	●	❍**	0.11	●	❍	❍	❍	●	❍	❍	❍	❍
France	●	●	n.a.	●	●	❍	●	❍	❍	●	❍	❍
Germany	❍*	❍	n.a.	❍	❍	●	●	❍	❍	❍	❍	❍
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hungary	●	❍	0.10	●	❍	●	❍	●	●	❍	❍	❍
Iceland	●	❍	n.a.	●	❍	❍	❍	❍	❍	●	●	❍
Ireland	❍*	❍	n.a.	❍	❍	❍	❍	❍	●	●	❍	❍
Italy	●	❍	n.a.	●	❍	●	❍	❍	●	❍	❍	❍
Japan	●	❍	0.16	❍	❍	❍	●	❍	❍	❍	❍	❍
Korea	●	❍***	0.17	❍	❍	●	❍	❍	●	❍	❍	❍
Luxembourg	●	❍	n.a.	❍	❍	❍	❍	❍	❍	❍	❍	❍
Mexico	❍	❍	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
New Zealand	●	❍	n.a.	❍	❍	❍	❍	❍	❍	❍	❍	❍
Netherlands	●	●	0.28	●	❍	●	❍	❍	❍	●	●	❍
Norway	●	❍	0.12	❍	❍	●	❍	●	●	❍	❍	❍
Poland	●	n.a.	n.a.	●	❍	●	●	❍	❍	❍	❍	❍
Portugal	●	❍	n.a.	❍	❍	●	●	●	❍	●	●	❍
Spain	●	●	n.a.	●	●	❍	●	●	●	❍	●	❍
Slovak Republic	●	❍	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	❍*	❍	n.a.	❍	❍	●	❍	❍	❍	❍	❍	❍
Switzerland	❍	❍	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Turkey	●	❍	n.a.	●	❍	❍	❍	●	❍	❍	❍	❍
United Kingdom	●	●	n.a.	❍	❍	●	●	●	●	●	❍	❍
United States	●	●****	0.25	●	●	●	●	●	●	❍	❍	❍

Yes: ●
No: ❍
n.a. = not available

Source: OECD Strategic Human Resource Management in Government Survey (2006) and OECD CEPD Survey (2006).

StatLink http://dx.doi.org/10.1787/723758468586


13.816
1.450 e
1.380 e
1.301

VII. BUDGET PRACTICES AND PROCEDURES

The twin challenges of an ageing population and the financial crisis place an acute and momentous responsibility on governments to adopt budget policies to restore long-term fiscal sustainability. A nation's public expenditure system must promote fiscal discipline, the allocation of resources where they are most valuable and the efficient operation of government.

This chapter includes indicators on selected practices and procedures related to budget formulation and execution in central government. Well-functioning budget institutions are fundamental to suporting economic growth, improving fiscal health, and achieving stable taxes and intergenerational fairness. Indicators are presented on the extent to which: countries have adopted practices to encourage fiscal sustainability; the public is informed so that fiscal policies and spending priorities can be understood, monitored and evaluated; budgets incorporate a medium-term perspective to ensure that multi-year consequences of spending measures are considered; performance information is used in budget formulation; and the executive can make changes to the approved budget.

All results are based upon country responses to the OECD Survey of Budget Practices and Procedures and represent their own assessments of current practices and procedures. The indexes represent calculations by staff members with the purpose of furthering discussion, and consequently may evolve over time.

17. Fiscal sustainability

Ageing populations and the economic downturn pose severe challenges for the sustainability of public finances. As the costs of addressing these challenges rise more quickly than revenues, government solvency and economic growth are threatened. In addition, governments face reduced capacity to pay for current public services with today's revenues, and may have to raise taxes or cut back services in the future.

The use of fiscal projections and rules in the budget process are two strategies employed by OECD member countries to achieve sustainability. Fiscal projections assess the likely consequences of continued current spending with the impact of demographic change and other factors. OECD Best Practices for Budget Transparency recommend that projections should cover 10 to 40 years, and be revised every 5 years or when major revenue/expenditure policy changes are made. Moreover, all key assumptions underlying the projections should be made explicit, together with a range of plausible scenarios.

A fiscal rule is a constraint on fiscal policy designed to curb excessive spending above the resource base. Rules may focus on different fiscal indicators: expenditures, budget balance, debt and revenue. While fiscal rules can help governments to achieve fiscal objectives and discipline, there is no one-size-fits-all rule for every country.

Almost all OECD member countries produce long-term fiscal projections, the majority of which span 41 to 50 years. Two-thirds of these countries prepare projections annually, while others do it more periodically (every three to five years). Balance and debt rules are the most common form of fiscal rules among OECD member countries, while revenue rules are the least common. Six countries do not use fiscal rules as a means to constrain spending.

In interpreting a country's reporting of these practices, it is important to consider how monetary union reporting obligations influence responses. Under European Union convergence reporting obligations, euro area countries must report long-term fiscal projections and adopt debt and balance rules. Some countries' responses reflect practices for domestic procedures, while others capture practices for European Union Stability and Growth Pact/ Stability and Convergence Reporting.

Methodology and definitions

Fiscal sustainability encompasses government solvency, continued stable economic growth, stable taxes and intergenerational fairness (Schick, 2005). Solvency is the ability to pay financial obligations. Stable taxes allow programmes to be financed without modifying the tax burden on citizens. Fairness is the capacity to pay for current public services with today's revenues, rather than shifting the cost to future generations or denying them the services available today.

The indicators refer to the central government and draw upon country responses to questions in the OECD International Budget Practices and Procedures Database collected via a survey during the first half of 2007. Respondents were senior budget officials. Responses represent the countries' own assessments of current practices and procedures.

Further reading

Anderson, B. and J.J. Minarik (2006), "Design Choice for Fiscal Policy Rules", *OECD Journal on Budgeting*, Vol. 5, No. 4, OECD, Paris, pp. 159- 208.

Anderson, B. and J. Sheppard (Forthcoming), "Fiscal Futures, Institutional Budget Reforms and Their Effects: What Can Be Learned?", *OECD Journal on Budgeting*, OECD, Paris.

Schick (2005), "Sustainable Budget Policy: Concepts and Approaches", *OECD Journal on Budgeting*, Vol. 5, No. 1, OECD, Paris, pp. 107-126.

Notes

17.1: Based upon Q.12 "Are long-term fiscal projections prepared? How many years do they normally cover and how frequently are they prepared?". Canada, Iceland, Japan, Mexico and Turkey did not publish projections at the time of the 2007 survey. Canada has published projections in the past on an *ad hoc* basis. Since the 2007 survey, Japan has begun preparing projections on an *ad hoc* basis. Czech Republic, Denmark, Finland, France, Germany, Italy, Poland and United Kingdom also present fiscal projections over an infinite time horizon.

17.2: Based upon Q.14 "Are there any fiscal rules that place limits on fiscal policy? Which of the following defines the fiscal rule?". Euro area countries are subject to rules of Stability and Growth Pact, *i.e.* an annual budget deficit no higher than 3% of GDP (general government), and national gross debt less than 60% of GDP (or approaching that value).

17.1 The coverage and frequency of long-term fiscal projections by central government (2007)

	How many years do projections cover?					
	21-30	31-40	41-50	51-60	61+	**Total**
Frequency projections are published?						
Annually			Austria, Belgium, Czech Republic, Finland, France, Greece, Hungary, Ireland, Italy, Luxembourg, Poland, Portugal, Slovak Republic, Spain, Sweden, United Kingdom		Denmark, United States	**18**
Regularly (every 3-5 years)		Australia, New Zealand	Germany, Norway, Switzerland			**5**
Ad hoc basis	Korea				Netherlands	**2**
Total	**1**	**2**	**19**	**0**	**3**	

17.2 Central government use of rules that place limits on fiscal policy (2007)

Country	Euro area	Type of rules: Expenditure	Budget balance (deficit/surplus)	Debt	Revenue
Australia	❍	❍	❍	❍	❍
Austria	●	❍	●	●	❍
Belgium	●	❍	●	●	❍
Canada	❍	●	❍	❍	❍
Czech Republic	❍	●	❍	❍	❍
Denmark	❍	●	●	❍	●
Finland	●	●	●	●	❍
France	●	●	●	●	●
Germany	●	❍	●	●	❍
Greece	●	❍	●	●	❍
Hungary	❍	❍	❍	❍	❍
Iceland	❍	●	❍	❍	❍
Ireland	●	❍	●	●	❍
Italy	●	●	●	●	❍
Japan	❍	●	●	●	❍
Korea	❍	❍	❍	❍	❍
Luxembourg	●	●	●	●	❍
Mexico	❍	●	●	●	●
Netherlands	●	●	●	●	●
New Zealand	❍	❍	❍	❍	❍
Norway	❍	❍	●	❍	❍
Poland	❍	❍	●	●	❍
Portugal	●	❍	●	●	❍
Slovak Republic	●	●	●	●	❍
Spain	●	●	●	●	❍
Sweden	❍	●	●	❍	❍
Switzerland	❍	●	❍	❍	❍
Turkey	❍	❍	❍	❍	❍
United Kingdom	❍	❍	●	●	❍
United States	❍	❍	❍	❍	❍
Total	**13**	**15**	**20**	**17**	**4**

● Yes.
❍ No.
Source: OECD (2007), OECD International Budget Practices and Procedures Database, *www.oecd.org/gov/budget/database*.

StatLink http://dx.doi.org/10.1787/723802553562

18. Budget disclosures

Publicly available, comprehensive budget documentation can make it easier for the public to understand fiscal policies and government priorities. Budget disclosures can contribute to fiscal discipline, the effective allocation of resources and operational efficiency. They can enable governments to be held accountable for producing realistic and sustainable budgets, and for the social and economic impact of planned policy measures. Because the availability of information within the budget document does not necessarily assure its accuracy, citizens and legislators must use the information to hold the government accountable for achieving better budget outcomes.

A key aspect of transparency is the extent to which the executive's budget provides information on the budget framework and the government's policies and priorities. Countries vary in the amount and types of information provided. While macroeconomic assumptions and policy priorities are common in the budgets of all OECD member countries, only two-thirds include clearly defined appropriations for legislature vote and a medium-term perspective on total revenue and expenditure. Moreover, half or fewer of all OECD member countries include non-financial performance targets or the text of proposed legislation or policies in the budget and supporting documentation. Arguably, there is no single factor more responsible for derailing budget outcomes and projections of deficits or surpluses than the use of weak macroeconomic assumptions. Over half of all OECD member countries make the methodology underlying their macroeconomic assumptions publicly available, either directly or upon request.

The existence of independent government entities to audit and comment on the budget is also a key factor in holding the legislature and executive accountable. All OECD member countries have a supreme audit institution to audit government accounts. While all countries ultimately make the audited accounts available to the public, there is considerable variation in the time it takes to do so. Fewer than half of OECD member countries release the accounts within six months after the fiscal year ends, as is suggested by OECD Best Practices for Budget Transparency.

Methodology and definitions

The indicators are derived from the OECD Best Practices for Budget Transparency, and include: the availability of certain elements within the budget documentation submitted to the legislature, the availability of the methodology underlying the economic assumptions used in the budget, and the number of months after year-end that audited accounts are publicly disclosed by the supreme audit institution. The indicators draw upon the OECD International Budget Practices and Procedures Database collected during the first half of 2007 and refer to budget practices in the central government. Survey respondents were senior budget officials. Responses represent the countries' own assessments of current practices and procedures. In addition, the indicators refer to the availability of information but do not measure its quality.

Further reading

OECD (2002), "OECD Best Practices for Budget Transparency", *OECD Journal on Budgeting*, Vol.1, No. 3, OECD, Paris, pp. 7-14.

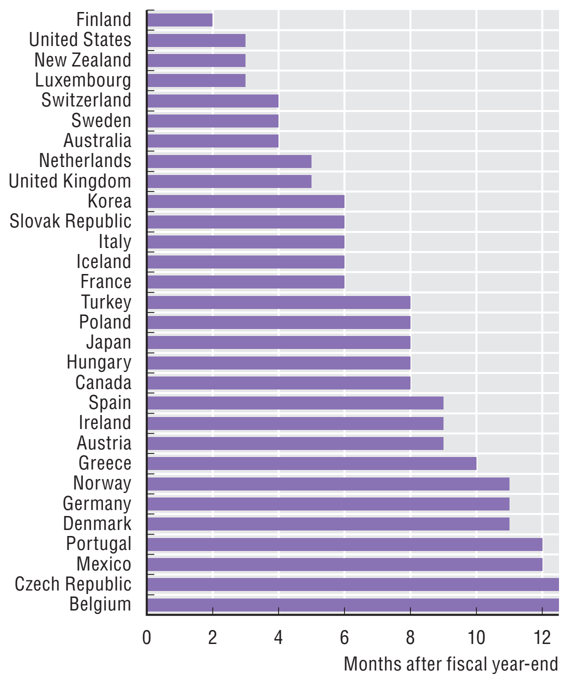
OECD (Forthcoming), *Budgeting Practices and Procedures in OECD Countries*, OECD, Paris.

Notes

18.1: Based on Q.70 "When are the accounts audited by the Supreme Audit Institution publicly available?". Belgium and the Czech Republic release audited accounts more than 12 months after the fiscal year-end.

18.2: Based on Q.35 "In the presentation of Central Government budget documents to the Legislature, which of the following elements are included?" and Q.7 "Is the methodology used for establishing the economic assumption of the budget publicly available?". In Germany, Greece, Iceland, Ireland, New Zealand, Poland and the Slovak Republic, the methodology used to establish economic assumptions is available on request.

18.1 Number of months after fiscal year-end that audited accounts are publicly disclosed by the supreme audit institution (2007)



Source: OECD (2007), OECD International Budget Practices and Procedures Database, *www.oecd.org/gov/budget/database*.

StatLink http://dx.doi.org/10.1787/723840438383

18.2 Elements included in budget documents presented to the legislature at the central level of government (2007)

	Macroeconomic assumptions	Budget priorities	Medium-term fiscal policy objectives	Linkage of appropriations to administrative units	Clearly defined appropriations for legislature vote	Medium-term perspective on total revenue and expenditure	Non-financial performance targets	Text of legislation of policies proposed in budget	Is the methodology used for establishing the economic assumptions of the budget publicly available?
Australia	●	●	●	●	●	●	●	❍	❍
Austria	●	●	●	●	●	❍	❍	❍	●
Belgium	●	●	●	●	●	●	❍	❍	●
Canada	●	●	●	●	●	❍	❍	❍	●
Czech Republic	●	●	●	●	❍	●	❍	❍	❍
Denmark	●	●	❍	❍	●	●	❍	❍	●
Finland	●	●	●	●	●	❍	●	●	●
France	●	●	●	❍	●	●	●	❍	❍
Germany	●	●	●	●	●	●	❍	❍	●
Greece	●	●	●	●	●	❍	●	❍	●
Hungary	●	●	●	❍	❍	●	❍	❍	❍
Iceland	●	●	●	●	●	●	❍	❍	●
Ireland	●	●	●	●	●	●	●	❍	●
Italy	●	●	●	❍	●	●	❍	❍	●
Japan	●	❍	❍	●	❍	❍	❍	❍	❍
Korea	●	●	●	●	●	●	●	❍	❍
Luxembourg	●	●	●	❍	❍	❍	❍	●	●
Mexico	●	●	●	●	❍	●	●	●	❍
Netherlands	●	●	●	●	❍	●	●	❍	●
New Zealand	●	●	●	●	●	●	●	❍	●
Norway	●	●	●	●	●	●	●	●	●
Poland	●	●	❍	❍	❍	●	●	❍	●
Portugal	●	●	●	●	❍	●	❍	●	❍
Slovak Republic	●	●	●	●	●	●	●	❍	●
Spain	●	●	●	●	●	❍	●	❍	❍
Sweden	●	●	●	●	●	●	●	●	●
Switzerland	●	●	●	●	●	●	●	❍	●
Turkey	●	●	●	●	●	●	❍	●	❍
United Kingdom	●	❍	❍	●	●	❍	❍	❍	●
United States	●	●	●	●	●	●	●	●	❍
Total	**30**	**28**	**26**	**24**	**22**	**22**	**16**	**8**	**19**

● Yes.
❍ No.
Source: OECD (2007), OECD International Budget Practices and Procedures Database, *www.oecd.org/gov/budget/database*.
StatLink http://dx.doi.org/10.1787/723840438383

A corrigendum has been issued for this page. See: http://www.oecd.org/dataoecd/59/28/44251675.pdf

19. Medium-term budget perspective

In order to improve fiscal discipline, many countries have adopted medium-term budget and/or expenditure frameworks that typically span between three and five years, including the budgeted fiscal year. The medium-term perspective may include estimates of revenues and expenditures and/or targets or ceilings for spending. It signals the direction of policy and funding changes and gives actors time to adjust. It also helps identify room in the budget that can be allocated for new and existing programmes. Thus, it can enable decision makers to consider the cost of competing programmes before they make funding decisions, while increasing the predictability of funding during programme implementation. OECD member countries that are members of the European Union are required to report medium-term objectives; however, legislatures may or may not incorporate these when formulating the budget.

While there is a consensus about the importance of a medium-term perspective in the budget process and general agreement about the use of expenditure estimates, different opinions exist on the use of expenditure ceilings. Whereas expenditure estimates capture information on the cost of existing policies and programmes and form the baselines for the following years' budgets, expenditure ceilings provide a top-down constraint on spending in future years.

The impact of a medium-term perspective in the budget depends on the credibility of the expenditure estimates (and ceilings) as well as how this information is used by decision makers and by civil society observers. Failure to achieve medium-term budget objectives is often related to weak arrangements surrounding the preparation, legislation and implementation of budgetary targets.

Medium-term expenditure estimates are produced in all but one OECD country, most often at an aggregate level. In comparison, the use of multi-year ceilings is less common, although they are still used by two-thirds of OECD member countries. The strength of the medium-term perspective adopted by countries varies greatly across OECD member countries.

Methodology and definitions

The indicators draw upon country responses to questions in the OECD International Budget Practices and Procedures Database collected via a survey during the first half of 2007, and refer to the central level of government. Survey respondents were senior budget officials. Responses represent the countries' own assessments of current practices and procedures. Some European Union member country responses reflect practices for domestic procedures, while other countries' responses capture practices for European Union Convergence Reporting.

The index measures the extent to which countries have developed a medium-term perspective in their budget process. It contains the following variables (weights in parentheses): whether countries present multi-year expenditure estimates in the annual budget (16.7%), the number of years the estimate covers (16.7%), how often estimates are updated (16.7%), how estimates are extrapolated (16.7%); and whether there are multi-year targets or ceilings (11.1%), their coverage (11.1%) and how often they are revised (11.1%). The index ranges between 0 (no medium-term perspective) and 1 (highly developed medium-term perspective). The composite index does not capture whether the framework includes performance information, or its impact on budget outcomes such as fiscal discipline and allocative efficiency. See Annex C for a description of the methodology used to construct the index. The variables comprising the indexes and their relative importance are based on expert judgements. They are presented with the purpose of furthering discussion, and consequently may evolve over time.

Further reading

OECD (2002), "OECD Best Practices for Budget Transparency", *OECD Journal on Budgeting*, Vol. 1, No. 3, OECD, Paris, pp. 7-14.

OECD (Forthcoming), *Budgeting Practices and Procedures in OECD Countries*, OECD, Paris.

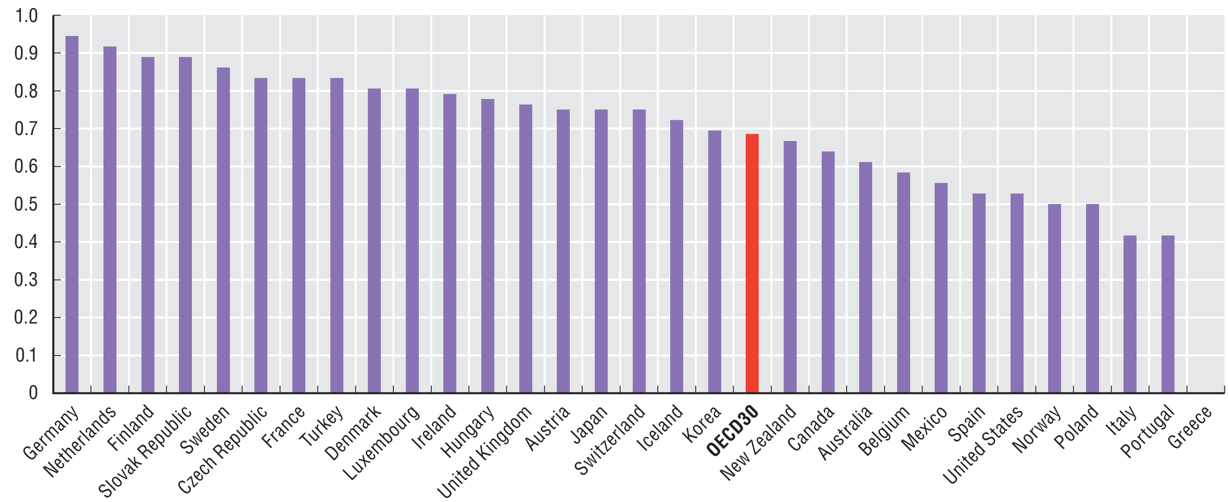
Note

19.1: Based on Q.16 "Does the annual budget documentation submitted to the legislature contain multi-year expenditure estimates?" and Q.20 "Are there multi-year expenditure targets or ceilings?". In Ireland, ministry level ceilings are presented for capital expenditures.

19.1 Medium-term budget perspective at the central level of government (2007)

	Level at which ceilings are presented					
	Aggregate	Ministry	Line-item	Other	None	**Total**
Level at which estimates presented						
Aggregate	Austria, Japan, Mexico, Switzerland			Belgium, France, Hungary	Italy, Poland, Spain	**10**
Ministry		Slovak Republic, United Kingdom		Ireland, Turkey	United States	**5**
Line-item	Finland, Luxembourg, Netherlands New Zealand, Sweden		Germany	Denmark	Australia, Canada	**9**
Other	Iceland, Korea	Czech Republic			Norway, Portugal	**5**
None					Greece	**1**
Total	**11**	**3**	**1**	**6**	**9**	

19.2 Use of medium-term perspective in the budget process at the central level of government (2007)



Note: This index measures the extent to which countries have developed a medium-term perspective in their budget process. However, it does not evaluate whether this perspective has been effective at achieving budget outcomes such as fiscal discipline and allocative efficiency.

