

FREQUENTLY ASKED QUESTIONS

PUBLIC FINANCES

What is the difference between the public debt definition of the Systems of National Accounts and the Maastricht public debt definition?

The OECD Secretariat follows the definition of government gross debt according to the SNA (System of National Accounts) and not according to the Maastricht Treaty definition which is used only in European Union member countries.

Debt is a commonly used concept, defined as a specific subset of liabilities identified according to the types of financial instruments included or excluded. It is defined as all liabilities that require payment or payments of interest or principal by the debtor to the creditor at a date or dates in the future. All debt instruments are liabilities, but some liabilities such as shares, equity and financial derivatives are not debt. Debt is thus obtained as the sum of the following liability categories, whenever available/applicable in the financial balance sheet of the general government sector: currency and deposits; debt securities; loans; insurance, pension and standardised guarantee schemes; and other accounts payable, as well as, in some cases special drawing rights (SDRs). According to the SNA, most debt instruments are valued at market prices, when appropriate.

By consequence, there are some differences between the Maastricht definition and the SNA definition. Firstly, gross debt according to the Maastricht definition excludes not only financial derivatives and shares and other equity but also insurance, pension and standardised guarantee schemes and other accounts payable. Secondly, debt according to Maastricht definition is valued at nominal prices and not at market prices.

How do you measure the net savings of a country and what does it tell us?

General government net saving is the difference between current revenues and current expenditures. In other words, it corresponds to the fiscal balance excluding capital expenditures; therefore it does not take into account investment expenditures and net capital transfers (e.g. transfers to rescue financial institutions). More generally, government net saving is typically associated with the "Golden Rule" concept, namely that government current revenues should, on average, cover current expenditures in the course of an economic cycle. Having consistent negative savings may thus indicate a situation of unsustainable government finances.

What is the financial net worth?

The financial net worth of the general government sector is the total value of its financial assets minus the total value of its outstanding liabilities. The analysis of the difference between the financial assets and liabilities held by governments gives an extensive measure of the government's capacity to meet its financial obligations. While the assets reflect a source of additional funding and income available to government, liabilities reflect the debts accumulated by government. Thus, a consistent increase in the government's financial net worth over time indicates good financial health. This indicator can be used as proxy measure for net government debt as, similarly to the definition of gross debt, the net debt can be restricted to gross debt minus financial assets corresponding to debt instruments.

What does the structural balance or cyclically adjusted fiscal balance tells us?

The structural fiscal balance, or underlying balance, represents the fiscal balance adjusted for two factors: the state of the economic cycle (as measured by the output gap) and one-off fiscal operations. The output gap measures the difference between actual and potential GDP, the latter being an estimate of the level of GDP that would prevail if the economy were working at full capacity. One-off factors include both exceptional and irregular fiscal transactions as well as deviations from trend in net capital transfers.

The indicator on the structural balance aims to capture structural trends in order to assess whether the fiscal policy of a country is expansionary, neutral or restrictive for a given period.

More information: www.oecd.org/eco/sources-and-methods

What does COFOG stands for?

COFOG is the international classification of government expenditures. The initials stand for Classification of the Functions of Government (COFOG). This classification divides government expenditures into ten functions: general public services (including service to the debt); defence; public order and safety; economic affairs; environmental protection; housing and community amenities; health; recreation, culture and religion; education; and social protection.

Public sector employment

What is the difference between general government and public corporations? What do your data on public sector employment include?

The term "public sector" refers to two types of governmental organizations/structures:

1. General government and;
2. Public corporations

The general government sector comprises all levels of government (central, state, local and social security funds) and includes core ministries, agencies, departments and non-profit institutions that are controlled by public authorities.

Public corporations are legal units producing goods or services for the market and that are controlled and/or owned by government units. In many countries, post services and/or harbours are considered as public corporations.

