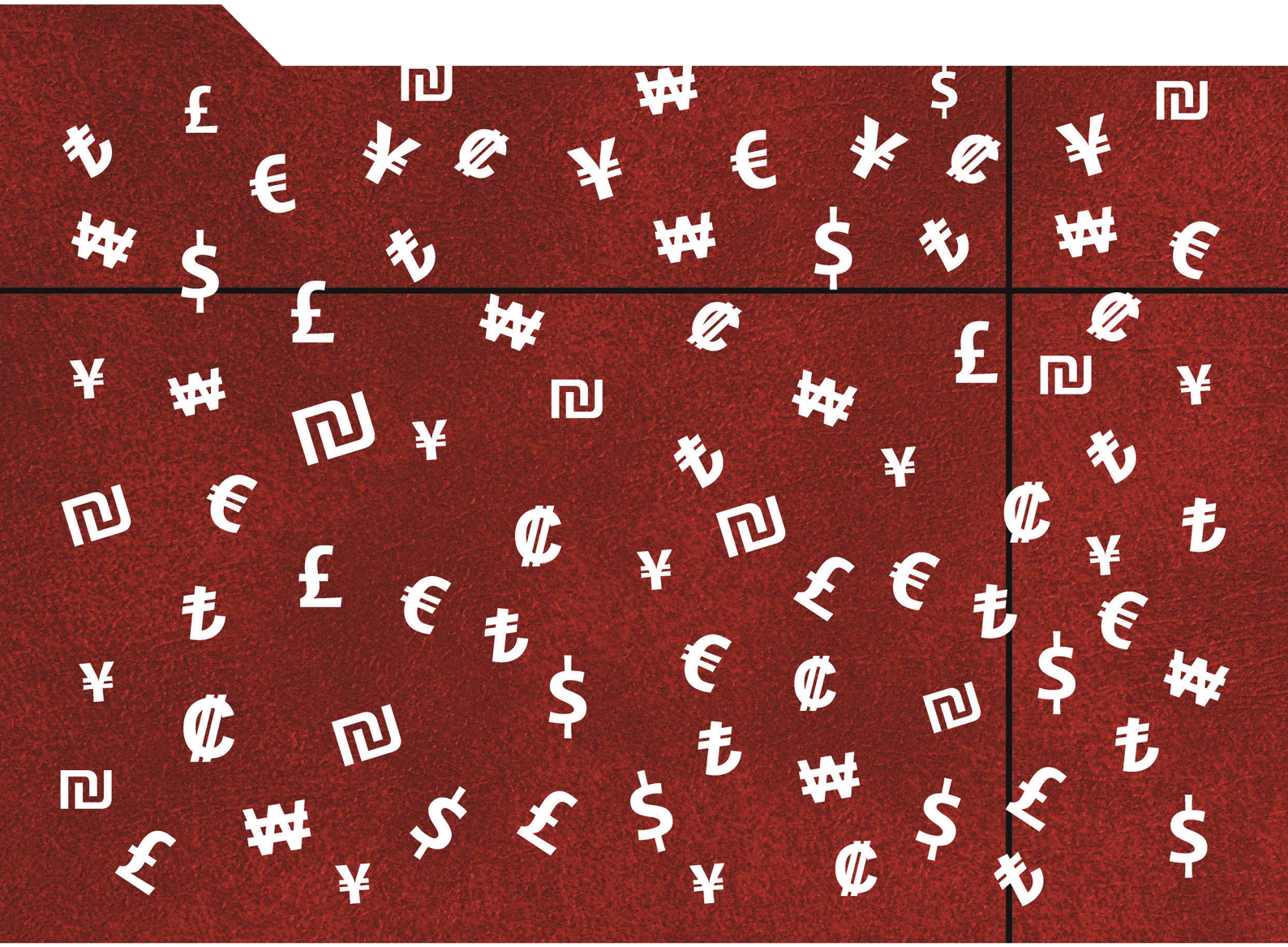
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Foreword

The *OECD Journal on Budgeting* is a unique resource for policy makers, officials and researchers in public sector budgeting. Drawing on the best of the recent work of the Committee of Senior Budget Officials (SBO), as well as special contributions from finance ministries of member countries and from other practitioners, the Journal provides insights on leading-edge institutional arrangements, systems and instruments for the effective and efficient allocation and management of resources in the public sector.

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Financing and delivering early childhood education and childcare across levels of government

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This paper explores how Early Childhood Education and Childcare (ECEC) can be more effectively financed and delivered to promote human capital development, economic growth and well-being. It discusses evidence showing that quality ECEC contributes to better education outcomes and higher future earnings, particularly for socio-economically disadvantaged children. Yet it identifies challenges in delivering ECEC services, including uneven coverage and lack of affordability in many OECD countries, necessitating intergovernmental fiscal co-operation. In the wake of the COVID-19 pandemic's disruptive effects on children's learning and future GDP, the paper underscores the urgent need for effective policy interventions. These include augmenting public spending, implementing equitable fiscal governance models, enhancing the affordability of services and establishing robust monitoring systems. By addressing these issues, the paper posits that we can ensure equitable access to high-quality ECEC and fortify the resilience of our education systems for future generations.

JEL classification: H52, H75, I26

Keywords: early education, childcare, financial governance, fiscal federalism

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Overview and policy recommendations

Early childhood education and childcare (ECEC) plays a crucial role in enhancing human capital, promoting social cohesion, and strengthening productivity and economic growth. Research has demonstrated that high-quality ECEC can reduce grade retention, increase learning and skills and boost chances of enrolling in higher education, leading to better access to employment with higher earnings. Moreover, children from socio-economically disadvantaged families benefit the most from ECEC services (OECD, 2021a). ECEC services also contribute to expanding employment opportunities for parents, particularly for women (OECD, 2020a), which create additional spill-over benefits to children by reducing risk factors for child development and boosting productivity and growth (Barnett and Masse, 2007; Dickens et al., 2006).

The COVID-19 pandemic has had devastating effects on children's learning and is likely to result in a significant future loss of GDP. The learning loss due to one year of school closure is likely to reduce GDP by between 1.1% to 4.7% in the decade after 2040 (OECD, 2022b). Further, OECD evidence pointing to the disproportionate impact of the pandemic on young people's access to education, employment, and housing during their developmental years shows that the COVID-19 crisis may leave long-lasting effects across all areas of their life impacting, for instance, mental health as well as their trust in government (OECD, 2022c).

Despite the importance of ECEC services and adverse impacts of the pandemic, the coverage of ECEC services across and within OECD countries, especially of services for children under three years old, remains inadequate (see Figure 1). In addition, in most OECD countries, low coverage is also accompanied by significant territorial gaps, and existing services are very often unaffordable for low-income children (Figure 2). This is particularly relevant for countries adopting market-based solutions, even in the presence of large public transfers such as tax credits, but also for countries where provision is predominantly public.

The funding and governance of ECEC services is therefore instrumental in shaping their expansion, availability and accessibility. At present, public expenditures for ECEC amount to 1% of GDP in only a few countries (see Figure 6). Furthermore, the decentralisation of functions to states, regions and municipalities is not usually accompanied by well-designed fiscal transfers from central governments, which could enhance services, especially in geographical areas where financial capacities are lower (Rodríguez-Pose and Vidal-Bover, 2022). The combination of low spending, high costs of services, and lack of fiscal equalisation or targeting both increases financial burdens for parents, local authorities and providers (both private and public). This is particularly the case for ECEC services operating in marginalised territories – and thus undermines expansion, quality and affordability.

This paper was approved by the OECD Network on Fiscal Relations across Levels of Government on 8 May 2023, prepared for publication by the Secretariat and accepted by the editorial board on 30 May 2023.

It was drafted by Christian Morabito, consultant to the Fiscal Network (NFR), in collaboration with Sean Dougherty, head of the Network's Secretariat. Inputs and data analysis by Francesco Corti and Tomas Ruiz (CEPS) as well as Andoni Montes and Andrew Reschovsky (NFR) are gratefully acknowledged. We would also like to thank referees Stéphanie Jamet (Education Department), Balázs Egert (Economics Department), Willem Adema (Directorate for Labour and Social Affairs), as well as Miriam Allam, Stéphane Jacobzone, Natalia Nolan Flecha, Ollin Pérez Raynaud and Andrea Uhrhammer (all from the Public Governance Directorate) for their detailed comments on the paper.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Policy recommendations

There is no universal "correct" way for countries to increase ECEC investment. While many of the countries with the most affordable, large-scale ECEC services, others have constructed systems of affordable ECEC through a mix of public and private services (OECD, 2020b), including direct subsidies to many providers and generous childcare benefits for parents. The most suitable and efficient way of ensuring equitable access to good-quality ECEC will depend on countries' existing policies, the balance between public and private services, disparities in incomes and family circumstances, and the wider economic and fiscal environment.

Nevertheless, a number of policies could be considered, proved to be effective in expanding ECEC services and their accessibility:

- **Strengthening overall public expenditures to expand coverage.** Investing in quality ECEC services is a cost-effective policy, with high social and economic returns. At present, public expenditures allocated in most OECD countries are estimated to be below 1% of GDP. Increasing financing is necessary for expanding the coverage and quality of services. Additional investments needed might vary across countries, due to different demographic trajectories.
- **Deploying effective financial governance models**. Where ECEC provision is decentralised, fiscal equalisation system criteria (OECD, 2021b) should be adopted for public expenditures to help expand ECEC coverage and quality as well as to reduce territorial inequalities. Higher resources could be allocated to public or private providers operating in areas where the presence of young children is higher, coverage is lower, parents' incomes are predominantly lower and the tax autonomy of local authorities is weaker.
- **Providing additional, conditional grants** targeted to improve quality in selected marginalised territories, where financial resources are lower and quality might be reduced to save costs. Such resources should ideally be conditional to preserve minimum quality standards.
- **Increasing the affordability of ECEC services**. Two main options can be explored: a) expanding the availability of free ECEC services to lower ages; b) setting parental financial contributions relative to income, with no fees for the poorest children and a maximum cost for affluent parents. The latter option can be also combined with child subsidies and/or tax credits, designed to target low-income children.
- **Setting up effective monitoring systems**, by building up the capacity of local authorities, specifically for data collection for efficient financial planning and monitoring of public spending, as well as verifying the delivery of minimum standards for quality, particularly when private providers are involved.
- **Enhancing co-ordination among ECEC stakeholders, and integrating ECEC into broader child and youth strategies** in order to deliver effective intergovernmental responses to the changing needs of children as they transition into adolescence and adulthood (OECD, 2022d).

The rationale for investing in early childhood education and childcare (ECEC)

Early years are a sensitive time for the development of human capital

Digitalisation and technological innovations shape economies and societies. Global economic competition is dominated by knowledge-based production. As a consequence, human capital becomes the key factor in countries' economic success and well-being. It is also crucial in a world characterised by rapid change – where many of the children entering primary school today will be employed in jobs that do not yet exist.

Human capital is certainly associated with traditional school competencies, such as literacy, numeracy and science, but also, increasingly, with so-called non-cognitive skills (Heckman, 2013) that enable individuals to understand and productively use information, adapt, solve problems, manage stress, communicate, co-operate, be motivated, self-confident, culturally aware, and so on (Davidson, 2013).

Future-oriented skills start to form in the early years, well before primary schooling, and accumulate throughout childhood. According to neuroscience, most of the brain's neuron connections are developed during the foetal stage and the first few years. These connections are responsible for abilities such as language, expression, basic competencies and thinking, behaviours, and motor-physical functions, essential for today's human capital. Studies have demonstrated that, although genetics is an important factor for brain development, the quality of the interactions between the new-born and her or his environment – family, peers, carers and communities – also matters significantly (Shonkoff and Phillips, 2000; Gilmore et al., 2018).

As a result, children growing up in adverse environments, e.g. in poverty and social exclusion, will likely have less early stimulation, and therefore fewer opportunities to acquire skills and abilities that are essential to living and working in globalised and innovation-based societies and economies (Mistry et al., 2010). Several empirical studies have demonstrated that when they reach the age of primary schooling, children coming from lower socio-economic households have already accumulated substantial gaps in both traditional competencies, such as reading and math, and non-cognitive skills (Cunha and Heckman, 2006; Heckman, 2013).

These inequalities are detrimental for individuals as well as for countries because they prevent potential talents from emerging that could actively contribute to economic and societal progress, while fuelling social resentment that could threaten cohesion and stability.

The long and short-term impact of investing in quality ECEC

Investing in the early years is therefore paramount to enhance human capital, productivity, equity and, ultimately, economic growth and well-being (see Jacobzone and Picalarga, 2023). There is robust evidence of the positive impact of participation in quality early childhood education and care programmes: childcare for children under three years old, and preschool for children from age three to the primary education entry age (usually age 5 or 6).

Quality is defined in terms of structural aspects, or the way services are organised: the number of staff and the ratio between staff and pupils, staff qualifications and training, infrastructure -- in particular the size of spaces and classrooms -- learning and development material, and safety measures. Quality is also defined with reference to 'processes' -- notably the curriculum and the pedagogical approach adopted to implement it and to relate with children and parents -- and outcomes, or the competencies and skills that children should acquire by enrolling in ECEC. A lower child-staff ratio and highly qualified and trained staff are the two aspects usually associated with higher learning outcomes for children (OECD, 2011b; European Commission, 2018).

Mechanisms should be in place to monitor the quality of services, in particular to enforce minimum quality standards and to accredit and license private providers (or to suspend a license if quality standards are

not met). Various methods can be used, including self-assessments and external evaluations, which also involve parents. However, it is important to ensure the transparency of data on service quality by giving access to both institutions and the public; this can both increase trust in ECEC services and boost demand (OECD, 2015).

Longitudinal and cross-sectional studies conducted in the United States and Europe have shown that children enrolled in quality ECEC even for short periods – particularly children from socio-economically disadvantaged groups – realise substantial gains in developing cognitive, physical and non-cognitive skills. These children are less likely to be held back or drop out of school. The effects of exposure to early learning and stimulation can last beyond childhood, leading to higher academic performance in school, higher employment rates and higher incomes (Schweinhart et at., 2005; Heckman and Masterov, 2007; Temple and Reynolds; 2011; Yoshikawa et al., 2013; OECD, 2019a, 2021; Jacobzone and Picalarga, 2023). A study conducted using OECD's Programme for International Student Assessment (PISA) data shows that, in practically all OECD countries, children aged 15 who had attended at least one year of ECEC scored, on average, 54 points higher in reading assessment compared to their peers who had not attended ECEC at all (OECD, 2011a, 2019b). Similar patterns are observed for assessments in mathematics and science (OECD, 2022e).

Children participating in quality ECEC are also more likely to enrol in higher education and better develop their technical abilities if they opt for vocational education (Reynolds, 2000). Moreover, disadvantaged children enrolled in early learning and care programmes are less reliant on social welfare when they become adults (Heckman, 2013; OECD, 2019a). A number of studies have also shown the long-term positive effects of participation in quality ECEC on psycho-physical development and health, as well as a reduction in anti-social behaviour (García et al., 2019; Carneiro and Ginja, 2014). Participation in quality ECEC has also substantial and positive short-term effects. Affordable, available, well-organised and high-quality ECEC services provide essential support for working parents, particularly mothers, enabling them to pursue employment opportunities and reconcile work and personal life. The ECEC services need to fully operate during working hours and be complemented by parental leave that is adequately compensated and of sufficient duration, especially during the child's first year (OECD, 2020a; Kimmel, 2006; Barnett and Masse, 2007). By increasing the disposable income of households, ECEC might also reduce the risk of poverty and social exclusion, both factors that can undermine children's development. A number of studies have revealed that children with working mothers acquire higher educational attainments and competencies, mainly because of greater financial resources to invest in children's learning and education (Dunifon et al. 2013; Brooks-Gunn et al., 2010). Furthermore, by making it easier for women to access employment, ECEC services decisively contribute to reducing gender disparities and overall market income inequalities, while strengthening economic growth and expanding a country's tax base (Barnett and Masse, 2007; Dickens et al., 2006).

To conclude, investing in quality ECEC is a wise policy choice in both the short and long run. It increases the quantity and quality of human capital by boosting cognitive as well as socio-emotional skills among children, strengthening their future productivity, and, ultimately, fostering economic growth, while promoting social justice and cohesion.

Investments in ECEC are even more relevant in the post-COVID-19 era. It has been estimated that approximately 1.6 billion children worldwide were forced out of schools due to lockdown measures adopted during the peak of the pandemic; by 2021, around 200 school days were lost (Azevedo et al., 2021). Early learning has also been affected, with an estimated 167 million children of pre-primary age losing access to preschools globally, and a large number of childcare services (notably private providers) shut down in many OECD countries (e.g. Austria, France, Germany, the Netherlands and the United States) (McCoy et al., 2021; OECD, 2020c). The learning loss suffered by children has been considerable, exacerbating education inequality (Kuhfeld et al., 2022), and affecting, in the long run, GDP growth. The OECD has

estimated that one year of school closure will likely shrink GDP levels by between 1.1% to 4.7% by 2050 (OECD, 2022d).

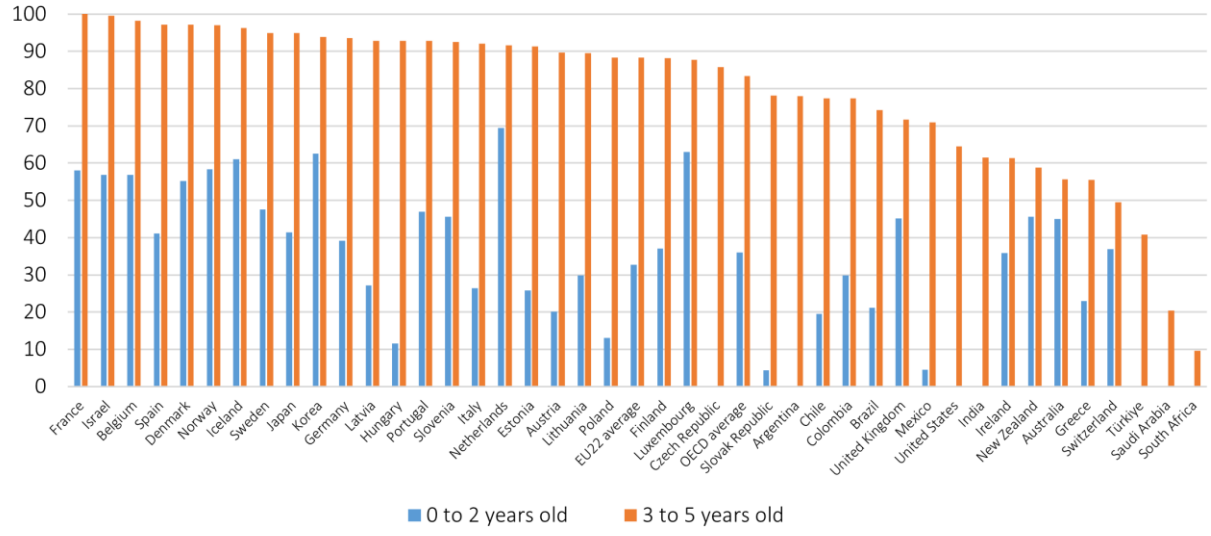
The current status of ECEC in the OECD

Whereas the evidence of the positive short-run and long-run impact of ECEC on economic and social outcomes is strong, the supply of accessible and quality ECEC services, especially for young children (under 3 years old) remains inadequate in many countries. Particularly worrisome is the fact that children from low-income families, who would benefit the most from participating in early learning programmes, often have the least access to quality ECEC.

Enrolment of children in ECEC

Childcare and pre-primary education enrolment rates vary both within and across OECD countries. As shown in Figure 1 below, in pre-primary education, enrolment rates are usually higher (83% on average in 2020), with some notable exceptions such as Australia (56%), Ireland (61%), New Zealand (59%), and the United Kingdom (72%), where enrolment rates are lower. In the United States (64% enrolment rate), universal coverage is available only to children from the age of 5 years old. In the case of childcare, even more heterogeneity can be observed. Denmark, Iceland, Norway and Sweden, along with the Netherlands, Israel, and Korea, attain 50% coverage or above. Some countries, such as Austria, Hungary, and Poland have enrolment rates far below average (12% for Hungary, 13% for Poland and 20% for Austria).

Figure 1. Enrolment rates of young children in early childhood education and care by age group

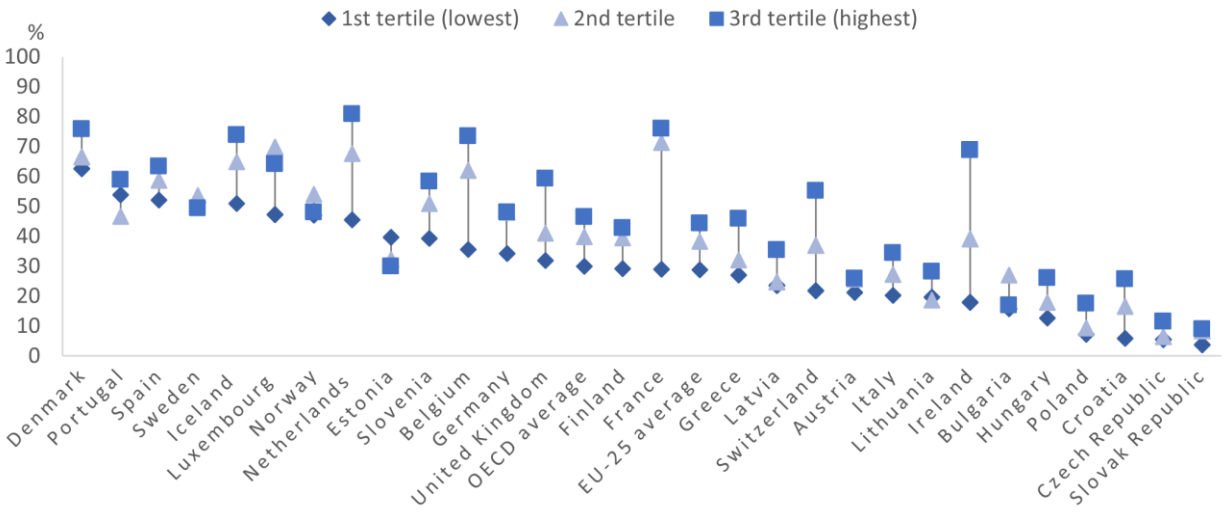


Note: Data includes provision from public, private for-profit, and private non-profit institutions.
Source: OECD Family Database for 0 to 2 years old (www.oecd.org/els/family/database.htm) and OECD Education at a Glance 2022 for 3 to 5 years old (www.oecd-ilibrary.org/sites/63190ffa-en/index.html?itemId=/content/component/63190ffa-en).