Source: OECD (2007), OECD International Budget Practices and Procedures Database, *www.oecd.org/gov/budget/database*.

StatLink http://dx.doi.org/10.1787/723856770865

20. Performance-oriented budgeting

In the current economic environment in particular, OECD member countries are under pressure to improve government efficiency and effectiveness while controlling expenditures. While all OECD member countries are developing information to assess their government's performance, there is a wide variation in the type of information produced and the extent of coverage. Formal performance information refers to both performance measures (outputs and/or outcomes) and evaluations. Objective performance information can contribute to better decisions on resource use and programme management. For example, performance information can help to identify programmes that are working and those that are not, enabling managers to improve poor-performing programmes. However, it is important to note that implementing a performance budgeting system requires good quality data.

The index examines the degree to which central governments in OECD member countries have established systems for the development and use of performance information in the budget process. Countries that receive a high score have created a comprehensive, government-wide framework for developing performance information (evaluations and performance measures), integrating performance information into budget and accountability processes, using it in decision making, and monitoring and reporting on results. However, this does not measure how successfully any given system operates in practice. Success is better evaluated by examining whether the reforms are achieving their stated objectives and this cannot be captured in this index.

The approaches to developing and using performance information in the budget process vary across OECD member countries and there is no one single model. For example, in most countries that use performance information in budgeting, there is a loose or indirect link between performance information and funding. These countries use performance measures and evaluations along with information on fiscal policy and policy priorities to inform, but not determine, budget allocations. In over 75% of countries, failure to achieve a performance target does not result in the elimination of a programme. Most OECD member countries use performance information in budget discussions.

Methodology and definitions

The indicators draw upon country responses to questions in the OECD International Budget Practices and Procedures database collected via a survey during the first half of 2007, and refer to the central level of government. Survey respondents were senior budget officials in OECD member countries. Responses represent the countries' own assessments of current practices and procedures.

This composite index contains 14 variables that cover information on the type of performance information developed, processes for setting goals, processes for monitoring and reporting on results, and whether (and how) performance information is used in budget negotiations and decision making by the central budget authority, line ministries and politicians. Annex C contains a description of the methodology used to construct this index, including the specific weights assigned to each variable. The index ranges between 0 (no performance budgeting system) and 1 (a comprehensive performance budgeting system). The variables comprising the indexes and their relative importance are based on expert judgements. They are presented with the purpose of furthering discussion, and consequently may evolve over time.

Further reading

Curristine, T. (2005), "Performance Information in the Budget Process: Results of the OECD 2005 Questionnaire", *OECD Journal on Budgeting*, Vol. 5, No. 2, OECD, Paris, pp. 87-132.

OECD (2008), "Performance Budgeting: A Users' Guide", OECD *Policy Brief*, OECD, Paris.

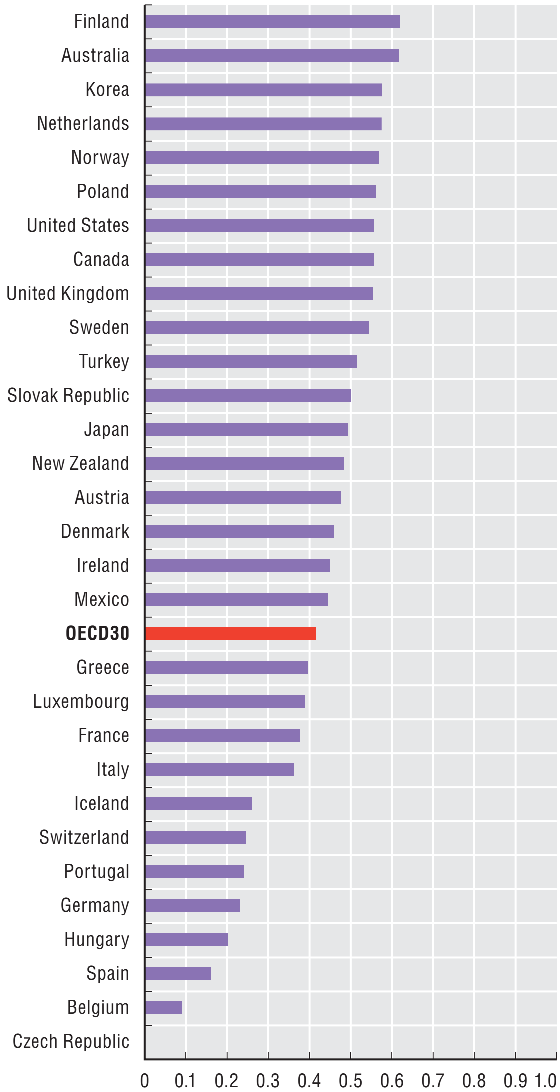
OECD (Forthcoming), *Budgeting Practices and Procedures in OECD Countries*, OECD, Paris.

Notes

20.1: Data for Poland and Turkey are for 2008. In addition, data for Turkey refer to pilot cases.

20.2: Based on Q.83 "Is performance information used as part of the budget discussions/negotiations between the central budget authority and line/spending ministries?".

20.1 Use of a performance budgeting system at the central level of government (2007)



20.2 Use of performance information in budget discussions between the central budget authority and ministries (2007)

Country	Types of performance information	
	Evaluation reports	Performance against targets
Australia	●	●
Austria	●	●
Belgium	❍	❍
Canada	●	●
Czech Republic	❍	❍
Denmark	●	●
Finland	●	●
France	●	●
Germany	●	❍
Greece	●	❍
Hungary	❍	❍
Iceland	●	❍
Ireland	●	●
Italy	❍	❍
Japan	●	●
Korea	●	●
Luxembourg	●	●
Mexico	❍	●
Netherlands	●	●
New Zealand	●	●
Norway	●	●
Poland	❍	❍
Portugal	❍	❍
Slovak Republic	●	●
Spain	●	❍
Sweden	●	●
Switzerland	●	●
Turkey	●	●
United Kingdom	●	●
United States	●	●
Total	**23**	**20**

● Yes.
❍ No.

Note: This index examines the degree to which OECD member countries have put a performance budgeting system in place. However, it does not measure how successfully these systems operate in practice.

Source: OECD (2007), OECD International Budget Practices and Procedures Database, *www.oecd.org/gov/budget/database*.

StatLink http://dx.doi.org/10.1787/723863437686

21. Executive budget flexibility

In order to address changing and unforeseen circumstances, the executive, ministries and agencies may need to have some flexibility to be able to adapt spending during the implementation of the budget. Even with a sound budget formulation process, economic assumptions can change, input prices can fluctuate and evolving political priorities can call for the reallocation of budgeted resources. For example, many countries have recently adjusted spending midway through the budget year to address unforeseen circumstances related to the financial crisis.

A key aspect of executive budget flexibility is the use of lump sum appropriations, which provides managers with more flexibility to allocate funds across and within programmes as they see fit. In addition, some countries permit the executive to borrow against future appropriations or use savings from efficiency gains for other purposes. This additional flexibility is often granted based on the notion that it can facilitate the optimal use of public resources and provide incentives to improve the efficiency of public expenditure.

However, if this authority is unreserved and unchecked, it can undermine fiscal sustainability. Potential risks include opportunities for the abuse of power by government managers, increased government deficits and weakened efficiency. Thus, any move to greater flexibility warrants clear oversight in order to hold managers accountable. While the indicators capture the procedural flexibility of the government to reallocate budget resources, they do not measure its impact on the provision of government goods and services, the internal management capacity to recognise when reallocations are necessary, or the soundness of decision-making processes that result in budget reallocations.

Among OECD member countries, there is a large range in the level and types of flexibility granted to the executive to use budgeted funds for different purposes. For example, the majority of countries allow line ministries/agencies to carry over unspent appropriations for operating expenditures or investments from one fiscal year to another, most often with some restrictions, such as the prior approval of the legislature or the executive. It is more common for countries to allow line ministries/agencies to carry over unspent funds for investments rather than funds for operating expenses.

Methodology and definitions

The indicators draw upon country responses to questions in the OECD International Budget Practices and Procedures Database collected via a survey during the first half of 2007, and refer to the central level of government. Survey respondents were senior budget officials. Responses represent the countries' own assessments of current practices and procedures.

The index looks at the flexibility of the executive to make changes to the budget during execution. Variables include (weights in parentheses): the extent to which lump sum appropriations are used (6.3%); the number of line items in the budget (6.3%); agencies' ability to carry over unused budget allocations between years (18.8%), borrow against future appropriations (18.8%), reallocate between line items (6.3%) and keep efficiency gains (6.3%); the executive's ability to increase spending during budget execution (25%) without prior legislative approval (6.3%) and its ability to decrease spending during budget execution (6.3%). The index ranges between 0 (no flexibility) and 1 (high level of flexibility with fewer restrictions). See Annex C for a description of the methodology used to construct the index. The variables comprising the indexes and their relative importance are based on expert judgements. They are presented with the purpose of furthering discussion, and consequently may evolve over time.

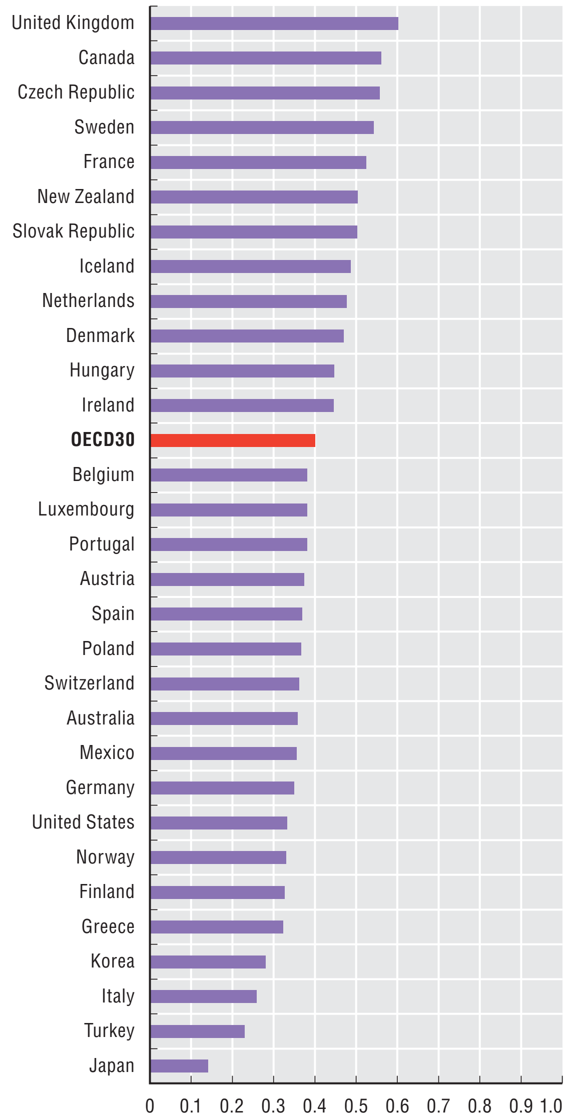
Further reading

OECD (Forthcoming), *Budgeting Practices and Procedures in OECD Countries*, OECD, Paris.

Note

21.2: Based on Q.54 "Can ministers carry over unused funds or appropriations from one year to another?".

21.1 Executive budget flexibility (2007)



21.2 Ability of line ministries in central government to carry over unused funds (2007)

Country	Operating expenditure	Investment expenditure
Australia	●	●
Austria	❑ ■	❑ ■
Belgium	❍	❍
Canada	●	■
Czech Republic	●	●
Denmark	❑	❑
Finland	●	●
France	●	●
Germany	■	■
Greece	❍	❍
Hungary	●	●
Iceland	❑ ■	❑ ■
Ireland	❑ ■	❑ ■
Italy	❍	●
Japan	❑ ■	❑ ■
Korea	●	●
Luxembourg	❍	●
Mexico	❍	❍
Netherlands	●	●
New Zealand	■	■
Norway	❑	❑
Poland	●	●
Portugal	■	■
Slovak Republic	●	●
Spain	●	●
Sweden	■	■
Switzerland	●	●
Turkey	■	■
United Kingdom	■	■
United States	●	●
Approval not required	13	14
Executive approval	10	11
Legislative approval	6	6
Not permitted	5	3

● Approval not required.
■ Executive approval.
❑ Legislative approval.
❍ Not permitted.

Note: This index looks at the different levels of flexibility provided to the executive during budget execution. However, it does not measure whether this flexibility is used effectively or appropriately.

Source: OECD (2007), OECD International Budget Practices and Procedures Database, *www.oecd.org/gov/budget/database*.

StatLink http://dx.doi.org/10.1787/723876713213

VIII. REGULATORY MANAGEMENT

Failures in regulatory governance were a contributing factor to the current global financial crisis. Governments now have an expanded role in ensuring economic recovery and are under pressure to respond to demands for support quickly and effectively, which creates further risk of regulatory failures. Thus, good regulatory management is necessary to ensure that policy measures are effective, efficient and able to restore public confidence, but with the necessary flexibility to adjust to changing economic conditions and emerging regulatory issues. The use of public consultation, regulatory impact analysis and simplification strategies to enhance regulatory certainty and reduce burdens are key aspects in ensuring strong regulatory management systems.

The indicators presented in this chapter reflect information about regulatory management practices, i.e. *the processes used to make, review and reform rules. They consider the extent to which regulatory management systems meet overall quality standards, such as those reflected in the* Guiding Principles for Regulatory Quality and Performance *endorsed by the OECD in 2005. This chapter introduces two composite indexes on the use of regulatory impact analysis and the characteristics of programmes to reduce administrative burdens.*

The indicators provide a tool to analyse regulatory governance systems as a whole and to help countries identify potential reforms. They are based on country responses to the OECD Survey on Regulatory Management (www.oecd.org/regreform/indicators).

22. Regulatory impact analysis

Regulatory impact analysis (RIA) is a key policy tool that can provide decision makers with detailed information about the potential effects of regulatory measures on the economy, environment and social arrangements. RIA looks at all possible impacts of regulation, including costs and benefits, as well as sustainability. It assesses the capacity of government agencies to enforce regulation and the capacity of affected parties to comply. RIA processes should also include an *ex post* evaluation of whether regulations are functioning as expected.

RIA can allow decision makers to examine the implications of regulatory policy options and determine whether they will achieve their objectives more efficiently and effectively than alternative approaches. In addition, by strengthening the transparency of regulatory decisions and their justification, RIA may bolster the credibility of regulatory responses and increase public trust in regulatory institutions and policy makers. Elements that are important to the effectiveness of RIA systems include the comprehensive analysis of impacts, the consultation process, the training of regulators and well-functioning institutional settings. Progress in institutional settings includes the establishment of dedicated, central regulatory oversight bodies that promote and monitor regulatory policy and reform.

There has been rapid adoption of the use of RIA by members of the OECD since 1974, with most growth occurring between 1994 and 2002. Today, all member countries report having adopted procedures to assess the impact of at least some new regulations.

Over the last decade, RIA systems have become more comprehensive across nearly all countries. An increasing number of countries have adopted formal requirements to undertake RIA for draft primary laws and subordinate regulations, as well as requirements to identify impacts (including costs and benefits of new regulations). For example, over two-thirds of countries now require RIA to demonstrate that the benefits of new regulation justify the costs.

However, the depth of RIA systems still differs across countries. Notably, some countries that have a longer history of RIA, such as Australia, Canada and the United Kingdom, have more developed systems. There remain significant differences across countries in terms of the formal aspects of their RIA processes, and the extent to which their RIA systems reflect good practice as expressed in the OECD principles.

Methodology and definitions

The indicators draw upon country responses to the OECD Regulatory Management Systems' Indicators Survey conducted in 1998, 2005 and 2008. Survey respondents were central government officials in OECD member countries. In addition to the 30 OECD member countries, data are presented for the policies of the European Union.

The composite index on requirements for RIA processes examines the extent to which OECD member countries have incorporated key elements featured in the OECD *Guiding Principles for Regulatory Quality and Performance* into their RIA systems at the central level of government. These key elements include: integrating RIA into the development, review and revision of significant regulations; supporting RIA with *ex post* evaluation to monitor quality and compliance; and ensuring that RIA plays a key role in improving the quality of regulation. It ranges between 0 (low level) and 1 (high level). See Annex C for a description of the methodology used to construct this index, including a complete description of the 14 variables and their weights. The variables comprising the indexes and their relative importance are based on expert judgements. They are presented with the purpose of furthering discussion, and consequently may evolve over time.

Further reading

OECD (1997), *Regulatory Impact Analysis: Best Practices in OECD Countries*, OECD, Paris.

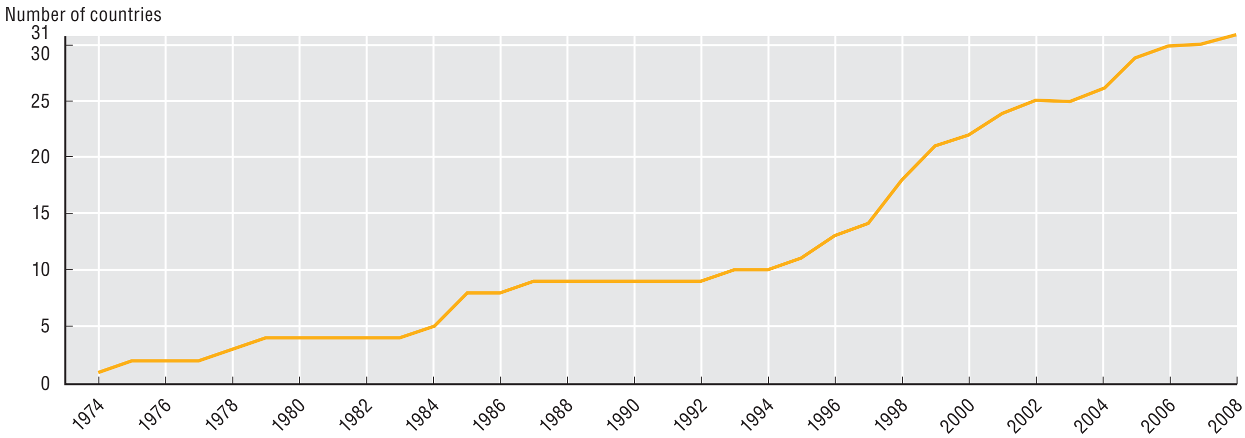
OECD (2008), *Building an Institutional Framework for Regulatory Impact Analysis (RIA): Guidance for Policy Makers*, OECD, Paris, *www.oecd.org/dataoecd/44/15/40984990.pdf*.

OECD (2009), *Regulatory Impact Analysis: A Tool for Policy Coherence,* OECD, Paris.

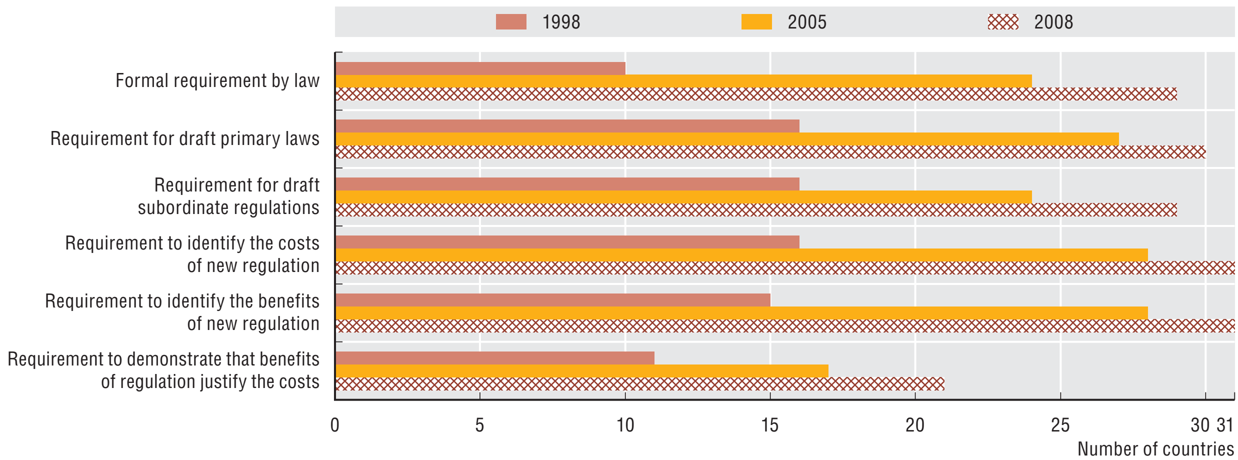
Note

22.2: Data for 1998 are not available for the European Union, Luxembourg, Poland and the Slovak Republic. Thus, this figure is based on data for 27 countries in 1998 and for 30 countries and the EU in 2005/08.

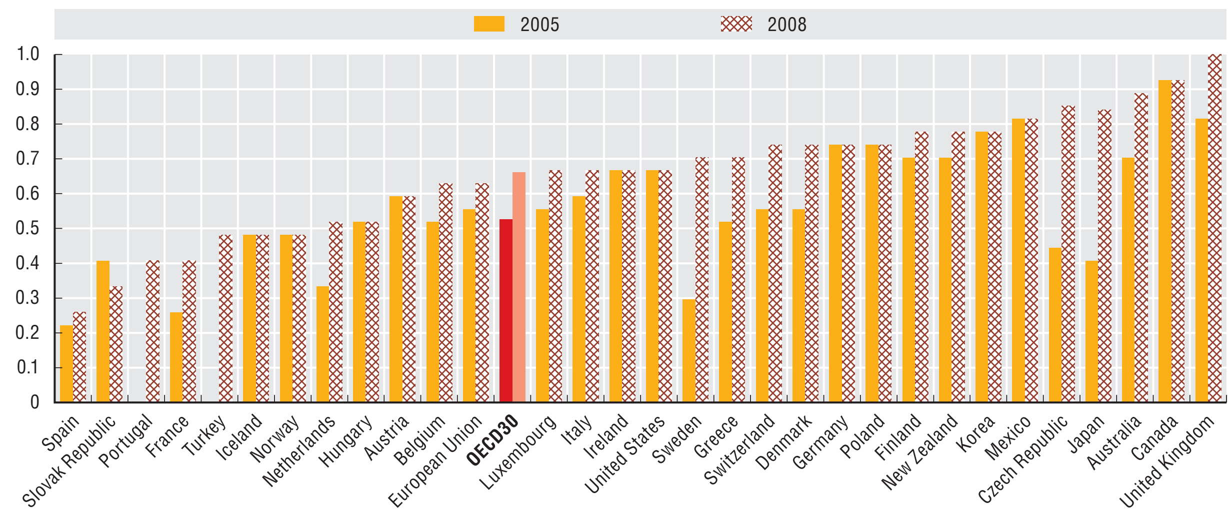
22.1 Trend in RIA adoption by central governments across OECD countries (1974-2008)



22.2 Requirements for RIA at the central government level (1998, 2005 and 2008)



22.3 Requirements for RIA processes used by central governments (2005 and 2008)



Note: This index summarises information about the existence of key elements of RIA processes in OECD member countries. It does not offer information on the quality of specific RIAs.

