



OECD Working Papers on Public Governance No. 1

Towards Better
Measurement
of Government

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OECD PROJECT ON MANAGEMENT IN GOVERNMENT

Working paper 1

TOWARDS BETTER MEASUREMENT OF GOVERNMENT

2007



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Acknowledgements

The OECD Project on "Management in Government" was launched in 2005 with the ambition of providing governments with high quality comparative information on the public sector. Following the presentation of a feasibility report to the OECD Public Governance Committee in November 2005, three technical papers were prepared examining the overall project strategy and technical issues in the measurement of outputs and outcomes. These will shortly be published in a single volume "Measuring Government Activity" (OECD, forthcoming).

The project is committed to the first publication of "Government at a Glance", providing a suite of indicators concerning public sector activities, in late 2009.

This initial Working Paper summarises the project approach, and sets out those data which are currently available. It is a modest step towards the final goal, but not a trivial one. Reaching broad consensus on the approach for defining the scope of the public sector, and for classifying the indicators, represents one important milestone. Bringing together in a single publication the array of data that are currently available is another.

These achievements are due in large measure to the excellent technical guidance provided by the three informal editorial groups comprising leading government and academic experts drawn from across the OECD (see <http://www.oecd.org/gov/indicators> for more details) and in close collaboration with other OECD Directorates (most particularly the Economics Department and the Statistics Directorate). The datasets themselves are the product of detailed technical work over many years by the staff of the GOV and ECO Directorates in the OECD.

The project was led by Nick Manning, Jana Malinska and Dirk-Jan Kraan (OECD GOV).

TABLE OF CONTENTS

INTRODUCTION	1
THE PROPOSED APPROACH.....	2
1. Why measure government?	2
1.1. Government is large.....	2
1.2. We have little to guide us in reforming it	2
2. How will “Government at a Glance” help?	2
3. How will it complement other global datasets?.....	3
4. What is the strategy for getting there?.....	4
4.1. A cautious path	4
4.2. An evolving role for the OECD	4
4.3. An ambitious but technically robust approach.....	4
4.4. A restrained approach	7
5. The Starting Point.....	7
5.1. What’s in stock?.....	7
5.2. What can we learn from what we have?	7
6. Some benchmarking highlights	8
6.1. Revenues (Sub-central government).....	8
6.2. Inputs	9
6.3. Processes.....	10
6.4. Outputs (Central government)	12
7. Moving forward with data collection	12
7.1. Priorities for data collection.....	12
7.2. New thinking in difficult areas	14
8. A resource for all.....	14
AVAILABLE PUBLIC MANAGEMENT DATA	17

Revenues

Revenue structure

RS1. Revenue structure of sub-central governments.....	18
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Tax autonomy

RS2. Tax autonomy of sub-central governments.....	20
RS3. Evolution of tax autonomy of sub-central governments	22
RS4. Tax autonomy of sub-central governments by type of tax.....	24

Grants

RS5. Grants by donor and recipient.....	26
RS6. Grant revenue by type of grant	30
RS7. Intergovernmental grants by government function.....	34

Fiscal rules

RS8. Budget balance requirements for sub-central governments	36
RS9. Tax and expenditure limits for sub-central governments.....	38
RS10. Tax and expenditure limits for sub-central governments.....	40

	RS11. Process rules and rule implementation requirements for sub-central governments..42	
Inputs		
	<u>Overall input mix</u>	
	I1. Mode of public sector production.....	46
	<u>Labour</u>	
	<i>Workforce size</i>	
	I2. Employment in the public domain	48
	I3. Employment in the public domain within the total labour force	56
	<i>Workforce composition</i>	
	I4. Age structure of public sector employment.....	60
	I5. Participation of women in public employment	66
	<i>Compensation</i>	
	I6. Dispersion of earnings in the public sector	70
	I7. Public sector pension rights.....	72
	I8. Types of public sector pension schemes	76
Processes		
	<u>Budget practices and procedures</u>	
	<i>Budget formulation</i>	
	P1. Credibility of the economic assumptions	78
	P2. Medium term fiscal framework	82
	P3. Resolving disputes between ministries and the central budget authority	84
	P4. Role of the legislature.....	86
	<i>Budget execution</i>	
	P5. Agency flexibility in budget execution	88
	<i>Reporting, review and audit</i>	
	P6. Scope and focus of audit.....	90
	P7. Responsibility for programme evaluations.....	94
	P8. Use of evaluations	98
	P9. Follow-up on evaluations	102
	<u>HRM arrangements</u>	
	<i>System overview</i>	
	P10. Characteristics of the general HRM arrangements.....	106
	P11. Characteristics of the senior civil service	110
	<i>Pay policy</i>	
	P12. Institutional frameworks for pay determination	116
	P13. Prevalence of performance-related pay	118
	<i>Ethical infrastructure and oversight</i>	
	P14. Ethics infrastructure.....	120
	P15. Scope of the conflict of interest policy	124
	P16. Enforcing the conflict of interest policy	128
	P17. Conflict of interest policies for post-public employment	134
	<u>Internal and external reporting</u>	
	<i>Open government</i>	
	P18. Open government legislation.....	138
	<i>Performance measurement arrangements</i>	
	P19. Types of performance measure used	140
	P20. Roles and responsibilities in performance management systems	144
	P21. Use of performance measures in the budget process.....	148
	<u>E-government readiness</u>	
	P22. Legal framework for e-government service provision	152
	P23. E-government infrastructure.....	154

P24. E-government benefits evaluation methodology	156
<u>Centre of government</u>	
<i>Government offices</i>	
P25. Structure of government offices	158
P26. Communication by government offices	162
<u>Management of regulatory quality</u>	
P27. Institutional setting to promote quality in regulatory management systems	164
P28. Rule making procedures	168
P29. Consultations and participation from the public.....	172
P30. Use of regulatory tools and processes	176
P31. Dimensions considered in regulatory impact analysis.....	178
P32. Reducing administrative burdens	182
Outputs	
<u>Central government</u>	
<i>Financial proxy output</i>	
O1. Functional disaggregation of fiscal expenditures and revenues.....	186

**OECD PROJECT ON MANAGEMENT IN GOVERNMENT
“TOWARDS BETTER MEASUREMENT OF GOVERNMENT”
WORKING PAPER EDITION 1**

INTRODUCTION

The OECD has been collecting comparable data on public management since 1994, when PUMA’s Public Sector Pay and Employment (PSPE) statistics began providing member countries with analyses of public sector pay and employment trends. As public sector reforms continue across the OECD, there is a growing need for improved data to provide a reality check on actions taken and a direction for the future.

This Working Paper compiles a set of recent comparable OECD data on revenues, inputs, and public sector processes and proposes a way forward in data collection. It is the first of three annual Working Papers as the Public Governance and Territorial Development (GOV) Directorate of the OECD builds up to the first publication of a major biennial publication, “Government at a Glance”, in late 2009. It is accompanied by a volume entitled “Measuring Government Activities” (OECD, forthcoming) that sets out the proposed approach and that poses technical alternatives for expert review and comment.¹ The first part of this volume provides a comprehensive exposition of the proposed data classification and analysis.

The development of the methodology has been overseen by three informal editorial groups comprising leading government and academic experts drawn from across the OECD (see <http://www.oecd.org/gov/indicators> for more details) and in close collaboration with other OECD Directorates (most particularly the Economics Department and the Statistics Directorate).

This project...

Will:

- Provide a "suite" of separate datasets across OECD countries ("Government at a Glance")
- Provide the best information to hand, enabling governments to compare their systems with others
- Ensure that existing surveys are focused and better coordinated

Will not:

- Provide any overall, single score measure
- Rank or evaluate countries on the basis of overall government performance
- Increase the burden of surveys on member governments

THE PROPOSED APPROACH

1. Why measure government?

How government activities are measured, matters. The size and economic significance of the public sector make it a major contributor to growth and social welfare.

1.1. *Government is large*

Given the size of government and its role in the economy, the contribution of government to national economic growth is of great significance, especially when looking at change rates over time. Recent work in the United Kingdom highlights that changing the basis of measurement of government activity can increase or decrease the measure of GDP significantly.² Beyond economics, measuring government activity is important because of the size of its activities and the consequent need to understand what it is achieving with the very significant expenditures (in the OECD, between 36 and 57% of GDP in 2004). Its achievements, or otherwise, emerge in the quality and nature of the goods and services it provides, its redistributive activities, and in the nature of its regulation of market and individual behaviour.

1.2. *We have little to guide us in reforming government*

There is a persistent problem in public management reform recommendations – they are rarely based on empirical evaluations, and in practice can owe more to policy fashion than to evidence and with significant over-claiming about “best practice”. The OECD is one of the few authoritative sources of comparative public management data – but overall, there is very limited data availability, a troubling concern that is well-recognised in all recent analyses of public management reforms.

2. How will “Government at a Glance” help?

This biennial publication will address the challenge of providing data that will help governments and other analysts in two main ways:

1. For individual countries, it will enable robust benchmarking, using common units of analysis and facilitating a structured practitioner dialogue.
2. Longer term, it will contribute to OECD-wide lesson-learning concerning:
 - Sector efficiency and institutional effectiveness, providing insights into the results of service provision via different institutional and managerial arrangements.
 - Observed relationships (which changes in public sector processes are associated with which changes in public sector results?).
 - Absorptive capacity (the impact on productivity of softer budget constraints following significant increases in sector expenditures, and the converse).

3. How will it complement other global datasets?

“Government at a Glance” will take its place with other OECD “At a Glance” publications. It will differ from other major governance datasets in some key ways – although will learn from their experiences.

The World Bank Worldwide Governance Indicators and Transparency International Corruption Perceptions Index provide aggregate assessments of governance at the country level.³ By contrast, “Government at a Glance” will provide data with which a country can assess itself. This approach is consistent with other OECD “At a Glance” publications, and is similar to that used by the World Bank’s “Doing Business” database, which provides a broad array of data. Like other OECD “At a Glance” publications, the data collected allows for some nuanced distinctions to be made between OECD countries, reflecting their distinctive administrative and social traditions. More aggregate indicators tend to show all OECD countries as being similar in most dimensions.

“Government at a Glance” will draw selectively from these other global datasets – although primarily when it reaches the stage of recording data on outcomes. The survey data that have contributed to the World Bank governance indicators, and to Doing Business, can contribute to a useful understanding of public attitudes towards government, and of the impact of regulatory policies respectively. The interactive web-based presentation of these datasets sets a high standard for ease of access.

Other OECD “At a Glance” publications			
<i>Society at a Glance:</i> <i>OECD Social Indicators</i>	<ul style="list-style-type: none"> • Social context • Social status • Societal response 	<i>Education at a Glance:</i> <i>OECD Indicators</i>	<ul style="list-style-type: none"> • Outputs and impact of learning • Financial and human resources invested in education • Access to education, participation and progress • Learning environment • Antecedents or constraints that contextualise policy
<i>Health at a Glance:</i> <i>OECD Indicators</i>	<ul style="list-style-type: none"> • Health status • Health care resources and utilization • Expenditure on health • Non-medical determinants of health • Demographics and economic context 	<i>Pensions at a Glance:</i> <i>Public Policies across OECD Countries</i>	<ul style="list-style-type: none"> • Pension-system typology • Comparing pension-system parameters • Modelling pension entitlements • Replacement rates • Relative pension levels • Pension wealth
<i>Regions at a Glance</i>	<ul style="list-style-type: none"> • Population, GDP, unemployment, labour force, patents, skills – by region • Regional disparities and competitiveness • Regional well-being – accessibility, home ownership, education and health status 	<i>Agricultural Policies in OECD Countries: at a Glance</i>	<ul style="list-style-type: none"> • Evaluation of support policy developments • Country level data

4. What is the strategy for getting there?

4.1. *A cautious path*

There is a fundamental choice of strategy in building a set of public management indicators. The principal choice is between:

1. starting with a broad-brush approach, gathering diverse statistics for the key stages in the public sector production process, and working towards some specific analyses; or
2. starting with specific, in-depth studies – such as developing unit costs for various public services outputs.

The most frequent request to the OECD is for basic benchmarking data, with senior officials seeking insights into how the structures and processes in their country compare to those in other countries. Starting from specific, in-depth studies would detract from the ability of the “Government at a Glance” to offer benchmarking in the short term. The intention is to provide a wide array of benchmark data, building out from areas in which GOV has some recognised competence and leading to more specific studies.

4.2. *An evolving role for the OECD*

There are many other bodies and institutions that develop useful public management datasets. OECD/GOV will continue to undertake some data collection in core areas – as it has a distinct comparative advantage in its access to governments – but this data collection role will be accompanied by an increased emphasis on networking. Combining its unique convening power with a clearer specification of technical standards and identification of data gaps it will encourage other data suppliers to work on priority areas and conform to OECD standards. This may have the additional advantage of minimising overlapping survey demands on OECD member government’s time. OECD/GOV will focus on priority information and will seek minimum new data consistent with its overall strategy, noting that long and complex survey instruments create disincentives to provide good responses.

Encouraging contributions from the research community

The reputation of “Government at a Glance” should be such that that inclusion of a dataset is a badge of honour for any organisation that has contributed comparative data. This will require establishing a clear data quality threshold for inclusion, ensuring consistency in the units of analysis, maximising opportunities for others to propose data, and encouraging particular collection efforts to cover key data gaps.

It will be important to signal clearly to researchers and practitioners the areas in which new datasets could contribute to useful analyses. Governments and researchers can propose the inclusion of new datasets into “Government at a Glance” by providing detailed information about them in the forms that are posted on the www.oecd.org/gov/indicators website.

4.3. *An ambitious but technically robust approach*

The “Government at a Glance” project is ambitious in its intended scope: recognising that describing the activities of the usual government suspects – ministries, departments and subnational governments – is important but increasingly leaves blank spots. Many public sector activities are undertaken by private sector and not-for-profit entities, but with significant public funding. Although this is well-tracked in some OECD countries, there is little comparative data available. In the case of concessions and legal monopolies, there may be little direct funding, but there may be an implicit contingent liability for government. Overall, while “Government at a Glance” will primarily focus on activities that are financed from public funds or carried out by government owned enterprises, the bottom-line test for the inclusion of data or analyses in “Government at a Glance” will be that they provide comparative data that assist in understanding activities

that are undertaken with public funds. Those funds could be a direct transfer or provided in the form of an implicit guarantee.

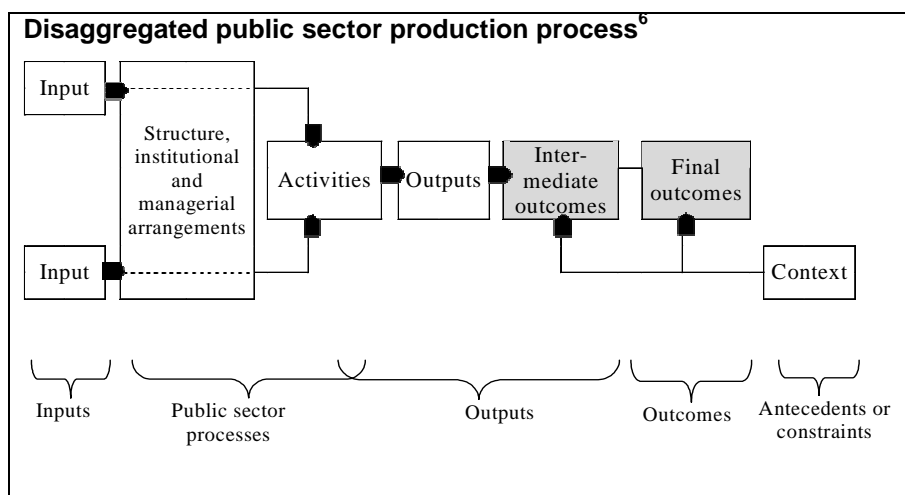
Table 1: Activities encompassed by “Government at a Glance”⁴

Institutional domain		How transactions are recorded in the national accounts	Examples
Public sector	General government	<p>The operations of budget-funded units:</p> <ul style="list-style-type: none"> • The units of central, state and local governments • All social security funds at each level of government • All non-market, non-profit institutions that are controlled and more than 50% financed by government units <p>As defined by section S.13 in the System of National Accounts (SNA).</p>	<p>Central government, states, provinces, counties, municipalities</p> <p>Health fund, unemployment fund, pension fund</p> <p>Schools, hospitals, etc. that are largely funded and controlled by government but not owned by government</p>
	Other public sector	<p>The operations of market producers, controlled by government, selling goods or services at an economically significant price (“public enterprises”):</p> <ul style="list-style-type: none"> • Public financial (quasi-) corporations • Public non-financial (quasi-) corporations <p>As defined by S.11 and S.12 in the SNA.</p>	<p>Publicly owned banks</p> <p>Publicly owned harbours, airports</p>
Private sector in the public domain ⁵		<p>The operations of market producers, whose indirect public funding comprises more than 50% of total revenue:</p> <ul style="list-style-type: none"> • Non-profit institutions • Profit institutions <p>As defined by S.11, S.12 in the SNA</p>	<p>Profit or non-profit private hospitals accessible to publicly insured clients</p>
		<p>The operations of non-profit institutions serving households, financed more than 50% by government, but not controlled by government:</p> <ul style="list-style-type: none"> • Non-profit institutions serving households <p>As defined by S.15 in the SNA</p>	<p>Schools, hospitals, etc. that are largely funded by government but not owned, nor controlled by government</p>
		<p>The operations of private enterprises with a distinctive and statutorily privileged market position:</p> <ul style="list-style-type: none"> • Private sector utilities licensed to operate in very limited markets (water, energy, sewage, waste disposal, post, but not telecommunication) • Legal monopolies <p>As defined by S.11 in the SNA</p>	<p>Energy companies, local public transport companies</p> <p>National train company</p>

Using a framework developed by the System of National Accounts provides units of analysis that are consistent across public sectors with very different institutional architecture, particularly including federal and non-federal jurisdictions.

The “Government at a Glance” project is ambitious in its classification: proposing to encompass six categories of variables: revenues; inputs; public sector processes; outputs; outcomes; and antecedents or constraints that contextualise government efficiency and effectiveness.

The classification has the purpose of providing information on the same or similar units of analysis. When the attributions are clear and, for example, measurable outputs within a given country/sector can be reasonably linked to specific inputs and measurable processes, then the production process is a reasonable way of viewing the data. When this is not the case, these are simply measurement categories which can be compared across countries and over time. The use of the framework based on the System of National Accounts will also allow the comparison of activities in public sectors with very different institutional architecture.



It has further ambitions even within these classifications. For example, in considering outputs it harnesses a “modified COFOG” sub-classification that offers a break-down of expenditures into primarily individual and primarily collective goods as well as goods in kind and cash transfers. In considering inputs, it offers yet a further “mode of production” sub-classification which provides insights into the nature of the inputs used: labour, procurement of goods and services, gross capital investment, social benefits in kind and subsidies. These refinements allow some interesting benchmarking and expose implicit government policy.

Structuring the variables included in "Government at a Glance" within a production process classification *does not imply that this idealised flow from inputs to outcomes can always be recognised in practice*. As will be discussed below, there are many situations where the attribution problems between the stages are so significant that no simple relationship can be identified.

The “Government at a Glance” data classification scheme										
Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues	Inputs	Public sector processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints				
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

4.4. A restrained approach

“Government at a Glance” will be policy neutral, taking government sector policies as a given and providing information that may assist in illuminating whether these could be implemented more efficiently and how the arrangements for implementation differ between similar arrangements in other countries or over time. It will very specifically not seek to explore questions concerning the sector outcomes that governments are seeking to achieve, as this is a question of political preference.

It will take a very cautious approach to the use of composite indicators on the grounds that these suggest a spurious degree of precision in inter-country ranking. It suggests some experimentation in narrowly defined areas following some evaluation of the risks involved. It also notes that there is a different type of indicator that could attract interest in the project. “Derived indicators” could show the degree to which countries have made data available to facilitate benchmarking, or could identify public sector processes for which there are time series and where there has been a significant variation between two dates.

5. The Starting Point

5.1. What’s in stock?

Over 1,000 variables (primarily survey questions) that GOV has collected in past surveys have been reviewed, examining sensitivity for publication, accuracy, variable format and unit of analysis. The use of these data in published reports has also been reviewed.

Some 100 variables appear to be policy relevant and suitable for inclusion in this Working Paper.

The data can be roughly classified as shown in the accompanying table. Only two datasets contain time series data (from the budgetary database and concerning public sector pay and employment), and there are significant conceptual and definitional challenges in both of these datasets.

5.2. What can we learn from what we have?

These data can be used for benchmarking. As noted this is the most frequent request to the OECD concerning public sector management with senior officials seeking comparisons with the structures and processes in their country and those in other countries.

The existing data sets allow some basic comparisons:

- The revenue data for sub-central government allow comparisons of the degree of fiscal decentralisation.

Currently available data	
REVENUES	
Sub-central government	Revenue structure
	Tax autonomy
	Grants
	Fiscal rules
INPUTS	
Overall input mix	
Labour	Workforce size
	Workforce composition
	Compensation
PROCESSES	
Budget practices and procedures	System overview
	Budget formulation
	Budget execution
	Reporting, review and audit
HRM arrangements	System overview
	Pay policy
	Ethical infrastructure and oversight
Internal and external reporting	Open government
	Performance measurement arrangements
E-government readiness	
Centre of government	Government offices
Management of regulatory quality	
OUTPUTS	
Central government	Financial proxy output

- Data on the overall input mix provides a comparison of choices concerning the way in which expenditures are utilised to deliver in-kind goods and services, and could open up a sector-specific discussion concerning in-house provision versus contracting out.
- Data on labour inputs, within the modified and more comparable framework, will allow a comparison of the size of public sector workforces – opening up more realistic debates concerning the extent of government involvement in the economy.
- Measures of the various institutional arrangements and processes, allow more robust dialogue between practitioners and policy makers concerning the extent of reform measures.
- Data on central government financial proxy outputs provide a comparison of revealed policy preferences and could open up a broad discussion concerning the relative significance of spending areas, the choice of cash versus in kind transfers, the use of entitlements and the possible application of user charges.

6. Some benchmarking highlights from currently available data⁷

6.1. Revenues (Sub-central government)

Revenue structure

Sub-central governments (SCG) rely on own source revenues (which can be separated into autonomous taxes – over which SCG has full authority, and shared taxes – which allow for varying degrees of autonomy) and intergovernmental grants, which may be earmarked for particular purposes.
(Key contacts: H. Blöchliger, C. Charbit, D. Bergvall)

Indicator RS1 shows the source of the largest part of sub-central government revenues:

- Canada states, Switzerland states: autonomous tax revenue
- Australia states, Austria local, Germany states, Czech Republic: tax sharing
- Greece, Mexico, Netherlands: earmarked or non-earmarked grants

Tax autonomy

The term “tax autonomy” captures various aspects of freedom that sub-central governments have over their own taxes. It encompasses features such as sub-central government’s right to introduce or to abolish a tax, to set tax rates, to define the tax base, or to grant tax allowances or relief to individuals and firms. In a number of countries taxes are not assigned to one specific government level but shared between the central and sub-central governments.
(Key contacts: H. Blöchliger, C. Charbit, D. Bergvall)

Indicator RS3 shows tax autonomy changes (1995-2002):

- Austria, Belgium, Germany, Mexico and Spain: Tax sharing agreements lost significance, mostly in favour of taxes with more autonomy
- Norway: local governments gained some autonomy over income taxes
- Austria, and Germany: local governments lost some autonomy over income taxes

Grants

National Accounts data can provide a donor/recipient matrix of intergovernmental grants, with five donor levels (central, state, local, international and social security) and – depending on the country type – one or two recipient levels (local, or state and local). Intergovernmental grants (or transfers) are an expenditure item, and they should be set in relation to total expenditure. However, National Accounts data on government expenditure are lacking for a number of countries under scrutiny, so total revenue was taken from the Revenue Statistics as a proxy.
(Key contacts: H. Blöchliger, C. Charbit, D. Bergvall)

Indicator RS5 shows grants as a percentage of total tax revenue (state and local levels combined);

- Mexico: largest grant system (43% of total tax revenue)
- Iceland: smallest (2%)
- Belgium, Canada, Germany, Switzerland: state government is the main source for local governments

Fiscal rules

At the sub-central government level budget balance requirements can target different aggregates including the current budget and capital account. They can use different budget concepts and can have different time horizons. They can be set by central government or self-imposed by sub-central governments.

(Key contacts: D. Sutherland, R. Price, I. Joumard)

Indicator RS8 shows the nature of budget balance requirements:

- Austria, some Canadian provinces, Poland and Spain: off-budget items included in the objective
- Australia, Austria, Canada (local), Finland, Norway, and Spain: budget periods have moved to a multi-annual basis
- Netherlands and Spain: the budget period is three years, with specified annual targets
- Poland and Japan: self imposed requirements in mid-tier governments
- Czech Republic and Turkey: the constraint only applies to proposed budgets
- Korea and Portugal: both proposed and approved budgets need to be balanced.

Borrowing constraints

At the sub-central government level, borrowing constraints cover a range of restrictions on sub-central government recourse to debt financing.

(Key contacts: D. Sutherland, R. Price, I. Joumard)

Indicator RS9 provides details on the borrowing constraints:

- Australia, Canada, Spain (states) and Switzerland: constraints not set by higher level of government
- Denmark, and, for current expenditure, Korea and Spain: borrowing not allowed
- Poland: no borrowing is allowed if general government debt levels exceed 60% of GDP.
- Mexico and Turkey: permission needed to borrow in foreign currency
- Norway and Spain: prior authorisation can be imposed when sub-central governments breach agreed deficits or the proposed borrowing is substantial
- Spain: local authorities can borrow up to 30% of current revenues to cover short-term liquidity needs, while long-term borrowing is restricted to capital investment
- Czech Republic, Finland, the Netherlands, and Japan: no constraints on access to borrowing

6.2. Inputs

Overall input mix

The “mode of production” classification provides insight on how wholly or partly collectively provided services are produced.

(Key contacts: D. Kraan, D. Bergvall)

Indicator I1 is described in order to facilitate an early technical debate on the significance of this measure. Data will be available for seven European countries at the end of 2007 at the earliest.

Employment in the public domain

The new OECD Comparison of Employment in the Public Domain survey (CEPD) uses new internationally comparable definitions of the public domain which encompass activities that represent a significant contingent fiscal liability to government. The new classification is consistent with the System of National Accounts.

(Key contacts: E. Pilichowski, E. Turkish)

Indicator I2: Very early data are suggesting that the new measures of employment totals are leading to significantly revised understanding of employment in the public domain.

Age structure of public employment

The age structure of the public sector has been driven by its distinctive history. The effects of the rapid expansion of public services in the 1970s until the mid-80s and the massive hiring that took place at this time (depending on the country), have been combined with hiring freezes that have taken place in many countries in the 1980s and 1990s.

(Key contacts: E. Pilichowski, E. Arnould)

Indicator I5: New data are indicating that the proportion of workers over 50 in the national/federal government is particularly high in Belgium, Hungary, Norway, Sweden and the USA.

Public sector pay

Public sector pay is a significant contributor to the attractiveness of the public sector as a career, particularly for technical specialists. Vertical compression provides insights into the attractiveness of senior positions for existing staff seeking career advancement within the public sector. Compression in annual pay in central or federal administrations and in the public sector is examined by the ratio between the medians of the first and ninth deciles of public sector pay levels. The indicators can be distorted by the existence of significant in-kind benefits, if the monetary value is not reflected in the reported pay levels.

(Key contacts: E. Pilichowski, E. Turkish)

Indicator I7: Very early data are suggesting that pay is significantly more compressed in the UK than in the USA.

6.3. Processes

Budget practices and procedures

The arrangements for resolving disputes between ministries and the central budget authority are significant as they contribute to the strength (or otherwise) of the budget authority in managing the fiscal aggregates, and can lead to delays in budget formulation.

Disputes between ministries and the central budget authority can be resolved in various ways:

- The issue can be sent to parliament for decision
- The Minister of Finance can make a final decision
- The issues can be resolved by the head of government
- The issue can be referred to a full meeting of the government/cabinet – or a ministerial committee

(Key contact: I. Hawkesworth)

Indicator P3 shows who has typically the last word in disputes between ministries and the central budget authority:

- United Kingdom: distinctively strong role of the Minister of Finance (Chancellor)
- Canada, France, Italy, Korea, Mexico, Spain, Sweden, Turkey and the United States: distinctively strong role of the head of government
- Australia, Austria, Belgium, Czech Republic, Finland, Germany, Hungary, Ireland, Netherlands, New Zealand, and Norway: strong role for cabinet.

Parliamentary authority

The power of parliament in budget-making can be constrained in several dimensions. There can be restrictions on the right of the legislature to modify the detailed budget proposed by the executive, and a vote on the budget can be considered a vote of confidence in the government with the consequence that the government would resign if any changes are approved to its budget proposal.

(Key contact: I. Hawkesworth)

Indicator P4 shows the nature of restrictions on parliamentary authority in budget-making:

- Austria, Czech Republic, Finland, Germany, Hungary, Iceland, Italy, Netherlands, Norway, Portugal, Sweden, United States: the legislature faces no restrictions on its right to amend the proposals
- Belgium, Denmark: no restrictions but amending the budget proposals would be a vote of confidence in the government
- Australia, France, Ireland, Korea, Mexico, Slovak Republic, Spain, Turkey: there are restrictions
- Canada, Greece, New Zealand: legislatures are both restricted and face some risks of government resigning

Ethical infrastructure and oversight

The purpose of post-public employment conflict of interest policies is to ensure that, after they leave public office, public office holders shall not take improper advantage of their previous work by influence peddling or being rewarded for past decisions.

(Key contact: J. Bertok)

Indicator P17 shows the parameters of the post-public employment conflict interest policy:

- Poland: cooling off post-employment period up to one year
- Greece: two years
- France, Germany and Turkey: five years

Management of regulatory quality – rule making procedures

The OECD Principles for Regulatory Quality and Performance call for transparent, non discriminatory and efficiently applied regulatory processes. This involves consulting with all significantly affected parties and also ensuring that administrative procedures for applying regulations are transparent, non discriminatory and contain an appeal process.

(Key contact: S. Jacobzone)

Indicator P28 shows the nature of the process for generating regulations:

- Australia, Korea – annually updated plans by regulators
- Denmark – annual plans by government
- Poland – updated plans by ministry twice a year

Management of regulatory quality – consultation

The key element of clarity and due process in public participation is the existence of forward planning as a means to inform citizens and businesses of current and future regulatory developments.

(Key contact: S. Jacobzone)

Indicator P29 shows the degree to which the process for generating regulations is open to public participation:

- Switzerland, Sweden, UK and New Zealand offer 12 weeks for comments
- Canada, Greece, Japan, Turkey, Mexico, Austria, Germany, Finland offer 4 weeks for public comments
- Spain, Iceland, Netherlands, Poland, Korea, Slovak Republic less than 4 weeks

6.4. Outputs (Central government)

Financial proxy outputs

Inputs can be classified according to functional sector (area of output) using a “modified COFOG” classification. This classification offers a break-down of expenditures into primarily individual and primarily collective goods as well as goods in kind and cash transfers. These distinctions determine the structure of resource allocation in the public sector. The distinction between in-kind and cash transfers indicates the degree to which government considers that beneficiaries should retain a spending choice. The significance of the distinction between individual and collective goods and services points to different options for service provision. For instance with individual goods it is usually technically possible to provide the services as an entitlement (a claim of the individual on the state). Also, with individual goods it can be possible (and not inefficient in principle) to make consumption dependent on the payment of a private contribution. In spite of the limitations of financial proxy output data it provides useful information for international comparison.

(Key contacts: D. Kraan, D. Bergvall)

Indicator O1 shows the functional disaggregation of fiscal expenditures. Data for seven European countries will be available at the end of 2007 the earliest. It has been included here as it signals the new direction for data collection and analysis.

7. Moving forward with data collection

7.1. Priorities for data collection

If progress is to be made in examining efficiency or institutional effectiveness, then data must be available on the key institutional variables within the public sector. In short, what processes and institutional arrangements matter enough to make it worth collecting data about them? Ultimately it is an empirical question whether changing the nature of the budget preparation process can affect efficiency in service delivery, or whether more open government can increase public trust. However, if data are to be collected that will allow such questions of efficiency and effectiveness to be explored, there must of course be some reasonable basis for presuming that these are likely to be key areas. Broad data fishing exercises are likely to be costly and time-consuming – it is important to narrow down the range of likely variables first.

Examples of new areas of data collection under consideration (OECD/GOV)

Area	Data collection possibility	Purpose
Central government revenues	Extended <i>revenue</i> measures of tax and non-tax revenues, extent of earmarking and tax expenditures.	<ul style="list-style-type: none"> • Benchmarking
Ethical infrastructure and oversight	New <i>process</i> metrics on management of risk areas (procurement, lobbying, etc.) and on application of safeguards are being considered. Also consideration of new <i>outcome</i> metrics on confidence in public service providers.	<ul style="list-style-type: none"> • Benchmarking • Assessment of institutional effectiveness
HRM arrangements	New <i>outcome</i> measures concerning: employee satisfaction/trust in government as an employer; and staff reallocations to priority areas – allowing some assessment of the impact of systemic HRM <i>process</i> reforms.	<ul style="list-style-type: none"> • Benchmarking • Assessment of institutional effectiveness
	Updated <i>input</i> measures on the aggregate public sector wage bill – allowing some assessment of the impact of <i>process</i> reforms including delegated pay bargaining.	<ul style="list-style-type: none"> • Benchmarking • Contribution to future efficiency studies
	New <i>process</i> measures on the depth of political involvement in HRM.	<ul style="list-style-type: none"> • Benchmarking
Budgetary practices and procedures	New <i>process</i> metrics on output focus in the budget structure, and on the use of performance information in budget formulation.	<ul style="list-style-type: none"> • Benchmarking • Contribution to future efficiency studies
	Updated <i>process</i> measures on economic assumptions, off-budget expenditures and medium term expenditure frameworks – allowing some comparison with budgetary outturns.	<ul style="list-style-type: none"> • Assessment of institutional effectiveness
Management of regulatory quality	Measures of regulatory <i>outcomes</i> are being considered – will allow for some comparison with existing measures of regulatory <i>processes</i> .	<ul style="list-style-type: none"> • Assessment of institutional effectiveness

This is perhaps best undertaken by launching an extensive practitioner debate with relevant OECD expert groups and committees addressing the following questions:

1. Where will further benchmarking help?
 - a. Which specific data are necessary to assist?
 - b. Are the examples of new areas of data collection under consideration by GOV (see box above) heading in the right direction?

“Executive governance outcomes”

Technical Paper 3 speculates that it might be possible to identify a set of outcomes for “Government at a Glance” which reflect the results of the activities of the executive – and specifically not the legislature or judiciary. For “Government at a Glance”, executive governance outcomes” might be broadly of three types:

- Public confidence might encompass issues around trust in government, and associated concerns relating to the predictability and acceptability of government policy.
- Equity might encompass the measured distribution of services and benefits across diverse populations.
- Outcome measures concerning fiscal/economic stability might reasonably cover issues such as budgetary deficits (as a contributor to economic and fiscal instability) and other budgetary outcomes.

2. Which institutional arrangements matter for efficiency and effectiveness?
 - a. Which institutional arrangements are most likely to be the drivers of efficiency in service delivery (focusing on education, health, criminal justice, and transport)?
 - b. Which institutional arrangements are most likely to be associated with improvements in outcomes (see box on the left)?
 - c. Which particular measures would best capture these institutional arrangements?
3. Which additional output data should be collected?
 - a. Which output measures have the greatest resonance for governments?
 - b. Which measures will allow the development of relevant efficiency studies?⁸

7.2. *New thinking in difficult areas*

The forthcoming OECD publication “Measuring Government Activities” sets out some propositions concerning the collection of non-financial output and outcome data. These are technically complex questions with many challenges in ensuring consistency in definitions.

It contains a discussion of current issues in the measurement of non-financial outputs within the public sector. It suggests that non-financial outputs are classified according to the basis of measurement, the uses made of the output measures, and their relationship to decision-making in government. It is proposed that “Government at a Glance” will only include output data that are not available elsewhere (*e.g.* detailed output data from the health sector is published in “Health at a Glance”). However, other data sources might be utilized in the development of productivity and efficiency measures.

It suggests that in terms of new outcome measures a series of “executive governance outcomes” be developed, which are primarily related to the activities of the executive branch of government. These might be broadly of three types: public confidence, equity and fiscal/economic stability (see box above).

8. **A resource for all**

Constructing “Government at a Glance” is a major task. This Working Paper and the associated volume are a contribution to a, hopefully, active debate amongst practitioners, policy-makers and academics. Summaries of all available data are provided in the next section. The OECD is working to

make these data available on-line as the ultimate intention is to allow the users to interpret the data rather than to reach a single conclusion. Comments and interpretations on the data and on the approach proposed for “Government at a Glance” are welcome at: gov.indicators@oecd.org.

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- 1 Technical Paper 1: How and Why Should Government Activity Be Measured in "Government at a Glance"?
Technical Paper 2: Issues in Output Measurement for "Government at a Glance"
Technical Paper 3: Issues in Outcome Measurement for "Government at a Glance"
 - 2 Atkinson, Tony, Joe Grice, et al. (2005), *Measurement of Government Output and Productivity for the National Accounts*, Basingstoke, Palgrave, p.16.
 - 3 World Bank Worldwide Governance Indicators: www.worldbank.org/wbi/governance/govdata/
Transparency International Corruption Perceptions Index:
www.transparency.org/policy_research/surveys_indices/cpi
World Bank "Doing Business" database: www.doingbusiness.org.
 - 4 This characterisation builds on a framework that has been developed by Dirk-Jan Kraan, Elsa Pilichowski and Edouard Turkisch within the context of OECD work on the questionnaire for the Comparison of Employment in the Public Domain.
 - 5 See footnote 8.
 - 6 Based on:

Algemene Rekenkamer. 2006. *Performance Audit Manual*. The Hague: European Affairs & Government-wide Performance Audit Division, Netherlands Court of Audit.

Boyne, George and Jennifer Law. 2004. "Designing Performance Measurements to Be Drawn on in the Second Generation of Local Public Service Agreements (Local PSAs)" (www.idea-knowledge.gov.uk/idk/aio/384232). Office of the Deputy Prime Minister. London

Hatry, H.P. 1999. *Performance Measurement: Getting Results*. Washington, D.C.: Urban Institute Press.

Pollitt, Christopher and Geert Bouckaert. 2004. *Public Management Reform: A Comparative Analysis*. Oxford, UK: Oxford University Press.

Van Dooren, Wouter, Miekatrien Sterck and Geert Bouckaert. 2006. "Recent Developments in Output Measurement within the Public Sector: Report Prepared for the Organization for Economic Cooperation and Development". Public Management Institute, Katholieke Universiteit. Leuven, Belgium.
 - 7 The precise definitions of the indicators are provided in the data annex.
 - 8 There are arguments for cautiously broadening data collection to some non-OECD countries. However, those efforts will not compromise the quality or speed of collection of data for OECD countries.

AVAILABLE PUBLIC MANAGEMENT DATA

RS1. REVENUE STRUCTURE OF SUB-CENTRAL GOVERNMENTS

Key contacts: Hansjörg Blöchliger, Claire Charbit, Daniel Bergvall, OECD ECO and OECD GOV

In most countries, sub-central government expenditures by far exceed tax revenue, and this “fiscal gap” has widened in the last decade and tends to be larger in countries with high sub-central fiscal autonomy. The revenue structure is thus very significantly affected by the size and structure of intergovernmental grants, particularly in a decentralized environment.

About this indicator:

Sub-central governments (SCG) rely on own source revenues (which can be separated into autonomous taxes – over which SCG has full authority, and shared taxes – which allow for varying degrees of autonomy) and intergovernmental grants, which may be earmarked for particular purposes. Revenues through borrowing and deficits are not included due to the lack of comparable data.

Highlights:

With an unweighted average of roughly 60 percent, tax revenue accounts for a larger share of SCG revenue than intergovernmental grants. Earmarked grants represent some 22 percent of revenues, highlighting that more than one fifth of total revenue is outside of the discretion of sub-central governments. Non-earmarked grants account for 17 percent, while tax sharing arrangements – widely used in constitutionally federal countries – in total account for 26 percent. Countries with tax sharing arrangements have a smaller grants system and vice versa, suggesting certain substitutability between the two fiscal arrangements. In some countries autonomous tax revenue accounts for the overwhelming part of SCG revenue (Canada states, Switzerland states), in others it is tax sharing (Australia states, Austria local, Germany states, Czech Republic), in others again it is either earmarked or non-earmarked grants (Greece, Mexico, Netherlands).

Further reading:

Blöchliger, H. and D. King (2006), “Fiscal autonomy of Sub-central Governments”, *OECD Fiscal Relations Working Paper*, No. 2, OECD, Paris.

Bergvall D., Charbit, C., Kraan, D. and O. Merk (2006), “Intergovernmental transfers and decentralized public spending”, *OECD Journal of Budgeting*, Vol. 4, No. 4, pp. 111-158, OECD, Paris.

Joumard, I. and P. M. Kongsrud (2003), “Fiscal relations across government levels”, *OEC. Economic Studies* No. 36, 2003/1, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table RS1.1. Revenue structure of sub-central governments, 2002

(As a percentage of total sub-central revenue)

	Autonomous taxes			Tax sharing				Other taxes	Grants		Total
	Discretion on rates and relief	Discretion on rates	Discretion on relief	Revenue split set by SCG	Revenue split set with SCG consent	Revenue split set by CG, pluriannual	Revenue split set by CG, annual		Earmarked	Non earmarked	
Australia											
States	41.1	-	-	-	34.4	-	-	-	21.9	2.7	100.0
Local	80.6	-	-	-	-	-	-	-	3.1	16.2	100.0
Austria											
States	3.7	-	-	-	43.5	-	-	5.5	37.4	10.0	100.0
Local	2.3	4.5	-	-	55.4	-	-	21.2	14.3	2.3	100.0
Belgium											
States	57.1	-	-	-	32.4	-	-	-	9.7	0.8	100.0
Local	7.5	65.0	-	-	-	-	-	2.7	23.8	0.9	100.0
Canada											
Provinces	76.0	-	-	-	5.5	-	-	-	3.0	15.5	100.0
Local ¹	0.9	47.7	-	-	-	-	-	1.3	48.0	2.2	100.0
Czech Republic											
Local	3.2	2.4	-	-	-	51.8	-	0.9	41.7	-	100.0
Denmark											
Local	-	67.9	-	-	-	2.2	-	4.8	12.5	12.6	100.0
Finland											
Local	-	60.4	-	-	-	-	6.7	0.1	3.4	29.4	100.0
France											
Local	39.3	4.6	5.0	-	-	-	-	5.6	5.7	39.8	100.0
Germany											
Länder	-	1.9	-	-	68.2	-	-	8.9	21.0	-	100.0
Local	8.7	16.7	-	-	23.7	-	-	0.6	50.3	-	100.0
Greece											
Local	-	11.6	-	6.3	-	-	-	-	82.1	-	100.0
Italy											
Regional	-	28.4	-	-	11.4	8.5	-	-	14.8	36.9	100.0
Local	12.1	22.6	-	-	-	5.9	-	4.2	41.7	13.5	100.0
Korea											
Local	-	24.9	-	-	-	-	-	12.8	18.0	44.3	100.0
Mexico											
States ³	5.0	-	-	-	-	-	-	-	54.4	40.6	100.0
Local											
Netherlands											
Local	-	11.8	-	-	-	-	-	0.1	61.7	26.5	100.0
Norway											
Local	1.6	-	45.3	-	-	-	-	-	24.2	29.0	100.0
Poland											
Local	-	11.7	-	-	-	38.6	-	0.2	17.9	31.6	100.0
Portugal											
Local	-	21.2	-	-	-	8.9	-	18.1	5.7	46.0	100.0
Spain											
Regions	32.6	-	-	-	23.3	-	-	0.0	7.0	37.1	100.0
Local	16.1	30.4	-	-	-	-	-	0.0	13.1	27.8	100.0
Sweden²											
Local	-	74.0	-	-	-	-	-	-	7.5	18.5	100.0
Switzerland											
States	57.4	-	-	-	6.1	-	-	-	28.0	8.5	100.0
Local	2.0	66.9	-	-	-	-	-	-	25.2	5.9	100.0
<i>Unweighted average</i>											
States	30.3	3.4	-	-	25.0	0.9	-	1.6	21.9	16.9	100.0
Local	8.0	28.6	2.6	0.3	4.8	5.6	0.4	3.8	26.3	18.2	100.0

Source: Blöchliger, H. and D. King (2006), Bergvall D., Charbit, C., Kraan, D. and O. Merk (2006). Data were collected through a questionnaire sent out in 2005 and completed using Revenue Statistics and National Accounts.

RS2. TAX AUTONOMY OF SUB-CENTRAL GOVERNMENTS

Key contacts: Hansjörg Blöchliger, Claire Charbit, Daniel Bergvall, OECD ECO and OECD GOV

The discretion over fiscal resources available to state and local governments in OECD countries varies considerably and sub-central governments' (SCG) power to shape public service delivery varies accordingly. One key aspect of this autonomy is on the revenue side where limits to set own local tax bases, rates and relief, reduce local government's power over their own taxes. Tax autonomy for sub-central governments can vary from full power over tax rates and bases to no power on rates and bases at all.

About this indicator:

The term "tax autonomy" captures the various aspects of freedom sub-central governments have over their own taxes. It encompasses features such as sub-central governments' right to introduce or to abolish a tax, to set tax rates, to define the tax base, or to grant tax allowances or relief to individuals and firms. In a number of countries taxes are not assigned to one specific government level but are shared between the central and sub-central governments. Such tax sharing arrangements deny a single SCG any control on tax rates and bases, but collectively SCGs may negotiate the sharing formula with central government.

Highlights:

Although tax autonomy varies widely across countries, most sub-central governments have extended discretion over their own tax base. On average, the tax revenue share with full or partial discretion amounts to almost 60 percent for state and more than 70 percent for local government. State and regional governments have less discretion over their tax revenue than local governments, since they are more embedded in tax sharing arrangements. On the other hand, the state level has a higher share in high-powered autonomous taxes while local governments are often allowed to levy a supplement on selected regional or central taxes only. Control over the tax base but not the tax rate plays a very small role in OECD countries. This probably points at a policy of gradually banning tax relief and abatements as a tool for local and regional economic development, particularly in the European Union.

Further reading:

Blöchliger, H. and D. King (2006), "Fiscal autonomy of Sub-central Governments", *OECD Fiscal Relations Working Paper*, No. 2, OECD, Paris.

Bergvall D., Charbit, C., Kraan, D. and O. Merk (2006): "Intergovernmental transfers and decentralized public spending", *OECD Journal of Budgeting*, Vol. 4, No. 4, pp. 111-158, OECD, Paris.

Joumard, I. and P. M. Kongsrud (2003), "Fiscal relations across government levels", *OECD Economic Studies* No. 36, 2003/1, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs		Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints	
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table RS2.1. Taxing power of sub-central governments (2002)

	As % of total tax revenue	Discretion on rates and relief	Discretion on rates		Discretion on relief	Tax sharing arrangements				Rates and relief set by CG	Other	Total
			Full	Restricted		Revenue split set by SCG	Revenue split set with SCG consent	Revenue split set by CG, pluriannual	Revenue split set by CG, annual			
Australia	31.4											
States	28.4	54.4	-	-	-	-	-	-	-	-	-	100.0
Local	3.0	100.0	-	-	-	-	-	-	-	-	-	100.0
Austria	18.4											
States	8.8	7.0	-	-	-	-	82.7	-	-	9.6	0.8	100.0
Local	9.6	2.7	-	5.4	-	-	66.5	-	-	20.0	5.5	100.0
Belgium	27.8											
States	22.8	63.8	-	-	-	-	36.2	-	-	-	-	100.0
Local	5.0	10.0	-	86.4	-	-	-	-	-	3.6	-	100.0
Canada	44.1											
Provinces	35.5	98.4	-	-	-	-	1.6	-	-	-	-	100.0
Local	8.6	1.8	95.6	-	-	-	-	-	-	2.3	0.3	100.0
Czech	12.5											
Local	12.5	5.5	-	4.1	-	-	-	88.8	-	1.5	0.1	100.0
Denmark	35.6											
Local	35.6	-	86.0	4.7	-	-	-	2.9	-	6.4	-	100.0
Finland	21.5											
Local	21.5	-	85.3	4.6	-	-	-	-	9.9	-	0.1	100.0
France	10.0											
Local	10.0	72.1	-	8.5	9.1	-	-	-	-	3.6	6.6	100.0
Germany	28.7											
Länder	21.8	-	-	2.4	-	-	86.3	-	-	11.2	-	100.0
Local	7.0	17.6	-	33.6	-	-	47.6	-	-	1.1	0.2	100.0
Greece	0.9											
Local	0.9	-	-	64.6	-	35.4	-	-	-	-	-	100.0
Iceland	25.2											
Local	25.2	-	-	91.2	-	-	-	-	-	-	8.8	100.0
Italy	16.4											
Regional	11.3	-	-	58.8	-	-	23.7	17.6	-	-	-	100.0
Local	5.2	27.1	-	50.4	-	-	-	13.1	-	9.3	-	100.0
Japan	26.0											
Local	26.0	0.1	79.7	-	-	-	-	-	-	20.2	-	100.0
Korea	18.9											
Local	18.9	-	-	64.3	-	-	-	-	-	35.7	-	100.0
Mexico	3.4											
States	2.4	100.0	-	-	-	-	-	-	-	-	-	100.0
Local	1.0	100.0	-	-	-	-	-	-	-	-	-	100.0
Netherlands	3.6											
Local	3.6	-	99.2	-	-	-	-	-	-	-	0.8	100.0
Norway	12.9											
Local	12.9	3.3	-	-	96.7	-	-	-	-	-	-	100.0
Poland	17.5											
Local	17.5	-	-	23.2	-	-	-	76.4	-	0.4	-	100.0
Portugal	6.0											
Local	6.0	-	-	44.0	-	-	-	18.5	-	37.3	0.2	100.0
Spain	26.6											
Regions	18.1	58.3	-	0.1	-	-	41.6	-	-	-	0.0	100.0
Local	8.5	27.2	-	51.4	-	-	21.4	-	-	-	0.0	100.0
Sweden	32.1											
Local	32.1	-	100.0	-	-	-	-	-	-	-	-	100.0
Switzerland	43.1											
States	27.0	90.4	-	-	-	-	9.6	-	-	-	-	100.0
Local	16.2	2.9	-	97.1	-	-	-	-	-	-	-	100.0
Turkey	6.5											
Local	6.5	-	-	-	-	-	-	-	-	-	100.0	100.0
United	4.5											
Local	4.5	-	-	100.0	-	-	-	-	-	-	-	100.0
<i>Unweighted Average</i>												
States	19.6	52.5	-	6.8	-	-	36.4	2.0	-	2.3	0.1	100.0
Local	12.4	15.4	22.7	34.6	0.4	1.5	5.6	8.3	0.4	5.9	5.1	100.0

Source: Blöchliger, H. and D. King (2006). Data were collected through a questionnaire sent out in 2005 and completed using Revenue Statistics 1965-2004 and National Accounts.