Inequalities in participation in ECEC among children

Access to ECEC, notably childcare, is also unequal, with children from lower-income households having fewer opportunities to enrol in early learning and care programmes due to high costs and lack of availability of services. Figure 2 below, shows the participation rates in childcare by family socio-economic background. Children from families in the highest income tercile participate, on average, almost twice as much (46.4%) as those from families in the lowest tercile (29.9%) in the OECD. Inequality in participation rates varies significantly across countries, with the Netherlands, Belgium, France and Ireland showing the largest differences between children from families classified in the top and bottom tercile (35.3pp, 37.9pp, 47.1pp and 51pp, respectively). Other countries, such as Estonia and Sweden, show the lowest levels of inequality among family income groups.

Figure 2. Participation rates in ECEC by income up to 2 years old, 2020



Source: OECD Family database – www.oecd.org/els/soc/PF3_2_Enrolment_childcare_preschool.pdf

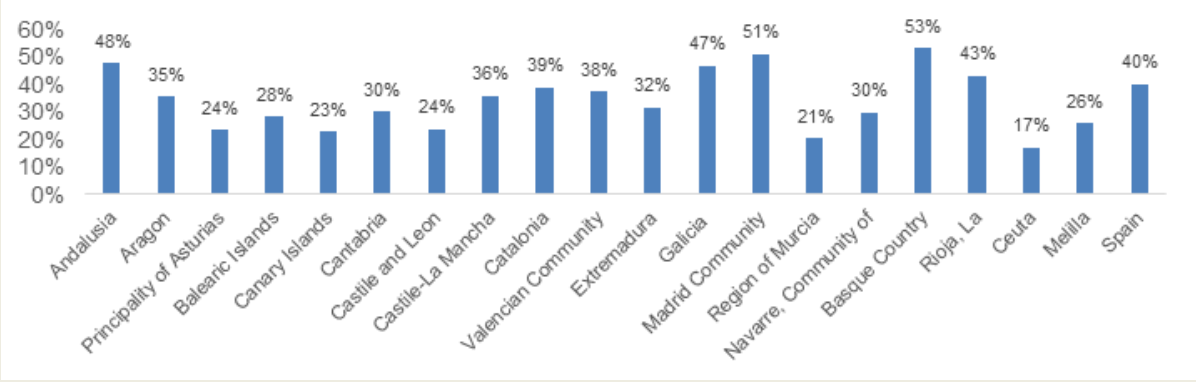
Factors limiting coverage and equity of ECEC: Geographical gaps and parental financial contributions

Among the key factors undermining the availability and accessibility of ECEC across OECD are: a) the distribution of services within countries and among territories; b) the share of financial contributions by parents. For specific examples, see Box 1. This is particularly salient for childcare and less relevant for pre-primary education, which is universal and free in most OECD countries (European Commission, 2019).

Box 1. Geographical inequalities in access to ECEC in Belgium and Spain

Coverage of ECEC services is not only unequal across countries but also within countries, especially for children under three years old. The figure below illustrates the example of Spain, where the enrolment rate for ECEC services is 40% on average, but there are significant disparities across regions. Regions (in Spain) with higher poverty and social exclusion rates tend to have lower coverage.

Figure 3. Regional coverage of childcare services in Spain, enrolment rates

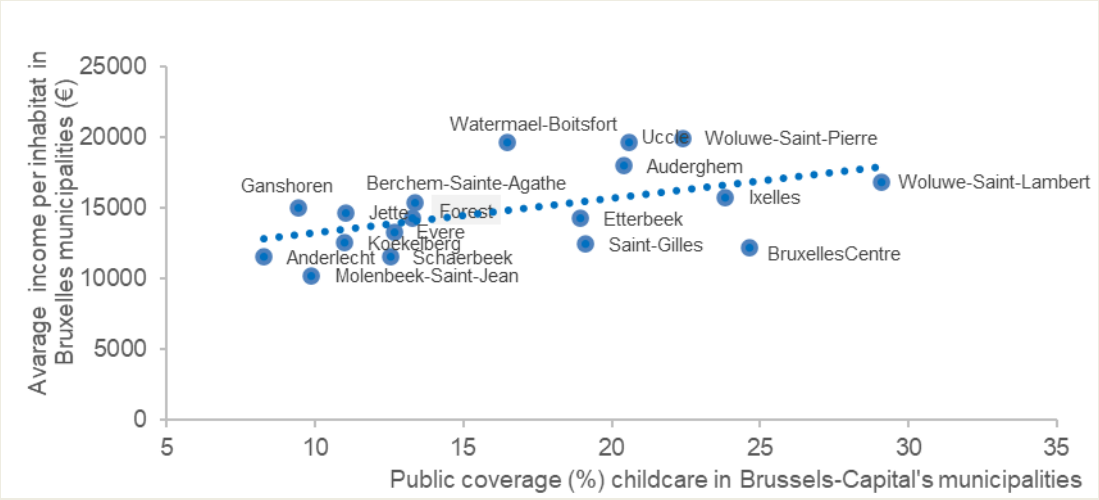


Source: Authors' elaboration based on *Estadística de las Enseñanzas no universitarias. Curso 2019-2020*. S.G. de Estadística y Estudios del Ministerio de Educación y Formación Profesional.

Inequalities in the territorial distribution of services also exist within regions, between urban and rural areas, and within cities themselves, with the most socio-economically disadvantaged areas typically having lower service coverage. An example can be seen in the Region of Brussels-Capital in Belgium, where coverage of public childcare is significantly higher in municipalities with higher average household disposable incomes.[1]

Figure 4. Gaps in coverage of childcare among municipalities in the Region of Brussels-Capital (Belgium)

Coverage vs. income levels

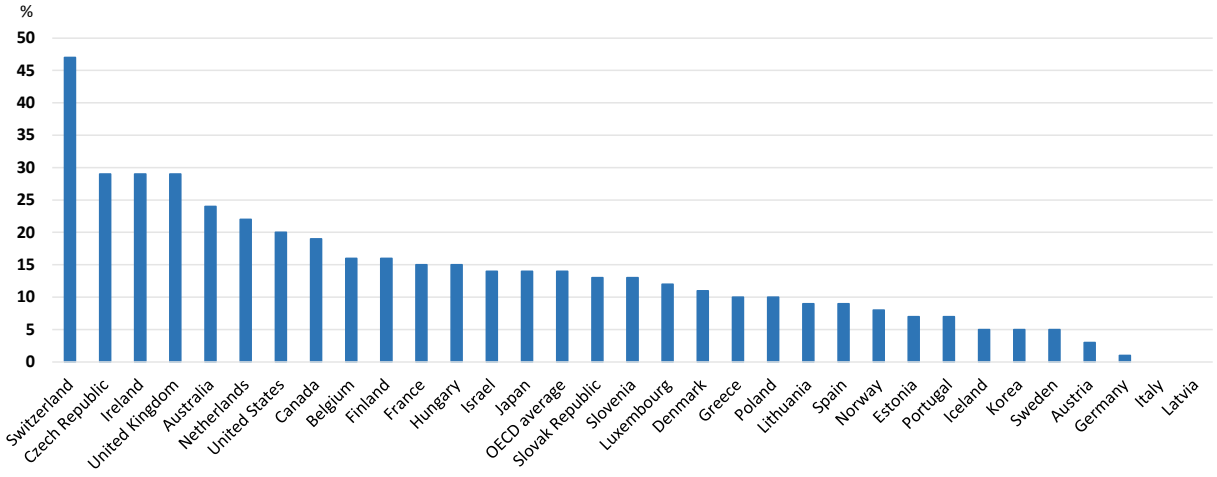


Note: 1. Coverage refers to services managed by the French speaking community.
Source: Authors' elaboration based on IBSA 2019 and Statistiques des Quartiers, 2015.

Areas where low-income parents reside, while often willing to invest in ECEC, may struggle to expand the supply of ECEC services due to limited capacity to raise revenues through local taxation as well as inadequate financial transfers from the central government (see Section on Financial governance for expanding equitable and quality ECEC, below).

Furthermore, as shown later in this brief, ECEC provision is frequently underfunded, which often leads to parents being required to contribute to the services' costs. This can make enrolment unaffordable for children from low- to middle-income households (OECD, 2020a), particularly in the case of childcare, as illustrated in Figure 3. In most OECD countries, the net costs to attend full-time childcare account for a considerable share of the earnings of an average family with two children (14% of the average OECD). Even in countries where discounts are offered for the children of parents who are students, single mothers, or have large families, fees can still be high relative to income, and services thus unaffordable (European Commission, 2019; Morabito et al., 2023).

Figure 5. Net childcare costs for a couple with two children using childcare facilities as a % of average earnings, 2021



Source: OECD (2023), Net childcare costs (indicator), https://doi.org/10.1787/e328a9ee-en

Affordability is even lower in countries that rely more heavily on market-based solutions, where private providers play a greater role (e.g. in Ireland, the Netherlands, the United Kingdom or the United States, where costs range between 20 and 30%). Half of the children enrolled in childcare services across OECD countries for which data are available are in private institutions, with the share surpassing 90% in countries such as Ireland, New Zealand, the United Kingdom and the United States. Private provision might be a valid solution to rapidly expand services; however, uncontrolled fees can prevent low- and middle-income parents from enrolling children in ECEC programmes. Moreover, this can discourage investment in the most disadvantaged territories, where ability to pay is weak.

Many countries have also adopted welfare and fiscal measures to help families cover the costs of childcare, via childcare or child subsidies, and/or tax credits. These financial contributions are usually universally applied, but they usually cover only part of the costs (Burchinal et al., 2008; Van Lancker, 2014). As a result, they tend to favour better-off families. In the case of tax credits, specifically working parents, who are also able to advance funds. For equity purposes, more targeted, and means-tested schemes are preferable, with larger tax credits granted to lower-income parents, combined with direct subsidies to very low-income families (OECD, 2020b). These schemes can also encourage the expansion of ECEC services in the most socio-economically disadvantaged areas, where capacity of parents to pay is lower, on the

condition that ECEC providers also receive financial support to reduce the service costs and therefore fees (e.g. as in the case of Korea).

Enforcing quality standards might also affect availability and affordability. Ensuring high-quality services – in particular low child-staff ratio and qualified staff, which account for most of the services' costs (OECD, 2020a) -- requires substantial investment. Countries such as Iceland, Norway, Sweden, and Denmark invest more than USD 10 000 (at purchasing power parity, or PPP) per child enrolled in early learning and care programmes, to ensure equity in access and quality of services. For childcare services, the average cost per child is even higher, around USD 15 500 (at PPP) with large variations among OECD countries with available data, mainly as a result of smaller child-to-staff ratios (OECD, 2022a). As a result, the higher cost of better-quality services might also increase parental financial contributions, thus reducing affordability. Alternatively, countries may be inclined to decrease the quality or the time of services to limit costs. This approach, however, can undermine the potential positive short- and long-term effects of ECEC services. Additionally, providers, both public and private, may use enrolment criteria to prioritise children of higher-earning parents, such as those with working parents, over those of unemployed parents, further increasing rather than reducing inequality of access (Morabito et al., 2023; OECD, 2016; OECD, 2022a).

Financial governance for expanding equitable and quality ECEC

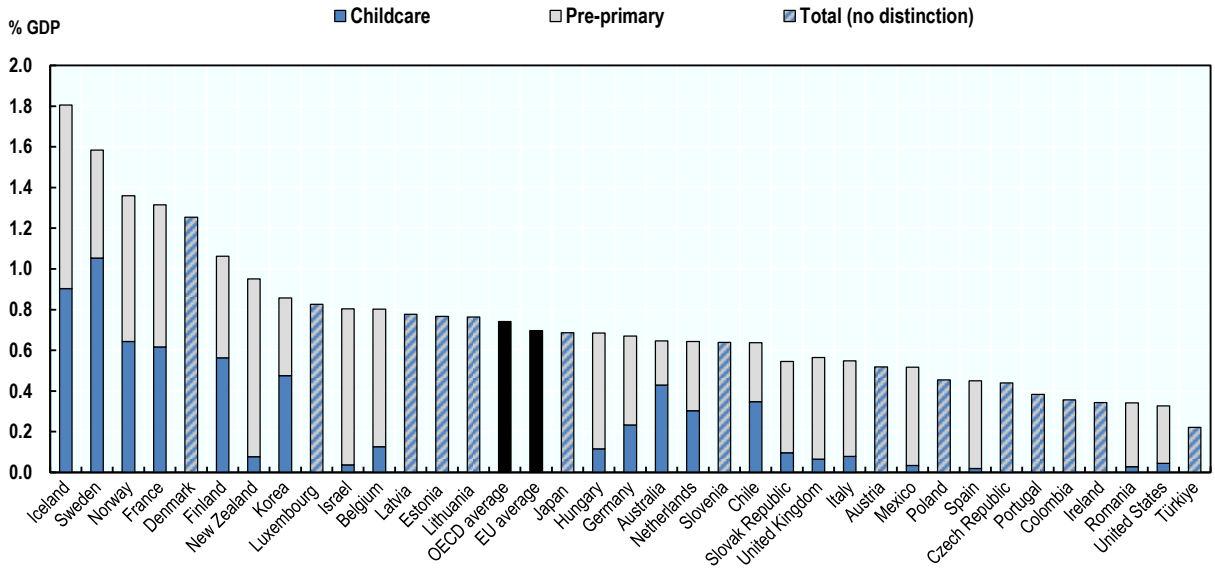
Financial governance on ECEC is fundamental to address ECEC deserts and affordability. Total amounts of funding, both from central government and local authorities, as well as the financial governance, are crucial factors to consider.

Adequate public spending as a prerequisite to enhance ECEC

The share of GDP devoted to ECEC in all OECD countries, with few exceptions, does not exceed 1% of GDP (see Figure 6 below) which is often considered the minimum level of spending requested to ensure adequate for standard demographic trends, accessible and high-quality ECEC services (ILO, 2013; OECD, 2022a). On average, OECD countries allocated 0.8% of GDP to ECEC, with significant variation across countries, ranging from 0.3% or less for Costa Rica, Ireland, Türkiye and the United States, to 1.7% for Iceland. Countries that invest more than 1% of their GDP in ECEC typically balance their expenditures between preschool education and childcare.

These are the same countries that have respectively higher levels of coverage and lower inequalities in access, testifying that the precondition for achieving equitable quality, and therefore effective ECEC systems, is the adequacy of public spending. On top of it, as can be seen from the figure below, in some countries such as New Zealand, Lithuania or Belgium, which spend above the OECD average, spending is much more concentrated on pre-primary education than on childcare. Conversely, a positive example can be found in Sweden, where out of the 1.6% of GDP spent on ECEC, 1% is spent on childcare.

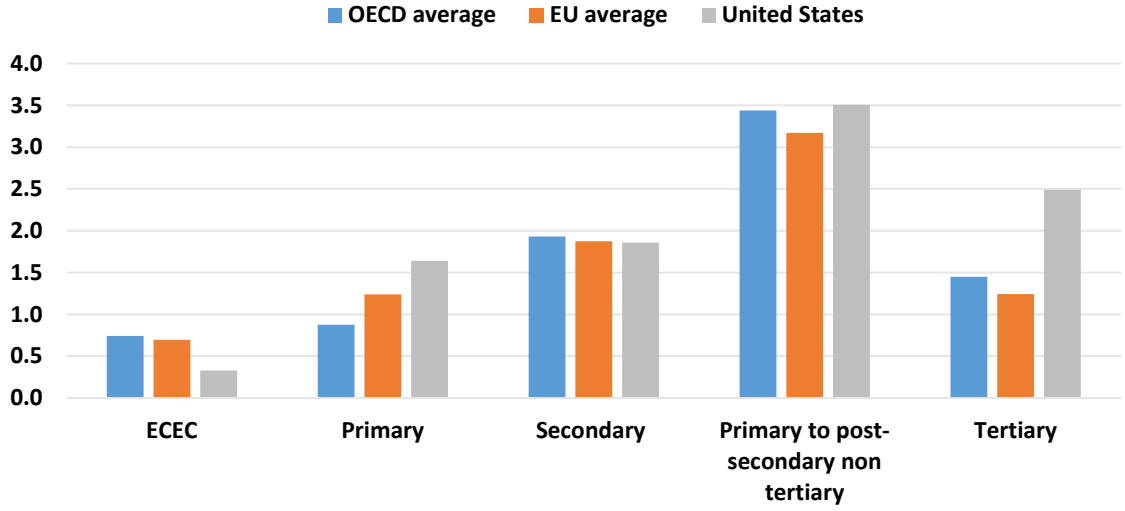
Figure 6. Total public spending on ECEC as a % of GDP, 2019



Note: Expenditures on childcare in particular may be under-estimated (see Jacobzone and Picalarga, 2023).
Source: OECD – www.oecd.org/els/soc/PF3_1_Public_spending_on_childcare_and_early_education.pdf

Allocating an adequate share of public spending towards ECEC, calculated by taking into account changing demographics (birth rates are decreasing in many OECD countries, and this might also reduce future spending needs) is a necessary condition to increase the coverage, equity and quality of early learning and care services and programmes. However, ECEC faces strong competition from other sectors and policies, including within the education sector. As shown in Figure 7, below, ECEC is the sector with the lowest level of education spending for the OECD, the European Union, and notably the United States.

Figure 7. Expenditure on education as a % of GDP by level of education, 2020



Source: OECD – https://data.oecd.org/eduresource/education-spending.htm#indicator-chart

Although late-stage education is also relevant to boost human capital, ECEC has revealed to be a cost-effective policy with important high socio-economic returns. It has significant effects in reducing school dropout, increasing access to higher education and strengthening key cognitive, socio-emotional skills to access future's labour markets, in particular for most socio-economic disadvantaged children. Nobel Laureate James Heckman has found that high-quality preschool programmes have an estimated rate of return of USD 5.7-8.7 for every dollar spent, with social returns of between 7 and 10% (Heckman, 2008; Heckman et al., 2010).

Recent OECD studies also confirm that investing in ECEC represents a 'good value for money' (OECD, 2022f) and contributes to multiple sustainable development goals (SDGs), including one specifically on pre-primary education (SDG 4.2). Specifically, expanding coverage of preschool education to the highest level in OECD, could increase GDP per capita by more than 2% in the long term, with positive effects visible in the medium-term (5 years) (OECD, 2019b). In addition, participation in ECEC has strong positive effects on human capital development in countries with a higher share of socio-economically disadvantaged children (OECD, 2022e). Similar studies conducted in the United States have shown that a very limited increase in public expenditures for early childhood education (0.3%) can increase long-term income per capita by 0.36% or more (Delalibera and Ferreira, 2019).

Transfer modalities from central governments to sub-national authorities: a key factor shaping coverage and equity of ECEC

The second element of financial governance concerns the financial capacities of local authorities to fund ECEC services, and the modalities of allocation of fiscal transfers between the central government and States or local authorities, prioritising territories with fewer resources. ECEC services are highly decentralised, with States and local authorities (regions, municipalities) usually playing a key role in the organisation and delivery of services, i.e. developing the curriculum, establishing minimum quality standards, monitoring and evaluating services and financing (OECD, 2015; OECD, 2022a). See Table 1.

Table 1. Financing arrangements for ECEC across countries

Responsibility for financing systems of ECEC (F), minimum standard setting (S), curriculum development (C), monitoring of ECEC (M).