Source: OECD Regulatory Management Systems' Indicators Survey, *www.oecd.org/regreform/indicators*.

StatLink http://dx.doi.org/10.1787/724045144354

23. Simplification strategies

For many OECD member countries, reducing the burden of government regulations on business and citizens is a large part of their strategy to improve economic performance and productivity. Red tape can be particularly burdensome to small business, where the proportion of resources diverted to administrative functions is greater than for large firms.

Within the regulatory management strategies of OECD member countries, tools for administrative simplification have become more central to improving the administrative efficiency of regulations and reducing the time and money spent on compliance. Administrative simplification strategies have found broad support among businesses and citizens, explaining to some extent the investment by many countries in this policy area.

Although administrative simplification strategies can be technically challenging for governments, many OECD member countries have adopted programmes to reduce administrative burdens. Many countries have set targets for the reduction of administrative burdens to drive the reform of business processes within government, with performance monitored by an independent oversight body. Among the most common strategies used to meet targets are the use of information and communication technologies and electronic record and reporting requirements, such as allowing businesses and citizens to file and pay taxes online.

A large set of countries as well as the European Union were heavily engaged in administrative simplification strategies in 2008. Some countries have been committed to these efforts for over a decade now, which may also explain why certain countries have scaled down their efforts. Further analysis shows that those countries that are investing a great deal in burden reduction strategies are experiencing steep decreases in the restrictiveness of their product market regulations, which in turn is conducive to higher economic growth in the long term (Jacobzone, forthcoming).

Methodology and definitions

The indicator draws upon country responses to the OECD Regulatory Management Systems' Indicators Survey conducted in 1998, 2005 and 2008. Survey respondents were OECD delegates and central government officials. In addition to the 30 OECD member countries, data are presented for the policies of the European Union.

The composite index examines the relative emphasis by central governments on administrative burden reduction strategies at a high level. It looks at (weights in parentheses): whether a country has an explicit burden reduction programme (33.3%), and whether the programme includes quantitative targets for reducing burdens (16.7%), the use of strategies that employ information and communication technologies (16.7%) and other tools (16.7%) to reduce administrative burdens, and the practice of reallocating responsibilities across government to streamline business processes and reduce costs to citizens and business (16.7%). The index ranges between 0 (low level) and 1 (high level). The index summarises information about the intensity of countries' efforts and the comprehensiveness of countries' administrative burden programmes. However, it does not gauge whether these programmes have been effective at achieving stated goals. See Annex C for a description of the methodology used to construct the index. The variables comprising the indexes and their relative importance are based on expert judgements. They are presented with the purpose of furthering discussion, and consequently may evolve over time.

Further reading

OECD (2007), *Cutting Red Tape: Comparing Administrative Burdens Across Countries*, OECD, Paris.

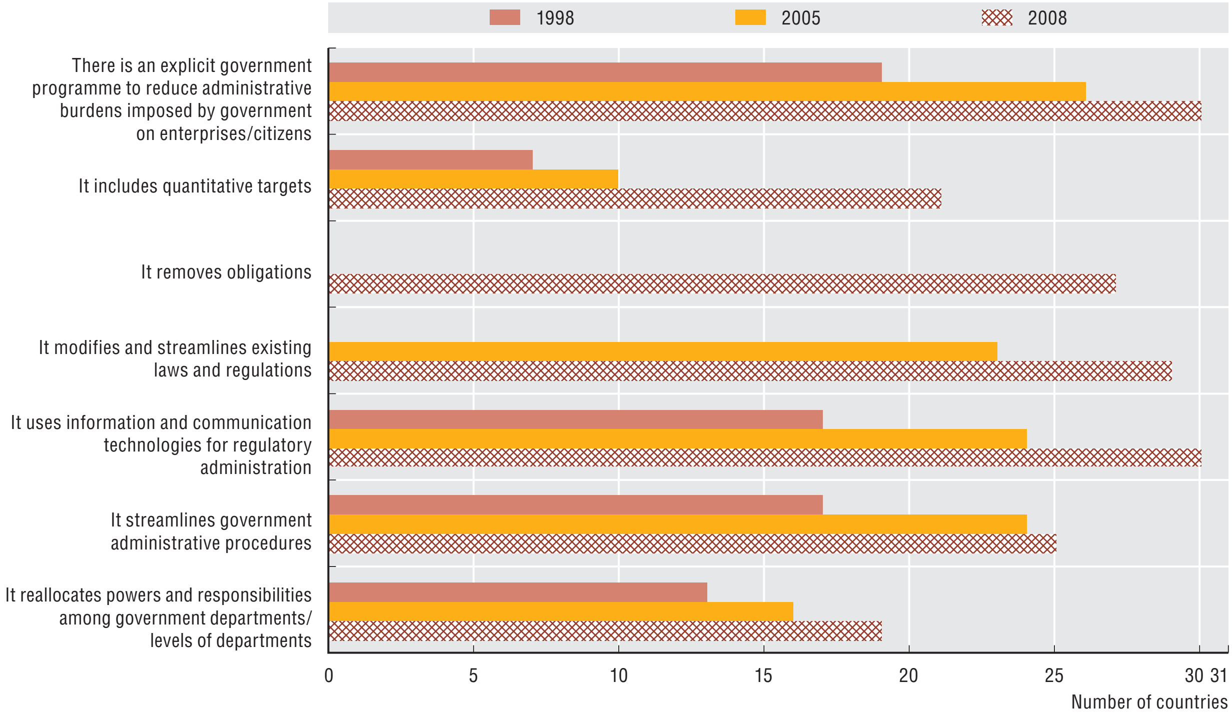
Jacobzone, S., F. Steiner and E. Lopez Ponton (Forthcoming), "Analytical Assessing the Impact of Regulatory Management Systems, Preliminary Statistical and Econometric Estimates, Public Governance", *OECD Papers on Public Governance*, OECD, Paris.

Note

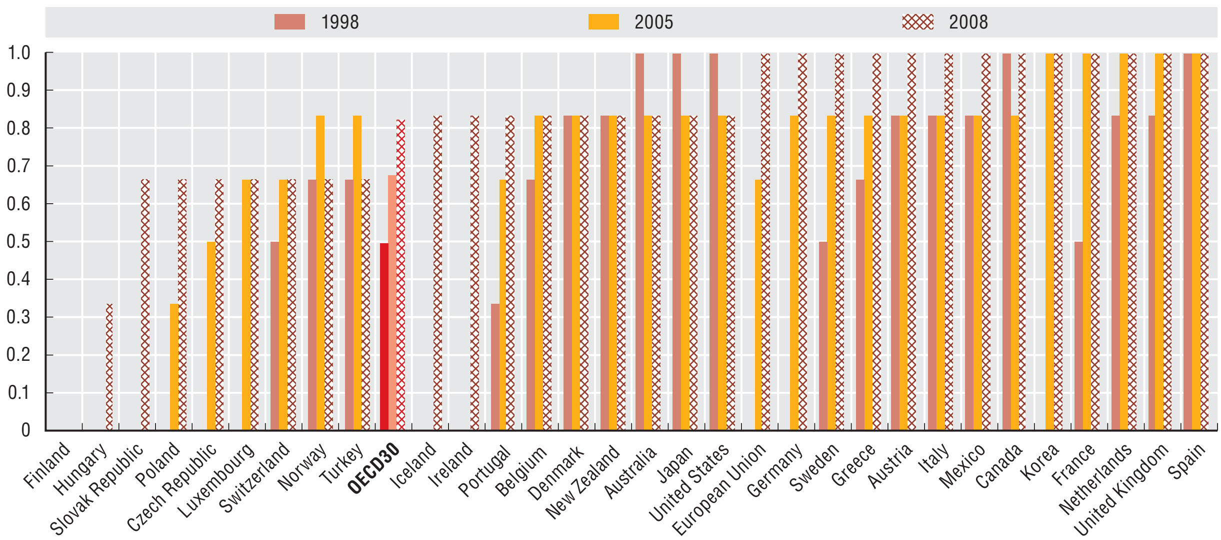
23.1: Data for 1998 are not available for the European Union, Luxembourg, Poland and the Slovak Republic. Thus, the figures are based on data for 27 countries in 1998 and for 30 countries and the EU in 2005/08. No data are available for the "removal of obligations" strategy prior to 2008. No data are available for the "modification and streamlining strategy" prior to 2005.

A corrigendum has been issued for this page. See: http://www.oecd.org/dataoecd/59/28/44251675.pdf

23.1 Characteristics of central government programmes to reduce administrative burdens (1998, 2005 and 2008)



23.2 Extent of programmes for reducing administrative burdens at the central level of government (1998, 2005 and 2008)



Note: This index summarises information about the intensity of countries' efforts and the comprehensiveness of countries' administrative burden programmes. However, it does not gauge whether these programmes have been effective.

Source: OECD Regulatory Management Systems' Indicators Survey, *www.oecd.org/regreform/indicators*.

StatLink http://dx.doi.org/10.1787/724058851054

A corrigendum has been issued for this page. See: http://www.oecd.org/dataoecd/59/28/44251675.pdf

24. Formal consultation

Transparency is one of the central pillars of effective regulation. Businesses need to be able to fully understand the regulatory environment in which they operate, and to have a voice in regulatory decision making. It is a major challenge to governments to ensure that their regulatory processes take into consideration the views of all groups in society (OECD, 2005). Transparency promotes regulatory quality by incorporating feedback about the design and effects of regulation. It increases the likelihood of compliance by building legitimacy in regulatory proposals and may therefore improve the effect of regulation and reduce the cost of enforcement.

Hence, formalised consultation processes are an important feature of regulatory transparency and a key factor in strengthening regulatory management systems in the wake of the financial crisis. The indicators of regulatory management systems examine the extent to which formal consultation processes are built in at key stages of the design of regulatory proposals, and what mechanisms exist for the outcome of that consultation to influence the preparation of draft laws. The most effective means will provide formalised opportunities for citizens and businesses to learn about the potential implications of proposals and to express their views. Routine, structured mechanisms for consultation permit adequate time for the consideration of proposals, whether made in legislation or regulation, and for the submission of views. Consultation will be less effective if it is *ad hoc*, or confined to a select group.

Consultation practices also depend upon standardised and institutionalised approaches to rule making that ensure that the law is accessible to citizens and businesses: using plain language to draft laws, making laws publicly available and establishing appeal mechanisms against regulatory decisions.

In practice, there are many different mechanisms for engaging the public in the development of regulations. Public consultation on new regulation is a routine practice among OECD member countries, even though formal and rigorous consultation practices are yet to be implemented in a large number of countries. While most OECD member countries consult informally with selected groups, fewer than two-thirds publish public notices and calls for comments. Consultation methods have evolved, taking advantage of new technologies. In particular, the use of the Internet to consult affected parties has increased between 2005 and 2008. Finally, there is considerable variability in the time period that countries offer for consultation on a new regulatory proposal.

Methodology and definitions

The indicators draw upon country responses to the OECD Regulatory Management Systems' Indicators Survey conducted in 1998, 2005 and 2008. Survey respondents were OECD delegates and central government officials. In addition to the 30 OECD member countries, data are presented for the policies of the European Union.

Primary laws are those approved by the legislature, while subordinate regulations are those that can be approved by the executive only (that is, by an authority other than the legislature).

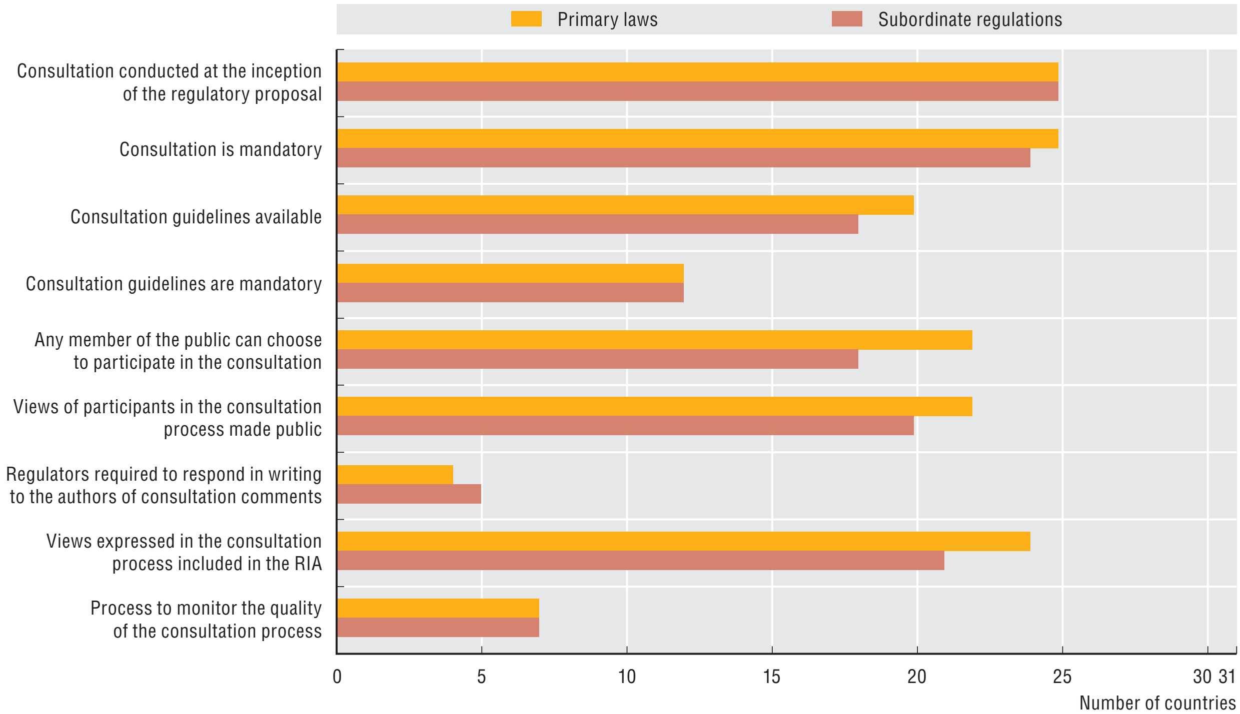
Further reading

OECD (2005), *Taking Stock of Regulatory Reform: A Multidisciplinary Synthesis*, OECD, Paris.

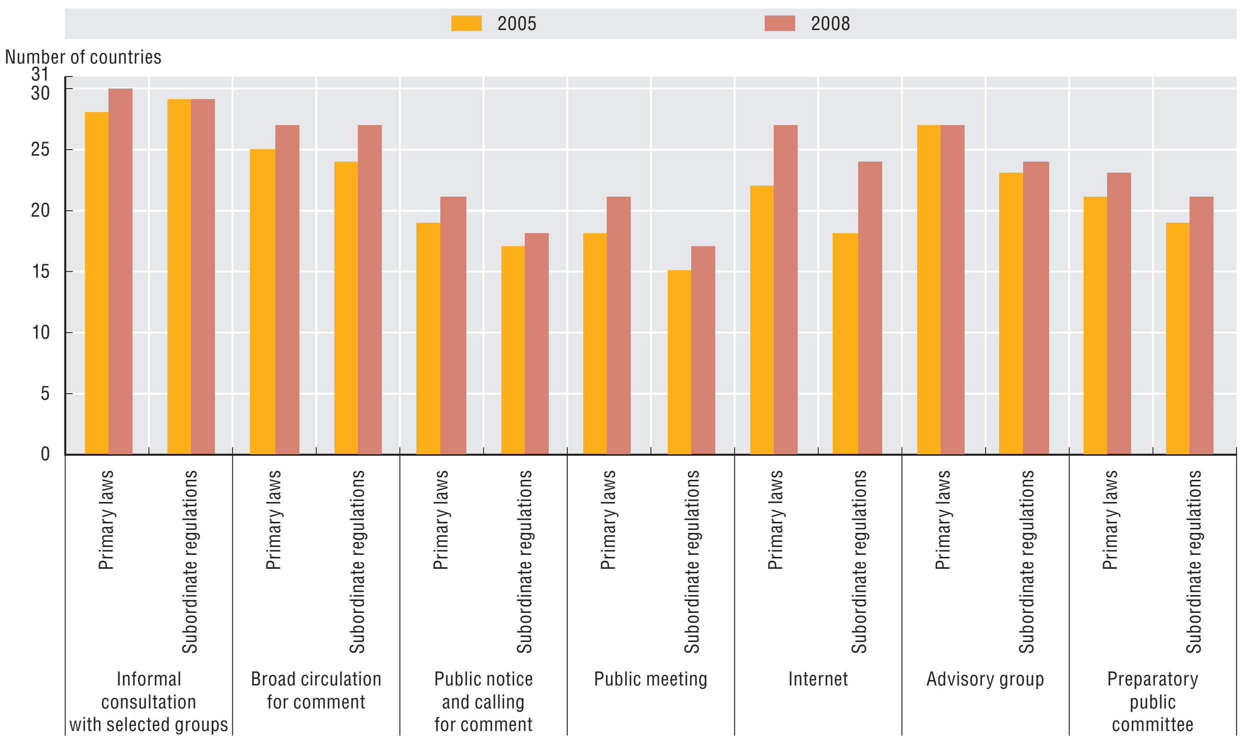
OECD (2007), "Indicators of Regulatory Management Systems", OECD Working Papers, No. 4, OECD, Paris.

OECD (2008), *Measuring Regulatory Quality*, OECD Policy *Brief*, OECD, Paris, *www.oecd.org/regreform/indicators*.

24.1 Characteristics of formal consultation processes used by central governments (2008)



24.2 Forms of public consultation routinely used at the central government level (2005 and 2008)



Source: OECD Regulatory Management Systems' Indicators Survey, *www.oecd.org/regreform/indicators*.

StatLink http://dx.doi.org/10.1787/724082324423


Integrity

IX. INTEGRITY

Fostering integrity and preventing corruption in the public sector support a level playing field for businesses. They are essential to maintaining trust in government and markets and to ensuring a sustainable recovery after the financial crisis. "Integrity" refers to the application of values, principles and norms in the daily operations of public sector organisations. As such, officials must use information, resources and authority for intended purposes in order to promote the public interest.

Achieving a culture of integrity requires coherent efforts to update standards, provide guidance, and monitor and enforce them in daily practice. It also requires countries to anticipate risks and apply tailored countermeasures. These include specific guidelines or restrictions, increased transparency or tightened control, and enforceable sanctions. The OECD helps countries build an integrity framework by mapping out good practices and developing principles, guidelines and tools. The framework brings together the instruments, processes and structures for fostering integrity and addresses areas vulnerable to corruption, particularly those at the interface of the public and private sectors (e.g. procurement, revolving doors and lobbying).

This chapter examines measures for promoting integrity and preventing corruption in central government, including the scope and transparency of conflict-of-interest disclosures and whistle-blowing protection. It also reviews the top government activities at risk for corruption, with a focus on public procurement.

25. Conflict-of-interest disclosure by decision makers

Citizens' trust in government is weakened when public officials allow personal bias to pervade their decision making. At a time when the interface between public and private sectors has significantly increased, measures for preventing and managing conflict of interest are crucial to ensure that the integrity of decision making is not compromised by public officials' private interests.

To maintain public confidence in the integrity of official decision making, the vast majority of OECD member countries have implemented conflict-of-interest policies that require decision makers (in particular the president, prime minister and ministers, as well as members of the Legislature) to disclose their financial interests. Disclosure is a critical first step to determine whether private interests could improperly influence the performance of official duties. Disclosure may also support the detection of illicit enrichment.

Almost all OECD member countries require decision makers in the executive and legislative branches to disclose private interests, and a few countries have also begun requiring disclosure for officials in the judiciary, such as for judges in Finland and Hungary. Moreover, countries increasingly require officials in vulnerable positions, such as public procurement, customs and tax administration, to disclose their private interests.

Providing information on assets and liabilities remains the primary focus of disclosure requirements. In the past decade, the number of countries requesting information on loans has almost tripled. Likewise, countries have placed an increased emphasis on the disclosure of ancillary employment arrangements. The number of countries requiring information on previous and future employment has more than doubled in an effort to manage "revolving doors", or the movement between the private and public sector, which has recently received particular public attention.

Stepped-up citizen demand for transparency in public life and closer scrutiny by the media and opposition parties have increased expectations for disclosure by high-level public officials. Although the vast majority of countries require decision makers to disclose more and more of their private interests to avoid potential conflicts, it is much less common to make these disclosures available to the public. Ten countries provide full access to disclosed private interests, in particular those by legislators and ministers. In other countries, the information provided is often for internal use and stays confidential.

Methodology and definitions

The data focus on the conflict-of-interest measures for decision makers in the central government that were in place in OECD member countries in 2000 and 2009. Data for 2000 were collected by the OECD via a survey and were originally published in *Trust in Government* (2000). Respondents to the survey were OECD member country delegates in charge of integrity in central government. Data were updated in 2009 via a survey completed by members of the OECD Expert Group on Conflict of Interest. A total of 28 OECD member countries responded to both the 2000 and 2009 surveys. Annex D provides data for each country on the types of private interests disclosed by decision makers and the extent they are available to the public. It also provides data for the Slovak Republic, which only answered the 2009 version of the survey.

Further reading

OECD (2000), *Trust in Government: Ethics Measures in OECD Countries*, OECD, Paris.