The data on public sector employment (general government and public corporations) are collected by the International Labour Organization (ILO), ILOSTAT (database). In previous editions of Government at a Glance, a breakdown between general government employment and public corporations was provided as well as employment by levels of government (central, regional, local and social security). These data were not available for the 2015 edition of Government at a Glance. Therefore in this year's edition public sector employment includes both general government employment and public corporations employment.

How do you calculate the share of women ministers in each countries?

Data on women ministers are obtained from the Inter Parliamentary Union's "Women in Politics" database. Data represent the percentage of appointed women ministers as of 1 February 2015, 1 January 2012 and 1 January 2005 (the same fix date of extraction for every countries).

Data show women as a share of total ministers, including deputy prime ministers . when they held ministerial portfolios. Presidents, vice-presidents and heads of governmental or public agencies have not been included in the total.

Institutions

What is the Centre of Government?

The Centre of Government (CoG) refers to the administrative structure that serves the Executive (President or Prime Minister, and the Cabinet collectively). The Centre of Government has a great variety of names across countries, such as General Secretariat, Cabinet Office, Chancellery, Office/Ministry of the Presidency, Council of Ministers Office, etc. In many countries the CoG is made up of more than one unit, fulfilling different functions. The role of the Centre of Government is closely linked to the role of the executive branch itself, i.e., to direct the resources of the State (financial, legal, regulatory, even military) to achieve a mission that reflects a political vision and responds to a mandate from citizens.

What is the difference between the “Centre of Government” and the “Central Government”?

The Centre of Government is an administrative structure, rather small in size, which serves the Executive. The Central government is generally much larger and comprises all line ministries and agencies at the national/federal level of government.

Budgeting practices and procedures

What are Supreme Audits Institutions?

Supreme audit institutions (SAIs) are the lead public sector audit organisation in a country. Their principle task is to examine whether public funds are spent economically, efficiently and effectively in compliance with existing rules and regulations and in line with national priorities. Well-functioning SAIs can play an important role in confirming that controls are operating effectively, identifying waste and suggesting ways in which government organisations can operate better. As such, SAIs have the potential to contribute to better design and use of performance-related budgeting and management systems and to enhance public accountability in OECD member countries.

What is cost-benefit analysis and why does it matter?

Cost benefit analysis (CBA) is a methodology with a long intellectual and practical history for estimating the ex-ante desirability of a project. It is designed to demonstrate whether or not the long-term social benefits of a project are greater than its costs. In practice, it estimates the opportunity cost or benefit of goods and services and uses these accounting prices (or shadow prices) as a more appropriate signal than observed market prices, which may be distorted by a variety of reasons. Performance indicators are then computed; typically, a positive net present value of benefits over costs is required in order to conclude that ex-ante a project is socially desirable.

In the current context where government in most OECD countries are facing important budget constraints, CBA can be a very useful tool to invest in projects that represent the greatest benefits compared to costs. According to the 2014 OECD survey on CBA, it was found that there is generally no nationwide legal requirement for CBA (55% of surveyed countries). However, legislation does exist at the state/local levels (40% of countries) or it is recommended and promoted by central governments (15% of countries).

Public sector integrity

Why asset disclosure matter for integrity in government?

Disclosure of private interests of public officials is an effective tool for managing conflict of interest. Although it remains primarily public officials' responsibility to manage their conflict of interest situations, disclosure of their private interests can greatly aid in preventing apparent

and potential conflict of interest situations. Furthermore, public availability of the disclosed information allows the general public to hold public officials more accountable of their official decisions and strengthens transparency in the process. However, disclosure and public availability of the information also concerns the public officials' right to privacy.

How do you calculate your composite indicators on civil servants' assets disclosure requirements?