Jurisdiction	System organisation at central level	National level	Regional/ state level	Local level	Prevalence of public or private Childcare	Prevalence of public or private Pre-Primary
Australia	Integrated, but many responsibilities are decentralised	F	F, S, C, M		-	Private (86%)
Austria	Split		F, S, C, M	F	Private (63%)	Public (71%)
Belgium-Flemish Community[1]	Split		F, S, C, M		-	Private (53%)
Belgium-French Community[1]	Split		F, S, C, M	F, M		
Chile	Integrated	F, S, C, M		S	Public (89%)	Private (63%)
Czech Republic	Split	F, C, M			-	Public (96%)
Denmark	Split	F, C, M		F, S	Public (85%)	Public (78%)
Estonia	Integrated	F, C, M		F, S, C	-	-
Finland	Integrated	F, S, C	M	F, C, M	Public (76%)	Public (86%)
France	Split	F, S, C, M		F, S, C	-	Public (86%)
Germany	Integrated, mainly decentralised		F, S, C, M	F, M	Private (73%)	Private (65%)
Greece	Split	F, C, M		S	-	Public (89%)
Hungary	Split	S,C, M		F, S	Public (82%)	Public (89%)
Ireland	Split	F, S, C, M			Private (100%)	Private (99%)

Jurisdiction	System organisation at central level	National level	Regional/ state level	Local level	Prevalence of public or private Childcare	Prevalence of public or private Pre-Primary
Italy	Split	F, S, C, M	F, S, C, M	F, C, M	-	Public (72%)
Japan	Split	F, S, C, M	F	F	-	Private (77%)
Kazakhstan	Integrated	F, S, C, M	F, M	F, M	-	-
Korea	Split	F, S, C, M	F, M	M	Private (87%)	Private (75%)
Latvia	Integrated	S, C, M		F	Public (81%)	Public (92%)
Lithuania	Integrated	F, S, C, M		F, S	Public (89%)	Public (95%)
Luxembourg	Integrated	F, S, C, M		F, S, C, M	-	Public (89%)
Mexico	Split	F, S, C, M			Private (70%)	Public (84%)
Netherlands	Split	F, S, M	F		-	Public (72%)
New Zealand	Integrated	F, S, C, M			Private (99%)	Private (99%)
Norway	Integrated	F, S, C, M		F, M	Private (52%)	Public (51%)
Poland	Split	F, S, C, M		F, S	-	Public (74%)
Portugal	Split	F, S, C, M		F, M	Private (96%)	Public (53%)
Slovak Republic	Integrated	F, S, C, M	M	F	-	Public (93%)
Slovenia	Integrated	F, S, C, M		F	Public (93%)	Public (95%)
Spain	Integrated	F, S, M	F, S, C	F	Public (51%)	Public (67%)
Sweden	Integrated	F, S, C, M		F, M	Public (80%)	Public (82%)
UK-England	Integrated		F, S, C, M	F, M	-	Private (55%)
UK-Scotland[2]	Integrated		F, S, C, M			

Notes: Authority in charge at central level refers to the highest level of authority for ECEC for a country or jurisdiction. For countries, this refers to the national level, and for jurisdictions to the highest level of authority in that jurisdiction, whether regional, state or provincial.
1. For the Flemish and French Communities of Belgium, the central level refers to the Flemish Region and the Region of the Federation Wallonia-Bruxelles, respectively.
2. In United Kingdom-Scotland, for the school year 2013/14, the main practice guidance for those working with 0-3 year-olds was a document called "Building the Ambition".
Source: OECD Network on ECEC and European Commission Eurydice. Key Data on Early Childhood Education and Care in Europe. Publications Office of the European Union, 2019: https://data.europa.eu/doi/10.2797/894279

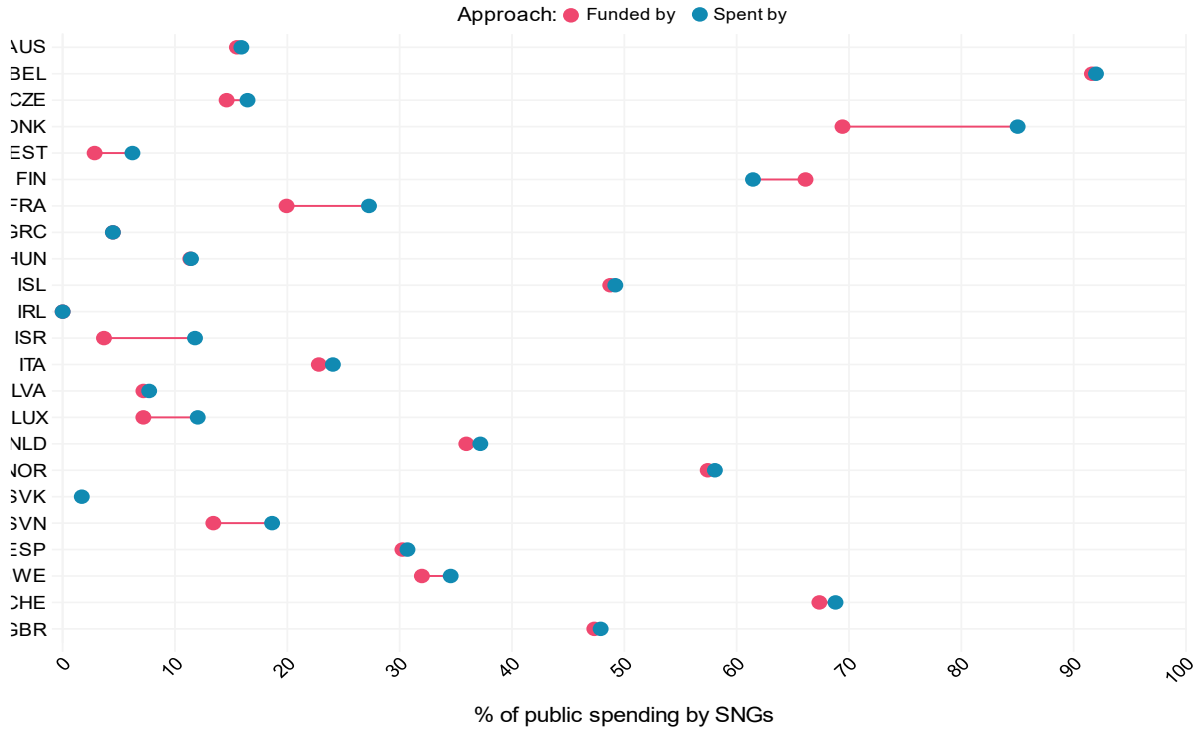
Decentralisation is also illustrated by the share of initial public spending, before transfers, devoted to, for instance, preschool education, by local authorities, which is sensibly higher than for other levels of education. Less than half (49%) of the initial public funds for ECEC are allocated by the central government, while the remaining 51% is provided by subnational authorities, 11% coming from regions and 40% from local administrations (i.e. municipalities) (OECD, 2022a).

However, States, regions, municipalities, where the share of low-income households is higher, and consequently fiscal revenues, e.g. from local taxation, are lower, might find difficult to invest in expanding quality – and therefore costly – ECEC services. In this scenario, transfers from the central governments become essential to decrease (or augment) territorial gaps and make services affordable (OECD, 2020a). For preschool education, central governments tend to provide States or local authorities with adequate transfers to cover costs and, where possible, make services free of charge for parents. This is the case in most European Union countries, where public preschool education is universal and free, and in the United States for children aged 5 years old (NIEER, 2020). One of the key factors influencing the availability and affordability of ECEC is the age at which children become legally entitled to it, which is typically three years old in most OECD countries.

Instead, childcare can sometimes be seen as an ‘unfunded mandate’, with increased responsibility for services’ provision mandated to regions and/or local authorities, without being accompanied by commensurate financial resources, e.g., transfers/subsidies or taxation autonomy (Dougherty et al., 2019; Rodríguez-Pose and Vidal-Bover, 2022).

Figure 8 below, shows the initial funds (i.e. “Funded by”) allocated by States or local authorities for children and family services (primarily childcare) and the actual spending (i.e. “Spent by”). The difference between the red and blue dots represents the share of intergovernmental transfers. In practically all OECD countries, transfers from the central government are limited – apart from Denmark, Israel and France. Thus, in many OECD countries, public expenditure on preschool is predominantly funded by regional or local revenues – typically income or property taxes – depending on the country, or with administrative fees (see Dougherty and Montes, 2023, for more details).

Figure 8. Share of government spending that is subnational for children and family services



Source: OECD Fiscal Decentralisation database – http://oe.cd/fiscalnetwork.

In summary, ECEC is an even more decentralised service than preschool, with regions/states and municipalities mandated with the responsibility to organise and finance services. However, childcare services for younger children even though their costs are higher, they generally receive less public financing (refer to Figure 7), and grants or transfers from the central government (Figure 8 above). Decentralisation is certainly advisable for many ECEC programmes because at this young age, early learning experiences are less standardised and more tailored to each child’s – and parents’ – needs (Morabito and Vandenbroeck, 2020). This also implies adaptation and flexibility in the organisation of services, which might be better ensured by a lower level of governance, closer to beneficiaries. But if decentralised functions, as in this case, are not followed by funding particularly for those socio-economically disadvantaged territories, with limited own budgets, decentralisation might reinforce territorial gaps and inequality in access, and or quality, notably where the capacity of parents to financially contribute to services’ costs, directly through fees, and indirectly through taxation, is lower (OECD, 2020b; Corti et al., 2022). Having wide-spread access, quality, and affordability of services across territories, especially for low-income children, is essential to ensure the broader positive impact of ECEC, enhancing human capital and future earnings, along with present employment opportunities, above all for women.

Box 2. Country groups by coverage, the role of private provision and financing modalities

To differentiate between types of countries according to their financing modalities, we distinguish between three groups of countries.

Nordic European countries, such as Denmark, Finland, Iceland, Norway and Sweden, according to OECD data (see Figure 1), provide higher coverage levels and have fewer inequalities in access while also keeping quality high. This is mainly due to substantial public expenditures devoted to education, in general, and ECEC in particular. Transfers to municipalities mandated to organise and deliver services, although, for most of these countries, are higher compared to others (see Figure 8), are still covering only a small share of costs. Public provision plays a prominent role in making services more affordable for both local authorities and parents (OECD, 2020b; Corti et al., 2022).

Another group of OECD countries is represented by those where the presence of public and private institutions is more balanced, and responsibilities are shared between central government, regions and municipalities. Examples include Belgium, Germany, Italy, and Spain. Coverage in these countries varies, in relation to levels of public spending (e.g. higher in Belgium), and inequalities in access are moderate (see Figure 2), due to the presence of means-tested fees, sometimes also in private provision (receiving direct public contribution). However, transfers are generally not adequate, and territorial gaps are significant (see Box 1), mainly penalising areas where the incidence of social exclusion is higher.

In countries adopting more market-based approaches for ECEC provision, such as Ireland, the United Kingdom, and the United States, coverage is usually lower, and inequalities in access are higher (see Figure 1 and Figure 2). In these countries private provision is prominent (for childcare, more than 90% of children are enrolled in private institutions). A number of schemes are adopted to support families, in particular low-income, in coping with ECEC costs, notably child tax credits, along with, in some cases, direct subsidies. These schemes are often administered by States, as in the case of the United States, or local authorities. Yet, transfers are limited (see Figure 8), targeting only some categories of children (with working parents, or extremely poor), making ECEC generally less available and accessible.

Territorial inequalities, due to limited transfers, are common across country groups (see Box 2). Even in countries where higher spending is granted to ECEC and public provision is dominant, geographical inequalities, although limited, persist, and are determined, among other things, by quantity and modalities of transfers. As an example in Finland, municipalities are responsible for organising ECEC provisions, including financing. The costs of services, particularly for children under the age of 4, are covered 75% by the municipal budgets (through local taxation), and 25% by transfers from the central government. Parents co-finance services for around 10% of the costs through a system of means-tested fees, with no contributions required from parents with the lowest incomes. Municipalities with a high incidence of poverty and social exclusion have fewer resources to invest in ECEC. Around 25% of municipalities and 11% of regions have childcare coverage rates that are at least 10% below the national average. In addition, services in these areas are also facing increasing problems with enforcing quality standards and retaining qualified staff (OECD, 2022f).

Spain, instead, is part of a group of countries where the presence of private and public provision is more balanced, and expenditures for ECEC are lower. ECEC is mainly funded by the Ministry of Education and Vocational Training, along with the Education Administrations of the regions (*Comunidades Autonomas*). The regions have the responsibility of organising services and distributing funds among municipalities and providers. Transfers from the central government to regions are negotiated between the two entities based on demand, and resources, are distributed internally within regions, again based on demand, as well as children's population. Unfortunately, there are no mechanisms in place to prioritise marginalised areas, resulting in higher territorial inequalities in both access and quality (European Commission, 2022). In Italy,

municipalities, which are responsible for delivering childcare along with regions, rely on two government sources to sustain operating costs of services: the 'municipal solidarity fund' and the 'childcare fund'. However, neither of these funds allocate higher resources to local authorities in areas where most socio-economically disadvantaged families live, leading to lower imposed fees. On average, municipalities in Italy cover around 80% of childcare costs, while parents around 20% (ISTAT, 2019). Yet, in marginalised areas, the share of parent contribution is much higher in marginalised areas, while budgetary support is lower due to lower revenues from local taxation (Corti et al., 2022). Spending monitoring reports have shown that, as a result, most of the resources allocated through the two funding instruments went to affluent areas (Save the Children, 2019).

Finally, in the United States, ECEC services are predominantly market-based. Yet, there is a clear differentiation between preschool education and childcare. For the former, coverage is higher, particularly for children aged 5 years old, where public provision is prevalent. For lower ages, 3-4 years old, private providers play a more significant role. Any childcare services for children below age three, are entirely private. For pre-primary education, 78% of initial funds are allocated by local authorities. Yet, state and local authorities' budgets generally cover only a part of the running costs (Education Commission of the States, 2018). The gap in per-child spending ranges between 2 000 and 10 000 USD yearly (NIEER, 2020). Federal transfers to complement local authorities' budgets are organised through a number of instruments. Above all, the Head Start programme, provides funds to local authorities and providers to enrol low-income children, mainly in early learning services for children aged 3-4 years old. For childcare, States' budgets are integrated with federal schemes, and above all, the Child Care and Development Block Grant.

The Child Care and Development Block Grant (CCDBG) aims to subsidise childcare expenses for children with working parents whose income is less than 85% of the States' median. In addition, means-tested tax credits and tax deduction schemes are also present (NIEER, 2020), targeting low-income children, with no conditionalities on work. Although all of these schemes target vulnerable children in marginalised areas, the funding levels have been insufficient, and therefore only 1 in 9 eligible children are reached, and in many cases, they exclude very vulnerable children (e.g. with unemployed parents) (US Department of Health and Human Services, 2020).

Financial governance options to increase ECEC coverage, equity and quality

In order to improve coverage, equity and quality of ECEC, it is important not only to increase public spending in line with demographic trends, as discussed in the previous section, but also to establish an efficient funding governance framework for transfers from central to States and local authorities. This framework should enable to meet of demand while also expanding services – and quality – in areas where the presence of children aged 0–6 is higher, coverage is lower, and the financial burden on both parents and municipalities is more significant.

Countries can, for instance, consider lowering the age of access to universal and free services. Portugal recently adopted a financial scheme as such for childcare. Childcare in Portugal is mostly delivered by private non-profit institutions and financed directly by the Government. Until 2022, private providers received public funds to cover: a) tuition for very poor children, and b) part of the expenses for non-poor children, leaving the remaining costs to be covered by parents. As a result, institutions tended to select children from high-earning families to increase their revenues and make their services viable. This has created significant territorial inequalities in the availability of childcare, disfavouring especially the suburban areas of Lisbon, Porto and Setubal (Corti et al., 2022). This has led to calls for reform, including the introduction of free childcare for low-income families. Korea previously adopted a similar policy, introducing free childcare in 2012, and showing consistent results in terms of expansion of coverage (OECD, 2022a). In recent years, several states in the United States, notably Alabama, California, Florida, Georgia, Iowa, New Jersey, Oklahoma, West Virginia, and Wisconsin, have decided to massively invest in expanding public pre-kindergartens (for 4-year-old children), to make them universal and free (5-year-old children are

already benefiting). The State of Vermont is lowering the age of access to universal and free ECEC to three years old (NIEER, 2020).

Another possibility, which is less costly and valid for both publicly and privately-led provisions, is to establish progressivity in parental financial contributions in proportion to income, with a cap on fees. These schemes, combined well targeted tax credits and or child/or childcare subsidies, might substantially increase coverage, availability and affordability of ECEC services. A positive example in this respect is provided by Sweden's childcare system, in which, progressive fees are complemented by free provision for children below national poverty lines (also common, for instance, in Denmark, Finland, Norway, and several German regions) and the maximum payable fees for parents is set as 3%, 2% or 1% of the combined income of the household for the first, second and third child respectively. Establishing a cap (maximum amount to be paid by parents) might also strengthen public support towards ECEC among middle – to high-income households (Alodi, 2007). In the United States, where private providers are prominent, a benchmark of 7% of annual family income spent on childcare has been proposed (Bipartisan Policy Center, 2020). In 2021, the Biden Administration proposed, within the Build Back Better legislation, a substantial increase in the federal funding for childcare (i.e. Child Care and Development Block Grant) in order to support States and providers to guarantee access to affordable services. However, the legislation has not been approved by the US Congress.

However, the two schemes require, when ECEC provision is decentralised, mechanisms for financial transfers from the government to local authorities and then providers (both public and private) to avoid unfunded mandates. It should be noted that transfers to states or regions and municipalities should be adequate to ensure that a large part of the costs (also to guarantee minimum quality standards and monitor their effective implementation) encountered by providers are covered. Criteria for allocating resources should differentiate between coverage of costs for existing services, as well as funding for expansion.

To expand services, in countries where provision of ECEC is decentralised, fiscal equalisation criteria (see OECD, 2021b) should be adopted based on the share of the child population aged 0–6 years, current coverage and quality of ECEC services, and the socio-economic status of parents. This approach would therefore enable providing larger resources (to be allocated to public or private providers) for areas where the presence of young children is greater, coverage is lower, parents are predominantly low-income, and where local authorities have lower tax revenues.

This proposed funding model has been suggested in a recent OECD study (OECD, 2022f) to support Finland's reform and efforts to expand access and equity of ECEC. The criteria to allocate additional financial resources from the Ministry of Education to municipalities (and areas within large municipalities) are based on several factors including the lower participation in ECEC than the national average. Within the selected municipalities, transfers should be made based on:

a) The size of the gap in ECEC coverage rate between the national average and the municipality coverage rate (with more funding allocated where the gap is larger);
b) The share of children with a migration background in the population (compared to the national average);
c) The share of families with low income (compared to the national average);
d) The share of children with special needs.

In addition, transfers should be conditional to ensuring minimum quality standards and setting up effective quality monitoring systems, also by using external evaluation services to reduce staff administrative burdens, as a way to maximise the impact of early learning programmes.

Similarly, the Region of Flanders in Belgium, decided to allocate a budget for additional childcare places to municipalities or areas within cities by using an algorithm that considers indicators such as the number of available places per 100 children, employment rates and income levels. Recently, the government has decided to increase the weight of households' income in the algorithm to prioritise marginalised areas (Morabito et al., 2023).

In the case of local authorities in remote areas, with low population density, the development of services shared by groups of municipalities can represent a valid option to expand offerings while rationalising costs. Equally, programmes aiming at developing energy-efficient ECEC infrastructure, can minimise running costs and environmental impact. Criteria for transferring funds from central governments to subnational entities should thus be adapted to include, and potentially promote, these practices.

It is also possible to set up targeted conditional grants to expand quality in selected marginalised territories, where financial resources are lower, and services providers might then reduce quality to limit costs. A similar approach has been proposed in Finland (OECD, 2022f), to promote quality in municipalities with fewer resources. Grants must be tied to specific actions, such as incentives to attract qualified staff (i.e. higher salaries or bonuses), training, adoption of inclusive learning practices, as well as effective and transparent monitoring systems.

Furthermore, it is fundamental, in order to implement effective financial governance schemes to expand ECEC, and in particular to differentiate and prioritise transfers to marginalised municipalities, to produce accurate granular data at the territorial level, about the needs of each local authority (such as the number of children to cover, costs, and existing resources) as well as about the incidence of poverty and social exclusion, unemployment and other indicators of vulnerability. In addition, in most cases, local authorities lack the capacity to undertake such exercises, especially small local authorities, as well as to set up adequate mechanisms to monitor the enforcement (possibly out-sourcing this service), by accredited and licensed providers, of minimum quality standards, and this capacity should be developed.

Finally, co-ordination mechanisms should be set up, among ECCE national stakeholders (government, local authorities, providers, but also different sectors within governmental bodies, such as education, health, social affairs) in order to harmonise goals, regulations, standards, and better, and integrate ECCE into broader child and youth strategies to plan intergovernmental policies able effectively respond to children and family educational, social and economic needs. In Ireland, for instance, the Government is currently developing a new policy framework to co-ordinate cross-government work to address the needs of children and young people. The successor framework is aiming to strengthen government responses to complex challenges, including child poverty and mental health (OECD, 2023). Integrated children strategies have been also adopted in New Zealand (Child and Youth Wellbeing Strategy) and Finland (National Child Strategy) aiming at establishing a common vision about the holistic development of the child, among national stakeholders, with measurable objectives and co-ordinated actions and programmes (Jacobzone and Picalarga, 2023).

Box 3. Recent programmes to support ECEC: The EU RRF and the US ARPA and ESSER

The COVID-19 pandemic and consequent school closures have caused significant learning losses. ECEC represents a key policy tool to contrast the negative effects of the pandemic COVID-19, and sustaining economic recovery by boosting, in the long term, human capital and productivity, and in the short term, increasing women's participation in the labour force. Many OECD countries have recognised this central role of ECEC and have devoted substantial financial aid during and after the pandemic to sustain and expand childcare and preschool education. Above all, this includes the America Rescue Plan Act (ARPA) and the Elementary and Secondary School Emergency Relief (ESSER) in the United States and the Recovery and Resilience Facility (RRF) in the European Union.

In the United States, the ARPA, which was approved in 2021, allocated around USD 39 billion to stabilise the childcare sector, which is almost entirely run by private institutions. This provision topped up existing federal instruments such as the Child Care Development Block Grant Fund and Head Start programme. In addition, approximately USD 24 billion was transferred to States to supplement local resources, which could then be sub-granted to qualified childcare providers. ARPA financial support was directed towards covering the running costs of services, particularly expenses for staff. Moreover, in 2020 and 2021, the US Congress approved stimulus bills, for a total amount of almost USD 200 billion, to support education, including pre-primary education. Federal aid was distributed through the Elementary and Secondary School Emergency Relief (ESSER), which added funds to the existing federal programme Title I, supporting kindergarten (preschool for children aged 5 years old), elementary and secondary schools (Shores and Steinberg, 2022).

The European Union adopted the RRF in 2021 (Regulation 2021/241). It consisted of a performance-based instrument aimed at mitigating the economic and social consequences of COVID-19 and making European economies and societies more sustainable and resilient. A total of EUR 672.5 billion was made available to EU Member States in the form of grants (EUR 312.5 billion) and loans (EUR 360 billion). These were distributed to EU Member States based on its population, the inverse of its GDP per capita and its average unemployment rate over the past 5 years. To receive RRF financial aid, the EU Member States had to prepare and submit Recovery and Resilience plans, outlining measurable objectives to be achieved with the funds. A monitoring and evaluation system has been developed in order to track spending of each Member State. ECEC stands out as one of the areas that might be financed through the RRF. A number of European countries decided to use the funds to support and expand ECEC, particularly childcare. As an example, Italy allocated EUR 4.6 billion, Spain EUR 667 million, Germany EUR 1 billion, and Portugal EUR 417 million to ECEC investment projects (Corti et al., 2022).

In the United States, the ARPA and ESSER were established to sustain and stabilise services, which are mostly private and were facing substantial financial downturns during the pandemic and the post-pandemic period. Financial aid was directed towards covering running costs. In contrast, the RRF on the European Union was conceived as an investment to improve and expand services, particularly in centre-based ECEC. The funds were earmarked to cover capital costs (mainly infrastructure) to create new places.

While RRF funds have been allocated to increase enrolment in ECEC, particularly for children below the age of three, they were not necessarily programmed to reduce territorial inequalities by prioritising socio-economically disadvantaged communities. Italy, which is the main recipient of RRF funds in absolute terms, is an exception in this respect. The criteria for allocating RRF resources to ECEC were based on indicators such as the gap between the municipal coverage and the average national coverage rate, the share of 0-2-year-old children in the population, as well as the specific geographical location of the municipality. This provided more funds to those in Southern regions with the lowest levels

of coverage and/or located in remote rural areas or mountain areas, etc. However, RRF financial aid is earmarked for service capital costs only and has not been followed in Italy, as well as other EU countries, by adequate transfers from central government to local authorities to sustain running costs.

In addition, municipalities in Europe are subject to the Stability and Growth Pact (SGP),[1] which limits their spending possibilities. Although the SGP was frozen during the pandemic, it will resume in the short term. Low transfers and spending capacities might discourage low-income communities with fewer resources from demanding RRF funds. This is what happened in Italy. Despite the fact that RRF funds for building new places were prioritised to the most disadvantaged areas, around 3 500 municipalities in lower-income communities did not apply to obtain funding, even though they have coverage rates not exceeding 10% (Corte dei Conti, 2022).

The US financial support was instead more targeted towards the most vulnerable children. The ARPA, channelled through the Child Care Development Block Grant Fund and Head Start, follows equity criteria, providing higher funds to marginalised communities. Evidence suggests that also ESSER served predominantly low-income and non-White student populations (McCourt and Reber, 2022). Yet, the fact that funds allocated were a one-off scheme to be spent by 2024, low-income districts across the United States may have been reluctant to expand services, and increase their capacity, for instance, by hiring staff, knowing that the funds will end.