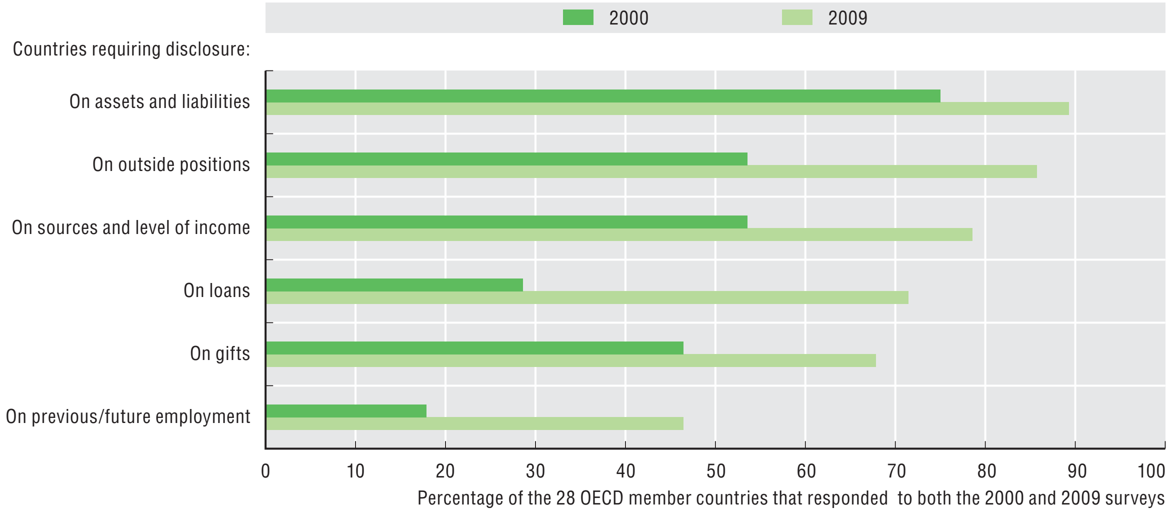
OECD (2003), *Managing Conflict of Interest in the Public Service, OECD Guidelines and Country Experiences*, OECD, Paris.

Notes

25.1: Data are not available for Greece and the Slovak Republic.

25.2: Data are not available for Greece and Denmark. "Fully" available means that all required disclosures are available to the public; however, some specific information included in the disclosures (such as bank account numbers) may be excluded due to privacy law. Countries responding that disclosures are partially available to the public publish disclosures for some, but not all decision makers and/or some, but not all types of interests (such as assets and liabilities, but not loans).

25.1 Percentage of countries that require decision makers in the central government to formally disclose potential conflicts of interest (2000 and 2009)



25.2 Public availability of private interest disclosures by decision makers in the central government (2009)

Level of transparency	Total	Country
Fully available to the public	10	Australia, Czech Republic, Hungary, Ireland, Japan, New Zealand, Portugal, Sweden, United Kingdom, United States
Partially available to the public	14	Austria, Belgium, Canada, Finland, France, Germany, Italy, Korea, Netherlands, Norway, Poland, Slovak Republic, Spain, Switzerland
Not available to the public	2	Mexico, Turkey
Disclosures not required	2	Iceland, Luxembourg

Source: OECD Survey on Integrity (2000 and 2009).

StatLink http://dx.doi.org/10.1787/724123642681

A corrigendum has been issued for this page. See: http://www.oecd.org/dataoecd/59/28/44251675.pdf

26. Public interest disclosure: Whistle-blowing

The risk of corruption is significantly heightened in a secretive environment. Facilitating the reporting of misconduct can substantially help monitor compliance and detect misconduct. OECD member countries are increasingly providing procedures for public officials to "blow the whistle" or raise concerns about suspected misconduct of other public officials and the violation of laws. Whistle-blowing is seen as a manifestation of an open organisational culture where public officials are aware of and have confidence in procedures to report their concerns. It is also seen as a solution to safeguard the public interest in order to maintain confidence in public organisations. Although whistle-blowing has remained a *bona fide* action to defend the public interest, a few countries, for example Korea, have also introduced financial incentives to facilitate whistle-blowing.

Since 2000, many OECD member countries have developed mechanisms to allow public officials to more easily expose misconduct. As of 2009, 29 OECD member countries either oblige their public officials to report misconduct and/or provide procedures to facilitate reporting, compared with 21 countries in 2000. In general, reporting procedures are defined in legal provisions, and many countries supplement these legal provisions with internal rules. For example, in Australia, the Public Service Regulations describe the minimum requirements for whistle-blowing programmes, while the heads of public organisations must establish specific procedures for alleged breaches of the code of conduct. In addition, in some OECD member countries, public officials are obliged by law to report misconduct or any crime, including corruption. For example, Article 40 of the French Penal Procedure Code makes it compulsory for public officials to report suspected violations of the law, including fraud and corruption, to the public prosecutor.

Providing adequate protection, including legal safeguards and institutional assistance to whistle-blowers, has become a serious concern of OECD member countries. As of 2009, almost 90% of all OECD member countries provide some sort of protection to whistle-blowers, most often legal. Several countries provide anonymity and others protect whistle-blowers against dismissal or other forms of retaliation.

Methodology and definitions

Whistle-blowers are persons who expose wrongdoing in the public service. Data represent central government laws, policies or organisational rules on whistle-blowing that were in place in 2000 and 2009, including procedures and protection for whistle-blowers. Data for 2000 were collected by the OECD via a survey and were originally published in *Trust in Government* (2000). Respondents to the survey were OECD member country delegates in charge of integrity in central government. Data were updated in 2009 via a survey completed by members of the OECD Expert Group on Conflict of Interest. A total of 29 OECD member countries responded to both the 2000 and 2009 surveys. Thus, the data presented in 26.1 and 26.2 represent the percentage of the 29 countries for which data are available in 2000 and 2009 that answered the survey question affirmatively. Annex D provides data for each country on the procedures in place for public officials to report misconduct and the types of protection offered. It also provides data for the Slovak Republic, which only answered the 2009 version of the survey.

Further reading

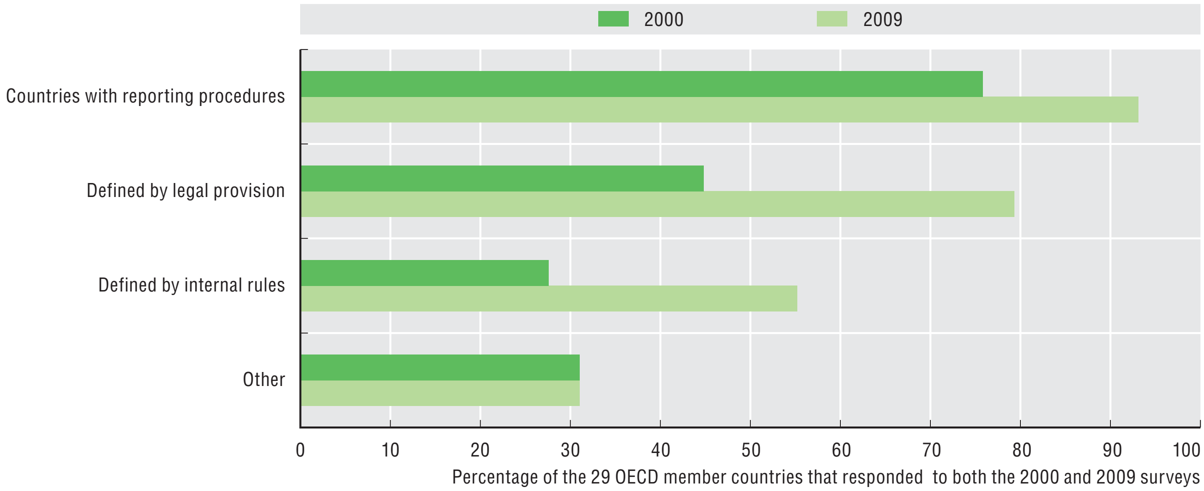
Brown, A.J. (ed.) (2008), *Whistle-blowing in the Australian Public Sector: Enhancing the Theory and Practice of Internal Witness Management in Public Sector Organisations*, ANU E-Press, Australian National University, Canberra.

OECD (2000), *Trust in Government: Ethics Measures in OECD Countries*, OECD, Paris.

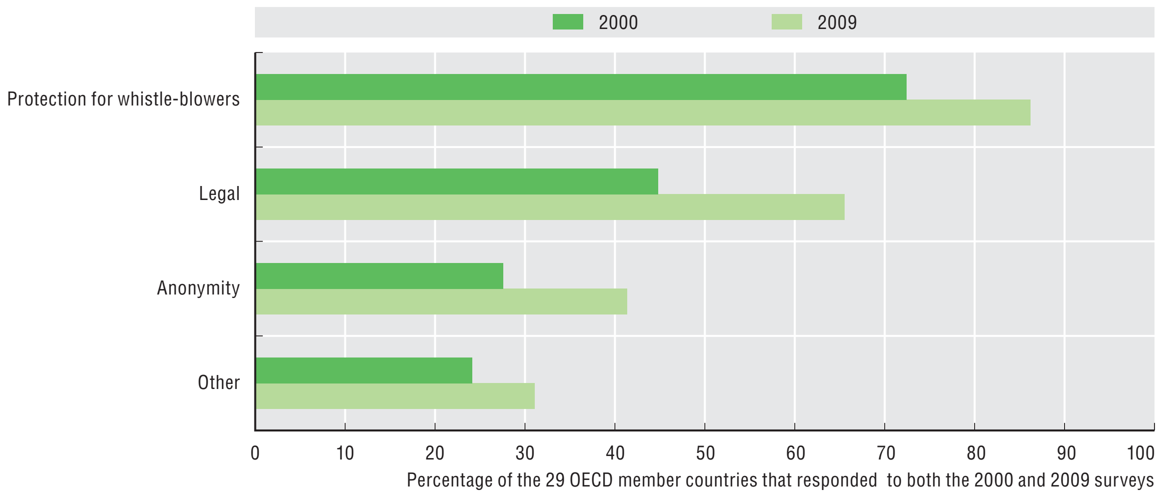
Note

Data are not available for the Slovak Republic.

26.1 Procedures for public officials to report misconduct (2000 and 2009)



26.2 Countries that offer protection for whistle-blowers (2000 and 2009)



Source: OECD Survey on Integrity (2000 and 2009).

StatLink http://dx.doi.org/10.1787/724174752276

27. Preventing corruption: Public procurement

Knowing about the main sources and forms of corruption helps decision makers to focus anti-corruption efforts and disburse resources to establish effective countermeasures. A survey of international business executives conducted by the World Economic Forum in 2006 identified public procurement as the government activity most vulnerable to corruption in OECD member countries and beyond.

Public procurement, the purchase by governments and state-owned firms of goods, services and works, is a major economic activity where corruption has a potentially high impact on taxpayers' money. The financial interests at stake, the volume of transactions on a global level, the close interaction between the public and private sectors, and the tensions created by introducing other policy goals (*e.g.* innovation, envronmental) make it particularly vulnerable to corruption.

The size of public procurement markets vary across OECD member countries, ranging from under 10% of GDP in Greece to over 25% in the Czech Republic, the Netherlands and the Slovak Republic. Public procurement is increasing as governments implement fiscal stimulus programmes in response to the financial and economic crises, many of which include increased spending on infrastructure projects, such as roads and bridges. This large increase in government expenditures and procurement could heighten the risk of corruption and requires countries to enhance their capacity to manage and oversee the procurement cycle.

Developed and agreed upon by all OECD member countries, the OECD Principles for Enhancing Integrity in Public Procurement represent common standards for preventing waste, fraud and corruption in the entire procurement cycle, from the definition of needs to bidding, contract management and payment. These principles provide a blueprint for enhanced transparency, good management, prevention of misconduct, and control and accountability to map out and minimise the risk of corruption and provide a level playing field for businesses.

Methodology and definitions

Data presented in 27.1 on the level of perceived bribery risk in selected government activities are from the World Economic Forum's 2006-07 *Global Competitiveness Report*. They are based on a survey conducted between January and June 2006 of 11 297 top management business leaders in 125 countries. The respondents were asked how commonly firms would make undocumented extra payments or bribes connected with public utilities, tax payments, the award of public contracts and favourable judicial decisions. The responses range between 1 (common) and 7 (never occurs).

Data presented in 27.2 on the size of the public procurement market relative to GDP are from Eurostat and are only available for the 19 OECD member countries that are also members of the European Union. The total value of public procurement is the sum of utilities procurement and the following portions of countries' national accounts: intermediate consumption, gross fixed capital formation, and social transfers in kind related to expenditure on products supplied to households via market producers (payable).

Further reading

Lopez-Claros, A. *et al.* (eds.) (2006), *Global competitiveness report 2006-2007: Creating an Improved Business Environment*, Palgrave, Houndmills, Basingstoke, New York.

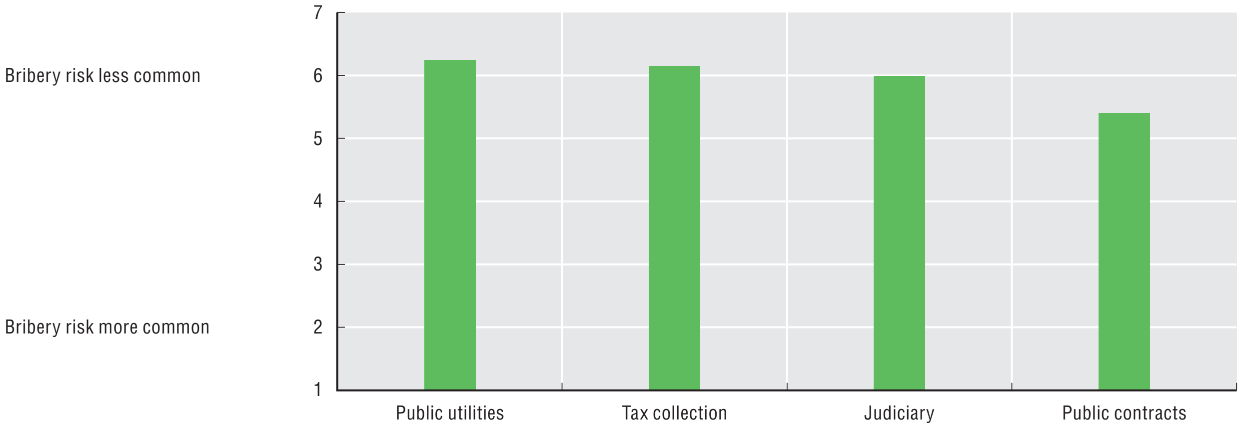
OECD (2007), *Integrity in Public Procurement: Good Practice from A to Z*, OECD, Paris.

OECD (2009), *OECD Principles for Integrity in Public Procurement*, OECD, Paris.

Note

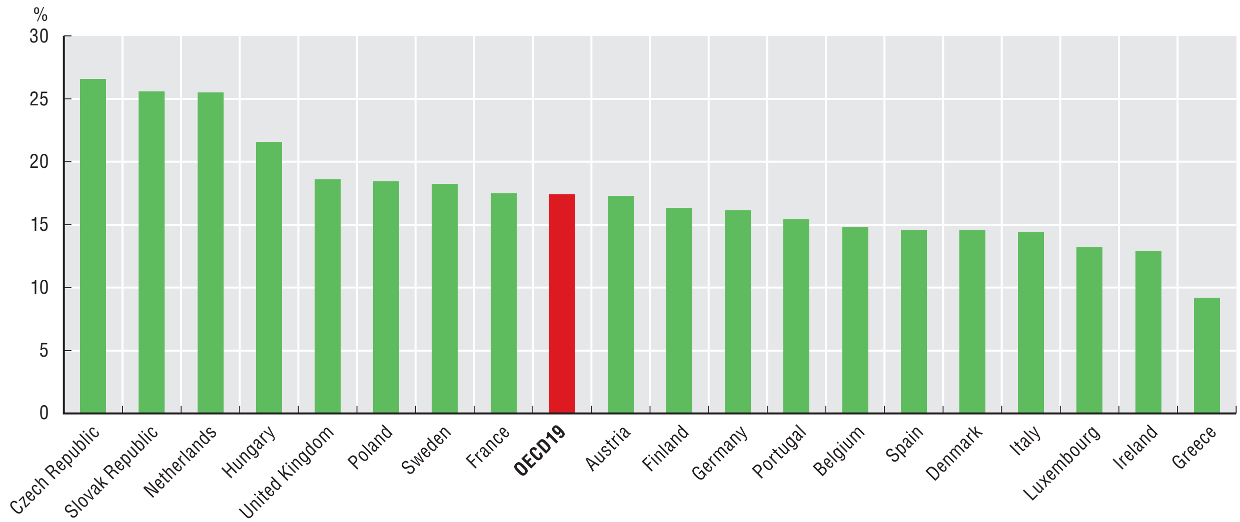
27.2: Data are provided for the 19 OECD member countries that are also members of the European Union. The following OECD member countries are not included in the Eurostat data: Australia, Canada, Iceland, Japan, Korea, Mexico, New Zealand, Norway, Switzerland, Turkey and the United States.

27.1 Average perceived level of bribery risk in selected government activities in OECD member countries (2006)



Source: World Economic Forum, Executive Opinion Survey (2006), *www.weforum.org/documents/gcr0809/index.html*.

27.2 Public procurement as a percentage of GDP (2006)



Source: Eurostat (2006).

StatLink http://dx.doi.org/10.1787/724227300453

X. OPEN AND RESPONSIVE GOVERNMENT

28. Open government legislation
29. E-Government readiness
30. E-Government service maturity
31. Uptake of e-government services

Better educated and informed citizens increasingly demand accountability for government decision making, and more accessible, user-friendly public services. E-government is a key enabler for that. Open and responsive government refers to the transparency of government actions, the accessibility of government services and information, and the responsiveness of government to new ideas, demands and needs. Efficient and effective information provision and service delivery to the public are a key elements in improving accountability and trust in government. The current crisis has forced governments to make urgent and swift decisions with limited engagement of the public in the decision-making process. Being accountable, transparent and responsive during the implementation of the solutions to the crisis is imperative to maintain public trust.

This chapter tracks OECD member countries' response to demands for greater openness by passing legislation on access to information, privacy, data protection and administrative procedures; and creating ombudsman offices and supreme audit institutions. It also presents indicators that evaluate the readiness of a country for e-government development and implementation, and measure the supply, maturity and uptake of e-government services. The data allow for the comparison of the legal framework for open and responsive government across countries and an evaluation of the extent that countries are using e-government as a means to improve the quality of public services.

28. Open government legislation

Today, the legal framework for open government is largely in place in OECD member countries, and consists of:

- **Laws on access to information** give citizens the right to access information held by government. This is a precondition for public scrutiny and participation.
- **Laws on privacy and data protection** set parameters directing when information cannot be provided to the public in the interest of protecting personal data.
- **Laws on administrative procedures** provide some guarantees for citizens in their interactions with government and establish mechanisms for holding administrative bodies accountable.
- **Laws on ombudsman institutions** establish a point of contact for citizens' complaints, appeals and claims for redress in their dealings with government entities.
- **Laws on supreme audit institutions** provide for an independent review of public accounts and the execution of government programmes and projects.

This legal framework has evolved steadily over the past 50 years. Among the 24 countries that were OECD members in 1980, less than a third had legislation on access to information. In general, Nordic countries were the first to adopt these laws. The momentum for open government gained in the 1990s, and by 2001, the number of countries that had passed access-to-information legislation had almost doubled. By 2008, 29 of the 30 member countries had adopted access-to-information laws. Some OECD member countries have even incorporated open government principles into their constitutions (*e.g.* Austria, Hungary and Poland).

The institutional framework needed to implement and enforce these laws has grown apace. In addition to the legal guarantees for the privacy of personal data adopted in most OECD member countries, over two-thirds of OECD member countries have established parliamentary commissioners for data protection and privacy. In 1960, only Sweden, Finland and Denmark had an ombudsman office; today, 90% of OECD member countries have such institutions or their equivalents. All OECD member countries have a supreme audit institution, in most cases an independent authority which reports directly to the legislature.

Methodology and definitions

The data are an excerpt of a wider set of data last updated in April 2008 by government representatives to the OECD Public Governance Committee. Table 28.1 looks at the specific pieces of legislation in place, and figures 28.2 and 28.3 are based on the date of first passage of legislation at the national level. The ombudsman is an independent investigator who intervenes on behalf of citizens alleging they have been treated wrongly by bureaucracy. None of the tables or figures evaluates how effectively these laws have been implemented, used and enforced.

Further reading

OECD (2001), *Citizens as Partners: Information, Consultation and Public Participation in Policy Making*, OECD, Paris.

OECD (2005), *Modernising Government: The Way Forward*, OECD, Paris.

OECD (2009), *Focus on Citizens: Public Engagement for Better Policy and Services*, OECD, Paris.

Note

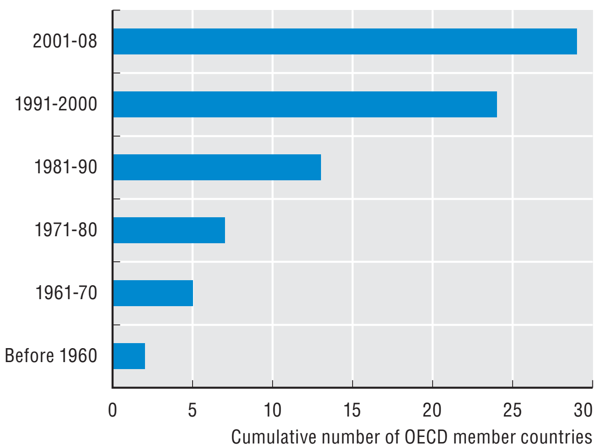
28.1: While Italy does not have a national ombudsman, extensive coverage is provided by sub-national ombudsman institutions and a government-appointed commission oversees implementation of the law on access to public information. Turkey passed a law on a national ombudsman in 2006 which was subsequently suspended by a Constitutional Court ruling. While Switzerland does not have an ombudsman, the law on data protection appoints a person to advise and monitor the law's interpretation and the law on transparency assumes that this person also serves as a mediator. In countries without specific laws on administrative procedures, such as Canada and Ireland, other legislation (*e.g.* freedom of information or privacy/data protection) can provide mechanisms for citizens to hold governments accountable.