RS3. EVOLUTION OF TAX AUTONOMY OF SUB-CENTRAL GOVERNMENTS

Key contacts: Hansjörg Blöchliger, Claire Charbit, Daniel Bergvall, OECD ECO and OECD GOV

Tax autonomy for sub-central governments (SCG) can vary from full power over tax rates and bases to no power over rates and bases at all. The evolution of tax autonomy provides insights into the ability of sub-central governments' power to shape public service delivery.

About this indicator:

The term "tax autonomy" captures the various aspects of freedom sub-central governments have over their own taxes. It encompasses features such as sub-central government's right to introduce or to abolish a tax, to set tax rates, to define the tax base, or to grant tax allowances or relief to individuals and firms. In a number of countries taxes are not assigned to one specific government level but shared between the central and sub-central governments. Such tax sharing arrangements deny a single SCG any control on tax rates and bases, but collectively SCGs may negotiate the sharing formula with central government.

In some countries the central government is required to compensate the loss of sub-central tax revenue through additional transfers; this effect is not shown.

Highlights:

While the share of SCG tax revenue remained almost stable, taxing power increased from 1995 to 2002. For the 17 countries where time series is available, tax revenue share rose by 0.6 percent points for the state level and remained stable for local governments. In Spain and Poland SCG tax revenue increased by more than 10 percentage points, while it decreased considerably in Mexico and Japan. However, the share of tax revenue over which SCG have full or partial discretion rose. States and regions gained more tax autonomy than local governments. Tax sharing agreements lost significance in countries such as Austria, Belgium, Germany, Mexico or Spain, mostly in favour of taxes with more autonomy. In Norway, local governments gained some autonomy over income taxes, while in countries such as Austria, and Germany, they lost.

Further reading:

Blöchliger, H. and D. King (2006), "Fiscal autonomy of Sub-central Governments", *OECD Fiscal Relations Working Paper*, No. 2, OECD, Paris.

Bergvall D., Charbit, C., Kraan, D. and O. Merk (2006): "Intergovernmental transfers and decentralized public spending", *OECD Journal of Budgeting*, Vol. 4, No. 4, pp. 111-158, OECD, Paris.

Joumard, I. and P. M. Kongsrud (2003), "Fiscal relations across government levels", *OECD Economic Studies*, No. 36, 2003/1; OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table RS3.1. Evolution of tax autonomy of sub-central governments - Change in 1995-2002

	Subcentral tax revenue as % of total tax	As a share of sub-central tax revenues									
		Discretion on rates and reliefs	Discretion on rates		Discretion on reliefs	Tax-sharing arrangements				Rates and reliefs set by CG	Other
			Full	Restricted		Revenue split set by SCG	Revenue split set with SCG consent	Revenue split set by CG, pluriannual	Revenue split set by CG, annual		
Austria	-0.1										
Länder	-1.2	5.0	-	-	-	-15.3	-	-	9.6	0.8	
Local	1.1	-5.8	-5.9	-	-	-14.0	-	-	20.0	5.5	
Belgium	-0.2										
States	0.3	59.8	-47.5	-	-	-12.3	-	-	-	-	
Local	-0.5	-2.5	2.4	-	-	-	-2.5	-1.0	3.6	-	
Czech Republic	-0.5										
Local	-0.5	3.5	-0.9	-3.0	-	-	-1.2	-	9.6	0.1	
Denmark	4.6										
Local	4.6	-	-3.8	-	-	-	0.9	-	2.9	-	
Finland	-0.5										
Local	-0.5	-	0.9	-	-	-	-11.0	9.9	-	0.1	
Germany	-0.3										
Länder	-0.2	-	2.4	-	-	-13.7	-	-	11.2	-	
Local	0.0	16.6	-18.4	-	-	0.6	-	-	1.1	0.2	
Iceland	5.2										
Local	5.2	-8.0	-0.8	-	-	-	-	-	-	8.8	
Japan	2.0										
Local	2.0	0.1	-8.8	-	-	-	-	-	8.7	-	
Mexico	-16.6										
States	-13.6	86.0	-	-	-	-86.0	-	-	-	-	
Local	-3.0	100.0	-	-	-	-	-74.0	-	-26.0	-	
Netherlands	1.1										
Local	1.1	-	-0.8	-	-	-	-	-	-	0.8	
Norway	-7.1										
Local	-7.1	3.3	94.2	-	-	-	-0.5	-	-97.0	8.6	
Poland	10.5										
Local	10.5	-	-21.8	-1.0	-	-	22.4	-	0.4	-	
Portugal	0.8										
Local	0.8	-	0.2	-	-	-	-4.3	-	3.8	0.2	
Spain	13.3										
Regions	13.3	44.0	-0.5	-	-	31.7	-	-	-	-	
Local	21.6	-1.5	-2.8	-	-	6.1	-	-	3.1	-1.8	
Sweden	0.1										
Local	0.1	-2.0	2.0	-	-	-	-	-	-	-	
Switzerland	5.1										
States	5.0	1.4	-	-	-	3.6	-5.0	-	-	-	
Local	0.2	2.9	0.1	-	-	-	-3.0	-	-	-	
United Kingdom	0.5										
Local	0.5										
<i>Unweighted Average</i>											
States	0.6	32.7	-7.6		-0.2	-15.3	-0.8	0.5	3.5	-12.4	
Local	0.9	7.9	0.4			-0.4	-3.5		-5.4	0.8	

Source: Blöchliger, H. and D. King (2006). Data were collected through a questionnaire sent out in 2005 and completed using Revenue Statistics 1965-2004 and National Accounts.

RS4. TAX AUTONOMY OF SUB-CENTRAL GOVERNMENTS BY TYPE OF TAX

Key contacts: Hansjörg Blöchliger, Claire Charbit, Daniel Bergvall, OECD ECO and OECD GOV

Tax autonomy for sub-central governments (SCG) can vary from full power over tax rates and bases to no power on rates and bases at all. The differences in tax autonomy by type of tax provide insights into the application of current beliefs about optimal tax location.

About this indicator:

The term “tax autonomy” captures the various aspects of freedom sub-central governments have over their own taxes. It encompasses features such as sub-central governments’ right to introduce or to abolish a tax, to set tax rates, to define the tax base, or to grant tax allowances or relief to individuals and firms. In a number of countries taxes are not assigned to one specific government level but are shared between the central and sub-central governments. Such tax sharing arrangements deny a single SCG any control on tax rates and bases, but collectively SCGs may negotiate the sharing formula with central government.

Highlights:

While fiscal federal theory asserts that mobile taxes should be allocated to higher levels of government, in practice the largest single tax assigned to local and regional governments is the highly mobile income tax on individuals, with 36 percent of total SCG tax revenue. If local corporate taxes are added, the share rises to more than 41 percent. Taxes on goods and services account for 21 percent of total SCG tax revenue. Taxes on immovable property, more liked by fiscal federal theorists, account for 19 percent only. While such local production and sales taxes are prone to externalities such as tax exportation, they may also help local governments to cover expenditures caused by individuals and firms from other jurisdictions. Property taxes are usually assigned more discretion than other taxes. Around a fourth of income tax revenue is embedded in tax sharing systems that restrict a single SCG’s control over this tax. Since many tax sharing arrangements include fiscal equalization, they counteract the drawbacks of local income taxation.

Further reading:

Blöchliger, H. and D. King (2006), “Fiscal Autonomy of Sub-Central Governments”, *OECD Fiscal Relations Working Paper*, No. 2, OECD, Paris.

Bergvall D., Charbit, C., Kraan, D. and O. Merk (2006): “Intergovernmental Transfers and Decentralized Public Spending”, *OECD Journal of Budgeting*, Vol. 4, No. 4, pp. 111-158, OECD, Paris.

Joumard, I. and P. M. Kongsrud (2003), “Fiscal Relations Across Government Levels”, *OECD. Economic Studies* No. 36, 2003/1, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table RS4.1. Tax autonomy of sub-central governments by type of tax

	Discretion on rates and reliefs		Discretion on rates		Discretion on reliefs	Tax sharing arrangements				Rates and reliefs set by CG	Other	Total
	Full	Restricted	Revenue split set by SCG	Revenue split set with SCG consent		Revenue split set by CG, pluriannual	Revenue split set by CG, annual					
1000 Taxes on income, profits and capital gains	5.9	9.9	10.3	2.8	-	0.8	9.9	0.3	1.5	0.3	41.7	
1100 Of individuals	5.2	9.3	8.1	2.8	-	0.8	8.2	-	1.1	-	35.5	
1200 Corporate	0.7	0.6	2.2	-	-	-	1.4	0.3	0.4	0.3	5.9	
1300 Unallocable between 1100 and 1200	-	-	-	-	-	-	0.3	-	-	0.0	0.3	
2000 Social security contributions	0.1	-	-	-	-	-	-	-	0.0	0.1	0.3	
2100 Employees	0.1	-	-	-	-	-	-	-	-	0.1	0.2	
2200 Employers	-	-	-	-	-	-	-	-	-	0.0	0.0	
2300 Self-employed or non-employed	-	-	-	-	-	-	-	-	-	-	-	
2400 Unallocable between 2100, 2200 and 2300	-	-	-	-	-	-	-	-	-	-	-	
3000 Taxes on payroll and workforce	2.4	-	0.2	-	-	-	-	-	0.7	-	3.3	
4000 Taxes on property	11.1	5.5	9.0	0.3	0.2	-	0.2	-	0.8	-	27.3	
4100 Recurrent taxes on immovable property	6.4	5.3	6.4	-	-	-	0.0	-	0.5	-	18.6	
4200 Recurrent taxes on net wealth	0.4	-	1.1	-	-	-	-	-	0.0	-	1.5	
4300 Estate, inheritance and gift taxes	0.3	-	0.0	-	-	-	0.0	-	0.1	-	0.4	
4400 Taxes on financial and capital transactions	2.5	0.1	1.3	0.3	0.2	-	0.1	-	0.2	-	4.6	
4500 Non-recurrent taxes	0.1	0.5	0.2	-	-	-	-	-	-	-	0.5	
4600 Other recurrent taxes on property	-	-	-	-	-	-	-	-	-	-	-	
5000 Taxes on goods and services	3.4	1.5	1.3	0.0	0.9	4.2	5.2	-	4.5	0.3	21.4	
5100 Taxes on production, sale, transfer, etc	2.2	0.1	0.2	0.0	0.9	2.8	5.0	-	3.4	0.3	14.9	
5200 Taxes on use of goods and perform activities	1.2	1.5	1.2	-	-	-	0.1	-	1.1	-	5.1	
5300 Unallocable between 5100 and 5200	-	-	-	-	-	-	-	-	-	-	0.0	
6000 Other taxes	2.1	0.1	1.4	-	-	-	0.4	-	1.2	0.6	5.9	
6100 Paid solely by business	0.9	0.1	1.4	-	-	-	-	-	0.0	0.2	2.7	
6200 Other	1.2	-	-	-	-	-	0.4	-	1.1	-	2.8	
Total	25.5	17.1	22.3	3.0	1.1	5.0	15.6	0.3	8.7	1.4	100.0	

Note: Unweighted average. Countries included are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Japan, Korea, Mexico, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and Turkey.

Source: Blöchliger, H. and D. King (2006). Data were collected through a questionnaire sent out in 2005 and completed using Revenue Statistics 1965-2004 and National Accounts.

RS5. GRANTS BY DONOR AND RECIPIENT

Key contacts: Hansjörg Blöchliger, Claire Charbit, Daniel Bergvall, OECD ECO and OECD GOV

National Accounts data can provide a donor/recipient matrix of intergovernmental grants, with five donor levels (central, state, local, international and social security) and – depending on the country type – one or two recipient levels (local, or state and local). The category “international” displays funds directly allocated to sub-central government in some countries (*e.g.* EU grants).

About this indicator:

In reality, intergovernmental grants (or transfers) are an expenditure item, and they should be set in relation to total expenditure. However, National Accounts data on government expenditure are lacking for a number of countries under scrutiny, so total revenue was taken from the Revenue Statistics as a proxy.

Highlights:

On an unweighted average, grants account for 26 percent of total tax revenue (state and local levels combined); with Mexico having the largest grant system (43% of total tax revenue) and Iceland having the smallest (2%). At 72 percent, central government provides the overwhelming part of grants to local governments in both federal and unitary countries. In federal countries the central level is the main provider for states and regions with 86 percent. In the majority of federal countries (Belgium, Canada, Germany, Switzerland) state government is the main source for local governments. Nearly 3 percent of all grants flow between states/regions and only slightly less percent between local governments, pointing at various horizontal agreements or horizontal fiscal equalization schemes.

Further reading:

Blöchliger, H. and D. King (2006), “Fiscal autonomy of Sub-central Governments”, *OECD Fiscal Relations Working Paper*, No. 2, OECD, Paris.

Bergvall D., Charbit, C., Kraan, D. and O. Merk (2006): “Intergovernmental transfers and decentralized public spending”, *OECD Journal of Budgeting*, Vol. 4, No. 4, pp. 111-158, OECD, Paris.

Joumard, I. and P. M. Kongsrud (2003), “Fiscal relations across government levels”, *OECD. Economic Studies* No. 36, 2003/1; OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table RS5.1. Grants by donor and recipient subsector, 2004

(As a percentage of total grant revenue)

	As a percentage of total tax revenue	Central level	State level	Local level	International	Social Security	Total
Australia	11.0						
State	9.8	100.0	-	-	-	-	100.0
Local	1.3	61.8	38.2	-	-	-	100.0
Austria ²	15.2						
State	11.5	69.4	5.1	3.8	0.6	21.1	100.0
Local	3.8	49.2	16.1	12.7	0.3	21.7	100.0
Belgium	11.1						
State	3.9	81.3	13.9	3.6	1.0	0.1	100.0
Local	7.1	26.4	73.3	-	-	0.3	100.0
Canada	17.5						
State	9.0	99.8	-	0.2	-	-	100.0
Local	8.5	0.4	99.6	-	-	-	100.0
Czech Republic	12.4						
Local	12.4	99.1	-	-	0.9	-	100.0
Denmark	13.4						
Local	13.4	99.5	-	-	0.5	-	100.0
Finland	12.1						
Local	12.1	98.5	-	-	1.5	-	100.0
France	8.6						
Local	8.6	97.0	-	-	3.0	-	100.0
Germany	12.8						
Länder	5.9	79.0	-	14.7	6.4	-	100.0
Local	7.0	1.4	98.4	-	-	0.2	100.0
Greece ²	4.1						
Local	4.1	100.0	-	-	-	-	100.0
Hungary	16.7						
Local	16.7	67.2	-	3.0	0.5	29.4	100.0
Iceland	1.9						
Local	1.9	100.0	-	-	-	-	100.0
Italy ¹	19.1						
Regional	12.7	94.8	-	-	5.2	-	100.0
Local	6.4	54.3	45.7	-	-	-	100.0
Korea	34.4						
Local	34.4	82.6	-	17.4	-	-	100.0
Mexico	43.4						
State ³	43.4	100.0	-	-	-	-	100.0
Local							
Netherlands ²	27.8						
Local	27.8	100.0	-	-	-	-	100.0
Norway	11.3						
Local	11.3	100.0	-	-	-	-	100.0
Poland ²	37.9						
Local	37.9	99.6	-	0.4	-	-	100.0
Portugal	7.8						
Local	7.8	86.5	-	-	12.9	0.6	100.0
Spain	19.4						
Regional	14.0	77.7	-	16.7	-	5.6	100.0
Local	5.5	66.6	31.2	-	-	2.2	100.0
Sweden	9.4						
Local	9.4	100.0	-	-	-	-	100.0
Switzerland	23.4						
State	16.1	73.7	5.6	20.7	-	-	100.0
Local	7.2	0.2	77.6	22.3	-	-	100.0
Turkey	15.8						
Local	15.8	100.0	-	-	-	-	100.0
<i>Unweighted average</i>							
State	14.0	86.2	2.7	6.6	1.5	3.0	100.0
Local	11.8	72.3	21.8	2.5	0.9	2.5	100.0

Note: 1. 2002 figures; 2. 2003 figures; 3. including grants to local government.

Source: Blöchliger, H. and D. King (2006). Data were collected through a questionnaire sent out in 2005 and completed using Revenue Statistics 1965-2004 and National Accounts.

Table RS5.2. Grants by donor and recipient sub sector – Annual growth rates 2000-2004

	Change in total tax revenue	Central level	State level	Local level	International	Social Security
Australia*	-0.8					
State	-0.7	1.2	-	-	-	-
Local	-0.1	9.3	-7.2	-	-	-
Austria	-0.7					
State	-0.3	3.9	-8.6	0.9	1.8	1.7
Local	-0.5	-0.2	9.8	-7.9	19.4	-0.1
Belgium	1.4					
State	0.8	11.1	1.9	13.6	45.0	-18.4
Local	0.5	14.9	3.0	-	-	-5.3
Canada	1.4					
State	0.9	5.7	-	-31.3	-	-
Local	0.5	-3.9	4.0	-	-	-
Czech Republic	6.8					
Local	6.8	30.8	-	-	-	-
Denmark	2.5					
Local	2.5	8.3	-	-	-	-
Finland	3.9					
Local	3.9	12.1	-	-	6.0	-
France	1.3					
Local	1.3	6.5	-	-	-	-
Germany	-0.1					
Länder	0.0	-0.2	-	0.7	0.8	-
Local	-0.1	4.5	-0.4	-	-	-2.4
Greece	0.8					
Local	0.8	13.4	-	-	-	-
Hungary	1.7					
Local	1.7	13.9	-	6.5	-	12.9
Iceland	0.4					
Local	0.4	14.6	-	-	-	-
Korea	1.3					
Local	1.3	9.6	-	11.6	-	-
Mexico	3.6					
State**	3.6	11.1	-	-	-	-
Netherlands*	3.6					
Local	3.6	7.2	-	-	-	-
Norway	-3.5					
Local	-3.5	-2.3	-	-	-	-
Poland*	2.1					
Local	2.1	8.0	-	-12.4	-	-
Portugal	0.7					
Local	0.7	7.3	-	-	5.0	17.6
Spain	-7.1					
Regional	-6.6	9.7	-	15.3	-	-40.6
Local	-0.5	4.5	10.8	-	-	-17.0
Switzerland	1.5					
State	1.0	2.5	13.8	-0.4	-	-
Local	0.5	-3.1	1.9	6.4	-	-
Turkey	-19.2					
Local	-19.2	10.6	-	-	-	-
<i>Unweighted average</i>						
State	-0.2	6.4	1.0	-0.3	6.7	-8.2
Local	0.2	8.3	0.3	0.2	1.5	-0.5

Note: * 2003 figures, ** including grants to local government.

Source: Blöchliger, H. and D. King (2006). Data were collected through a questionnaire sent out in 2005 and completed using Revenue Statistics 1965-2004 and National Accounts.

RS6. GRANT REVENUE BY TYPE OF GRANT

Key contacts: Hansjörg Blöchliger, Claire Charbit, Daniel Bergvall, OECD ECO and OECD GOV

Various types of grants are used in OECD countries to provide revenues to sub-central government (SCG). The distinction between earmarked and non-earmarked grants is crucial for assessing the true fiscal autonomy of SCG.

About this indicator:

There is a main distinction between earmarked and non-earmarked grants. SCG have to use earmarked (or conditional) grants for a specific purpose while they may spend non-earmarked (or unconditional) grants freely. This distinction is crucial for assessing the true fiscal autonomy of SCG. Both types of grants can be divided further into mandatory and discretionary transfers, reflecting the legal background that governs their allocation. Earmarked grants may be further subdivided into matching and non-matching grants, according to whether the transfer is linked to SCG own expenditure or not. A final subdivision is between grants for capital expenditure and grants for current expenditure. On the non-earmarked side grants may be further subdivided into block and general purpose grants, where the latter provide more freedom of use. The taxonomy is compatible with the one established by the Council of Europe.

The distinction between block and general purpose grants is difficult to make in practice since both forms are unconditional.

Highlights:

Earmarked grants account for a larger portion than non-earmarked grants at both state and local levels. This means that central governments still have a strong impact on SCG budgets and selected expenditure items. Control over state and regional governments is stricter than over local governments. Around a third of all earmarked grants are matching, *i.e.* linked to SCG own expenditure. Matching grants are thought to enhance spending for local and regional public services, and by doing this may put some pressure on both central and sub-central budgets. Around three quarter of all earmarked grants are mandatory, giving SCG more revenue security but leaving little scope for central governments to adjust expenditures rapidly to overall fiscal conditions. Only one quarter of earmarked transfers can be – at least from a legal, if not political, point of view - adjusted within short notice.

Further reading:

Blöchliger, H. and D. King (2006), “Fiscal autonomy of Sub-central Governments”, *OECD Fiscal Relations Working Paper*, No. 2, OECD, Paris.

Bergvall D., Charbit, C., Kraan, D. and O. Merk (2006): “Intergovernmental transfers and decentralized public spending” *OECD Journal of Budgeting*, Vol. 4, No. 4, pp. 111-158, OECD, Paris.

Joumard, I. and P. M. Kongsrud (2003), “Fiscal relations across government levels”, *OECD. Economic Studies* No. 36, 2003/1, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table RS6.1. Grant revenue by type of grant, 2004

(As percentage of total grant revenue)

		Earmarked grants						Non earmarked grants			Total
		Mandatory				Discretionary		Mandatory		Discretionary	
		Matching		Non-Matching				General purpose grants	Block grants		
		Current	Capital	Current	Capital	Current	Capital				
Australia ²	State	-	-	-	-	81.6	11.3	2.9	-	4.1	100.0
	Local	-	-	-	-	16.7	-	83.3	-	-	100.0
Austria	State	57.0	1.8	2.0	18.4	0.6		12.5	0.2	7.5	100.0
	Local	39.3	3.5	7.4	34.8	1.2		13.7	0.1	0.0	100.0
Belgium	State	67.2	10.9	14.7		1.0	0.1	6.0	-	-	100.0
	Local	71.6		0.1		0.5	23.8	4.0	-	-	100.0
Canada	State	-	-	18.6		-	-	81.4	-	-	100.0
	Local	-	-	91.4	4.3	-	-	4.3	-	-	100.0
Czech Republic	Local	12.4		-	-	74.1	13.6	-	-	-	100.0
Denmark	Local	37.9		0.8		4.9	0.1	56.2	-	0.0	100.0
Finland	Local	5.7		-	-	1.8	1.6	16.3	74.0	0.6	100.0
France	Local	6.5		0.1		1.3	3.8	81.9	6.4	-	100.0
Greece ²	Local	61.3	38.7	-	-	-	-	-	-	-	100.0
Hungary	Local	40.1	7.4	-	-	3.8	5.6	41.9	-	1.1	100.0
Iceland	Local	3.0		8.4		6.5	3.1	79.0	-	-	100.0
Italy ¹	Regional		4.7		4.7	10.6	8.7	71.4	-	-	100.0
	Local	-		-		39.4	36.1	24.5	-	-	100.0
Korea	Local	6.4		-	-	11.2	10.2	69.9	-	2.4	100.0
Mexico	State ³	53.9		-	-	5.3		40.8	-	-	100.0
	Local										
Netherlands ²	Local	73.6		-	-	-	-	26.4	-	-	100.0
Norway	Local	12.2		9.4		19.4	3.9	-	55.1	-	100.0
Poland ²	Local	24.1	5.4	-	-	-	-	70.5	-	-	100.0
Portugal	Local	-	-	-	-	11.4		85.0	-	3.6	100.0
Spain	Regional	8.1	5.4	-	-	0.9	0.5	85.2	-	-	100.0
	Local	14.3	16.4	3.1		-	-	66.2	-	-	100.0
Sweden	Local	-	-	-	-	0.7	28.1	71.3	-	-	100.0
Switzerland	State	64.8	12.9	-	-	-	-	22.2	-	-	100.0
	Local	71.7	8.7	-	-	-	-	19.6	-	-	100.0
Turkey	Local	-	-	-	-		77.3	-	-	22.7	100.0
<i>Unweighted average</i>	State	31.4	4.5	4.4	2.9	12.5	2.6	40.3	0.0	1.5	100.0
	Local	22.9	3.8	5.7	1.9	9.2	9.9	38.8	6.5	1.5	100.0

Note: 1. 2002 figures, 2. 2003 figures, 3. including grants to local government.

Source: Blöchliger, H. and D. King (2006). Data were collected through a questionnaire sent out in 2005 and completed using Revenue Statistics 1965-2004 and National Accounts.

Table RS6.2. Grant revenue by type of grant, change in 2000-2004

(As percentage of total grant revenue)

		Earmarked grants						Non earmarked grants		
		Mandatory				Discretionary		Mandatory		Discretionary
		Matching		Non-Matching				General purpose grants	Block grants	
		Current	Capital	Current	Capital	Current	Capital			
Australia	State	-	-	-	-	12.0	-0.2	-13.6	-	1.8
	Local	-	-	-	-	9.6	-0.5	-9.1	-	-
Austria	State	2.3	-0.7	-0.9	-1.2	0.0		0.8	0.0	-0.2
	Local	0.7	-5.5	2.5	-0.2	-0.3		2.8	0.0	0.0
Belgium	State	-6.9	9.7	-2.1		1.0	-0.3	-1.3		-
	Local	-15.5	-3.2	0.0		-2.0	23.1	-2.4		-
Canada	State	-	-	-0.6		-	-	0.6	-	-
	Local	-	-	-0.4	-0.2	-	-	0.6	-	-
Czech Republic	Local	-16.8		-	-	33.7	-16.9	-	-	-
Denmark	Local	-1.9		0.2		0.8	0.0	0.9	-	0.0
Finland	Local	-4.1		-	-	0.2	-1.5	16.3	-10.1	-0.8
France	Local	-1.2		0.0		-1.1	-1.1	6.7	-3.3	-
Greece	Local	7.7	-7.7	-	-	-	-	-	-	-
Hungary	Local	-0.5	-1.7	-	-	-1.3	0.6	6.0	-	-3.1
Iceland	Local	-15.4		1.2		-11.3	0.7	24.8	-	-
Korea	Local	-2.9		-	-	0.7	-1.3	3.2	-	0.3
Mexico	State ²	3.8		-	-	-0.4		-3.4	-	-
	Local									
Netherlands ¹	Local	5.0		-	-	-	-	-5.0	-	-
Norway	Local	-8.7		8.4		2.2	0.7	-	-2.6	-
Poland	Local	-8.4	-1.0	-	-	-	-	9.4	-	-
Portugal	Local	-	-	-	-	-5.1		1.5	-	3.6
Spain	Regional	-35.3	0.9	-	-	0.0	0.1	34.3	-	-
	Local	-1.5	3.0	0.6		-	-	-2.1	-	-
Switzerland	State	1.4	-1.9	-	-	-	-	0.5	-	-
	Local	-1.9	-2.1	-	-	-	-	3.9	-	-
Turkey	Local	-	-	-	-		12.4	-	-	-12.4
<i>Unweighted average</i>	State	-5.0	1.1	-0.5	-0.2	1.8	-0.1+-	2.6	0.0	0.2
	Local	-3.6	-1.0	0.7	0.0	1.5	0.2	3.2	-0.9	0.0

Note: 1. 2003 figures, 2. including grants to local government.

Source: National sources and OECD Revenue Statistics 1965-2004, 2005 Edition. Blöchliger H. and D. King (2006).

Table RS6.3. Receipts of earmarked and non-earmarked grants

Per cent of total grants

	Earmarked grants	Non-earmarked grants	Total
States			
Australia ^a	87.5	12.5	100.0
Austria	79.8	20.2	100.0
Belgium	94.0	6.0	100.0
Canada	18.6	81.4	100.0
Italy ^a	28.6	71.4	100.0
Mexico ^c	59.2	40.8	100.0
Spain	14.8	85.2	100.0
Switzerland	77.8	22.2	100.0
Average	57.5	42.5	100.0
Local jurisdictions			
Australia ^a	17.2	82.8	100.0
Austria	86.1	13.9	100.0
Belgium	95.9	4.0	100.0
Canada	95.7	4.3	100.0
Czech Republic	100.0	0.0	100.0
Denmark	69.8	30.2	100.0
Finland	9.2	90.8	100.0
France	11.7	88.3	100.0
Greece ^b	100.0	0.0	100.0
Hungary	56.9	43.1	100.0
Iceland	21.0	79.0	100.0
Italy ^a	75.5	24.5	100.0
Korea	27.7	72.3	100.0
Netherlands ^b	70.0	30.0	100.0
Norway	44.9	55.1	100.0
Poland ^b	29.5	70.5	100.0
Portugal ^b	11.4	88.6	100.0
Spain	33.8	66.2	100.0
Sweden	28.7	71.3	100.0
Switzerland	80.4	19.6	100.0
Turkey	77.3	22.7	100.0
Average	54.4	45.6	100.0

Notes: a: 2002 data; b: 2003 data; c: Including grants to local governments.

Sources: Bergvall, Charbit, C., Kraan, D. and O. Merk (2006). National sources and OECD Revenue Statistics 1965-2004, 2005 edition.

RS7. INTERGOVERNMENTAL GRANTS BY GOVERNMENT FUNCTION

Key contacts: Hansjörg Blöchliger, Claire Charbit, Daniel Bergvall, OECD ECO and OECD GOV

The National Accounts divide government activities into ten functions, and this division is also applied to intergovernmental grants. Data is available for earmarked grants only since unconditional grants are not tied to a government function. Grants represent about 40% of total state level revenues, and earmarked grants account for a larger portion than non-earmarked grants (see RS1), and so central governments have a strong impact on sub-central government (SCG) budgets and selected expenditure items. This control is stricter for states than for local governments. The structure of grants by function indicates how central government is seeking to drive policy at sub-central level.

About this indicator:

Sub-central governments (SCG) rely on own source revenues and intergovernmental grants, which may be earmarked for particular purposes. The functional categories defined by the SNA are: General public services; Defence; Public order & safety; Economic affairs; Environmental protection; Housing & community amenities; Health; Recreation, Culture and religion; Education; Social protection.

Highlights:

The category “general public services” accounts for the largest, rather unspecific share of intergovernmental transfers, encompassing a wide variety of public services for which SCG receive financial support. Education is the second largest category, pointing at the weight of local and regional governments in providing primary and secondary education, with central government retaining considerable control over funding and regulation. “Economic affairs” is the third largest category, largely reflecting the weight of shared responsibilities in local and regional development policy. The grant structure varies widely, reflecting the different responsibility assignments and funding arrangements in countries. In general, except for “defence” and “public order and safety”, some degree of responsibility sharing and overlapping characterizes most government functions. However, the low number of country responses does not yet allow for stringent conclusions.

Further reading:

Blöchliger, H. and D. King (2006), “Fiscal autonomy of Sub-central Governments”, *OECD Fiscal Relations Working Paper*, No. 2, OECD, Paris.

Bergvall D., Charbit, C., Kraan, D. and O. Merk (2006): “Intergovernmental transfers and decentralized public spending”, *OECD Journal of Budgeting*, Vol. 4, No. 4, pp. 111-158, OECD, Paris.

Joumard, I. and P. M. Kongsrud (2003), “Fiscal relations across government levels”, *OECD. Economic Studies* No. 36, 2003/1; OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector				Private sector in the public domain	
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes			Final outcomes	Antecedents or constraints	
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table RS7.1. Grants by government function, 2004

(As percentage of total earmarked grants)

	General public services 01	Defence 02	Public order and safety 03	Economic affairs 04	Environment protection 05	Housing and community amenities 06	Health 07	Recreation culture, religion 08	Education 09	Social protection 10	Others	Total
Australia	...	...	0.2	9.0	...	4.9	39.6	0.1	37.5	8.4	0.3	100.0
Austria	...	...	...	...	...	...	...	...	...	...	...	...
Belgium	-	-	24.3	21.4	-	-	0.1	-	25.3	28.9	-	100.0
Canada												
Czech Republic	9.3	0.0	0.5	6.0	0.3	7.5	2.2	0.7	54.3	17.7	1.4	100.0
Denmark												
Finland	5.5	-	0.6	17.2	1.8	0.4	12.0	16.9	27.0	18.7	-	100.0
France	16.9	1.7	8.0	13.0	2.3	22.4	-	30.8	5.0	-	-	100.0
Germany												
Greece	56.6	-	-	18.9	5.6	5.6	-	7.2	-	6.1	-	100.0
Hungary												
Iceland												
Italy*	16.9	-	-	40.6	3.8	-	31.7	-	7.0	-	-	100.0
Korea												
Mexico												
Netherlands	0.0	-	0.6	1.4	1.1	8.6	5.3	0.5	22.4	50.2	9.9	100.0
Norway	79.3	0.2	0.1	-	0.0	0.1	14.0	-	4.7	1.7	-	100.0
Poland	3.1	3.5	16.2	4.4	8.9	5.5	10.8	5.2	17.9	24.6	-	100.0
Portugal												
Spain	42.4	-	0.2	35.4	0.6	3.2	4.7	0.9	2.5	10.0	-	100.0
Sweden	3.5	1.1	0.0	6.2	3.8	-	56.3	-	29.1	-	-	100.0
Switzerland												
Turkey	43.2	-	-	14.2	19.1	22.2	-	0.9	-	0.5	-	100.0
Unweighted average	20.0	0.5	3.6	15.3	3.4	5.7	17.0	4.5	16.6	11.9	1.5	100.0

Note: * 2002

Source: Blöchliger, H. and D. King (2006). Data were collected through a questionnaire sent out in 2005 and completed using Revenue Statistics 1965-2004 and National Accounts.

RS8. BUDGET BALANCE REQUIREMENTS FOR SUB-CENTRAL GOVERNMENTS

Key contacts: Douglas Sutherland, Robert Price and Isabelle Joumard, OECD ECO

Well-designed fiscal rules for sub-central governments can be important in achieving the efficiency gains accruing from local autonomy while meeting the objectives of sustainable longer-term finances. They help policymakers resist temptations to renege on previous commitments, providing a cushion against shocks and facilitating the fiscal consolidation that may be needed to attain a sustainable path.

About this indicator:

At the sub-central government level, budget balance requirements can target different aggregates including the current budget and capital account. They can use different budget concepts and can have different time horizons. They can be set by central government or self-imposed by sub-central governments.

Highlights:

The responses to a questionnaire used in Sutherland, D., R. Price and I. Joumard (2005) gave the following main results. The most common objective for budget balance requirements encompassed the current budget and capital account. Targeting the current budget alone, which allows sub-central governments to borrow for public investment, was somewhat less common. In Austria, some Canadian provinces, Poland and Spain off-budget items are included in the objective. Budget balance requirements are frequently set on an annual basis, and the relevant time horizon is overwhelmingly annual, though in Australia, Austria, Canada (local), Finland, Norway, and Spain the budget periods have moved to a multi-annual basis. In the Netherlands and Spain, the budget period is three years, with specified annual targets. In almost all cases, budget balance requirements are imposed by higher levels of government. Self-imposed requirements are restricted to mid-tier governments in explicitly federal states, Poland and Japan. In most cases, budget balance requirements apply to budgetary outturns, with a slight majority reporting that no carry-over is allowed. In the Czech Republic and Turkey, the constraint only applies to proposed budgets. Furthermore, in the Czech Republic the budget can include projected deficits, but only in the case of drawing on accumulated surpluses or by contractually guaranteeing resources for repayment. In Korea and Portugal, both proposed and approved budgets need to be balanced.

Further reading:

Sutherland, D., R. Price and I. Joumard (2005), "Sub-central government fiscal rules", *OECD Economic Studies*, No. 41/2, OECD, Paris.

Joumard, I. and P. M. Kongsrud (2003), "Fiscal relations across government levels", *OECD Economic Studies* No. 36, 2003/1, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table RS8.1. Budget balance requirements

A. Coverage and duration

	Current budget balance	Current budget balance and capital account	Current budget balance, capital account and off-budget items
Annual	Germany local Japan local Netherlands local <i>Italy state</i> <i>France local</i> <i>New Zealand local</i> <i>Sweden local</i> <i>Switzerland local</i>	Canada state Czech Republic local Denmark local France local Germany state Korea local Portugal local Turkey local	Canada state Poland local
Multi-annual	Canada local Finland local Norway local	Canada local Spain local	Austria state Spain state

B. Budget concept used for application of rule

	Submitted budget	Approved budget	Realised budget with carry-over allowed	Realised budget with no carry-over allowed
Imposed	Czech Republic local Turkey local <i>Greece local</i> <i>Poland local</i>	France local Korea local Portugal local	Canada local Norway local Finland local <i>New Zealand local</i> <i>Sweden local</i>	Denmark local Germany local Netherlands local Spain local <i>Slovak Republic local</i>
Negotiated binding			Austria state	Spain state
Self-imposed	Poland local <i>Switzerland state</i>	Canada state Germany state Japan local	Canada state	Canada state

Note: When additional information to that provided by questionnaire responses is available, this is given in italics. The response for Canada (state) also indicated that some states have no budget balance requirements.

Sources: Sutherland, D., R. Price and I. Joumard (2005), Sub-central government fiscal rules, *OECD Economic Studies*, OECD, Paris. The paper draws on responses to a questionnaire distributed to members of the *OECD Network on Fiscal Relations across Levels of Government* and other sources to give a detailed picture of fiscal rules in place for a number of countries.

RS9. BORROWING CONSTRAINTS FOR SUB-CENTRAL GOVERNMENTS

Key contacts: Douglas Sutherland, Robert Price and Isabelle Joumard, OECD ECO

Well-designed fiscal rules for sub-central governments can be important in achieving the efficiency gains accruing from local autonomy while meeting the objectives of sustainable longer-term finances, helping policymakers resist temptations to renege on previous commitments, providing a cushion against shocks and facilitating the fiscal consolidation that may be needed to attain a sustainable path.

About this indicator:

At the sub-central government level, borrowing constraints cover a range of restrictions on sub-central government recourse to debt financing. They can be set by central government or self-imposed by sub-central governments. They can refer to specific purposes.

In interpreting this information, it should be kept in mind that strict budget balance requirements may also have the effect of outlawing in practice the need for borrowing constraints. An additional channel for sub-central borrowing that may not be fully captured in objective setting fiscal rules concerns the ownership and control of local enterprises and banks.

Highlights:

With the exceptions of Australia, Canada, Spain (states) and Switzerland, a higher level of government typically imposes borrowing constraints. In the most restrictive cases, borrowing may not be allowed at all (as in Denmark, or in Korea and Spain for current expenditure). In Poland, no borrowing is allowed if general government debt levels exceed 60% of GDP. The requirement of prior approval from higher levels of government is also quite widespread, including permission to borrow in foreign currency as in Mexico and Turkey. The need for prior approval on a project-by-project basis is gradually being relaxed in OECD countries, such as Mexico which abandoned such a system in 2000. In Japan and Korea the formal requirement to obtain permission from a higher level of government is being relaxed. In Norway and Spain, prior authorisation can be imposed when sub-central governments breach agreed deficits or the proposed borrowing is substantial. A few countries apply limits on borrowing for specific purposes. For example, in Spain, local authorities can borrow up to 30% of current revenues to cover short-term liquidity needs, while long-term borrowing is restricted to capital investment. No constraints on access to borrowing are applied in the Czech Republic, Finland, the Netherlands, and Japan.

Further reading:

Sutherland, D., R. Price and I. Joumard (2005), "Sub-central government fiscal rules", *OECD Economic Studies*, No. 41/2, OECD, Paris.

Joumard, I. and P. M. Kongsrud (2003), "Fiscal relations across government levels", *OECD Economic Studies*, No. 36, 2003/1, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs		Public sector processes	Outputs and intermediate outcomes		Final outcomes		Antecedents or constraints
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table RS9.1. Borrowing constraints - Access conditions

	Prohibited	Prior approval is required	Restricted to certain purposes	No restriction on access to borrowing
Imposed	Denmark local Korea local (current)	Canada local Japan (capital) Korea (capital) Spain local (capital) Turkey local Greece local Ireland local Luxembourg local Mexico local United Kingdom local	Germany local Norway local Spain local (capital) Portugal local Canada local France local Hungary local Italy state and local Slovak Republic	Canada state Czech Republic local France local Netherlands local* Japan local (current) Poland local
Negotiated binding	Spain region (current)	Spain region (capital)		
Self imposed			Switzerland state	Canada state

* Note: In the Netherlands, only local governments with balanced budget can borrow and only in euros.

Table RS9.2. Borrowing constraints - Restrictions on borrowing and guarantees

	Numerical constraints				Guarantees			
	None	New borrowing	On debt level	On debt service	None	Exceptional basis	Case-by-case basis	Yes
Austria	■				■			
Canada state		■	■		■			
Canada local			■	■				■
Czech Republic				■		■		
Denmark					■			
Finland	■					■		
France		■			■			
Germany state	■				■			
Germany local		■			■			
Iceland				■	■			
Japan		■	■	■	■			
Korea		■	■	■	■			
The Netherlands				■	■			
Norway	■				■			
Poland			■	■			■	
Portugal		■	■	■	■			
Spain state		■	■		■			
Spain local					■			
Turkey				■			■	

Sources: Sutherland, D., R. Price and I. Jourard (2005), Sub-central government fiscal rules, OECD Economic Studies, No. 41/2. The paper draws on responses to a questionnaire distributed to members of the *OECD Network on Fiscal Relations across Levels of Government* and other sources to give a detailed picture of fiscal rules in place for a number of countries.

RS10. TAX AND EXPENDITURE LIMITS FOR SUB-CENTRAL GOVERNMENTS

Key contacts: Douglas Sutherland, Robert Price and Isabelle Joumard, OECD ECO

Well-designed fiscal rules for sub-central governments can be important in achieving the efficiency gains accruing from local autonomy while meeting the objectives of sustainable longer-term finances, helping policymakers resist temptations to renege on previous commitments, providing a cushion against shocks and facilitating the fiscal consolidation that may be needed to attain a sustainable path.

About this indicator:

Although tax and expenditure limits (TEs) have a long history in public finance, dating from the late nineteenth century, they regained popularity relatively recently with the rapid expansion in their use during the “tax revolt” across the United States that followed a referendum in California in 1978 (Proposition 13) on property tax rates. Most US states now have some form of TEL, mainly on property taxes. In most countries, central governments impose limits on tax rates or reliefs that can be set by sub-central governments. Explicit restraints on expenditures are less common.

Highlights:

In most OECD countries the form of the tax limit is in the form of an explicit limit on tax autonomy. In Denmark, Japan and Mexico, implicit sanctions on sub-central governments serve to restrain increases in tax rates. In contrast to limits on rates or reliefs, the tax limits imposed in some US states and also the United Kingdom target the revenue raised from a specific tax base or the annual increase in revenue from a given tax base. Expenditure increase limits are often linked to income, inflation or population growth (or to a needs-based criterion), or some combination of these (such as in Korea). Limits can also be set in terms of ceilings on expenditures. Furthermore, they can be set for annual or multi-annual periods. One of the possibly most restrictive rules is the requirement to hold referenda for expenditure above a given threshold (in some cantons in Switzerland).

Further reading:

Sutherland, D., R. Price and I. Joumard (2005), “Sub-central government fiscal rules”, *OECD Economic Studies*, No. 41/2, OECD, Paris.

Joumard, I. and P. M. Kongsrud (2003), “Fiscal relations across government levels”, *OECD Economic Studies*, No. 36, 2003/1, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table RS10.1. Tax limits
(Per cent of sub-central tax revenue)

	Sub-central government autonomy over		Taxes are shared			Central government control
	Rate and relief	Rate or relief	With consent	By stable formula	Decided on an annual basis	
Questionnaire data*						
Australia state	100.0					
Australia local	100.0					
Belgium local	46.6	51.3				2.1
Czech Republic	5.5	4.1		88.8		1.5
Denmark		90.5		3.0		6.5
Finland		89.9			9.9	
France	72.0	17.8				1.2
Germany state		2.4		86.3		11.3
Germany local		33.6		47.6		1.0
Greece		64.7	35.4			
Italy		55.9				44.1
Japan		79.7				20.2
Korea		64.3				35.7
Norway		88.0				
Portugal		21.0				73.4
Spain state	53.7		43.2			
Spain local	2.9	74.5				18.5
Switzerland state	100.0					
Switzerland local	3.0	97.0				
Turkey						100.0
Australia state	100					
Australia local	100					
OECD data*						
Austria	2	98			70	
Hungary local		30				
Iceland local	8	92				
Mexico local				74		26
Mexico states	14		86			
The Netherlands		100				
New Zealand local	98					2
Poland local		46		54		
Sweden municipalities	4	96				
United Kingdom		100				

Note: * Questionnaire data and OECD (1999).

Sources: Sutherland, D., R. Price and I. Joumard (2005), "Sub-central Government Fiscal Rules", *OECD Economic Studies*, No. 41/2, OECD, Paris. The paper draws on responses to a questionnaire distributed to members of the *OECD Network on Fiscal Relations across Levels of Government* and OECD (1999) *Taxing Powers of State and Local Governments*, OECD, Paris, to give a detailed picture of fiscal rules in place for a number of countries.

RS11. PROCESS RULES AND RULE IMPLEMENTATION REQUIREMENTS FOR SUB-CENTRAL GOVERNMENTS

Key contacts: Douglas Sutherland, Robert Price and Isabelle Joumard, OECD ECO

Well-designed fiscal rules for sub-central governments can be important in achieving the efficiency gains accruing from local autonomy while meeting the objectives of sustainable longer-term finances, helping policymakers resist temptations to renege on previous commitments, providing a cushion against shocks and facilitating the fiscal consolidation that may be needed to attain a sustainable path.

About this indicator:

Fiscal rules include setting requirements for budget balances, constraints on debt accumulation, and limits on the ability to increase spending or the tax burden (these are often referred to collectively as tax and expenditure limits or TELs).

The degree of commitment to abiding by fiscal rules largely depends on the impact of process rules that govern implementation. This type of rule includes the obligation to produce financial accounts (transparency); monitoring and reporting whether rules are being upheld; the sanctions levied on sub-central governments and officials in the case of violation; the difficulty in evading the rule's constraint by simply changing the rule, and special procedures that permit some flexibility in fiscal policy.

Highlights:

The responses from a questionnaire used in Sutherland, D., R. Price and I. Joumard (2005) gave the following main results. The transparency of accountancy reporting standards varies considerably across the OECD. In most countries there were requirements for independent auditing of accounts, though in some cases without apparent deadlines for submission. Sub-central governments report on implicit liabilities in only a handful of countries. Several countries have largely independent bodies that monitor, audit, and report on sub-central government budgetary actions. Monitoring most often involves reporting to a higher level of government. Sanctions may be necessary to complement other process rules in ensuring compliance. Financial sanctions were reported in eight cases, though breach of fiscal rules can also have repercussions for eligibility for grants. With the exception of sub-central governments in Austria, some Canadian states, Finland, and Spanish states, administrative sanctions can be applied when fiscal rules are breached. Permitting some closely-circumscribed flexibility in implementation eases some of the problems associated with coping with unanticipated economic shocks. Of particular importance are mechanisms that allow sub-central governments to deal with cyclical pressures on their budgets.

Further reading:

Sutherland, D., R. Price and I. Joumard (2005), "Sub-central government fiscal rules", *OECD Economic Studies*, No. 41/2, OECD, Paris.