The two financial initiatives undertaken in the European Union and the United States are certainly positive because they represent a reversal of the trends observed across the OECD, where public spending devoted to ECEC has been too low, especially in the United States. Substantial financial resources have been allocated to strengthen and expand ECEC, as a way of reducing potential learning losses for children and increasing employment opportunities for parents. Although the two funding schemes differ in the modalities of allocation (one for capital costs, the other for running costs) they both run the risk of creating a common dysfunctionality of unfunded mandates, due to a 'fiscal cliff' (unfreezing of the SGP for the European Union, and the phasing out of financial support in the United States), discouraging investment, especially by marginalised municipalities.

1. For more information: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact_en

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Applying good budgeting practices to health

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This journal article presents a set of high-level good budgeting practices in the health sector. The purpose of these good practices is to support countries in assessing their own budgeting arrangements for health, and in designing budgeting reforms. The article builds on 10 years of work by the OECD Joint Network of Senior Budget and Health Officials.

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Introduction

This journal article on *Applying Good Budgeting Practices to Health* builds on the lessons learnt from more than 10 years of work by the OECD Joint Network of Senior Budget and Health Officials. It presents a set of high-level good budgeting practices in the health sector. The purpose of these good practices is to support countries in assessing their own budgeting arrangements for health and in designing budgeting reforms.

The approach acknowledges the significant challenges that countries face in budgeting for health. First, the healthcare sector involves many stakeholders, creating more uncertainty and more asymmetry of information compared to other expenditure areas. Second, in certain countries, health has a budget separate from the general government budget and outside of the standard budgeting procedures. This is often the case for health systems financed through social health insurance schemes or those with decentralised systems. Third, the size of the health budget has increased faster than GDP and government revenues in most OECD countries. It represents one of the largest public expenditure areas, accounting for 16% of government expenditure in 2021 on average across OECD countries – and the financing needs are growing, notably in the aftermath of the COVID-19 pandemic and with ageing being a major trend in most OECD countries. Applying good budgeting practices for health therefore is critical to maximising value-for-money and ensuring the fiscal sustainability of health systems.

Developing good budgeting practices for the health sector

Applying Good Budgeting Practices to Health builds on the work of the OECD Joint Network of Senior Budget and Health Officials. More precisely, it draws upon the analytical work presented in the forthcoming OECD Joint Network report *Fiscal Sustainability of Health Systems: How to Finance More Resilient Health Systems When Money Is Tight?* to be published in early 2024. The report analyses the major challenges OECD countries face in ensuring the fiscal sustainability of their health systems, and potential solutions to addressing this challenge. The report places a particular focus on the role of good budgeting practices for health, which are built on effective dialogue between health and finance ministries and play a crucial role in facilitating resource allocation decisions and the efficiency of public spending on health. Chapters include:

1. Financing resilient health systems in times of crisis – How can finance and health authorities find agreed policy solutions?
2. Examining latest spending trends: Are we heading back to a time of austerity?
3. Long-term projections – Different paths to fiscal sustainability of health systems
4. Budgeting Practices for Health in OECD Countries
5. Medium-term budgeting for health: Going beyond the annual focus of the budget
6. Programme and Performance Budgeting for health: Linking budgets to results

The findings of these chapters serve as the foundation and elaborate on *Applying Good Budgeting Practices to Health*, and they should be consulted in parallel. In addition, the good budgeting practices were developed in collaboration with national delegates of the OECD Joint Network (Box 4).

Box 4. Applying good budgeting practice to health – process

The *Applying Good Budgeting Practices to Health* project was endorsed during the 10th annual meeting of the OECD Joint Network of Senior Budget and Health Officials held in February 2022. Later that year, the OECD Secretariat held a series of workshops with a working group formed of network delegates. During these workshops, participants identified key issues across the budget cycle that the OECD subsequently analysed to formulate a set of high-level good budgeting practices in the context of the health sector.

The members of the working group were delegates from the Ministries of Health and the Ministries of Finance of Austria, Belgium, Canada, Estonia, France, Israel, Japan, Korea, New Zealand, Norway and South Africa. During these workshops, the working group produced a draft set of good budgeting practices for the health sector. This draft was discussed at the 11th annual OECD Joint Network meeting held in February 2023.

These budgeting practices for health will be a living document that will continue to evolve to reflect the latest lessons learned from country experiences.

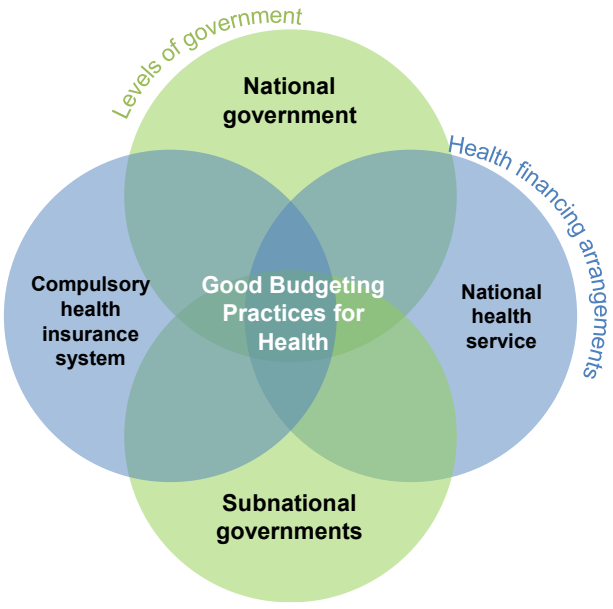
For whom are the good budgeting practices relevant?

Applying Good Budgeting Practices to Health was designed to be relevant for all country healthcare settings (Figure 9). This applies to countries with different financing arrangements for healthcare, which are commonly classified into three main types: national health systems, single health insurance funds, or multiple health insurance funds/companies. In national health systems, a large portion of overall spending on healthcare comes from the national government budget. Hence, it is crucial for central government budgets to be aligned with good budgeting practices that are typically applied to all central government expenditure areas.

Meanwhile, for countries with health systems primarily organised around health insurance (either single or multiple funds), good budgeting practices should extend to health insurance funds, who may have large responsibilities for planning, formulating, executing, and reviewing health expenditure. Moreover, in such systems, the central government may retain ownership of health expenditure – i.e., through a role in the budget process or direct transfers to the health insurance systems – and therefore should apply good budgeting practices for health.

Additionally, in many OECD countries, subnational governments play a significant role in the health system. The consequence is that health spending is distributed across central and subnational budgets. Budget procedures at the subnational level operate with a varying degree of autonomy from national budgeting procedures, and thus should follow recognised good practices.

Figure 9. Applying good budgeting practices to health framework



Source: Authors

What are the objectives?

Applying Good Budgeting Practices to Health should help achieve four key objectives for the health sector (Figure 2): ensuring fiscal sustainability of health systems; optimising resource efficiency; delivering high quality health services and guaranteeing access and equity for all. The contribution of the good budgeting practices in achieving these objectives are highlighted throughout.

Figure 10. Objectives of good budgeting practices for health

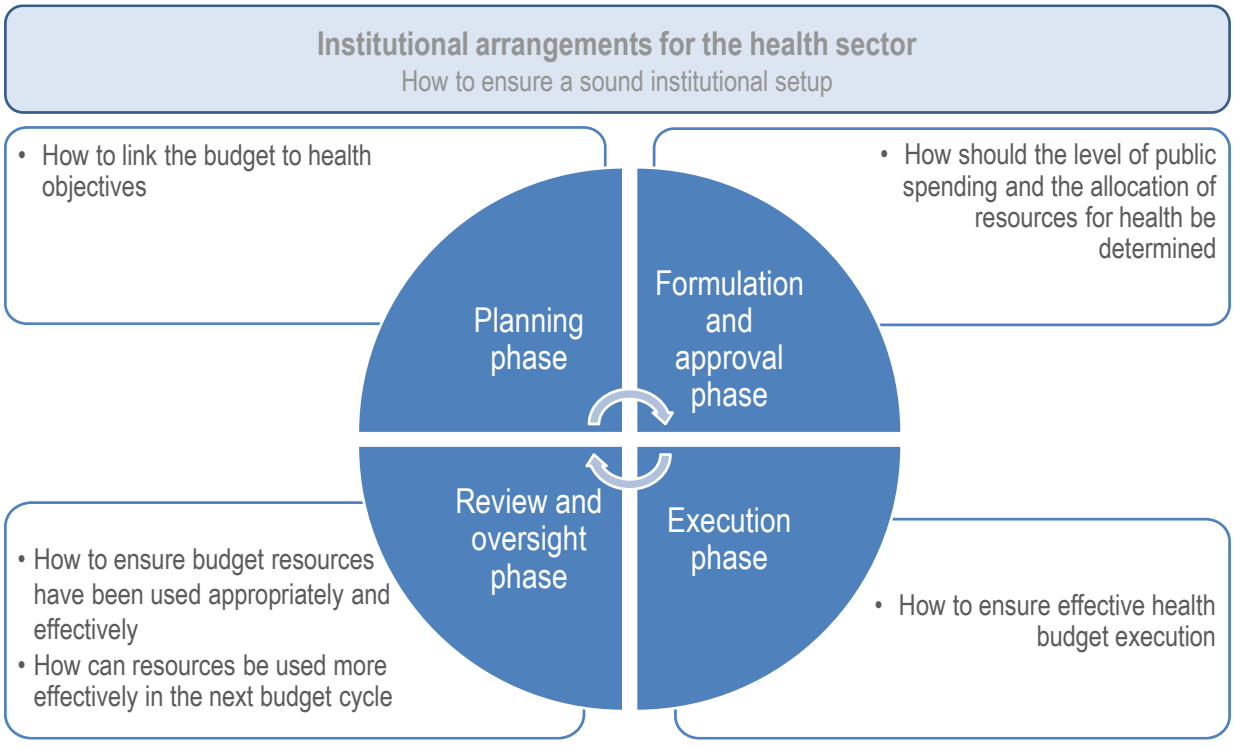


Source: Authors

The Applying Good Budgeting Practices to Health framework

The good budget practices outlined in *Applying Good Budgeting Practices to Health* follow a framework that aligns with the traditional budget cycle. However, this framework distinguishes between institutional arrangements for the health sector (which are not discussed annually), and the annual budget cycle (planning, formulation and approval, execution, and review) (Figure 11).

Figure 11. Applying Good Budgeting Practices to Health framework



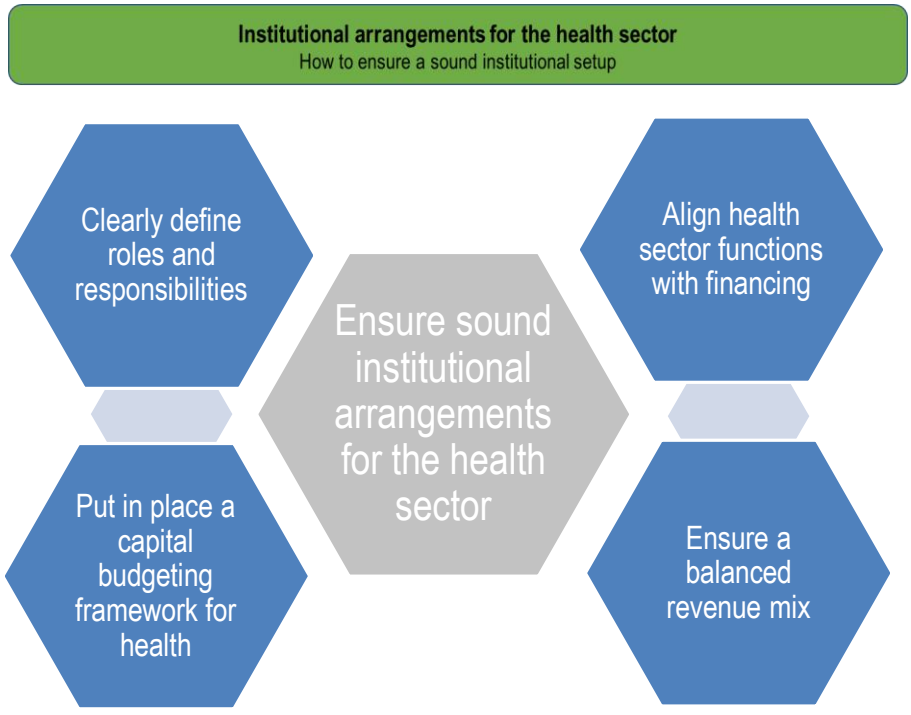
Source: Authors

Applying good budgeting practices to health

Ensure sound institutional arrangements for the health sector

Health system institutional arrangements are unique to each country, with distinct implications for the health budgeting process. While there is no one-size-fits-all set of good budgeting practices, certain elements contribute to establishing a sound institutional setup.

Figure 12. Ensure sound institutional arrangements for the health sector



Source: Authors

Clearly define roles and responsibilities

- Define **common objectives** among key agencies to accomplish national health objectives.
- Ensure strong **co-ordination mechanisms** between government agencies and different levels of government (e.g., joint planning, formal co-operation agreements, information, and monitoring requirements, and harmonised digital platforms).
- Clearly **identify the responsibilities** in the Ministry of Finance to discuss and oversee the health budget.
- Clearly **identify the responsibilities** in the Ministry of Health and/or Social Health Insurance agency for discussing health budget issues with the Ministry of Finance.
- Where relevant, clearly **identify the responsibilities** in the Ministry of Health and/or Ministry of Finance for discussing health budget issues with subnational governments.

Box 5. Country example – Norway

In Norway, the Ministry of Health and Welfare is composed of subordinate agencies, covering areas such as e-health, public health, budget and financial affairs, hospital ownership, specialist healthcare services and municipal healthcare services.

In 2015, the Ministry of Health and Welfare re-clarified the roles and mandates of all the subordinate agencies governed by the Ministry. The aim was to create a collective understanding among all the agencies and to clarify the roles and responsibilities assigned to each of them. This reform contributed to more efficient use of public funding. It also reduced the numbers of agencies from 15 to 11.

In the aftermath of the COVID-19 pandemic, the Government has signalled a similar reform involving the subordinate agencies. The aim is to use lessons learned from how Norway tackled the pandemic, and new opportunities brought by innovation and digitalisation, to redraw the organisational chart within an unchanged budget frame. The regional health trusts with hospitals are not included in this new exercise.

Align health sector functions with financing

- Avoid **unfunded mandates** by ensuring resources are in place for each agency or subnational government to carry out their responsibilities.
- Avoid **duplicate financing** of multiple agencies or levels of government to provide the same service.

Box 6. Country example – United States

In 1995, the United States enacted the Unfunded Mandates Reform Act (UMRA). The purpose of the UMRA was to help reveal, and ultimately limit, the high (and often hidden) costs of federal mandates on state and local governments to undertake regulatory activity without sufficient federal compensation for this activity.

The UMRA establishes a framework for the Congressional Budget Office (CBO) to estimate the direct costs of mandates to state and local governments and to the private sector. Aside from these informational requirements, the UMRA allows Congress to decline unfunded mandates if they are estimated to cost more than a specified threshold.

In the health sector, the UMRA has raised concerns regarding various healthcare reform bills. This includes, for example, a federal act requiring public entities to comply with new reporting regulations on health insurance plans. This would have imposed substantial costs on state and local governments that would greatly exceed UMRA's thresholds.

Ensure a balanced revenue mix

- **Diversify** revenues used to finance health expenditure.
  - Avoid an over-reliance on wage-based contributions or other taxes with a narrow base.
- Avoid an over-reliance on **earmarked** taxes for health as a substitute for a budget process that adequately prioritises the health sector.
  - Earmarking taxes for health can be justified in some circumstances (e.g., to increase acceptability for needed tax increases).
  - Consider the use of health taxes to influence negative consumption behaviours that affect population health.

Box 7. Country example – France

The revenues to finance the health sector in France have evolved and diversified over time. After beginning as a system funded almost entirely from wage-based contributions, these contributions accounted for less than half of revenues for healthcare in 2020.

The government sought to diversify revenue sources away from purely wage-based contributions by introducing the Contribution Sociale Généralisée (CSG) tax in 1991. The CSG is one single tax but with different rates for different types of revenues. The CSG levies taxes on wage income but also extends to income from financial assets and investments, pensions, unemployment benefits, disability benefits and gambling. In 2020, the CSG financed 24% of healthcare.

Put in place a capital budgeting framework for health

- **Align capital budget frameworks** with population needs, national development needs, and environmental objectives.
- Develop **medium-term capital plans** for the health sector that go beyond the annual budget.
- Include information on the **expected impact on operating costs** when presenting capital investment proposals, to assess their potential future fiscal implications.
- **Collaborate on health capital plans** between central and subnational levels of government, as well as across agencies, to establish coherence in capital policies and priorities.

Box 8. Country example – Austria

The National Plan for Large Medical Equipment contains the principles and objectives of equipment planning in Austria. Notably, it contains guidelines on the number of major equipment units nationwide and for each federal state.

The planning of large medical-technical equipment (CT, MRI, ECT, STR, COR and PET) is carried out according to quantitative and qualitative planning criteria. Population benchmarks (number of inhabitants per large-scale equipment unit or number of units per million inhabitants), as well accessibility benchmarks are used to calculate demand for each large-scale equipment.

Other factors can be considered for planning decisions. These include the range of services in hospitals, equipment utilisation, including the need to keep equipment on hand for emergency situations, as well as organisational or operational/overall economic reasons, including corresponding cost assessments.

Link the budget to health objectives (planning phase)

The planning phase fosters discussions on medium and long-term health objectives and priorities, and ensuring their incorporation into the annual health sector budgeting process. A budget based on programmes and integrating performance information helps align budgets to health objectives.

Figure 13. Link the budget to health objectives



Source: Authors

Project health revenues and expenditures over the medium-term

- Develop **medium-term health expenditure projections** (3-5 years).
  - Base methodology on robust projections of GDP and other economic indicators.
  - Reflect baseline needs assessment and the impact of policy decisions (including new policy proposals and/or cost of inaction) in projections.
  - Formalise the use of projections by embedding the results into the budget process.
- Develop **medium-term health revenue projections** (3-5 years) (where relevant).
  - Disaggregate revenue projections by type of revenue.
- Compare expenditure and revenue projections to **assess the extent of funding shortfalls.**
- **Identify data requirements** for projection models, including gaps in data availability.
- Clearly identify **responsibilities** for conducting medium-term projections.
  - Designate a single agency to consolidate and formalise projections.

Box 9. Country example – Medium-term health expenditure projections in the Netherlands

The Bureau for Economic Policy Analysis in the Netherlands conducts medium-term health expenditure projections for a three-year period. These projections include expenditures related to the three insurance schemes providing health coverage: the Health Insurance Act (Zvw), the Long-Term Care Act (Wlz), and the Social Support Act (Wmo). Additionally, publicly funded youth care expenditure is included in these projections.

The projection model estimates health expenditure under the assumption of unchanged policy. For each scheme, the model increases health expenditure recorded in the previous year by a growth rate and then adjusts for existing policies that have a cost-implication in future periods.

The growth rate consists of five components:

- General inflation
- The relative increase in health sector wages and prices of other health inputs
- Demographics (size and composition of the population)
- Income growth (per capita)
- Other growth (e.g., new technology, new pharmaceuticals).

Align the budget for health with medium-term priorities

- Specify the **medium-term priorities** for the health sector and estimate their budgetary impact.
- Use **medium-term expenditure frameworks** for health as a tool to link the budget with medium-term health priorities.
  - If possible, integrate health expenditure in the national medium-term expenditure framework.
  - At a minimum, align medium-term frameworks for health with national medium-term expenditure frameworks (where relevant).
- If multi-annual budget allocations for health are set, **follow a transparent framework** to adjust allocations in response to shocks.

Box 10. Country example – United Kingdom (England)

The United Kingdom has a long history of using medium-term expenditure frameworks for health. These frameworks are designed to provide a predictable funding outlook for healthcare service purchasers, fostering more effective and efficient management of healthcare expenditure.

In 2018, the government announced its latest multi-year funding settlement in the form of the five-year deal for NHS England. Under this deal, funding for the next five years was protected by legislation. The five-year funding deal and the long-term objectives of the health sector are linked through the NHS Long Term Plan.

Align the budget structure with health objectives

- Create **linkages and cross-references** across the health budgets of different agencies.
- Avoid **overly detailed** resource allocations that restrict the decision-making authority of health agencies and their ability to redistribute funds within their budgets throughout the year.
- Consider the use of **budget programmes** that align with strategic priorities of the health sector and move away from a budget structure based on inputs.
  - Embed programmes within a single institution (as a general rule).
  - Consider linkages across programmes that collectively contribute to broader health objectives, while ensuring that responsibilities for cross-cutting programs involving multiple agencies are clearly defined and that agencies are held responsible for achieving results.

Box 11. Country example – Canada

Canada has a long-established programme and performance budget framework in place for the federal budget for health. The federal budget includes expenditures of the "Health Portfolio", compromised of five federal governments agencies responsible for health promotion and protection in Canada. The budget of each agency in the Health Portfolio is organised around programmes, such as "health security", "infectious disease prevention and control", and "health protection and promotion".

Most healthcare services are delivered through the 13 provincial and territorial systems, with each provincial or territorial government operating with a Ministry of Health or equivalent and subsequent budget for health. Provincial governments have autonomy over the adoption and implementation of budget practices and processes as long as they are in line with accepted principles of good budgetary governance. Therefore, several provincial and territorial governments – such as Alberta and Ontario – have also moved towards a programme-based budget for health. These programmes are primarily organised around the type of health service provided, such as "continuing care," "community care," and "acute care."

Incorporate performance information within or alongside the budget for health

- Include **key performance indicators** which facilitate ex-post evaluation of allocations in the budget for health.
- Utilise existing **health system performance assessment** frameworks and indicators.
- Ensure the data needed to conduct evaluations can be and is **readily collected.**

Box 12. Country example – Ireland

Performance budgeting was first introduced in Ireland in 2012 as part of a broader set of reforms to the public expenditure framework. Each year, the Department of Health (along with each Government Department) defines performance and equality targets for the upcoming budget year. These targets encompass output metrics specifically linked to the activities funded by particular programmes or policies. For example, output metrics for the primary care programme include indicators such as "number of contacts with GP out-of-hours," "number of GP Trainees," and "number of patients seen by nurses."