28.1 Overview of current legislation and institutions for open government (2008)

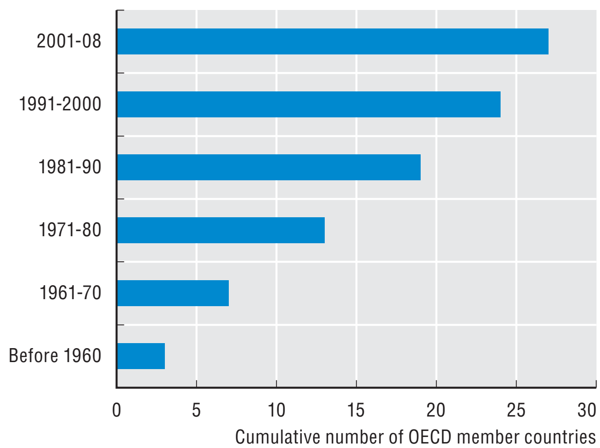
	Freedom of information	Privacy/data protection	Administrative procedures	Ombudsman/commissioner	Supreme audit institution
Australia	●	●	●	●	●
Austria	●	●	●	●	●
Belgium	●	●	❍	●	●
Canada	●	●	❍	●	●
Czech Republic	●	●	●	●	●
Denmark	●	●	●	●	●
Finland	●	●	●	●	●
France	●	●	●	●	●
Germany	●	●	●	●	●
Greece	●	●	●	●	●
Hungary	●	●	●	●	●
Iceland	●	●	●	●	●
Ireland	●	●	❍	●	●
Italy	●	●	●	●	●
Japan	●	●	●	●	●
Korea	●	●	●	●	●
Luxembourg	❍	●	●	●	●
Mexico	●	❍	●	●	●
Netherlands	●	●	●	●	●
New Zealand	●	●	●	●	●
Norway	●	●	●	●	●
Poland	●	●	●	●	●
Portugal	●	●	●	●	●
Slovak Republic	●	●	❍	●	●
Spain	●	●	●	●	●
Sweden	●	●	●	●	●
Switzerland	●	●	●	❍	●
Turkey	●	❍	❍	❍	●
United Kingdom	●	●	●	●	●
United States	●	●	●	❍	●
European Union	●	●	❍	●	●

● Legislation in place.
❍ Legislation not in place.

28.2 Number of OECD member countries with laws on access to information (1960-2008)



28.3 Number of OECD member countries with laws on ombudsman institutions (1960-2008)



Source: OECD (2009), *Focus on Citizens: Public Engagement for Better Policy and Services*, OECD, Paris.

StatLink http://dx.doi.org/10.1787/724244543146

29. E-Government readiness

A high level of readiness to develop and implement e-government services is a prerequisite for a high-performing and innovative public sector that delivers integrated services, making life easier for citizens and businesses. E-government readiness is therefore a significant indicator of whether a country is prepared to harvest efficiencies gained from ICT-enabled public administrations.

The UN's e-government readiness index is a combined indicator of the supply of, potential demand for and maturity of e-government services. OECD member countries exhibit a high capacity to develop and implement e-government services. This is generally characterised by an extensive broadband infrastructure; a repository of electronic information on government laws and policies, including links to archived information and downloadable forms; and a high level of comfort with ICT by citizens and businesses. Countries with the highest readiness index tend to also have a large amount of transactional and e-commerce features on their government websites. As noted by the UN in its 2008 e-government survey, the Scandinavian countries with the top three scores on the readiness index all generally share similar e-government environments (*e.g.* the accessibility and penetration of the electronic infrastructure) and strategies (*e.g.* the online provision of services). Each country has two main government websites: one that is informative and another that is a gateway for e-government services. In addition, citizens and businesses are able to access many services and complete many transactions online. However, similar levels of e-government readiness can also result from different strategic approaches.

Internet access is a prerequisite for citizens and businesses to use e-government services, and thus a leading indicator of countries' readiness to harness the potential efficiencies of ICT. Broadband penetration has increased dramatically in most OECD member countries in the past five years as countries have made significant investments in their telecommunications infrastructure.

Methodology and definitions

The UN e-government readiness index is an internationally agreed-upon composite index that measures the capacity of governments to develop and implement e-government services. The index ranges from 0 (low level of readiness) to 1 (high level of readiness). Constructed within the framework of the UN global e-government survey, the indicator consists of three sub-indices: the web measure index, the telecommunication infrastructure index and the human capital index.

The web measure index ranks countries based on the coverage, sophistication and availability of e-services and e-products. The index categorises countries as having an emerging, enhanced, interactive, transactional or networked e-government presence.

The telecommunication infrastructure index is a weighted average of 5 measures of ICT infrastructure capacity per 100 persons: number of personal computers, number of Internet users, number of telephone lines, number of broad-band subscriptions and number of mobile phones.

The human capital index is a weighted average of the adult literacy rate (two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (one-third weight). For more information on the methodology used to construct this index, see the source listed below. Note that it does not take into account other potentially important aspects of readiness, such as laws on privacy and data protection.

Broadband penetration is the number of broadband subscribers (DSL, Cable, Fibre/LAN, other) per 100 inhabitants and is based on data collected by the OECD from member country governments. 29.2 shows both the cumulative and the incremental change in broadband subscriptions between 2003 and 2008.

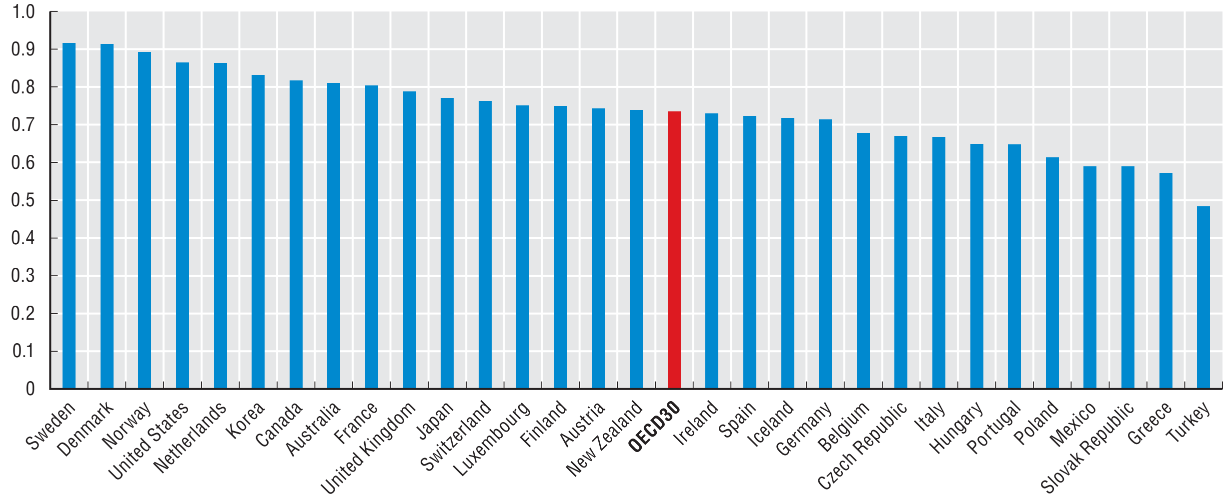
Further reading

United Nations (2008), E-Government Survey, *From e-Government to Connected Governance*, United Nations Publication, New York.

Note

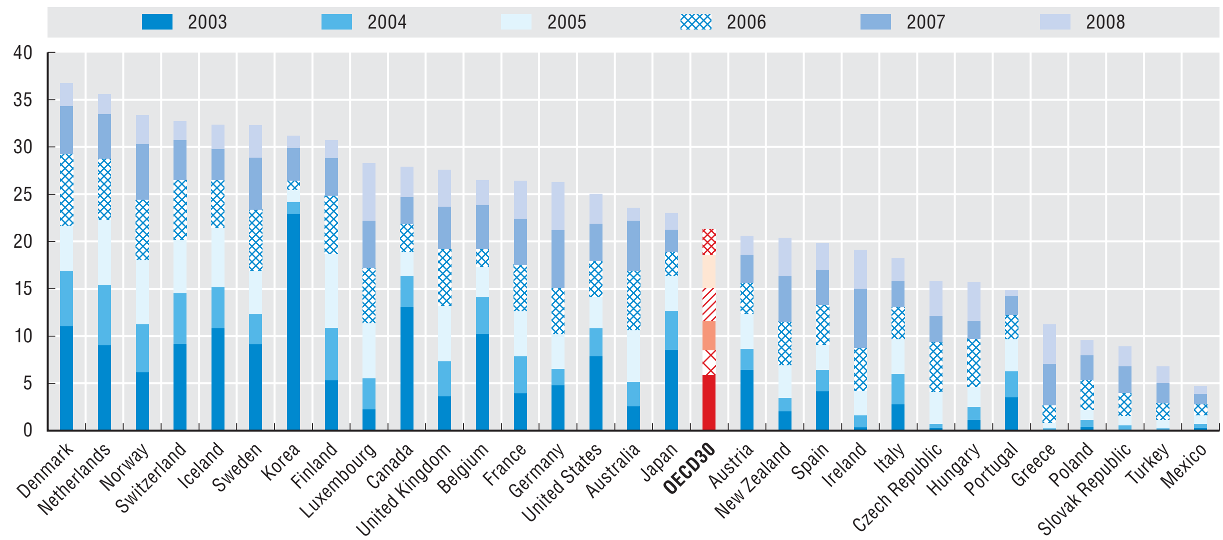
29.1: For Austria, the 2008 UN survey did not include the main national e-government portal *Help.gv.at*. It complements the sites of central, regional and local authorities providing one-stop-shop access to information and transaction services for citizens and businesses, thus playing a key role in Austrian e-government.

29.1 E-Government readiness (2008)



Source: United Nations E-Government Readiness Knowledge Base, *www.unpan.org/egovkb*. Data extracted on 30 July 2008.

29.2 Cumulative broadband subscriptions per 100 inhabitants (2003-08)



Source: OECD Broadband Portal (2008).

StatLink http://dx.doi.org/10.1787/724248078408

30. E-Government service maturity

Since 2000, OECD member countries have been working towards making all public services for citizens and businesses fully available online. In addition to the potential efficiencies gained by lowering the administrative burdens on clients, developing and implementing integrated e-government services often requires governments to standardise internal processes and data in order to integrate back-office functions across the public sector. However, some countries have legal or regulatory constraints that limit or prevent them from sharing data for service integration. Nevertheless, e-government service maturity can be a proxy for the extent to which countries are generating internal efficiencies through the use of ICT.

The European Commission has developed an internationally recognised model to analyse the maturity of 20 core e-government services using 3 indicators. The sophistication indicator provides a portrait of a country's progress in making all services available online. The full online availability indicator evaluates the number of public services that can be entirely handled online (*i.e.* citizens or businesses can submit completed forms or payments online, in addition to finding information about the service). The national portal indicator assesses the degree to which the main government website provides a "one-stop-shop" for users to access public services.

On average, OECD member countries monitored by the European Commission exhibit a high degree of e-government service maturity. Austria, Portugal and the United Kingdom are leaders with regard to sophistication and online availability. OECD European member nations show the largest disparity in the percentage of the 20 core public services that are fully available online, ranging from about 20% in Switzerland, to almost 100% in Austria.

Methodology and definitions

The European Commission's indicators are based on the basket of the following 20 core public services:

- 12 citizen-oriented services: income taxes, job search services, social security benefits, personal documents, car registration, building permits, police reports, public libraries, certificates, higher education enrolment, moving announcements and health-related services.
- 8 business-oriented services: social contributions for employees, corporate taxes, value-added tax, registration of a new company, submission of data to statistical offices, customs declarations, environment-related permits and public procurement.

The three indicators are based on a model defining five stages of e-government service maturity: information, one-way interaction (downloadable forms), two-way interaction (electronic forms), transaction (full electronic case handling) and personalisation (pro-active, automated).

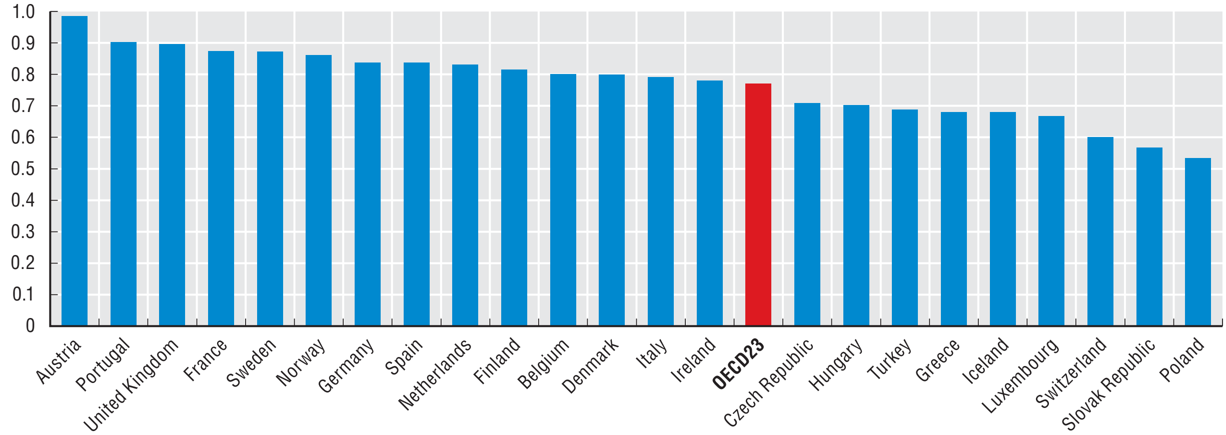
The sophistication indicator benchmarks countries according to the development phase of their e-government services, and indicates the average level of service maturity. The index ranges from 0 (no services available online) to 1 (a high degree of availability and maturity of e-government services). The full online availability indicator calculates the percentage of services that have reached the fourth stage of maturity. The national portal indicator assesses the percentage of core public services accessible through the national portal, whether it provides personalisation options such as log-in features, the number of ways users can access services (such as by department, type of service or life event), and whether branding and graphics are consistent. The index ranges from 0 (low degree of accessibility) to 1 (high degree of accessibility). More information on these indexes is available in the source listed below.

Notes

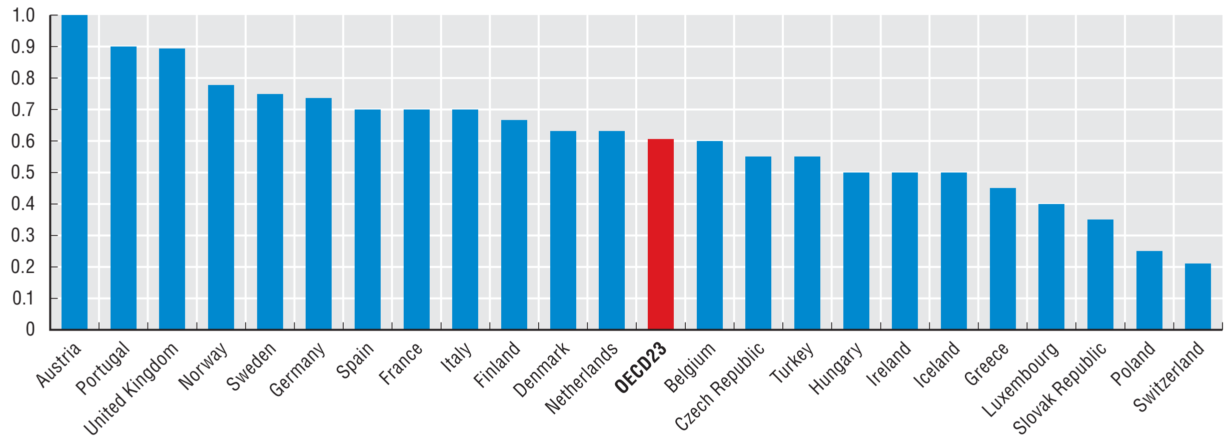
Data are provided for 23 European OECD member countries monitored by the European Commission. The following OECD member countries are not included in the European Commission data: Australia, Canada, Japan, Korea, Mexico, New Zealand and the United States.

30.3: Data for Turkey are not available. Data for Denmark were collected in 2006 and refer to *danmark.dk*, a national portal that was being phased out and was replaced by *borger.dk* on 1 January 2007. In October 2008, a new edition of *borger.dk* was launched that includes personalisation options.

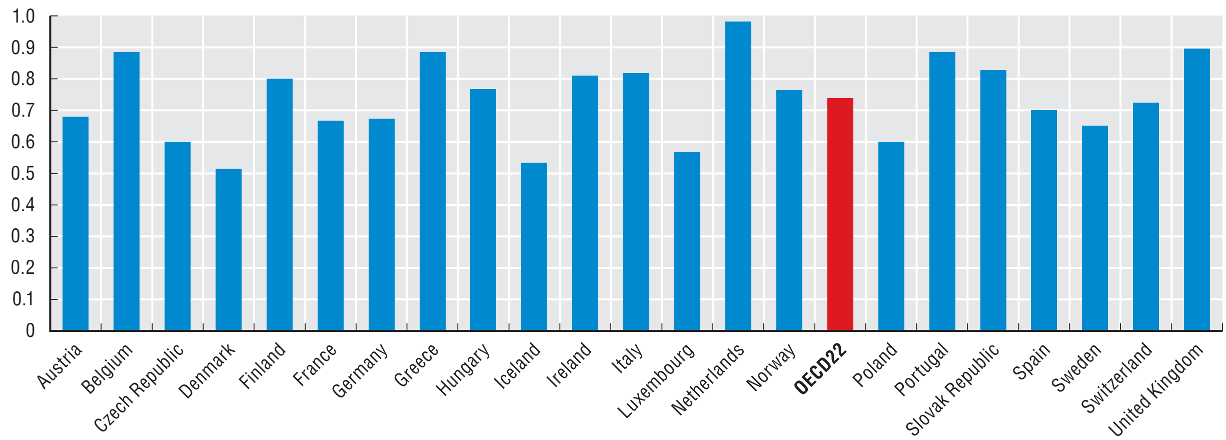
30.1 Sophistication of e-government services (2007)



30.2 Full-online availability of e-government services (2007)



30.3 Assessment of the national portal (2007)



Source: EC DGISM (2007), *The User Challenge: Benchmarking the Supply of Online Public Services*, 7th Measurement.

StatLink http://dx.doi.org/10.1787/724255206300

31. Uptake of e-government services

For e-government to be successful and for its efficiencies to be fully realised, citizens and businesses must be willing to use e-government services on a regular basis. The maturity of those services and the internal efficiencies associated with providing them can only be realised if people use this delivery channel.

A significantly higher percentage of businesses use e-government services than citizens, in part because governments can more easily require the use of digital communications for businesses than they can for citizens. Both citizen and business use of e-government services has increased in recent years in most OECD member countries monitored by the European Commission. However, when compared to the availability of e-government services, citizen take-up remains low even for leading countries.

Many OECD member countries monitored by the European Commission are trying to determine why e-government services are not achieving higher rates of uptake. Because access to the Internet is a prerequisite for the use of online services, one driver for uptake is the penetration of broadband infrastructure in society. The data indicate a strong correlation between the penetration of broadband and the use of e-government services by citizens.

Methodology and definitions

The indicators on citizen and business uptake of e-government services are based on data collected by Eurostat. The data are part of Eurostat's Information Society Statistics database which evaluates the share of citizens and businesses using the Internet to interact with public services. Data are collected only for European countries.

The e-government take-up by citizens indicator measures the percentage of individuals (aged 16-74) who used the Internet to interact with public authorities in the three months preceding the survey. Data are collected through Eurostat's annual Community Survey on ICT Usage in Households and by Individuals.

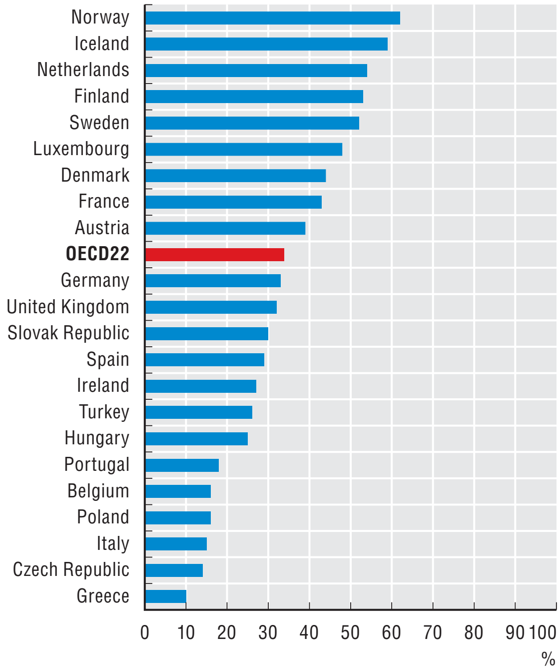
The e-government take-up by businesses indicator measures the percentage of enterprises using the Internet to interact with public authorities. Only businesses with ten or more employees are included. Data are collected by national statistical offices based on Eurostat's annual Model Survey on ICT Usage and E-Commerce in Businesses.

OECD calculated the correlation between broadband penetration and citizen uptake of e-government services using an OECD-defined indicator of broadband penetration and Eurostat data on citizen uptake. The broadband penetration indicator is the number of broadband subscribers (DSL, Cable, Fibre/LAN, other) per 100 inhabitants. The coefficient of correlation is 0.803.

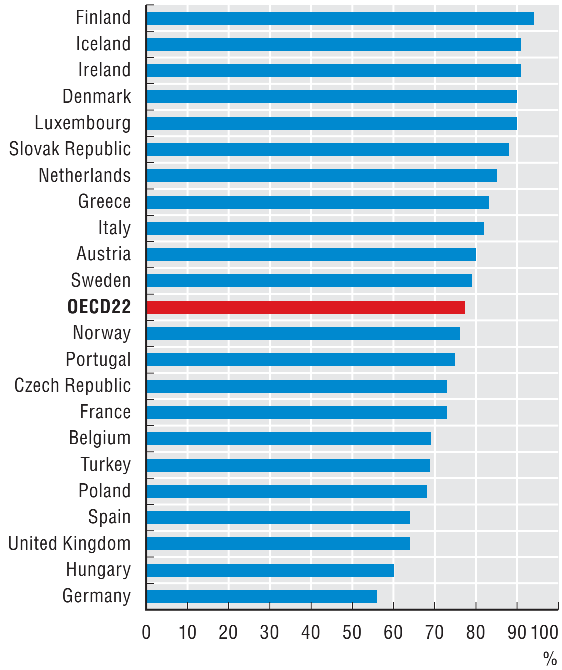
Note

Data are provided for 22 OECD member countries monitored by the European Commission. The following OECD member countries are not included in the European Commission data: Australia, Canada, Japan, Korea, Mexico, New Zealand, Switzerland and the United States.