Joumard, I. and P. M. Kongsrud (2003), "Fiscal relations across government levels", *OECD Economic Studies* No. 36, 2003/1, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs		Public sector processes	Outputs and intermediate outcomes		Final outcomes		Antecedents or constraints
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table RS11.1. Accounting for fiscal transparency

	Reporting standard	Independent Auditing	Submission deadline	Implicit liabilities reported
Austria	None	■		
Canada state	None	■	Yes/No	■
Canada local	None	■		■
Czech Republic	Uniform		Monthly	
Denmark	Common	■	6 months after budget year	Guarantees
Finland	Common	■	3 months after budget period	Guarantees and off-budget liabilities
France		■	■	
Germany state	Uniform	■		■
Germany local	None			
Iceland	Common	■		■
Japan	None			
Korea	Common	■		
The Netherlands	Common			■
Norway	Common	■	■	
Poland	Uniform	■		
Portugal	Common	■	■	
Spain (state and local)	Uniform			
Turkey	Uniform		■	

Note: Common denotes that reporting standards are common for sub-central governments; uniform is for when both sub-central and central use the same reporting standards.

Table RS11.2. Monitoring and reporting

	Monitoring by			Reporting to			
	Sub-central government	Higher level of government	Other	Population	Sub-central legislature	Higher level of government	Other
Austria			BBR				BBR
Canada state	BBR, TL, BC			TL	BBR, TL	BC	
Canada local		BBR, TL, BC				BBR, TL, BC	BBR, TL, BC
Czech Rep.	BBR, BC	TL, BC			BBR, TL, BC	TL, BC	
Denmark	BC	EL, TL	BBR, BC			EL, TL	BBR, BC*
Finland	BBR, EL, BC		TL	BBR, TL			
France		BBR, TL, BC	BBR, TL, BC	BBR, TL, BC		BBR	
Germany state	EL, BC		EL	EL, BC	EL, BC		EL
Germany local	BBR, EL, BC					BBR, EL, BC	
Iceland		TL			TL		
Japan	BBR, EL	BC		BBR, EL		BC	
Korea	BC	BC		BC**	BC	BC	
The Netherlands	EL, TL	BBR, BC			BBR, EL, TL, BC	BBR, BC	
Norway		BBR, BC				BBR, BC	
Poland	BBR, EL, BC	BBR, EL, BC	BBR, EL, BC	BBR, EL, BC	BBR, EL, BC	BBR, EL, BC	BBR, EL, BC
Portugal		BBR, BC, TL, EL				BBR, BC, TL, EL	
Spain state		BBR, BC	TL			BBR, BC	BBR, BC
Spain local	EL, TL	BBR, BC				BBR, BC	
Turkey	EL, BC	EL, TL, BC			EL, BC	EL, BC	

Note: BBR stands for budget balance requirement, TL for tax limitation, EL for expenditure limitation, and BC for borrowing constraint.
* In case of trouble. ** Planned from 2006.

Source: Sutherland, D., R. Price and I. Joumard (2005), "Sub-central government fiscal rules", *OECD Economic Studies*, No. 41/2, OECD, Paris.

Table RS11.3. Sanctions

Higher level of government can						
	Impose financial sanctions	Sanction officials	Recommend actions	Mandate actions	Constrain actions	Other
Austria	BBR					
Canada state				BC		
Canada local	BBR, TL, BC		BBR, TL, BC	BBR, TL, BC	BBR, TL, BC	
Czech Republic	BBR, BC			TL, BC		
Denmark		BBR, BC	EL, TL			
Finland						
France			BBR	BBR	BBR	
Germany state			EL			
Germany local	BBR, EL, BC				BBR, EL, BC	
Iceland			TL	TL	TL	
Japan			BC		BBR, EL, BC	
Korea	BBR, BC, TL, EL	BBR, BC, TL, EL		BBR, BC, TL, EL		
The Netherlands			BBR, BC	BBR, BC	BBR, BC	
Norway				BBR, BC	BBR, BC	
Poland	EL, BC		BBR	EL, BC		
Portugal					BBR, BC, EL	
Spain state						TL, BC
Spain local			BBR, BC	BBR, BC		
Turkey		EL, BC	EL, BC		EL, BC	

Table RS11.4. Escape clauses

Fiscal rules are relaxed if there is				
	A shock to sub-central government revenue	A shock to the local economy	A natural or other disaster	Another cause
Austria	BBR	BBR	BBR	BBR
Canada state		BBR	BBR	BBR, TL
Canada local				
Czech Republic			BBR, BC	
Denmark				
Finland				
France				
Germany state		BBR, BC		
Germany local				
Iceland				
Japan			BBR, EL	
Korea			BBR, BC, TL, EL	
The Netherlands				
Norway				
Poland			EL, BC	
Portugal			BBR, BC, EL	
Spain state				
Spain local				
Turkey				

Note: BBR stands for budget balance requirement, TL for tax limitation, EL for expenditure limitation, and BC for borrowing constraint.
 Source: Sutherland, D., R. Price and I. Joumard (2005), "Fiscal rules for Sub-Central Governments: Design and Impact", *OECD Economics Department Working Paper*, No. 465, OECD, Paris.

Table RS11.5. Coping with the cycle

	Sub-central governments					
	Can draw on		Can cut mandated expenditures	Revenues are adjusted to		Can receive special support
	Rainy day or reserve funds	Off budget funds		Projected cyclical fluctuations	Actual shocks	
Austria						
Canada state	■	■		■		
Canada local	■					
Czech Republic		■				
Denmark				■		
Finland	■	■	■		■	
France					■	
Germany state			■			
Germany local				■		
Iceland						
Japan						
Korea	■					
The Netherlands						
Norway	■					
Poland						
Portugal						
Spain state						
Spain local						
Turkey					■	

Sources: Sutherland, D., R. Price and I. Joumard (2005), "Fiscal rules for Sub-Central Governments: Design and Impact", *OECD Economics Department Working Paper*, No. 465, OECD, Paris. The paper draws on responses to a questionnaire distributed to members of the *OECD Network on Fiscal Relations across Levels of Government* and other sources to give a detailed picture of fiscal rules in place for a number of countries.

11. MODE OF PUBLIC SECTOR PRODUCTION

Key contacts: Dirk Kraan and Daniel Bergvall, OECD GOV

Inputs can be disaggregated into a "mode of production" classification using input categories used in the National Accounts: labour, procurement of goods and services, gross capital investment, social benefits in kind and subsidies. Mode of production analysis reveals the preferences of governments concerning the way in which expenditures are utilised to deliver in kind goods and services, as the input mix may differ and some services are, arguably, more reliably delivered directly by the public sector, while others are more efficiently delivered through outsourcing and contracting with private and non-profit providers.

About this indicator:

The "mode of production" classification provides insight on how wholly or part collectively financed services are produced. The basic classification is:

Collective goods

A. by contracting out and procurement: intermediate consumption + property income

B. by general government production:

- production factor labour: compensation of employees
- production factor capital: gross capital formation

Individual goods

A. by contracting out and procurement: intermediate consumption+ property income

B. by general government production

- production factor labour: compensation of employees
- production factor capital: gross capital formation

C. by privatization to market and non-market producers for services with social purposes (mainly education, health and social protection): *social benefits in kind*

D. by privatization to market and non-market producers while providing financial support with the objective of influencing their levels of production, their prices or the remuneration of factors of production: *subsidies*.

Production by general government includes production by non-profit institutions financed (> 50%) and "controlled" by government. Although it is a fundamentally different mode of production, the data unfortunately do not allow splitting off this mode of production from pure government production.

Highlights:

The resulting data base will make clear the differences between countries in labour and capital intensity of public production in (modified) COFOG sectors as well as the different practices concerning privatization of service delivery (not of funding) to market and non-market producers as well as of partial public funding of market producers through subsidies.

Trends:

The dataset will provide only data for the last 2 or 3 years since the source data from the National Accounts have only become available for those years (and provisionally only for few OECD countries).

Further reading:

OECD (2006), "How and Why Should Government Activity Be Measured in "Government at a Glance"?", *OECD GOV Working Paper 1*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Sources: These data are developed from SNA Tables 1101 and 1102. Full details of the estimation method are provided in OECD (2006), "How and Why Should Government Activity Be Measured in "Government at a Glance"? ", *OECD GOV Technical Paper 1*, OECD, Paris.

12. EMPLOYMENT IN THE PUBLIC DOMAIN

Key contacts: Elsa Pilichowski, Edouard Turkish, OECD GOV

Labour, together with procurement of goods and services and capital investment is one of the key inputs used for government production. Historically, three conflicting definitions of the public sector have been used at the country level: the legal definition (government organisations and organisation under public law), the financial or funding definition, and the sectoral definitions (a priori sectoral definition of what the public sector is). The result has been that, across countries and even within OECD countries depending on the source of information, the definitions of “government organisations”, the “public sector” or the “public domain” vary significantly. Public sector employment statistics within countries follow different definitions, with large differences within countries and across countries. A new survey, the Comparison of Employment in the Public Domain (CEPD), provides, for the first time, insights into the total use of labour inputs within a consistent framework with the System of National Accounts, allowing a realistic view to be taken of changing employment levels.

About this indicator:

The Public Sector Pay and Employment survey (PSPE) traditionally gathered data about employment and wage bill in "public organisations".

The new OECD Comparison of Employment in the Public Domain survey (CEPD) uses new internationally comparable definitions of the public domain which encompass activities that represent a significant contingent fiscal liability to government:

1. Employees engaged in the direct provision of services in the public domain (entities engaged in publicly financed service-provision by publicly owned units)
2. Employees engaged in the indirect provision of services in the public domain (publicly financed but privately owned entities engaged in service provision, concerning mostly education, health and social services).
3. Employees engaged in the public corporate provision of services in the public domain (publicly owned entities providing services on a market-basis: public (quasi-)corporations)
4. Some data are also asked concerning employees engaged in providing devolved services in the public domain (privately owned units providing services on a market basis but with statutory protection of their market position: the concessions of legal monopoly). The weight of contracted-out services can be measured by expenditures data coming from the National Accounts (intermediate consumption, etc.)

The new classification is consistent with the SNA for two reasons. First, this reflects a well-established consensus concerning the components of the public sector. Second, it allows for the possibility of "triangulating" employment data as, with assumptions concerning average wages, it would allow employment totals to be cross-checked against fiscal data.

Trends:

The survey on Comparison of Employment in the Public Domain is in process. We publish here results for 2002. Very early 2006 data are suggesting that the new measures of employment totals are leading to significantly revised understanding of employment in the public domain.

Further reading:

OECD (2007), *State of the Public Service*, OECD, Paris. (Forthcoming)

OECD (2005), *Management in Government: Feasibility Report on the Development of Comparative Data*, OECD, Paris.

OECD (2002), *Highlights of public sector pay and employment trends*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table 12.1. Total Public Employment

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Australia¹												
Federal Administration	406700	410300	397000	382300	359800	371700	354800	287700	264700	245600	251600	248500
States	1179100	1160200	1139800	1129300	1069300	1077800	1075900	1047600	1070700	1079900	1075000	1090600
Local Administration	160300	160900	161100	163500	159200	153500	154700	148800	138000	138700	139400	146700
<i>Total Public Sector</i>	<i>1746100</i>	<i>1731400</i>	<i>1697900</i>	<i>1675100</i>	<i>1588300</i>	<i>1603000</i>	<i>1585400</i>	<i>1484100</i>	<i>1473400</i>	<i>1464200</i>	<i>1466000</i>	<i>1485800</i>
Belgium												
Federal Administration			82902	81627	81461	83511	83106	82872	82996	83768	85227	
Canada²												
Federal Administration	406366	415387	411278	404734	394106	371053	356099	337713	330981	331685	339434	357308
Provinces	1387076	1401732	1409252	1397171	1375802	1370450	1315258	1301694	1300392	1296209	1303715	1313379
Local Administration	869121	888733	904250	909990	909161	907405	907146	891425	887527	885122	881641	881926
<i>Total Public Sector</i>	<i>2662563</i>	<i>2705852</i>	<i>2724780</i>	<i>2711895</i>	<i>2679069</i>	<i>2648908</i>	<i>2578503</i>	<i>2530832</i>	<i>2518900</i>	<i>2513016</i>	<i>2524790</i>	<i>2552613</i>
Czech Republic³												
Central Administration								501786	490071	459769		
Local Administration								239378	239131	256089		
Finland²												
Central Administration	146948	145877	145100	139886	132918	124670	122355	123214	124943	125481	123721	120541
Local Administration	433539	431650	412397	388842	394416	393621	408739	418172	416143	411151	415613	421537
<i>Total Public Sector</i>	<i>580487</i>	<i>577527</i>	<i>557497</i>	<i>528728</i>	<i>527334</i>	<i>518291</i>	<i>531094</i>	<i>541386</i>	<i>541086</i>	<i>536632</i>	<i>539334</i>	<i>542078</i>
France												
Central Administration								2488200	2522335	2547627	2576939	
Regional Administration								1045855	1060386	1076404		
Local Administration								1047645	1069249	1080056		
<i>Total Public Sector</i>								<i>4581700</i>	<i>4651970</i>	<i>4704087</i>		
Germany												
Federal Administration	652000	652000	624700	602900	577600	546300	533200	526400	516000	510200	502000	
Landers	2572000	2572000	2531300	2510700	2482000	2453400	2429900	2401900	2363100	2313700	2273300	
Local Administration	2051400	2051400	2073500	1946800	1873300	1801500	1739300	1683300	1648500	1609700	1572000	
<i>Total Public Sector</i>	<i>5275300</i>	<i>5275300</i>	<i>5229500</i>	<i>5060300</i>	<i>4932800</i>	<i>4801300</i>	<i>4702300</i>	<i>4611700</i>	<i>4527600</i>	<i>4433600</i>	<i>4347300</i>	
Greece												
Central Administration								31867	33057			
Regional Administration								193408	190783			
Local Administration								46230	47057			
<i>Total Public Sector</i>								<i>271505</i>	<i>270897</i>			
Hungary												
Central Administration								280496	285221	284608	277894	275279
Local Administration								533531	537394	515114	513542	513375
<i>Total Public Sector</i>								<i>814027</i>	<i>822615</i>	<i>799722</i>	<i>791436</i>	<i>788654</i>

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Italy												
Central Administration								1641086	1636325	1623507		
Regional Administration								126634	127948			
Local Administration								513630	511673			
<i>Total Public Sector</i>								3107131	3107549	3108803		
Japan												
Regional Administration	1747818	1750762	1748480	1745622	1741060	1732662	1726305	1719993	1709973	1698256	1673344	1654866
Local Administration	1670146	1680108	1693879	1713039	1728707	1732512	1734314	1732918	1725000	1718244	1713665	1698725
Luxembourg												
Central Administration	874	943	971	1037	1052	1099	1112	1180	1175	1204	1283	1411
<i>Total Public Sector</i>	16819	17157	17602	15401	15714	15938	16309	16690	17249	17778	18316	18934
Netherlands												
Central Administration							569266	596288	605996	614439	629745	
Provinces							40617	38405	38257	38641	39235	
Local Administration							175192	170347	172775	174953	177277	
<i>Total Public Sector</i>							785075	805040	817028	828033	846257	
New-Zealand												
Central Administration		209580	203510	206280	208670	201110	205150	197780	201230	208900	198180	205540
Regional Administration		29230	23730	23020	23480	22910	23110	21270	21330	21190	21990	21680
<i>Total Public Sector</i>		238810	227240	229300	232150	224020	228260	219050	222560	230090	220170	227220
Norway												
<i>Total Public Sector</i>										132210	133536	
Spain												
Central Administration	893492	852812	809590	832152	838345	852041	856863	838694	829875	830557	770956	689912
Regional Administration	514273	536983	565460	593453	612374	625771	620474	637218	671467	677160	690370	904041
Local Administration	333843	355548	374656	366391	367032	371456	425156	450400	460054	504550	456368	455357
<i>Total Public Sector</i> ^d	1801006	1809511	1816116	1863027	1891279	1926651	1983258	2010085	2047645	2101724	2009206	2136788
Sweden												
Central Administration						241000	236000	232000	228000	227000	222000	215000
Switzerland												
Federal Administration		35389							30741	31307	32353	33791
Turkey												
Central Administration								308228	311446	316920	318085	
Provinces								1481574	1500711	1626408	1700567	
Local Administration								161500	162103	175320	178500	
<i>Total Public Sector</i>								1951302	1974260	2118648	2197152	

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
United States												
Federal Administration	3233332	3100361	3105764	3042822	2992865	2942541	2880700	2816388	2782761	2788350	2878819	
States	3968265	4005321	4044914	4088075	4162944	4201836	4191726	4214451	4240779	4296673	4370562	
Local Administration	10564447	1.1E+07	10892697	11059500	11278080	11442238	11621074	11844330	12077513	12339584	12620177	
<i>Total Public Sector</i>	<i>17766044</i>	<i>17848240</i>	<i>18043375</i>	<i>18190397</i>	<i>18433889</i>	<i>18586615</i>	<i>18693500</i>	<i>18875169</i>	<i>19101053</i>	<i>19424607</i>	<i>19869558</i>	

Notes :

1. Excluding Permanent Defence Forces.
 2. Excluding Government Business Enterprises.
 3. Excluding Permanent Defence Forces and Police.
 4. Excluding universities.
 5. Data are available for Italy from a) ISTAT, *Annuario di Statistiche delle Amministrazioni Pubbliche* (years 1999, 2000, 2001, 2002, 2003; 2004 forthcoming); b) Ministry of Economy, Ragioneria Generale dello Stato, *Conto Annuale*, www.contoannuale.tesoro.it (years from 1999 to 2005).
- Source: OECD Public Management Service, 2002. Copyright OECD 2002. All rights reserved. These data are being updated in the 2006 OECD CEPD survey.

Table 12.2. Public Sector Total Employment in Full Time Equivalent

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	
Austria													1990-2000
Federal Administration	163900	163337	166691	169891	171822	169892	171579	171167	170876	169003	165093	161558	1%
Landers	143036	145473	146009	148244	150034	149538	143170	131393	132411	132857	132644		-7%
Local Administration	130996	134772	141155	142747	145102	147316	150092	140442	140355	139700	140527		7%
<i>Total Public Sector</i>	<i>437932</i>	<i>443581</i>	<i>453856</i>	<i>460883</i>	<i>466958</i>	<i>466746</i>	<i>464841</i>	<i>443002</i>	<i>443642</i>	<i>441560</i>	<i>438264</i>		<i>0.1%</i>
Belgium													1992-2000
Federal Administration			76154.1	76004.2	75694	75998	73729	73189	73085	73349	76439		0.4%
Czech Republic ¹													1997-1999
Central Administration								471861	460592	432757			-8%
Local Administration								223588	223855	240681			8%
France													1997-1999
Central Administration								2362400	2381830	2395159	2423577		1%
Regional Administration								963220	973952	998599			4%
Local Administration								927637	942787	951176			3%
<i>Total Public Sector</i>								<i>4253257</i>	<i>4298569</i>	<i>4344934</i>			<i>2%</i>
Hungary													1997-2001
Central Administration								274098	280802	280707	274299	271759	-1%
Local Administration								516743	523680	503216	501947	500743	-3%
<i>Total Public Sector</i>								<i>790841</i>	<i>804482</i>	<i>783923</i>	<i>776246</i>	<i>772502</i>	<i>-2%</i>
Ireland													1990-2001
Central Administration	28090	28887	29519	29654	30155	31282	31030	30856	31562	32733	34068	36092	28%
Regional Administration	146696	148764	151563	154055	158642	160942	161450	164713	167901	175193	183605	193851	32%
Local Administration	26681	26715	26793	27060	26540	26479	26500	26500	26900	27400	28800	29300	10%
<i>Total Public Sector</i>	<i>201467</i>	<i>204366</i>	<i>207875</i>	<i>210769</i>	<i>215337</i>	<i>218703</i>	<i>218980</i>	<i>222069</i>	<i>226363</i>	<i>235326</i>	<i>246473</i>	<i>259243</i>	<i>29%</i>
Korea													1990-2001
Central Administration	553746	567385	579884	583411	582570	574117	576637	578557	572948	565619	563682	566091	2%
Regional Administration	264375	286697	306295	316415	325028	331273	349157	357202	315386	310053	64802	64906	-75%
Local Administration													
<i>Total Public Sector</i>	<i>818121</i>	<i>854082</i>	<i>886179</i>	<i>899826</i>	<i>907598</i>	<i>905390</i>	<i>925794</i>	<i>935759</i>	<i>888334</i>	<i>875672</i>	<i>869676</i>	<i>868120</i>	<i>6%</i>

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	
Netherlands													1996-2000
Central Administration							491287	499525	516839	523697	537072		9%
Provinces							35623	34174	34313	34309	34473		-3%
Local Administration							154268	151793	154100	155764	156304		1%
<i>Total Public Sector</i>							681178	685492	705252	713770	727849		7%
New-Zealand													1991-2001
Central Administration		183700	178310	179640	180810	175260	178380	171830	174090	178440	171640	177940	-3%
Regional Administration		27160	21770	21070	21260	20580	20290	18840	18700	18480	18990	18700	-31%
<i>Total Public Sector</i>		210860	200080	200710	202070	195840	198670	190670	192790	196920	190630	196640	-7%
Norway													1999-2000
<i>Total Public Sector</i>										111694	111046		-1%
Poland													1994-2000
Central Administration					133330	141494	156856	163487	171246	147835	135865		2%
Regional Administration										25786	45953		
Local Administration					135022	139295	133369	142114	138227	132769	133518		-1%
<i>Total Public Sector</i>					2082979	2107264	2118433	2142042	2169111	2186769	2151044		3%
Sweden													1995-2001
Central Administration						228000	224000	220000	217000	217000	211000	204000	-11%

Note :

1. Excluding Permanent Defence Forces and Police
2. Data are available for Italy from ISTAT, Conti trimestrali della pubblica amministrazione SEC 95 (years from 1991 to 2005)

Source: OECD Public Management Service, 2002. Copyright OECD 2002. All rights reserved. These data are being updated in the 2006 OECD CEPD survey.

Table I2.3. Numbers of employees in different categories of the public domain -early results of the CEPD Survey 2006

In thousands

	Employees engaged in the direct provision of services in the public domain	Employees engaged in the indirect provision of services in the public domain	Employees engaged in the public corporate provision of services in the public domain
France	5156	854	914
Netherlands	860	196	701
Korea	1767	23	242
Turkey	2306	0	348
USA	20961		982

Notes: Netherlands: in full-time equivalent

Turkey: public enterprises only at the national level

USA: the category "Employees engaged in the direct provision of services in the public domain" may encompass some privately owned units mainly financed by public funds and controlled by government. Other privately owned units mainly financed by public funds may be not represented in these figures.

Source: Early results from the survey on Comparison of Employment in the Public Domain (CEPD), sent at mid-2006. Complete analysis will be published in the OECD (2007), *State of the Public Service*, Paris (forthcoming).

13. EMPLOYMENT IN THE PUBLIC DOMAIN WITHIN THE TOTAL LABOUR FORCE

Key contacts: Elsa Pilichowski, Edouard Turkish, OECD GOV

Employment within the public domain relative to the total labour force provides a headline estimate of the size of the public domain, and the influence of changes of public employment levels on the flexibility of the wider labour market. The data also provide an entry point into productivity means in the public sector compared to the private sector.

About this indicator:

The latest OECD Comparison of Employment in the Public Domain survey uses new internationally comparable definitions of the "public domain" which encompass all activities that represent a significant contingent fiscal liability to government.

The total labour force represents the number of people available for work. This is affected by many factors. The population of working age is affected by the school-leaving age and the size of the further and higher education system, which keeps down the number of young workers, and the retirement age and pension system, which keeps down the number of older workers. Among the population of working age, the participation rate is affected by the social security system, which determines how much income is available without working and how easy is to qualify for it. The labour force is also affected by a country's immigration policy and the degree of effort put into actually enforcing it.

Further reading:

OECD (2007), *State of the Public Service*, Paris. (Forthcoming)

OECD (2005), *Management in Government: Feasibility Report on the Development of Comparative Data*, Paris.

OECD (2002), *Highlights of public sector pay and employment trends*, Paris.

Aspects of government measured by the indicator:

Activities of:	General government					Other public sector			Private sector in the public domain	
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes			Final outcomes	Antecedents or constraints	
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table I3.1. Share of the Public Employment over the Labour Force (%)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Australia ¹	20.8	20.5	19.9	19.6	18.3	17.9	17.5	16.4	15.9	15.6	15.2	15.2
Austria ²	12.4	12.3	12.3	12.3	12.1	12.0	12.0	11.4	11.4	11.3	11.2	
Canada ³	18.7	18.9	19.0	18.7	18.3	18.0	17.3	16.7	16.3	16.0	15.8	15.7
Czech Republic ⁴								14.4	14.2	13.9		
Denmark ²								22.6	22.8	22.6	22.6	23.1
Finland ³	22.4	22.7	22.3	21.3	21.4	20.9	21.3	21.8	21.6	21.0	20.8	20.8
France								18.1	18.3	18.3		
Germany		13.3	13.2	12.8	12.5	12.2	11.9	11.6	11.3	11.0	10.7	
Greece								6.4	6.1			
Hungary								20.4	20.5	19.5	19.2	19.3
Ireland	15.2	15.2	15.3	15.1	15.1	15.0	14.6	14.4	14.0	13.9	14.1	
Italy								13.4	13.5	13.2		
Luxembourg	8.8	8.8	8.7	7.5	7.4	7.3	7.2	7.5	7.1	7.0	6.9	6.7
Netherlands							10.4	10.5	10.5	10.4	10.5	
New Zealand		14.6	13.8	13.7	13.5	12.6	12.4	11.8	11.9	12.2	11.6	11.8
Norway										5.7	5.7	
Poland ²					12.2	12.3	12.4	12.5	12.6	12.8	12.4	
Spain	11.8	11.4	11.4	11.6	11.6	11.8	11.9	11.9	12.0	12.1	11.2	12.0
Turkey								8.9	8.8	9.1	10.0	
United States	14.1	14.1	14.1	14.1	14.1	14.0	14.0	13.8	13.9	13.9	14.1	

Notes: 1. Public Employment excludes Permanent Defence Forces. 2. Public Employment Data in Full Time Equivalent; 3. Public Employment excludes Government Business Enterprises; 4. Public Employment excludes Permanent Defence Forces and Police.

Source: Labour Force: OECD Labour Force Statistics, 2002. Public Employment: OECD Public Management Service, 2002. Copyright OECD 2002. All rights reserved.

Table I3.2. Employment in different categories of the public domain as a % of total labour force in 2005 – Early results of the CEPD Survey 2006

	Employees engaged in the direct provision of services in the public domain	Employees engaged in the indirect provision of services in the public domain	Employees engaged in the public corporate provision of services in the public domain
France	18.8%	3.1%	3.3%
Netherlands	10.4%	2.4%	8.5%
Korea	7.4%	0.1%	1.0%
Turkey	9.2%	0.0%	1.4%
USA	14.1%	...	0.7%

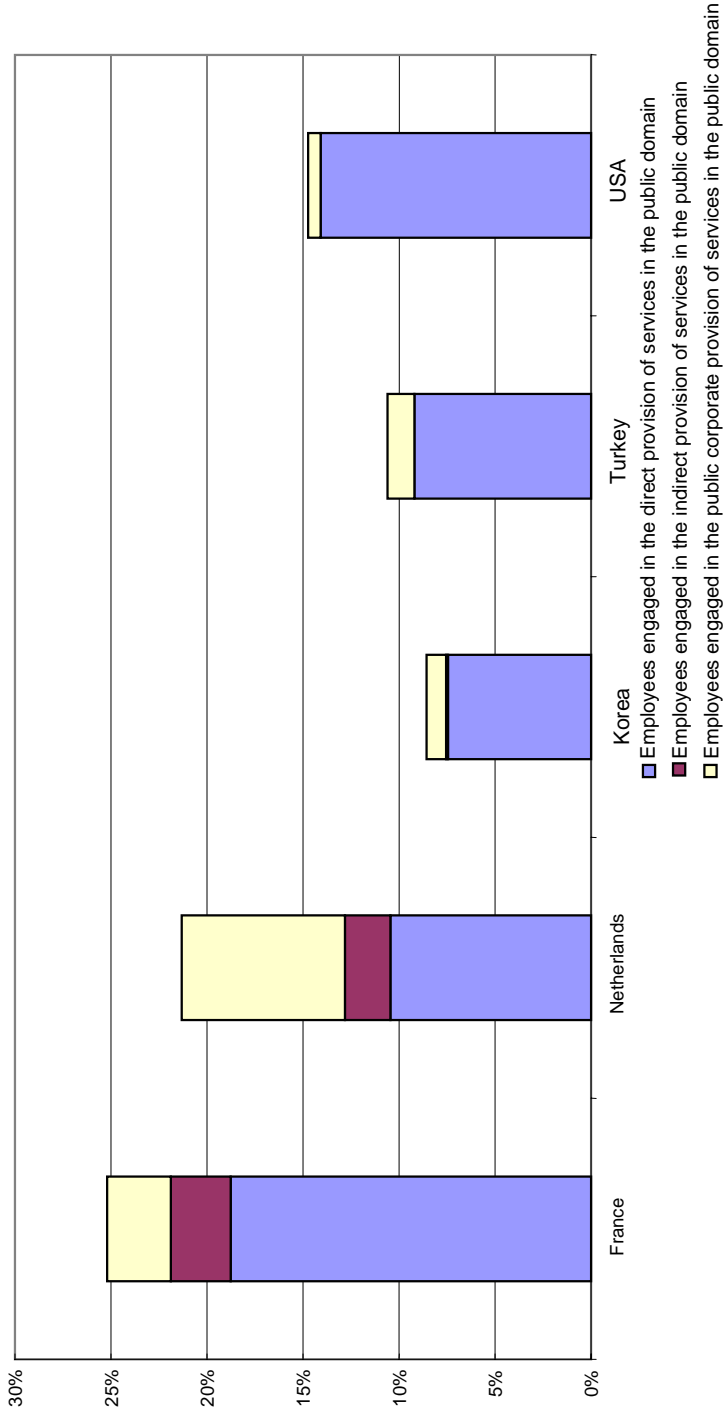
Note: Netherlands: 2002 data for the labour force

Turkey: public enterprises only at the national level

USA: the category "Employees engaged in the direct provision of services in the public domain" may encompass some privately owned units mainly financed by public funds and controlled by government. Other privately owned units mainly financed by public funds may be not represented in these figures

Source: Early results of the 2006 CEPD survey

Figure I3.1. Employment in different categories of employment in the public domain, as a % of total labour force in 2005



Source: Early results from the survey on Comparison of Employment in the Public Domain (CEPD), sent at mid-2006. Complete analysis will be published in the OECD (2007), *State of the Public Service*, OECD, Paris (forthcoming).

14. AGE STRUCTURE OF PUBLIC SECTOR EMPLOYMENT

Key contacts: Elsa Pilichowski, Emma Arnould, Edouard Turkisch, OECD GOV

In many OECD countries, public sector workforces are ageing even more rapidly than the rest of society and the wider labour market. Reinforcing this trend, it seems that the age at entry to the public service has increased. At the same time, the overall demographic developments have resulted in changing needs for public services, and this is likely to continue (for instance, declining demand for primary education but increased demand for health and elderly care services, both of which are rather labour intensive). Unless accompanied by a reallocation of resources and more efficient working practices, the overall demand for labour in the public sector will increase steadily. To address this challenge, OECD countries are reforming their approach to public sector personnel management, with the objective of better adapting the labour force to changing needs, attracting the people with the necessary skills, and strengthening the performance of public employees. The retirement of a significant share of public employees should be taken as an opportunity to progress further in this direction.

About this indicator:

The age structure of the public sector has been driven by its distinctive history. The effects of the rapid expansion of public services in the 1970s until the mid-80s and the massive hiring that took place at this time (depending on the country), have been combined with hiring freezes that have taken place in many countries in the 1980s and 1990s.

Highlights:

Most national administrations will have to face the arrival at retirement age of the baby-boom generation in the next decade. Since 1990, the age groups “50-59 years” and “60 years and more” have seen their respective proportion increase continuously.

Further reading:

OECD (2007), *State of the Public Service*, OECD, Paris (forthcoming).

OECD (2006), *Report on ageing in the civil service*, OECD, Paris.

OECD (2005), *Management in Government: Feasibility Report on the Development of Comparative Data*, OECD, Paris.

OECD (2002), *Highlights of public sector pay and employment trends*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

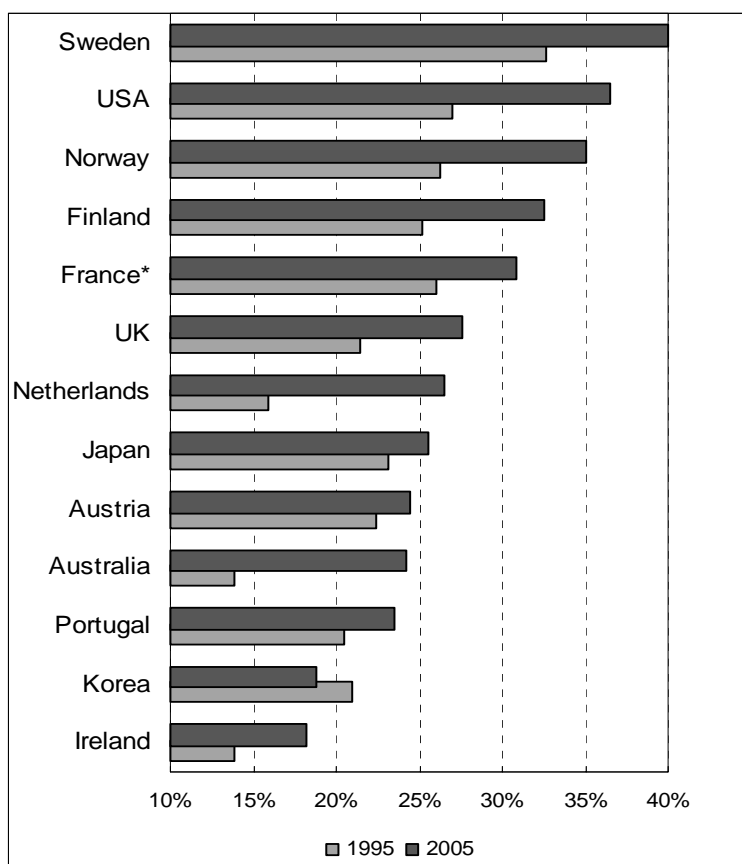
Table I4.1. Proportion of workers above 50, at national/federal government level, in 2005

	National/federal government	Total labour force
Australia	24%	24%
Austria	24%	19%
Belgium	44%	20%
Finland	33%	29%
France	31%	24%
Hungary	36%	24%
Ireland	18%	21%
Japan	25%	33%
Korea	19%	22%
Luxemburg	24%	19%
Mexico	24%	20%
Netherlands	27%	23%
Norway	35%	28%
Portugal	24%	23%
Sweden	40%	31%
Switzerland	32%	27%
UK	28%	26%
USA	37%	27%

Note: Data are available for Italy from a) ISTAT, *Annuario di Statistiche delle Amministrazioni Pubbliche* (years 1999, 2000, 2001, 2002, 2003; 2004 forthcoming); b) Ministry of Economy, Ragioneria Generale dello Stato, *Conto Annuale*, www.contoannuale.tesoro.it (years from 1999 to 2005).

Source: OECD (2006), *Report on Ageing in the Civil Service*, OECD, Paris.

Figure I4.1. Proportion of workers above 50, at national/federal government level, in 1995 and in 2005



Note: For the figures I4.1 to I4.5, employees at national/federal government levels include:

Australia: Ongoing employees only – around 123000 persons in 2005

Austria: Federal administration

Belgium: Around 85000 persons of the core federal civil service

Finland: Central government sector

France: State civil service

Hungary: National and sub-national levels

Ireland: Around 30000 employees of the core civil service

Korea: Core ministries. *i.e.* Ministries, Agencies, Administrations belonging to the central administrative organizations (the Executive).

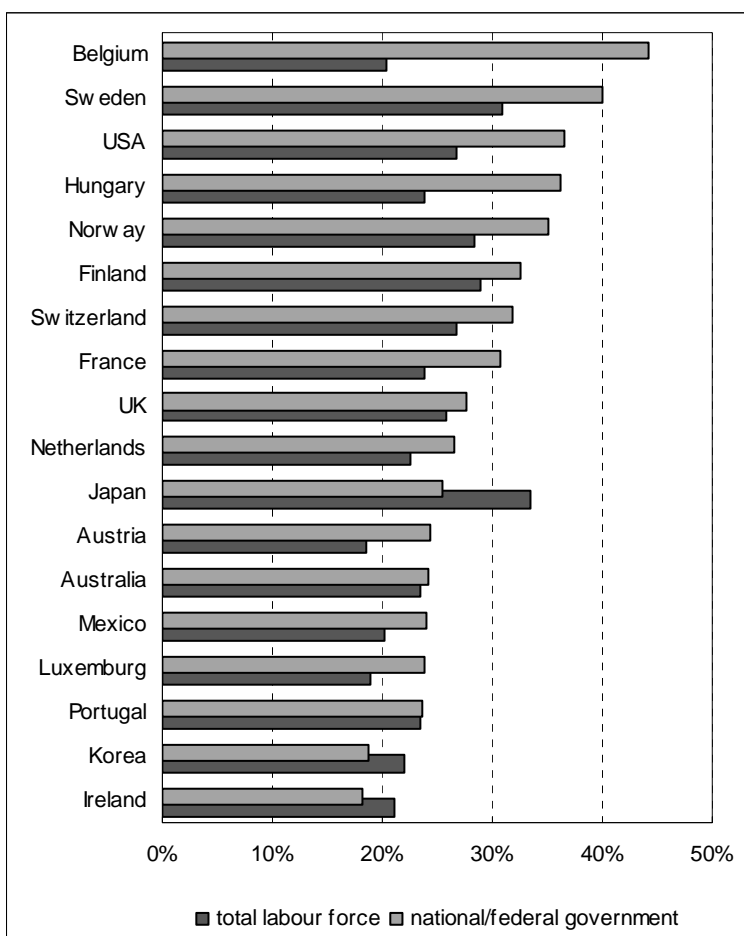
Norway: The 117000 employees of the federal level (in 2005)

Switzerland: Federal administration (departments, offices)

USA: 1.8 millions employees at the federal level

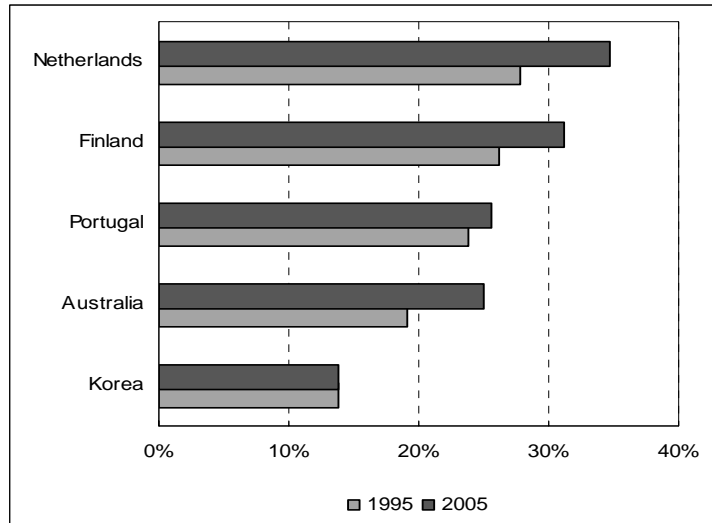
Source: OECD (2006), *Report on ageing in the civil service*, OECD, Paris.

Figure I4.2. Proportion of workers above 50 at the national/federal government, proportion of persons above 50 in the total labour force, 2005



Source: OECD (2006), *Report on ageing in the civil service*, OECD, Paris.

Figure I4.3. Proportion of workers above 50 in sub-national levels of government, in 1995 and in 2005



Employees at the sub-national levels include:

Australia: State, Territory and Local (all employees)

Finland: Total public sector

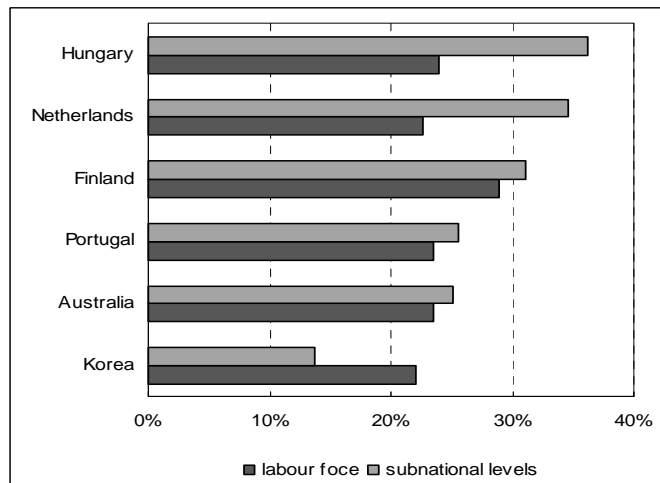
Hungary: National and sub-national levels

Netherlands: Figures contain the subsectors for which labour conditions are not determined at national Government level. These subsectors are: municipalities and their bodies of cooperation, provinces, waterboards, professional education, adult education, scientific education

Portugal: Local administration, excluding the regional administrations of Madeira and Azores

Source: OECD (2006), *Report on ageing in the civil service*, OECD, Paris.

Figure I4.4. Proportion of workers above 50 in sub-national levels of government and in the total labour force, 2005



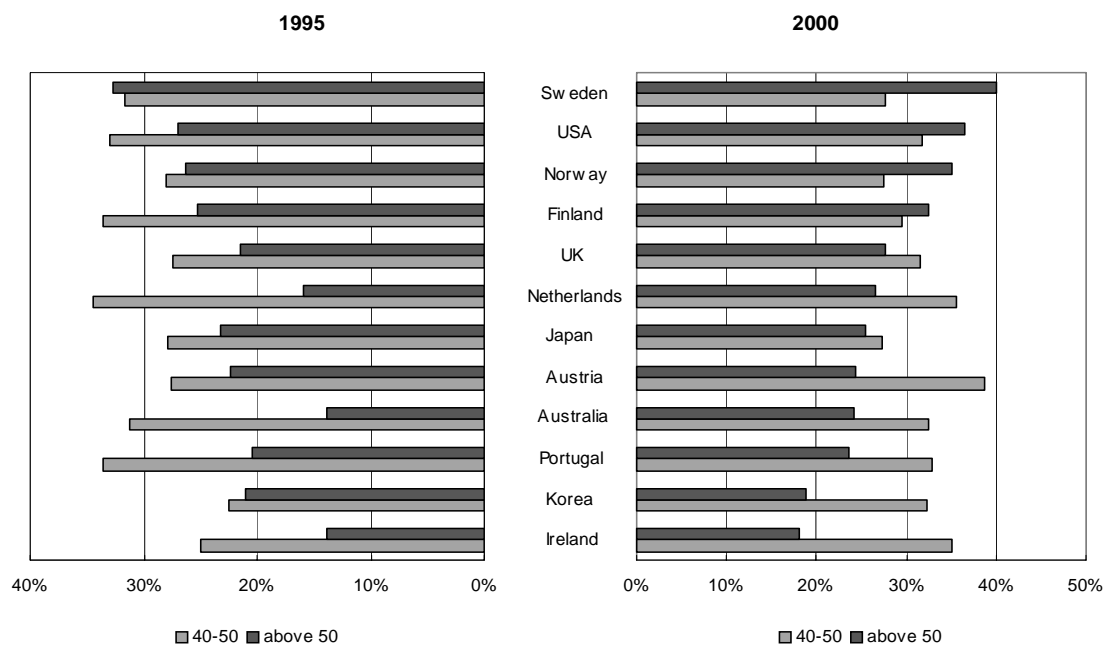
Note: Exceptions regarding the years taken into account:

Australia: 2000 and not 2005 at the sub-national level

Finland: 2000 and not 2005 at sub-national level

Sources: *Public Sector Pay and Employment Survey* (2002), OECD, Paris, and early results of the new HRM Survey (2006). Complete analysis will be published in the OECD (2007), *State of the Public Service*, OECD, Paris (forthcoming).

Figure 14.5. Proportion of workers at the national/federal level between 40 and 50 and above 50 years old



Note: Exceptions regarding the years taken into account:

Finland: 1997 and not 1995 for the national level

France: Data are for 1997-2002 for the national level

Ireland: 2000 and not 2005 for the national civil service

Japan: Data for total labour force are for 2002.

Korea: 2004 and not 2005 for the labour force

Portugal: 2000 and not 2005 for the civil service at the national and at the sub-national levels

Sweden: 2000 and not 2005 for the civil service at the national level

USA: 2004 and not 2005 for the civil service at the federal level and for the total labour force

Sources: *Public Sector Pay and Employment Survey* (2002), OECD, Paris, and early results of the new HRM Survey (2006). Complete analysis will be published in the OECD (2007), *State of the Public Service*, OECD, Paris (forthcoming).

15. PARTICIPATION OF WOMEN IN PUBLIC EMPLOYMENT

Key contacts: Elsa Pilichowski, Edouard Turkisch, OECD GOV

The public sector workforce is increasingly female. OECD work has identified the changing opportunities for women within the civil service. Many countries have established policies aimed at increasing female participation in the public workforce and especially at management levels.

About this indicator:

The proportion of women in the public sector workforce is significant but it is a very narrow measure of equality of opportunity. It is probable that informal practices and assumptions matter more than formal institutional arrangements in ensuring equal opportunities, and the trends likely reflect changing attitudes as much as formal new employment policies.

Highlights:

GOV public sector pay and employment data show trends in female employment in the public sector (as % of total) in 20 OECD countries and the share of women at different responsibility levels (as % of total) in 16 OECD countries. The data show a persistent increase in women's participation in public employment. In the seven OECD countries with a data time series since 1990, women have accounted for over half of the public sector workforce since 1995. When the central or federal administration is considered alone, a similar trend is evident – although women's participation in this level of government lags that of the public sector as a whole. Reassuringly, these data suggest that the increased participation of women in the public sector workforce is not just the result of increasing numbers of low skill and low pay jobs being available to them.

Further reading:

OECD (2007), *State of the Public Service*, OECD, Paris (forthcoming),

OECD (2005), *Management in Government: Feasibility Report on the Development of Comparative Data*, OECD, Paris.

OECD (2002), *Highlights of public sector pay and employment trends*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table I5.1. Proportion of women in national administration, 2005 or closest year available

Proportion of women in national/federal administration	
Belgium	51.1
Finland	49.1
Japan	19.6
Korea	40.4
Mexico	45.8
Netherlands	40.6
Norway	46.0
Portugal	61.0
Switzerland	29.4
United Kingdom	52.4
United States	43.9

Table I5.2. Proportion of women in management group, at the national level, 2005

	Senior managers	Middle managers	Administrative staffs
Finland	76	70	55
Mexico	35	50.02	45.54
Portugal	34	52	83
United Kingdom	29	49.7	61.9
Norway	23	35	...
Netherlands	14	19.9	34.5
Ireland*	13	42.5	74
Belgium	13	36.9	54.9
Switzerland	9	21.2	...
Korea	3	9.1	24.3
Japan	2	12.2	28.6

Notes: * Data for 2000; Data are available for Italy from a) ISTAT, *Annuario di Statistiche delle Amministrazioni Pubbliche* (years 1999, 2000, 2001, 2002, 2003; 2004 forthcoming); b) Ministry of Economy, Ragioneria Generale dello Stato, *Conto Annuale*, www.contoannuale.tesoro.it (years from 1999 to 2005).

Sources: Preliminary sample results from the Survey on Strategic Human Resources in Government. Complete analysis will be published in the OECD (2007), *State of the Public Service*, OECD, Paris (forthcoming).