Additionally, the Department of Health must establish outcome metrics designed to measure any changes in the objectives or goals intended to result from these activities. For instance, the primary care programme's outcome is “to deliver significantly strengthened primary care services in a cost-effective manner. The core objective is to achieve a more balanced health service by ensuring the vast majority of patients and clients who require urgent or planned care are managed within primary and community based settings”.

Reporting on outputs and outcomes is through the annual publication of the Public Service Performance Report (PSPR). This provides a comprehensive overview of the Department of Health’s performance in relation to the performance targets established in the previous year. The Performance Report is also a key tool to support Parliamentary committees in scrutinising spending and engaging in a performance dialogue with the Department of Health.

Develop a long-term outlook for health linked to funding

- Outline the **long-term priorities** for the health sector, including the consequences of policy inaction.
- Develop **long-term health expenditure and revenue projections** (10+ years).
  - Methodology for long-term projections should reflect the major drivers of expenditure (e.g., demography, rising incomes, new technologies, input costs) and revenue trends (e.g., macroeconomic outlook, demography).

Box 13. Country example – Australia

Every 5 years, Australia produces "The Intergenerational Report", projecting an outlook of the government budget, including health expenditure, for the next 40 years. It examines the long-term sustainability of current policies and the key drivers of future health spending.

The Treasury is responsible for long-term projections, based on a macro-level model used to project total central government health spending. The model is based on an alignment of spending to demographic factors, supplemented by assumptions around growth in unit cost such as technological change.

Have clear criteria for determining the level of public spending on health and allocating resources within health (formulation and approval phase)

During the budget formulation and approval phase, the government proposes the overall level of public spending for health in the upcoming budget year, and the allocation of resources within the healthcare sector across policy areas and priorities. Following this, the budget proposal undergoes scrutiny and debate in the legislature before final approval.

Good practices at this stage are crucial to ensure that resource allocation decisions align with current priorities. They help prevent decisions being based solely on historical incremental patterns, which are less responsive to evolving healthcare needs.

Figure 14. Have clear criteria for determining the level of public spending on health and allocating resources within health



Source: Authors

Evaluate fiscal constraints

- Ensure consistency with **national fiscal constraints** when developing estimations of annual and multi-annual budget request/s for health.
- Use **price indexes** that accurately represent the real growth in input costs to account for inflation when assessing fiscal constraints.
- Consider the use of **hard budget ceilings or expenditure targets** for health expenditure.
  - Incorporate emergency clauses to allow for adaptation to minor shocks (e.g., contingency reserves, carry-overs, reallocations of funds).

Box 14. Country example – United Kingdom

In the United Kingdom, the Contingencies Fund Account is used to finance urgent spending before receiving approval from Parliament. The Fund is under control of the Treasury, and wherever possible, Parliament is made aware of the intention to use the Fund. Since 1974, the size of the fund is set as 2% of the amount of the government budget in the preceding year.

The Contingencies Fund was used to finance emergency response measures to the COVID-19 crisis in the health sector and other public sectors. A new government act in 2020 made provision to temporarily increase the Fund. Under this Act, the available contingencies not requiring parliamentary approval increased from 2% to 50% of the government budget from the preceding year. This adjustment allowed for the advancement of up to GBP 266 billion to government departments. However, this change was time-limited and expired on 31 March 2021.

Evaluate health expenditure needs

- Distinguish between **baseline spending and new policies**:
  - Accurately estimate the costs of maintaining existing health services (i.e., maintaining current coverage and quality of services).
  - Separately estimate the costs (operating and capital) of new health policy proposals and the consequences for the budgets of different agencies.
  - Establish a transparent and systematic process for prioritising policy proposals to distinguish between higher and lower priority initiatives.
- Ensure the assumptions behind health expenditure needs assessment are **transparent and not frequently** changed.
- Use sound **Health Technology Assessment** in a systematic manner to provide evidence-base information.
- Carry out **rapid needs assessment** of new health expenditure needs during health crises.

Box 15. Country example – Sweden

Government expenditure in Sweden is classified into 27 Expenditure Areas, including one for "Healthcare, medical care, and social services" under the responsibility of the Ministry of Social Affairs. Each year, the government proposes an expenditure ceiling for central government spending for the third year ahead. This is the upper limit that expenditure must not exceed.

Sweden's fixed expenditure ceilings provide a solid framework for realistic discussion about policy priorities and trade-offs. The top-down principle requires that an increases in an area must usually be matched with offsetting savings elsewhere within that expenditure area unless there is some scope for unfinanced reforms and the reform is considered to be of high political importance. This forces the Ministry of Social Affairs to prioritise spending within the health area to make place for new demands in the annual budget process.

Use explicit criteria as a tool to facilitate budget negotiation

- Consider using **explicit criteria** to facilitate negotiation on the level of health expenditure, whether as the starting point for budget development or as automatic drivers.
  - Criteria should reflect the cost of maintaining existing health policies.
  - The criteria and underlying assumptions must be transparent and not frequently changed.
  - Consider the use of automatic drivers (e.g., inflation, demography) to absorb changes in cost pressures.

Box 16. Country example – Israel

Health financing in Israel is organised predominantly around a compulsory health insurance system, with individuals free to choose among four competing Health Maintenance Organisations (HMOs). Each year, a total budget is set for the compulsory health insurance system. This budget includes automatic adjustment mechanisms, according to three drivers: demographic growth, technological developments, and a price index.

The demographic index accounts for population growth. The price index reflects the changing price of inputs in the health sector, mainly in the wages of health professionals. Technological adjustments allow for the absorption of new medical technologies into the health basket. Decisions on the inclusion of new technologies are determined by a specialised committee, linking the results of health technology assessment to the budget impact.

The process of having a set formula increase for the health budget has simplified the annual budget process, by reducing the scope of annual negotiations between health and finance ministries. In addition, building in explicit criteria into the budget process guarantees a minimum increase to the health budget each year, and provides some visibility over future funding levels.

Equitably distribute resources for health across budget programmes

- Allocate funding across programmes based on **an assessment of costs, health needs, and relative priorities.**
- Use **performance information** from previous budget year/s to inform the budget distribution.
- Signal the distribution of resources over a **multi-annual period** to allow for effective forward planning.

Box 17. Country example – Latvia

In 2006, Latvia's Cabinet of Ministers approved a new programme-based budget format with a three-year perspective for all public expenditure including health. The budget for the Ministry of Health focuses on four policy targets, with most expenditure (approximately 80% of the health budget) allocated to the healthcare target. Public Health, Pharmacy and Sector Management and Policy Planning make up the remaining three policy targets. Appropriations are based on programmes and sub-programme.

Performance metrics are included in the budget document in the form of a 'Policy and Resource Management Scorecard'. These scorecards are the core framework for linking expenditure and other inputs with policy goals and results for Parliamentary scrutiny and budgetary analysis. Each year, the results of the performance scorecard are analysed, and can be used as a justification for increasing or decreasing funding during the subsequent budget formulation stage.

Equitably distribute resources for health across localities

- Use a **needs-based funding formula** to equitably distribute resources across localities (whether the health system is organised around a single purchaser or multiple purchasers).
- Embed **accountability** mechanisms overseeing the distribution of resources across localities to preserve financial discipline and ensure funds are spent as intended.
- Establish mechanisms to allow for the **redistribution of resources** across multiple purchasers, such as risk equalisation mechanisms (in systems with multiple purchasers).
- Signal the distribution of resources over a **multi-annual period** to allow for effective forward planning.

Box 18. Country example – United Kingdom (Scotland)

Since 2004, the Scottish Resource Allocation formula distributes approximately 70% of the total NHS Budget between the 14 territorial NHS Boards in Scotland. These Boards are tasked with providing hospital and community health services as well as physician prescribing.

The primary aim of this formula is to ensure equitable access to health services by evaluating the population's varying needs and compensating providers for differences in workload and unavoidable variations in unit cost. This is achieved by employing a weighted capitation approach to calculate the percentage allocation of the budget for each NHS Board. The four components of the formula are:

- Population
- Age/sex adjustment
- Additional needs based on morbidity and life circumstances (accounts for additional needs of the population over and above those due to age and sex)
- Excess costs of providing services in different geographical areas (accounts for unavoidable additional costs of delivering services due to remoteness and rurality).

The Technical Advisory Group for Resource Allocation was established in 2005 to continually assess and develop the formula and ensure that it remains fit for purpose into the future.

Ensure an open process for the discussion and approval of the budget for health

- Encourage **public participation** and consultation with citizens and civil society organisations during budget discussions for health, in accordance with national legal frameworks.
  - Publish a user-friendly and accessible version of the health budget.
- Support the **analytical capacity of parliament** to understand health budget proposals and the assumptions behind them.
- Formalise the process for **discussion and approval** of the health budget.
  - Ensure a process for the discussion and approval of the budget for Social Health Insurance agencies (where relevant).

Box 19. Country example – Estonia

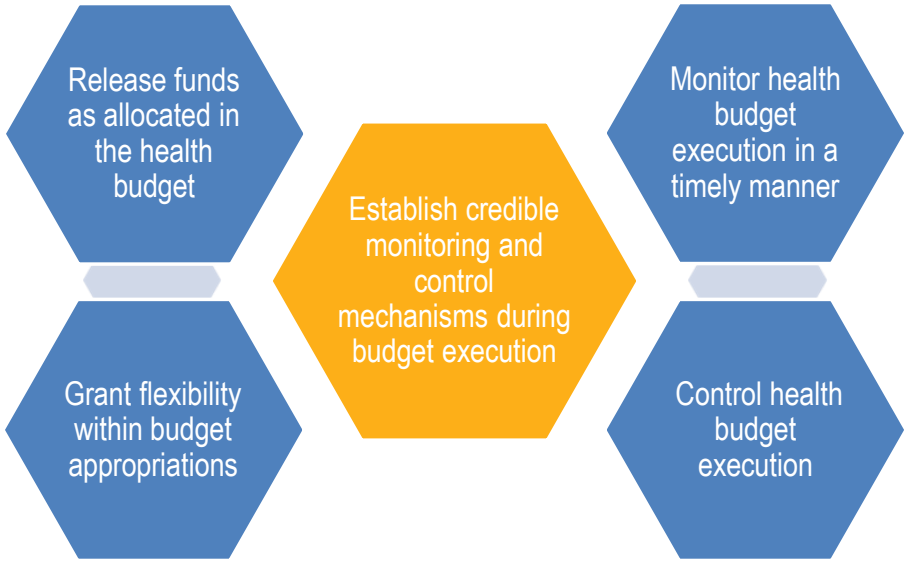
Most health expenditure in Estonia is financed through the budget of the Estonia Health Insurance Fund (EHIF), which is part of the state budget. Parliament approves the budget position (deficit or surplus) of the EHIF. However, a detailed budget is approved by the Supervisory Board of the EHIF.

The Supervisory Board is composed of six members, including representatives of the Ministry of Health and the Ministry of Finance. Public participation in the budget is facilitated through the inclusion of insured persons on the board, representing the Estonian Trade Union Association, the Estonian Chamber of Disabled People, and the Estonian Employees' Unions' Association.

Establish credible monitoring and control mechanisms during budget execution (execution phase)

After the budget has been approved, funds are disbursed during the budget execution phase according to appropriations made in the budget. Monitoring and control mechanisms are essential during this phase to ensure compliance with the budget. Effective monitoring helps identify any substantial deviations from planned expenditure, enabling timely corrective actions to keep the budget on track.

Figure 15. Establish credible monitoring and control mechanisms during budget execution



Source: Authors

Release funds as allocated in the budget for health

- Create a clear **disbursement schedule** to ensure health agencies and/or programmes receive funds in a timely manner to prevent over or under execution.

Box 20. Country example – Norway

In Norway, the four regional health authorities have the responsibility for implementing national health policy through organising, managing, and co-ordinating activities with the hospital and pharmacy trusts, which provide most hospital care. Regional health authorities are reimbursed on a monthly basis according to an activity-based financing payment method. These reimbursements are calculated and adjusted throughout the year. Hospital trusts, regional health authorities, and the Ministry of Health closely monitor spending and outcomes on a monthly basis. If short-term cash injections are needed, hospital trusts can draw on an overdraft mechanism.

Monitor health budget execution in a timely manner

- Encourage **monthly health expenditure reporting**, reflecting the structure of the budget.
- Conduct a **mid-year budget** review of health expenditure covering the first few months of the current budget year.
- Prepare a detailed audited **year-end budget** execution report of health expenditure within six months of the end of the budget year.
  - Utilise and discuss reports to assess compliance to the budget by comparing performance against the approved budget and provide explanations of significant variances.
- Design monitoring and reporting mechanisms with a clear understanding of their **purpose, intended users, and the accountability chains** involved to ensure that monitoring aligns effectively with specific needs for the sector.
- **Digitalise budget reporting** for health by embracing digital tools and platforms that can streamline reporting procedures and improve data accuracy.

Box 21. Country example – Belgium

Belgium employs a process known as permanent audit to monitor and control health expenditure within its social health insurance system. This approach consists of monthly monitoring of all health insurance reimbursements. Reports detailing the evolution of expenditure and volumes of healthcare usage are published on a monthly, quarterly, and semi-annual basis.

In response to these monitoring reports, both the Minister of Social Affairs and the National Institute for Health and Disability Insurance have the authority to suggest corrective actions at any point to mitigate the risk of exceeding budgetary targets. This proactive approach helps maintain fiscal discipline and ensure that health expenditure remains within the allocated budget.

Control health budget execution

- Put in place **in-year corrective mechanisms** as a pre-emptive tool to control budget execution.
  - Consider use of 'alert committees' to implement corrective mechanisms to avoid over or under execution of the health budget.
  - Use price and volume controls as an instrument to control costs.

Box 22. Country example – France

France sets an annual target for health expenditure, known as the 'Objectif national de dépenses d'assurance maladie', or ONDAM. To ensure compliance with the ONDAM target, France introduced several monitoring and corrective mechanisms.

An 'Alert Committee' signals to key stakeholders if health expenditure risks exceeding the ONDAM by more than 0.5%. In addition, tools to correct the price of healthcare have been gradually put in place to limit the risks of exceeding the ONDAM.

Since the introduction of these measures, France has been better able to control health expenditure growth and prevent annual health expenditure exceeding the target.

Grant flexibility within budget appropriations for health

- Provide **flexibility in the use of funds** to accommodate changing priorities, economic conditions, or unforeseen events.
  - Allow health agencies to re-allocate funds within their own budget envelope during budget execution (i.e., through transfers of resources across line items).
  - Permit limited carryovers of unspent appropriations to the next fiscal year.
  - Allow for the use of supplementary budgets in exceptional circumstances.

Box 23. Country example – Australia

In Australia, appropriations are structured as outcomes, which are the intended outcomes of government spending. For example, the budget for the Department for Health outlines six outcomes, one of which is focused on "improved wellbeing for senior Australians through targeted support, access to appropriate, high-quality care, and related information services." Each outcome is further broken down into one or more programmes, which are specific activities undertaken by government entities to achieve those outcomes.

Funds cannot be shifted between different outcomes without the approval of parliament through an appropriation law. However, funding can be reallocated across programme throughout the budget year as required, giving agencies a significant degree of flexibility.

Conduct regular and independent reviews of health expenditure (review and oversight phase)

The budget review and oversight phase encompass processes to ensure resources for health have been used appropriately, effectively, and efficiently during the previous budget cycle. It also involves examining how resources can be used more effectively in the next budget cycle.

Figure 16. Conduct regular and independent reviews of health expenditure



Source: Authors

Strengthen the role of independent institutions

- Conduct **internal financial audits** to examine the consistency of health spending with budget law and the quality of financial reporting.
- Conduct **internal performance audits** to examine the effectiveness of health spending and the extent to which it contributes to achieving health system objectives.
- Encourage the participation of **independent institutions and civil society** in the review of the health budget.
  - Promote the oversight of independent fiscal institutions to carry out analytical studies of the health sector.
  - Ensure external audit of the health budget through audit institutions.
  - Engage civil society during the budget review to foster a more transparent and inclusive approach.

Box 24. Country example – Lithuania

In Lithuania, the National Audit Office serves as the supreme public audit institution responsible for overseeing the management and use of publics funds and the execution of the state budget.

The National Audit Office conducts three types of public audit:

- Financial audit – assessment of entities annual financial statements and reports on budget execution
- Performance audit – assessment of entities activities in terms of economy, efficiency and effectiveness.
- Compliance audit – assessment of entities activities in terms of compliance with legal acts and/or other requirements is assessed.

The National Audit Office routinely conducts public audits within the healthcare sector. For instance, a 2023 audit focused on examining the risks associated with the planned healthcare network restructuring scheduled for 2030.

Produce and use Health Accounts as part of the core set of financial data

- Use health accounts to inform **policy decisions** e.g., to analyse health expenditure growth, inform resource allocation decisions, for international benchmarking.

Box 25. Understanding Health Accounts

Health accounts provide a systematic description of the financial flows related to the consumption of healthcare goods and services. Their intent is to describe a health system from an expenditure perspective. Health accounts can address such questions as:

- Who pays for healthcare?
- What health goods and services are consumed?
- Who provides the services?

First developed by the OECD in 2000, the *System of Health Accounts (SHA)* is an internationally accepted methodology for classifying health expenditures according to the three axes of financing, consumption, and provision. Collaborative effort between the OECD, WHO and the European Commission led to a revised edition in 2011. More specifically, the purposes of the System of Health Accounts are:

- To provide a framework of the main aggregates relevant to international comparisons of health expenditures and health systems analysis.
- To provide a tool, expandable by individual countries, which can produce useful data in the monitoring and analysis of the health system.
- Define internationally harmonised boundaries of healthcare for tracking expenditure on consumption.

Carry out spending reviews and other types of evaluations

- Conduct regular ***ex ante* appraisal** of health budget initiatives (current and capital) to assess coherency with national health objectives and establish key performance indicators.
- Conduct regular ***ex post* evaluation** of health budget initiatives (current and capital).
- Undertake assessments of **health system performance** with connections to financial sustainability issues.
- Consider **integrating spending reviews of health expenditure** as part of the budget process, on a regular rather than ad hoc basis.
  - Encourage active engagement of health agencies during the spending review process.
  - Incorporate the results of spending reviews and other types of evaluations into the formulation of the next health budget.

Box 26. Country example – Slovak Republic

The Value for Money Department within the Ministry of Finance was established to increase the effectiveness of government spending, improve public services, and consolidate public finances in the Slovak Republic. To meet this objective, the Department carries out regular spending reviews conducted in rounds, with approximately three sectors reviewed per year.

Joint analytical teams of the Ministry of Finance and Health are responsible for reviews of the health sector. This includes the preparation of final reports containing measures for improvement and an action plan for their implementation.

As a result of the spending reviews, the Slovak Republic has been able to identify significant potential cost-saving measures in the health sector. For example, the 2019 spending review identified cost-saving measures of EUR 542 million per year. The measures cannot be fulfilled immediately, but require gradual implementation, some of them as long as 10 years.

Next steps

The *Applying Good Budgeting Practices to Health* will play a pivotal role in the future work of the OECD Joint Network of Senior Budget and Health Officials. Already, the good budgeting practices serve as the foundation of the OECD Joint Assessment Tool, developed in collaboration with the Global Fund to Fight AIDS, Tuberculosis and Malaria. The primary aim of this tool is to assess health financing systems in both OECD and non-OECD countries, particularly in the alignment of their health budgeting systems with these best practices.

Likewise, a future development for the *Applying Good Budgeting Practices to Health* might involve including maturity categories in the good budgeting practices. This could help gauge the extent to which these practices are effectively implemented across OECD countries. Such an approach could also shed light on the primary obstacles and challenges faced by OECD countries in the adoption and execution of these good budgeting practices.

Finally, it is important to emphasise that the *Applying Good Budgeting Practices to Health* is a living document. The OECD Joint Network expects to develop future iterations of this work, informed by the most up-to-date advancements in budgeting practices. This could include deep dives on specific sub-topics such as budgeting for digital transformation.

Glossary

Budget Programme: A type of budget classification that groups expenditures with related policy objectives.

Fiscal Sustainability: The ability of a government to maintain public finances at a credible and serviceable position over the long term, also referred to as the sustainability of public finance. Fiscal sustainability implies governments can maintain policies and expenditures into the future, without major adjustments and excessive debt burdens for future generations.

Health Technology Assessment: The systematic and multidisciplinary evaluation of health technologies and interventions, covering both their direct and indirect consequences.

Medium-Term Expenditure Framework: A structured approach to integrating fiscal policy and budgeting over a multi-year horizon.

Ministry of Health: Line ministry/department responsible for health.

Ministry of Finance: Line ministry/department responsible for the overall government budget, also referred to as the Central Budget Authority.

Performance Budgeting: The use of performance information to (i) inform budget decisions (whether as a direct input to budget allocation decisions or as contextual information and/or inputs to budget planning), as well as (ii) instill greater transparency and accountability throughout the budget process (by providing information to the public on performance objectives and results).

Health Providers: Organisations and actors that deliver healthcare goods and services, such as hospitals, residential long-term care providers, and ambulatory healthcare providers.

Health Purchasers: The main financing agents involved in the management of one or more financing schemes. Purchasers can take many forms, such as a Ministry of Health, subnational authorities, a national health service, a mandatory or voluntary health insurance or an autonomous agency. Purchasers either pay the health provider directly or reimburse the patient after they receive care.

Social Health Insurance Agencies: Agencies that handle the administration of social health insurance scheme/s or compulsory private health insurance scheme/s.

Spending Reviews: A collaborative process of developing and adopting policy options by analysing the government's existing expenditure within defined areas and linking these options to the budget process.

System of Health Accounts: A statistical reference manual providing a systematic description of the financial flows related to the consumption of healthcare goods and services.

A framework for working effectively across public agencies

Daniel Gerson, Senior Policy Analyst

This paper outlines key issues and provides insights to government leaders looking to design and implement initiatives that require joint working across public agencies. The first part of this paper defines key concepts and explores the benefits and related costs of cross-agency initiatives. The second discusses various contextual elements that need to be considered when making decisions about how to design cross-agency initiatives, including the nature of the objectives, the systems of government, and relationships among potential partners. The third section looks at different models across four fundamental elements: governance; people (team support), funding, and performance monitoring. The final section looks at some of the main systemic elements that can support cross-agency initiatives success.