31.1 Percentage of citizens using e-government services (2008)

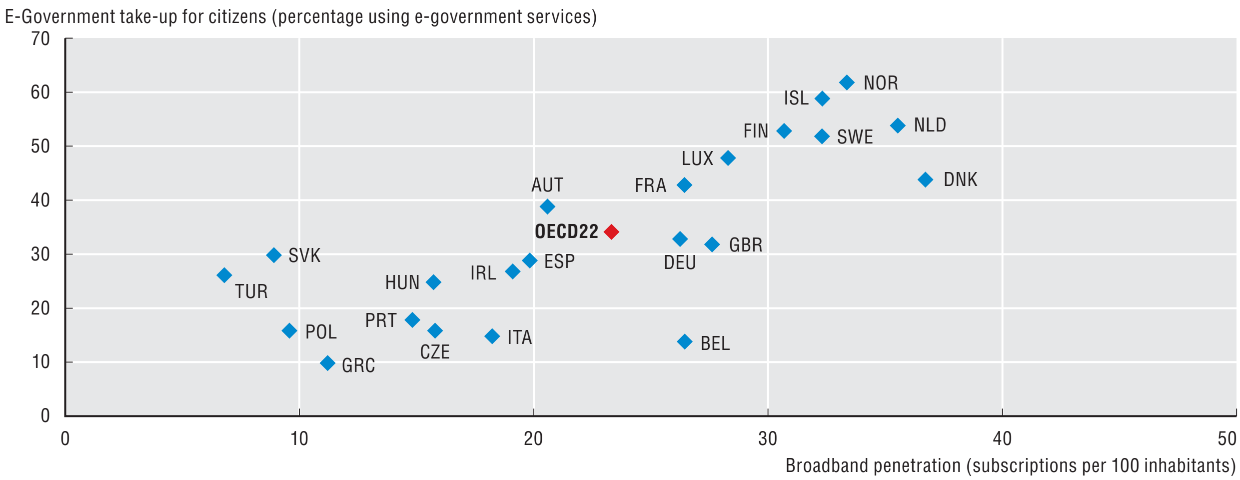


31.2 Percentage of businesses using e-government services (2008)



Source: Eurostat (2008), *http://ec.europa.eu/eurostat*. Data accessed on 22 July 2009. Data for Turkey are from Turkostat.

31.3 Relationship between broadband penetration and citizen uptake of e-government services (2008)



Source: OECD 2007 broadband statistics (*www.oecd.org/sti/ict/broadband*) and Eurostat (2008).

StatLink http://dx.doi.org/10.1787/724264662272

ANNEX A

Methodology for Revenue Aggregates

The following table provides detailed information about how the aggregates of taxes, social contributions, and grants and other revenues presented in indicators 1-3 were constructed from the OECD National Accounts data.

Table A.1. **Revenue Aggregates**

Label in *Government at Glance*	Label in the System of National Accounts	Code in OECD National Accounts Data (Table 12: Main aggregates of general government)
TAXES		
Indirect taxes	Taxes on production and imports, receivable	GD2R
Direct taxes	Current taxes on income and wealth, receivable	GD5R
Capital taxes	Capital taxes	GD91R
SOCIAL CONTRIBUTIONS		
Social contributions	Social contributions	GD61R
GRANTS AND OTHER REVENUES		
Current and capital grants	Other current transfers, receivable	GD7R
	Other capital transfers and investment grants, receivable	GD92R_D99R
Sales and fees	Market output and output for own final use	GP11_P12R
	Payments for other non-market output	GP131R
Property income	Property income, receivable	GD4R
Subsidies	Other subsidies on production, receivable	GD39R
TOTAL REVENUES	Total revenues	GTR

ANNEX B

Classification of the Functions of Government (COFOG)

First- and second-level COFOG

Developed by the OECD, the Classification of the Functions of Government (COFOG) classifies government expenditure data from the System of National Accounts by the purpose for which the funds are used. As Table B.1 illustrates, first-level COFOG splits expenditure data into ten "functional" groups or sub-sectors of expenditures (such as defence, education and social protection), and second-level COFOG further splits each first-level group into up to nine sub-groups. While first-level COFOG data are available for 27 out of the 30 OECD member countries, second-level COFOG data are currently only available for 13 OECD European member countries.[1]

Table B.1. **First and second level COFOG**

First-level	Second-level
General public services	• Executive and legislative organs, financial and fiscal affairs, external affairs • Foreign economic aid • General services • Basic research • R&D general public services • General public services n.e.c. • Public debt transactions • Transfers of a general character between different levels of government
Defence	• Military defence • Civil defence • Foreign military aid • R&D defence • Defence n.e.c.
Public order and safety	• Police services • Fire-protection services • Law courts • Prisons • R&D public order and safety • Public order and safety n.e.c.
Economic affairs	• General economic, commercial and labour affairs • Agriculture, forestry, fishing and hunting • Fuel and energy • Mining, manufacturing and construction • Transport • Communication • Other industries • R&D economic affairs • Economic affairs n.e.c.

Table B.1. **First and second level COFOG** *(cont.)*

First-level	Second-level
Environmental protection	• Waste management • Waste water management • Pollution abatement • Protection of biodiversity and landscape • R&D environmental protection • Environmental protection n.e.c.
Housing and community amenities	• Housing development • Community development • Water supply • Street lighting • R&D housing and community amenities • Housing and community amenities n.e.c.
Health	• Medical products, appliances and equipment • Outpatient services • Hospital services • Public health services • R&D health • Health n.e.c.
Recreation, culture and religion	• Recreational and sporting services • Cultural services • Broadcasting and publishing services • Religious and other community services • R&D recreation, culture and religion • Recreation, culture and religion n.e.c.
Education	• Pre-primary and primary education • Secondary education • Post-secondary non-tertiary education • Tertiary education • Education not definable by level • Subsidiary services to education • R&D education • Education n.e.c.
Social protection	• Sickness and disability • Old age • Survivors • Family and children • Unemployment • Housing • Social exclusion n.e.c. • R&D social protection • Social protection n.e.c.

n.e.c.: “not elsewhere classified”.

COFOG-Special

COFOG-Special is a method for classifying government expenditures into individual and collective goods, and cash transfers and goods and services in kind.[2] It was developed by the OECD beginning in 2004 at the request of the OECD Working Party of Senior Budget Officials and is based on second-level COFOG expenditure data.[3] Table B.2 illustrates how second-level COFOG data are split into collective or individual goods and services, and as cash transfers or goods and services in kind. It should be noted that some first-level COFOG groups do not need to be split further because all of their expenditures are similar in terms of individual/collective and cash transfers/in-kind goods and services. For example, all expenditures on defence and public order and safety can be classified as collective and in kind.

Further details about the COFOG-Special methodology are available in OECD (2009), “Manual Public Finance and Employment Database”, OECD, Paris.

Table B.2. **Methods used to construct COFOG-Special data**

Collective/individual	Cash/in kind	COFOG-Special	Source (Tables 1101 and 1102) and National Accounts	
			COFOG 1st and 2nd level	Economic classification
R&D collective goods	***In kind***	General governance services	Remainder *General public services* (701)	All
		Basic research	*Basic research* (7014)[1]	All
		Defence	*Defence* (702)	All
		Public order and safety	*Public order and safety* (703)	All
		Infrastructure and network services	Remainder *Economic affairs* (704)	All minus subsidies
		Environmental protection, development and community services	Remainder *Environmental protection* (705)	All minus subsidies
			Remainder *Housing and community amenities* (706)	All minus subsidies
		Service regulation	*General economic, commercial and labour affairs* (7041)[2]	Intermediate consumption, compensation of employees, gross capital formation
			Agriculture, forestry, fishing and hunting (7042)[2]	Intermediate consumption, compensation of employees, gross capital formation
			Mining, manufacturing, and construction (7044)[2]	Intermediate consumption, compensation of employees, gross capital formation
			Other industries (7047)[2]	Intermediate consumption, compensation of employees, gross capital formation
			R&D Economic affairs (7048)[2]	Intermediate consumption, compensation of employees, gross capital formation
			Not elsewhere classified Economic affairs (7049)[2]	Intermediate consumption, compensation of employees, gross capital formation
			R&D Environmental protection (7055)[2]	Intermediate consumption, compensation of employees, gross capital formation
			Not elsewhere classified Environmental protection (7056)[2]	Intermediate consumption, compensation of employees, gross capital formation
			R&D Housing and community amenities (7065)[2]	Intermediate consumption, compensation of employees, gross capital formation
			Not elsewhere classified Housing and community amenities (7066)[2]	Intermediate consumption, compensation of employees, gross capital formation
			R&D Health (7075)	
			Not elsewhere classified Health (7076)[2]	Intermediate consumption, compensation of employees, gross capital formation
			R&D Recreation, culture and religion (7085)[2]	Intermediate consumption, compensation of employees, gross capital formation
			Not elsewhere classified Recreation, culture and religion (7086)[2]	Intermediate consumption, compensation of employees, gross capital formation
			R&D Education (7097)[2]	Intermediate consumption, compensation of employees, gross capital formation
			Not elsewhere classified Education (7098)[2]	Intermediate consumption, compensation of employees, gross capital formation
			R&D Social protection (7108)[2]	Intermediate consumption, compensation of employees, gross capital formation
			Not elsewhere classified Social protection (7109)[2]	Intermediate consumption, compensation of employees, gross capital formation
	Cash	Foreign aid transfers	*Foreign economic aid* (7012)[1]	Current and capital transfers
		General purpose and block grants	*Transfers of a general character between different levels of government* (7018)[3]	Other current transfers between sub-sectors
		Interest		National accounts, Interest payable

Table B.2. **Methods used to construct COFOG-Special data** *(cont.)*

Collective/individual	Cash/in kind	COFOG-Special	Source (Tables 1101 and 1102) and National Accounts	
			COFOG 1st and 2nd level	Economic classification
Individual goods	***In kind***	Non-market recreation, culture and religion	Remainder *Recreation, culture and religion* (708)	All minus subsidies
		Social services	Remainder *Social protection* (710)	All
		Health	Remainder *Health* (707)	All
		Education	Remainder *Education* (709)	All
		Market subsidies	*Economic affairs* (704)	Subsidies
			Environmental protection (705)	Subsidies
			Housing and community amenities (706)	Subsidies
			Recreation, culture and religion (708)	Subsidies
	Cash	Social cash transfers	Cash part of Social protection (710)	Social benefits

1. The general government figure is attributed to central government (source Table 1102).
2. The figures for the sub-sectors are computed on the basis of the proportion of service regulation in the COFOG-Special groups in general government, separately for intermediate consumption, compensation of employees and gross capital formation (source Table 1102).
3. For the sub-sectors estimated by taking all other current transfers between sub-sectors in first level COFOG Group *General Public services (706)* except the imputed other current transfers on *Basic research* and *Foreign economic aid*.

Notes

1. First-level COFOG data are not available for Mexico, Switzerland and Turkey. Until recently, second-level COFOG data were available in some national statistical offices, but were not collected by international organisations. Moreover, the second-level COFOG data were not comparable among countries because the SNA guide and the International Monetary Fund Manual on Government Finance Statistics do not provide much practical information on the application of COFOG concepts. However, in 2005, Eurostat established a task force to develop a manual on the application of COFOG to national account expenditure data and to discuss the collection of second-level COFOG data for European countries. Second-level COFOG data are not available for Switzerland and all non-European member countries of the OECD: Australia, Canada, Japan, Korea, Mexico, New Zealand and the United States. In addition, these data are not yet available for some members of the EU. Efforts are underway to reach agreement with these countries about the submission of these data to the OECD.

2. Collective goods and services benefit the community at large and include expenditures on defence, public safety and order, legislation, and regulation. Individual goods and services mainly benefit individuals and include education, health and social insurance programmes. Cash transfers refer to monies provided to beneficiaries by governments and are not required to be spent on a specific good or service. Examples of cash transfers include pensions and unemployment benefits. In-kind transfers mean that the government pays only for specific goods or services, either by providing (or contracting for the provision of) goods and services directly or by reimbursing households for their expenses. Examples of in-kind transfers include housing vouchers and most health and education services.

3. Due to statistical adjustments, sometimes totals at the second COFOG level are different than at the first COFOG level.

ANNEX C

Composite Indexes for HRM, Budget Practices and Regulatory Management

The narrowly defined composite indexes presented in *Government at a Glance* represent the best way of summarising discrete, qualitative information on key aspects of public management practices, such as the type of HRM system or flexibility in budgeting practices. "Composite indexes are much easier to interpret than trying to find a common trend in many separate indicators" (Nardo *et al.*, 2004). However, their development and use can be controversial. These indexes are easily and often misinterpreted by users due to a lack of transparency as to how they are generated and the resulting difficulty to truly unpack what they are actually measuring.

The OECD has taken several steps to avoid and address the common problems associated with composite indexes. The composites presented in this publication adhere to the steps identified in the *Handbook on Constructing Composite Indicators* (Nardo *et al.*, 2008) that are necessary for the meaningful construction of composite or synthetic indexes:

- Each composite index is based on a theoretical framework representing an agreed upon concept in the area it covers. The variables comprising the indexes were selected based on their relevance to the concept by a group of experts within the OECD and in consultation with country delegates to the relevant working parties.
- Various statistical tools – such as factor analysis and the computation of Cronbach's alpha – were employed to establish that the variables comprising each index are correlated and represent the same underlying concept.
- Different methods for imputing missing values have been explored.
- All sub-indicators and variables were normalised for comparability.
- To build the composites, all sub-indicators were aggregated using a linear method according to the accepted methodology.
- Sensitivity analysis was carried out in order to establish the robustness of the indicators to different weighting options (*e.g.* equal weighting, factor weights and expert weights).

The indexes do not purport to measure the overall quality of human resource, regulatory management or budgetary systems. To do so would require a much stronger conceptual foundation and normative assumptions. Rather, the composite indexes presented in *Government at a Glance* are descriptive in nature, and have been given titles to reflect this. The survey questions used to create the indexes are the same across countries and over time, ensuring that the indexes are comparable. Additional details about the theoretical framework, construction and weighting for each composite are available at: *www.oecd.org/gov/indicators,* and all of the underlying data are available online. The online portion of this Annex includes graphs showing the sensitivity of the indexes to different weighting schemes, shedding light on any potential bias resulting from the chosen weights.

While the composite indexes were developed in co-operation with member countries and are based on best practices and/or theory, both the variables comprising the composites and their weights are offered for debate and, consequently, may evolve over time.

ANNEX D

Detailed Data from the 2009 Survey on Integrity

This Annex provides data for each country on how core values are communicated to central government employees; the types of private interests that they require central government decision makers to disclose as well as the level of transparency; procedures in place for public officials to report misconduct or suspected corruption; and the types of protection offered to whistle-blowers. Data are from the OECD 2000 and 2009 Survey on Integrity. Respondents to the survey were OECD member country delegates in charge of integrity in central government.

Communicating core values to central government public officials

The detailed data presented in Table D.1 indicate the different methods used by OECD member countries to communicate core public service values to central government employees.

Conflict-of-interest disclosure requirements

Table D.2 provides data for each country on the types of private interests that they require central government decision makers to disclose as well as the level of transparency. The data presented in Table D.2 underlie the summary data presented in 25.1 and 25.2 on conflict-of-interest disclosures.

Protection of whistle-blowers

The detailed data presented in Tables D.3 and D.4 underlie the summary data presented in 26.1 and 26.2 on whistle-blowing procedures in place for public officials to report misconduct or suspected corruption, and the types of protection offered to whistle-blowers.

Table D.1. **How countries communicate core values to central government public officials (2009)**

Country	Countries communicating core values	Values automatically provided	Communicated by new technology	Part of employment contract	Distributed after revision	Provided in new position	Other measures used
Australia	●	●	●	●	●	●	●
Austria	●	●	●	❍	●	❍	●
Belgium	●	●	●	●	●	❍	❍
Canada	●	●	●	●	❍	●	❍
Czech Republic	●	●	❍	❍	❍	❍	❍
Denmark	●	❍	●	❍	❍	❍	●
Finland	●	❍	●	❍	❍	❍	●
France	●	❍	❍	●	❍	❍	❍
Germany	●	●	●	●	❍	❍	●
Greece	●	●	●	❍	●	❍	●
Hungary	●	❍	❍	❍	❍	❍	●
Iceland	●	❍	●	❍	❍	❍	●
Ireland	●	●	●	●	❍	❍	●
Italy	●	●	●	●	●		
Japan	●	●	❍	●	●	❍	❍
Korea	●	●	●	●	●	●	❍
Luxembourg	❍	❍	❍	❍	❍	❍	❍
Mexico	●	●	●	❍	❍	●	❍
Netherlands	●	❍	❍	❍	❍	●	●
New Zealand	●	●	●	●	●	●	❍
Norway	●	●	❍	●	❍	❍	❍
Poland	●	●	●	❍	●	❍	❍
Portugal	●	❍	❍	❍	❍	❍	❍
Slovak Republic	●	●	❍	❍	❍	❍	●
Spain	●	❍	❍	❍	❍	❍	●
Sweden	●	●	❍	❍	❍	❍	●
Switzerland	●	●	●	❍	●	❍	●
Turkey	●	●	●	●	❍	❍	●
United Kingdom	●	●	●	●	●	●	●
United States	●	●	●	❍	●	●	●

● Method used.
❍ Method not used.
Source: OECD 2009 Survey on Integrity.

A corrigendum has been issued for this page. See: http://www.oecd.org/dataoecd/59/28/44251675.pdf

Table D.2. **Types of information decision makers are required to formally disclose, and level of transparency (2009)**

			AUS	AUT	BEL	CAN	CZE	FIN	FRA	DEU	HUN	ISL	IRL	ITA	JPN	KOR	LUX	MEX	NLD	NZL	NOR	POL	PRT	ESP	SVK	SWE	CHE	TUR	GBR	USA
Executive	***President***	Assets and liabilities		ND			ND	ND	DP	ND	DP	ND	[1]	[1]		DP		D				D	DP		DP		ND	D		DP
		Loans		ND			ND	ND	DP	ND	DP	ND	[1]	[1]		DP		D				D	DP		DP		ND	D		DP
		Income		DP			ND	ND	ND	ND	DP	ND	[1]	[1]		DP		D				ND	DP		DP		ND	D		DP
		Outside positions		n.a.			ND	ND	ND	n.a.	DP	ND	[1]	[1]		DP		D				ND	n.a.		DP		n.a.	D		DP
		Gifts		n.a.			ND	ND	ND	ND	DP	ND	[1]	[1]		DP		D				ND	DP		ND		ND	ND		DP
		Previous employment		ND			ND	ND	ND	ND	ND	ND	[1]	[1]		ND		D				ND	DP		DP		ND	ND		DP
	Prime Minister	Assets and liabilities	DP	D	D	DP	DP	DP	D	ND	DP	ND	DP	DP	DP	DP	ND		D	DP	DP	DP	DP	D	DP	DP		D	DP	
		Loans	DP	D	ND	DP	DP	D	D	ND	DP	ND	DP	DP	DP	DP	ND		ND	DP	D	DP	DP	D	DP	ND		D	DP	
		Income	DP	DP	DP	D	DP	ND	ND	ND	DP	ND	DP	DP	DP	DP	ND		ND	DP	DP	ND	DP	DP	DP	DP		D	DP	
		Outside positions	DP	n.a.	DP	DP	DP	DP	ND	n.a.	DP	ND	DP	DP	DP	DP	ND		n.a.	DP	DP	ND	n.a.	DP	DP	DP		D	DP	
		Gifts	DP	n.a.	ND	DP	DP	ND	ND	D	DP	ND	DP	D	DP	DP	ND		D	DP	DP	DP	DP	DP	ND	DP		ND	DP	
		Previous employment	ND	ND	ND	D	ND	ND	ND	ND	ND	ND	ND	DP	ND	ND	ND		DP	ND	DP	ND	DP	DP	DP	DP		ND	DP	
	Ministers	Assets and liabilities	DP	D	D	DP	DP	DP	D	ND	DP	ND	DP	DP	DP	DP	ND	D	D	DP	DP	DP	DP	D	DP	DP	ND	D	DP	DP
		Loans	DP	D	ND	DP	DP	D	D	ND	DP	ND	DP	DP	DP	DP	ND	D	ND	DP	D	DP	DP	D	DP	ND	ND	D	DP	DP
		Income	DP	DP	DP	D	DP	ND	ND	ND	DP	ND	DP	DP	DP	DP	ND	D	ND	DP	DP	ND	DP	DP	DP	DP	ND	D	DP	DP
		Outside positions	DP	n.a.	DP	DP	DP	DP	ND	n.a.	DP	ND	DP	DP	DP	DP	ND	D	n.a.	DP	DP	ND	n.a.	DP	DP	DP	n.a.	D	DP	DP
		Gifts	DP	n.a.	ND	DP	DP	ND	ND	D	DP	ND	DP	D	DP	DP	ND	D	D	DP	DP	DP	DP	DP	ND	DP	ND	ND	DP	DP
		Previous employment	ND	ND	ND	D	ND	ND	ND	ND	ND	ND	ND	DP	ND	ND	ND	D	DP	ND	DP	ND	DP	DP	DP	DP	ND	ND	DP	DP
Legislative	***Lower House***	Assets and liabilities	DP	ND	D	DP	DP	DP	D	DP	DP	ND	DP	DP	DP	DP	ND	D	ND	DP	DP	DP	DP	D	DP	n.a.	ND	D	DP	DP
		Loans	DP	ND	ND	DP	DP	DP	D	ND	DP	ND	DP	DP	DP	DP	ND	D	ND	DP	D	DP	DP	D	DP	ND	ND	D	DP	DP
		Income	DP	DP	DP	DP	DP	ND	ND	DP	DP	ND	DP	DP	DP	DP	ND	D	D	DP	DP	DP	DP	DP	DP	ND	ND	D	DP	DP
		Outside positions	DP	DP	DP	DP	DP	DP	ND	DP	DP	ND	DP	DP	DP	DP	ND	D	DP	DP	DP	DP	DP	DP	DP	DP	DP	D	DP	DP
		Gifts	DP	ND	ND	DP	DP	ND	ND	DP	DP	ND	DP	ND	DP	DP	ND	D	DP	DP	DP	DP	DP	DP	ND	ND	ND	ND	DP	DP
		Previous employment	ND	ND	ND	ND	ND	ND	ND	DP	ND	ND	ND	DP	ND	ND	ND	D	DP	ND	DP	ND	DP	DP	DP	DP	ND	ND	DP	DP
	Upper House	Assets and liabilities	DP	ND	D	DP	DP		D	[2]			DP	DP	DP			D	ND			DP		D			ND		DP	DP
		Loans	DP	ND	ND	DP	DP		D	[2]			DP	DP	DP			D	ND			DP		D			ND		DP	DP
		Income	DP	DP	DP	DP	DP		ND	[2]			DP	DP	DP			D	D			DP		DP			ND		DP	DP
		Outside positions	DP	DP	DP	DP	DP		ND	[2]			DP	DP	DP			D	DP			DP		DP			DP		DP	DP
		Gifts	DP	ND	ND	DP	DP		ND	[2]			DP	ND	DP			D	DP			DP		DP			ND		DP	DP
		Previous employment	ND	ND	ND	ND	ND		ND	[2]			ND	DP	ND			D	DP			ND		DP			ND		DP	DP

Notes: In Austria, Germany, the Netherlands, Portugal and Switzerland, members of the executive branch are generally not allowed to occupy outside positions. In rare cases where exceptions are granted by the Parliament in Germany and by the Prime Minister in the Netherlands, the positions are publicly disclosed. In the Slovak Republic, gifts are not disclosed separately, but the value of gifts must be taken into account when disclosing total assets greater than EUR 10 300. In Ireland, decision makers must disclose assets, but not liabilities. Data are not available for Denmark and Greece.