Figure 15.1. Proportion of women in national administration, 2005 or closest year available

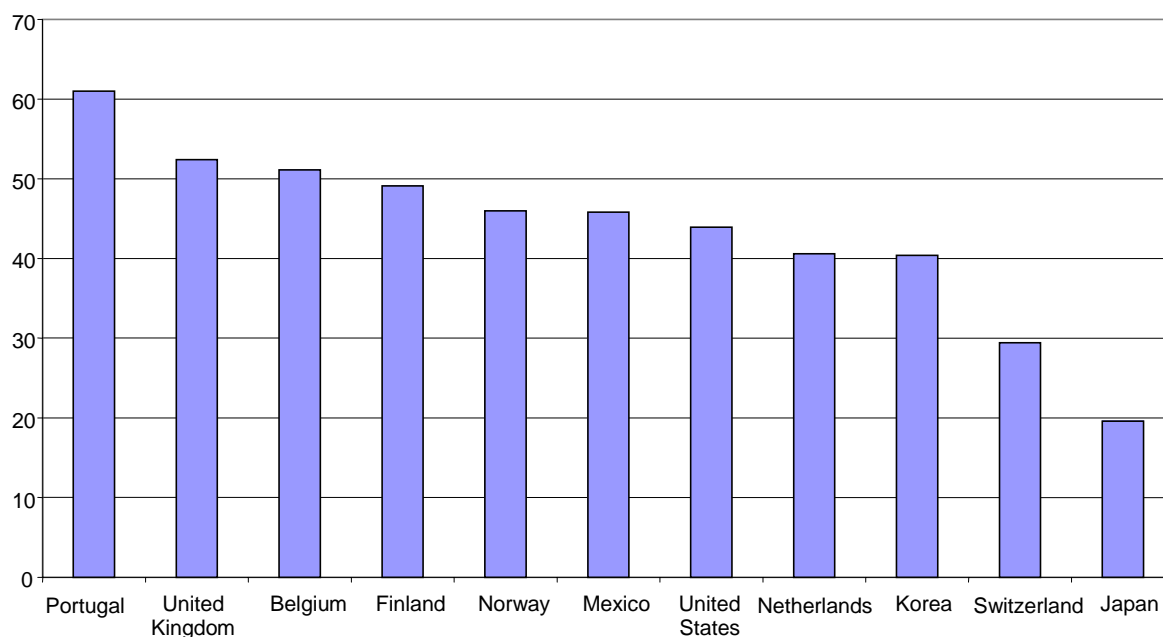
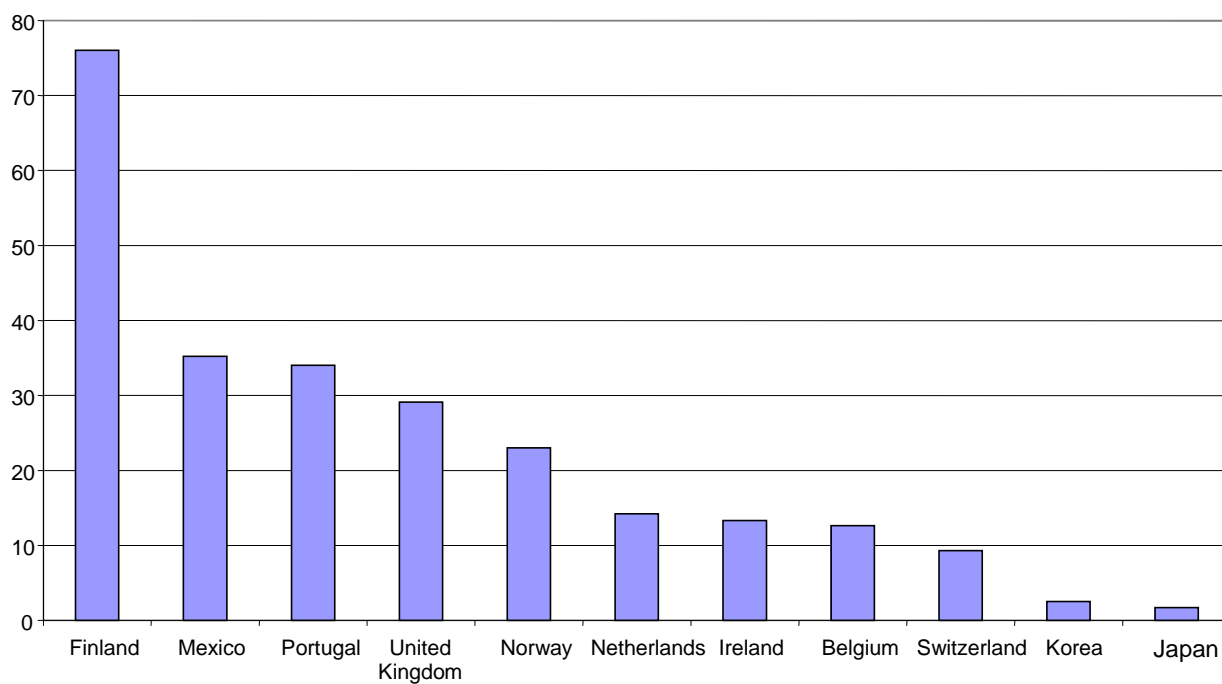
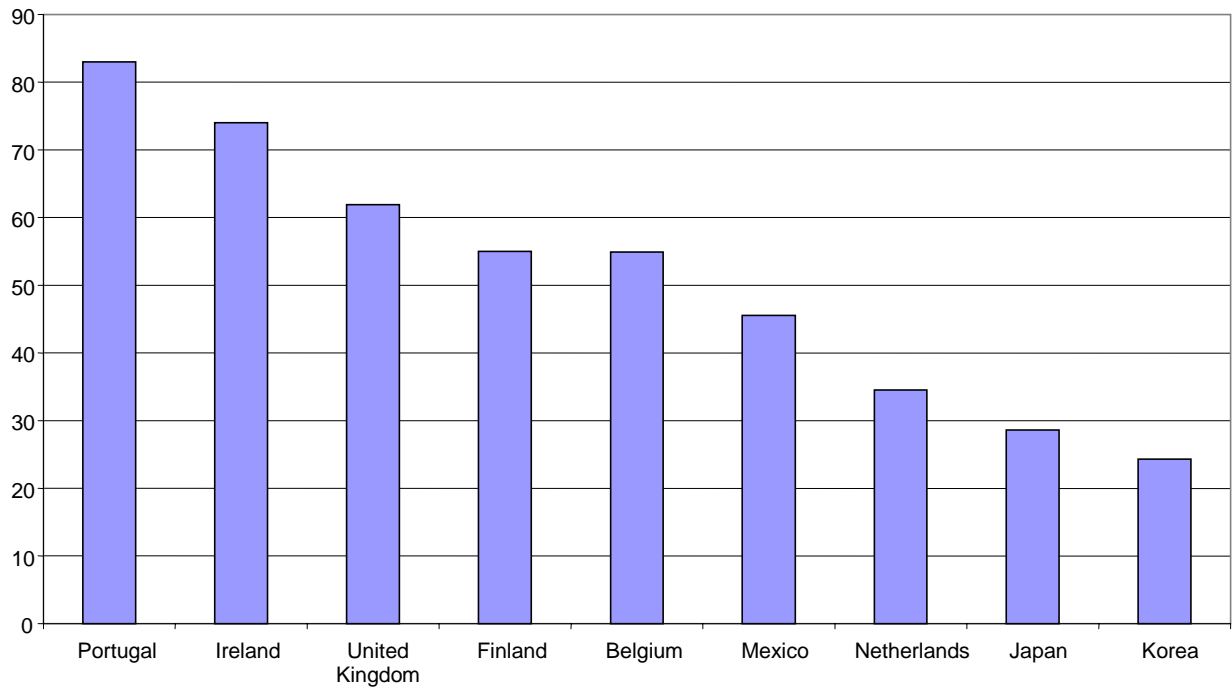


Figure 15.2. Proportion of women in senior management group, at the national level, 2005 or closest year available



Sources: Preliminary sample results from the Survey on Strategic Human Resources in Government. Complete analysis will be published in the OECD (2007), *State of the Public Service*, OECD, Paris (forthcoming).

Figure I5.3. Proportion of women in administrative staffs of civil service, 2005 or closest year available



Sources: Preliminary sample results from the Survey on Strategic Human Resources in Government. Complete analysis will be published in the OECD (2007), *State of the Public Service*. OECD, Paris (forthcoming).

16. DISPERSION OF EARNINGS IN THE PUBLIC SECTOR

Key contacts: Elsa Pilichowski, Edouard Turkisch, OECD GOV

Public sector pay is a significant contributor to the attractiveness of the public sector as a career, particularly for technical specialists. Vertical compression provides insights into the attractiveness of senior positions for existing staff seeking career advancement within the public sector.

About this indicator:

Compression in annual pay in central or federal administrations and in the public sector is examined in the ratio between the medians of the first and ninth deciles of public sector pay levels. The median of all public sector pay provides a snapshot of broad changes in pay. The indicators can be distorted by the existence of significant in-kind benefits, if the monetary value is not reflected in the reported pay levels.

Further reading:

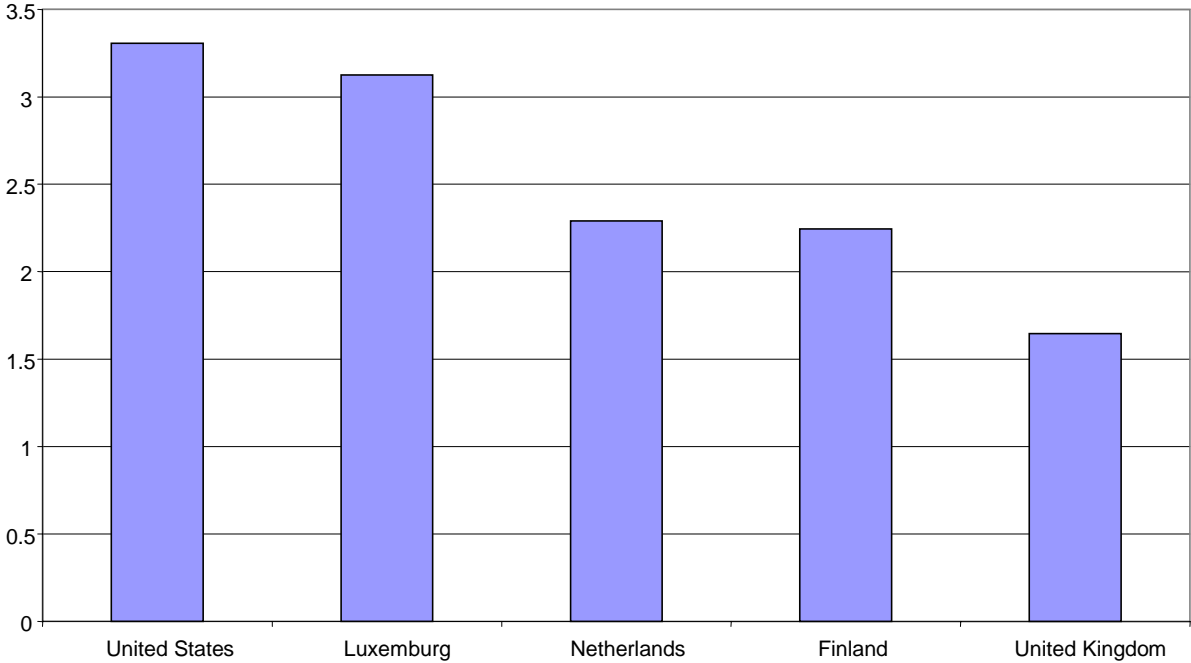
OECD (2007), *State of the Public Service*, OECD, Paris (forthcoming),
 OECD (2005), *Management in Government: Feasibility Report on the Development of Comparative Data*, OECD, Paris.
 OECD (2002), *Highlights of public sector pay and employment trends*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Figure I6.1. Dispersion of earnings (9th decile divided by 1st decile) in the civil service at the national level

2005



Sources: *Public Sector Pay and Employment Survey* (2002), OECD, Paris, and some early results of the new HRM Survey (2006). Complete analysis will be published in the OECD (2007), *State of the Public Service*, OECD, Paris (forthcoming).

17. PUBLIC SECTOR PENSION RIGHTS

Key contacts: Elsa Pilichowski, Edouard Turkisch, OECD GOV

Public sector pensions are a significant component of total compensation, and so contribute to the attractiveness of the public sector as a career, particularly for technical specialists. The way in which pensions are structured has implications for the attraction of senior positions, both for external applicants and for existing staff seeking career advancement within the public sector. Pensions also constitute a significant and often unknown fiscal liability.

About this indicator:

Pension rights are determined by reference to a series of parameters related to age and by the way in which the pension is calculated. Age need not be a decisive element in calculating pensions, especially in countries where there are general rules for access to the basic scheme. These latter include length of residence requirements and a single retirement age. The pension, either a fixed amount or an amount that varies according to resources, is mainly financed out of income tax. In principle, the makeup of the household is taken into account for payment of incremental pensions. Some laws or company statutes do not allow people to be kept on in employment after a certain age. Different ages can be set for the supplementary retirement pension. This difference in age is an incentive to employees to stay until they reach the retirement age laid down in the basic scheme. In supplementary schemes, the social partners often play a major role in determining the retirement age.

There are three key variables:

1. The minimum retirement age is the age at which civil servants can ask for the liquidation of rights on retirement and receive a pension immediately.
2. The maximum retirement age means the age when civil servants must leave their posts and liquidate their pensions.
3. The replacement rate is the relationship between the average pension of a given individual or population and average earnings at a certain date.

Highlights:

Public sector pension schemes in OECD member countries vary substantially. The legal age of retirement is a decisive factor in calculating the old age pensions of workers in certain member countries of the OECD. It is between 60 and 65 for public sector employees. Other member countries have decided not to set a legal age (New Zealand, Japan and Australia). Two countries (Portugal and France) make derogations, in terms of age, for politicians. In most member countries of the OECD, the age for retirement is identical for men and women. The trend in member countries of the European Union is to bring the age of retirement of women into line with that for men. In countries where special schemes exist for public sector employees, the replacement rate is higher than in other countries. In practice, it varies between 70 and 100%. The replacement rate is lower, if not very low, in countries where defined contribution schemes play a large part and where the pay of public sector employees is similar to that in the private sector. The rates vary between 40 and 60%.

Further reading:

OECD (2005), "Public Sector Pension Schemes in OECD Member Countries: Preliminary Findings", presented at the Human Resources Management (HRM) Working Party, OECD Headquarters, Paris, 10-11 October 2005.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table I7.1. Minimum age and rules for determining the pensions of public sector employees in OECD

	Minimum age (years)	Pay-in period	Maximum replacement rate (%)	Basis for calculation Indexation method
Australia Basic scheme	55 under PSS (<i>Public Sector Superannuation Scheme</i>) Can opt to work until 75		1/3 of salary	Final salary (basis for contributions)
Austria Basic scheme	60 65 by 2017 Maximum age: 70	40 – 45 15 minimum	80	12 best months in 2003 24 best months in 2004 36 best months in 2005 (for <i>Beamte</i>) 186 best months rising to 480 by 2028 (for <i>Vertragsbedienstete</i>) Indexed to salaries only
Belgium Basic scheme	65, with early retirement option from age 60 except if physically disabled Maximum age: 70	5 minimum	75 maximum	Average pay (base salary + bonuses and miscellaneous benefits) over the past 5 years or, if less than 5 years' service: entire career; for military personnel, final salary Indexation: prices plus equalisation.
Czech Republic Basic scheme	63 for men and between 59 and 62 for women who have not had children (average retirement age: 57 for women and 61 for men).	5 in 95 30 by 2016	44% of average gross pay; 57% of net. Rate has dropped from 61% in 1998 to 57 in 2004	Universal scheme + defined benefits (standard pension + amount based on a percentage of salary) Indexed to salaries Adjustment: rise in cost of living and 1/3 rd of increase in real salaries.
Denmark Basic scheme	60 Maximum: 70	37 maxi 10 mini	Depends on grade From 40 to 70 (average: 57)	Final salary + number of years' service Flat rate + ATP
Finland Basic scheme	65 (early retirement option)	40	60	Average salary over the 10 last years
France Basic scheme	60 (option from 55) Maximum: 70	37.5	75	Pay index of the final 6 months
Germany Basic scheme	65 except for certain civil servants (police, armed forces: 61) Average age: 60.3 Can retire early from age 63 – raised by 1 month per year from 2011 to age 67 in 2035 – with penalties.	40	75	Final salary (including bonuses and allowances)
Greece (1993 reform) Basic scheme	65	35	60 Before reform: 80%	Salaries of the final 5 years excluding bonuses / number of months' contributions for service after 2007 Before then, final salary
Hungary	For men: being raised to 62 by 1 additional year every 2 years Maximum: 70 For women: being raised to 62 by 1 additional year every 2 years until 2009.	36/37 20 minimum	60	All activity Calculation aggregates age and length of service. Maximum age: 70.
Ireland Basic scheme	60 Maximum: 65	40	50	Final 12 months (including certain supplemental remuneration)
Japan Basic scheme	65 Persons born prior to 1 April 1961 may retire early between 60 and 64	25	69.2%	Salary + bonus, including non-monetary compensation
Netherlands Mandatory supplemental scheme	65	40 if less than 40 years)	70 55%	Final annual salary received

	Minimum age (years)	Pay-in period	Maximum replacement rate (%)	Basis for calculation Indexation method
New Zealand	65			
Norway Basic scheme	67 (no differentiation between men and women)	30	66 (FDP included)	20 best years; for early retirement, pension reduced by 1/30 th per year. Indexation on previous years' salaries; in the future should be based on average pay.
Poland	60 for women 65 for men	40	No minimum period (notional accounts system)	
Portugal (Pre-reform) Basic scheme	60 Maximum: 70	36	100%	Final salary prior to August 2005 reform
Slovenia Basic scheme	63 for men 61 for women No age difference in respect of early retirement (58 for both sexes) Possible from age 55	10 15		Depends on period of contributions.
Spain Basic scheme	65 Early retirement option from 60 Maximum: 70	35	100	Reference salaries set annually by the Ministry of Finance
Sweden Compulsory supplemental scheme	61 Normal age: 65	30	10% (supplemental scheme only)	Average pay over the final 5 years (capped) including all forms of remuneration other than benefits in kind
United Kingdom Supplemental scheme can be substituted for SERPS	65 (Early retirement option from age 60) Maximum: 70	40	50	Best salary over the final 3 years
United States	65			Average salary over the best 35 years, then pension computed using a rate that decreases with level of earned income, with three set brackets: 90%; 32% and 15%.

Note: For Italy, information on the pensions rules can be found in the Country Case Studies on Ageing discussed in the October 2006 PGC meeting.

Source: The information provided is based on the findings of a Survey on Pension Schemes for Public Sector Workers in OECD member countries.

18. TYPES OF PUBLIC SECTOR PENSION SCHEMES

Key contacts: Elsa Pilichowski, Edouard Turkish, OECD GOV

Public sector pension schemes in OECD Member countries vary substantially. Public sector pensions are a significant component of total compensation, and so contribute to the attractiveness of the public sector as a career, particularly for technical specialists. The way in which pensions are structured has implications for the attraction of senior positions, both for external applicants and for existing staff seeking career advancement within the public sector. Pensions also constitute a significant and often unknown fiscal liability.

About this indicator:

There are contributory and non contributory pension schemes. A contributory pension scheme is the one in which scheme members are required to contribute to the scheme's funds, usually by deduction of a percentage of their pay. This is contrasted with a non-contributory pension scheme, where the entire cost is borne by the employer. In a contributory pension scheme the employer normally also bears part of the cost.

Defined benefit schemes show a characteristically high level of interdependence between the generations, but also between the members and the employers. These latter, in general, bear the risks of managing the scheme and paying the benefits. Benefits are calculated on the basis of a reference salary based on a certain period of activity that varies according to the number of years of contributions and the category of the workers.

In defined contribution plans, pension rights are personalized, meaning that the pension received is based on the contributions paid throughout the person's working life. The final salary is not considered. The amount of the final benefit depends on a number of factors such as the financial performance of the funds invested, the level of administrative and management costs, the capacity of the fund managers or even the efficiency of the control and supervisory organs, the amount paid in contributions, etc.

Highlights:

In the member countries of the OECD, the pension schemes in existence for employees, taking all sectors together, work by distribution or capitalization, either with defined benefits or defined contributions. The financial balance of the defined contribution schemes is sensitive, and is the product of various factors such as the number of active employees, the number of pensioners, the amount of the contributions or also of the pensions. Defined contribution schemes do not depend on intergenerational solidarity. They are based on the financial effort of the individual. Risks are generally either shared between the employer and the employee (Sweden), or it is the employee alone who bears the risk of receiving a low pension (Slovenia, France). The employer can also be alone in bearing the risk of bad management (Norway). Reserves can be built up to protect against future financial difficulties. They can be built in a particular institution either separate from the business (United Kingdom and Germany), or within the business itself, by constituting accounting reserves or taking out a policy with an insurance company (New Zealand). Defined contribution schemes are more commonly found in supplementary or "pension fund" schemes. Recent pension systems, such as the ones set up in Eastern European countries, have shown a tendency to choose defined contribution plans. The pension funds existing in nearly all the OECD countries operate in this way.

Further reading:

OECD (2005), "Public Sector Pension Schemes in OECD Member Countries: Preliminary Findings", presented at the HRM Working Party, OECD Headquarters, Paris, 10-11 October 2005.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table 18.1. Types of pension schemes for public sector employees in selected OECD Member countries

	Basic pension	Supplemental pension
Australia	DB (PSS)	DC
Austria	DB	DC for contract workers
Belgium	DB	...
Czech Republic	DB+PAYG	DC
Denmark	DB	...
Finland	DB	...
France	DB	DC
Germany	DB or DC	DB or DC
Greece	DB	...
Hungary	DB	DC
Ireland	DB	...
Japan	DB	...
Luxembourg	DB	...
Netherlands	DB	...
New Zealand	DB	DC
Norway	DB	DB
Poland	DB	DC
Portugal	DB	DC
Slovenia	DB	DC
Spain	DB	...
Sweden	DB	
United Kingdom	...	DC

Notes: DB – defined benefit scheme, DC – defined contribution plans.
For Italy, information on the pensions rules can be found in the Country Case Studies on Ageing discussed in the October 2006 PGC meeting.

Source: The information provided is based on the findings of a Survey on Pension Schemes for Public Sector workers in OECD member countries.

P1. CREDIBILITY OF THE ECONOMIC ASSUMPTIONS

Key contact: Ian Hawkesworth, OECD GOV

Economic assumptions underpinning the budget gain credibility both by the technical expertise with which they are prepared, and by the degree to which there is expert and public review. The credibility of these assumptions is significant because variations can represent a major fiscal risk which should be identified and quantified where possible. The fiscal effects of variations in key assumptions underpinning the macroeconomic forecasts (e.g., the effect on the fiscal deficit of a 1 percent increase or decrease in GDP growth, inflation, interest rates, or the exchange rate from the central rate assumed in the budget forecast) can be very large.

About this indicator:

The economic assumptions used in the budget are generally undertaken in:

- The Finance Ministry (Treasury) – either in the central budget authority (if indeed that is part of the Finance Ministry, or elsewhere)
- The Economics Ministry
- An independent body
- In principle, the legislature could undertake this work.

Review of the assumptions can be undertaken:

- By an independent expert body
- By making them widely available for scrutiny.

Highlights:

Unsurprisingly, the Ministry of Finance is generally responsible for the assumptions. More surprisingly, the majority of OECD countries have no arrangement for independent review – but they are almost universally available to the public and the legislature as part of the budget documentation.

Further reading:

OECD (2002), *Overview of Results-Focused Management and Budgeting in OECD Member Countries*, OECD, Paris.

OECD (2001), *OECD Best Practices for Budget Transparency*, OECD, Paris.

Blondal, J.R. (2001), “Budget Reform in OECD Member Countries: Common Trends”, *OECD Journal on Budgeting*, Vol. 2, No. 4, OECD, Paris.

OECD (2001), “Models of Public Budgeting and Accounting Reform”, *OECD Journal on Budgeting*, Vol. 2, supp. 1, OECD, Paris.

OECD (1998), “Role of the legislature”, PUMA, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P1.1. Who is responsible for the economic assumptions used in the budget?

	Central Budget Authority or Budget Division of Finance Ministry (Treasury)	A different part of Finance Ministry (Treasury)	Economics Ministry	Independent Body	Legislature or other legislative body	Other
Australia	■					
Austria				■		
Belgium				■		■
Canada	■					
Czech Republic		■				
Denmark	■					
Finland		■				
France
Germany			■			
Greece			■			
Hungary		■				
Iceland		■				
Ireland	■					
Italy		■				
Japan			■			
Korea						■
Mexico		■				
Netherlands				■		
New Zealand		■				
Norway		■				
Portugal						■
Slovak Republic		■				
Spain			■			
Sweden		■				
Turkey						■
United Kingdom	■					
United States						■
Algeria	■					
Argentina			■			
Bolivia						■
Cambodia	■					
Chile	■					
Colombia		■				
Indonesia	■					
Israel		■				
Jordan						■
Kenya			■			■
Morocco	■					
Slovenia				■		
South Africa		■				
Suriname	■					
Uruguay			■			■

Source: The information is from the 2003 survey conducted for the OECD/World Bank Budget Practices and Procedures Database (<http://ocde.dyndns.org/>)

Table P1.2. Credibility of economic assumptions

Is there any independent review by a government body of the economic assumptions used in the budget?					Are economic assumptions available for scrutiny?			
Yes, independent panel or similar, it is a legal requirement	Yes, independent panel or similar, it is not a legal requirement	Yes, audit office, it is a legal requirement	Yes, audit office, it is not a legal requirement	No	Yes, they are explicitly available to the Public and the Legislature as part of the budget documentation	Yes, they are explicitly available to the Public and the Legislature but is presented at different time than the budget documentation	Yes, they are available only to the Legislature	No
Australia				■	■			
Austria		■			■			
Belgium				■	■			
Canada	■				■			
Czech Republic	■				■			
Denmark				■	■			
Finland				■	■			
France	■				■			
Germany		■			■			
Greece				■				■
Hungary		■			■			
Iceland				■	■			
Ireland				■	■			
Italy				■		■		
Japan				■		■		
Korea		■			■			
Mexico				■	■			
Netherlands		■				■		
New Zealand				■	■			
Norway				■	■			
Portugal				■	■			
Slovak Republic	■				■			
Spain				■	■			
Sweden				■	■			
Turkey				■	■			
United Kingdom		■			■			
United States	■				■			
Algeria		■			■			
Argentina				■	■			
Bolivia		■			■			
Cambodia			■		■			
Chile				■	■			
Colombia				■				■
Indonesia		■			■			
Israel				■	■			
Jordan				■	■			
Kenya				■	■			
Morocco		■			■			
Slovenia		■			■			
South Africa				■	■			
Suriname				■		■		
Uruguay				■			■	

Source: The information is from the 2003 survey conducted for the OECD/World Bank Budget Practices and Procedures Database (<http://ocde.dyndns.org/>)

P2. MEDIUM TERM FISCAL FRAMEWORK

Key contact: Ian Hawkesworth, OECD GOV

A Medium Term Fiscal Framework (MTEF) is an arrangement in which annual budget decisions are made in terms of aggregate or sectoral limits on expenditures for each of the next three to five years. Australia led the way in the MTEF movement during the 1980s by expanding its forward estimates into multi-year targets that rapidly gained standing as the basis on which spending departments bid for resources and the annual budget is compiled. The key objective of the MTEF is to extend the budget's horizon beyond a single fiscal year. Doing so depends on reliable projections of macroeconomic conditions, future revenue and spending if current policies were continued, and the impact of policy changes on future budgets. The conventional method for making these projections is to construct a baseline budget and to measure policy changes against the baseline. In the MTEF, the baseline is used both to establish the fiscal framework and to determine whether expenditure changes are consistent with the framework. Inasmuch as future conditions are not yet known, the baseline and estimates of policy change are grounded on assumptions concerning economic performance, the behavioural responses of persons affected by policy changes and other variables. Countries which use baselines to establish and enforce expenditure frameworks should have rules for how the projections are made and how policy changes are measured as well as procedures for dealing with deviations from the baseline. They should also assign responsibility for maintaining the baseline and assuring that policy changes are accurately measured against it.

About this indicator:

The key dimensions of a MTEF providing targets or ceilings for expenditures concern whether or not it states targets/ceilings for each budget year or just for the medium term, and how many years the medium-term fiscal framework covers.

Highlights:

Most OECD countries have an MTEF in place, with targets stated for each year. Most frameworks cover 3-5 years.

Further reading:

OECD (2002), *Overview of Results-Focused Management and Budgeting in OECD Member Countries*, OECD, Paris.

OECD (2001), *OECD Best Practices for Budget Transparency*, OECD, Paris.

Blondal, J.R. (2001), "Budget Reform in OECD Member Countries: Common Trends", *OECD Journal on Budgeting*, Vol. 2, No. 4, OECD, Paris.

OECD (2001), "Models of Public Budgeting and Accounting Reform", *OECD Journal on Budgeting*, Vol. 2, No. 1, OECD, Paris.

OECD (1998), *Role of the Legislature*, PUMA, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P2.1. Medium term fiscal framework

Is there a consistent medium-term fiscal framework stating targets or ceilings for expenditures?				How many budget years does the medium-term fiscal framework cover?
Yes	Yes, but it states only targets/ceilings for the medium term, not for each subsequent budget year within that term	No, there is no such framework	Other, please specify	
Australia			■	4 years
Austria	■			4 years
Belgium	■			3 years
Canada	■			5 years
Czech Republic		■		3 years
Denmark		■		Other
Finland	■			4 years
France			■	3 years
Germany	■			3 years
Greece	■			4 years
Hungary				3 years
Iceland			■	4 years
Ireland	■			3 years
Italy	■			3 years
Japan			■	5 years
Korea	■			3 years
Mexico		■		5 years
Netherlands	■			5 years
New Zealand	■			2 years
Norway			■	Other
Portugal	■			4 years
Slovak Republic	■			5 years
Spain	■			3 years
Sweden	■			3 years
Turkey		■		...
United Kingdom	■			5 years
United States		■		...
Algeria
Argentina	■			3 years
Bolivia		■		Other
Cambodia		■		5 years
Chile			■	3 years
Colombia		■		...
Indonesia		■		2 years
Israel	■			Other
Jordan		■		3 years
Kenya		■		3 years
Morocco		■		5 years
Slovenia	■			4 years
South Africa	■			3 years
Suriname			■	Other
Uruguay	■			5 years

Source: The information is from the 2003 survey conducted for the OECD/World Bank Budget Practices and Procedures Database (<http://ocde.dyndns.org/>)

P3. RESOLVING DISPUTES BETWEEN MINISTRIES AND THE CENTRAL BUDGET AUTHORITY

Key contact: Ian Hawkesworth, OECD GOV

The arrangements for resolving disputes between ministries and the central budget authority are significant as they contribute to the strength (or otherwise) of the budget authority in managing the fiscal aggregates, and can lead to delays in budget formulation. In the end the Prime Minister or President formally has the last word. This does not mean however that this is what generally happens.

About this indicator:

Who has the last word? Disputes between Ministries and the central budget authority can be resolved in various ways:

- The Minister of Finance can make a final decisions
- The issues can be resolved by the head of government
- The issue can be referred to a full meeting of the government/cabinet – or a ministerial committee.

Highlights:

The results of the survey show the distinctively strong role of the Minister of Finance (Chancellor) in the UK, and the role of the head of government in Canada, France, Italy, Korea, Mexico, Spain, Sweden, Turkey and the United States. Cabinet remains an important decision-making body in Australia, Austria, Belgium, Czech Republic, Finland, Germany, Hungary, Ireland, Netherlands, New Zealand, and Norway.

Further reading:

OECD (2002), *Overview of Results-Focused Management and Budgeting in OECD Member Countries*, OECD, Paris.

OECD (2001), *OECD Best Practices for Budget Transparency*, OECD, Paris.

Blondal, J.R. (2001), "Budget Reform in OECD Member Countries: Common Trends", *OECD Journal on Budgeting*, Vol. 2, No. 4, OECD, Paris.

OECD (2001), *Models of Public Budgeting and Accounting Reform*, *OECD Journal on Budgeting*, Vol. 2, supp. 1, OECD, Paris.

OECD (1998), *Role of the Legislature*, PUMA, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P3.1. How are disputes between Ministries and the central budget authority typically resolved?

	The Minister of finance makes all final decisions	The issues are resolved by the President/Prime Minister/Principal Executive	Cabinet	The issues are sent to a ministerial committee	Other
Australia			■		
Austria			■		
Belgium			■		
Canada		■			
Czech Republic			■		
Denmark				■	
Finland			■		
France		■			
Germany			■		
Greece					
Hungary			■		
Iceland	■				
Ireland			■		
Italy		■			
Japan
Korea		■			
Mexico		■			
Netherlands			■		
New Zealand			■		
Norway			■		
Portugal					■
Slovak Republic			■		
Spain		■			
Sweden		■			
Turkey		■			
United Kingdom	■				
United States		■			
Algeria					
Argentina		■			
Bolivia					■
Cambodia	■				
Chile		■			
Colombia	■				
Indonesia		■			
Israel		■			
Jordan	■				
Kenya	■				
Morocco		■			
Slovenia		■			
South Africa				■	
Suriname		■			
Uruguay	■				

Source: The information is from the 2003 survey conducted for the OECD/World Bank Budget Practices and Procedures Database (<http://ocde.dyndns.org/>)

P4. ROLE OF THE LEGISLATURE

Key contact: Ian Hawkesworth, OECD GOV

The power of the purse is one of parliament’s fundamental attributes. But it can be constrained in several dimensions. It can be constrained by a previous commitment that the parliament has made (such as the Maastricht Treaty), and constitutionally by the nature of the amendments that are possible. The latter include constitutional requirements that any increases in expenditures must be off-set by an equal and opposite reduction; that it cannot increase overall spending or the deficit; or that it cannot increase spending or deficit above a certain limit. Where it does not have the power to amend, it can place pressure on the executive by delaying the passing of the budget - even if this might force a shutdown in the executive. However, it must also balance this against the possibility that rejecting the budget proposal can result in dissolution of the legislature.

About this indicator:

This indicator opens up questions concerning

- The existence of restrictions on the right of the legislature to modify the detailed budget proposed by the executive
- Whether a vote on the budget is considered a vote of confidence in the government and therefore the government would resign if any changes are approved to its budget proposal?

Highlights:

The results of the survey show four groups of countries. In some the legislature faces no restrictions on its right to amend the proposals (Austria, Czech Republic, Finland, Germany, Hungary, Iceland, Italy, Netherlands, Norway, Portugal, Sweden, and United States). In others there are also no restrictions but amending the budget proposals would be a vote of confidence on the government (Belgium, Denmark). In a third group there are restrictions without risks of resigning (Australia, France, Ireland, Korea, Mexico, Slovak Republic, Spain, and Turkey). In the final group, legislatures are both restricted and face some risks of government resigning (Canada, Greece, and New Zealand).

Further reading:

OECD (2002), *Overview of Results-Focused Management and Budgeting in OECD Member Countries*, OECD, Paris.

OECD (2001), *OECD Best Practices for Budget Transparency*, OECD, Paris.

Blondal, J.R. (2001), “Budget Reform in OECD Member Countries: Common Trends”, *OECD Journal on Budgeting*, Vol. 2, No. 4, OECD, Paris.

OECD (2001), “Models of Public Budgeting and Accounting Reform”, *OECD Journal on Budgeting*, Vol. 2, supp. 1, OECD, Paris.

OECD (1998), *Role of the Legislature*, PUMA, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P4.1. Role of the legislature

	Are there any restrictions on the right of the legislature to modify the detailed budget proposed by the executive?	Notwithstanding any legal restrictions on the legislator's ability to modify the budget, is a vote on the budget considered a vote of confidence in the government, i.e., the government would resign if any changes are approved to its budget proposal?
Australia	■	
Austria		
Belgium		■
Canada	■	■
Czech Republic		
Denmark		■
Finland		
France	■	
Germany		
Greece	■	■
Hungary		
Iceland		
Ireland	■	
Italy		
Japan	■	...
Korea	■	
Mexico	■	
Netherlands		
New Zealand	■	■
Norway		
Portugal		
Slovak Republic	■	
Spain	■	
Sweden		
Turkey	■	
United Kingdom		...
United States		
Algeria
Argentina	■	
Bolivia		
Cambodia		■
Chile	■	
Colombia	■	
Indonesia	■	
Israel	■	
Jordan	■	
Kenya	■	
Morocco	■	
Slovenia	■	
South Africa	■	
Suriname		
Uruguay	■	

Source: The information is from the 2003 survey conducted for the OECD/World Bank Budget Practices and Procedures Database (<http://ocde.dyndns.org/>)

P5. AGENCY FLEXIBILITY IN BUDGET EXECUTION

Key contact: Ian Hawkesworth, OECD GOV

The nature of budget appropriations has changed in recent years. The traditional budget which leaves agencies with limited flexibility in budget execution due to highly detailed appropriations is giving way to arrangements in which Ministers and ministries have greater budgetary flexibility to re-allocate expenditure within the overall agency appropriation - but also within a hard budget constraint. It is widely held that this budget devolution or flexibility to and within spending ministries may increase efficiency.

About this indicator:

Government organisations can face various constraints on their ability to transfer funds between operating expenditures, investments and programme funds:

- They may have to require the approval of the Ministry of Finance/Central Budget Authority
- They may have to require the approval of the legislature
- They may have to notify legislature of the transfer
- There can be no such transfers

Highlights:

The survey results highlight the power of the central budget authority in some countries (Austria, Belgium, Czech Republic, France, Germany, Ireland, Netherlands, Slovak Republic, Turkey, United Kingdom) and the very tight restrictions on such transfers in others (Finland, Greece, Iceland, Italy, Spain).

Further reading:

OECD (2002), *Overview of Results-Focused Management and Budgeting in OECD Member Countries*, OECD, Paris.

OECD (2001), *OECD Best Practices for Budget Transparency*, OECD, Paris.

Blondal, J.R. (2001), "Budget Reform in OECD Member Countries: Common Trends", *OECD Journal on Budgeting*, Vol. 2, No. 4, OECD, Paris.

OECD (2001), "Models of Public Budgeting and Accounting Reform", *OECD Journal on Budgeting*, Vol. 2, supp. 1, OECD, Paris.

OECD (1998), *Role of the Legislature*, PUMA, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P5.1. Agency flexibility in budget execution

Are government organisations allowed to transfer funds between operating expenditures, investments and programme funds?					
There are no restrictions on such transfers	There can be transfers, but only with the approval of the Ministry of Finance/Central Budget Authority	There can be transfers, but only with the approval of the Legislature	There can be transfers, but the legislature must be notified of the transfer	There can be no such transfers	Other
Australia					■
Austria	■				
Belgium	■				■
Canada		■			
Czech Republic	■				
Denmark		■			
Finland				■	
France	■				
Germany	■				
Greece				■	
Hungary		■			■
Iceland				■	
Ireland	■			■	
Italy				■	
Japan		■			
Korea					■
Mexico					■
Netherlands	■				
New Zealand		■			
Norway
Portugal					■
Slovak Republic	■				
Spain				■	
Sweden		■			
Turkey	■				
United Kingdom	■				
United States					■
Algeria
Argentina					■
Bolivia					■
Cambodia				■	
Chile	■				
Colombia		■			
Indonesia		■			
Israel					■
Jordan	■				
Kenya	■				
Morocco				■	
Slovenia					■
South Africa				■	
Suriname	■				
Uruguay					■

Source: The information is from the 2003 survey conducted for the OECD/World Bank Budget Practices and Procedures Database (<http://ocde.dyndns.org/>)

P6. SCOPE AND FOCUS OF AUDIT

Key contact: Ian Hawkesworth, OECD GOV

All public spending should be subjected to independent scrutiny. It is generally accepted that a national audit body or equivalent organization, which is independent of the executive, should provide timely reports for the legislature and public on the financial integrity of government accounts.

About this indicator:

Assuming the existence of a central Supreme or National Audit Office, the indicator asks whether it reports to:

- the executive
- the legislature
- the judiciary branch
- individual Ministries.

It also identifies how audit subjects are generally determined:

- by request of the legislature
- within the Supreme or National Audit Office
- by request from the executive
- by request from the public or other civil society actor

Highlights:

The survey results highlight that the overwhelming majority of Supreme or National Audit Offices report to the legislature, and that they derive most of their work programmes internally.

Further reading:

OECD (2002), *Overview of Results-Focused Management and Budgeting in OECD Member Countries*, OECD, Paris.

OECD (2001), *OECD Best Practices for Budget Transparency*, OECD, Paris.

Blondal, J.R. (2001), "Budget Reform in OECD Member Countries: Common Trends", *OECD Journal on Budgeting*, Vol. 2, No. 4, OECD, Paris.

OECD (2001), "Models of Public Budgeting and Accounting Reform", *OECD Journal on Budgeting*, Vol. 2, supp. 1, OECD, Paris.

OECD (1998), *Role of the Legislature*, PUMA, OECD, Paris.

Aspects of government measured by the indicator:

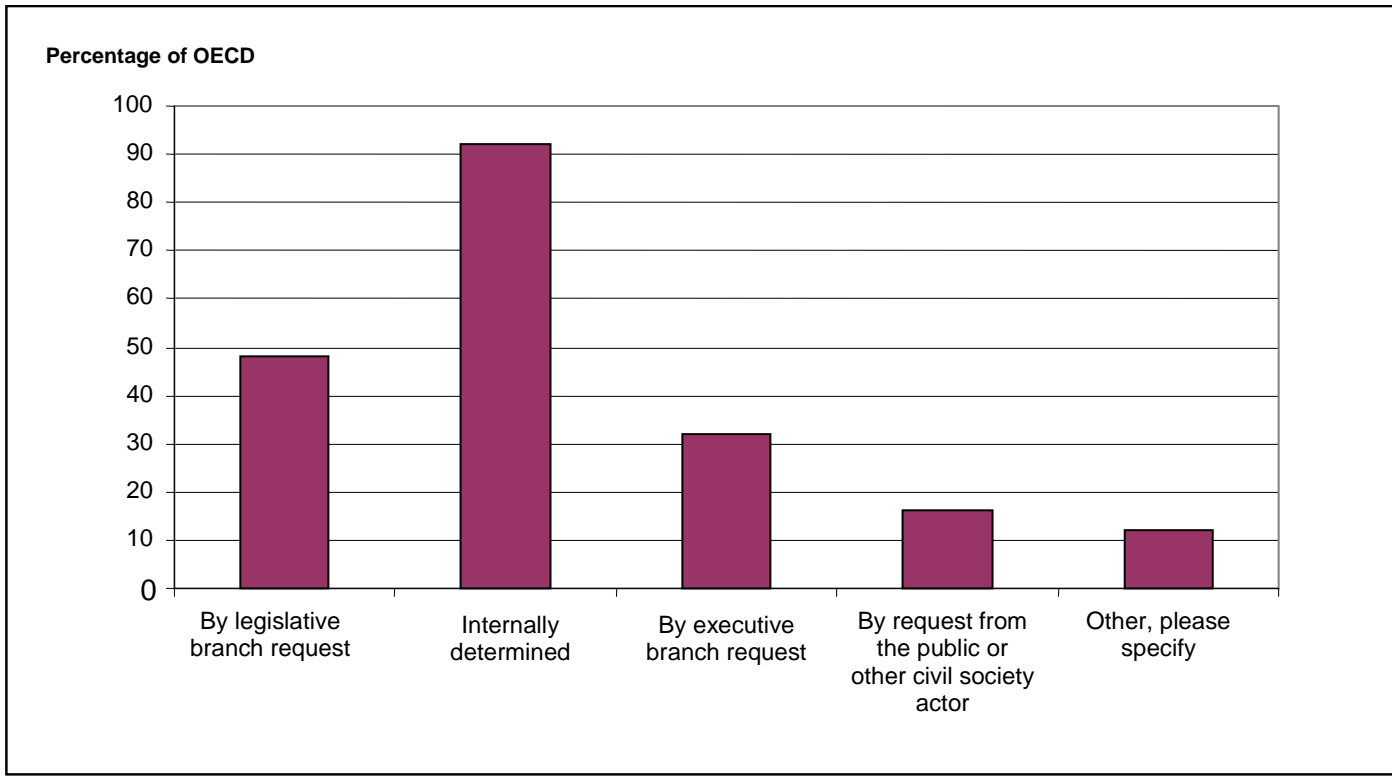
Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P6.1. Scope and focus on audit

	Are government entities subject to financial audits by an external auditor?	Is there a central Supreme or National Audit Office					
		Yes, reports to the executive branch	Yes, reports to legislative branch	Yes, reports to judiciary branch	No, audits are contracted by individual Ministries	No	Other
Australia	Yes		■				
Austria	Yes		■				
Belgium	Yes		■				
Canada	Yes		■				
Czech Republic	Yes		■				
Denmark	Yes		■				
Finland	Yes	■					■
France	Yes			■			■
Germany	Yes		■				
Greece	No	...	...	...	...	...	...
Hungary	Yes		■				
Iceland	Yes		■				
Ireland	Yes		■				
Italy	Yes		■				
Japan	Yes		■				
Korea	Yes						■
Mexico	Yes		■				
Netherlands	Yes		■				
New Zealand	Yes		■				
Norway	Yes		■				
Portugal	Yes		■				
Slovak Republic	Yes		■				
Spain	Yes		■				
Sweden	Yes	■					
Turkey	Yes		■				
United Kingdom	Yes		■				
United States	Yes						■
Algeria	...	...	...	...	...	...	...
Argentina	Yes		■				
Bolivia	Yes	■					
Cambodia	Yes		■				
Chile	Yes						■
Colombia	Yes						■
Indonesia	Yes		■				
Israel	Yes		■				
Jordan	Yes	...	...	...	...	...	...
Kenya	Yes		■				
Morocco	Yes						■
Slovenia	Yes		■				
South Africa	Yes		■				
Suriname	Yes						■
Uruguay	...		■				

Source: The information is from the 2003 survey conducted for the OECD/World Bank Budget Practices and Procedures Database (<http://ocde.dyndns.org/>)

Figure P6.1. How are the subjects of audits determined?



Source: The information is from the 2003 survey conducted for the OECD/World Bank Budget Practices and Procedures Database (<http://ocde.dyndns.org/>)

P7. RESPONSIBILITY FOR PROGRAMME EVALUATIONS

Key contact: Teresa Curristine, OECD GOV

Despite the increased trend towards developing and using outputs and outcome measures in management and budgeting, governments continue to develop and make use of evaluations. In a few countries, for example Germany and Japan, evaluations are the main source of performance information.

About this indicator:

Evaluations can be conducted within or outside of the budget process by a large range of actors (Ministry of Finance, Ministry of Planning, Spending ministries, the organisation in charge of the activity/programme, and the national audit body, or the Legislature). The evaluations conducted or commissioned by the Ministry of Finance (MOF) can take several forms (current or ex-post review of programmes, review of new initiatives or programmes, sectoral or spending reviews). Evaluations produced by spending ministries/departments can be used in negotiations with the Ministry of Finance.

Highlights:

Performance information, especially evaluations, are more often developed and used by spending ministries than MOFs. Spending Ministries tend to use evaluations not so much as part of the budget formulation process, but rather for strategy development and for target setting. In some ministries, this approach has helped to improve performance.

Most of the evaluations undertaken by the MOFs tend to be on an ad hoc basis. This is probably because the MOFs call for evaluations when they see a problem rather than on a planned basis. The exception to this is spending reviews which are conducted on a more systematic basis than other reviews.

Further reading:

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

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

Schick, A. (2003), "The Performing State: Reflection on an Idea whose Time Has Come but whose Implementation Has Not", *OECD Journal on Budgeting* Vol. 3, No. 2, OECD, Paris.

OECD/WB Budget Practices and Procedures Database, available at www.oecd.org/gov/budget.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public processes sector	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P7.1. Who is responsible for conducting evaluations in the two following cases?

	Case 1: When evaluations are decided as part of the budget process						Case 2: When evaluations are decided outside of the budget process					
	The Ministry of Finance	The Ministry of Planning	The Ministry, Department or Agency in charge of the activity/ programme	The manager of the activity/ programme	The National Audit Body	The legislature	The Ministry of Finance	The Ministry of Planning	The Ministry, Department or Agency in charge of the activity/ programme	The manager of the activity/ programme	The National Audit Body	The legislature
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							■	■			■	
Slovakia	■						■					
Spain	■		■	■	■	■	■	■	■	■	■	■
Sweden			■					■	■		■	
Switzerland								■				■
Turkey												
UK	■						■	■	■	■	■	
United States			■						■			
Chile	■							■				
Israel	■						■	■		■		

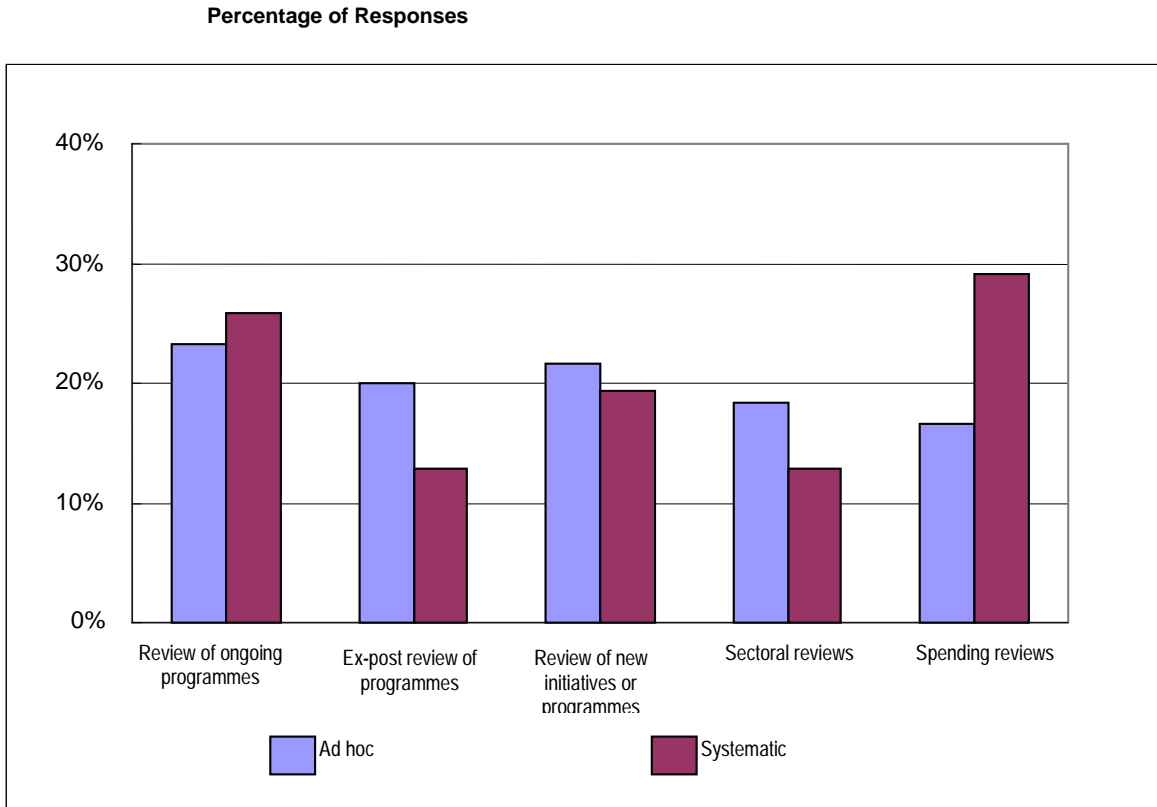
Source: This overview is based on the results of the 2005 OECD questionnaire on performance information.