In Government at a Glance, the level of asset disclosure is measured by a composite indicator. Two breakdowns are provided: One by branches of government (executive, legislative, judiciary and "at risk areas") and one by position in the executive branch (from top decision makers to regular civil servants). When calculating an aggregate of the country specific data provided on the private interest disclosure in three branches of government and its level of public availability, all private interests and all positions were deemed equally important and were therefore assigned the same weights. The private interests include assets, liabilities, income source and amount, paid and non-paid outside positions, gifts and previous employment. To translate the country responses into a point system, the categories "Prohibited" and "Information is disclosed and publicly available online or print" were awarded with 100 points, the highest available. "Information is disclosed and publicly available upon request" was awarded with the second highest point, 67, and "Information is disclosed and not publicly available" was awarded with the third highest point, 33. No points were awarded to the category "Disclosure is not required". All private interests examined were weighted equally.

What are considered as "at risk areas" in the asset disclosure composite indicator?

Due to their specific functions, generally more subject to conflicts of interests, a specific attention has been paid in this year's edition of Government at a Glance to some "at risk areas" in government. These include tax and customs officials, procurement agents and financial authorities.

Regulatory governance

What is a Regulatory Impact Analysis and why does it matter?

Regulatory Impact Analysis (RIA) is the systematic process of identification and quantification of benefits and costs likely to flow from regulatory or non-regulatory options for a policy under consideration. Countries apply a variety of analytic techniques as part of the RIA process, including cost-benefit analysis, cost-effective analysis, and multi-criteria analysis. RIA represents a core tool for ensuring the quality of new regulations through an evidence-based process for decision making. A well-functioning RIA system can assist in promoting policy coherence by making transparent the trade-offs inherent in regulatory proposals. RIA improves the use of evidence in policy making and reduces the incidence of regulatory failure arising from regulating when there is no case for doing so, or failing to regulate when there is a clear need.

What is the difference between RIA and ex-post evaluation?

In the regulatory policy cycle, RIA takes place at the policy design stage whereas ex-post evaluation is the final stage of the regulatory policy cycle. Ex-post evaluation of existing laws and regulations is necessary to ensure that they are effective and efficient. In the absence of a systematic review process, the overall burden of complying with regulations tends to increase over time. This complicates the daily life of citizens and impedes the efficient functioning of business. Ex -post evaluation can also be the initial point to understand the impacts, shortcomings and advantages of a policy or regulation in place, and to provide feedback for the design of new regulations.

Public procurement

How do you define public procurement? How important are public procurement expenditures in OECD countries?

Public procurement refers to the purchase by governments and state-owned enterprises of goods, services and works and represents a significant amount of government expenditure.

In 2013, governments spent, on average, 29% of the total general government expenditure on public procurement compared to an average level of 30% in 2009 (in this case, public corporations were excluded in the estimation of procurement spending). As public procurement accounts for a substantial portion of the taxpayers' money, governments are expected to carry it out efficiently and with high standards of conduct in order to ensure high quality of service delivery and safeguard the public interest.

Digital government

What is the OECD *OURdata* Index?

The OECD Open, Useful, Reusable Government data Index (*OURdata*) measures governments' support to Open Government Data in light of the 2013 G8 Open Data charter which defines a series of key principles on how to implement Open Data at the country level. The data was collected through the 2014 OECD Survey on Open Government Data and is divided in three dimensions which are equally weighted:

- 1) Data availability: Providing a wide range of data produced by the public sector in open format;
- 2) Data accessibility: Providing those data in a user-friendly way which includes the provision of metadata and machine readable format (e.g. CSV);
- 3) Pro-active support from the government to foster innovative re-use of the data and stakeholder's engagement

To narrow-down the universe the focus for the 2 first pillars (availability and accessibility) is only on the Central/Federal Open Data Portal.

The public sector produces and collects a wealth of data in its day-to-day activities. By making these data available, easily accessible and re-usable by citizens and businesses, governments can improve accountability and transparency, create new business opportunities and better inform both citizen engagement and their own decision-making.

Government results

How do you define trust in government and how do you measure it?

Trust is broadly understood as holding a positive perception about the actions of an individual or an organisation. While trust may be based on actual experience, it is for the most part a subjective phenomenon, reflected in the eyes of the beholder. Trust in government represents the confidence of citizens and businesses in the actions of governments to do what is right and perceived as fair. Most importantly the legitimacy of governments is built on being trusted by their citizens, as trust is mainly an enabler of fluent and effective interactions between governments and citizens.

