PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
PUBLIC GOVERNANCE COMMITTEE

Working Party of Senior Budget Officials

ANNOTATED AGENDA

SYMPOSIUM ON ACCOUNTABILITY AND CONTROL OF DECENTRALISED AND DELEGATED PUBLIC SPENDING

Madrid, Spain
22-23 June 2005

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Wednesday, 22 June 2005

Day 1: Decentralising public spending to sub-national governments: how to improve efficiency while maintaining control

9:30  Opening Address
      Mr. Luis Espadas, Spanish Budget Director
      Mr. Barry Anderson, OECD Head of Budget Division and Chairperson

9:30-11:00  Session 1 -- Accountability and control in decentralized and delegated public spending

11:00-11:30  Coffee Break

11:30-13:00  Session 2 -- Fiscal discipline between levels of government

13:00-14:30  Lunch Break

14:30-16:00  Session 3 -- Accountability and control of funding provided to sub-national governments (closed funding arrangements)

16:00-16:30  Coffee Break

16:30-18:00  Session 4 -- Accountability and control of funding provided to sub-national governments (open-ended grants)

18:00-20:00  Cocktail and visit

Thursday, 23 June 2005

Day 2: Delegating public spending to agencies and third party providers outside of direct ministerial responsibility -- Issues of accountability, control and performance

9:30-11:00  Session 5 -- Accountability and control of agencies, public law bodies and other arm's length organisations

11:00-11:30  Coffee Break

11:30-13:00  Session 6 -- Third party providers (public-private partnerships, contracted arrangements)

13:00-14:30  Lunch Break

14:30-16:00  Session 7 -- Performance and evaluation; its applicability to decentralised spending at sub national government level.

16:00-16:30  Coffee Break

16:30-18:00  Session 8 -- Maintaining accountability while improving performance in a delegated control environment -- Performance and programme evaluation; its application to delegated spending

18:00  Closing by Chairperson and the Spanish General Controller of the State Administration, Mr. José Alberto Pérez
ACCOUNTABILITY AND CONTROL

1. OECD countries over the past decade have diversified the ways they provide services to citizens. One important development is the trend of moving spending and service delivery out of traditional central ministries to institutions outside the direct control of central ministries. These moves are designed to make spending more efficient and more responsive to citizen needs. For example many countries have given sub-national governments more power and money from the central government to craft government assistance programs. Central governments have also created public law agencies that are contracted with the central government ministries under purchaser-provider arrangements. Or ministries have partnered or contracted with private sector entities to deliver public benefits.

2. In delegating and decentralising spending, central governments face a host of accountability and control issues over the use of the funds. First is the need to preserve financial discipline over both central and local government’s budgets. The second is the need to ensure that funds are spent in accordance with program design and intent. Third as countries incorporate performance and other management techniques into the budget and accountability process, they need to ensure that giving autonomy and flexibility in exchange for performance agreements will permit fiscal and managerial accountability. This is done in an environment where local governments are sovereign and have their own constituencies to deal with, where private sector entities are often more skilled in negotiating contracts and arm’s length agencies are outside of ministerial control but not ministerial responsibility. This seminar is designed to address these issues and provide countries the opportunity to share experiences, problems and ideas.

3. Finally, this seminar will bring together threads of different areas of current OECD work -fiscal relations with lower levels of government, the use of agencies and market type mechanisms -- into the framework of the accountability and control project. Each of these threads deals with new ways to delivery services to citizens and presents unique as well as common accountability challenges.

4. **Session 1: Accountability and Control in decentralized and delegated Public Spending.** This session will first examine in a general way the different control outlines and responsibility in the decentralized public expense in the different countries of the OECD, the management, coordination and cooperation among the different internal and external control bodies. In the same way, it will also examine the different flows of information: financial, budgetary, and statistic related with the public expense with object of modelling political coherence in connection with rules and established objectives. Second this session will briefly discuss general issues in the accountability and control of delegated public spending. We will try to outline the different types of the changes in OECD countries that are pushing the delegation of decision making on public spending towards more autonomous organs of public power. This issue will be discussed in greater detail in day two of the meeting.

5. **Session 2: Fiscal Discipline between Levels of Government.** This session will focus on the general problem of promoting financial discipline at a general government level. Some OECD countries must ensure that all levels of government maintain absolute spending levels, whereas others must ensure that additional spending is not pushed onto the national government or that the local government is not starved for funds but burdened with national regulation.