Table P7.2. What type of evaluations are commissioned and/or conducted by the Ministry of Finance and on what basis?

	Review of ongoing programmes	Ex-post review of programmes	Review of new initiatives or programmes	Sectoral reviews	Spending reviews
Australia	Ad hoc				
Austria					
Belgium	Ad hoc	Ad hoc	Ad hoc		
Canada	Systematic	Systematic	Ad hoc	Systematic	Systematic
Czech Republic	...	...	...	...	...
Denmark	Ad hoc		Ad hoc	Ad hoc	Ad hoc
Finland	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Ad hoc
France	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Ad hoc
Germany					
Greece	...	...	...	...	...
Hungary	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Systematic
Iceland			Systematic		Ad hoc
Ireland	Systematic	Systematic	Systematic	Systematic	Systematic
Italy					Ad hoc (and systematic)
Japan	Systematic	Systematic	Systematic		
Korea	Ad hoc		Ad hoc		
Luxembourg	...	...	...	...	...
Mexico		Ad hoc		Systematic	Systematic
Netherlands	...	...	...	...	...
New Zealand	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Ad hoc
Norway	Ad hoc		Ad hoc	Ad hoc	
Poland	Systematic	Systematic	Systematic	Systematic	Systematic
Portugal	Ad hoc	Ad hoc		Ad hoc	Systematic
Slovakia	Systematic				Systematic
Spain	Systematic		Systematic		
Sweden	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Ad hoc
Switzerland	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Ad hoc
Turkey					
UK	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Systematic
United States	Systematic			Ad hoc	
Chile	Systematic	Ad hoc	Systematic		Ad hoc
Israel	Ad hoc	Ad hoc	Ad hoc		Ad hoc

Source: This overview is based on the results of the 2005 OECD questionnaire on performance information.

Figure P7.1. What type of evaluations are commissioned and/or conducted by the Ministry of Finance and on what basis?



Source: This overview is based on the results of the 2005 OECD questionnaire on performance information

P8. USE OF EVALUATIONS

Key contact: Teresa Curristine, OECD GOV

Despite the increased trend towards output and outcome performance management, governments continue to make use of evaluations. Evaluations offer the opportunity to make a more fundamental assessment of the relevance and contribution of a particular programme or activity.

About this indicator:

Evaluations can be conducted within or outside of the budget process by a large range of actors (Ministry of Finance, Ministry of Planning, the organisation in charge of the activity/programme, and the national audit body, the Legislature or the Ministry). When used as part of the budget formulation process, they can be used by the Ministry of Finance/Central Budget Office, the relevant ministry or department, by the cabinet, as a contribution to the discussion of the budget law in the legislature, or used as part of the strategic activity and target setting by ministries. The findings of evaluations produced by the spending ministries/departments can be used in negotiations with the Ministry of Finance.

Highlights:

Evaluation is used less often in budget negotiations than performance measures. For 48% of respondents, evaluations are rarely or not used. This could be because it is the spending ministries or national audit offices that are responsible for commissioning and conducting evaluations in many OECD countries. Evaluations are rarely or never used to eliminate programmes or to determine pay rewards for agency heads. They are only occasionally used to cut expenditure. When evaluations are used in the budget process by the MOF, they are used to inform not determine budget allocations.

Further reading:

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

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

Schick, A. (2003), "The Performing State: Reflection on an Idea whose Time Has Come but whose Implementation Has Not", *OECD Journal on Budgeting* Vol. 3, No. 2, OECD, Paris.

OECD/WB Budget Practices and Procedures Database, available at www.oecd.org/gov/budget.

Aspects of government measured by the indicator:

Activities of:	General government					Other public sector			Private sector in the public domain	
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes		Antecedents or constraints	
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P8.1. Where and how often are evaluations used in the budget process?

	In the budget formulation process at the Ministry of Finance/Central Budget Office	In the budget formulation process at the ministerial/departmental level	In the budget formulation process at the cabinet level	In the discussion on the budget law in the legislature	Used in the strategic activity and target setting by ministries
Australia	Rarely	Rarely	Rarely	Never	Often
Austria	Rarely	Rarely	...	Rarely	Rarely
Belgium	Rarely	Rarely	Rarely	Rarely	Rarely
Canada	Often	Often	Often	Rarely	Often
Czech Republic	...	...	...	...	...
Denmark	Rarely	Rarely	Rarely	Rarely	Often
Finland	Rarely	Often	Often	Often	Often
France	Often	...	...	...	Often
Germany	...	...	Rarely	Rarely	Rarely
Greece	...	...	...	...	...
Hungary	Rarely	Rarely	Never	Never	Often
Iceland	Never	Rarely	Never	Never	Often
Ireland	Rarely	Often	...	...	...
Italy	Never	...	...	...	...
Japan	Often	Often	Never	Rarely	Often
Korea	Often	Rarely	...	...	...
Luxembourg	...	...	...	...	...
Mexico	Rarely	...	Often	Rarely	Often
Netherlands	...	...	...	...	...
New Zealand	Rarely	Rarely	Rarely	Never	Rarely
Norway	Often	Often	Often	Rarely	Often
Poland	All the time	All the time	All the time	All the time	All the time
Portugal	Never	Never	Never	Never	Never
Slovakia	Rarely	Rarely	Never	Never	Never
Spain	Rarely	All the time	Often	...	Often
Sweden	Rarely	Rarely	Rarely	Rarely	Rarely
Switzerland	Often	Often	...	...	Often
Turkey	...	...	...	...	...
UK	Often	Rarely	Rarely	Rarely	Often
United States	Rarely	Rarely	Never	Rarely	Often
Chile	All the time	Often	Never	Rarely	Often
Israel	Rarely	Rarely	Rarely	Never	Rarely

Source: This overview is based on the results of the 2005 OECD questionnaire on performance information.

Table P8.2. Use of evaluations

	Are the findings of evaluations produced by the spending ministries/departments used in negotiations with the Ministry of Finance?
Australia	Yes, but rarely
Austria	Yes, often
Belgium	Yes, but rarely
Canada	Yes, often
Czech Republic	...
Denmark	Yes, often
Finland	Yes, often
France	Yes, but rarely
Germany	Yes, but rarely
Greece	...
Hungary	Yes, often
Iceland	Yes, but rarely
Ireland	Yes, often
Italy	Yes, but rarely
Japan	Yes, often
Korea	Yes, but rarely
Luxembourg	...
Mexico	Yes, but rarely
Netherlands	...
New Zealand	Yes, but rarely
Norway	Yes, often
Poland	Yes, often
Portugal	No
Slovakia	No
Spain	Yes, in all cases
Sweden	Yes, but rarely
Switzerland	Yes, in all cases
Turkey	...
UK	Yes, often
United States	Yes, often
Chile	Yes, often
Israel	Yes, but rarely

Source: This overview is based on the results of the 2005 OECD questionnaire on performance information.

Figure P8.1. Are the findings of evaluations produced by spending ministries used in negotiations with the Ministry of Finance?

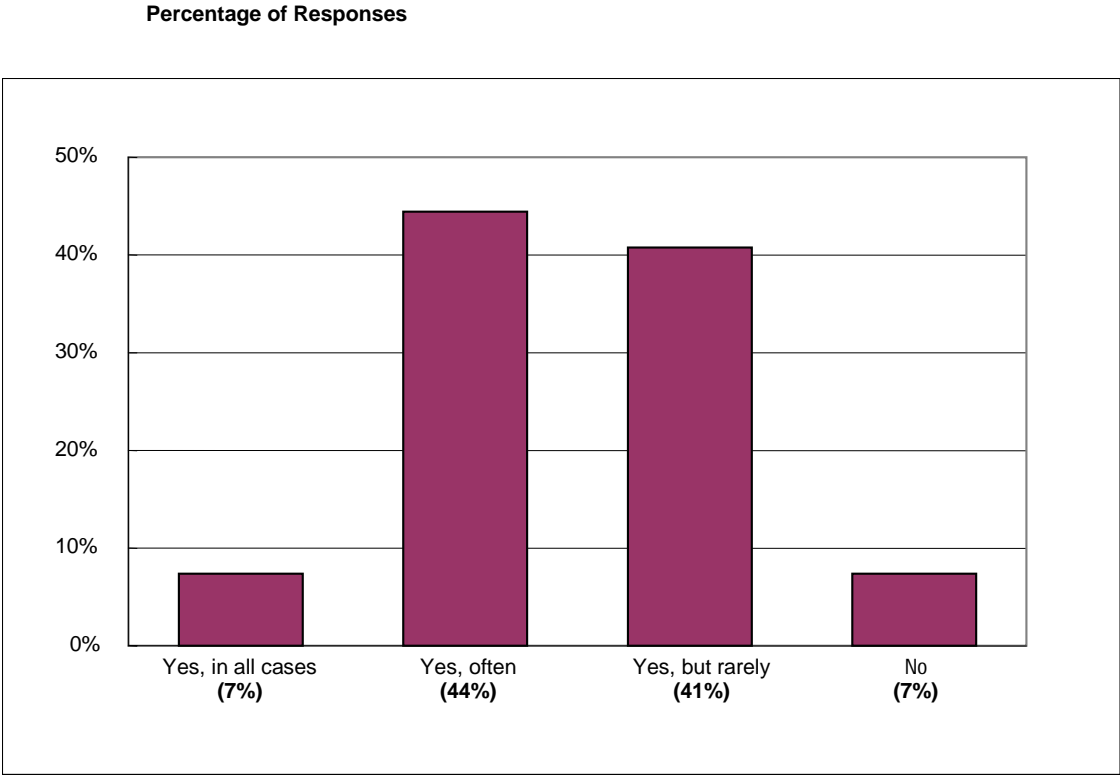
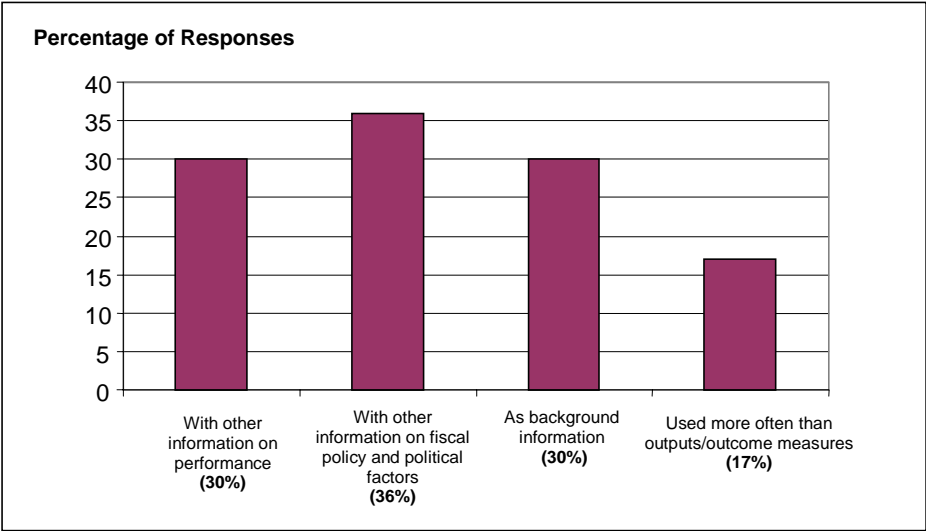


Figure P8.2. How evaluations are used in the budget process by the Finance Ministry



Source: 2005 OECD questionnaire on performance information.

P9. FOLLOW-UP ON EVALUATIONS

Key contact: Teresa Curristine, OECD GOV

Unlike performance measures, evaluation reports – depending on the type of evaluation – can provide explanations for success or failure of programmes and also make recommendations for future action. Therefore, the production of these reports is only one stage in the evaluation process. If they are to be taken seriously, it is important that there be monitoring or follow-up to see if accepted recommendations are implemented.

About this indicator:

Evaluations can be conducted within or outside of the budget process by a large range of actors (Ministry of Finance, Ministry of Planning, the organisation in charge of the activity/programme, and the national audit body, the Legislature or the Ministry). To ensure that recommendations have been carried out, it is important for them to be used as part of the budget formulation process. Evaluations can be used by the Ministry of Finance/Central Budget Office, the relevant ministry or department, by the cabinet, as a contribution to the discussion of the budget law in the legislature, or used as part of the strategic activity and target setting by ministries. The findings of evaluations produced by the spending ministries/departments can also be used in negotiations with the Ministry of Finance.

Highlights:

In 67% of cases there is a follow-up process. When evaluations are conducted outside of the budget process, the spending ministry in charge of the programme is responsible for monitoring the follow up in 51% of cases. When it is decided as part of the budget process, both the MOF (32%) and the relevant ministry (32%) can be responsible for the follow up process.

Regarding consequences of not following recommendations in the majority of cases, there are never or rarely consequences if recommendations are not followed. If there are consequences, the most common case is more control on the programme. While the majority of countries have adopted some type of follow-up process for monitoring the implementation of recommendation from evaluations, in many cases, it is the responsibility of the ministry in charge of the programme being evaluated. Similar to the failure to meet performance targets, sanctions do not typically apply for non-compliance with recommendations of evaluations.

Further reading:

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

OECD (2005), Curristine, T (2005) “Performance Information in the Budget Process: Results of OECD 2005 Questionnaire”, *OECD Journal on Budgeting*, Vol. 5, No. 2, OECD, Paris.

Schick, A. (2003), “The Performing State: Reflection on an Idea whose Time Has Come but whose Implementation Has Not”, *OECD Journal on Budgeting* Vol. 3, No. 2, OECD, Paris.

OECD/WB Budget Practices and Procedures Database, available at www.oecd.org/gov/budget.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P9.1. Follow-up on evaluations

	Is there a monitoring or follow-up process to examine if the actions or activities recommended by an evaluation are carried out?	Does the national/supreme audit body audit the evaluation function or process of ministries/departments?	Does the national/supreme audit body audit individual evaluations conducted/commissioned by ministries/departments or the Ministry of Finance?
Australia	Yes, in some evaluations	No	Yes, a few evaluations
Austria	Yes, in some evaluations	Yes	Yes, some evaluations
Belgium	No	No	...
Canada	Yes, in all evaluations	Yes	Yes, a few evaluations
Czech Republic	...	...	...
Denmark	Yes, in a few evaluations	Yes	Yes, some evaluations
Finland	Yes, in some evaluations	Yes	Yes, some evaluations
France	Yes, in some evaluations	No	No
Germany	Yes, in some evaluations	Yes	Yes, a few evaluations
Greece	...	...	...
Hungary	Yes, in all evaluations	Yes	Yes, some evaluations
Iceland	No	No	No
Ireland	Yes, in some evaluations	Yes	Yes, a few evaluations
Italy	Yes, in some evaluations	Yes	Yes, some evaluations
Japan	Yes, in some evaluations	No	No
Korea	Yes, in some evaluations	Yes	No
Luxembourg	...	...	...
Mexico	Yes, in some evaluations	Yes	Yes, some evaluations
Netherlands	...	...	...
New Zealand	Yes, in a few evaluations	No	Yes, a few evaluations
Norway	Yes, in a few evaluations	Yes	No
Poland	Yes, in some evaluations	Yes	Yes, some evaluations
Portugal	Yes, in some evaluations	No	Yes, some evaluations
Slovakia	No	No	No
Spain	Yes, in some evaluations	Yes	Yes, all evaluations
Sweden	Yes, in a few evaluations	Yes	Yes, a few evaluations
Switzerland	Yes, in some evaluations	Yes	Yes, some evaluations
Turkey			...
UK	Yes, in some evaluations	No	No
United States	Yes, in a few evaluations	No	No
Chile	Yes, in all evaluations	No	No
Israel	Yes, in a few evaluations	Yes	Yes, a few evaluations

Source: 2005 OECD questionnaire on performance information

Figure P9.1. Is there a monitoring or follow-up process to examine if the actions or activities recommended by an evaluation are carried out?

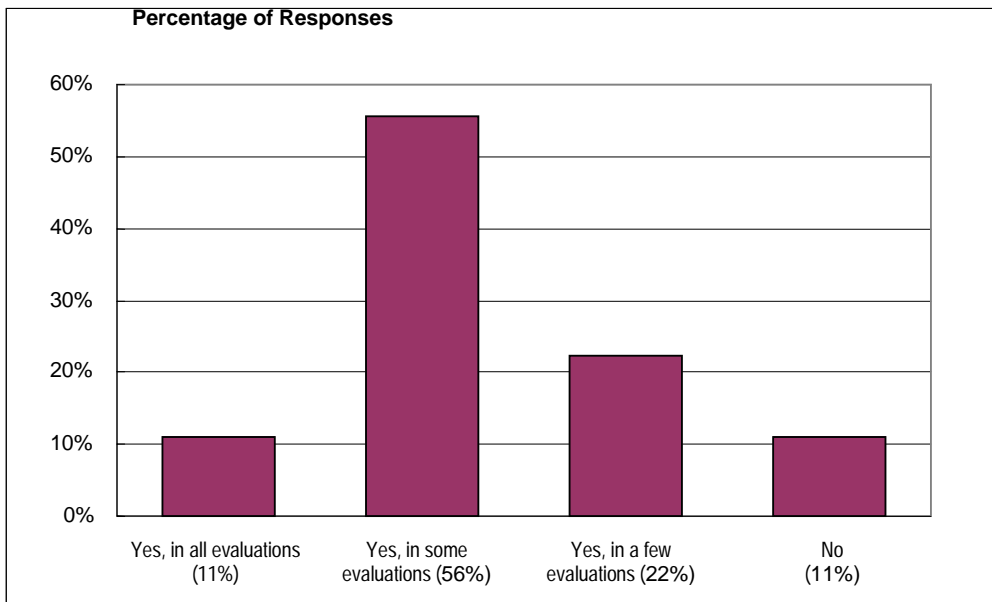
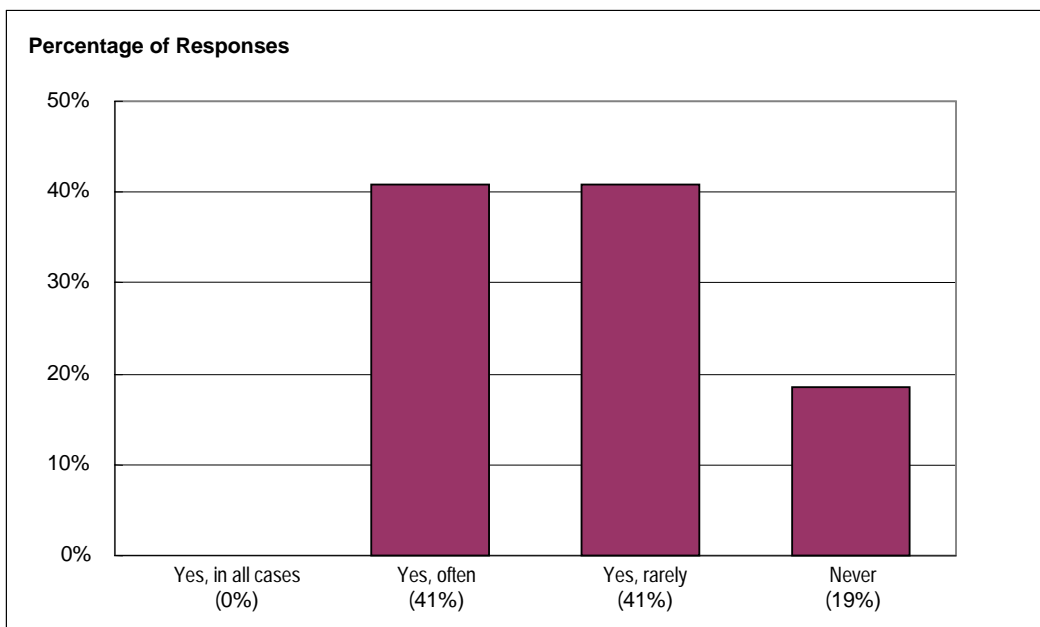
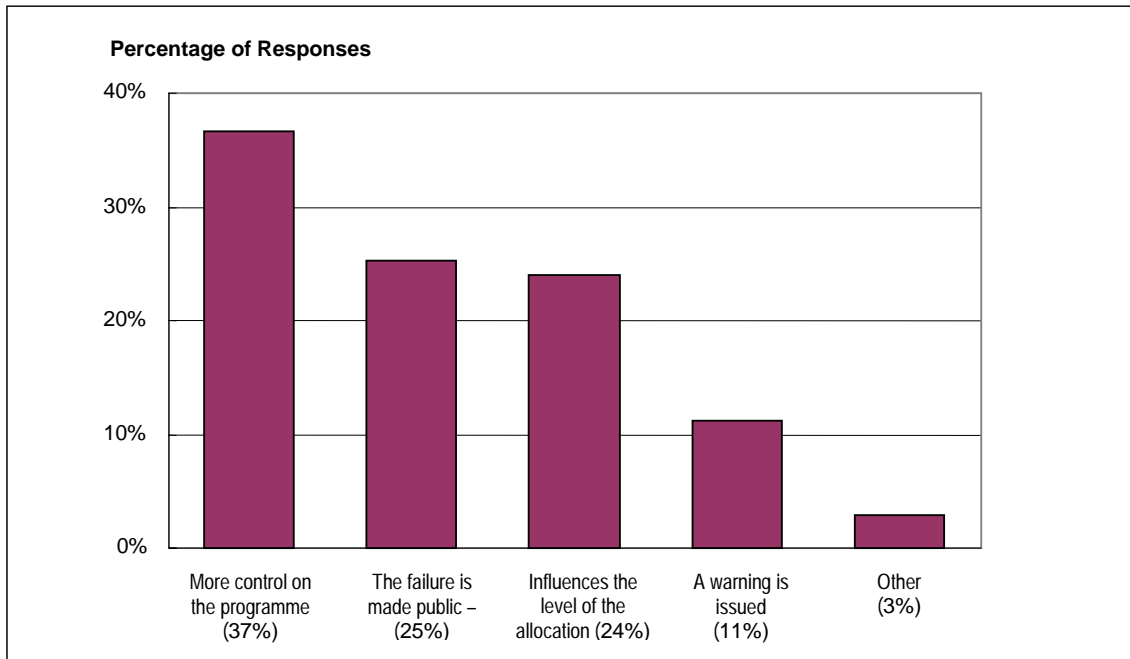


Figure P9.2. Are there any consequences for ministries/departments/agencies if recommendations are not followed?



Source: 2005 OECD questionnaire on performance information.

Figure P9.3. The most common consequences for ministries/departments/agencies if recommendations are not followed?



Source: 2005 OECD questionnaire on performance information.

P10. CHARACTERISTICS OF THE GENERAL HRM ARRANGEMENTS

Key contacts: Elsa Pilichowski, Edouard Turkish, OECD GOV

Traditionally, the specific rules and management systems applying to the public service have been categorised as providing a career-based system or a position-based system. Position-based systems are said to be more flexible and to allow an individually tailored approach to human resources management. Career-based systems are reported to provide more loyalty and esprit de corps.

About this indicator:

Position-based systems are based on the principle of recruiting to a specific position (externally or internally), with no certainty for any employee of subsequent appointments within government. However, they imply that, generally-speaking, positions are open to all who qualify and not just to members of that cadre/corps or department. Thus, fully-fledged position-based systems de facto allow a career across government.

Career-based refers to the tendency inherent within many employment arrangements to recruit staff relatively young, offer promotion based on good behaviour and seniority and employment and compensation for life, while deterring lateral entry. Career systems provide civil servants with long-term guarantees for employment and income, and were intended to ensure their loyalty to the state. At the same time they provided the civil servants with reliable protection against the displeasure of the rulers, and thus enabled a professional execution of the laws and statutes of the country.

Career-based systems can, in principle, be characterised as:

1. Government-wide career-based systems (recruitment into government generally – with the career path going through many different ministries/departments).
2. Cadre or corps-based career-based systems (recruitment into the "legal service" or some such body, with the career path subsequently encompassing many ministries).
3. Departmental career-based systems (recruitment into the Ministry of Foreign Affairs, for example, with the career path staying within that ministry).

Highlights:

In Australia, Austria, Belgium, Canada, Denmark, Finland, Hungary, New Zealand, Sweden, Switzerland, the United Kingdom, all or most posts are open to anybody coming from within the organisation, another government organisation or outside of government. In France, Japan, Mexico and Spain, most posts are not open to non civil servants except for contract posts. Korea has relatively recently opened up a percentage of its top civil service positions to staff coming from outside the public service. In the United States, most positions are open to anybody, but senior executive service positions (*i.e.* senior positions that are not political appointments) are open only to staff belonging to the SES group, the appointment process taking place usually after a long career in the public service. The assumed whole of government focus of position systems, with staff mobility across government, is possibly reducing as (i) salary broad-banding means that pay can be increased by merit-based increases within the same position – so less reason to move (ii) increasing focus on technically specialist positions (many other having been contracted out) and so narrower job criteria are making it harder to obtain positions in other departments.

Further reading:

OECD (2004), *Trends in Human Resources Management Policies in OECD countries: An Analysis of the Results of the OECD Survey on Strategic Human Resources Management*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P10.1. Recruitment in the civil service: differences of emphasis

Emphasis on competition for posts and professional experience	Emphasis on competitive examination, education
Australia	Czech Republic
Canada	France
Denmark	Greece
Finland	Hungary
Iceland	Ireland
New Zealand	Japan
Norway	Korea
Sweden	Luxemburg
Switzerland	Spain
United Kingdom	
United States	

Table P10.2. Openness of government posts

Policies		Countries
In principle, all levels of posts are open for competition ...	... including posts at senior and middle levels	Austria, Belgium, Denmark, Finland, Hungary, New Zealand, Slovak republic, Switzerland
	... except the most top-level posts which are filled by appointment of the government	Australia, Canada, Italy, Norway, Sweden
Posts both at senior and middle levels are partially open for competition		Korea, Luxembourg, UK
No posts are open for competition ...	... both at senior and middle levels	Japan, Spain
	... with the exception of some posts at middle level	France, Ireland

Source: OECD (2004), *Trends in Human Resources Management Policies in OECD Countries: an Analysis of the Results of the OECD Survey on Strategic Human Resources Management*, OECD, Paris.

Table P10.3. Differences of emphasis in incentives

Relatively more emphasis put on monetary incentives	Relatively more emphasis put on promotion/career opportunities
Australia	Austria
Canada	France
Denmark	Poland
Finland	Portugal
Italy	
Korea	
New Zealand	
Sweden	
Switzerland	
United Kingdom	
United States	

Table P10.4. Changing civil service status

Countries	Development of civil service status
Australia	The ratio between “ongoing” and “non-ongoing” employees is more or less the same since 1996. Neither ongoing nor non-ongoing employees are guaranteed life-long employment. Ongoing employees may be retrenched if they are not needed following a change in workplace needs.
Belgium	Six-year “mandate” system for managers (Director General, and two levels below).
Canada	The ratio of term/casual employees is increasing against employees on indeterminate terms.
Denmark	Significant reductions are to be expected in the number of civil servants. Civil service employment is being replaced by collective agreement employment. Temporary employment is becoming more popular in hiring at the managerial level. In 2001, about 19% of all heads of division had fixed-term employment contracts.
Finland	In jobs of a permanent nature, permanent contracts/employment relationships are used. But there is no tenure <i>i.e.</i> there is always a possibility to give notice if there are legal grounds. There is also a possibility to use fixed-term contracts if needed on operational grounds.
Hungary	In 2001, 18 930 administrators and blue collar workers were placed under the scope of the Labour Code. Following a 2003 new amendment to the Civil Service Act, administrators have been placed back under the rules of the Civil Service Act, but lower ranking officials remain under the scope of the general Labour Code.
Ireland	Contractualisation has taken place on an <i>ad hoc</i> basis and applies to a minor proportion of civil or indeed public service staff and affects only lower grade staff.
Korea	Since 1998, 20% of senior posts in central government have been open for competition. Those recruited from non-government sectors are appointed under a fixed-term contract.
New Zealand	In the public service, 93% of staff are on open-term contracts, 7% are on fixed-term contracts.
Sweden	With the exception of very few positions (such as judges), all lifelong employment in the Swedish Government administration has been replaced by employment on a permanent contract basis. This means that government employees are under the same legislation for employment protection as any employee in Sweden. Today, more than 95% of government staff are employed under a permanent contract basis.
Switzerland	As from 1 January 2002, there are no more civil servants. All federal staff have employee status except only a small category of personnel such as members of federal appeals commissions.
United Kingdom	The civil service makes use of both fixed-term and casual appointments alongside its permanent staff in order to give managers flexibility to meet genuine short-term needs sensibly and economically.

Source: OECD (2004), *Trends in Human Resources Management Policies in OECD Countries: an Analysis of the Results of the OECD Survey on Strategic Human Resources Management*, OECD, Paris.

Table P10.5. Rules applying to the different public servants according to function

Activity performed	Under civil service status	Under a contract governed by public law	Under a specific system governed by private law	Under the system governed by the Labour Code
Core functions of the state	24	4	3	6
Regional, local and municipal government	19	10	4	5
Public health services	12	11	5	5
Education	17	12	3	4
Research	15	5	4	6
Police	19	4	1	3
Military staff	19	2	1	2
Commercial public services	6	6	6	7
Social security	13	7	4	5
Other (specify)	5	1	0	3

Note: Numbers refer to the number of countries.

Source: OECD (2004), *Trends in Human Resources Management Policies in OECD Countries: an Analysis of the Results of the OECD Survey on Strategic Human Resources Management*, OECD, Paris

P11. CHARACTERISTICS OF THE SENIOR CIVIL SERVICE

Key contacts: Elsa Pilichowski and Edouard Turkisch, OECD GOV

Senior civil servants (SCS) refer to the group of civil servants, people working in ministries, government departments and agencies, who belong to the top management category. This is a cadre of senior executives that have broad management expertise and an overview of public sector values and responsibilities. Often senior civil servants are grouped and managed under a different HRM policy than other civil servants, and to the extent that it is a clearly delineated group of staff then the stated reason for such an arrangement is generally to promote policy coordination between departments and a sense of cultural cohesion between high level civil servants. This is particularly important at a time when there is some concern about possible erosion in public service values and a shift from whole of government concerns to organisation-specific agendas.

About this indicator:

The senior civil service can be delineated from other groups of staff in several ways:

- Defined positions or grades
- Distinctive recruitment arrangements
- Distinctive term-based appointments, such as fixed term contracts or mandates (fixed term assignment within the civil service)
- Separate arrangements for performance assessment and remuneration
- Distinctive arrangements for promotion and mobility which emphasise a whole of government perspective
- Training focus on whole of government and strategic leadership.

Highlights:

There are some tentative signs of more career-based approaches within the senior civil services of otherwise strongly position-based systems. This might represent a focus on a “whole of government” approach in the face of increasingly complex policy challenges.

Further reading:

OECD (2007), *State of the Civil Service*, OECD, Paris (forthcoming).

OECD (2005), *Modernising Government*, OECD, Paris.

OECD (2003), *Managing Senior Management: Senior Civil Service Reform in OECD Member Countries*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public processes sector	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P11.1. Senior CS groups in some OECD countries

	Coverage	Numbers	Management difference from the rest of civil servants											
			Recruitment and selection	Managerial flexibility or freedom	Performance management	Pay determination	Disciplinary actions and/or dismissal	Job security	Restriction of employment after leaving the public service	Standards of professional ethics required				
Australia	Senior Executive Service Band 1,2,3	1850	■					■						
Belgium	Top managers	450	■	■	■			■						■
Canada	Directors of Management functions Assistant Deputy Minister Executive Group	3600	■											■
France	Off the Scale (<i>hors échelle</i>)	2580	■									■		
Hungary	No distinct group	270	■	■				■			■			
Italy	Top managers Middle level managers	4400	■		■									
Luxembourg	Salary Grade 16, 17, 18	200	■											
The Netherlands	Echelons 15 to 19	740												
Norway	Director General, Secretary General D-G in Directorates, County Governor, Chief Constable	300												
Poland	Director General	1500	■											■
Sweden	Department Directors and their Deputies Senior civil servants	300	■											■
United Kingdom	Senior Civil Service	3550	■		■									■
United States	Senior Executive Service	7509	■		■									■

Source: OECD (2004), *Trends in Human Resources Management Policies in OECD Countries: an Analysis of the Results of the OECD Survey on Strategic Human Resources Management*, OECD, Paris.

Table P11.2. Scope of the senior civil service

Scope of senior civil service			
	Defining senior civil service by	Levels within senior civil service	Size of senior civil service
Belgium	Management responsibilities	4	450
Canada	Management responsibilities	9 (according to Public Service of Canada's own executive classification system)	3600
Finland	Not defined	...	200
France	Educational background or salary	...	5360 (salary: 25.000)
Italy	Management responsibilities	2	4800
Korea	No precise definition, but hierarchical level used as indicator	2	1325
Mexico	Management responsibilities by government decree 1999, but not yet in use.	2-3	381 (1533 including level 3)
Netherlands	Management responsibilities	3	739
New Zealand	First level by management responsibilities, second to fourth levels by management responsibilities or based on expertise.	2-4	250-300
Spain	Management responsibilities	5	276 (excluding politically oriented posts of 36)
United Kingdom	Management responsibilities	3	3500
United States	Management responsibilities	...	5940 (excluding 660 top government positions with same pay scale, but not belonging to Senior Executive Service).

Source: OECD (2003), *Managing Senior Management: Senior Civil Service Reform in OECD Member Countries*, OECD, Paris.

Table P11.3. Degree of openness for external recruitment

No restrictions	Restrictions	Closed
Belgium, Canada, Finland The Netherlands, New Zealand The United Kingdom, The United States	Italy, Korea	France, Spain

Source: OECD (2003) *Managing Senior Management: Senior Civil Service Reform in OECD Member Countries*, OECD, Paris.

Table P 11.4. Centralisation and decentralisation of recruitment processes and the guidance and criteria of these processes

	Centralised recruitment processes	Decentralised recruitment processes
Central guidance and criteria for recruitment	France, Italy, Korea, Mexico, Spain	Canada, The Netherlands, The United Kingdom, The United States
Decentralised guidance and criteria for recruitment		Belgium, Finland, New Zealand

Source: OECD (2003), *Managing Senior Management: Senior Civil Service Reform in OECD Member Countries*, OECD, Paris.

Table P11.5. Permanent and fixed mandates as well as use of contracts

	Mandates	Contracts
Belgium	6 years – renewable	Yes
Canada	Permanent, but performance assessment might result in dismissal.	No
Finland	Some permanent, some appointed for 5 years. Proposal to separate fixed term duties and permanent employment contract	Yes
France	3 years – renewable one term.*	No
Italy	Maximum 3 years.*	Yes*
Korea	Permanent, apart from open position System: 2-5 years – renewable.	Yes for open position System (20%)
Netherlands	Top Management Group: maximum 7 years. Senior Public Service: 3-7 years – renewable*.	No
New Zealand	5 years – renewable for Chief Executives tenure or fixed term contract for other senior managers	Yes
United Kingdom	5 years renewable for certain senior appointments.	Yes
United States	Permanent, but performance assessment might result in dismissal.	Permanent, but performance assessment might result in dismissal.

Note: * Temporary appointment/contracts only for specific positions, permanent appointment to senior civil service

Source: OECD (2003), *Managing Senior Management: Senior Civil Service Reform in OECD Member Countries*, OECD, Paris.

Table P11.6. Degree of performance-related pay

	Performance-related pay
Belgium	No
Canada	Yes (variable bonuses)
Finland	Yes
France	No
Italy	Yes (20 % of pay)
Korea	No (variable according to grade)
Mexico	No
Netherlands	No performance assessment system
New Zealand	Yes (Chief executives: up to 15% of pay Senior executive servants: variable bonuses)
Spain	No
United Kingdom	Yes (variable bonuses)
United States	Yes (variable team and individual bonuses)

Source: OECD (2003), *Managing Senior Management: Senior Civil Service Reform in OECD Member Countries*, OECD, Paris.

P12. INSTITUTIONAL FRAMEWORKS FOR PAY DETERMINATION

Key contacts: Elsa Pilichowski, Edouard Turkisch, OECD GOV

Pay determination arrangements comprise the arrangements for pay bargaining with labour unions or other representatives of the workforce, and the managerial arrangements for pay determination within the available fiscal envelope. The latter, ideally, provide incentives both for operational efficiency and for longer term maintenance of capacity.

About this indicator:

Pay bargaining can lie along a rough spectrum:

- (i) no pay bargaining (pay decided on the basis of recommendations by an independent review body or pay decided on the basis of recommendations by the president etc.);
- (ii) single collective bargaining (bargaining for the entire public service, by functional subsectors, or at the workplace level);
- (iii) two tiers of collective bargaining (central level and negotiations by professional groups or central level and negotiations at the work place).

The managerial arrangements for pay determination within the available resources comprise (i) arrangements for providing budget envelopes for staffing in the context of delegated pay bargaining (ii) incentives for ministries and departments to use their delegated pay bargaining authority to achieve efficiency and (iii) incentives for ministries and departments to maintain and develop capacity for the long term.

Further reading:

OECD (2007), *The State of the Civil Service*, OECD, Paris (forthcoming).

OECD (2004), *Trends in Human Resources Management Policies in OECD Countries: an Analysis of the Results of the OECD Survey on Strategic Human Resources Management*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P12.1. Institutional frameworks for pay setting – Collective bargaining types

No pay bargaining		Single collective bargaining			Two tiers of collective bargaining	
Pay decided on the basis of recommendations by an independent review body.	Pay decided on the basis of recommendations by the president.	Bargaining for the entire public service.	Bargaining by functional sub-sectors.	Bargaining at the workplace level.	Central level + negotiations by professional groups.	Central level + negotiations at the workplace.
Ireland Japan Korea	Czech Republic Mexico United States	Belgium Canada France Germany Ireland Luxembourg Poland Portugal Spain Switzerland	Germany Netherlands	Australia Netherlands New Zealand	Austria Denmark Greece Slovak Republic	Belgium Finland Hungary Iceland Italy Norway Sweden

Source: OECD (2004), *Trends in Human Resources Management Policies in OECD countries: an Analysis of the Results of the OECD Survey on Strategic Human Resources Management*, OECD, Paris.

Table P12.2. Participation of unions in decision-making on pay

Weak	Relatively strong	Very strong
Australia	Canada (86%)	Austria
Hungary (40%)	Czech Republic	Belgium
Poland	France (18%)	Denmark
Slovak Republic	Germany	Finland (80%)
Spain	Greece	Italy (45%)
Switzerland	Iceland (99%)	Netherlands (53%)
United States (70%)	Ireland	Norway (90%)
	Japan (55%)	Sweden (84%)
	Korea (82%)	United Kingdom
	New Zealand (54%)	
	Portugal	

Note: Numbers between parentheses correspond to the reported percentage of unionisation in the public service

Source: OECD (2004), *Trends in Human Resources Management Policies in OECD countries: an Analysis of the Results of the OECD Survey on Strategic Human Resources Management*, OECD, Paris.

P13. PREVALENCE OF PERFORMANCE-RELATED PAY

Key contacts: Elsa Pilichowski and Edouard Turkisch, OECD GOV

The introduction of performance-related pay policies (PRP) occurred in the context of the economic and budgetary difficulties faced by OECD member countries from the mid-1970s. Reasons for introducing PRP are multiple, but focus essentially on improving the individual motivation and accountability of civil servants as a way to improve performance. The introduction of PRP is one facet of a wider movement towards increased pay flexibility and individualisation in OECD public sectors. There is no single model of PRP in the public sector across the OECD.

Models are diverse – but with some common trends:

- PRP has spread from management level to cover many different categories of staff
- There has been some increase in the use of collective performance schemes, at the team/unit or organisational level
- There is increasing diversity in the criteria employed – and qualitative assessments are now used more often as an accompaniment
- A normalised distribution of gradings is increasingly required

About this indicator:

Performance related pay can vary along several dimensions:

- The range of staff that it is applied to
- The nature of the targets and the incentives – individual or group
- The degree to which forced rankings are used
- The size of performance-related rewards

Highlights:

The size of performance payments is generally modest – with flexible awards generally less than 10 per cent of the base salary.

Further reading:

OECD (2007), *The State of the Civil Service*, OECD, Paris (forthcoming).

OECD (2004), *Trends in Human Resources Management Policies in OECD Countries: an Analysis of the Results of the OECD Survey on Strategic Human Resources Management*, OECD, Paris.

OECD (2004), *Performance-Related Pay policies for Government Employees: Main Trends in OECD Member countries*; OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P13.1. Prevalence of performance-related pay

	Is performance related pay in use in your country?	If yes:			Do organisations mostly use:	
		For most government employees	For senior staff only	Only in a few central/national/federal government organisations	One-off bonuses	Merit increments
Austria	No	...	...	...	...	...
Belgium	No	...	...	...	...	...
Finland	Yes	■			...	...
Hungary	Yes	■				■
Ireland	Yes		■		■	
Japan	Yes	■			...	...
Korea	Yes	■			■	■
Luxemburg	No	...	...	...	...	...
Mexico	No	...	...	...	...	...
Netherlands	Yes			■	...	■
Norway	Yes		■		...	...
Portugal	No	...	...	...	...	...
Spain	Yes	■			■	...
Slovak Republic	No	...	...	...	...	...
Switzerland	Yes	■				■
United Kingdom	Yes	■			■	■
United States	Yes	■			■	■

Source: Preliminary sample results from the *Survey on Strategic Human Resources in Government* (2006), OECD, Paris.

P14. ETHICS INFRASTRUCTURE

Key contact: János Bertók, OECD GOV

Ethical values form the foundation of the public service. Values guide judgement about what is good and proper in serving the public interest. Values stated in public documents provide the basis for an environment where citizens know about the mission and the vision of public organisations and they also give overall guidance for daily public service operations. OECD countries include public service values in the legal framework and employ a number of measures to communicate those to public servants.

About this indicator:

Countries define a wide variety of ethical values reflecting their respective national, social, political and administrative contexts. The list of values includes more abstract basic values, such as impartiality, legality, integrity, transparency, but it also integrates specific derivative values. The latter require that the generally expected behaviour be applied in a more specific situation or relationship, for example political neutrality.

The stated ethical values can also be classified as “traditional” and “new”. Traditional values reflect the fundamental mission of the public service, while “new values” articulate the requirements of a new ethos. These new professional values have provided a bigger space to bring values in line with recent public management and governance reforms.

The core public service values are enacted in statutes, general laws, and even constitutions and basic laws as well as in special civil service or public service regulations. They tend to be automatically provided to civil servants.

Highlights:

Countries have maintained and redefined their traditional societal and democratic values, the most frequent being impartiality (no discrimination), neutrality, integrity and honesty (requiring the highest ethical standards), and justice and fairness. Further stated democratic values are legality (respect of the rule of law and especially the provisions of the Constitution), transparency and openness, including the proper disclosure of public information. New professional values show a wider range of variation. Eleven OECD countries defined efficiency as a core public service value. Other professional values include responsibility (both maintaining reputation and responsibility for faults), accountability (with the closest public scrutiny) and obedience; equality; service in the public interest and loyalty and fidelity for the State; confidentiality; professional competence and excellence; as well as merit-based employment. Newly stated professional values, such as service-mindedness (*e.g.* in Australia, Finland), achieving results (*e.g.* in Australia) or earning of citizens’ satisfaction (*e.g.* Hungary), indicate the new approach in the public management ethos.

In most cases, statutes and general laws comprise the core values; nevertheless OECD countries also use Constitutions, basic laws and the special civil service or public service regulations for stating core values for the public service.

Further reading:

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

Aspects of government measured by the indicator:

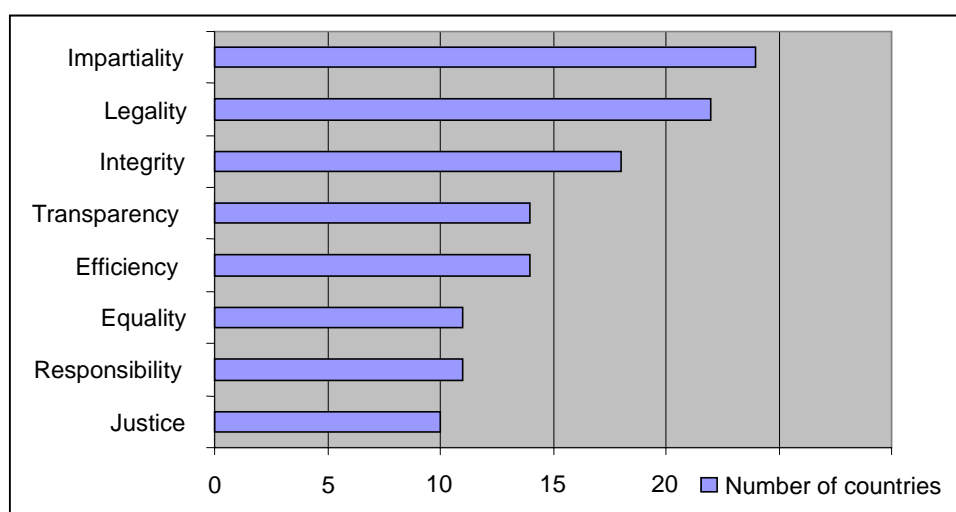
Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P14.1. Public service core values stated in public documents in OECD countries

Impartiality, neutrality, objectivity	AUS AUT CAN CZE DEU DNK ESP FIN GBR GRC HUN IRL ISL ITA JPN KOR LUX NLD NOR POL PRT SWE TUR USA
Legality	AUT BEL CAN CHE DEU DNK ESP GBR GRC HUN JPN IRL ISL ITA KOR MEX NLD NOR PRT SWE TUR USA
Integrity, honesty	AUT BEL AUS CAN DEU DNK GBR GRC JPN KOR MEX NLD NZL POL PRT SWE TUR USA
Transparency, openness, proper disclosure of information	CAN FIN ISL GBR GRC IRL LUX MEX NLD NZL NOR PRT SWE USA
Efficiency	AUS CHE DNK ESP GRC HUN IRL ITA MEX NZL NOR PRT SWE USA
Equality	AUS DEU IRL JPN LUX NLD NOR PRT SWE TUR USA
Responsibility, accountability	AUT DEU FRA FIN GBR HUN ISL MEX NZL PRT SWE
Justice, fairness	AUS DEU ESP HUN IRL NZL NOR PRT SWE TUR
Confidentiality, respect of official secrets	AUT CZE DEU FRA IRL JPN KOR NLD SWE USA
Professionalism	AUS BEL DEU HUN IRL KOR POL PRT
Service in the public interest, service to the whole community	CHE DEU ESP HUN JPN PRT SWE
No private interests, no interaction of private and public interests, avoidance of conflict of interest	CAN CZE DEU IRL JPN SWE USA
Obedience	BEL DEU FRA ITA JPN KOR
Respect for State resources	IRL TUR NOR SWE USA
Loyalty, fidelity to the State	DEU ITA KOR NOR TUR
Kindness, humanity	AUS KOR HUN

Note: The following abbreviations are used: AUS (Australia), AUT (Austria), BEL (Belgium), CAN (Canada), CZE (the Czech Republic), DNK (Denmark), DEU (Germany), FIN (Finland), FRA (France), GRC (Greece), HUN (Hungary), ISL (Iceland), IRL (Ireland), ITA (Italy), JPN (Japan), KOR (Korea), LUX (Luxembourg), MEX (Mexico), NLD (the Netherlands), NZL (New Zealand), NOR (Norway), POL (Poland), PRT (Portugal), ESP (Spain), SWE (Sweden), CHE (Switzerland), TUR (Turkey), GBR (the United Kingdom), USA (the United States).

Figure P14.1. The 8 most frequently stated core public service values in OECD countries



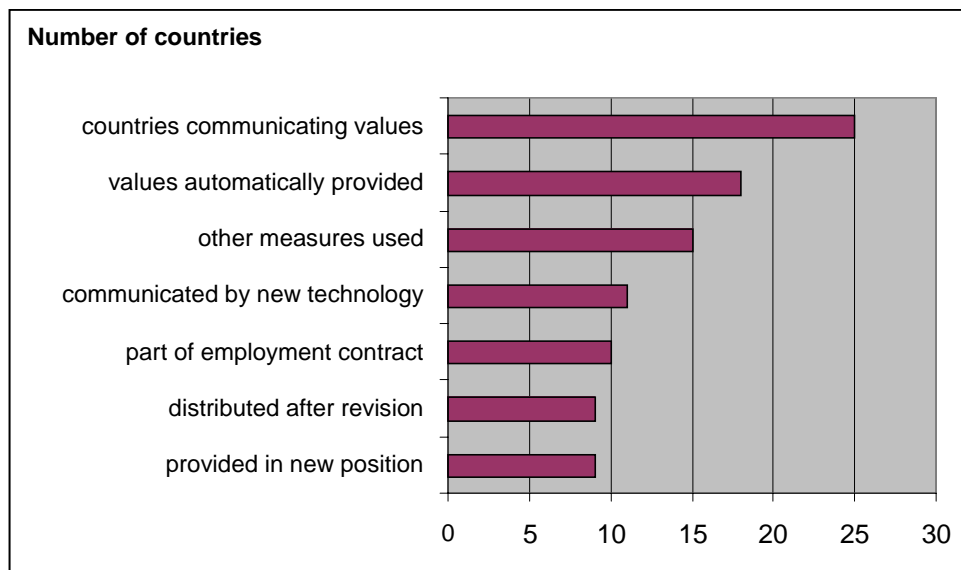
Source: OECD (2000), *Trust in Government – Ethics Measures in OECD Countries*, OECD, Paris.