For the moment, the only available data on trust in government come from large scale household surveys. The data are collected by Gallup World Poll which uses proportional stratified probability sampling and has a sample of 1000 citizens in each country. Data refer to the percentage who answered “yes” to the question “Do you have confidence in national government”.

Improving the measures of trust in government, with both subjective and objective data, is an important stream of work currently at the OECD.

What is the difference between public sector outputs and outcomes?

Outputs are defined as the goods or services produced by government agencies (e.g., teaching hours delivered, number of patients treated, welfare benefits assessed and paid etc.).

Outcomes refer to the effects of public programmes and services on citizens, in terms of welfare gains, health gains, educational/learning gains, and so on.

While these outcomes can certainly be affected by the quality of programmes and services provided, they can also be affected by other factors, such as the socioeconomic background of the population and individual behavioural factors. For instance, life expectancy at birth, one of the most widely used measures of health outcomes, can be affected by many other factors

beyond health care activities and spending (e.g., the living and working conditions of people, the physical environment, behavioural factors such as smoking alcohol consumption, nutrition, etc.).

What is the difference between public sector efficiency and cost-effectiveness?

Based on conventional economic theory, “efficiency” is defined as the relationship between one or more inputs (or factors of production i.e. capital, units of labour) and one or more outputs (or activities). In Government at a Glance, public sector efficiency is measured sectorally by looking for instance at the average length of stay in hospitals as a proxy measure of cost per patients treated in the hospital sector.

Public sector cost effectiveness can be measured by looking at the relationship between inputs and broader outcomes in each sector. In Government at a Glance, cost-effectiveness is also measured sectorally by looking for instance at the level of expenditure on education per student (the input) compared to the results to PISA tests in Mathematics and Reading (the learning outcome measure).

How do you define and measure the effective implementation of the Rule of Law?

The principle of the rule of law refers to the authority and influence of law within a society. According to this principle, the law should govern and no one, including the government is above it. The rule of law is implemented through the existence of codified or standardised procedures and a series of mechanisms guaranteeing access, equality, predictability, reliability and accountability. It constitutes a key measure of good governance and it is crucial to maintaining peace and order, as well as fostering investment and development.

In Government at a Glance, the data on the Rule of Law come from the World Justice Project. These data are collected from citizens’ perception and experts judgements (lawyers, law professors etc.) and combined to produce composite indicators on specific concepts related to the Rule of Law. These indicators evaluate the extent to which there are for instance mechanisms to limit government powers, ensure effective protection of fundamental rights and that civil justice is free from improper government influence.

What does GINI stands for? How can income inequality be measured?

The Gini coefficient is the most commonly used measure of inequality; it is aimed at representing the income distribution of the population within a given country. It ranges from zero where everybody has identical incomes to 1 where all the income goes to only one person.

The effects of the income redistribution policy of a government can be measured by comparing the Gini coefficient before taxes and transfers (market inequalities) and after taxes and transfers (net inequalities). Between 2007 and 2011, on average, income inequality before taxes in OECD member countries increased by 1 percentage point (p.p.) from 0.46 to 0.47. Following government intervention, the after taxes and transfers Gini coefficient fell to 0.31 in 2011,

compared to 0.30 in 2007, a stable decrease of around 16 p.p. for both years. Governments are therefore able to achieve sizable reductions in income inequalities through taxes and transfers.

Income inequalities can also be measured by looking at the disposable income (after government taxes and transfers) of the people at the top and at the bottom of the income distribution. On average, between 2007 and 2011, disposable income decreased by an annual average of 0.5%. However, while the average annual pace of decrease for the top 10% income group (the richest) was 0.8%, the decline was two times more important for the bottom 10% (the poorest) (-1.6%). Therefore, on average across OECD countries, lower income households suffered more during the crisis or have benefitted less from the recovery.