JEL classification: H11 Structure, Scope, and Performance of Government; H83 Public Administration • Public Sector Accounting and Audits

Keywords: Public Management; Joined-up Government; Collaboration

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Introduction

Many of today's most pressing policy challenges are complex and multidimensional, requiring a concerted effort from multiple public sector agencies.[1] However, public sector agencies tend not to be structured and organised in a way that makes this happen naturally. Government is generally organised following a vertical logic of accountability. Organisations are created to achieve a particular purpose and are accountable to the government for the results they produce. Decisions are taken on priorities, resources are assigned in the budget, and organisations are expected to report back on the results achieved. Working horizontally across agencies rubs against this fundamental vertical logic and requires what some experts refer to as "retrofitting". Organisational "silos" are natural and will always exist -- the challenge is how to make them less rigid, and to determine the best ways to work across them when needed.

This is not a new challenge, nor a new way of working; government agencies often work in various forms of cross agency initiatives.[23] This paper contributes to systematic work on the different models that exist, the circumstances that require them, and the tools available to support them.

This paper outlines key issues and provides insights to government leaders looking to design and implement the best approach to cross-agency initiatives. One of the tenets of this paper is that working across agencies produces extra transaction and co-ordination costs, which tend to increase along with the intensity of the work. In other words, the more agencies have to work together, the more they are required to deviate from their usual vertical processes, the more costs tend to rise. Therefore, this paper suggests that the best model will be the one that reduces the intensity of cross-agency working to the minimum needed to achieve the desired result. This means that there can be no one-size-fits-all solution for designing cross-agency initiatives. Rather, the context and nature of the objectives will determine how to achieve the optimal level of cross-agency working.

This paper builds on a wealth of research and insights developed through literature and practice (see, for example, (Scott and Merton, 2022[1]; Laegreid and Rykkja, 2022[2]; Carey and Crammond, 2015[3])). The insights are also illustrated with reference to three case studies undertaken to support this project (see Box 27). The first part of this paper defines key concepts and explores the benefits and related costs of cross-agency initiatives. The second discusses various contextual elements that need to be considered when making decisions about how to design cross-agency initiatives, including the nature of the objectives, the systems of government, and relationships among potential partners. The third section looks at different models across four fundamental elements: governance; people (team support), funding, and performance monitoring. The final section looks at some of the main systemic elements that can support cross-agency initiatives success. This logic flow is represented in Table 2 below.

Table 2. Working across agencies: A contextually driven model

Contextual Factors	Dimensions of models	System Enablers
Results • Nature of objectives • Urgency/time bound • Level of complexity Participants • Breadth (number of agencies) • Depth (level of engagement • Pre-existing relationship Government system • Type of political and legal systems	Mandate • Legal/political • Leadership/Governance People • Working level support Funding • Resources for multi-agency initiatives Information • Performance management system • Information sharing system	• Clear objectives and well aligned targets and measures • Leadership skills and culture • Workforce mobility • Financial flexibility • Budget tools (e.g. tagging, cross-functional spending analysis).

Box 27. Case studies on Delivering Results Across Agencies

Three case studies that illustrate the opportunities and challenges of cross-agency initiatives were conducted to inform the key themes of this paper. They are briefly summarised below and are referred to throughout the paper.

Norway's integrated and early intervention approach to youth mental health

Norway has been a pioneer in recognising the interconnected nature of mental health challenges, as well as the importance of early intervention, and adapting its government response accordingly. In 2017, the Ministry of Health in consortium with several other ministries developed a first major holistic approach to mental health, accompanied by a strategy that specifically targeted youth up to 20 years of age, called the *Escalation Plan for Youth Mental Health 2019-2024*. The main objectives of the strategy include:

- Promoting the mental health of children and adolescents, quality of life and experience of coping
- Early intervention
- Children and young people's need for support and treatment
- Generating research, knowledge and competence in mental health

Austria's Strategy for Adaptation to Climate Change

In 2012, Austria was among the first countries to combine a strategic concept for climate change adaptation with a comprehensive action plan for the implementation of concrete recommendations for action. This strategy was fundamentally updated and further developed in 2016 on the basis of new scientific results, key findings from the 2015 progress report and current political developments. All departments concerned, the federal states as well as science, interest groups, stakeholders and non-governmental organisations (NGOs) work together to design and implement the strategy.

The strategy is divided into a strategic part with basic information (context) and an action plan with concrete recommendations for action. Fourteen fields of activity are dealt with comprehensively. These are: agricultural sector, forestry sector, water resources and water management, tourism sector, energy sector – focus electricity sector, construction and housing sector, protection against natural hazards, disaster management sector, health sector, ecosystems and biodiversity sector, transport infrastructure sector including aspects of mobility, spatial planning sector, business/industry/ trade sector, cities-urban green and spaces.

Canada's Gender-Based Violence Strategy

The Canadian Federal strategy against gender-based violence (GBV) – officially called It's Time: Canada's Strategy to Prevent and Address Gender-Based Violence – is a wide-ranging horizontal initiative that requires several departments and ministries to work together, as well as extra-governmental organisations. It is a "whole-of-government approach to ending GBV" that encompasses all of the central government programmes on the issue. Broadly, targeted results of the strategy include:

- Reduce GBV
- Improve health, social and justice outcomes for individuals who have experienced GBV
- Change the social norms, attitudes and behaviours that contribute to GBV
- Increase support in the health, social services and justice systems for individuals who have experienced GBV
- Support policies, programmes and initiatives that are evidence-based and reflect the unique experiences and needs of diverse groups

Working across agencies can take many forms

Cross-agency initiatives in government take many forms. One important dimension that produces variation across projects is the intensity of the cross-agency working. The framework developed for this paper builds on other studies which presents this as a spectrum, from light to intensive forms of cross-agency working. At the light end, co-operation generally entails little change in agency operations, but an awareness and consideration of other agencies' objectives and activities, and agreement to respond accordingly. Here, most of the cross-agency working is focused around information sharing. At the more intensive end of the spectrum, collaboration generally entails the joint-production of outputs and a deeper integration of resources, sometimes the creation of new temporary structures, and joint accountability for achieving specific sets of results. The framework used in this paper goes one step further, to include a category of integration, where new structures are permanently established to take on the joint-activity. This category is no longer working across agencies - either a new agency is established or activities are integrated into an existing one.

Table 3. Co-operation, co-ordination, collaboration, integration

	Co-operation (low intensity)	Co-ordination (medium)	Collaboration (intensive)	Integration
Description	• Adapting to each other or accommodating others' actions • Tacit information sharing • Independent goals • Power remains with organisations • Resources remain with organisations • Commitment and accountability to own organisation • Low risk/low reward	• Joint policies, programmes and aligned resources • Structured communication flows, formalised project-based information sharing • Semi-interdependent goals • Power remains with parent organisations • Commitment and accountability to parent organisations and project	• System change • Frequent communication • Tactical information sharing • Pooled, collective resources • Negotiated shared goals • Power is shared between organisations • Commitment and accountability to network first and community and parent organisation	• Structural merging of previously independent agencies (partial or whole) • Integrated communication and information systems • One set of common resources • One set of organisational goals • Power is concentrated in the new organisation • Commitment and accountability to new organization
Benefits	• Low transaction costs • Low risk • Clear accountability	• Higher potential impact than co-operation	• Higher potential impact than co-operation or co-ordination	• High potential impact • Lower long term transaction costs • Clear accountability • Easier to sustain over long term
Challenges	• Low impact • Low potential for lasting internal change	• Higher transaction costs • Harder to sustain commitment	• Very high transaction costs • Very hard to sustain • High risk (Depends on high levels of trust) • Blurred accountability	• Very high short term set up costs • Highly disruptive. • Risk of path dependency (hard to undo/stop) • Risk of agencification (e.g. if new entities are created from parts of old ones).
Use when	• This is enough to achieve results • Loose connections between orgs, • High trust between orgs • Longer term/stable state	• Co-operation is not enough to achieve results • Medium connections among participating agencies • Work-based trust • Medium-term initiative	• Co-ordination is not enough to achieve results • Dense interdependent connections among participating agencies • Low trust • Shorter term/launch or tranformation state	• Costs and risk of collaboration are too high • Activities of merged organisations are similar • Requires a permanent solution

Note: Adapted from (Keast and Mandell, 2014[4])

One of the objectives of this paper is to guide government officials on which level of cross-agency intensity is best in a given situation. It's important to think through the benefits and costs of cross-agency initiatives in doing so. Cross-agency initiatives can bring more tools and levers to problems, and more resources. They enable government agencies to align their work, improve the coherence of their activities, and ultimately improve the use of government funds by reducing overlap, honing spending on the best strategy, and better identifying and understanding policy and service delivery gaps from a citizen-centred perspective.

However, as one moves from the light to the more intensive side of the spectrum, transaction costs will generally rise, at least in the short to medium term. This happens for many reasons. For example, decision making generally requires significant negotiation and time-consuming consensus building, which has significant co-ordination costs compared to the efficiency of long-established hierarchies. Common objectives and incentives are hard to get right, and make it possible for misalignment across agencies. People are needed to make this work and are often removed from their positions for temporary periods,

adding to opportunity costs. Furthermore, it's very difficult to measure the added value of working across agencies, and to prove attribution from each agency. All of the above is made more complicated when shared accountability is required for the system to work.

The kinds of arrangement discussed in section three are generally designed to reduce these kinds of transaction costs, but they will not make them disappear entirely, so one key assumption of this paper is that **governments should reduce transaction costs by designing the lightest system possible that can achieve the desired result**.

Contextual factors determine best way to deliver results across agencies

Designing the lightest system possible to achieve the desired result means that no one size fits all solution will exist. Optimal cross-agency initiatives will rarely be the same when applied to different problems in different organisational and cultural contexts. Therefore, this section of the paper describes some of the main contextual factors that will impact the design of an optimal cross-agency initiative. The section looks at the nature of the results the initiative intends to achieve, the relationship among the participants of the initiative, and systems that characterise the national government.

Results

Cross-agency initiatives are a means to achieve a particular result, and should be tailored to that objective. However, choosing the right objective to rally agencies around can be a challenging exercise. Experience from New Zealand suggests that joint initiatives work best when they are centred around objectives that are measurable, and can be directly impacted by the outputs of those involved within a 6-month time horizon. This creates a useful feedback loop that can be used to adjust and refine approaches and reinforce the motivation of the public servants involved. While the policy direction should be set by the government, participating agencies should be engaged when defining the specific measurable objectives to take advantage of their technical knowledge and build buy in.

This raises three important questions about the intended result:

1. What kind of result is the initiative intended to achieve?
2. what is the time profile of the results (e.g. urgent, quick, or long lasting)?
3. How complex are the results?

Regarding the nature of the result, the following three common kinds of cross-agency initiatives may each have implications for the ensuing design:

1. **Policy-driven initiatives** where multiple ministries work together to address complex, multi-dimensional problems of national scope, such as climate change, gender based violence, and youth mental health – the topics addressed by the three case studies prepared for this project.
2. **Service delivery initiatives**, where agencies come together to integrate services around a particular life event, or to address specific issues in a local community. It could be argued that some of the case studies include aspects of such initiatives when, for example, specific mental health services are tailored to a local context. In many cases, initiative that begin as the first type may transform into the second type over time, as they move from design to implementation.
3. Back office **reforms**, such as when changes to people and financial management processes and systems are designed and rolled out across a group of ministries and/or agencies.

Each of these forms have different objectives, different motivations, and will likely require different design and implementation considerations. This paper and its case studies focus primarily on the first category,

but will also raise issues and share examples related to the other two. This work could be further developed in the future with a deeper dive into other forms cross agency initiatives listed above.

The **timing and urgency** of the objective is another relevant factor. If the objectives need to be achieved quickly, this may suggest models that are intense but temporary. Initiatives that focus on longer-term intractable problems such as those highlighted in the case studies will require longer-term structures that are able to sustain cross-agency working over time and adjust to changing circumstances. Similarly, if the initiative is a response to an emergency, it will likely require a very different set of structures than those focused on slower-moving challenges that can benefit from deeper integrated analysis and planning.

The complexity of the objectives may also help to determine the nature of the model needed. Relatively simple objectives in a fairly stable operational environment may require a model focused on top-down information sharing, standardisation, control and risk management – this may be the case in some internal reform implementation processes. In the case of more complex objectives, such as those contained in the case studies, models may need to enable bottom-up information sharing, experimentation, innovation, learning and adaptation. This is particularly important when the context is changing rapidly, as illustrated in the case study on Canada's Gender-Based Violence Strategy, which had to adjust rapidly to changes during the COVID pandemic, requiring significant flexibility in the cross-agency arrangements in place.

Agencies

Defining the results should help to determine the breadth and depth of the participants needed, which in turn will have an impact on the design of the effective model.

Breadth refers to the **number of participating agencies**, which can range anywhere from 2 to the entirety of the government (e.g. in the case of back-office shared service reforms). In many joint initiatives there is an inverse relationship between the number of agencies involved and their commitment - the more agencies involved, the harder it is to sustain their engagement, and the higher the transaction costs. One strategy to consider is to identify two tiers of participating agencies – a small number that need to be at the core of the initiative, and others that should be kept informed and engaged at key moments as needed.

Depth refers to the **hierarchical level of participation**, from Ministers through to front-line service delivery staff. In some models, the main cross-agency work may be done at the top among ministers and/or their senior civil servants, while in others, more intensive cross-agency work may take place primarily at lower "working" levels. In some larger-scale initiatives such as those described in the case studies conducted for this project, there may be a range of cascading mechanisms to engage many levels of organisation for difference purposes and functions. This is further described in section 3.

Another consideration is the **nature of the pre-existing relationship** between the various participants. On one end of this spectrum, participants may know each other already, have a positive experience of co-operation in the past, share a high level of goal alignment and trust. On the other end of the spectrum, participants may have low goal alignment and trust, may have very different working cultures and ways of understanding the problem at hand. This may impact various aspects of the model, including the formality of the system and the expected level of reporting (both expected to higher in cases of lower goal alignment and trust). The easiest cross-agency initiatives are those between agencies that already know each other, have a common sense of purpose and working culture, and a positive history of working together.

Government systems

Finally, the existing systems of government will have a significant effect on the best way to deliver results across agencies. For example, coalition governments where cabinet ministers come from different parties may have different experiences and expectations regarding cross-agency initiatives than those made up of single-party cabinets.

The legal administrative system will also have an impact on many of the elements discussed in section 3. For example, In Westminster governments, joint working is likely to be less formalised than in mainland European systems based on Napoleonic code where activities need to be formally recognised in legal regulations.

Another determining factor is related to the role and autonomy of subnational governments, which varies greatly across countries. This is particularly relevant in federations when subnational governments have a high level of autonomy and may need to be included in policy initiatives that include areas under their authority, as is highlighted in the case study on Canada's Gender Based Violence Strategy, which is in the process of expanding to include provinces and territories. It is also often essential when specific service are delivered by subnational governments as highlighted in the Norwegian Strategy on Youth Mental Health.

This section underlines the importance of matching the design of the cross-agency initiative to the objectives and operational context within which the participating agencies are working. It has outlined three key aspects that help to determine the best way to delivery\ results across agencies: the nature of the results, the agencies involved, and the government systems. The next section looks at the various dimensions of the design of cross-agency initiatives to consider how each of these factors impacts their design.

Delivering results across agencies – from light to intensive models

There are many ways to deliver results across agencies, and this section looks at a variety of approaches across four key dimensions:

1. The **mandate, leadership and governance** for the initiative, and how this is established. This includes the formality of the initiative and whether/how specific the ways of working are codified. It also includes the leadership and governance structures of the initiative that create the template for decision making and information sharing.
2. The **people dimension** looks at staffing for the initiative.
3. The **money** dimension looks at different models for funding of cross-agency initiatives.
4. The **performance monitoring** dimension looks at the objectives and use of indicators and data to assess results and inform activities within the initiative.

Each of these four dimensions is considered across a spectrum from light to intensive levels of cross-agency working. It's important to note that each of the elements should be considered independently. It's very possible that in many initiatives, an intensive option will be warranted in some dimension, with lighter options suitable to others.

The model also includes the category of integration at the end of the intensive spectrum. This category differs from the others in that it no longer describes a model of working across agencies, but rather the creation of a new agency. Some specific considerations of this model are provided at the end of this section.

Mandate, leadership and governance

Mandate

Key questions	Light	Medium	Intensive	Integration
How formal is the mandate?	No formal mandate	Government statement	Legal mandate	Legal mandate
How formal are the processes?	informal agreement on information sharing	Agreed TORs	Legally specified	Fully specified in legislation (existing or new)

Mandates give the formal signal that government agencies are expected to work together to achieve results. At the lightest side, heads of agencies may simply agree to work together within their scope of authority to address a common or interdependent set of challenges, without having any formal political or legal mandate. Sometimes, this is formalised in a government decision or agreement without any specific formality in law. On the intensive end of the spectrum, specific laws are passed, or decreed, which provide the framework for collaboration – in some administrative systems this will be more common and necessary than in others.

In each of the case studies, a specific political mandate was given to initiate or formalise the cross-agency initiative, placing them to varying degrees in the medium category of the spectrum described above. In the Canadian case study, this was a government decision that was announced in the national budget of 2017, which provided initial funding for the development of the strategy. This was followed up in the Prime Minister's mandate letter to the Minister for Women, Gender Equality and Youth, to "move forward with the development of a 10-year National Action Plan to End Gender-Based Violence, begin negotiations with the provinces and territories within a year, and accelerate the establishment of a dedicated Secretariat". In the Norwegian case, the initiative had begun at the administrative level and was later designated as a core political priority by a decision from a newly elected government. In the Austrian case, the strategy was adopted by the Council of Ministers and also acknowledged by the state governors' conference. It is the comprehensive guide document for all activities in Austria to adapt to climate change.

An associated aspect of this dimension is the level of formality of the operating procedures established for the cross-agency initiative. At the light end, agreements and working methods may be informal, based on e.g. ad-hoc information sharing and exchange as needed for effective co-operation. At the more intensive end, detailed project documents and Terms of Reference may exist for each established committee and/or working group with specific procedural expectations for each aspect of the operational requirements of the initiative. These may even be codified in law. The three case studies fall into the middle category, with formal groups established through Terms of Reference.

Benefits of lighter models are that they are easier to put into place and will be more flexible. However they will likely be harder to sustain as they tend to be based on the will and commitment of individuals whose priorities may shift over time. Benefits of more intensive models are that they may commit organisations, rather than individuals, to the initiative. However their level of formality could be limiting and will tend to require higher levels of administrative burden to establish and monitor.

With this in mind, lighter or more intensive mandate models may be best suited to the following situations:

	Lighter	More intensive
Nature of Results	• are relatively simple • are expected to be achieved in the shorter-term • do not require a high level of visibility or ministerial attention • can be achieved without new resources	• are relatively complex • require longer-term commitment to achieve • require a higher degree of political support (e.g. to unlock needed resources)
Agencies involved	• are only a few (2 ideally) • have a relatively high level of trust and can therefore depend on less formal arrangements	• many agencies have to work together • little experience working together • low trust
Government Systems	• the legal/management systems allow ministries to operate flexibly	• the legal/management system requires formal documents/approvals in order to put the right structures in place

Leadership and governance

Key questions	Light	Medium	Intensive	Integration
Who is accountable?	Each agency accountable for own outputs/results	One assigned lead, e.g. head of lead agency or from a central agency.	Joint accountability by group of ministers or agency heads	Organisational head
How are decisions taken?	Independent decision making	Advisory bodies	Multiple layers of governance with cascading committee structure	Organisational governance structure

Traditional hierarchical decision making structures are not always appropriate when working across agencies. The question of who and how decisions are taken are core to the range of models that exist. All three of the case studies employed similar models making one lead ministry ultimately responsible for the cross-agency initiative, with support from the other agencies involved. While this is likely the most common approach to large government policy initiatives, it is not the only possible model (see Box 28 for description).

On the light side, decision making structures may remain unchanged. For example, when two or three agencies have inter-related objectives and voluntarily work together to co-operate, the heads of the relevant organisations may form a committee that meets regularly to exchange information and build a network around the cross-agency initiative, to ensure that each agency takes decisions with a full set of insights and is aware of what each are doing. Lighter governance structures may also be well suited to initiatives with clear hierarchical relationship between participating agencies, where the existing decision making structures remain intact.

On the intensive side, some models bring together multiple heads of agencies and/or their ministers to take collective decisions, supported by committees and working groups at various management and working levels. A common approach is to have strategic directions set at the highest levels, and operational decisions taken at lower-level committees, with more strategic issues reviewed at the top. Risk management systems ensure that strategic challenges are elevated to the appropriate decision making body.

While sometimes necessary, these types of models come with two key challenges. The first is the level of bureaucracy required – and the associated high transaction and opportunity costs. Each committee and working group takes time away from the other work that participants do. The second is the challenge of accountability – with multiple heads taking decisions together, it's not always clear who is accountable for what.

Some of these challenges can be addressed by various models that fit somewhere between the two. For example, making one lead ministry responsible for the joint effort can help to clarify accountability and may

require lighter bureaucracy. This might work well when the majority of work is clearly under the authority of the lead ministry, which is the case in the three case studies. However in these cases it is often quite challenging to get the contributing agencies to prioritise the initiative to the extent necessary.

In some models, a leader may be assigned full time to a cross-agency initiative and be housed in a central agency with their own task team made up from participating ministries and agencies. From an accountability perspective, this can help to clarify short term accountability for the specific delivery mandate of the initiative. However this can have longer-term challenges when it is time to re-introduce the responsibility to the existing ministries/agencies. This kind of model only works well when a short-term focus is needed.

Some countries have found that holding heads of agencies accountable together produced the best results, as it removes the burden of trying to measure and prove each leaders' individual contribution, even if this approach risks unfairly rewarding freeloaders. Evaluators of an initiative in New Zealand found that this kind of collective accountability produced incentives to focus on achieving results, rather than avoiding blame.

With this in mind, lighter or more intensive leadership and governance models may be best suited to the following situations:

	Lighter	More intensive
Nature of Results	• are relatively clear, simple and environment is stable • Longer-term (easier to sustain) • easily achieved through separate outputs of each agency (no need for co-delivery)	• complex, volatile, exploratory • require intensive shorter-term focus • attribution of roles and impact is more ambiguous
Agencies involved	• clearly defined hierarchy roles and outputs • many agencies, don't need to work so closely together • high goal alignment	• fewer agencies working more closely together • partnership of equals • lower/ambiguous goal alignment
Government Systems	• hierarchy, high regulation and formality (less need to come to agreement when everything is systematically laid out in rules) • unitary systems	• networked, consensus-driven (hence more need for deliberative forums and debate) • Federal systems

Box 28. Approaches to Governance and Accountability for delivering results across agencies

The three case studies conducted for this project employed similar approaches to governance and accountability – with one ministry in the lead, depending on the collegial support of others:

Canada's Gender-based violence strategy is led by the Department for Women and Gender Equality (WAGE). The Minister of WAGE holds ultimate responsibility for the Strategy, with the Deputy Minister (the senior civil servant) playing a significant role in oversight and implementation. Beyond this, formal committees, each of which have formal Terms of Reference created under the Strategy's governance structure, are:

- Assistant Deputy Minister (ADM) Oversight Committee provides strategic direction and an accountability mechanism. (ADMs are civil servants.) It is composed of members from all federal departments and agencies that ultimately advance the Strategy (amounting to 23 organisations in total). At the inception and launch of the strategy, this ADM Oversight Committee met often, it does not currently convene regularly.
- Director General (DG) Steering Committee supports the work of the ADM Oversight Committee, and continues to meet quarterly. It is now responsible for matters of monitoring and assessing

risks to the Strategy, directing ongoing action as appropriate, recommending Deputy Minister approval of the monitoring and accountability framework, and advising on evaluation results.