Table P14.2. Core values as part of the legal framework

In laws and statutes	AUT CAN DNK DEU FRA HUN ISL ITA KOR LUX MEX NLD NOR POL PRT SWE USA
In Constitution	DEU ESP FIN GRC JPN KOR MEX POL PRT SWE TUR
In civil service legislation	DEU FIN GBR HUN ISL KOR NLD POL TUR
In public service acts	AUS BEL CAN CHE DEU ESP GRC JPN MEX NLD

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

Figure P14.2. How to communicate core values to public servants



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

Table P14.3. Communicating values in OECD countries

	Values automatically provided	Part of employment contract	Distributed after revision	Provided in new position	Communicated by new technology	Other measures used
Australia	■	■		■	■	■
Austria					■	■
Belgium
Canada	■	■				
Czech Rep.	■	*		■	**	
Denmark						■
Finland						■
France						■
Germany					■	■
Greece	+				++	
Hungary	■	■			■	■
Iceland		■				■
Ireland	■	■	■	■		
Italy	■	■		■	■	
Japan	■					■
Korea	■		■			■
Luxembourg	■		■		■	
Mexico			■			
Netherlands	■	■	■		■	
New Zealand
Norway	■			■		■
Poland	■	■				■
Portugal	■		■		■	■
Slovak Rep.
Spain	■			■		■
Sweden
Switzerland	■		■		■	
Turkey	■		■	■		■
U.K.	■	■	■	■	■	
USA	■	■		■	■	

Note: * depends on the agency; ** depends on technical facilities; + project. In Belgium, New Zealand and Sweden values are not communicated in a systematic or centralised way.

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

P15. SCOPE OF THE CONFLICT OF INTEREST POLICY

Key contact: János Bertók, OECD GOV

Sources of conflict of interest are activities that could significantly affect the full and impartial exercise of official duties and are often considered as incompatible with public service employment. Conflicts largely arise from financial and economic interest at the time when public officials work in particularly close contact with the private sector. However any situations where actions taken in an official capacity could be seen as being influenced by an individual's personal interest can give rise to a conflict of interest. The introduction of a conflicts-of-interest policy (COI) across OECD countries has been driven by rising public expectations for transparency in public life and closer public scrutiny by the media and opposition parties.

About this indicator:

The objective of an effective conflict-of-interest policy is not the prohibition of all private capacity interests; it is rather to maintain a merited public confidence in the integrity of official decision-making and public management. Two major approaches can be found:

1. A principles-based approach, where a set of principles play the key role by stating what is expected of public office holders, while rules and procedures have a rather complementary role.
2. A rules-based approach that employ detailed enforceable standards. However these standards are also based on fundamental public service principles that embody aspirational goals.

The two key dimensions affecting the construction of COI policies are widely held to be:

1. The activities and situations identified as holding potential for conflicts of interest (business interests and other external activities and positions and personal financial dealings, such as holding significant assets, liabilities or debts, hospitality; and family and personal relationships, etc.)
2. The categories of public officials considered to be most at risk.

Highlights:

The fundamental rules of the conflict of interest policy are considered so important that they are included in the legal framework of all OECD countries. General principles and basic rules can be found in laws on public or civil service and public administration. In a few countries the principles are found in the Constitution. Specific laws increasingly cover sensitive areas for particular groups and often contain procedures and guidance, in the form of regulations, on how to handle such situations. Similarly, ancillary employment arrangements and taking additional positions, either outside or inside the public service, are considered a major potential for conflicts of interest. An increasing number of countries have established specific policy that deals particularly with the business interests of public officials.

Further reading:

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

Aspects of government measured by the indicator:

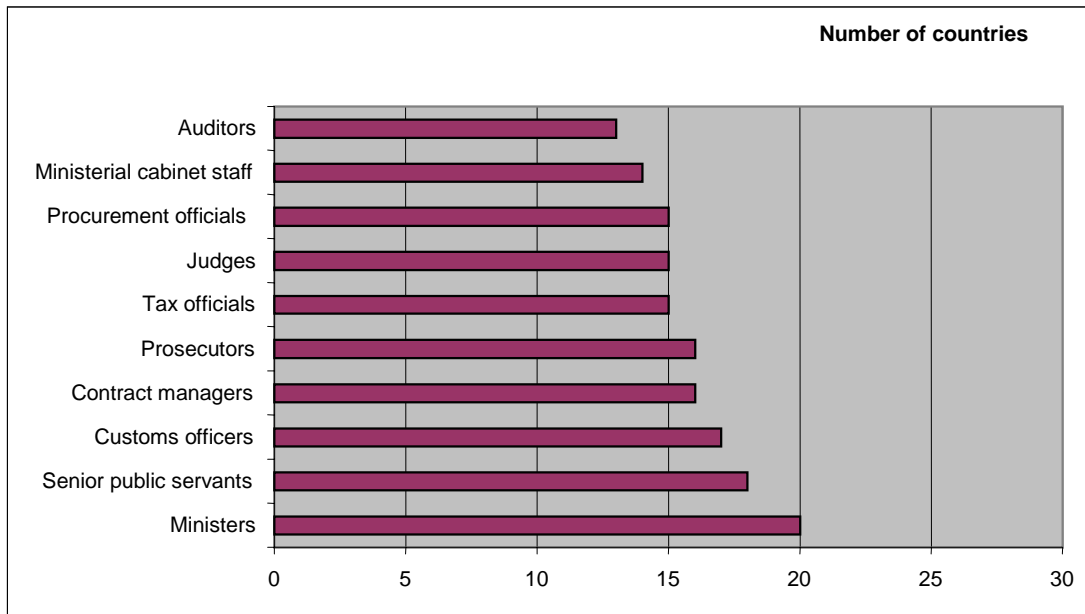
Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P15.1. What activities and situations are identified as holding potential for conflicts of interest for officials?

	Business interest, especially			External activities and positions									Assets	Liabilities, debts	Gifts, benefits and hospitality (for example sponsored travel)	Family relationships	Personal relationship	Other
	Shareholdings	Partnerships	Investments	In a political party	In trade unions	In elected public entity	In an entity with contractual or regulatory relationship with the government	In secondary employment in the private sector	In secondary employment in the public sector	In positions in the private sector whether remunerated or not (e.g. directorships)	In positions in NGOs (e.g. in partnership with the employer organisation of a public official)	In voluntary organisations (e.g. religious, sport etc.)						
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	■	■	■				■	■	■	■					■	■	■	
Slovakia	■	■	■	■	■	■	■	■	■	■		■	■	■	■	■	■	
Spain	■	■	■				■	■	■	■					■	■	■	
Sweden	■	■				■	■	■	■	■					■	■	■	
Switzerland						■	■	■	■	■		■			■	■	■	
Turkey	■	■								■					■	■	■	
United Kingdom				■						■					■	■	■	
United States	■	■	■	■	■	■	■	■	■	■		■	■	■	■	■	■	

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

Figure P15.1. Categories of public officials which are covered by specific COI policies



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

P16. ENFORCING THE CONFLICT OF INTEREST POLICY

Key contact: János Bertók, OECD GOV

Consequences for breaching a COI Policy are either personal, including disciplinary actions and criminal prosecution or managerial, including the cancellation of an affected decision or contract. However, prevention is better than cure, in which measures such as effective provision of information and timely guidance for uncertain situations play key part.

About this indicator:

The key drivers of effective implementation and enforcement of a COI policy are widely held to be:

1. Comprehensive information on the policy
2. Ready access to guidance and consultation if in doubt
3. Explicit measures to resolve conflict-of-interest situations
4. Effective and credible sanction for breaching the conflict-of-interest policy.

Highlights:

In regard to the provision of information, common practice is to provide training and briefing public officials on existing regulations and policies in place. Induction training for new entrants is accompanied by in-service training in some countries. Countries also seek to institutionalise the provision of information on the COI policy by, for instance, including relevant standards in appointment contracts. While training and distribution of policy documents are the principal measures for awareness-raising, managers play a crucial role in creating a working environment with open communication between the employer and employees where the actual difficulties of implementation and COI policy can be openly raised and discussed. Managers also play a key role in monitoring compliance of staff with rules. Government organisations (for example the civil service department) and even external institutions (commissions, Auditor General, Ombudsman and even the Constitutional Court) take an overall interest in monitoring the implementation of conflict-of-interest policy and the compliance of the most senior officials. OECD countries mainly employ disciplinary actions and criminal prosecution along with the cancellation of affected decisions and contracts. Non-disclosure of conflict of interest is generally considered a serious breach, and it results in disciplinary action or even criminal penalties depending on the circumstances of the case. In specific cases, when political or senior post holders do not disclose their relevant personal interests, it may interrupt their career (loss of mandate for elected officials and resignation in case of appointed positions). Ministerial advisors, in addition to losing office, may also have to reimburse the remuneration they have received.

Further reading:

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

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes		Antecedents or constraints	
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P16.1. Enforcing the conflict of interest policy

	How are public officials informed of the conflict of interest policy?			Who can be consulted if an official is in doubt?					
	The document on conflict of interest policy is provided when entering the office	In training	Included in the entrance examination	Other	Manager	Dedicated person within the organisation	Dedicated person outside the organisation	Telephone help desk	Other
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	■				■	■	■	■	■
Slovakia	■	■	■	■	■	■		■	■
Spain		■	■						■
Sweden	■	■		■	■				■
Switzerland	■	■			■	■	■		
Turkey		■			■				
United Kingdom	■				■	■			
United States	■	■							

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

Figure P16.1. Informing public officials on COI policy

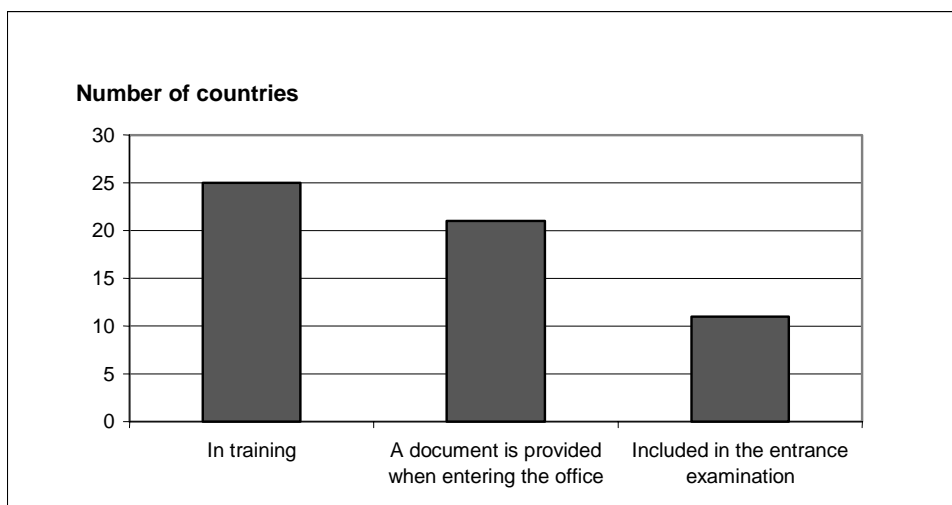
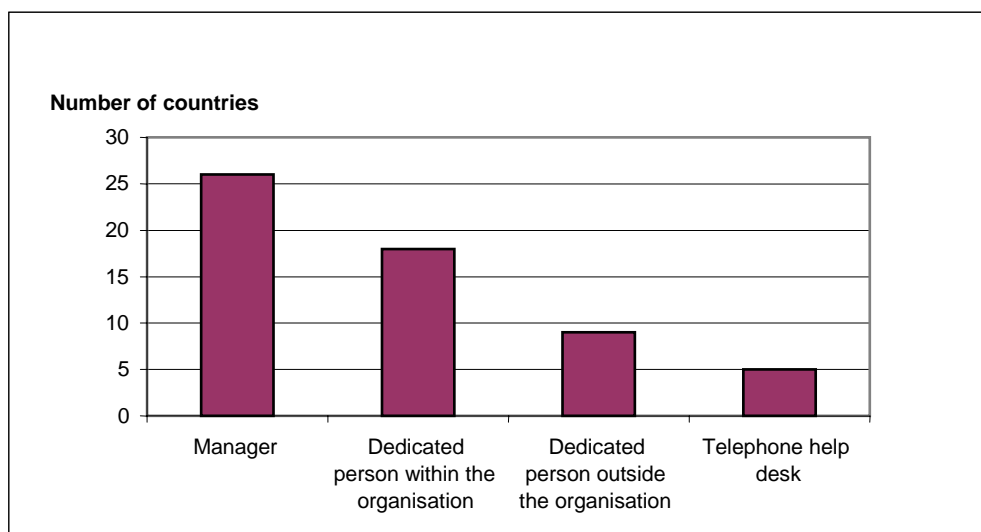


Figure P16.2. Sources available for consultation in COI situation.



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

Figure P16.3. Measures for resolving COI situations

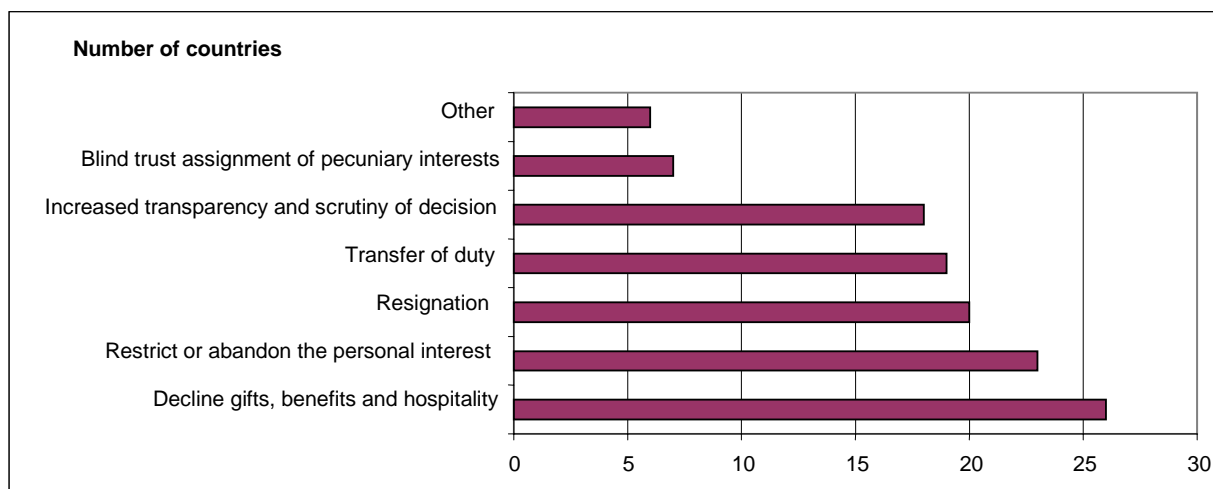
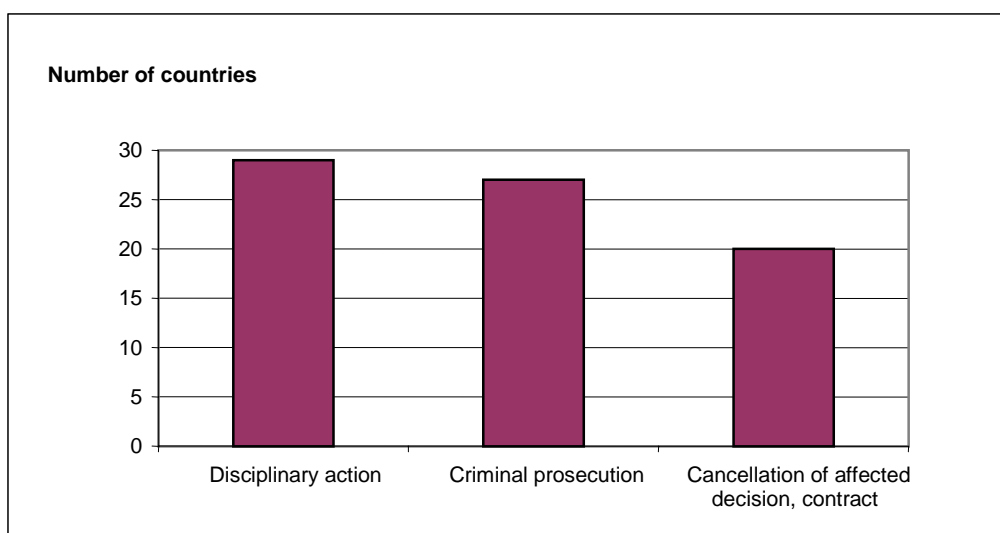
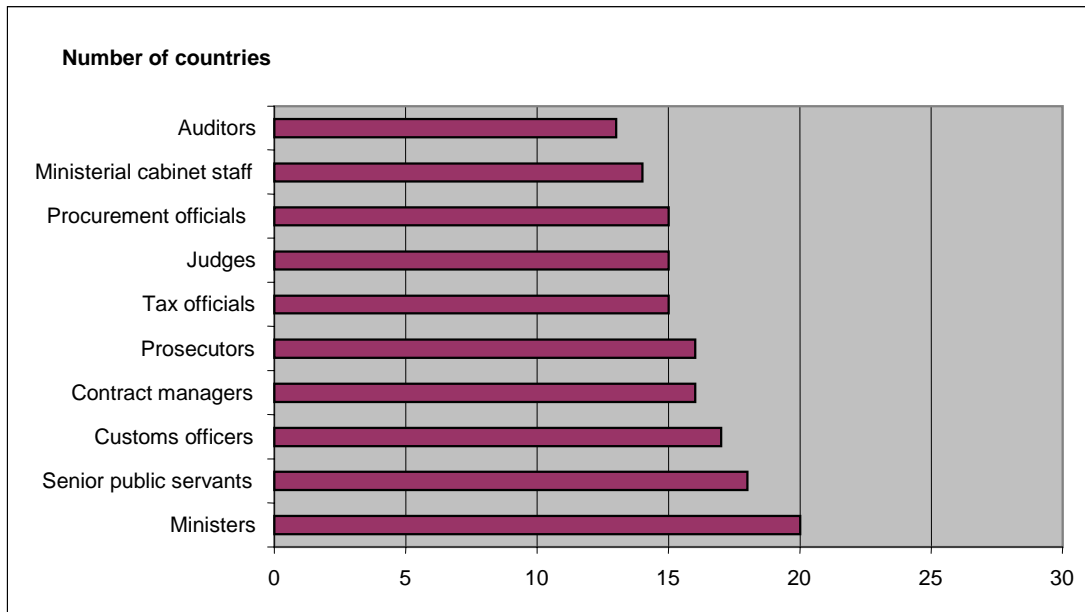


Figure P16.4. Sanctions for breaching the conflict of interest policy



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

Figure P16.5. Categories of public officials which are covered by specific COI policies.



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

P17. CONFLICT OF INTEREST POLICIES FOR POST-PUBLIC EMPLOYMENT

Key contact: János Bertók, OECD GOV

Recent scandals have drawn attention to the importance of avoiding conflicts of interest which can arise when a public official leaves office for employment in the business or NGO sectors. The purpose is to ensure that former public office holders do not take improper advantage by misusing “insider information”, influence peddling or being rewarded for past decisions.

About this indicator:

The key drivers of an effective enforcement of a COI policy are widely held to be:

1. Clear specification of general prohibitions and restrictions of activities and situations holding potential for conflicts of interest post employment for all public officials and specific prohibitions for risk areas.
2. Flexibility for tailored application of prohibitions (e.g. applying specified time limits)
3. Support measures for tracking and ensuring implementation.

Highlights:

83% of OECD countries set rules – principally in legislation – for avoiding conflict of interest in post-public employment. The general approach is to focus on public officials rather than on prospective employers (however France and the United States impose restrictions in the criminal code for the potential or new employer of former public officials) and set general prohibitions that are applicable to all public officials. Requesting information on post-public employment arrangements is an emerging trend in the OECD area. A quarter of countries requests information on proposed post-public employment arrangements on leaving public office. In addition, there is a “cooling-off” period on taking employment with any organisation with which the post-office holders had direct and significant official dealings during their last year in public office. In Poland it is up to one year, while in Canada a bill currently before the Senate proposes a five year period for public office holders in case of lobbying back their former organisation. The average time interval for a “cooling-off” period is one year, however some countries expand this period to two years (e.g. Greece) or even five years (e.g. France, Germany and Turkey). Prohibitions principally related to accepting future employment or appointment (e.g. to board of directors, advisory or supervisory bodies, etc.) and misusing “insider information”.

Only a few countries have established procedures for facilitating the application of prohibitions and restrictions. For example Canada, Ireland, Portugal and Spain request officials to disclose future employment and require approval before taking up a new outside appointment. Countries exceptionally employ support measures for tracking and ensuring implementation of decisions, such as recording approval-decisions on individual cases, for example in Canada, France, Japan, Norway and the United Kingdom; making available past decisions for benchmarking, for example in Canada, France and Japan, and informing prospective employers of imposed restrictions and conditions, for example in Germany and the United Kingdom. Imposing suitable sanctions remain a key challenge for many countries

Further reading:

OECD (2006), *Avoiding Conflict of Interest in Post-Public Employment: Comparative Overview of Prohibitions, Restrictions and Implementing Measures in OECD Countries*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P17.1. Conflict of interest policies for post-public employment

	What information is gathered for the decision, and how:					What measures are used to ensure implementation of decisions?					
	Applicants are required to supply factual information relevant to future employment	Applicants are required to give their own assessment on the situation	An official form should be completed	Information is provided in ad hoc form	Advice/counsel is provided for officials on their post-public employment obligations	Other	Record decisions on individual cases for future tracking	Make available information on past decisions for benchmarking	Inform prospective employers of imposed restrictions and conditions	Request information on the application of decisions (e.g. in the form of a periodic report)	Other
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 Rep.											
Spain	■										■
Sweden											
Switzerland											
Turkey											
United Kingdom	■	■	■	■	■					■	■
United States	■	■	■	■	■						■

Source: OECD (2006), *Avoiding Conflict of Interest in Post-Public Employment: Comparative Overview of Prohibitions, Restrictions and Implementing Measures in OECD Countries*, OECD, Paris.

Figure P17.1. Types of prohibitions and restrictions

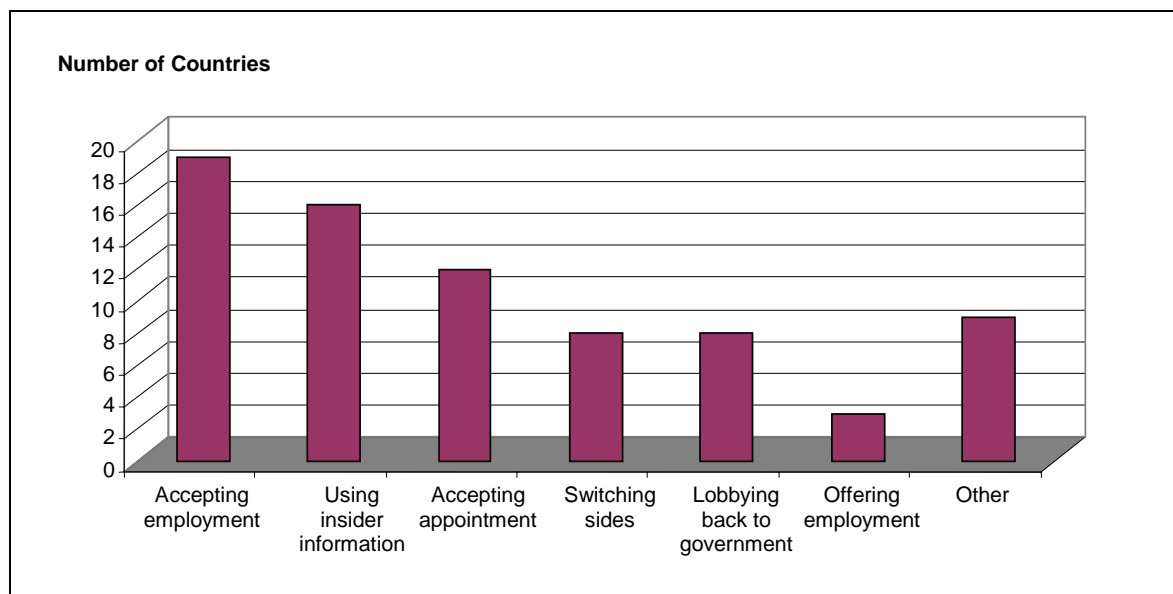
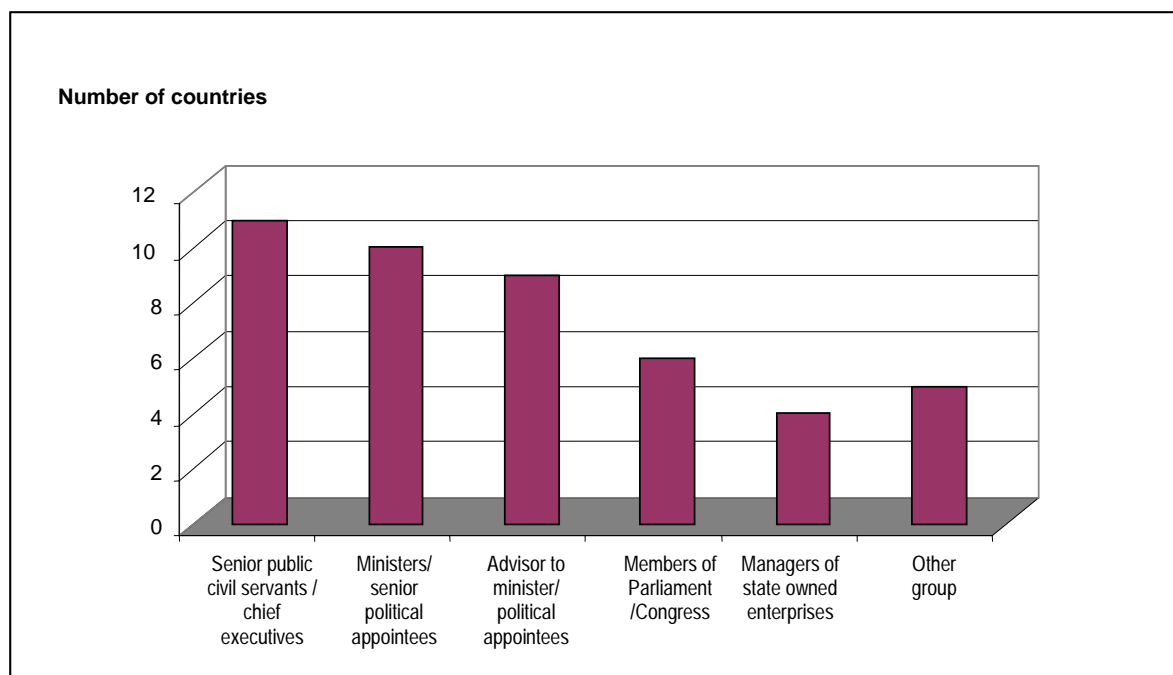


Figure P17.2. Officials with specific post-public employment prohibitions and restrictions



Source: OECD (2006), *Avoiding Conflict of Interest in Post-Public Employment: Comparative Overview of Prohibitions, Restrictions and Implementing Measures in OECD Countries*, OECD, Paris.

Figure P17.3. Information gathered for approval-decision on post-public employment

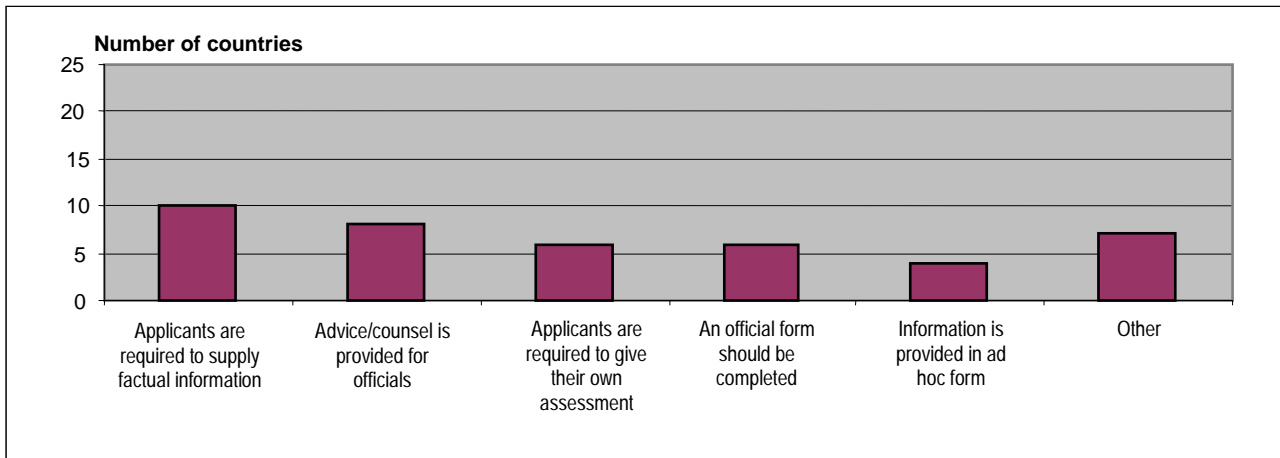
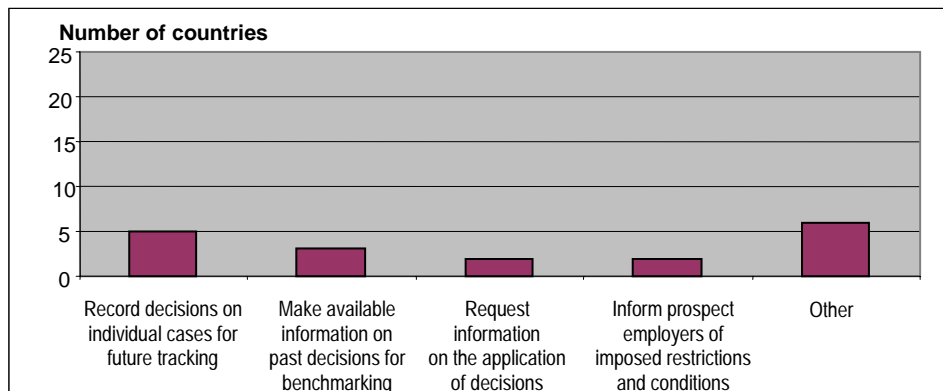


Figure P17-4: Measures used to ensure implementation of approval-decisions



Source: OECD (2006), *Avoiding Conflict of Interest in Post-Public Employment: Comparative Overview of prohibitions, restrictions and implementing measures in OECD countries*, OECD, Paris.

P18. OPEN GOVERNMENT LEGISLATION

Key contact: Joanne Caddy, OECD GOV

Governments are under increasing pressure to open up to public scrutiny, to be more accessible to the people who elected them and more responsive to their demands and needs. From the public's point of view, an open government is one where businesses, civil society organisations and citizens can obtain relevant information and services from the government and take part in decision-making processes.

About this indicator:

The principles of good governance are increasingly enshrined within a set of laws:

- Laws on access to information: seeking to give the citizen a right of access to information held by government, which is a precondition for public scrutiny;
- Laws on privacy and data protection (setting out the restrictions or exceptions where information cannot be provided to the public in the interest of protecting personal data);
- Laws on administrative procedures: providing some guarantees for citizens in their interactions with government and establishing mechanisms for holding administrative powers accountable;
- Laws on ombudsman institutions: offering a point of contact for citizens' complaints, appeals and claims for redress in their dealings with the public administration;
- Laws on Supreme Audit Institutions: providing independent review of public accounts as well as of the execution of government programmes and projects;
- Laws on electronic data and signatures: safeguarding electronic data and its use is an area of increasing concern for citizens and has led several OECD Member countries to introduce new legislation.

Highlights:

The scope, quantity and quality of government information provided to the public have increased significantly in the past 20 years. In 1980 less than a third of the (then 24) OECD countries had legislation on access to information, by 2004 it had reached over 90%. Most countries also legally guarantee the privacy of certain personal data, either through separate legislation or through sections within overall government access to information legislation. Over two-thirds of OECD countries have established parliamentary commissioners for data protection and privacy. All OECD countries have a Supreme Audit Institution, in most cases an independent authority reporting to the legislature. While in 1960 only Sweden, Finland and Denmark had ombudsman office, 90% of OECD countries have them today.

Trends:

As citizens' demands have gone beyond scrutiny to voice, governments have been prompted to go beyond openness to engagement. The measurement challenge in the future will be to a) capture the multiple dimensions of openness (transparency, accessibility, responsiveness) and b) measure the extent to which provisions for openness are actually implemented in practice.

Further reading:

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

OECD (2005), "Public Sector Modernisation: Open Government", *OECD Policy Brief*, February, Paris.

OECD (2003), *The e-Government Imperative*, OECD, Paris.

OECD (2002), *Regulatory Policies in OECD countries*, OECD, Paris.

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

Aspects of government measured by the indicator:

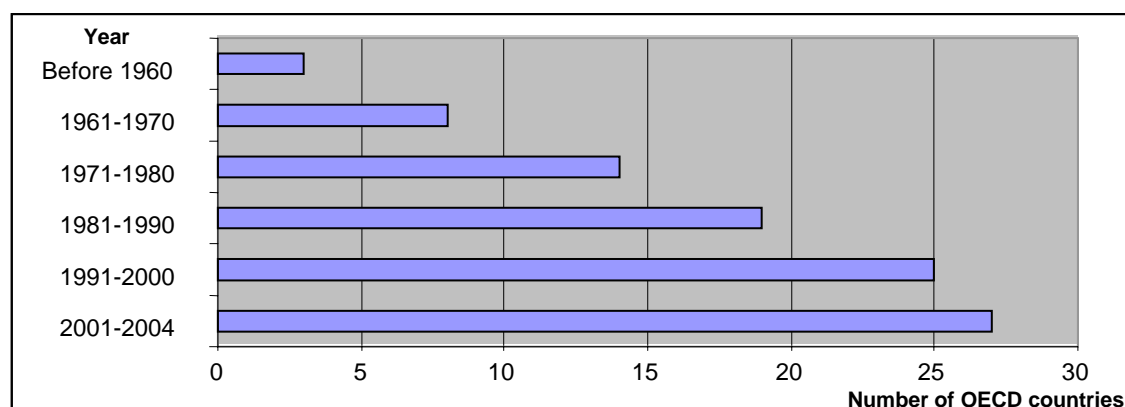
Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P18.1. Overview of current legislation and institutions for open government in OECD countries.

	Freedom of information	Privacy/data protection	Administrative procedure	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	■	■	■		■
EU	■	■		■	■

*No national Ombudsman, but extensive coverage provided by sub-national ombudsman institutions. A government-appointed commission oversees implementation of the law on access to public information.

Figure P18.1. OECD countries with laws Ombudsman institutions (date of establishment)



Source: OECD (2005), Public Sector Modernisation: Open Government, OECD Policy Brief, February, Paris. OECD (2005), "Open Government" in *Modernising Government: The Way Forward*, OECD, Paris.

P19. TYPES OF PERFORMANCE MEASURES USED

Key contact: Teresa Curristine, OECD GOV

Performance – assessing it and improving it – has pre-occupied governments for at least half a century. Over the past two decades, public sector performance has taken on special urgency as OECD countries have faced recessions, mounting demands for more and better public services, and in some countries, citizens increasingly unwilling to pay higher taxes. Accompanying these pressures have been demands for more public accountability.

About this indicator:

Public sector performance reforms focus on government results, defined as outputs and outcomes of their activities. They aim at improving the efficiency, effectiveness and value for money of public activities. The evidence about performance that is collected and used systematically – called performance information - may be quantitative (numerical) or qualitative (descriptive).

The usefulness of performance information is enhanced by applying standards and other types of comparison (for example, with past performance, other lines of business, or level of need) which allow judgments to be made about the extent to which interventions are achieving desired results:

- Performance measures and indicators are particular values or characteristic used to measure output or outcomes.
- Evaluations also provide information on performance but often include a more detailed review of attributes and causality issues. Evaluations typically include recommendations on changes to activities or programmes, to improve performance.
- Benchmarking making comparisons within carefully selected parameters can sustain a productive debate about how and why things differ between settings and options for reform

Highlights:

Over the past two decades, there has been a renewed emphasis on performance measures (principally of outputs and outcomes) in budgeting and management. Countries appear to have recognised the dangers of concentrating only on outputs. It can give rise to goal displacement as agencies risk losing sight of the intended impact of their programmes on wider society, and concentrate on quantifiable activities at the expense of those that are less measurable. It can also result in less attention being paid to cross-cutting issues. While outcomes incorporate a wider focus on the impact of programmes on society and have greater appeal to politicians and the public, some are difficult to measure. Of the countries that developed performance measures, the majority produce a combination of outputs and outcomes.

Trends:

An increasing number of OECD countries are developing performance measures and of those that have already developed performance measures more are moving towards the development of outcomes.

Further reading:

OECD (2005), *Modernizing Government: The way forward*, OECD, Paris.

Curristine, T (2005) “Performance Information in the Budget process: Results of OECD 2005 Questionnaire”, *OECD Journal on Budgeting*, Vol. 5, No. 2, OECD, Paris.

Schick, A. (2003), “The Performing State: Reflection on an Idea whose Time Has Come but whose Implementation Has Not”, *OECD Journal on Budgeting* Vol. 3, No. 2, OECD, Paris.

OECD/WB Budget Practices and Procedures Database, available at www.oecd.org/gov/budget.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain	
	Central	State	Local	Social security funds			
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints

Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection
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Table P19.1. The types of performance measures that have been developed (by country)

	What types of performance information are produced to assess government performance?			What is assessed?			
	Performance measures	Evaluation; in-depth, impact, cost/effectiveness etc	Benchmarking	Efficiency	Economy and productivity	Quality	Effectiveness
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	■			■	■		■
Slovakia	■	■					■
Spain	■	■	■	■	■	■	■
Sweden	■	■	■	■	■	■	■
Switzerland		■				■	■
Turkey	■			■	■	■	■
UK	■	■	■	■	■	■	■
United States	■	■		■			■
Chile	■	■		■	■	■	■
Israel	■	■		■	■	■	■

Source: 2005 OECD questionnaire on performance information. All answers are self-reported.

Table P19.2. Types of performance measure used

What type of performance measures have been developed?					
Outputs Only	Outcomes Only	Combination of outputs and outcomes	Unit cost of outputs	None	Other, <i>please specify below:</i>
Australia		■	■		These has bee developed, but not systematically
Austria		■			
Belgium			■		
Canada		■			Internal process measures
Czech Republic					
Denmark	■				
Finland		■	■		
France	■		■		
Germany		■	■		
Greece					
Hungary	■				
Iceland		■	■		
Ireland			■		
Italy		■			
Japan		■			
Korea		■			
Luxembourg					
Mexico	■				
Netherlands					Most cases is output oriented and very few based on outcomes
New Zealand	■		■		
Norway		■	■		
Poland		■			
Portugal		■			
Slovakia		■			
Spain		■	■		In general, outcomes are in a developmental stage
Sweden		■	■		
Switzerland		■			
Turkey		■	■		
UK		■			
United States		■	■		
Chile		■	■		Some departments/agencies have developed outcomes for particular areas.
Israel		■	■		

Sources: 2005 OECD questionnaire on performance information. All answers are self-reported.

Figure P19.1. Types of performance measure used

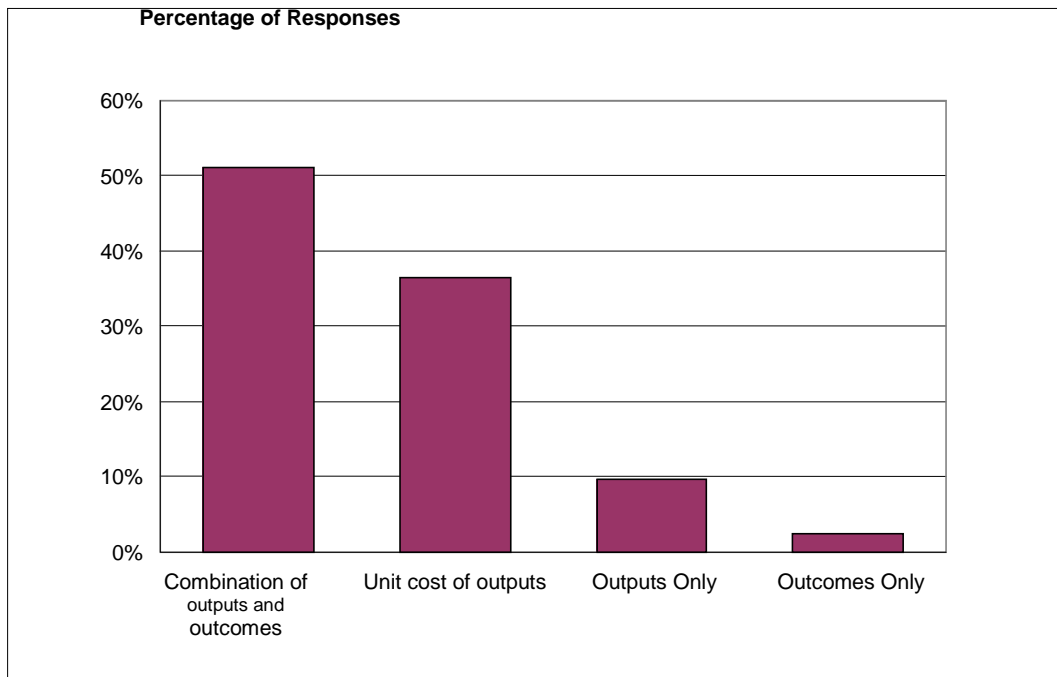
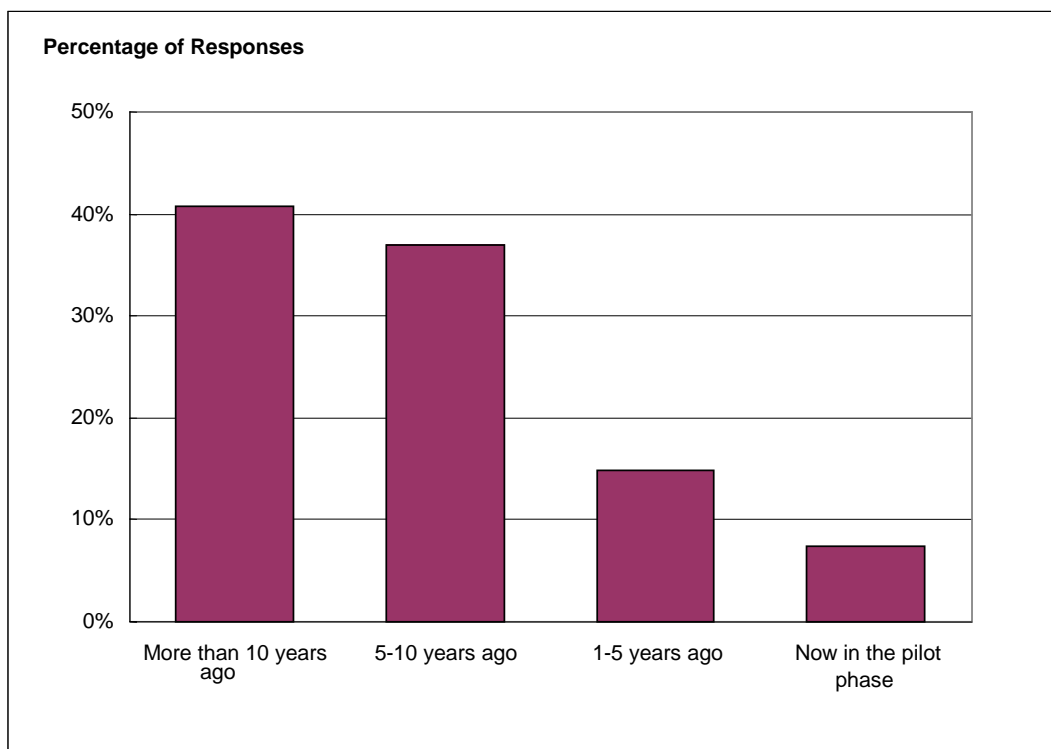


Figure P22.2. When was the first government-wide initiative to introduce output measures?



Sources: 2005 OECD questionnaire on performance information. All answers are self-reported.

P20. ROLES AND RESPONSIBILITIES IN PERFORMANCE MANAGEMENT SYSTEM

Key contacts: Teresa Curristine, OECD GOV

There is a wide variation in the formal role played by central agencies in OECD countries in the development and implementation of performance approaches to budgeting and management. This varies from countries where the Ministry of Finance (MOF) has no involvement to ones where it is the main designer and manager of the performance system. Some countries have combined introducing performance management with delegating responsibilities within ministries and to agencies on the theory that managers need more freedom to use resources if they are to achieve results.

About this indicator:

Performance management system covers corporate management based on performance information, performance evaluation, monitoring, assessment and performance reporting. In a stricter definition, it can be defined as such management cycle under which programme performance objectives and targets are determined, managers have flexibility to achieve them, actual performance is measured and reported, and this information feeds into decisions about programme funding, design, operations and rewards or penalties.

Performance budgeting can be broadly defined as any budget that presents information on what agencies have done or expect to do with the money provided. A strict definition of performance budgeting, however, is a form of budgeting that relates funds allocated to measurable results.

Highlights:

The most common responsibility for the ministries of finance is providing horizontal support for developing performance measures. This is closely followed by their role of applying performance results in resource allocation and/or programme or policy decisions and the monitoring of progress against targets. Spending ministries have a strong role in developing and setting performance measures, monitoring progress and applying performance results in resource allocation and/or programme and policy decisions. The relevant spending ministry and the national audit body play the greatest role in commissioning evaluations. As the results show, in 32 % of countries spending ministries develop their own performance measures and set their own targets and there is no involvement of the MOF or other central agencies. In 48% of countries, the MOF agrees either the performance targets (16%) or both the targets and measures developed by spending ministries (32%). Moreover, neither do the majority of MOFs have a unit in charge of setting/monitoring performance measures of spending ministries. Only 37% of responding countries have a specific unit in their MOF.

Further reading:

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

OECD (2005), Curristine, T (2005), Performance Information in the Budget process: Results of OECD 2005 Questionnaire, *OECD Journal on Budgeting*, Vol. 5, No. 2, OECD, Paris.

Schick, A. (2003), "The Performing State: Reflection on an Idea whose time has come but whose Implementation has not", *OECD Journal on Budgeting* Vol. 3, No. 2, OECD, Paris.

OECD/WB Budget Practices and Procedures Database, available at www.oecd.org/gov/budget.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P20.1. Which institutions have responsibility for the following?

	The Ministry of Finance				The Ministry of Planning					Ministry/Department/Agency in charge of the programme					
	Commissioning evaluations	Setting performance measures	Monitoring progress against measures	Applying performance results in resource allocation and/or programme or policy decisions	Horizontal support for developing performance measures	Commissioning evaluations	Setting performance measures	Monitoring progress against measures	Applying performance results in resource allocation and/or programme or policy decisions	Horizontal support for developing performance measures	Commissioning evaluations	Setting performance measures	Monitoring progress against measures	Applying performance results in resource allocation and/or programme or policy decisions	Horizontal support for developing performance measures
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	■	■	■	■	■					■		■	■	■	■
Slovakia	■		■									■	■	■	
Spain	■		■								■	■	■	■	
Sweden					■						■	■	■	■	■
Switzerland											■	■	■	■	
Turkey					■					■		■	■	■	■
UK	■	■	■	■	■						■	■	■	■	■
United States			■	■	■						■	■	■	■	■
Chile	■	■	■	■	■						■	■	■	■	
Israel	■	■	■	■	■						■	■	■	■	

Source: Curristine, T. (2005), Performance Information in the Budget process: Results of OECD 2005 Questionnaire, *OECD Journal on Budgeting*, Vol. 5, No. 2, OECD, Paris.

Table P20.2. Roles and responsibilities in performance management system

	Evaluation unit within each Ministry/Department				The National Audit Body				The Legislature				Other external Institutions: universities, research enterprises, consultancies, etc.			
	Commissioning evaluations	Setting performance measures	Monitoring progress against measures	Applying performance results in resource allocation and/or programme or policy decisions	Horizontal support for developing performance measures	Commissioning evaluations	Setting performance measures	Monitoring progress against measures	Applying performance results in resource allocation and/or programme or policy decisions	Horizontal support for developing performance measures	Commissioning evaluations	Setting performance measures	Monitoring progress against measures	Applying performance results in resource allocation and/or programme or policy decisions	Horizontal support for developing performance measures	
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	■		■					■		■		■			■	
Slovakia										■		■				
Spain	■		■			■				■				■		
Sweden												■				
Switzerland										■		■			■	
Turkey						■										
UK	■		■		■		■		■	■		■		■	■	
United States																
Chile																
Israel																

Source: OECD (2005), Curristine, T. (2005), "Performance Information in the Budget process: Results of OECD 2005 Questionnaire", *OECD Journal on Budgeting*, Vol. 5, No. 2, OECD, Paris.