6. **Sessions 3 and 4: Accountability and control of funding provided to sub-national governments (Closed and open funding arrangements)** These two sessions address the issue of the special accountability and control requirements involved when funding is provided to lower levels of government. The first session looks at subsidies to local governments at fixed amounts. These grants, (e.g. categorical grants, block grants) enable central governments to be sure of a level of expenditures, but they often are accompanied by mandates on local governments to assure certain project levels or services. How do central governments assure that the national intent is carried out while balancing the reality that local governments have limited resources to carry out the program – or are forced to supplement the national grant with local funds?. The converse of this problem is the open-ended grant (e.g. for an entitlement welfare program) where states have an unlimited tap on central funds.
assuring that all central purposes are met, but met at what cost?. Since local governments have their own political requirements, the national purpose is often not of primary importance. Moreover, sub-national governments often have their own accountability arrangements – both formal (local audit offices) and informal (different bureaucratic culture) that may conflict with the central government.

7. **Session 5**: Accountability and Control of Agencies and other Arm’s Length bodies. Public service delivery using arm’s length agencies is a current trend among OECD countries that introduces flexibility and speciality in public activity. The questions are how to keep an adequate level of accountability for line ministry and the agency and which are the more adapted control mechanisms. In environments where agency managers are politically appointed, managerial responsibility mechanisms can be fragile or ineffective. Performance contracts allow evaluating the degree of compliance of objectives, but need a valid design with adequate targets, not affected by the political link between ministers and agencies’ managers.

8. **Session 6**: Third Party Providers. Contracted Arrangements and Public-private partnerships (PPPs) Outsourcing is the most common market type mechanism used by governments. However more and more contractors are being used to directly provide services to citizens and not just services to the government itself. Often these are core services, like case management of welfare recipients or the operation and maintenance of prisons. How governments ensure that the public purpose is met is a difficult topic, especially when the private sector holds an advantageous asymmetry of information – especially as the contract is more technical in nature.

9. Public-private partnerships (PPPs) refer to the private sector financing, designing, building, maintaining, and operating infrastructure assets traditionally provided by the public sector. PPPs can also involve the private sector purchasing already existing infrastructure assets and redeveloping them. Public-private partnerships bring a single private sector entity to undertake to provide public infrastructure assets for their “whole-of-life”, generally 20-30 years. (The asset generally reverts to the government at the end of this period.) The private sector partner then charges an annual fee for the use of the infrastructure assets. This can either be paid by the government or through user charges, or a combination of the two. PPP’s are also known as private finance initiatives (PFI), projects for public services, and private projects. PPP’s have been most extensively used in the provision of transportation infrastructure, but other examples include schools, hospitals, office buildings, and water and sewage treatment facilities. Since these are very long term contracts, managing the contracts over time prove difficult. Achieving adequate quality standards and ensuring that public policy purpose are achieved are but two of many issues confronting the purchasing government. This session will also look at the sharing of risk – both current and potential -- between the government and the private sector provider of the service and the issues confronting governments in sharing that risk.

10. **Session 7 and 8**: Performance and Programme Evaluation: Its application in a decentralised and delegated Control Environment. Performance measures have been incorporated into the management and budgeting processes of many OECD governments, at a central, local level, and within autonomous agencies. These performance reforms have been accompanied by greater autonomy and flexibility; these changes have implications for accountability and control. Session 7 examines the relatively new and innovative use of performance techniques including performance agreements and policy/program evaluation at a sub-national level and/or in agreements between central and sub-national governments. These agreements are a method to help ensure performance results and/or national goals are achieved at lower governmental levels.

11. **Session 8**: Examines the application of performance techniques and programme evaluation to delegated public spending in areas outside of direct ministerial control. It will focus on the use of performance as means of control and a method of providing accountability. It will also examine the use of policy/program evaluation by managers and internal and external controllers to assess whether the intended improvement in performance delivery has been achieved, while maintaining appropriate accountability.
MEETING INFORMATION

Meeting location

12. The meeting will take place in Madrid and will be hosted by the Spanish government.

Registration form

13. All participants need to complete the attached registration form and return it to the Secretariat ahead of the meeting.

Simultaneous translation

14. Simultaneous translation between English, Spanish and French will be available at the meeting.
## REGISTRATION FORM

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Please return the completed form to:

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