- Working-level Interdepartmental Coordinating Committee supports the work of both higher-level committees. It also meets on a quarterly basis, with a focus on information sharing, ongoing action, and co-ordination on issues related to the Strategy.

Norway's Escalation Plan for Youth Mental Health is led by the Minister of Health, with support from the Director General of the Ministry, and input from 7 other ministries. It's day-to-day management is conducted through the DG-level *Core Group for Vulnerable Children and Youth.* Individual group representatives were responsible for communicating the Plan internally within their respective ministries, aligning sectoral policies, as well as for internal co-ordination in implementation. While the strong leadership from the Ministry of Health was a key success factor, the genuine buy-in from the implicated Ministries at the outset equally proved essential to the sustainability of collaborations over the longer term.

Austria's *Strategy for Adaptation to Climate Change* is led by the Department for the Coordination of Climate Policy in the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology. However, its adoption at the Council of Ministers signals a more collective approach to ultimate accountability for results. While the Department holds the pen, the strategy has been developed by an inter-governmental working group which includes expert-level representatives from all ministries of the Federal government as well as representatives from the subnational level.

Other interesting models:

In the **United States**, 14 Cross-Agency Priority (CAP) Goals ensure that entities are jointly responsible for the achievement of certain cross-cutting objectives. Each CAP Goal assigns a group of co-leaders – generally one person from the White House of the Office of Management and Budget, and one senior leader from a line-agency. The leaders generally establish a cross-agency governance council to develop and implement an action plan. They also have access to resources to establish a small task team/ secretariat to provide policy support and oversight, with the actual delivery is done by each associated agency.

New Zealand created a programme in 2012 to hold groups of agencies collectively accountable for the achievement of 10 specific cross-cutting results, each represented by a challenging 5-year target set by the Government. Contrary to the models above, no single agency was put in the lead. Rather the heads of the group of agencies implicated were collectively held accountable with pay bonuses attached to results. According to the evaluators of the initiative, this approach, while not "fair", produced the best results.

Ireland's Civil Service Renewal Plan (2014) was composed of a set of actions to improve the internal management of the civil service. The plan established a Civil Service Management Board consisting of all the Secretaries General (SGs), and each were assigned accountability for various aspects of the Plan. This created a shared sense of ownership and accountability while still identifying specific responsibilities to individual SGs and requiring them to work together to achieve results. The Board continues to exist beyond the Plan and the accountability model was recognised as an effective practice and has been replicated in new reform initiatives.

People

Key questions	Light	Medium	Intensive	Integration
How is the working-level engaged in the initiative?	Informal information exchange	Working groups	Temporary task force	Dedicated permanent workforce

Another primary difference across structural models is how people are mobilised across agencies to deliver results. In some cases, decision making alone is enough to define each agency's operational contribution and very little day-to-day cross-agency working is required, even when more intensive leadership models are implemented. However, in many cases, the working level will meet through various thematic working groups and/or co-ordination committees even more regularly than the higher level strategic oversight committee. For example, when one lead agency is identified, this agency may establish an internal team to manage the initiative, set up points of contact in each of the contributing agencies, and co-ordinate working groups of key experts.

This was the case in all three case studies. For example, the Austrian Strategy for Adaptation to Climate Change was developed by an inter-governmental working group of expert-level representatives from all ministries of the Federal government as well as representatives from the subnational level, supported by a dedicated division with the lead Ministry. Under this lead working group, fourteen additional working groups were established around the fourteen themes of the strategy, with a smaller group of key experts. Although this appears to be a daunting structure, it enabled key experts to develop relationships over time, which in-turn, enabled more trust and informal exchange and co-operation. This is reflected in the evolution of the groups, which were able, over time, to develop more strategic products and reduce the co-ordination burden.

The intensive end of the spectrum may include task force models, where employees are sent from their respective agencies to work full time on a temporary basis, reporting directly to the strategic head(s) of the initiative. While this model may be the most effective at pulling together and concentrating the needed expertise, it has a number of drawbacks. The first is very high transaction and opportunity costs, as key experts are removed from their main job which likely causes high levels of strain in their home organisations. The second is the continued challenge of agency engagement, since removing the experts form their agency may have the unintended consequence of creating distance between the agency and the collaboration. For this reason, this approach can rarely be expected to replace the various working groups that other models require.

With this in mind, lighter or more intensive staffing models may be best suited to the following situations:

	Lighter	More intensive
Nature of Results	• requires little cross-agency working at the working level (outputs are clearly attributed to individual agencies) • longer term stable delivery phase	• complex – requires expertise from many perspectives to work together • intensive short-term focus • exploratory/design/transformation phase
Agencies involved	• fewer • trust and common understanding already established	• multiple • divergence of perspectives and working cultures
Government Systems	• naturally networked (e.g. small governments where everybody knows each other - less need for formal structures) • rigid (too much admin burden to set up taskforces)	• hierarchical/siloed (need formal working groups). • flexible HR systems (easy to create taskforces, etc)

Box 29. Australia's toolkit for Government Task forces

Following the growing use of task forces in the Australian Government to address cross-cutting issues, the Cabinet Office developed a Toolkit to guide task force leaders and members from the point of establishing to closing the group. The Toolkit, based on a broad consultation of past task forces and lessons learned, contains the following components:

- Scope: defining the scope of the task force's work, its objectives, deliverables, timelines, etc.
- Governance: guidelines for understanding the authorising environment, establishing the governance arrangements of the task force and reporting mechanisms.
- Staffing and leadership: determining the needed skillsets and building a team around those needs with staff requests
- Project management and stakeholder engagement: developing work plans, assigning roles, mapping stakeholders and developing an engagement plan.
- Corporate: : a dedicated task force admin resource, as well as following the Toolkit's admin checklist.
- Closure and handover: hand-over of responsibilities where necessary, planning for the re-incorporation of secondments and staff to other agencies.

Experience has shown that task forces can be effective when the right conditions are in place and the scope of their interventions is clear. Political backing and support has also proven a determinant of a task force's success, as it effects the ability to attract the best leadership, staffing and ensure sufficient financial resources. Ensuring staff are 100% dedicated to the task force (and not a shared resource), as well as working in the same premises, was found beneficial given the fast-paced environment in which they often functioned.

A consultation from task forces in Australia also found that administrative hurdles to working were commonly cited, including lack of IT tools for collaboration and ensuring the right procedures are followed for subsequent audits. There were significant upfront costs to establishing a task force and after dissolution, maintaining the knowledge gained and lessons learned has proven a challenge. Poor transitions away from the task force and into subsequent roles threatened the recognition and career development of task force personnel.

Funding

Key questions	Light	Medium	Intensive	Integration
What is the model of funding for the initiative?	Each agency funds its own activity/outputs; pooled funds for joint work	Funding to one assigned lead agency, disbursed to others	Joint funding arrangements	Organisational budget allocation

Funding for cross-agency initiatives tends to differ less than other dimensions discussed in this section of the paper. In all OECD countries, the Ministry of Finance is responsible for allocating funding to ministries, agencies and projects, based on the decisions of the government. This said, the introduction of budget reforms, such as programme and performance budgeting have paved the way for finance ministries to move from the traditional input-oriented, line-item budgeting towards considering outcomes over the medium term and incorporating efficiency and value-for-money perspective into public spending. By allocating funds according to broad programmes, rather than detailed line items, it has required increased co-operation internally (within agencies), as well as externally (between agencies). However, some variation can exist across the spectrum above.

Cross agency initiatives rarely seem to require special treatment form a budgetary management perspective, although some variation across the spectrum above may exist. On the lighter end, each agency uses their own resource to support their contribution to the initiative. This would generally be done when the main cost-intensive activities and outputs of the initiative are easily assigned to the participating agencies and the extra costs associated to co-ordination/co-operation can be covered internally. In these cases, primary accountability remains with each agency and the extra transaction costs associated with the initiative are likely born internally by each agency and have little impact on the budget or financial reporting.

For example, neither Austria nor Norway, have a separate budget envelope for the strategies studied here, but instead rely on individual agency appropriations, negotiated directly between the line ministry and the ministry of finance. In Norway, interviewees reported that, on the whole, the Escalation Plan allowed them to better align budgetary resources for greater impact. By tackling different aspects related to youth mental health, they could hope to achieve better results overall. It also allowed them to pool limited resources and allocate them to under-funded areas.

In Canada, the federal budget announces and allocates an amount of funding for the Strategy for the year (and beyond, giving an assurance of continuity) based on earlier discussions with WAGE and the funded partners, but this does not imply the existence of a separate fund for the strategy. Once the budget is announced, WAGE and the funded partners create a detailed plan and proposal (a Treasury Board Submission) for how to use the resources allocated in the budget. While these submissions usually come from individual departments, for aspects of multi-departmental initiatives such as the Gender Based Violence Strategy, multiple departments can work together to present a whole-of-initiative overview. These submissions are subsequently tabled to the Treasury Board of Canada (the Treasury), who then works with WAGE on the detailed frameworks and ultimately approves the initiatives and overall strategy. This process gives WAGE, as the co-ordinating agency, a high level of influence on how and when the funds are disbursed to the other agencies.

When a group of agencies are co-producing outputs, and/or specific structures have been put in place requiring people and resources (e.g. specific task teams), some specific funding may be required to cover these costs. Organisations still often use their own budget allocations to fund the extra costs of the cross-agency initiative. Each may contribute an agreed amount from their attribution depending on their expected level of effort. In cases where the main costs are human (e.g. setting up a task force to produce a set of policy recommendations) the contributions of each agency may be in-kind (people hours), depending on the level of flexibility of the financial management systems in place.

In some models, each participating agency will contribute some of their own funding to a shared pool that can be drawn down for specific joint activities. For example New Zealand’s Justice Sector Board brings together chief executives from the Police, Ministry of Justice and other sector agencies to co-ordinate reforms to reduce crime. It includes a shared secretariate and technical group. The Board and its activities are funded through reinvestments of unspent money of each of the participating agencies.

In other models, a central agency may provide funding for the co-ordination costs. For example, the US Cross-Agency Priority (CAP) Goals (see Box 29above) comes with small funding envelope to establish a core team of experts and provide policy support and oversight to the achievement of each goal. The main work, however, is expected to be funded by the participating agencies from their budget allocations.

Another possibility is to have specific funding for the initiative (more intensive) directly from the national budget. For example, when there is one designated agency leading the cross-agency initiative, funding may be assigned to this agency’s budget, and this agency may have the ability to disburse this funding to others in the initiative. This kind of funding may be most common when the participating agencies already have some kind of vertical relationship, such as when a national ministry disburses funding across a group of implementing agencies in its sector, or to subnational governments/municipalities. However, there are also some examples of how one ministry can disburse funding to others in a horizontal manner, such as

in New Zealand where ministries have the ability to contract other ministries to delivery specific services when it helps to achieve their objectives. The accountability issues are ideally codified in these contractual relationship and the contracting ministry is still ultimately accountable for the initiative.

When a group of senior leaders are held jointly accountable for the project, one of two things may be theoretically required – either a joint fund to be held within the treasury that can be drawn upon for the purposes of the cross-agency initiative, or a high level of financial flexibility at agency level to allow for agency heads to assign the necessary resources to pool funding. The latter may be most common in countries with a significant level of spending autonomy and point to the value of the kind of programme/performance budgeting reforms described in the first paragraph of this section.

In some other countries, joint funding directly from the budget may be possible. In Iceland, the budget is divided into approximately 100 programmes, where in some cases, a programme is divided between two or more ministries. This leads to a situation where funding is allocated to the programme and the ministries need to decide between them how to allocate the funding to specific projects or agencies, based on the funding that has been voted by parliament. This kind of joint funding is considered to be the most intensive form of collaboration. While joint funding can be helpful to signal the importance of the government's investment in the area, it comes with significant challenges around accountability for spending.

With this in mind, lighter or more intensive funding models may be best suited to the following situations:

	Lighter	More intensive
Nature of Results	• Does not require the creation of new structures	• Requires the creation of new structures/significant additional costs
Agencies involved	• relationship of equals	• hierarchical relation; one clear lead (to receive funding and disburse it)
Government Systems	• Higher financial flexibility / agency autonomy (enables agencies to share funding more naturally, with fewer formal structures/approvals)	• Lower financial flexibility / agency autonomy (more formal structures required with significant engagement from treasury/budgetary authorities)

Performance Management

Key questions	Light	Medium	Intensive	Integration
What are the objectives of the initiative?	Each agency has its own objectives, logic model	One common outcome objectives for the initiative, each agency has own outputs	Integrated logic model specific to the initiative (input, process, output, outcome indicators)	Agency objectives, logic model
How is performance monitored?	Organisational/corporate performance monitoring system	Frequent monitoring of the specific outcome indicator	Regular monitoring of full logic model, possible integration of administrative data	Organisational/corporate performance monitoring system
How is performance reported?	Organisational/corporate performance reporting	Public reporting (e.g. online dashboard) on the outcome indicator, trend analysis, narrative on activities	Separate detailed report to public at regular intervals (e.g. via parliament)	Organisational/corporate performance reporting

Performance management includes objective-setting, monitoring and reporting. It may conclude with evaluation. Objectives are operationalised through measurement, monitoring and reporting. Regular performance monitoring helps to determine whether an initiative is on track or whether adjustments are required to meet the goals and targets. It can be an important motivational galvaniser for the extra effort often required in working across agencies. Reporting is also important. In many OECD countries, more formalised cross-agency initiatives include public reporting against specific targets are regular intervals.

Box 30. Performance monitoring and reporting in the three case studies

In **Norway**, an annual report was produced by the working group to monitor and assess the Plan's progress and impact. This helped provide justification to the Ministry of Finance for the approval of ongoing funding, as well as ensure accountability amongst stakeholders for implementation. However, important challenges were also noted- namely the methodological difficulties in measuring the impact of policy interventions on mental health outcomes. Psychological and social interventions are particularly difficult to assess given measurement challenges, the inter-related factors, and the difficulties to demonstrate causality. Preventative measures are also notoriously challenging to assess, given that impacts are delayed and exogenous factors play a role.

Austria's Climate Adaption Strategy sets out a well-structured framework for reporting on progress of implementing the strategy, which is done at longer intervals than the Norwegian example above. Up to now two progress reports (2015 and 2021) have been adopted in the Council of Ministers and confirmed by the state governors' conference which support the high-level political commitment to the strategy. The progress reports serve to update the Strategy which means concrete actions can be taken as a result of the progress reported. The concept for the second progress report (2021) included workshops and a catalogue of indicators to provide comprehensive overview of progress.

- Ten thematic workshops were held with stakeholders from government as well as non-governmental actors. The thematic workshops deal with the progress of adaptation in the respective field of activity and the extent to which the goals of the individual recommendations for action have been achieved.
- The catalogue of 47 indicators was developed with some indicators pertaining to more than one field of activity. This builds on the first report, where three to five central criteria (key criteria) were defined for each field of activity in order to be able to make statements about significant developments and trends. The focus was placed on criteria and data that are already collected and could be used as response indicators (i.e. allow a statement on the progress in climate adaptation). In those areas where knowledge about the impact of climate change is limited, the first step was to observe the climate change-related trends in these areas (impact criteria).

For **Canada**'s Gender Based Violence strategy, yearly reports provide an overview of the Strategy's main efforts in the year, summarise various initiatives and elaborate on plans (Government of Canada, 2019[5]). These reports are often more qualitative in nature, are published to the public, and do not contain raw data. However, data, when available, are also publicly available on a government website, which transparently displays outcomes and indicators (Government of Canada, n.d.[6]).

Further, there are planned reporting protocols at different stages in the multi-year Strategy. WAGE is leading a mid-term horizontal evaluation – intended to be for year four of the Strategy, that will take the entire Strategy's outcomes into account, across all partners. There is also an additional planned horizontal evaluation in year seven. These evaluations examine the performance of the horizontal initiative aspect of the Strategy, such as progress made toward intended short-term outcomes of each of the funded partners, as well the level of co-ordination and collaboration amongst them.

Setting the objectives of a specific cross-agency initiative is a necessary and challenging activity (see discussion above on the definition of objectives, and below in the section on system enablers). On the light end, separate objectives may exist for each agency that are, by nature, somewhat interdependent, motivating a light form of co-operation. In this case, leaders may come together to discuss how best to share information and ensure that agencies are not working across purposes. For example, the police may seek to reduce youth crime, while the school system seeks to improve graduation rates and school safety. In these cases, no extra monitoring and reporting is necessary, specific to the joint initiative. Rather each

agency can monitor and report on its own objectives through its regular corporate system. For this to work well, however, each agency needs visibility and understanding of each other's objectives and may benefit from more frequent sharing than the corporate system demands.

A medium level of co-ordination may include the establishment of a common objective across a group of agencies, which agree on a common measure and indicator. Each agency's individual outputs are then aligned to the achievement of this goal. This is likely one of the most common and desirable approaches as it allows each agency to work through its own hierarchical systems, supported by an appropriately designed leadership and accountability structure. Participants must agree on the measure(s) used to assess progress, the frequency at which this should be calculated and the way it will be reported – whether to the public, the responsible member(s) of government, or other. A good practice is to contextualise the measurement with some analysis of the impact and narrative of the approach taken. This is best when done at regular intervals (e.g. every 6 months) to show progress and report on trends. This can include analysis with foresight – to identify whether the target is likely to be achieved or not, potential risks and any needed adjustments. This probably makes the most sense when a few specific goals are identified, such as in the United States' CAP Goals, and in New Zealand's 10 priorities described in Box 28 above.

A more intensive level of collaboration may include a more integrated logic model specific to the initiative. This is the case in Canada's strategy described in Box 30 above. This could include common objectives, and a set of specific input, process, output and outcome indictors tailor made for the initiative, and/or brought together from existing indicators collected already by the participating agencies. It could even go as far as to include the development of a common pool of data and information, whereby researchers assigned to the initiative can more deeply analyse the challenge and align activities to produce the best results. Reporting would be done in an integrated way, developing one common report on the initiative's progress with deeper underlying analysis of activities and their attribution to the impacts desired.

The benefits of this kind of deeply integrated performance management are to first improve the management of the initiative, to better analyse the problem in all its interdependencies and ensure greater impact. It also brings a deeper level of visibility and accountability to the initiative. However, the level of reporting burden and bureaucracy is significant and introduces a large set of transaction costs. While data integration may have clear analytical value in the longer term, it would incur intensive short term set up costs, thereby likely only being particularly relevant for longer-term collaborative initiatives.

With this in mind, lighter or more intensive performance management systems may be best suited to the following situations:

	Lighter	More intensive
Nature of Results	• No common objectives, or attribution of individual agency outputs to common objectives are easy to measure. • Low public/ministerial interest/visibility	• Common objectives are more complex, harder to measure • Higher public/ministerial interest/visibility • Longer term
Agencies involved	• High trust • Transparent (e.g. through own performance monitoring systems – so less need for separate process)	• Lower trust (need for greater control)
Government Systems	• Common, aligned performance monitoring across all government entities	• Mature data capabilities

Integration: some consideration regarding Machinery of Government

The spectrums presented above include a final category to the right called "integration" which means the merging of entities and/or the creation of a new one (e.g. if two parts of 2 existing ministries are removed and joined to create a new one). While the other elements of the spectrum require existing agencies to work together, the "integration" option results in structural "machinery of government[4]" changes. The

decision to take this step is complex and related to many factors beyond the scope of this paper, but the following set of considerations may be useful in informing this decision, emerging from the analysis above.

Given the contextual factors identified in part 2 that can determine which model is best, integration may be most appropriate when:

- There is a good business case: the objectives of the new entity are clearly articulated and the merged entities' outputs and activities align to these objectives.
- The objectives have a long-term/permanent nature: The structural changes required in integration tend to have high setup costs and, once in place, high costs to undo – so there is a significant level path dependency. Hence, integration is best undertaken when changes are expected to be permanent.
- Integration is more feasible when a small number of agencies are involved, and this should, ideally, be among agencies that already know each other – otherwise it will be more difficult to effectively integrate these functions into a coherent agency.
- There is an effective change management strategy: simply merging functions doesn't necessarily make them work together – barriers will remain until they are actively integrated through careful change management and effective leadership. So the work of integration only begins with the structural change, and the burden (and cost) is often underestimated.
- Integration will depend on the government system. For example, in some governments, it's very common to reform the machinery of government with each new government, however this may only result in integration "on paper" - not functional integration (see point above).

In cases where integration takes pieces of existing agencies to create an additional new agency, additional considerations include:

- The creation of a new agency likely has the highest set up costs of all the options above as it requires establishing all the necessary corporate functions and structures. However the long-run transaction costs are assumed to be low, once effectively integrated.
- Creating a new agency creates new borders to work across. Hence the new agency will still have to be involved in various cross-agency initiatives as described in the sections above. Integration may solve some cross-agency problems, while) creating new ones.
- Agency proliferation became a big challenge in the 1990s/2000s in many countries and much of the focus of working across agencies today is to make up for this fragmentation. Establishing new agencies should be done with great caution, and only with a set of sound principles and business cases (see first point above) that will limit such proliferation in the future. That said, merging two full agencies into one new one can help reduce some of this proliferation. (for more on this topic, please see (Johnsøn, Marcinkowski and Sześciło, 2021[7]))

System enablers

This section of the paper looks at a number of government system features that support the delivery of results across agencies. The following elements come up often in examples and case studies of cross-agency initiatives regardless of the specific model chosen. Their existence likely makes it easier to identify the right form of cross-agency initiative, undertake deeper collaboration exercises with greater ease and lower cost, and adjust from one form of cross-agency initiative to another as situations evolve.