Table P20.3. Roles and responsibilities in performance management system

	Commissioning evaluations	Setting performance measures	Monitoring progress against measures	Applying performance results in resource allocation and/or programme or policy decisions	Horizontal support for developing performance measures
The Ministry of Finance	12	8	15	16	18
The Ministry of Planning	1	1	2	1	4
The Ministry/Department/Agency in charge of the programme	19	25	25	21	8
Evaluation unit within each Ministry/Department	7	5	9	3	1
The National Audit Body	13	0	10	0	2
The Legislature	11	6	6	6	1
Other external Institutions: universities, research enterprises, consultancies, etc.	3	0	6	0	5
Total	66	45	73	47	39

Figure P20.1. There is a specific unit within the Ministry of Finance/Central Budget Office in charge of:

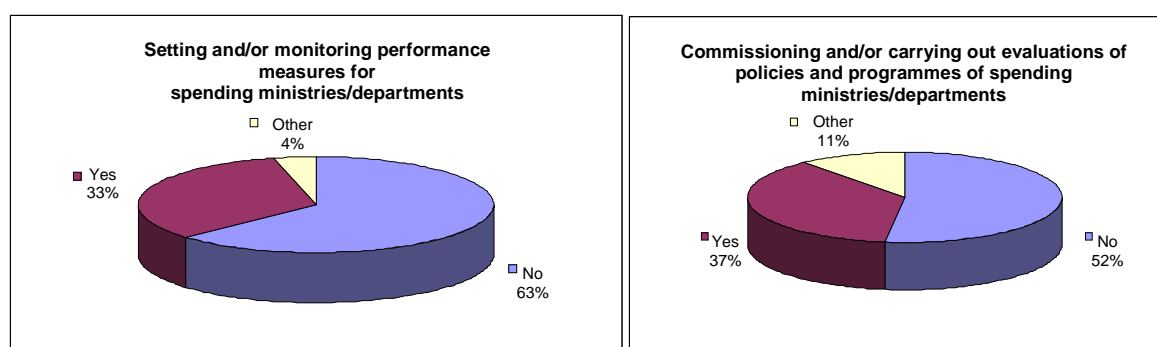
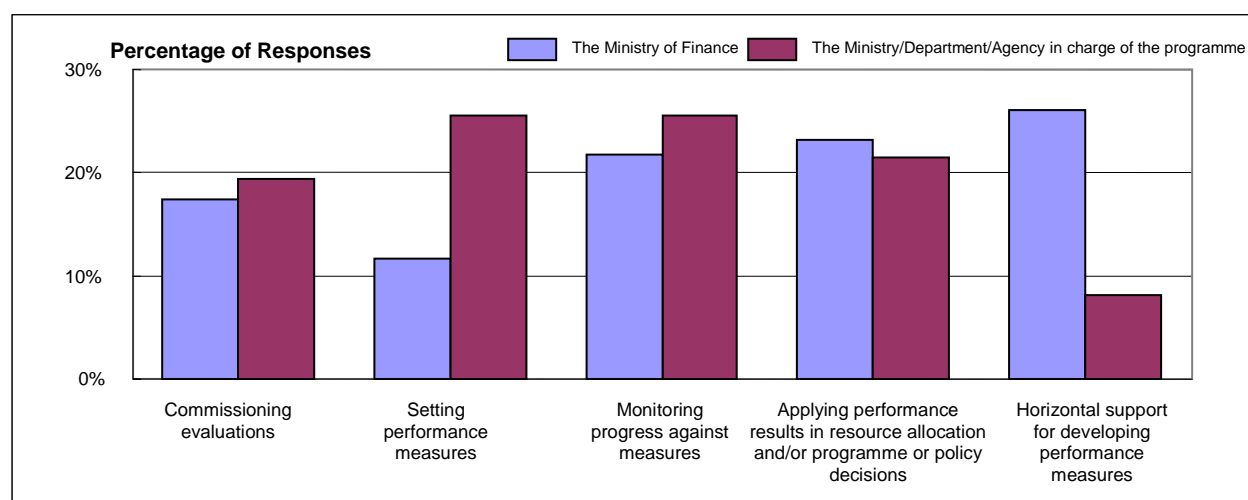


Figure P20.2. What institution has responsibility for managing the following?



Source: OECD (2005), Curristine, T. (2005), "Performance Information in the Budget process: Results of OECD 2005 Questionnaire", *OECD Journal on Budgeting*, Vol. 5, No. 2, OECD, Paris.

P21. USE OF PERFORMANCE MEASURES IN THE BUDGET PROCESS

Key contact: Teresa Curristine, OECD GOV

Since the key objective of the uses of performance measures in the budget process is to make government operations more efficient, a major issue is how this information is used in budgetary decision making to motivate agencies to improve performance. The MOF potentially has a variety of tools at its disposal, which includes the ability to confer money, freedom and recognition on spending ministries/agencies. While rewarding good performance is appealing, it does not take into account budgetary constraints and government priorities. Performance measures also only provide a snapshot of performance in time and do not explain the underlying causes of bad performance. In addition, there is always the danger that linking results to financial resources can create incentives to "game" in presenting performance information, particularly when performance information is not independently audited.

About this indicator:

Performance measures can contribute to budgetary decision-making in the budget process in different ways.

Presentational: In this category performance information is included, at best, as background information only. It does not play a role in decision making on allocations nor is it necessarily intended to do so.

Informed or indirect linkage: The second grouping is performance informed budgeting. This is a form of budgeting that relates resources to results in an indirect manner. Indirect linkage implies that results – along with other information on performance or other information pertaining to macro restrictions on fiscal policy and policy priorities – are being actively and systematically used to inform budget decisions. Performance information is important, but it is not absolute and does not have a predefined weight in the decisions. The final weightings will depend on the particular policy context.

Direct linkage: The third category is direct performance budgeting. Direct linkage involves the allocation of resources directly and explicitly to units of performance. Appropriations can thus be based on a formula/contract with specific performance or activity indicators. Funding is directly based on results achieved. This form of performance budgeting is used only in specific sectors in a limited number of OECD countries.

Highlights:

In most sectors and cases, performance measures are loosely connected to decisions in the budget process. While performance targets are rarely or never used to determine budget allocations, they are, however, often used by the MOF in the budget process along with other information on performance and/or information on fiscal policy and political priorities to inform budget allocations. A direct linkage, where the results determine funding, creates a greater incentive for gaming. However, performance informed budgeting presents a danger that not enough weight will be given to performance information or that it can be sidelined, especially when other information is being considered. MoFs have taken a cautious approach to using performance information to financially punish or reward agencies or individuals. When programmes show poor performance, the most common course of action is that resources are held constant and the programme is reviewed during the course of the year.

Further reading:

OECD (2005), *Modernizing Government: The way forward*, OECD, Paris.

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

Schick, A. (2003), "The Performing State: Reflection on an Idea Whose Time Has Come but Whose Implementation Has Not", *OECD Journal on Budgeting* Vol. 3, No. 2, OECD, Paris.

OECD/WB Budget Practices and Procedures Database, available at www.oecd.org/gov/budget.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P21.1. Use of performance measures in the budget process

Does the Ministry of Finance eliminate programmes when the results show poor performance?		Does the Ministry of Finance/Central Budget Office eliminate activities/programmes when the evaluations show poor performance?
Australia	Rarely	Yes, but rarely
Austria	Never	No
Belgium	Never	No, it is the task of the relevant ministry
Canada	Rarely	Yes, but rarely
Czech Republic	...	...
Denmark	Never	No, it is the task of the relevant ministry
Finland	Rarely	No, it is the task of the relevant ministry
France	Never	No
Germany	Rarely	No, it is the task of the relevant ministry
Greece	...	...
Hungary	Rarely	No, it is the task of the relevant ministry
Iceland	Never	No, it is the task of the relevant ministry
Ireland	Rarely	Yes, but rarely
Italy	Never	No, it is the task of the relevant ministry
Japan	Rarely	Yes, but rarely
Korea	Rarely	Yes, often
Luxembourg	...	...
Mexico	Rarely	No
Netherlands	...	...
New Zealand	Rarely	Yes, but rarely
Norway	...	No, it is the task of the relevant ministry
Poland	Yes, often	Yes, often
Portugal	Rarely	No
Slovakia	Never	No, it is the task of the relevant ministry
Spain	Rarely	No, it is the task of the relevant ministry
Sweden	Never	No, it is the task of the relevant ministry
Switzerland	Never	No
Turkey	...	
UK	Rarely	Yes, but rarely
United States	Rarely	Yes, but rarely
Chile	Rarely	Yes, but rarely
Israel	...	Yes, often

Source: 2005 OECD questionnaire on performance information. All answers are self-reported.

Figure P21.1. Does the Ministry of Finance eliminate programmes when the results show poor performance?

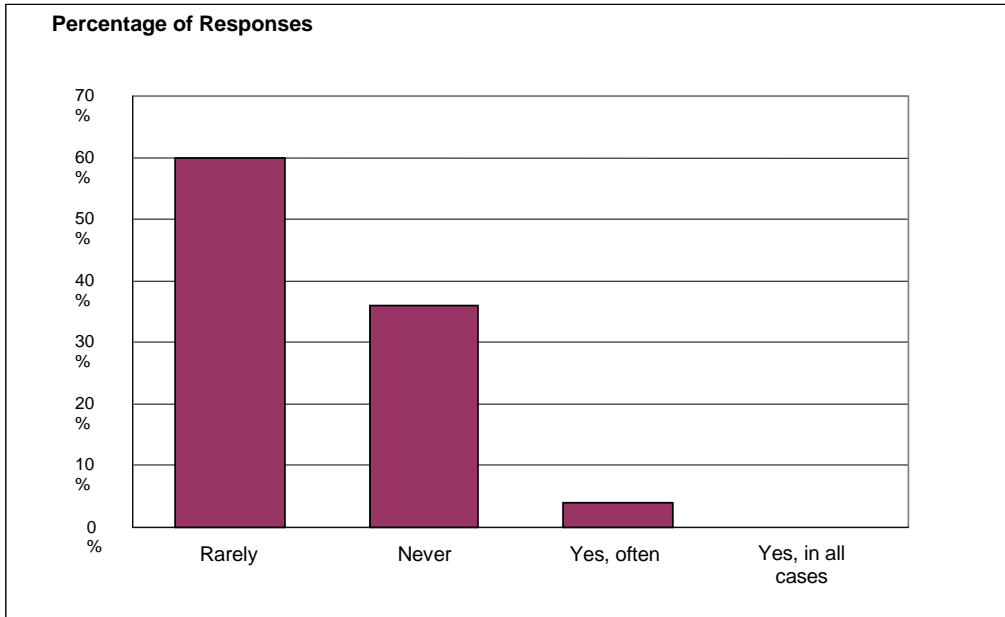
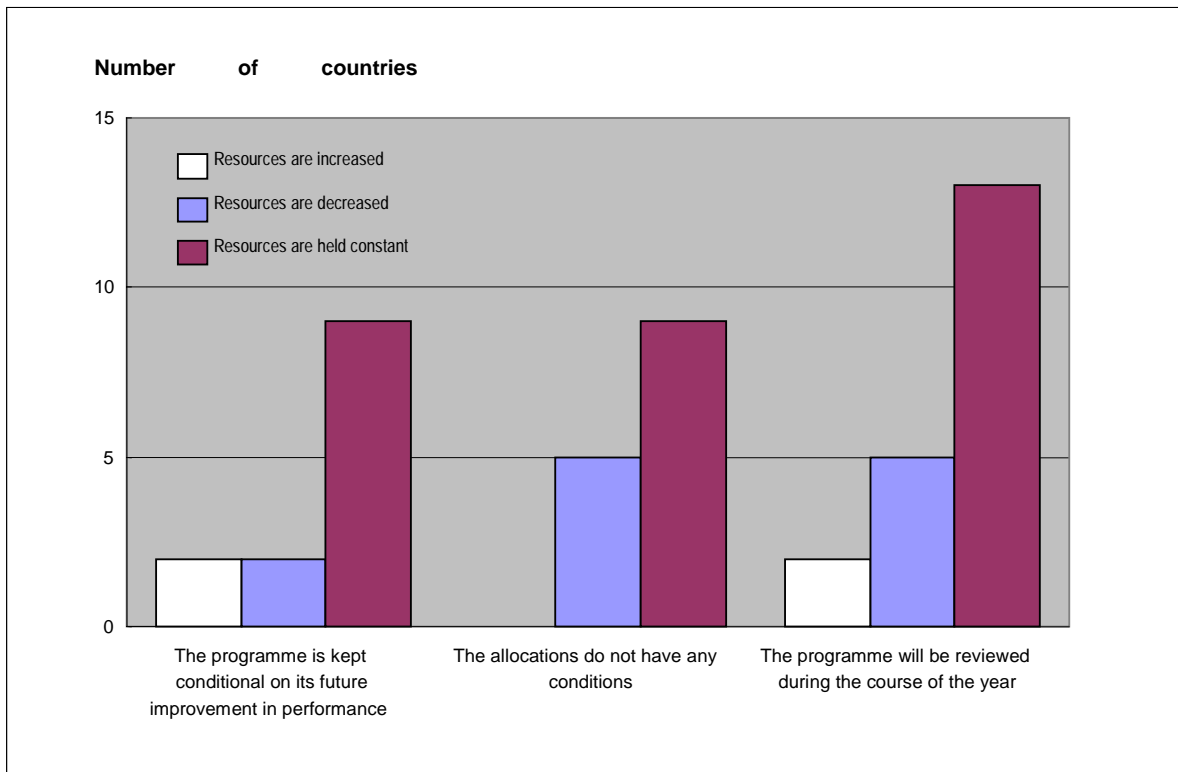


Figure P21.2. The most common action taken if a programme with poor performance results is not eliminated by the Ministry of Finance/Central Budget Office



Source: 2005 OECD questionnaire on performance information. All answers are self-reported.

Figure P21.3. Are performance results used as part of the budget discussions between the Ministry of Finance/Central Budget Office and the spending ministries/departments?

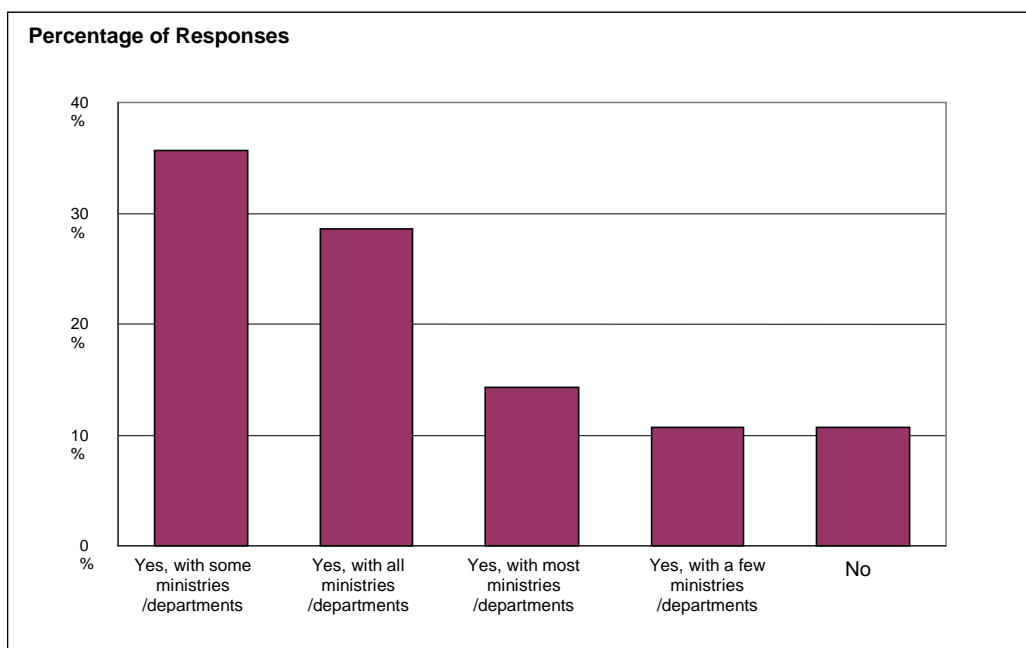
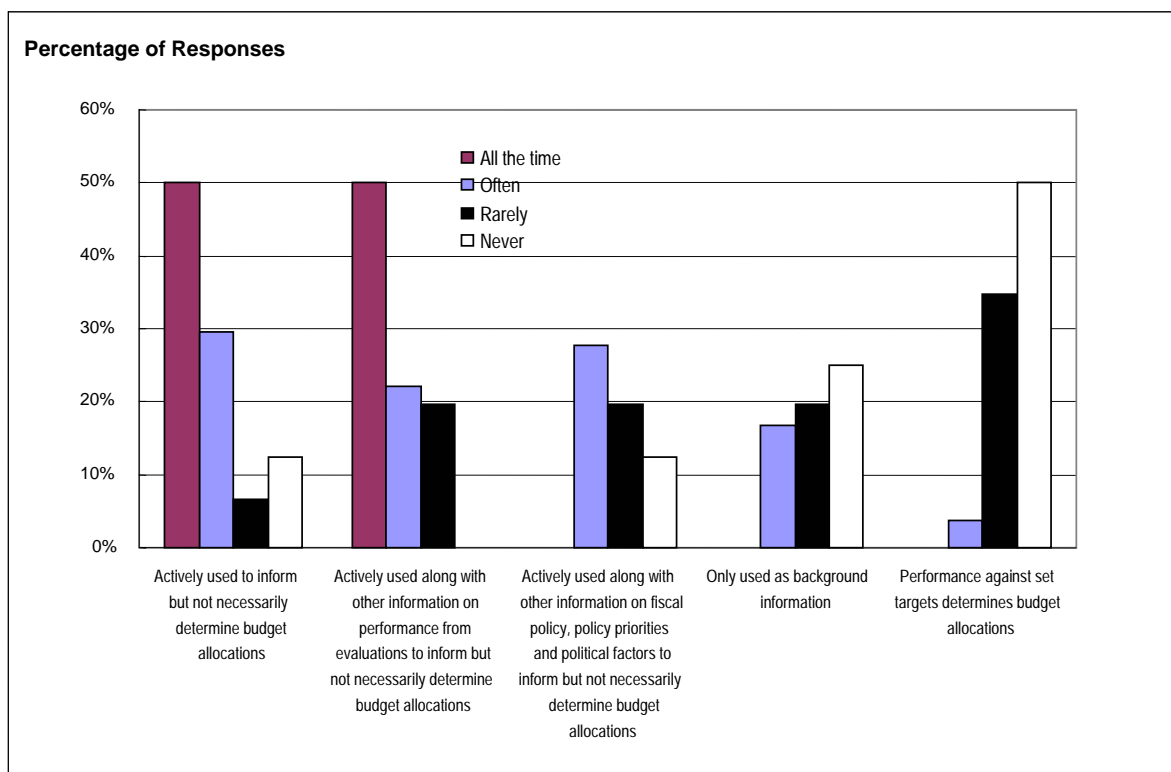


Figure P21.4. When output and/or outcome measures are used by the Ministry of Finance/Central Budget Office in the budget formulation process, how are they used and how often?



Source: 2005 OECD questionnaire on performance information. All answers are self-reported.

P22. LEGAL FRAMEWORK FOR E-GOVERNMENT SERVICE PROVISION

Key contacts: Gwendolyn Carpenter, Edwin Lau, OECD GOV

OECD country experiences show that a proper legal framework is a prerequisite for the success of e-government initiatives. E-government services and processes (*i.e.* transactional and data-sharing procedures) remain under-developed without a legal equivalence between digital and paper processes.

About this indicator:

The parameters of the legal framework for e-government are:

- **Equivalence** - To establish the formal recognition of e-government processes their formal legal recognition and standing vis-à-vis the equivalent paper process.
- **Data sharing legislation** - OECD countries are transforming government through use of ICT and ICT-enabled governance structures, new collaboration models and “networked” administrations. Current regulation frameworks based on the assumption that agencies work alone can inhibit collaboration and information sharing between organisations. Of particular relevance is the legal area of privacy.
- **Simplification of national legislation** - If agencies are unable to determine what is required of them, they are likely to be unwilling to invest in a project that may not conform with requirements.
- **Mandating Uptake** - Governments are increasingly seeking to deliver on promises of increased efficiency and transparency by focusing on integrating business processes, improving take-up and promoting the development of online seamless services. Some are experimenting with requiring populations with high levels of internet access (e.g. businesses) to undertake certain procedures online, thereby streamlining service delivery channels and improving uptake.

Highlights:

As governments are faced with ensuring take-up of e-government services, legal frameworks are being put into place to ensure equivalence to paper-based services and processes, to enable data sharing, simplify national legislation and mandate uptake of major building blocks. Electronic signatures have different legal standing in different OECD countries depending on legal tradition, history and environment. National implementation among EU Member States of the EU Directive on electronic signatures regulates the ICT security infrastructure supporting the usage of digital signatures. The EU Directive attributes different “strengths” (specific security levels) to digital signatures following this regulation. As of 2006, all 30 OECD countries except for Mexico have passed legislation recognising digital signatures, though a much smaller number have actually introduced applications beyond a pilot phase.

Trends:

The OECD was the first intergovernmental organisation to issue guidelines on international policy for the protection of privacy in computerised data processing. In 1980, the Guidelines on the Protection of Privacy and Trans-border Flows of Personal Data were adopted as a Recommendation of the OECD Council. They were followed by the 1985 Declaration on Transborder Data Flows, and by the Ministerial Declaration on the Protection of Privacy on Global Networks, adopted by OECD Ministers in 1988.

Further reading:

OECD (2005), *e-Government for Better Government*, OECD, Paris.

OECD (2005), *IT Outlook*, OECD, Paris.

OECD (2004), *The e-Government Imperative*, OECD, Paris.

OECD, *OECD e-Government Country Studies: Finland (2003); Mexico (2004); Norway and Denmark (2005); Hungary, Turkey and Netherlands*, OECD, Paris (forthcoming).

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public processes	Outputs and intermediate outcomes			Final outcomes	Antecedents or constraints	
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P22.1. Major laws regulating electronic data and services

Legal topic	EU directive	Netherlands	Hungary	Turkey
E-Procurement	EU directive on public procurement including article on e-procurement [2004/18/EC, Article 33]	Implemented in 2005.	Government decrees 167/2004 and 168/2004	n.a.
Re-Use of public data	EU directive on re-use of public data regulating the possibility of usage of public data [2003/98/EC]	Implementation in 2005 as an amendment to the Dutch Government Information Act from 1991.	Act on the Freedom of Information by Electronic Means (XC/2005)	The Law on the Right to Access Information (9 October 2003/4982) Bylaw on the Implementation of the Law on Right to access Information (19 April 2004)
E-Commerce	EU E-Commerce Directive [2000/31/EC]	Passed by the Parliament in May 2004. Unlike most other EU member states, this transposition does not take the form of a horizontal e-commerce law but of a series of amendments to existing laws and regulations.	Act on Electronic Commerce and Information Society Services adopted the 18 December 2001	<i>Amendments to the Law on Consumer Protection (6 March 2003/4822)</i> Bylaw on Implementation Principles and Procedures of Remote Contracts (13 June 2003)
Liberalisation of telecommunications markets in Europe	Five directives constituting the new EU regulatory framework for the liberalisation of the European telecommunications markets: The framework directive, the access directive, the universal services directive, the authorisation directive and the privacy directive	The new Telecommunications Act entered into force in 2004.	Liberalisation of telecommunications market (Act C/2003 (IX.22.))	Universal Service Law (25 June 2005/5369) Amendments to the Law on Privatisation Procedures (21 July 2005/5398) Amendments to the Law on Telegram and Telephone (12 May 2001/4673)
E-Signatures	EU directive on electronic signatures regulating the framework for recognised electronic signatures [1999/93/EC]	Community framework for electronic signatures implemented in 2003.	Decree on E-signatures Decree (194/2005)	The Law on E-Signatures (23 January 2004/5070)
E-Invoicing (VAT collection)	EU directive on e-invoicing with regard to value-added tax collection regulating conditions for using e-invoicing within collection of value-added tax [2001/115/EC amending 77/388/EEC]	Implemented in 2003.	Decree on E-Invoicing (20/2004 (IV.21.))	Bylaw on the Implementation of e-signatures Law (6 January 2005) Amendments to the Law on Tax Procedure (7 August 2003/4962) Amendments to the Laws on VAT, Stamp Tax, Expenditure Tax (2 January 2004/5035) Amendments to the Law on Income tax (31 July 2004/5228)
Privacy	EU directive on privacy and electronic communications [2002/58/EC]	The Personal Data Protection Act was adopted by the Dutch Parliament in July 2000 and came into force on 1 September 2001.	Decree on privacy and electronic communications (226/2003 (XII.13.))	The New Turkish Penal Code (12 October 2004/5237)
Data protection	EU directive on data protection regulating protection of personal data [95/46/EC]	"Wet bescherming persoonsgegevens" (Personal Data Protection Act) from 2000.	The Personal Data Protection Act LXIII/1992	n.a.

Sources: OECD based on OECD E-government survey: Netherlands (2006) and IDABC Factsheet: Netherlands eGovernment (2005) Hungary eGovernment (2005), European Commission, (2006).

P23. E-GOVERNMENT INFRASTRUCTURE

Key contact: Gwendolyn Carpenter, Edwin Lau, OECD GOV

One of the prerequisites of e-government is the existence of a high-quality ICT infrastructure among and within public sector entities. Increasingly, public infrastructure concerns encompass not only hardware and communication requirements, but also shared enabling services such as electronic identity management and Public Key Infrastructure (PKI). These allow other electronic services to take place in a secure environment. This requires knowledge and understanding not only of what hardware solutions are in place, but also core public governance issues such as which users are connected by the networks, the rules by which they interact, the user requirements and rights association with the use of network components, and the overall level of confidence for networked collaboration.

About this indicator:

The key parameters of e-government infrastructure arrangements are:

- **Capacity:** As e-government services and users' expectations become more sophisticated, they will require increased bandwidth.
- **Access across Levels of Government:** In order to effectively deliver electronic services, central governments need to be in touch with local governments that are closest to citizens.
- **Interconnectivity:** As technologies evolve and as e-government tends to be implemented in many places at the same time within government, different public networks may not be able to connect.
- **Interoperability:** Once public networks are connected, the different actors using them need to speak the same language and have appliances and software able to communicate with each other. Identifying a common language (e.g. XML) for the exchange of data is essential for shared services. This can have implications for how services are organised and can touch on sensitive issues such as the work processes of government agencies.
- **Security:** Citizens entrust their personal data to government with the understanding that such data will not be misused. Are the databases and networks of the government secure? Have steps been put in place to ensure that security protections are commensurate with the level of sensitivity of the transaction and the data involved?

Highlights:

Most OECD countries have the major elements of their public ICT infrastructure in place at the central government level. Connecting local government remains a challenge. Standardisation of hardware and data standards is a major priority, but is still in an early stage for the majority of countries.

Trends:

Infrastructure concerns revolve increasingly around the standardisation of data and processes by end point users in order to make the most of network infrastructure. For security issues, the focus has moved towards establishing and following processes and procedures rather than simply ensuring physical data security.

Further reading:

OECD (2005), *e-Government for Better Government*, OECD, Paris.

OECD (2005), *IT Outlook*, OECD, Paris.

OECD (2004), *The e-Government Imperative*, OECD, Paris.

OECD, *OECD e-Government Country Studies: Finland (2003); Mexico (2004); Norway and Denmark (2005); Hungary, Turkey and Netherlands*, OECD, Paris (forthcoming).

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table 23.1. Interconnectivity and Interoperability

	Does a common technical platform (i.e. enterprise architecture) exist for central government?	Does a common information architecture or a Standardisation Board exist for central government?
Australia		4
Austria		4
Belgium		
Canada	4	
Czech Republic		
Denmark	4	3
Finland		
France		
Germany	4	4
Greece		
Hungary	4	3
Iceland		
Ireland		4
Italy		
Japan		
Korea		
Luxembourg		
Mexico		
Netherlands	2	3
New Zealand		4
Norway		4
Poland		
Portugal		
Slovak Republic		
Spain		
Sweden		
Switzerland		
Turkey	1	1
UK	4	4
US	4	

Note: 1 = no, 2 = under consideration, 3 = structure in place, but still in developmental stage, 4 = operational; common standards issued

Sources: OECD e-Government Studies for Finland, Norway, Mexico, Denmark, Hungary, Turkey, and the Netherlands; other country data from country reports, web research and country survey.

P24. E-GOVERNMENT BENEFITS EVALUATION METHODOLOGY

Key contacts: Gwendolyn Carpenter, Edwin Lau, OECD GOV

The objective of putting all public services online, as espoused by many OECD governments in the late 1990s, has given way to a concern that individual e-government projects should demonstrate their contribution to overall government objectives. Countries are using business case methodologies to demonstrate the costs, risks and expected returns – in terms of both savings to government and benefits to citizens and businesses – resulting from ICT investment. In order to measure the impact of e-government, it is first necessary to decide what type of costs and benefits to consider and the population to whom these costs and benefits will accrue.

About this indicator:

Government-wide approaches to e-government cost and benefit analysis vary along several dimensions:

- The methodologies used in ICT cost and benefit analysis studies.
- How results are analysed and applied.
- How the methodology is developed.
- Who are the stakeholders involved.
- How the resulting methodology is applied.
- How benefits realisation initiatives can best be guided in order to better help e-government projects achieve overall programme objectives.

Highlights:

While the cost and benefit analysis methodologies in support of ICT business cases are not unique, they do have to take into account certain specificities related to both ICT spending and the horizontal nature of e-government. In a number of countries, governments have begun to establish clear guidelines or requirements for the way e-government projects should be evaluated. Such standard methodology promotes the diffusion of cost benefit analysis across government and promotes more standardised data about the costs and benefits of e-government investments for the public sector as a whole. The earlier OECD studies showed that only a few countries (Australia, Canada and the United States) were using more complex and costly value assessment methods. *Ex ante* business case information is mandated by many governments, but it is less common to verify, *ex post*, whether or not the expected benefits have been achieved.

Trends:

Countries are increasingly willing to mandate the use of business cases and of standard cost and benefit analysis methodologies in order to allow them to compare and prioritise investments and to capture all benefits resulting from ICT investments.

Further reading:

OECD (2005), *e-Government for Better Government*, OECD, Paris.

OECD (2005), *IT Outlook*, OECD, Paris.

OECD (2004), *The e-Government Imperative*, OECD, Paris.

OECD, *OECD e-Government Country Studies: Finland (2003); Mexico (2004); Norway and Denmark (2005); Hungary, Turkey and Netherlands*, OECD, Paris (forthcoming).

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes			Final outcomes		Antecedents or constraints
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P24.1. Type(s) of e-government evaluation activities employed in OECD countries

	Active in e-government evaluation	Non-financial assessment methods ²	Financial assessment methods ²	Source
Australia ¹	Yes	KPI	NPV, ROI, VA	NOIE (2003)
Austria	Yes	Benchmarking		Federal Chancellery (2004)
Canada	Yes	Capacity check	VA	OECD (2002)
Czech Republic	Yes	Benchmarking		e-Czech (2004)
Denmark	Yes		NPV	E-Government Workgroup of the Directors General (2002)
Finland	Yes	KPI	CBA	OECD (2003)
Germany	Yes	KPI		Information Society Germany 2006 (2003)
Italy	Yes		CBA	E-mail reply for this study
Japan	Yes			E-mail reply for this study
The Netherlands	Yes	KPI		www.elo.nl
New Zealand	Yes	KPI	NPV, Financial analysis	State Services Commission (2003)
Poland	Yes	KPI		ePoland (2003)
United Kingdom	Yes	Benchmarking	BA, NPV, CBA	OGC (2003)
United States	Yes	KPI	ROI, NPV, CBA, IRR, VA	IAB (2003)

1. Evaluation activities for Belgium, France, Greece, Hungary, Iceland, Ireland, Korea, Luxembourg, Mexico, Norway, Portugal, Slovak Republic, Spain, Sweden, Switzerland and Turkey not available.

2. BA = break-even analysis; CBA = cost-benefit analysis; IRR = initial rate of return; KPI = key performance indicators; NPV = net present value; ROI = return on investment; VA = value assessment methods.

Source: Various published studies and responses to OECD requests for information in 2003-04.

P25. STRUCTURE OF GOVERNMENT OFFICES

Key contact: Joanne Caddy, OECD GOV

In the OECD member countries, it is the role of the Government Office to support the Prime Minister while representing the government and to make the diverse activities of individual ministries and agencies work effectively as a whole. The structure of Government Offices varies more among countries than in the case of sectoral ministries. It must reflect constitutional and legal requirements, must be sensitive to changeable political factors, and must be highly adaptable to the needs and personality of the Prime Minister of the moment.

About this indicator:

- The Government Office (GO) is a generic term that refers to the administrative body that serves the head of the government (normally the Prime Minister) and the Council of Ministers (the regular, usually weekly, meeting of Government ministers, referred to in different countries as the Cabinet, the Government meeting, or sometimes just 'the Government'). The official name of the Government Office varies from country to country, for example, General Secretariat, Government Office, Government Secretariat, Chancellery, Cabinet Office, etc.
- The Prime Minister's Office (PMO) refers to the office that serves specifically the head of the government, normally the Prime Minister. Often it is referred to in Europe as the Prime Minister's cabinet. PMO are subgroup of GO but in some countries, the entire organ serving the Government is called Prime Minister's Office (PMO) (e.g. Australia, Denmark, the Netherlands, and Poland).
- These units may be staffed with civil servants or political appointees, and generally contain the equivalent of a strategic planning unit which ensures that the government's deliberations on its strategic priorities take place with the benefit of a broad assessment of the overall economic, political and social situation, and that priorities are harmonised with other strategic documents of the government.

Highlights:

While the organisational charts of different Government Offices reveal large variations, there are fundamental similarities concerning their basic structure. It generally comprises a permanent element, to ensure stability and continuity of procedure and policy knowledge, so that a change of government does not cause a dislocation of business and a loss of institutional memory; and some temporary elements, to allow for some political advice that can be changed with each Prime Minister. Government Offices are staffed mainly by civil servants, since their functions are predominantly organisational and managerial. Most of these are permanent Government Office employees. The practice of seconding Government Office staff from ministries is not widespread. More surprising is that, civil servants also make up most of the staff in the majority of Prime Minister Offices, and in fewer countries the staffs consists primarily of political appointees. The leadership of the GO, however, is on aggregate more susceptible to political appointment.

Trends:

Functions: paradoxically perhaps, decentralisation and delegation have prompted a strengthening of GO capacities to monitor implementation of government programme, reflected in the establishment of new units within, or reporting directly to, the GO (e.g. Australia's Implementation Unit). Tools: another clear trend is the increasing use of new ICT to streamline internal consultations during policy preparation and a move towards 'paperless' law drafting.

Further reading:

OECD (2004), *A Comparative Analysis of Government Offices in OECD Countries*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P25.1. Staffing of Government Office – civil servant or political appointee?

	The staff of the GO is primarily		The staff of the PMO is primarily		The Head of the GO is	
	Civil servants	Political appointee	Civil servants	Political appointee	Civil Servant	Political Appointee
Australia	■			■	■	
Austria	■		■		■	
Belgium	■		■	■	■	■
Czech Rep.	■			■		■
Denmark	■		■		■	
Finland	■			■		■
France	■		■		■	
Germany	■		■			■
Greece	■		■			■
Hungary	■		■			■
Iceland	■		■			
Ireland	■		■		■	
Italy	■		■			■
Japan	■		■			■
Korea	■		■		■	
Luxembourg	■		■		■	
Netherlands	■		■		■	
New Zealand	■			■	■	
Norway					■	
Poland	■		■			■
Portugal		■		■		■
Slovak Rep.	■		■			■
Spain	■			■		■
Sweden	■			■		■
Switzerland	■		■			■
Turkey	■		■		■	
United Kingdom	■		■		■	

Source: OECD (2004), *A Comparative Analysis of Government Offices in OECD Countries*, OECD, Paris.

Table P25.2. Strategic planning units

Is there a strategic planning unit and if so, where is it located?		How many employees work for the unit?	Is there a unit to prepare annual plans, work plans, legislative plans?	How many employees work for the unit?
Australia	PMO	5	No unit	...
Austria	No unit	...	No unit	...
Belgium	PMO	18	GO&PMO	28
Czech Republic	GO	2	GO	17
Denmark	...	...	...	...
Finland	No unit	...	No unit	...
France	GO	2	GO	16
Germany	...	15	GO	5
Greece	PMO	12	No unit	15
Hungary	GO	31	GO	51
Iceland	No unit	...	PMO	2
Ireland	PMO	50	No unit	...
Italy	PMO	10	PMO	...
Japan	GO&PMO	...	GO&PMO	...
Korea	GO	5	GO	5
Luxembourg	GO/PMO	...	GO/PMO	...
Netherlands	GO/PMO	2	No unit	...
New Zealand	No unit	...	No unit	...
Norway	...	...	...	...
Poland	No unit	...	GO	...
Portugal	GO	...	No unit	...
Slovak Rep.	GO	4	GO	15
Spain	PMO	46	GO&PMO	46
Sweden	GO	100	GO	...
Switzerland	GO	5	GO	15.6
Turkey	No unit	337	GO	...
United Kingdom	No unit	...	GO	27

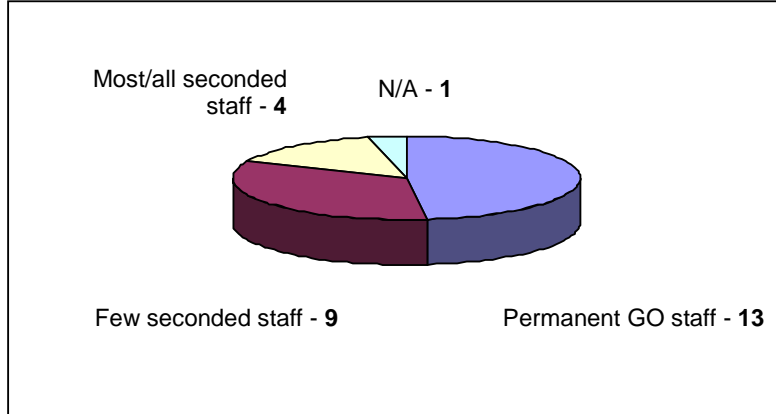
Source: OECD (2004), *A Comparative Analysis of Government Offices in OECD Countries*, OECD, Paris.

Table P25.3. Are the civil servants in the GO normally seconded from other Ministries?

Most/all employees seconded	Small number of employees seconded	No employees seconded
France Germany Greece Japan	Australia Czech Rep. Finland Korea Netherlands New Zealand Norway Portugal United Kingdom Turkey	Austria Belgium Hungary Iceland Ireland Italy Luxembourg Poland Slovak Rep. Spain Sweden Switzerland

Figure P25.1. Working at the Centre: permanent or seconded staff?

Number of Countries



Source: OECD (2004), *A Comparative Analysis of Government Offices in OECD Countries*, OECD, Paris.

P26. COMMUNICATION BY GOVERNMENT OFFICES

Key contact: Joanne Caddy, OECD GOV

It is an almost universal trend in democracies to strengthen the link between policy-making and public communication. While all ministers and ministries will insist on having their own communications capability, virtually all OECD governments also place an overall responsibility for communications at the Government Office.

About this indicator:

The Government Office has the overall responsibility for communications in order to:

- Speak on behalf of the Government as a whole.
- Support the Prime Ministers when speaking on behalf of the Government collectively.
- Ensure that the information provided by one Ministry is consistent with information issued by others, that initiatives are synchronized and that announcements are timed to maximize their impact.

Common mechanisms used for coordinating communications are:

- a requirement that every proposal submitted to the Cabinet of Minister should include a section proposing how the decision should be communicated to the public;
- weekly meetings of the communications advisers of Ministers, chaired by the Government Spokesperson;
- a weekly item on communications in the Cabinet of Minister meeting; and a system within the GO for strategic communications planning.

Highlights:

All OECD countries place the responsibility for managing the communications units at the centre of Government, except Australia, Czech Republic and France. The number of staff employed in these units varies enormously: from a total of 100 staff in the Government Office and Prime Minister's Office in the UK to 3 in the Prime Minister's Office in Belgium and 3 in the Government Office in New Zealand.

Trends:

In an information age, the pressure on governments to meet rising public demands for timely, relevant and reliable information has led most OECD countries to strengthen the public communication functions of the Government Office and the Prime Minister's Office. The rise of Internet and 24-hr TV coverage has plunged Government Offices into a global information marketplace where they must 'compete' with many other information sources. At the same time, new ICT have provided the tools for more direct communication between governments and their citizens.

Further reading:

OECD (2004), *A Comparative Analysis of Government Offices in OECD Countries*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

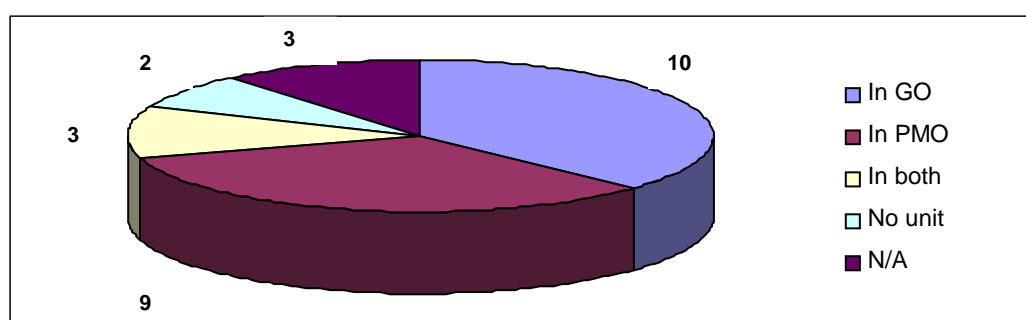
Table P26.1. Communication by Government Offices

	Is there a communication unit and if there is, where is it located?	How many employees work for the communication unit?
Australia	PMO	8
Austria	PMO	44
Belgium	PMO	3
Czech Republic	GO	13
Denmark	...	...
Finland	GO	10
France	PMO	...
Germany	...	...
Greece	PMO	7
Hungary	GO	28
Iceland	no unit	...
Ireland	PMO	14
Italy	PMO	5
Japan	GO&PMO	...
Korea	PMO	7
Luxembourg	no unit	...
Netherlands	GO	63
New Zealand	PMO	3
Norway	...	...
Poland	GO	36
Portugal	GO	...
Slovak Rep.	GO	10
Spain	GO	24
Sweden	GO&PMO	...
Switzerland	GO	4
Turkey	GO	15
United Kingdom	GO&PMO	GO38, PMO62

Source: OECD (2004), *A Comparative Analysis of Government Offices in OECD Countries*, OECD, Paris.

Figure P26.1. Communications units: where are they located?

Number of Countries



Source: OECD (2004), *A Comparative Analysis of Government Offices in OECD Countries*, OECD, Paris.

P27. INSTITUTIONAL SETTING TO PROMOTE QUALITY IN REGULATORY MANAGEMENT SYSTEMS

Key contacts: Stephane Jacobzone, Chang-Won Choi, Claire Miguet, OECD GOV

Effective regulatory policies are essential to achieve key objectives such as boosting economic development and consumer welfare by encouraging market entry, market openness, innovation and competition. The OECD has established Principles for Regulatory Quality and Performance to support transparent, non discriminatory and efficiently applied regulatory processes. The quality of regulatory policies depends on a well-established set of government institutions.

About this indicator:

Appropriate regulatory institutions are a key element to develop and implement regulatory policy. Key institutions include regulatory oversight bodies, located at the centre of the government administration, with a broad remit to build consensus on regulatory policy, assist regulators in implementation, undertake quality control (through regulatory impact analysis for example) and report on overall performance in achieving regulatory policy objectives. Other institutional elements include independent regulators, where required, to ensure that appropriate regulatory incentives exist and that conflicting policy agendas do not undermine the achievement of regulatory outcomes.

Highlights:

The institutional settings that promote quality in regulatory management systems have evolved considerably and have been strengthened between 1998 and 2005. While only 19 countries had a dedicated body responsible for promoting regulatory policy in 1998, 24 countries had one in 2005 (out of those countries for which the information is available both years). The role and responsibilities of these bodies have also been strengthened, with more frequent consultation when developing new regulation, and an improved capacity for monitoring progress in key sectors and for analysing regulatory impact. Nearly three quarters of the respondents had a minister accountable for promoting government-wide regulatory reform in 2005, against slightly more than the half in 1998.

The majority of countries located their regulatory oversight body at the center of government, in a prime minister's office or a presidential office, with some form of interdepartmental coordination. Ministries of finance and ministries of justice also play a significant role. These are generally relatively small units, with approximately 20/30 staff in Australia, the Czech Republic, Denmark, the European Commission or Poland, but generally staffed at a high technical and political level. Korea has a significant unit, with nearly 90 staff between the Regulatory Reform Task Force, and the Office for Regulatory Reform, attesting the very significant investment made by Korea in Regulatory Reform. The United Kingdom also has significant staffing levels in its central unit, with nearly 70 staff, as does the US with 50 staff. Germany just set up a regulatory control unit (Normen Kontrol Rat) with broad responsibilities under the new coalition treaty of November 2005. Italy, France and Switzerland tend to have comparatively smaller units.

Further reading:

OECD (2006), *Indicators of regulatory management systems quality*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

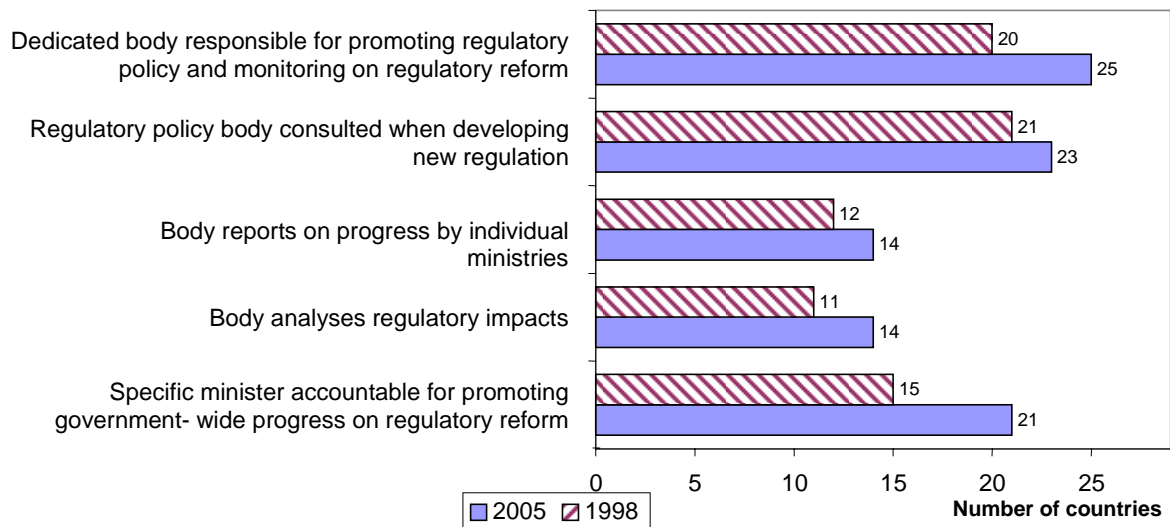
Table P27.1. Policy drivers for regulatory quality

	Functions of the body in charge of regulatory oversight					Advisory body receiving references from Government to review broad areas of regulation, collecting the views of private stakeholders	Specific minister accountable for promoting progress on regulatory reform
	Consulted as part of the process of developing new regulation	Reports on progress made on reform by individual ministries	Authority of reviewing and monitoring regulatory impacts conducted in individual ministries	Conducts its own analysis of regulatory impacts	Advocacy function to promote regulatory quality and reform		
Australia	■	■	■		■	■	■
Austria	■	■			■		■
Belgium	...	■		■	■	■	■
Canada	■	■	■		■	■	■
Czech Rep.	■		■		■		
Denmark	■	■		■	■		■
Finland	■				■		■
France	■	■
Germany	■	■	■	■	■		
Greece	■	■	■	■	■		
Hungary	■			■	■		■
Iceland	■		■	■	■		■
Ireland	■		■	■	■	■	■
Italy	■		■		■		■
Japan	■	■				■	■
Korea	■	■	■	■	■	■	■
Luxembourg	■	
Mexico	■	■	■	■	■		■
Netherlands	■	■	■	■	■		■
New Zealand	■		■		■		
Norway		■
Poland					■	■	■
Portugal	■	■	■	■	■		
Slovak Rep.
Spain	■				■		■
Sweden		■
Switzerland	■		■	■	■	■	
Turkey	■		■
U. K.	■	■	■	■	■	■	■
USA	■	■	■	■	■		■
EU	■		■		■	■	

Source: OECD (2006), *Indicators of regulatory management systems quality*, OECD, Paris.