D: Disclosure is required, but it is not made publicly available.

DP: Disclosure is required, and is publicly available.

ND: Disclosure is not required.

n.a.: Not applicable. For example, decision makers may be prohibited by law from accepting gifts or having outside employment.

1. By constitution, the President is considered to be outside of the Executive Branch.
2. The German Upper House (Bundesrat) is composed of members of government of the 16 *Länder* (states). As executives of state governments, they are subject to state codes of conduct which have not been summarised in this table.

Source: OECD 2009 Survey on Integrity

Table D.3. **Procedures for public officials to report misconduct or suspected corruption (2000 and 2009)**

	Countries with reporting procedures		Defined by legal provision		Defined by internal rules		Other	
Country	2000	2009	2000	2009	2000	2009	2000	2009
Australia	●	●	●	●	●	●	●	●
Austria	●	●	●	●	❍	●	❍	❍
Belgium	●	●	❍	●	❍	❍	●	❍
Canada	❍	●	❍	●	❍	●	❍	❍
Czech Republic	❍	●	❍	●	❍	●	❍	❍
Denmark	●	●	❍	●	❍	●	●	❍
Finland	●	●	❍	●	❍	●	●	❍
France	●	●	❍	●	❍	❍	●	❍
Germany	●	●	❍	●	❍	❍	●	❍
Greece	❍	●	❍	●	❍	❍	❍	●
Hungary	❍	❍	❍	❍	❍	❍	❍	❍
Iceland	●	●	●	❍	❍	❍	❍	❍
Ireland	❍	●	❍	❍	❍	❍	❍	●
Italy	●	●	●	●	❍	❍	❍	❍
Japan	●	●	●	●	❍	❍	❍	❍
Korea	●	●	●	●	●	●	❍	❍
Luxembourg	❍	●	❍	●	❍	❍	❍	❍
Mexico	●	●	●	●	❍	●	❍	●
Netherlands	●	●	●	●	●	●	❍	❍
New Zealand	●	●	❍	●	●	●	❍	❍
Norway	❍	●	❍	❍	❍	●	❍	●
Poland	●	●	●	●	❍	❍	❍	❍
Portugal	●	●	●	●	❍	❍	❍	❍
Slovak Republic	n.a.	●	n.a.	●	n.a.	❍	n.a.	❍
Spain	●	●	❍	❍	●	●	❍	❍
Sweden	❍	●	❍	●	❍	●	❍	●
Switzerland	●	●	❍	❍	●	●	❍	●
Turkey	●	●	●	●	❍	❍	❍	❍
United Kingdom	●	●	●	●	●	●	●	●
United States	●	●	●	●	●	●	●	●

Note: The Slovak Republic did not complete the survey in 2000.
● Method used.
❍ Method not used.
n.a.: Data not available.
Source: OECD 2000 and 2009 Survey on Integrity.

Table D.4. **Types of protection offered to whistle-blowers (2000 and 2009)**

Country	Protection for whistle-blowers		Legal		Anonymity		Other	
	2000	2009	2000	2009	2000	2009	2000	2009
Australia	●	●	●	●	●	●	●	❍
Austria	●	●	●	●	❍	❍	❍	❍
Belgium	❍	❍	❍	❍	❍	❍	❍	❍
Canada	❍	●	❍	●	❍	❍	❍	❍
Czech Republic	❍	●	❍	●	❍	❍	❍	❍
Denmark	●	●	❍	❍	❍	❍	●	●
Finland	●	●	❍	❍	❍	❍	●	●
France	●	●	❍	❍	❍	❍	●	●
Germany	●	●	❍	●	❍	❍	●	●
Greece	❍	❍	❍	❍	❍	❍	❍	❍
Hungary	●	●	❍	●	❍	❍	●	❍
Iceland	●	●	●	●	❍	❍	❍	❍
Ireland	❍	❍	❍	❍	❍	❍	❍	❍
Italy	●	●	●	●	❍	❍	❍	❍
Japan	●	●	●	●	❍	❍	❍	❍
Korea	●	●	●	●	●	●	❍	❍
Luxembourg	❍	❍	❍	❍	❍	❍	❍	❍
Mexico	●	●	●	●	❍	●	❍	●
Netherlands	●	●	●	●	●	●	❍	●
New Zealand	●	●	❍	●	●	●	❍	❍
Norway	❍	●	❍	●	❍	●	❍	❍
Poland	●	●	●	●	❍	❍	❍	❍
Portugal	●	●	●	❍	❍	❍	❍	❍
Slovak Republic	n.a.	●	n.a.	●	n.a.	●	n.a.	❍
Spain	●	●	❍	❍	●	●	❍	❍
Sweden	❍	●	❍	●	❍	●	❍	●
Switzerland	●	●	❍	❍	●	●	❍	●
Turkey	●	●	●	●	❍	●	❍	❍
United Kingdom	●	●	●	●	●	●	❍	❍
United States	●	●	●	●	●	●	●	●

Note: The Slovak Republic did not complete the survey in 2000. In Ireland, protections for persons reporting corruption are pending in the form of an amendment to the Prevention of Corruption Acts. This Bill, which is currently before the Oireachtas, proposes the insertion of a provision into the Prevention of Corruption Acts to provide protection for persons (including employees) reporting offences under those Acts.

● Method used.

❍ Method not used.

n.a.: Data not available.

Source: OECD 2000 and 2009 Survey on Integrity.

ANNEX E

Contextual Factors

This annex provides data on several administrative and institutional features of each country, including: the composition and electoral system of the legislature, the structure of the executive branch, the division of power between one central and several regional or local governments, and key characteristics of the judicial system. It also provides basic data on population and GDP for 2007.

Political and institutional frameworks influence who formulates and implements policy responses to the challenges currently facing governments. For example, the type of electoral system employed has a number of potential consequences on the nature and tenure of government, including the diversity of views represented and the ability of the legislature to create and amend laws. Major differences in legislative institutions can affect the way a country's bureaucratic system works. The extent that power is shared between the legislative and executive branches, exemplified by term limits for presidents or prime ministers, and the ability of the judiciary to review the constitutionality of laws and actions, set the constraints within which policies and reforms can be enacted and implemented. The way that governments are structured, including the division of responsibilities vertically (across levels of governments) and horizontally (between departments or ministries), is a key factor underlying the organisational capacity of government. Different structures and responsibilities require different sets of competencies, including oversight, monitoring and evaluation, and co-ordination.

While many contextual factors are products of a country's historical development and cannot be easily changed by policy makers, they can be used to identify countries with similar political and administrative structures for comparison and benchmarking purposes. In addition, for countries considering different policies and reforms, the indicators can illustrate structural differences that may affect their passage and implementation.

Methodology and definitions

With the exception of data on population and GDP, all information is from member country constitutions and websites and is current as of 31 December 2008. Population data are from OECD Population Statistics and GDP data are from OECD National Account Statistics.

Bicameral legislatures have two chambers (usually an Upper House and a Lower House), whereas unicameral legislatures are composed of only a Lower House. Electoral systems are usually characterised as single member (First Past the Post or Preferential and

Two-Round) or multi member (Proportional Representation or Semi-Proportional Representation). The types of electoral systems are defined as follows:

- Under First Past the Post, the winner is the candidate with the most votes but not necessarily an absolute majority of votes.
- Under Preferential and Two-Round, the winner is the candidate who receives an absolute majority (*i.e.* over 50%) of votes. If no candidate receives over 50% of votes during the first round of voting, the Preferential system makes use of voters' second preferences while the Two-Round system uses a second round of voting to produce a winner.
- Proportional Representation (PR) systems allocate parliamentary seats based on a party's share of national votes.
- Semi-proportional systems feature attributes of both single-member and PR systems. They allow two votes per person: one for a candidate running in the voter's district and one for a party. As in PR, party seats are allocated proportional to the party's share of national votes.

Data on the frequency of elections reflect statutory requirements. In reality, elections may be held more frequently in parliamentary systems if governments collapse. Data on the frequency of coalition governments cover the period between 1 January 1988 and 31 December 2008, except for the Czech Republic (1992), Hungary (1990), Poland (1991) and the Slovak Republic (1993).

A coalition government is defined as the joint rule of executive functions by two or more political parties. The number of governments is determined by the number of terms served by the head of the executive branch (where a term is either defined by a change in the executive or an election that renewed support for the current government). These data are only applicable for countries that have a parliamentary or dual executive system.

Under the parliamentary form of executive power, the executive is usually the head of the dominant party in the legislature and appoints members of that party or coalition parties to serve as ministers in the cabinet. The executive is accountable to parliament, who can end the executive's term through a vote of no confidence. Several countries with parliamentary systems also have a president, whose powers are predominately ceremonial in nature. Under the presidential system, the executive and members of the legislature seek election independently of one another. Ministers are usually not elected members of the legislature but are nominated by the president and may be approved by the legislature. The dual executive system combines a powerful president with an executive responsible to the legislature, both responsible for the day-to-day activities of the state. It differs from the presidential system in that the cabinet (although named by the president) is responsible to the legislature, which may force the cabinet to resign through a motion of no confidence.

A ministry is an organisation in the executive branch that is responsible for a sector of public administration. In some countries, such as the United States and Norway, ministries are called "departments." Common examples include the Ministries of Health, Education and Finance. While sub-central governments may also be organised into ministries, the data only refer to central government. Ministers advise the executive and are in charge of either one or more ministries, or a portfolio of government duties. In most parliamentary systems, ministers are drawn from the legislature and keep their seats. In most presidential systems, ministers are not elected officials and are appointed by the president. The data refer to the number of ministers that comprise the cabinet at the central level of government and exclude deputy ministers.

Judicial review refers to the ability of the courts or a separate body to review the constitutionality of laws and actions. It is usually enshrined in the constitution. In countries with limited judicial review, the courts only have the ability to review the constitutionality of specific types of laws or actions, or under specific circumstances.

Federal states have a constitutionally delineated division of political authority between one central and several regional or state autonomous governments. While unitary states often include multiple levels of government (such as local and provincial or regional), these administrative divisions are not constitutionally defined.

Australia

Lower House	
Electoral system	Single – Preferential
Frequency of Lower House elections (in years)	3
Size – number of seats	150
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	6
Size – number of seats	76
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	8
Number of coalition governments	4
System of executive power	Parliamentary
Head of the state	Monarch
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	No
Term limit	Not applicable
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	20
Number of departments or ministries	19
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	No
State structure	Federal
Population mid-2007 estimate (in millions)	21.1
GDP in 2007 (purchasing power parity in USD billions at current prices)	794.6

Austria

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	183
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	5
Size – number of seats	62
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	9
Number of coalition governments	9
System of executive power	Parliamentary
Head of the state	President
Head of the government	Chancellor
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	12
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	13
Number of departments or ministries	14
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	Yes
State structure	Federal
Population mid-2007 estimate (in millions)	8.3
GDP in 2007 (purchasing power parity in USD billions at current prices)	308.6

1. Upper House is appointed every 5 years.

Belgium

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	150
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	4
Size – number of seats	71
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	8
Number of coalition governments	8
System of executive power	Parliamentary
Head of the state	Monarch
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	No
Term limit	Not applicable
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	15
Number of departments or ministries	15
Existence of system of judicial review of the constitutionality of laws and actions	Limited judicial review
Member of the EU	Yes
State structure	Federal
Population mid-2007 estimate (in millions)	10.6
GDP in 2007 (purchasing power parity in USD billions at current prices)	375.8

Canada

Lower House	
Electoral system	Single – First Past the Post
Frequency of Lower House elections (in years)	5
Size – number of seats	308
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	Non Elected
Size – number of seats	105
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	10
Number of coalition governments	0
System of executive power	Parliamentary
Head of the state	Monarch
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	No
Term limit	Not applicable
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	27
Number of departments or ministries	25
Existence of system of judicial review of the constitutionality of laws and actions	Limited judicial review
Member of the EU	No
State structure	Federal
Population mid-2007 estimate (in millions)	32.9
GDP in 2007 (purchasing power parity in USD billions at current prices)	1 269.6

Czech Republic

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	200
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	6
Size – number of seats	81
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	9
Number of coalition governments	6
System of executive power	Parliamentary
Head of the state	President
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	10
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	18
Number of departments or ministries	17
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	10.3
GDP in 2007 (purchasing power parity in USD billions at current prices)	248.0

Denmark

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	179
Upper House	
Existence	No
Frequency of Upper House elections (in years)	Not applicable
Size – number of seats	Not applicable
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	9
Number of coalition governments	9
System of executive power	Parliamentary
Head of the state	Monarch
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	No
Term limit	Not applicable
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	19
Number of departments or ministries	18
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	5.5
GDP in 2007 (purchasing power parity in USD billions at current prices)	196.3

Finland

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	200
Upper House	
Existence	No
Frequency of Upper House elections (in years)	Not applicable
Size – number of seats	Not applicable
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	7
Number of coalition governments	7
System of executive power	Dual executive
Head of the state	President
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	12
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	20
Number of departments or ministries	12
Existence of system of judicial review of the constitutionality of laws and actions	No judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	5.3
GDP in 2007 (purchasing power parity in USD billions at current prices)	183.5

France

Lower House	
Electoral system	Single – Two Rounds
Frequency of Lower House elections (in years)	5
Size – number of seats	577
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	6
Size – number of seats	343
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	9
Number of coalition governments	3
System of executive power	Dual executive
Head of the state	President
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	10
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	17
Number of departments or ministries	16
Existence of system of judicial review of the constitutionality of laws and actions	Limited judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	61.9
GDP in 2007 (purchasing power parity in USD billions at current prices)	2 080.6

1. The number of coalition governments represents periods of cohabitation. The number of governments represents the number of prime ministers.

Germany

Bundestag	
Electoral system	Multi Member – Semi-Proportional Representation
Frequency of elections (in years)	4
Size – number of seats	614
Bundesrat	
Existence	Yes
Frequency of elections (in years)	Non Elected
Size – number of seats	69
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	6
Number of coalition governments	6
System of executive power	Parliamentary
Head of the state	President
Head of the government	Chancellor
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	10
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	16
Number of departments or ministries	14
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	Yes
State structure	Federal
Population mid-2007 estimate (in millions)	82.3
GDP in 2007 (purchasing power parity in USD billions at current prices)	2 829.1

1. The German legislature is composed of the Bundestag and the Bundesrat. Members of the Bundesrat are members of state governments and are indirectly chosen by the electorate through state elections.

Greece

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	300
Upper House	
Existence	No
Frequency of Upper House elections (in years)	Not applicable
Size – number of seats	Not applicable
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	10
Number of coalition governments	1
System of executive power	Parliamentary
Head of the state	President
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	10
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	16
Number of departments or ministries	16
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	11.2
GDP in 2007 (purchasing power parity in USD billions at current prices)	318.1

Hungary

Lower House	
Electoral system	Multi Member – Semi-Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	386
Upper House	
Existence	No
Frequency of Upper House elections (in years)	Not applicable
Size – number of seats	Not applicable
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	7
Number of coalition governments	7
System of executive power	Parliamentary
Head of the state	President
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	10
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	16
Number of departments or ministries	13
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	10.1
GDP in 2007 (purchasing power parity in USD billions at current prices)	189.0

Iceland

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	63
Upper House	
Existence	No
Frequency of Upper House elections (in years)	Not applicable
Size – number of seats	Not applicable
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	9
Number of coalition governments	9
System of executive power	Parliamentary
Head of the state	President
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	No term limit
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	12
Number of departments or ministries	12
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	No
State structure	Unitary
Population mid-2007 estimate (in millions)	0.3
GDP in 2007 (purchasing power parity in USD billions at current prices)	11.3

Ireland

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	5
Size – number of seats	166
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	5
Size – number of seats	60
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	9
Number of coalition governments	8
System of executive power	Parliamentary
Head of the state	President
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	14
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	15
Number of departments or ministries	15
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	4.3
GDP in 2007 (purchasing power parity in USD billions at current prices)	196.2

1. Members of the Upper House are elected indirectly by universities and panels composed of members of the Lower House and elected county officials.

Italy

Lower House	
Electoral system	Multi Member – Semi-Proportional Representation
Frequency of Lower House elections (in years)	5
Size – number of seats	630
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	5
Size – number of seats	315
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	15
Number of coalition governments	14
System of executive power	Parliamentary
Head of the state	President
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	No term limit
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	21
Number of departments or ministries	21
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	58.9
GDP in 2007 (purchasing power parity in USD billions at current prices)	1 813.2

Japan

Lower House	
Electoral system	Multi Member – Semi-Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	480
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	6
Size – number of seats	242
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	20
Number of coalition governments	15
System of executive power	Parliamentary
Head of the state	Monarch
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	No
Term limit	Not applicable
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	18
Number of departments or ministries	11
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	No
State structure	Unitary
Population mid-2007 estimate (in millions)	127.8
GDP in 2007 (purchasing power parity in USD billions at current prices)	4 293.5

Korea

Lower House	
Electoral system	Multi Member – Semi-Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	299
Upper House	
Existence	No
Frequency of Upper House elections (in years)	Not applicable
Size – number of seats	Not applicable
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	6
Number of coalition governments	Not applicable
System of executive power	Presidential
Head of the state	President
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	5
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	16
Number of departments or ministries	15
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	No
State structure	Unitary
Population mid-2007 estimate (in millions)	48.5
GDP in 2007 (purchasing power parity in USD billions at current prices)	1 300.2

Luxembourg

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	5
Size – number of seats	60
Upper House	
Existence	No
Frequency of Upper House elections (in years)	Not applicable
Size – number of seats	Not applicable
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	6
Number of coalition governments	6
System of executive power	Parliamentary
Head of the state	Monarch
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	No
Term limit	Not applicable
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	15
Number of departments or ministries	19
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	0.5
GDP in 2007 (purchasing power parity in USD billions at current prices)	38.4

Mexico

Lower House	
Electoral system	Multi Member – Semi-Proportional Representation
Frequency of Lower House elections (in years)	3
Size – number of seats	500
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	6
Size – number of seats	128
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	5
Number of coalition governments	Not applicable
System of executive power	Presidential
Head of the state	President
Head of the government	President
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	6
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	19
Number of departments or ministries	18
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	No
State structure	Federal
Population mid-2007 estimate (in millions)	105.8
GDP in 2007 (purchasing power parity in USD billions at current prices)	1 479.9

Netherlands

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	150
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	4
Size – number of seats	75
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	8
Number of coalition governments	8
System of executive power	Parliamentary
Head of the state	Monarch
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	No
Term limit	Not applicable
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	18
Number of departments or ministries	14
Existence of system of judicial review of the constitutionality of laws and actions	No judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	16.4
GDP in 2007 (purchasing power parity in USD billions at current prices)	642.4

A corrigendum has been issued for this page. See: http://www.oecd.org/dataoecd/59/28/44251675.pdf

New Zealand

Lower House	
Electoral system	Multi Member – Semi-Proportional Representation
Frequency of Lower House elections (in years)	3
Size – number of seats	120
Upper House	
Existence	No
Frequency of Upper House elections (in years)	Not applicable
Size – number of seats	Not applicable
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	11
Number of coalition governments	5
System of executive power	Parliamentary
Head of the state	Monarch
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	No
Term limit	Not applicable
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	20
Number of departments or ministries	35
Existence of system of judicial review of the constitutionality of laws and actions	No judicial review
Member of the EU	No
State structure	Unitary
Population mid-2007 estimate (in millions)	4.2
GDP in 2007 (purchasing power parity in USD billions at current prices)	114.7

Norway

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	169
Upper House	
Existence	No
Frequency of Upper House elections (in years)	Not applicable
Size – number of seats	Not applicable
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	8
Number of coalition governments	4
System of executive power	Parliamentary
Head of the state	Monarch
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	No
Term limit	Not applicable
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	19
Number of departments or ministries	18
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	No
State structure	Unitary
Population mid-2007 estimate (in millions)	4.7
GDP in 2007 (purchasing power parity in USD billions at current prices)	251.7

Poland

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	460
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	4
Size – number of seats	100
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	14
Number of coalition governments	12
System of executive power	Dual executive
Head of the state	President
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	10
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	18
Number of departments or ministries	17
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	38.1
GDP in 2007 (purchasing power parity in USD billions at current prices)	613.3

Portugal

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	230
Upper House	
Existence	No
Frequency of Upper House elections (in years)	Not applicable
Size – number of seats	Not applicable
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	7
Number of coalition governments	2
System of executive power	Dual executive
Head of the state	President
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	10
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	19
Number of departments or ministries	16
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	10.6
GDP in 2007 (purchasing power parity in USD billions at current prices)	242.1

Slovak Republic

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	150
Upper House	
Existence	No
Frequency of Upper House elections (in years)	Not applicable
Size – number of seats	Not applicable
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	6
Number of coalition governments	6
System of executive power	Parliamentary
Head of the state	President
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	10
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	16
Number of departments or ministries	15
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	5.4
GDP in 2007 (purchasing power parity in USD billions at current prices)	108.4

Spain

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	350
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	4
Size – number of seats	264
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	7
Number of coalition governments	1
System of executive power	Parliamentary
Head of the state	Monarch
Head of the government	President of Government (Prime Minister equivalent)
Existence of term limits for presidents	
Is there a President?	No
Term limit	Not applicable
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	18
Number of departments or ministries	16
Existence of system of judicial review of the constitutionality of laws and actions	Limited judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	44.9
GDP in 2007 (purchasing power parity in USD billions at current prices)	1 417.4

Sweden

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	349
Upper House	
Existence	No
Frequency of Upper House elections (in years)	Not applicable
Size – number of seats	Not applicable
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	8
Number of coalition governments	2
System of executive power	Parliamentary
Head of the state	Monarch
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	No
Term limit	Not applicable
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	22
Number of departments or ministries	13
Existence of system of judicial review of the constitutionality of laws and actions	Limited judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	9.1
GDP in 2007 (purchasing power parity in USD billions at current prices)	335.1

Switzerland

Lower House	
Electoral system	Multi Member – Semi-Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	200
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	4
Size – number of seats	46
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	Not applicable
Number of coalition governments	Not applicable
System of executive power	Parliamentary
Head of the state	President
Head of the government	President
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	1
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	7
Number of departments or ministries	7
Existence of system of judicial review of the constitutionality of laws and actions	Limited judicial review
Member of the EU	No
State structure	Federal
Population mid-2007 estimate (in millions)	7.6
GDP in 2007 (purchasing power parity in USD billions at current prices)	314.0

1. An agreement dictates the composition of the government, which is always a coalition of four parties. The head of this Swiss government, called the President, is elected annually by the legislature but is not a member of Parliament.