Figure P27.1. Institutional setting to promote regulatory policy

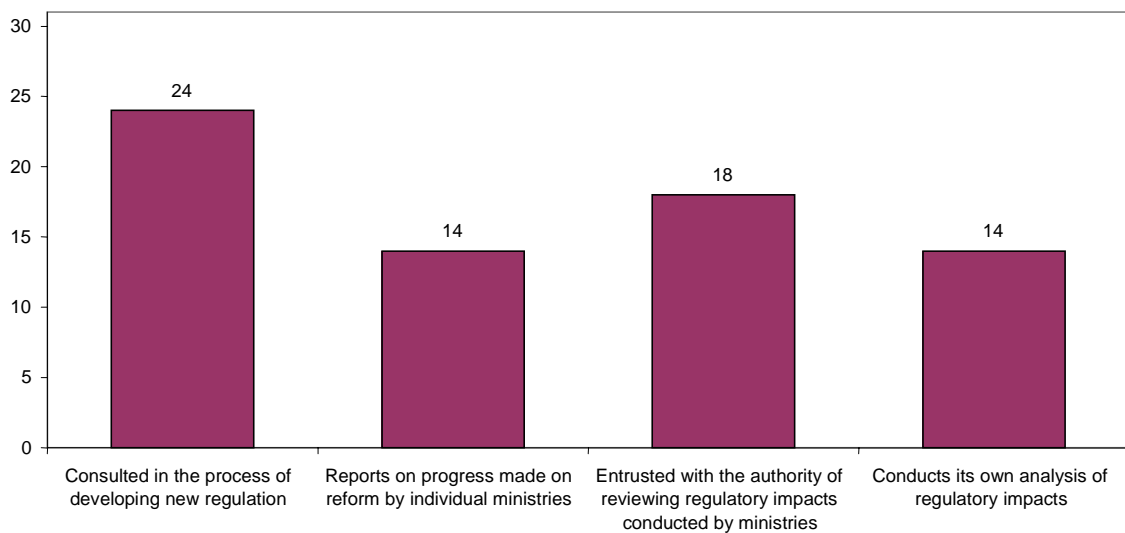
Recent trends 1998-2005



Notes: See Q15:a),a(i),a(ii),a(iv),c) / 2005 OECD regulatory indicators questionnaire / GOV/PGC/REG(2005)12/ANN1. The responses of the EU, Luxembourg, Poland and the Slovak Republic could not be taken into account since no data was available for 1998.

Figure P27.2. Responsibilities of the body in charge of promoting regulatory reform from a whole of government perspective

Number of countries



Notes: See Q15:a),a(i),a(ii),a(iii),a(iv) / 2005 OECD regulatory indicators questionnaire / GOV/PGC/REG(2005)12/ANN1.

Source: OECD (2006), Indicators of regulatory management systems quality, Paris.

P28. RULE MAKING PROCEDURES

Key contacts: Stephane Jacobzone, Chang-Won Choi, Claire Miguet, OECD GOV

The OECD Principles for Regulatory Quality and Performance call for transparent, non-discriminatory and efficiently applied regulatory processes. This involves consulting with all significantly affected parties and also ensuring that administrative procedures for applying regulations are transparent, non discriminatory and contain an appeal process. Transparency is a pillar of effective regulation as the third OECD Guiding Principle for Regulatory Quality and Performance states that governments should "Ensure that regulations, regulatory institutions charged with implementation, and regulatory processes are transparent and non discriminatory".

About this indicator:

The first key element of clarity and due process is the existence of forward planning as a means to inform citizens and businesses of current and future regulatory developments. In addition to periodical publication of the list of laws to be prepared, modified and reformed, there are standard administrative procedures for drafting and scrutinising laws and new subordinate regulations.

Highlights:

All countries, except Iceland, reported some form of standard administrative procedures for drafting laws and new subordinate regulations. Between 1998 and 2005, rule making procedures have also been considerably strengthened. This probably reflects regulatory reform efforts, with the introduction of Administrative Procedure Acts (APAs) as tools for controlling excessive administrative discretion. Countries such as Korea, Mexico or Japan did follow the example of the United States or Canada which have had Administrative Procedure Acts respectively since 1946 and 1971. In Canada, the making and scrutiny subordinate law is governed by the Statutory Instruments Act issued in 1971. However, a number of countries do not have such laws, and instead have guidelines or procedural requirements issued by the center of government, such as the principles issued by the Prime Ministry in Turkey.

A periodical publication of the list of laws to be prepared, modified or reformed in the next six months or more is only available in slightly more than half of the OECD countries, and in the EU. Only a third of the countries reported having such a list for subordinate regulations. When this list existed, it was always available to the public, for example on the Internet, and both for primary laws or for subordinate regulations. In Australia, regulatory plans are required to be published annually by each government regulatory agency. In Denmark, the government presents its annual law planning programme at the beginning of each parliamentary year, in October. In Korea, the Ministry of Legislation publishes in the internet the yearly law enactment/amendment plans by each ministry. In Mexico, the requirement is that all federal agencies must submit their regulatory plans for the next two years. In Poland, the plans are updated every 6 months. In Switzerland, the yearly objectives of the Government, the Federal Council and of the Departments are publicly available. There is also a "legislature plan" covering the four year periods between each parliamentary election.

Further reading:

OECD (2006), *Indicators of regulatory management systems quality*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

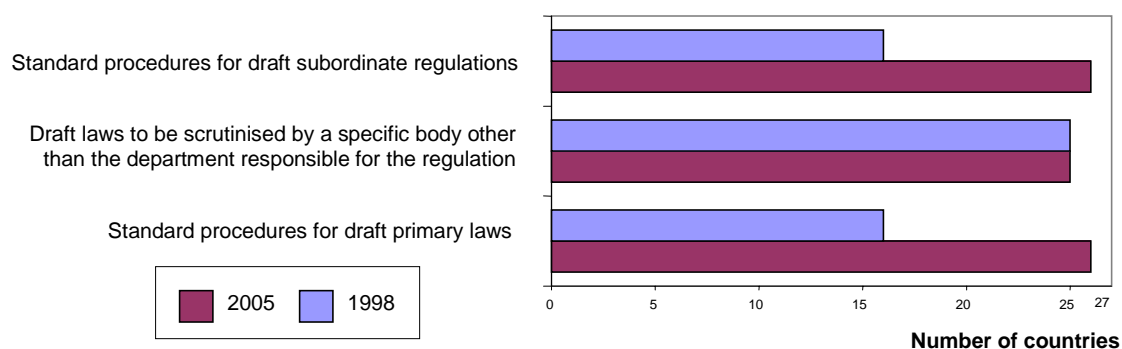
Table P28.1. Linking regulatory policy and other policy areas, forward planning of regulatory activities

	Consultation on new regulation						Forward planning of primary laws			Forward planning of subordinate regulations	
	Body for Competition policy		Body for Trade Policy		Body for Consumer Policy		Periodical publication of list of laws to be prepared, modified or reformed in the next six months or more	Publication easily available to the public (i.e. via the Internet)	Periodical publication of list of regulations to be prepared, modified or reformed in the next six months or more	Publication easily available to the public (i.e. via the Internet)	
	Usually consulted	Consultation mandatory	Usually consulted	Consultation mandatory	Usually consulted	Consultation mandatory					
Australia	■	■	■	■	■	■	■	■	■	■	...
Austria	■		■		■		■				...
Belgium	■		■		■		■				...
Canada			■		■		■		■		■
Czech Rep.			■		■		■				■
Denmark	■		■		■		■				■
Finland	■		■		■		■				■
France	...		■	...	■	...	■	...	■	...	■
Germany	■		■		■		■				■
Greece	■	...	■		■	...	■				■
Hungary	■		■		■		■				■
Iceland	...										■
Ireland	■		■		■		■				■
Italy	■	...	■	...	■	...	■	...	■	...	■
Japan	■		■		■		■				■
Korea	■		■		■		■				■
Luxembourg		■	■	...	■		■				■
Mexico	■	■	■	...	■		■				■
Netherlands	■	■	■	■	■		■				■
New Zealand	■	■	■	■	■		■				■
Norway	■	■	■	■	■		■				■
Poland	■	■	■	■	■		■				■
Portugal	■	■	■		■				■
Slovak Rep.	■	■	■	■	■		■				■

Consultation on new regulation										Forward planning of primary laws			Forward planning of subordinate regulations	
Body for Competition policy			Body for Trade Policy		Body for Consumer Policy		Periodical publication of list of laws to be prepared, modified or reformed in the next six months or more			Publication easily available to the public (i.e. via the Internet)	Periodical publication of list of regulations to be prepared, modified or reformed in the next six months or more	Publication easily available to the public (i.e. via the Internet)		
Usually consulted	Consultation mandatory		Usually consulted	Consultation mandatory	Usually consulted	Consultation mandatory	Usually consulted	Consultation mandatory						
Spain	■		■	...	■	■	■	■	■	■	■	■		
Sweden	■		■	■	■	■	■	■	■	■	■	■		
Switzerland	■		■	■	■	■	■	■	■	■	■	■		
Turkey	■		■	■	■	■	■	■	■	■	■	■		
U. K.	■		■	■	■	■	■	■	■	■	■	■		
USA	■		■	■	■	■	■	■	■	■	■	■		
EU	■		■	■	■	■	■	■	■	■	■	■		

Source: OECD (2006), *Indicators of regulatory management systems quality*, OECD, Paris.

Figure P28.1. Rule making procedures



Note: See Q4:a),a(ii),b(ii), 2005 OECD Regulatory Indicators Questionnaire, GOV/PGC/REG(2005)12/ANN1. The sample includes 27 countries. The responses of the EU, Luxembourg, Poland and the Slovak Republic could not be taken into account since no data was available for 1998

Source: OECD (2006), *Indicators of regulatory management systems quality*, OECD, Paris.

P29. CONSULTATIONS AND PARTICIPATION FROM THE PUBLIC

Key contacts: Stephane Jacobzone, Chang-Won Choi, Claire Miguet, OECD GOV

The ability of citizens and businesses to understand fully their regulatory environment and to have a voice in regulatory decision making is a key feature of efficient and participative regulatory systems. In addition to the consultation processes, the openness of the consultation process in itself is important.

About this indicator:

Regulations must carry some degree of consensus if they are to be implemented effectively. Building trust in regulatory policy is a challenging task involving standardised processes for making and updating regulations, consultations with interested parties, effective communication of the law and plain language drafting, controls on administrative discretion and effective implementation and appeals processes.

Highlights:

While participation is open to any member of the public in two-thirds of OECD countries, with views of participants in the consultation process made public, this is less frequently the case for subordinate regulations, where participation is open to the public in half of the countries. In some countries, participation of the public is limited to the affected parties. There is also a requirement to respond in writing in 8 countries to parties that make comments. Few countries monitor the quality of the consultation process - Canada, Poland, Switzerland (but only for primary laws), Turkey and the United Kingdom.

Informal consultations with selected groups is the most frequently used form of consultation, particularly for subordinate regulations. Australia relies more on informal consultation mechanism, which set it apart from other countries with a similar legal tradition such as the United States or the United Kingdom. Generally, formal consultation requirements tend to be limited to those involved in the Regulatory Impact Statement. However, more systematic methods, such as broad circulation for comment, setting up an advisory group or posting drafts on websites are also relatively widely used - by two thirds of the countries for subordinate regulations. The more rigorous process of public notice and comment, or the possibility of a public meeting was only available in less than half of the countries. The US, Mexico and Spain had such notice and comment procedures for subordinate regulations but not for primary laws. In contrast, Switzerland, Portugal, Ireland and Greece had such mechanisms for laws but not for subordinate regulations.

The quality of the comments depends on the time offered to businesses and citizens to comment. Practices differ widely across countries. While Switzerland, Sweden, the United Kingdom and New Zealand offer twelve weeks for comments, the US offers eight weeks and other countries such as Canada, Greece, Japan, Turkey, Mexico, Austria, Germany and Finland offer four weeks. Norway and the EU are somewhere between these two groups. This period is only two weeks in Spain, Iceland, the Netherlands, and Poland, and three in Korean and the Slovak Republic.

Further reading:

OECD (2006), *Indicators of regulatory management systems quality*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector	Private sector in the public domain				
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public processes	Outputs and intermediate outcomes	Final outcomes	Antecedents or constraints			
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P29.1. Forms of public consultation

	Informal consultation with selected groups		Broad circulation of proposals for comment		Public notice and comment		Public meeting		Internet		Advisory group		Preparatory public commission		Other	
	Laws	Subordinate regulation	Laws	Subordinate regulation	Laws	Subordinate regulation	Laws	Subordinate regulation	Laws	Subordinate regulation	Laws	Subordinate regulation	Laws	Subordinate regulation	Laws	Subordinate regulation
Australia	■	■
Austria	■	■	...	■	■
Belgium	■	■
Canada	■	■	...	■	■
Czech Rep.	■	■
Denmark	■	■	...	■
Finland	■	■	...	■
France
Germany	■	■
Greece	■
Hungary	■	■
Iceland	■	■	...	■	■
Ireland	■	■
Italy	■	■
Japan	■
Korea	■	■	...	■
Luxembourg	■	■
Mexico	...	■	...	■
Netherlands	■	■	...	■
New Zealand	■	■	...	■
Norway	...	■	...	■
Poland	...	■	...	■	■
Portugal	■
Slovak Rep.	■	■
Spain	■
Sweden	■	■	...	■
Switzerland	■	■
Turkey	■	■	...	■
UK	■	■	...	■	■
USA	■	■	...	■
EU	■	■	...	■

Table P29.2. Openness of the consultation process

	Participation open to any member of the public		Views of participants in the consultation process made public		Requirement to respond in writing to the authors of consultation comments		Views expressed in the consultation process included in the RIA		Process to monitor the quality of the consultation process (e.g. surveys)	
	Laws	Subordinate regulation	Laws	Subordinate regulation	Laws	Subordinate regulation	Laws	Subordinate regulation	Laws	Subordinate regulation
Australia	■	...	■	■			■	■		
Austria	■	■	■				■	■		
Belgium	■	...	■	■	...
Canada	■	■		■			■	■	■	■
Czech Rep.										
Denmark		■	■	■						
Finland	■	■	■	■				■		
France										
Germany								
Greece	■	...	■	...	■	...	■
Hungary	■	■	■	■						
Iceland		■	■	■	■	■	■	■		
Ireland	■
Italy			■	■						
Japan	■	■	■	■						
Korea	■	■	■	■	■	■	■			
Luxembourg			■	■				■		
Mexico	■	■	■	■						
Netherlands			■	■				■		
New Zealand	■	■	■	■				■		
Norway	■	■	■	■						
Poland	■	■	■	■	■	■	■	■	■	■
Portugal			■	■						
Slovak Rep.				■						
Spain			■	■	■	■	■	■		
Sweden	■	■	■	■						
Switzerland	■	■	■	■	■	■	■	■	■	■
Turkey	...		■	■	■	■	■	■	■	■
UK	■	■	■	■	■	■	■	■	■	■
USA		■	■	■	■	■	■	■	■	■
EU	■	■	■	■	■	■	■	■	■	■

Source: 2005 OECD Regulatory Indicators Questionnaire, GOV/PGC/REG(2005)12/ANN1.

Figure P29.1. Forms of public consultation that are routinely used

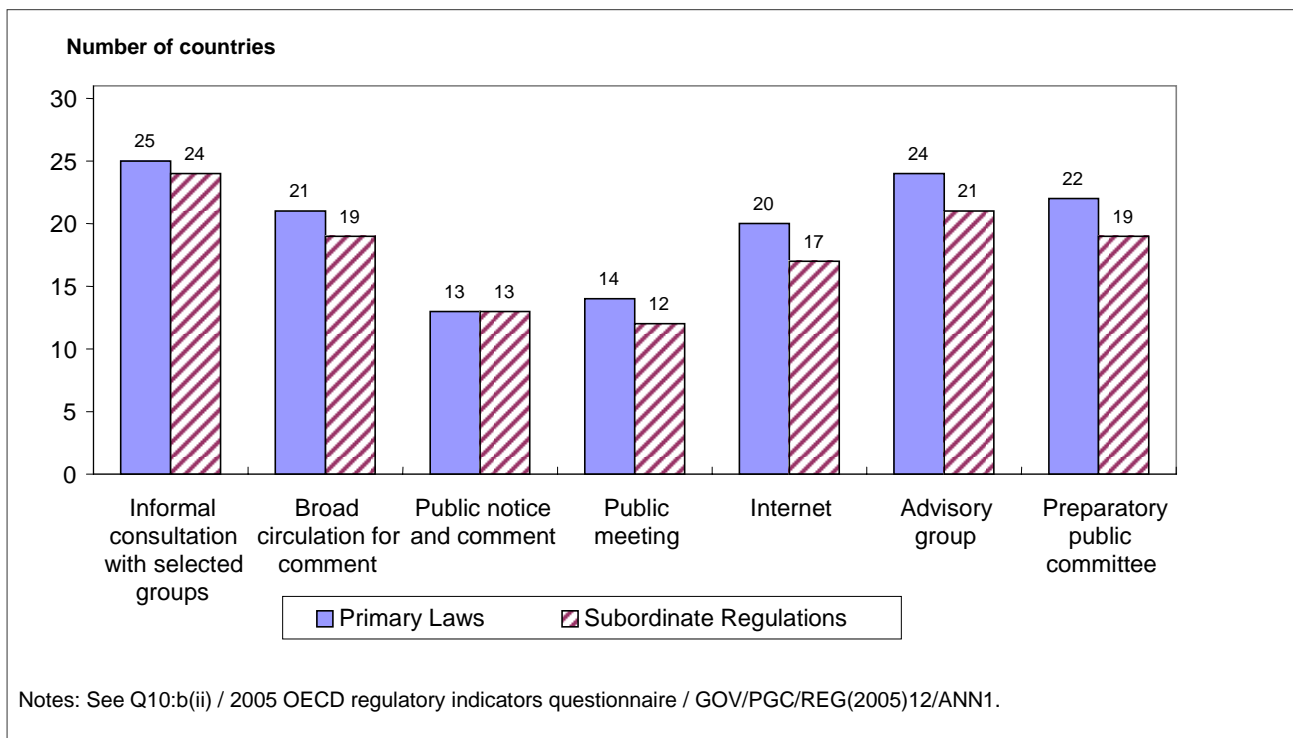
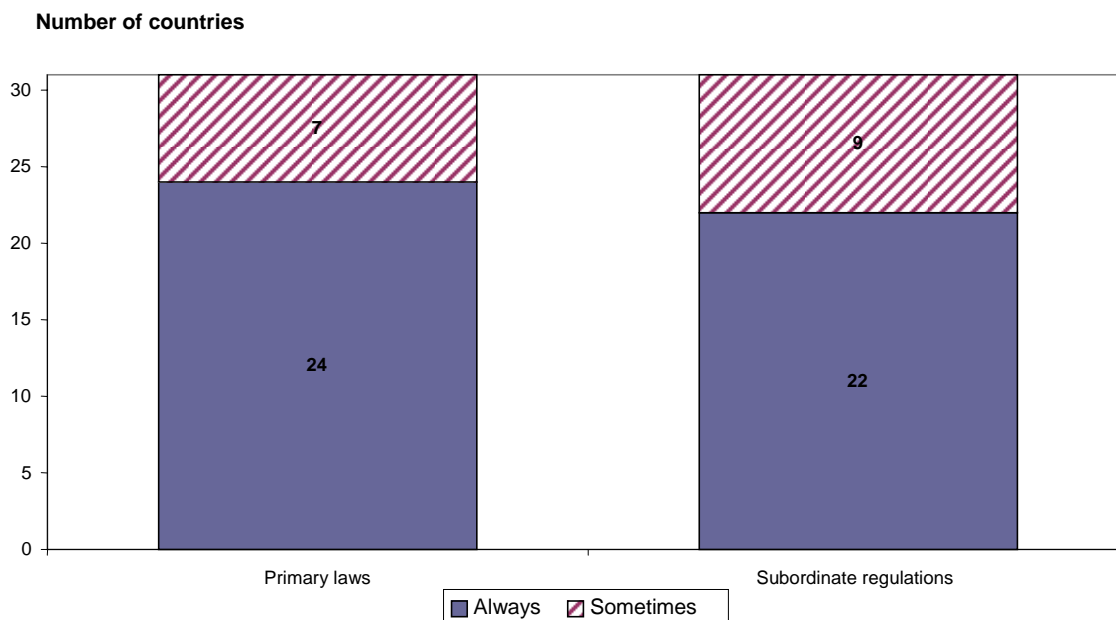


Figure P29.1. Public consultation when developing draft regulations



Notes: See Q10:a),a(i),b),b(i) / 2005 OECD regulatory indicators questionnaire / GOV/PGC/REG(2005)12/ANN1.

Source: 2005 OECD Regulatory Indicators Questionnaire, GOV/PGC/REG(2005)12/ANN1.

P30. USE OF REGULATORY TOOLS AND PROCESSES

Key contacts: Stephane Jacobzone, Chang-Won Choi, Claire Miguet, OECD GOV

Regulatory practices have generated a range of tools to improve new and existing regulations. The current discussion distinguishes processes, which include transparency, consultation and communication, from regulatory quality tools, which include a range of available techniques that need to be deployed in a consistent and mutually supporting manner to reflect an integrated systemic quality assurance system.

About the indicator:

The regulatory quality tools cover the whole life span of a given regulation. They include consideration of regulatory alternatives and provision of justification for regulatory actions, regulatory impact analysis, administrative simplification, reduction of administrative burdens and mechanisms for evaluation and update of regulations. They can be grouped into following categories:

- Regulatory Impact Analysis
- Assessment of regulatory alternatives
- Consultation with affected parties
- Plain language drafting requirements
- Systematic evaluation of regulation programme

Highlights

One striking feature is the increasing reliance on regulatory impact analysis as well as the systematic evaluation of regulatory programmes for specific sectors or policy areas – although this evaluation method tends to be less practiced from a government-wide perspective. The explicit assessment of regulatory alternatives existed either government-wide or for specific sectors in at least two thirds of the countries.

Further reading:

OECD (2006), *Indicators of regulatory management systems quality*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes		Antecedents or constraints	
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table P30.1. Use of regulatory tools and processes

	Regulatory Impact Analysis		Assessment of regulatory alternatives		Consultation with affected parties		Plain language drafting requirements		Systematic evaluation of regulatory programmes*	
	Spec. sectors or pol. areas	Gvt. wide	Spec. sectors or pol. areas	Gvt. wide	Spec. sectors or pol. areas	Gvt. wide	Spec. sectors or pol. areas	Gvt. wide	Spec. sectors or pol. areas	Gvt. wide
Australia	...	■	...	■	...	■	...	■	...	■
Austria	■	■	■	■	■	■	■	■	■	■
Belgium	■	■			■	■	■	■	...	■
Canada	■	■	■	■	■	■	■	■		■
Czech Rep.	■		■		■			■		
Denmark	■	■	■	■	■	■	■	■		
Finland	■	■	■	■	■	■		■	...	■
France	■				■	■	■	■	■	■
Germany	...	■	...	■	...	■	...	■	■	...
Greece	■	...	■	...	■	...	■
Hungary	...	■	...	■	...	■	...	■	...	
Iceland	■		■	■	■	■				
Ireland	...	■	...	■	...	■	...	■	■	...
Italy	■	■	■	■	■	■	■	■	■	■
Japan	...	■	■	
Korea	...	■	...	■	...	■	...	■	...	
Luxembourg	■	■	■	■	■	■				
Mexico	■	■	■	■	■	■	■	■	■	■
Netherlands	...	■	...	■	...	■	...	■	...	■
New Zealand	■	■	■	■	■	■	■	■		
Norway	■	■	■		■	■	■	■		
Poland	■	■	■	■	■	■	■	■	■	
Portugal	■	■	■		■	■	■	■		
Slovak Rep.	...	■	...	■	...	■	...	■	...	■
Spain	■	■			■	■	■	■	■	■
Sweden	■	■	...	■	...	■	...	■	■	...
Switzerland	...	■	...	■	...	■	...	■	■	...
Turkey			■		■	■	■	■	■	
UK	■	■	■	■	■	■	■	■	■	■
USA		■		■	■	■		■	■	
EU	■	■			■	■	■	■	■	

Note: For more details on the questions, see: a(i),a(ii),a(iii),a(iv),a(v),b(i),b(ii),b(iii),b(iv),b(v) / 2005 OECD regulatory indicators questionnaire GOV/PGC/REG(2005)12/ANN1. * This corresponds to ex-post evaluation.

Source: OECD (2006), *Indicators of regulatory management systems quality*, OECD, Paris.

P31. DIMENSIONS CONSIDERED IN REGULATORY IMPACT ANALYSIS

Key contacts: Stephane Jacobzone, Chang-Won Choi, Claire Miguet, OECD GOV

The use of Regulatory Impact Analysis (RIA) has spread across OECD countries. RIA represents a core tool for ensuring the quality of new regulations through a rigorous, evidence-based process for decision making. A number of policy impacts can be included in RIA, reflecting various policy agendas and concerns.

About this indicator:

Regulatory Impact Analysis is a tool used to assess the likely effects of a proposed new regulation or regulatory change. It involves a detailed analysis to ascertain whether or not the new regulation would have the desired impact. It helps to identify any possible side effects or hidden costs associated with regulation and to quantify the likely costs of compliance on the individual citizen or business. RIA also clarifies the desired outcomes of the proposed regulatory change and provides for consultation with stakeholders.

Highlights:

Over the period 1998-2005, requirements for RIA strengthened significantly with two thirds of the countries having established a formal requirement by law in 2005 against a third in 1998. There was also a significant increase of the number of countries requiring an assessment of the impact on small businesses and other social groups, from roughly half of the countries in 1998 up to over two thirds in 2005.

A detailed overview of all the impacts required, together with the type of requirement show that all impacts do not receive equal priority. The budget impact is the most prevalent, and seems to be almost always required. Most countries would in any circumstances assess a budgetary impact, even those without a formal RIA system. The requirement for a competition and market openness assessment was always required in less than half of the countries, with another significant portion requiring it in other selected cases. The impact on small businesses was required in a slightly greater number of cases and countries, illustrating the historical role of RIA as a tool to minimise regulatory burdens, which fall disproportionately on small businesses. The impact on the public sector was similarly required in two thirds of the cases, which has significant implications for "regulation inside government". The UK has the most explicit public sector requirement, with an initial public sector RIA. If this initial RIA shows that the policy imposes a total of more than £5 million (7.5 million Euros), or would attract high levels of media or political interest, a more thorough Public Sector RIA is required. These trends show a broadening of potential impacts included in the RIA process and suggest the entrenchment of RIA as a tool for policy making, as many social groups and policy concerns request consideration in the RIA process. However, this may also lead to a dispersal of efforts.

Risk assessment was much less prevalent, with only two countries, Iceland and the United Kingdom, reporting this requirement as being systematic, and the US and the EU Commission reporting such a requirement only for major regulations. Austria, Canada, Denmark, Germany, Korea, Mexico, New Zealand, Norway and Turkey required a risk assessment in other selected cases. Data was missing for a significant number of countries. Risk assessment was slightly more frequent for environmental issues or for health and safety, where half of the countries reported some form of a requirement.

Further reading:

OECD (2006), *Indicators of regulatory management systems quality*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government					Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds							
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes			Final outcomes	Antecedents or constraints		
Functional sector:	General public services		Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

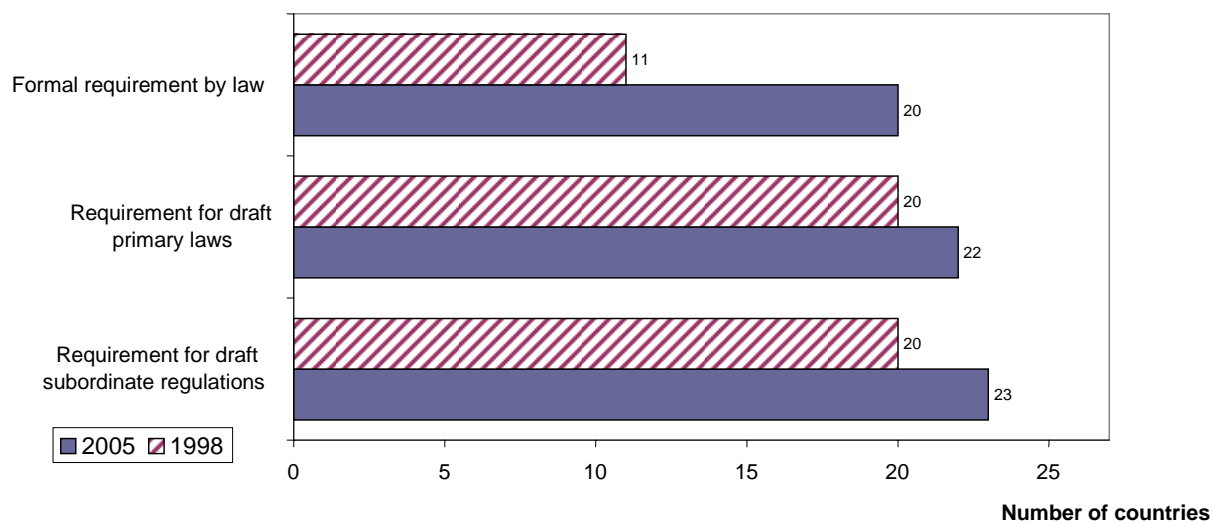
Table P31.1.1. Regulatory Impact Analysis – assessment of specific impacts

	Budget	Competition	Market openness	Small businesses	Specific regional areas	Specific social groups	Other groups (charities, not for profit sector)	On the public sector
Australia	No	Always	Always	Always	Always	Always	Always	Always
Austria	Always	Always	Always	Always	Always	In other selected cases	No	Always
Belgium	Always	...	...	No	No	Always	In other selected cases	Only major regulation
Canada	Always	No	Always	Always	Always	Always	Always	Always
Czech Rep.	Always	In other selected cases	In other selected cases	In other selected cases	No	In other selected cases	No	No
Denmark	Always	Always	Always	Always	Only major regulation	In other selected cases	Only major regulation	Always
Finland	Always	Always	Always	Always	Always	Always	Always	Always
France	...	...	...	...	...	...	...	...
Germany	Always	In other selected cases	In other selected cases	Always	In other selected cases	Always	In other selected cases	Always
Greece	Always	...	...	Always	Only major regulation	Always	...	Always
Hungary	Always	In other selected cases	In other selected cases	In other selected cases	In other selected cases	In other selected cases	In other selected cases	In other selected cases
Iceland	Always	Always	Always	Always	Always	Only major regulation	Only major regulation	Always
Ireland	Always	Always	Always	Always	...	Always	Always	No
Italy	Always	In other selected cases	In other selected cases	In other selected cases	In other selected cases	In other selected cases	In other selected cases	Always
Japan	...	...	...	...	...	...	...	...
Korea	Always	Always	In other selected cases	In other selected cases	In other selected cases	In other selected cases	In other selected cases	Always
Luxembourg	No	No	No	Always	No	No	No	Always
Mexico	Always	Always	Always	Always	In other selected cases	Always	No	Always
Netherlands	Always	Always	Always	Always	No	No	No	Always
								No

	Budget	Competition	Market openness	Small businesses	Specific regional areas	Specific social groups	Other groups (charities, not for profit sector)	On the public sector
New Zealand	Always	Always	Always	Always	Always	Always	Always	Always
Norway	Always	Only major regulation in other selected cases	Only major regulation in other selected cases	Always	Always	In other selected cases	In other selected cases	Always
Poland	Always	In other selected cases	In other selected cases	In other selected cases	Always	In other selected cases	In other selected cases	Always
Portugal	Always	No	No	No	In other selected cases	In other selected cases	No	Always
Slovak Rep.	Always	Always	Always	Always	...	Always	...	...
Spain	Always	...	...	In other selected cases	In other selected cases	In other selected cases	...	...
Sweden	In other selected cases	In other selected cases	In other selected cases	In other selected cases	In other selected cases	In other selected cases	In other selected cases	In other selected cases
Switzerland	Always	In other selected cases	In other selected cases	Only major regulation	In other selected cases	Always	In other selected cases	Always
Turkey	...	...	...	...	...	...	...	...
UK	Always	Always	Always	Always	Always	Always	Always	Always
USA	In other selected cases	No	No	Always	No	In other selected cases	In other selected cases	Only major regulation
EU	Only major regulation	In other selected cases	In other selected cases	In other selected cases	In other selected cases	In other selected cases	No	In other selected cases

Source: OECD (2006), *Indicators of regulatory management systems quality*, OECD, Paris.

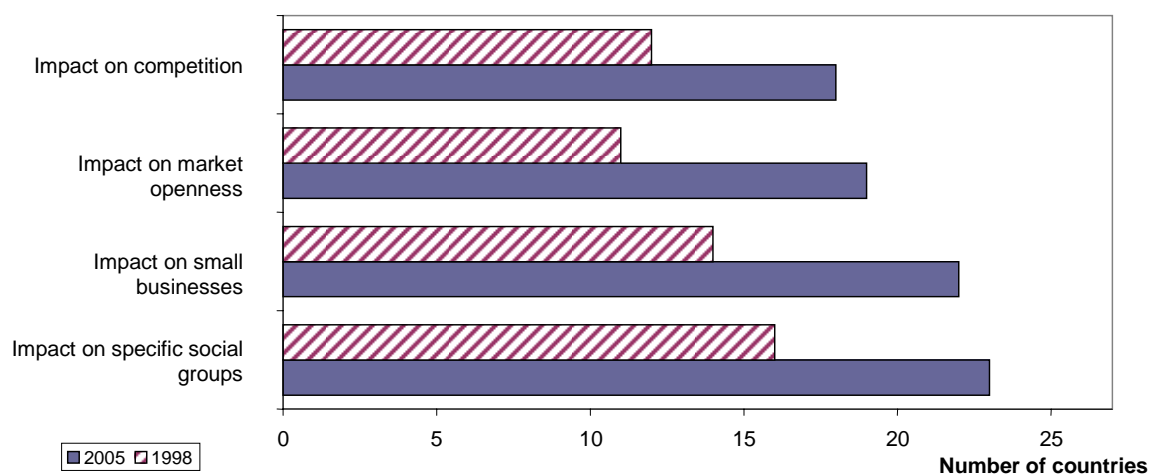
Figure P31.1. Requirements for Regulatory Impact Analysis
Recent Trends: 1998-2005



Notes: See Q11:d(i),d(ii),d(iii) / 2005 OECD regulatory indicators questionnaire / GOV/PGC/REG(2005)12/ANN1

The responses of the EU, Luxembourg, Poland and the Slovak Republic could not be taken into account since no data was available for 1998

Figure P31.2. Regulatory Impact Analysis – requirement for policy impacts
Recent trends 1998-2005



Note: See Q11:d(viii),d(ix), / 2005 OECD regulatory indicators questionnaire / GOV/PGC/REG(2005)12/ANN1.

The responses of the EU, Luxembourg, Poland and the Slovak Republic could not be taken into account since no data was available for 1998.

Source: OECD (2006), *Indicators of regulatory management systems quality*, OECD, Paris.

P32. REDUCING ADMINISTRATIVE BURDENS

Key contacts: Stephane Jacobzone, Chang-Won Choi, Claire Miguet, OECD GOV

Reducing regulatory burdens and the complexity of government formalities and paperwork is a high political priority for many countries. Cutting red tape is an almost inevitable accompaniment to regulatory reform. Burdens from government regulatory requirements have been expanding in most countries in recent years, due to more stringent requirements and the expansion of regulation in the environmental, safety and health areas. As a counterweight, governments have been seeking to simplify the way in which regulatory compliance can be achieved and demonstrated.

About this indicator:

There are various approaches grouped under administrative simplification and administrative burden reduction, which have been integrated in countries' broader regulatory quality systems. Countries modify and streamline existing rules, e.g. by applying silence is consent rule; take actions to reduce the number of administrative steps by consolidating services to one single window for end users; develop systems to monitor administrative burdens, and even redistribute competencies among government institutions. The impact of administrative simplification tools grew with increasing availability of e-Government services.

Highlights:

Administrative simplification is becoming a permanent feature of regulatory quality management systems. 25 countries had an explicit programme to reduce administrative burdens in 2005 against 20 in 1998. Programmes to streamline government administrative procedures and use information and communication technologies existed in over two thirds of the countries in 2005. Programmes with explicit quantitative targets exist in only over a third of OECD countries. The gradual inclusion of quantitative targets reflects the impact of the diffusion of the standard cost model, with many countries following the example of the Netherlands and the Nordic European countries. Denmark, which had pioneered measurement efforts in Europe with an annual aggregate assessment of administrative burdens since 1999, is currently mapping all its legislation affecting businesses' administration and overhead costs using the Standard Cost Model. Similarly, in Norway, the target is to reduce the administrative burdens on businesses by 25% within the year 2012. In Sweden, the measurement of the tax area has been completed. In the Czech Republic, the administrative burdens should be reduced by 20%. Korea had a target of a 10% reduction of regulations that lag behind the market changes.

Over two thirds of the countries were modifying and streamlining existing laws, using information and communication technologies for regulatory administration together with other streamlining of government administrative procedures. Seventeen countries mentioned that they had a system for measuring administrative burdens, more than those which reported that they had a complete count of their business licences and permits. Many of these countries are developing or implementing a form of a Standard Cost Model. Only half of the countries were reallocating powers and responsibilities between government departments and/or levels of governments.

Further reading:

OECD (2006), *Indicators of regulatory management systems quality*, OECD, Paris.

OECD (2006), *Report on Administrative Simplification*, OECD, Paris.

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public sector processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection

Table 32.1. Reducing administrative burdens

	Cutting the red tape policy			Measurement and control of aggregated burdens				
	Explicit government programme to reduce the administrative burdens imposed on enterprises and/or citizens	Programme includes quantitative targets	Programme includes qualitative targets	Yearly calculation of regulatory inflation	Attempts to measure trends in the aggregate burden of regulation over time	Explicit policy in relation to the control of the aggregate burden of regulation	Policy states explicit targets	Specific strategies or rules used to affect aggregate burdens
Australia	■	...	■					
Austria	■
Belgium	■	■		
Canada	■	■		
Czech Rep.	■	■
Denmark	■	■	...		■	■	■	■
Finland	■
France	■	■	■	■		■	■	
Germany	■	...	■		■
Greece	■	...	■			
Hungary
Iceland	■	...	■			
Ireland					
Italy	■	...	■			
Japan	■					
Korea	■	...	■	■		■		■
Luxembourg	■	...	■	■		
Mexico	■	■	■	■		■		■
Netherlands	■	■
New Zealand	■	...	■		■	
Norway	■	■	■	■		■	■	■
Poland	■		
Portugal	■	...	■			
Slovak Rep.	■	■	■			
Spain
Sweden	■	■	...			■	■	■
Switzerland	■		■	
Turkey	■	■	...	■		
U. K.	■	■	■			■	■	■
USA	■	■	■	■	■	
EU	■

Source: OECD regulatory indicators questionnaire, 2005, OECD, Paris.

Figure P32.1. Reducing Administrative Burdens

Recent trends 1998-2004

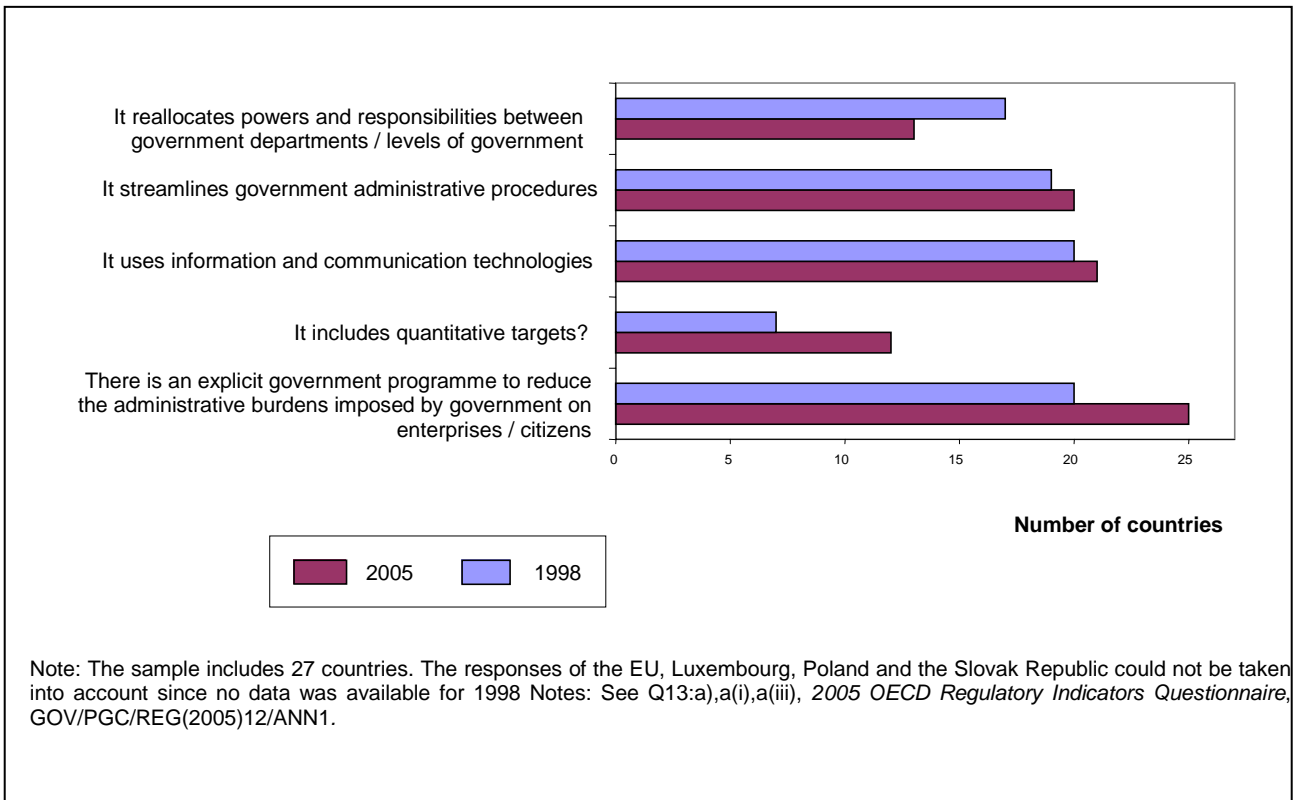
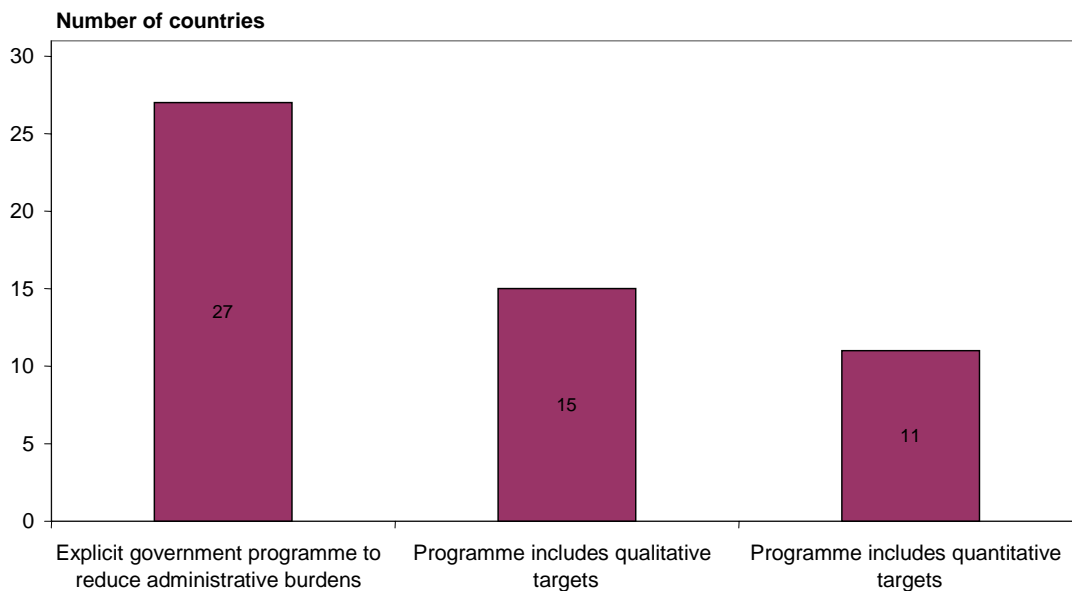


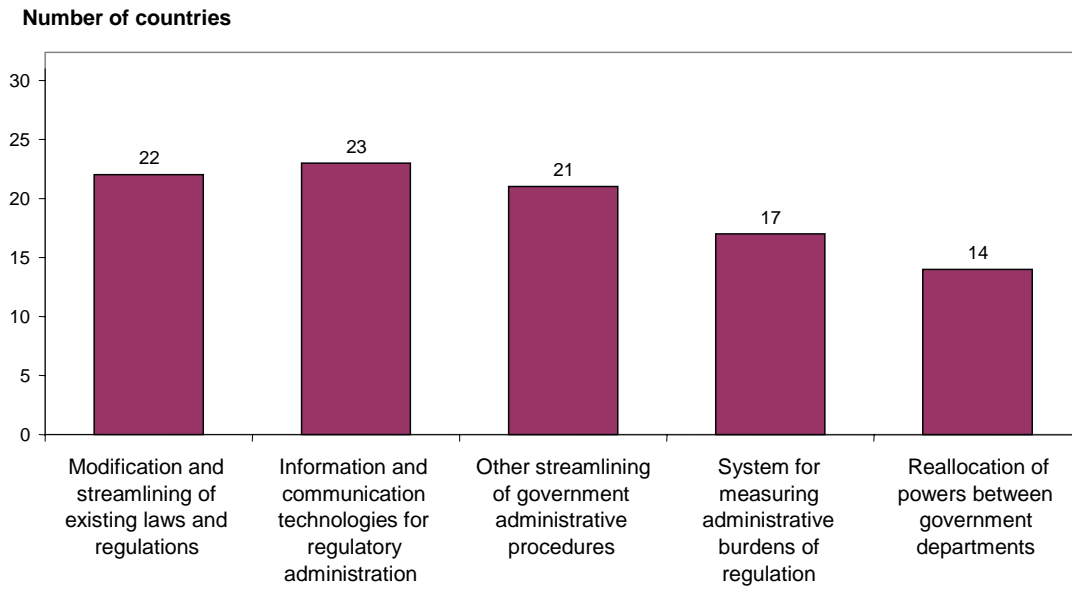
Figure P32.2. Reducing Administrative Burdens



Notes: See Q13:a),a(i),a(ii) / 2005 OECD regulatory indicators questionnaire / GOV/PGC/REG(2005)12/ANN1.

Source: OECD (2006), *Indicators of regulatory management systems quality*, OECD, Paris.

Figure P32.3. Strategies used to reduce administrative burdens



Notes: See Q13:a(iii) / 2005 OECD regulatory indicators questionnaire / GOV/PGC/REG(2005)12/ANN1.

Source: OECD (2006), *Indicators of regulatory management systems quality*, OECD, Paris.

01. FUNCTIONAL DISAGGREGATION OF FISCAL EXPENDITURES AND REVENUES

Key contact: Dirk Kraan and Daniel Bergvall, OECD GOV

Inputs can be classified according to functional sector (area of output) using a "modified COFOG" classification. This classification offers a break-down of expenditures into primarily individual and primarily collective goods as well as goods in kind and cash transfers. These distinctions determine the structure of resource allocation in the public sector. The distinction between in kind and cash transfers indicates the degree to which government considers that beneficiaries should retain a spending choice. The significance of the distinction between individual and collective goods and services points to different options for service provision. For instance with individual goods it is usually technically possible to provide the services as an entitlement (a claim of the individual on the state). Also, with individual goods it can be possible (and not inefficient in principle) to make consumption dependent on the payment of a private contribution.

About this indicator

The modified COFOG classification provides the following breakdown

	Primarily individual goods and services	Primarily collective goods and services
In kind	<ul style="list-style-type: none"> • Education • Health • Social services • Non-market recreation, culture and religion • Subsidies 	<ul style="list-style-type: none"> • General public services • Defence • Public order and safety • Basic research • Infrastructure • Public economic services • Public environmental services • Public housing and community services • Service regulation
Cash	<ul style="list-style-type: none"> • Social transfers 	<ul style="list-style-type: none"> • Foreign aid transfers • General purpose and block grants • Interest

Highlights:

The modified COFOG classification has been developed within OECD GOV Directorate following agreement by the OECD Network of Senior Budget Officials (Working Party of Senior Budget Officials, Expert Group meeting, OECD, Paris, 11 February 2004). The estimation method has been approved by the Head of National Accounts (OECD). Full details are provided in *How and Why Should Government Activity Be Measured in "Government at a Glance"? OECD GOV Technical Paper 1*, (2006) OECD, Paris.

Trends:

Data will only be provided for the last few years since the source data from the National Accounts have only become available for those years (and provisionally only for a limited numbers of OECD countries). Modified COFOG data have been provided for the subsector of Central Government for 12 OECD countries since 1980 in the OECD publication Reallocation (OECD 2005).

Aspects of government measured by the indicator:

Activities of:	General government				Other public sector			Private sector in the public domain		
	Central	State	Local	Social security funds						
Production stage:	Revenues		Inputs	Public processes	Outputs and intermediate outcomes		Final outcomes	Antecedents or constraints		
Functional sector:	General public services	Defence	Public order & safety	Economic affairs	Environmental protection	Housing & community amenities	Health	Recreation, culture and religion	Education	Social protection