Turkey

Lower House	
Electoral system	Multi Member – Proportional Representation
Frequency of Lower House elections (in years)	4
Size – number of seats	550
Upper House	
Existence	No
Frequency of Upper House elections (in years)	Not applicable
Size – number of seats	Not applicable
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	15
Number of coalition governments	7
System of executive power	Parliamentary
Head of the state	President
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	10
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	25
Number of departments or ministries	17
Existence of system of judicial review of the constitutionality of laws and actions	Limited judicial review
Member of the EU	No
State structure	Unitary
Population mid-2007 estimate (in millions)	70.6
GDP in 2007 (purchasing power parity in USD billions at current prices)	960.3

United Kingdom

Lower House	
Electoral system	Single – First Past the Post
Frequency of Lower House elections (in years)	5
Size – number of seats	646
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	Non Elected
Size – number of seats	618
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	7
Number of coalition governments	0
System of executive power	Parliamentary
Head of the state	Monarch
Head of the government	Prime Minister
Existence of term limits for presidents	
Is there a President?	No
Term limit	Not applicable
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	23
Number of departments or ministries	26
Existence of system of judicial review of the constitutionality of laws and actions	No judicial review
Member of the EU	Yes
State structure	Unitary
Population mid-2007 estimate (in millions)	61.0
GDP in 2007 (purchasing power parity in USD billions at current prices)	2 167.3

United States

Lower House	
Electoral system	Single – First Past the Post
Frequency of Lower House elections (in years)	2
Size – number of seats	435
Upper House	
Existence	Yes
Frequency of Upper House elections (in years)	6
Size – number of seats	100
Frequency of coalition governments at the central level between 1988 and 2008	
Total number of governments	6
Number of coalition governments	Not applicable
System of executive power	Presidential
Head of the state	President
Head of the government	President
Existence of term limits for presidents	
Is there a President?	Yes
Term limit	8
Number of ministers and departments or ministries at the central level of government (2008)	
Number of ministers	16
Number of departments or ministries	15
Existence of system of judicial review of the constitutionality of laws and actions	Limited judicial review
Member of the EU	No
State structure	Federal
Population mid-2007 estimate (in millions)	301.3
GDP in 2007 (purchasing power parity in USD billions at current prices)	13 741.6

ANNEX F

Members of the Steering Group

Country	Name	Title/position	Ministry
Australia	Ms. Carmel McGregor	Deputy Public Service Commissioner	Australian Public Service Commission
Austria	Ms. Elisabeth Dearing	Director	Federal Chancellery Administrative Development, Div. III/7
Canada	Mr. Joe Wild	Executive Director	Treasury Board Secretariat
Finland	Ms. Katju Holkeri	Head of Government Policy Unit	Ministry of Finance
France	Mr. Bernard Blanc	Chef de la mission des relations internationals	Ministère de l'Économie, des Finances et de l'Industrie Direction générale de la modernisation de l'État (DGME)
Germany	Mr. Andreas Wegend	Head of Division for International Co-operation in Administrative Matters	Federal Ministry of the Interior
Italy	Dr. Pia Marconi	Director General	Department of Public Administration
Netherlands	Mr. Koos Roest	Advisor on Strategic Policy	Ministry of the Interior and Kingdom Relations, Directorate-General for Management of the Public Sector
Norway	Mr. Bratveit Kleng	Advisor	Ministry of Government Administration and Reform
Sweden	Mr. Claes Elmgren	Analyst	Statskontoret
United Kingdom	Ms. Liz McKeown	Deputy Director, Analysis and Insight	Cabinet Office, Civil Service Capability Group

Glossary

Term	Use in *Government at a Glance*
Cash transfers	Benefits provided to eligible individuals by governments that are not required to be spent on a specific good or service. Examples of cash transfers include pensions, unemployment benefits and development aid.
Collective good and services	Goods and services that benefit the community at large. Examples include government expenditures on defence, and public safety and order.
Composite index	An indicator formed by compiling individual indicators into a single index on the basis of an underlying model (Nardo *et al.*, 2005).
Dataset	A set of indicators or variables concerning a single topic (*e.g.* regulatory quality).
Efficiency	Achieving maximum output from a given level of resources used to carry out an activity (*OECD Glossary of Statistical Terms*).
Effectiveness	The extent to which the activity's stated objectives have been met (*OECD Glossary of Statistical Terms*).
European System of National Accounts	An internationally compatible accounting framework used by members of the European Union for a systematic and detailed description of a total economy (that is a region, country or group of countries), its components and its relations with other total economies (*OECD Glossary of Statistical Terms*). It is fully consistent with System of National Accounts (SNA).
Federal state	A country that has a constitutionally delineated division of political authority between one central and several regional or state autonomous governments.
Full-time-equivalent (FTE)	The number of full-time equivalent jobs, defined as total hours worked divided by average annual hours worked in full-time jobs (*OECD Glossary of Statistical Terms*).
General government	The general government sector consists of: *a)* All units of central, state or local government; *b)* All social security funds at each level of government; *c)* All non-market non-profit institutions that are controlled and mainly financed by government units.

	The sector does not include public corporations, even when all the equity of such corporations is owned by government units. It also does not include quasi-corporations that are owned and controlled by government units. However, unincorporated enterprises owned by government units that are not quasi-corporations remain integral parts of those units and, therefore, must be included in the general government sector (1993 System of National Accounts).
Governance	The exercise of political, economic and administrative authority.
Gross domestic product (GDP)	The standard measure of the value of the goods and services produced by a country during a period. Specifically, it is equal to the sum of the gross values added of all resident institutional units engaged in production (plus any taxes and minus any subsidies on products not included in the value of their outputs). The sum of the final uses of goods and services (all uses except intermediate consumption) measured in purchasers' prices, less the value of imports of goods and services, or the sum of primary incomes distributed by resident producer units (*OECD Glossary of Statistical Terms*).
In-kind goods and services	Government provides (or contracts for the provision of) these goods and services directly or reimburses households for their expenses. Examples of in-kind goods and services include housing vouchers, police, and most health and education services.
Indicator	"… quantitative or qualitative measure derived from a series of observed facts that can reveal relative positions (*e.g.* of a country) in a given area. When evaluated at regular intervals, an indicator can point out the direction of change across different units and through time" (Nardo *et al.*, 2005).
Individual goods and services	Goods and services that mainly benefit individuals. Examples include education, health and social insurance programmes.
Input	Units of labour, capital, goods and services used in the production of goods and services. "Taking the health service as an example, input is defined as the time of medical and non-medical staff, the drugs, the electricity and other inputs purchased, and the capital services from the equipment and buildings used" (Lequiller, 2005).
Labour force	The labour force, or currently active population, comprises all persons who fulfil the requirements for inclusion among the employed or the unemployed during a specified brief reference period (*OECD Glossary of Statistical Terms*).
Outcome	Refers to what is ultimately achieved by an activity. Outcomes reflect the intended or unintended results of government actions, but other factors outside of government actions are also implicated (*OECD Glossary of Statistical Terms*).

Output	In performance assessment in government, outputs are defined as the goods or services produced by government agencies (*e.g.*, teaching hours delivered, welfare benefits assessed and paid) (*OECD Glossary of Statistical Terms*).
Productivity	Productivity is commonly defined as a ratio of a volume measure of output to a volume measure of input use (OECD Statistical Glossary). Economists distinguish between total productivity, namely total output divided by change in (weighted) input(s) and marginal productivity, namely change in output divided by change in (weighted) input(s) (Coelli *et al.*, 1999).
Public sector	The general government sector plus (quasi) public corporations (1993 System of National Accounts).
Public sector process	Structures, procedures and management arrangements with a broad application within the public sector.
System of National Accounts	The System of National Accounts (SNA) consists of a coherent, consistent and integrated set of macroeconomic accounts, balance sheets and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules (SNA 1.1). The System of National Accounts 1993 (SNA) has been prepared under the joint responsibility of the United Nations, the International Monetary Fund, the Commission of the European Communities, the OECD and the World Bank (*OECD Glossary of Statistical Terms*).
Unitary states	Countries that do not have a constitutionally delineated division of political authority between one central and several regional or state autonomous governments. However, unitary states may have administrative divisions that include local and provincial or regional levels of government.
Variable	A characteristic of a unit being observed that may assume more than one of a set of values to which a numerical measure or a category from a classification can be assigned (*e.g.* income, age, weight, etc., and “occupation”, “industry”, “disease”, etc.) (*OECD Glossary of Statistical Terms*).

A corrigendum has been issued for this page. See: http://www.oecd.org/dataoecd/59/28/44251675.pdf

Bibliography

Alesina, A. *et al.* (1999), "Budget Institutions and Fiscal Performance in Latin America", *Journal of Development Economics*, 59(2), pp. 253-273.

Anderson, B. and J.J. Minarik (2006), "Design Choice for Fiscal Policy Rules", *OECD Journal on Budgeting*, Vol. 5, No. 4, OECD, Paris, pp. 159-208.

Anderson, B. and J. Sheppard (forthcoming), "Fiscal Futures, Institutional Budget Reforms and Their Effects: What Can Be Learned?", *OECD Journal on Budgeting*, OECD, Paris.

Arnold, J. (2008), "Do Tax Structures Affect Aggregate Economic Growth? Empirical Evidence from a Panel of OECD Countries", OECD Economics Department Working Papers, No. 643, OECD, Paris.

Bertok, J. *et al.* (2006), "Issues in Outcome Measurement for 'Government at a Glance' OECD GOV Technical Paper 3", GOV/PGC(2006)10/ANN3, OECD, Paris.

Boviard, T. (1996), "The Political Economy of Performance Measurement", in A. Halachmi and G. Boukaert (eds.), *Organizational Performance and Measurement in the Public Sector: Toward Service, Effort and Accomplished Reporting*, Quorum Books, Westport, pp. 145-165.

Brown, A.J. (ed.) (2008), *Whistle-blowing in the Australian Public Sector: Enhancing the Theory and Practice of Internal Witness Management in Public Sector Organisations*, ANU E Press, Australian National University, Canberra.

Coelli, T. *et al.* (1999), *An Introduction to Efficiency and Productivity Analysis*, Kluwer Academic Publishers, Boston.

Curristine, T. (2005), "Performance Information in the Budget Process: Results of the OECD 2005 Questionnaire", *OECD Journal on Budgeting*, Vol. 5, No. 2, OECD, Paris, pp. 87-132.

Dooren, W. van *et al.* (2006), "Issues in Output Measurement for 'Government at a Glance' OECD GOV Technical Paper 2", GOV/PGC(2006)10/ANN2, OECD, Paris.

Dooren, W. van *et al.* (2007), "Institutional Drivers of Efficiency in the Public Sector", GOV/PGC(2007)16/ANN, OECD, Paris.

European Commission (2005), "Specifications on the implementation of the Stability and Growth Pact and Guidelines on the format and content of Stability and Convergence Programmes", European Commission Economic and Financial Affairs, Brussels, *http://ec.europa.eu/economy_finance/about/activities/sgp/codeofconduct_en.pdf*.

European Commission DGISM (2007), *The User Challenge: Benchmarking the Supply of Online Public Services*, 7th Measurement, September 2007.

Hallerberg, M., R. Strauch and J. Von Hagen (2007), "The Design of Fiscal Rules and Forms of Governance in European Union Countries", *European Journal of Political Economy*, 23(2), pp. 338-359.

Hatry, H.P. (1999), *Performance Measurement: Getting Results*, Urban Institute Press,Washington, DC.

Jacobzone S., F. Steiner and E. Lopez Ponton (forthcoming), "Analytical Assessing the Impact of Regulatory Management Systems, Preliminary Statistical and Econometric Estimates, Public Governance", *OECD Papers on Public Governance*, OECD, Paris.

Lonti, Z. and M. Woods (2008), "Towards Government at a Glance: Identification of Core Data and Issues related to Public Sector Efficiency", OECD Working Papers on Public Governance, No. 7, OECD, Paris.

Lopez-Claros, A. *et al.* (eds.) (2006), *Global Competitiveness Report 2006-2007: Creating an Improved Business Environment*, Palgrave, Houndmills, Basingstoke, New York.

Manning, N. *et al.* (2006), "How and Why Should Government Activity Be Measured in *Government at a Glance?*", OECD GOV Technical Paper 1, GOV/PGC(2006)10/ANN1, OECD, Paris.

Myles, G. (2008), "Economic Growth and the Role of Taxation", report for OECD, available at *www.people.ex.ac.uk/gdmyles/papers/pdfs/OECDfin.pdf*.

Nardo, M. *et al.* (2005), *OECD Handbook on Constructing Composite Indicators: Methodology and User Guide*, OECD Statistics Working Paper 2005/3, OECD, Paris.

Nardo, M. *et al.* (2008), *Handbook on Constructing Composite Indicators*, joint publication of the OECD and European Commission, Paris and Brussels.

OECD (1997), *Regulatory Impact Analysis: Best Practices in OECD Countries*, OECD, Paris.

OECD (2000), *Trust in Government: Ethics Measures in OECD Countries*, OECD, Paris.

OECD (2001), *Citizens as Partners: Information, consultation and public participation in policy making*, OECD, Paris.

OECD (2002), "OECD Best Practices for Budget Transparency", *OECD Journal on Budgeting*, Vol. 1, No. 3, OECD, Paris, pp. 7-14.

OECD (2003), *Managing Conflict of Interest in the Public Service: OECD Guidelines and Country Experiences*, OECD, Paris.

OECD (2005a), *Guiding Principles for Regulatory Quality and Performance*, OECD, Paris.

OECD (2005b), *Modernising Government: The Way Forward*, OECD, Paris.

OECD (2005c), *Taking Stock of Regulatory Reform: A Multidisciplinary Synthesis*, OECD, Paris.

OECD (2007a), *Ageing and the Public Service: Human Resource Challenges*, OECD, Paris.

OECD (2007b), *Cutting Red Tape: Comparing Administrative Burdens Across Countries*, OECD, Paris.

OECD (2007c), *Health at a Glance 2007: OECD Indicators*, OECD, Paris.

OECD (2007d), "Indicators of Regulatory Management Systems", OECD Working Papers, No. 4, OECD, Paris.

OECD (2007e), *Integrity in Public Procurement: Good Practice from A to Z*, OECD, Paris.

OECD (2007f), "Towards Better Management of Government", OECD Working Papers on Public Governance, 2007/1, OECD, Paris.

OECD (2008a), *Building an Institutional Framework for Regulatory Impact Analysis (RIA): Guidance for Policy Makers*, OECD, Paris, *www.oecd.org/dataoecd/44/15/40984990.pdf*.

OECD (2008b), *Education at a Glance 2008: OECD Indicators*, OECD, Paris.

OECD (2008c), *Measuring Regulatory Quality*, OECD *Policy Brief*, OECD, Paris, *www.oecd.org/regreform/indicators*.

OECD (2008d), *National Accounts of OECD Countries*, OECD, Paris.

OECD (2008e), *Performance Budgeting: A User's Guide*, OECD *Policy Brief*, OECD, Paris.

OECD (2008f), *Revenue Statistics 1965-2007*, OECD, Paris.

OECD (2008g), *The State of the Public Service*, OECD, Paris.

OECD (2008h), "Taxation and Economic Growth", *Economics Department Working Papers*, No. 620, OECD, Paris.

OECD (2008i), "Towards Government at a Glance: Detailed Outline with Identification of Major Themes and Indicators", GOV/PGC(2008)17, OECD, Paris.

OECD (2009a), *Focus on Citizens: Public Engagement for Better Policy and Services*, OECD, Paris.

OECD (2009b), *Governing Regional Development Policy: The Use of Performance Indicators*, OECD, Paris.

OECD (2009c), *Lobbyists, Governments and Public Trust, Volume 1: Increasing Transparency through Legislation*, OECD, Paris.

OECD (2009d), "Manual Public Finance and Employment Database", OECD, Paris.

OECD (2009e), *Measuring Government Activity*, OECD, Paris.

OECD (2009f), *OECD Principles for Integrity in Public Procurement*, OECD, Paris.

OECD (2009g), *Post-Public Employment: Good Practices for Preventing Conflict of Interest*, OECD, Paris.

OECD (2009h), *Regulatory Impact Analysis: A Tool for Policy Coherence*, OECD, Paris.

OECD (2009i), *Rethinking E-Government Services: User-Centred Approaches*, OECD, Paris.

OECD (2009j), *Society at a Glance 2009: OECD Social Indicators*, OECD, Paris.

OECD (2009k), "Sub-national Dimension and Policy Responses to the Crisis", contribution to the experts' meeting of the OECD Network on Fiscal Relations Across Levels of Government, OECD, Paris, 12 June.

OECD (Forthcoming), *Budgeting Practices and Procedures in OECD Countries*, OECD, Paris.

OECD (Forthcoming), "Improving the Outcomes from Regional Development Policy", *OECD Regional Outlook*, OECD, Paris.

OECD, *Benefits and Wages*, *www.oecd.org/els/social/workincentives*.

Pilichowski, E. and E. Turkisch (2008), "Employment in Government in the Perspective of the Production Costs of Goods and Services in the Public Domain", *OECD Working Papers on Public Governance*, No. 8, OECD, Paris.

Pollitt, C. *et al.* (2004), *Agencies – How Governments Do Things Through Semi-Autonomous Organisations*, Palgrave Macmillan, Bainstoke.

Pollitt, C. and G. Bouckaert (2004), *Public Management Reform: A Comparative Analysis*, Oxford University Press, Oxford.

Rothstein, B. and J. Teorell (2008), "What is Quality of Government? A Theory of Impartial Government Institutions", *Governance: An International Journal of Policy Administration, and Institutions*, Vol. 21, No. 2, Blackwell Publishing, Oxford, pp. 165-190.

Schick, A. (2005), "Sustainable Budget Policy: Concepts and Approaches", *OECD Journal on Budgeting*, Vol. 5, No. 1, OECD, Paris, pp. 107-126.

Stiglitz, J. (2009), "Nous Revenons à une Récession Normale", *Challenges*, 27 August [In French only].

United Nations (2008), *United Nations E-Government Survey 2008: From E-Government to Connected Governance*, United Nations, New York.

Von Hagen, J. (1992), "Budgeting Procedures and Fiscal Performance in the European Communities", Directorate-General for Economic and Financial Affairs, Commission of the European Communities, Brussels.

W.K. Kellogg Foundation (2004), *Logic Model Development Guide*, W.K. Kellogg Foundation, Michigan.

Wal, Z. van Der and L.W.J.C. Huberts (2008), "Value Solidity in Government and Business: Results for an Empirical Study on Public and Private Sector Organisational Values", *American Review of Public Administration*, 38, pp. 264-285.

Wehner, J. (2009), "Cabinet Structure and Fiscal Policy Outcomes", unpublished paper, Government Department, London School of Economics, London, *http://personal.lse.ac.uk/wehner/cabinet.pdf*.

OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(42 2009 15 1 P) ISBN 978-92-64-06164-4 – No. 56835 2009

Government at a Glance 2009

What governments do matters. The current global financial, economic, social and environmental challenges highlight the unique role of government in serving the public interest. The actions and policies of government touch our daily lives in countless ways, from obtaining drivers' licenses to the taxes we pay on our incomes to maintaining public order and safety. Government is a major actor in all societies, contributing to economic growth, delivering goods and services, regulating the behaviour of businesses and individuals and redistributing income. A significant portion of the economy is devoted to public activities: in 2007, government expenditures ranged between 30 and 53% of GDP in OECD countries. As governments provide a large and evolving array of goods and services, quantifying and measuring government actions can help managers and leaders make better decisions, and can help to hold government accountable to its citizens. In addition, describing government structures and arrangements can illustrate important similarities and differences between countries, facilitating mutual learning. The quality, flexibility and effectiveness of public governance systems are central to countries' capabilities to address future issues.

Government at a Glance is a new, biennial publication of the OECD. It provides over 30 indicators describing key elements underlying government performance. With a focus on public administration, the publication compares the political and institutional frameworks of government across OECD countries, as well as government revenues, expenditures and employment. It also includes indicators describing government policies and practices in integrity, e-government and open government, and introduces several composite indexes summarising key aspects of public management practices in human resource management, budgeting and regulatory management.

For each figure, the book provides a dynamic link (*StatLink*) which directs the user to a web page where the corresponding data are available in Excel® format. Readers can also find more information at ***www.oecd.org/gov/indicators/govataglance***.

The full text of this book is available on line via this link:
www.sourceoecd.org/governance/9789264061644

Those with access to all OECD books on line should use this link:
www.sourceoecd.org/9789264061644

SourceOECD is the OECD online library of books, periodicals and statistical databases.
For more information about this award-winning service and free trials ask your librarian, or write to us at **SourceOECD@oecd.org.**

OECD*publishing*
www.oecd.org/publishing

ISBN 978-92-64-06164-4
42 2009 15 1 P