Objectives

The first and possibly most important factor is goal clarity and focus. Identifying the right objectives and associated metrics for the initiative is paramount, with impacts at individual, organisational, system and

societal levels. At the individual level, goals create a sense of purpose and motivation. This is very important in a public sector organisation with high levels of public service motivation. At the organisational level, measurable objectives creates an important information feedback loop that helps organisations to adjust activities when needed. At the system level, measurable objectives create a level of accountability and can help decision makers understand whether resources are appropriately allocated. At a societal level, they enable the agencies to tell a story of change that can be communicated to citizens.

The most effective objectives are those that can be directly impacted by the activities of the agencies involved with a measurable change in a period of 6 months. Longer-term impact goals are valuable, but are made more operational when they can be broken down into specific objectives in the logic chain. For example, reducing gender-based violence, or improving mental health outcomes for youth are both ambitious longer-term impact goals that can be broken down into more immediate "intermediate" objectives that can be readily measured and are expected to contribute to the longer-term impact goal. For Gender Based Violence, specific objectives could relate to the capacity for law enforcement to identify and respond, and/or for awareness raising campaigns. For youth mental health, they could related to school performance, access to support and treatment, and/or improving research and dissemination of knowledge. Developing initiatives around these types of objectives make it easier to operationalise the various benefits described in the paragraph above.

People

Skills leadership and culture

A second fundamental system enabler refers to the workforce skills and culture. One specific finding is that cultures based on trust will work across agencies more effectively, and with fewer transaction costs. Trust is essential for the effective functioning of any system – trust in people and trust in the processes that make systems work. This is even more important when delivering results across agencies as the trust established in hierarchies (often process-based) has to shift toward trust in people and new processes.

Working across agencies requires a skill set that may not be well defined and prioritised in many public sector organisations. The OECD recognised working in networks as an essential skill set to a high-performing workforce, and identified the following associated competencies: "trust building, systems thinking, high-level interpersonal skills (coaching, mediation, negotiation, facilitation, diplomacy), building consensus and joint problem solving, brokerage and political entrepreneurship, risk analysis, project management, flexibility and adaptability, bridge-building, establishing and using feedback loops, communication skills, and creative problem solving" (OECD, 2017[8]). This is a key leadership challenge. Public service leaders must have the abilities to understand complex policy challenges, the value-added of different agencies and stakeholders, steer different stakeholders in a common direction, and be able to mobilise the different tools and resources at their disposal to achieve results.

Incentivising senior civil servants from different agencies to work more closely together has several challenges. Administrative hurdles (information sharing across different systems, staffing joint teams, sharing financial resources) were cited, in case studies, as common detriments to cross-agency work. Cross-agency work requires the know-how (i.e. how government works, methods of working for joint teams, networking, communications and multi-stakeholder management) that must be further developed in public services, including leadership levels. A third challenge is time; given that joined-up initiatives take more of leaders' efforts in time communications and building consensus amongst the different actors involved. Finally, the incentives for investing these additional efforts were often non-existent: while the impact can be greater in the long-term, senior leadership are nevertheless under intense pressure to demonstrate quick wins, and these can prove more difficult in cross-agency initiatives. There may be personal incentives to prefer "independent" work if senior civil servants are keen to receive direct recognition for their achievements.

Recognising these challenges, public services should invest in developing skillsets for inter-agency collaboration and, through such measures as including these in leadership competency frameworks, clarify these as expectations for senior leadership roles. Strong efforts should be made to remove administrative barriers to inter-agency work, as well as ensure rewards and shared recognition for joint-agency co-operation, even in the short-term.

Workforce mobility

Traditionally, the strict hierarchies and decentralised HRM policies in across government have often led to different job roles and pay scales across government, complicating mobility. Culturally, lateral moves have been as less desirable for career advancement within the public service. However, these trends are changing with the growing need for more horizontal co-operation and the growing demand for certain skillsets (digital, cybersecurity) in government, and as central HRM bodies promote mobility as opportunities for career advancement, particularly for those aspiring to senior leadership positions.

In order to facilitate collaboration and shared delivery across agencies, public services require greater flexibility to mobilise the right skillsets at the right times and in the right agencies or horizontal initiatives. Instead of building a pool of permanent employees, inter-agency collaboration would instead benefit from more flexible project-based recruitment. Recruitment for horizontal taskforces or teams may draw externally from temporary contractors or internally from within the public service. Depending on the specific context, each approach may have its advantages, however many public services are aiming to develop and retain in-demand skillsets in-house as part of a long-term strategy to upskill the public workforce. Too much mobility however can have adverse effects such as disruptions to work, and the loss of subject-matter expertise from organisations. Central HRM bodies are increasingly encouraging internal mobility through greater standardisation of job roles across government, piloting flexibility, and establishing guidelines to ensure mobility contributes to strategic objectives. For a more detailed analysis of mobility in the public services of OECD countries, please see the first chapter of (OECD, 2023[9]).

Box 31. Work force mobility to deliver results across agencies

United Kingdom and Australia: Standardising job families and pay scales across agencies

To improve horizontal collaboration, the **United Kingdom** groups the civil service according to defined specialisms who share the same skill sets. Specialisms divide into three broad categories, operational delivery, cross-departmental specialisms and departmental specialisms. In particular, the Cross-departmental specialism covers those functions that are conducive to effective cross-departmental collaboration and those needed across all departments, such as policy and project delivery. Each specialism has specific, government-set standards of practice, dedicated capacity development pathway and opportunities for specialists to network with each other. A particular focus is also placed on allowing specialists to develop coherent and attractive career paths that cross-departmental barriers and enable them to advance their careers while remaining specialists. In this way, cross-departmental networks can be strengthened and cross-departmental perspectives developed. This can contribute to better collaboration across departments ultimately improving the alignment of departmental decision-making with whole-of-government priorities. In addition, it provides governments with an understanding of the skills available and the distribution across departments. In this way, the deployment of staff can be optimised in case of newly arising cross-departmental challenges, such as the COVID-19 pandemic.

In 2011, the **Australian Public Service Commission** (ASPC) introduced its Job Family Model, which had its roots in the Australia New Zealand Standard Classification of Occupations (ANZSCO). By 2019, around 100 000 employees, about two thirds of the total APS workforce, were mapped onto the model. The Job Model Family includes roles distributed into 3 levels: by family, function and role. Twenty job

families exist, grouping of similar jobs such as Service Delivery, Administration, Human Resources and Science. Each job family is then comprised of job functions, the second tier of the model, and consist of jobs that require similar skills, capabilities, and training. Finally, job roles refer to the specific occupations within a job family. This standardisation across the ASP facilitates mobility as employees can be familiar with tasks and responsibilities of roles across agencies. By clarifying what constitutes a lateral vs. vertical move across agencies, incentives for mobility are greater for employees' career development.

Canada and Australia: Encouraging mobility with specific mobility schemes

One promising initiative to enable mobility among staff is **Canada's Free Agents programme**. Free agents are public employees who are hired by one host ministry and then lent out to others who require their specific skill sets to work on time-bound projects. Free agents are usually embedded into an existing team and work with them to support a project for a period of six months to a year. This model has been considered a success for both the free agents, who enjoy working on specific, temporary initiatives in different ministries, and to the teams that benefit from their support. It should be noted that the Free Agent programme is a staffing strategy to increase mobility within the current classification framework (OECD, forthcoming).

The **Australia Public Service (APS) Mobility Framework** is a deliverable of the APS Workforce Strategy 2025, where mobility is a key element of a future-fit APS enterprise operating model alongside other tools and processes such as workforce planning. Three types of strategic mobility are encouraged: i) mobility to address peaks in demand (such as during the COVID-19 crisis); ii) mobility to solve complex problems; and iii) mobility to develop employees. A number of mobility schemes that can contribute to each of the 3 goals, including: the APS Surge Reserve (volunteers willing to deploy for short periods of time as needed, such as during the COVID-19 crisis); and several secondment programmes. The Digital Profession mobility programme, called oneAPS Opportunities, for example, enables agencies to access digital professionals from across the Australian Government in a fast and flexible way to work on short-term mobility opportunities.

Financial flexibility and budget tools

A third set of enablers are linked to the budgeting and financial management systems. While in many cases, agencies use their own budget allocations to deliver results across the agencies, budget reforms can facilitate this. OECD countries are using modern budgetary tools to be able to track progress towards achieving governmental objectives and implementing crosscutting initiatives. These include wide budgetary reforms, where countries are implementing new legal frameworks around budgeting. Doing this usually requires a shift in culture across agencies and entails different ways of operating compared to the traditional siloed, closed-off budget process.

Implementing programme budgeting to align expenditure and objectives

Over the last decades, budgetary reforms in many countries resulted in countries moving away from detailed line-item budgeting, which involves detailed allocations to specific projects or agencies. When countries first implement programme budgeting, overlapping responsibilities of managers become more evident and often lead to changes within organisational structures of agencies, and the division of tasks between agencies. This can lead to clearer responsibilities for delivering programme results.

Shifting towards programme budgeting has also led to increased flexibility for managers in implementing the budget and is a distinctive feature of the modern budgetary systems. The ability to allocate funds within the voted envelope, increases the flexibility and agility to deliver on policy objectives and shifts the focus to the results to be achieved.

Using performance budgeting to tack progress towards achieving objectives

Consideration of performance in budgetary decision-making has moved the focus away from inputs ("how much funding does an agency get?") towards measurable results ("what can an agency achieve with the funding?"). Performance budgeting aligns expenditure with the strategic goals and priorities of the government, giving agencies a better overview of crosscutting objectives where more than one agency is responsible for delivery. As such, performance budgeting can lead to increased inter-agency collaboration and support delivery of common objectives.

Agencies are encouraged to keep a detailed breakdown of objectives and performance indicators for internal purposes and various monitoring mechanisms such as dashboards to track the progress towards achieving their objectives.

Encouraging cross-agency initiatives through budget planning process

OECD countries have used the budget process to identify policy intersections to facilitate co-ordination of resources across all parts of the government. This ability to co-ordinate is especially relevant for countries that focus on overarching issues such as well-being, gender, green, and digitalisation. An effective co-ordination on overarching topics can break down silos within finance ministries and across ministries. For example, in New Zealand, the development of the Wellbeing Budget has shifted the budget process towards a collaborative process where ministries and agencies are asked to come up with cross-agency and cross-portfolio initiatives during budget preparation process.

Increasing collaboration between agencies through spending reviews

Spending reviews can also assist in increasing collaboration between agencies, and can be a useful tool in mapping any overlaps in delivering on government priorities. Spending reviews commonly involve setting up committees where representatives from different agencies discuss possibilities for improved allocation of public resources. Countries have been expanding and scaling up spending review practices and this includes analysing expenditure that is the responsibility of more than one agency. Analysing spending across agencies leads to data sharing between agencies, as well as regular discussions and possibilities to facilitate increased inter-agency collaboration.

Implementing budget tagging to identify linkages across various policy streams

OECD governments are identifying ways to track their progress in delivering on crosscutting challenges, including gender equality or sustainable development. Efforts such as budget tagging show potential to facilitate accountability, as well as identify linkages across various policy streams and open opportunities for delivering results across agencies.

Budget tagging allows tracking and monitoring of specific expenditures and helps to map budget allocations in relation to crosscutting priorities. The information gained from tagging builds a useful evidence base that can help governments observe what is being spent on crosscutting priorities and how policies can be adjusted according to the priorities of the government. This provides various stakeholders with a better understanding of how budget allocations contribute to crosscutting priorities and what impacts the expenditure has. Budget tagging is also a useful tool in assessing any overlaps in spending between agencies, and can serve as an important tool in aligning expenditure and ensuring adequate collaboration between agencies.

Box 32. Some budget mechanisms that help delivery across agencies

Budget tagging

Budget tagging exercises have helped to bring transparency and accountability to the government's progress on cross-cutting objectives. This allows opportunities for external scrutiny and awareness across stakeholders on efforts made in many parts of the public administration.

- In **France**, the country has placed a specific focus on using the budget process to advance its commitments towards the country's climate change and environmental objectives. Most notably, it employed the use of 'green budget tagging' to systematically scan the budget and identify how programmes make an impact (either positive, neutral or negative) towards the country's six green objectives. Presented as an annex to the budget, the French 'Green Budget' report provides decision-makers with the opportunity to examine ministerial programmes in relation to their climate and environmental impacts as well as the impact of the budget as a whole. Most importantly, green budget tagging allows stakeholders to identify the impacts of ministries and programmes that are traditionally not associated with the environment or the climate (e.g. programmes for social housing). This provides increased accountability of all institutions against national commitments as well as potential opportunities to systematically consider trade-offs towards shared objectives.
- In the **United States**, the Office of Management and Budget (OMB) is piloting a federal programme inventory, where programmes contributing to certain high priority outcomes are tagged. The OMB developed a website (fpi.omb.gov) that provides a picture of all Federal programmes, and the performance of the Federal Government as well as individual agencies, to create a coherent and comprehensive inventory. This pilot programme focuses on 12 high-priority outcomes: Global Health, HIV/AIDS, Homelessness, Native American, Opioid Epidemic Response and Health Programs, STEM Education, Transport and Infrastructure, Workforce Development.

Identifying policy intersections

Identifying policy intersections through the budget allows governments to gain a full picture of expenditure and improving the knowledge base of decision-making. Experiences in Canada and Finland show that this has allowed the executive and legislative branches to make better policy decisions.

- In **Canada**, every new spending proposal has its interconnections to other programmes examined. The Treasury Board Secretariat looks at how different programmes relate to each other when reviewing spending proposals. Spending is monitored by theme, and this information is essential for government at the political level. Over 25 Horizontal Initiatives, large-scale programmes involving multiple agencies, are tracked and monitored on the same online platform. For example, the Major Projects Management Office Initiative, led by National Resource Canada in partnership with Transport Canada, Indigenous Services Canada and other agencies is on this tracker.
- In **Finland**, the Phenomenon-based budgeting reform is helping to improve the knowledge of civil servants across Line Ministries and the Ministry of Finance on three phenomena: Gender, Sustainable Development and Child-Oriented Policies. Specifically, ministries are required to include budget statements that outline how their respective programmes serve to advance each phenomenon. This global overview could be particularly important for stakeholders in the government and Parliament, to inform government progress on the country's priorities. The

exercise of identifying policy interactions have potential to improve co-operation. The Finnish Phenomenon-based budgeting reform, for example, has led Line Ministries to share information extensively. Working groups and networks have been mobilised: a network of civil servants in charge of the budget across Line Ministries was harnessed in the development of the child-oriented phenomenon. The exercise has been a co-ordinated effort in itself, as it has enabled different agencies to come together to develop a whole picture of policy on three key outcomes.

Conclusion

This paper has scoped the range of challenges and options open to government leaders who wish to work effectively across public agencies. The paper argues that the best design for cross-agency initiatives will be the lightest options possible to achieve the desired results within the specific operational context of the government in question. For this reason, the paper does not recommend a one-size-fits-all best-practice solution, but rather a framework that presents a range of options that can be tailored to the specific circumstances that the leaders face. The table below presents all of the elements from the sections above together.

Table 4. A framework for working effectively across public agencies

	Key questions	Light	Medium	Intensive	Integration
Mandate, Leadership, Governance	How formal is the mandate?	No formal mandate	Government statement	Legal mandate	Legal mandate
	How formal are the processes?	Informal agreement on information sharing	Agreed TORs	Legally specified	Fully specified in legislation (existing or new)
	Who is accountable?	Each agency accountable for own outputs/results	One assigned lead, e.g. head of lead agency or from a central agency	Joint accountability by group of ministers or agency heads	Organisational head
	How are decisions taken?	Independent decision making	Advisory bodies	Multi-level governance with cascading committee structure	Organisational governance structure
People	How is the working-level engaged in the initiative?	Informal information exchange	Working groups	Temporary task force	Dedicated permanent workforce
Funding	What is the model of funding for the initiative?	Each agency funds its own activity/outputs; pooled funds for joint work	Funding to one assigned lead agency, disbursed to others	Joint funding arrangements	Organisational budget allocation
Performance management	What are the objectives of the initiative?	Each agency has its own objectives, logic model.	One common outcome objectives for the initiative, each agency has own outputs	Integrated logic model specific to the initiative (input, process, output, outcome indicators)	Agency objectives, logic model.
	How is performance monitored?	Organisational/ corporate performance monitoring system	Frequent monitoring of the specific outcome indicator	Regular monitoring of full logic model, possible integration of administrative data	Organisational/ corporate performance monitoring system
	How is performance reported?	Organisational/ corporate	Public reporting (e.g. online dashboard) on the outcome indicator, trend analysis,	Separate detailed report to public at regular intervals	Organisational/ corporate performance

		performance reporting	narrative on activities	(e.g. via parliament)	reporting

In order to make best use of this framework, leaders could consider the following steps:

1. Get to know the context and the ambitions of the project:
   a. What kind of result is the initiative intended to achieve? what is the time profile of the results (e.g. urgent, quick, or long lasting)? How complex are the results?
   b. Which agencies need to participate in the initiative and which should participate? What is the nature of any preexisting relationships among these agencies?
   c. What opportunities and constraints does your system of government present for cross-agency initiatives?
2. Determine the lightest arrangements possible for each of the criteria in the model, to achieve the desired result. Each horizontal line may be suited to a different choice and should be considered independently – i.e. most initiatives will combine intensive options in some areas with lighter options in others. The only exception is integration.
3. Recognise that arrangements determined in #2 will shift over time, depending on the project phase and changing contexts. Review all areas regularly and be open to adjustments.

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Annex 1.A. Case studies

Annex Box 1.A.1. Case study development

The following case studies were developed throughout the second half of 2022, through a series of semi-structured interviews with key informants, supplemented by a combination of desk research and document review.

The interviews were designed to understand the initiative, and to explore the specific challenges associated with working across agencies.

Please note that developments from 2023 onwards are not captured in the case studies.

Austria – Adapting to climate change

Introduction

The 2022 Intergovernmental Panel on Climate Change (IPCC) report *'Climate change 2022: Impacts, Adaptation and Vulnerability"* shows that climate change is a serious and long-term threat affecting all countries across the globe. Climate change aggravates droughts, floods, extreme weather events and sea level rise. This may result in food shortages, infrastructure damage and the degradation of natural resources upon which livelihoods are based. Mitigating climate change as well as adapting to the unavoidable impacts of climate change is therefore critical. It is not just an environmental issue but also affects the economic and social dimensions of sustainable development.

Countries have established national policy processes aimed at addressing these complex issues. Inherently, these policies and strategies often have interconnected objectives and common themes which run across multiple government agencies, which creates a foundation for alignment and joint activities to provide common solutions to these challenges. It is crucial to assess synergies and trade-offs as part of a coherent planning and implementation process and identify concrete steps to advance and strengthen integrated climate strategies.

In 2012, Austria was among the first countries in the European Union (EU) to combine a strategic concept for adaptation to climate change with a comprehensive action plan. On the basis of a framework paper, the Strategy was built as part of a large participative process led by the Environment Agency Austria (*Umweltbundesamt Österreich)* which involved more than 100 institutions and citizen participation via an online survey. This was followed by the adoption of the Strategy by the Council of Ministers.

This strategy was fundamentally updated and further developed in 2016 on the basis of new scientific results, key findings from the 2015 progress report and political developments. All departments concerned, the federal states as well as science, interest groups, stakeholders and non-governmental organisations (NGOs) were involved in the work.

The *Strategy for Adaptation to Climate Change* is divided into a strategic part with basic information (context) and an action plan with concrete recommendations for action. As one of few strategies for adaptation to climate change, the Austrian Strategy includes a focus on the societal impact of climate change. Fourteen fields of activity are dealt with comprehensively. These are: agriculture, forestry, water

resources and water management, tourism, energy – focus on electricity, construction and housing, protection against natural hazards, disaster management, health, ecosystems and biodiversity, transport infrastructure including aspects of mobility, spatial planning, business/industry/ trade, cities – urban open and green spaces.

The updated version of the strategy was adopted by the Council of Ministers in August 2017 and acknowledged by the state governors' conference *(Landeshauptleutekonferenz)* on November 10, 2017. It is the comprehensive guide document for all activities in Austria to adapt to climate change.

Since then, the measures have been implemented. The second progress report was published in September 2021. As a result, the strategy is currently being updated a second time.

The following case study analyses the public management instruments supporting the cross-agency initiative to effectively develop and implement the *Austrian Strategy for Adaptation to Climate Change* across government. The following areas are analysed:

1. institutional arrangements and mandate as well as human resources
2. financial mechanisms
3. performance measurement frameworks

Institutional arrangements and mandate

The *Strategy for Adaptation to Climate Change* was first developed in 2012, revised fundamentally in 2017 and is currently updated based on progress achieved so far and taking into account latest research.

The development of the Strategy is led by the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (*Bundesministerium für Klimaschutz, Umwelt, Energie, Mobilität, Innovation und Technologie,* BMK), specifically the Department for General Climate Policy, supported by the Environment Agency Austria.

The process for developing the Strategy has been structured similarly each time. The BMK and the Environment Agency Austria develop a preliminary draft of the Strategy which forms the basis for further discussion. After a broad stakeholder analysis, fourteen working groups based on the fourteen fields of activity are formed which bring together expertise from the ministries, the Länder, NGOS, other institutions and scientists involved in each of those activity fields. The working groups discuss the draft and provide detailed position statements. The BMK and Environment Agency Austria revise the preliminary draft based on the results of the working groups, which is further discussed and eventually submitted for review. Once agreed, the strategy is put forward to the Council of Ministers for approval and the state governors' conference for acknowledgement.

Each phase of developing the Strategy is relying strongly on informal exchange and already existing contacts. The well-structured process as well as the rapport established in the various revision rounds of the strategy has helped to develop a trust-based relationship between the different actors. In 2012, the working groups were focussed on building awareness for climate adaptation relying on scientific evidence and broad participation from the civil society. In 2017 and 2022, the review of the revision was built on a smaller expert circle with more intense discussion in a shorter timeframe. This means co-ordination across ministries and between the BMK and the Länder strongly relies on the individual skills of involved people and their capacity to build meaningful, trust-based relationships across government.

While the first part of the Strategy sets out the context, the second part of the Strategy sets out an action plan which foresees recommendations for actions in each activity field which are broken down into concrete actions describing objective, significance, connections to other sectors and instruments, state of implementation, recommended further steps, possible resource requirement, possible potential conflicts, actors and time horizon. This structured approach helps to define responsibilities across the government as well as setting out interlinkages with related policy fields and instruments.

Conscious of the interconnected nature of climate adaptation and the need for co-ordination, one of the guiding principle for the strategy is to promote co-ordination, both in the formulation of the strategy as well as implementation of actions. It underlines that from the beginning, the objectives of the co-operation and the sphere of influence of the participants must be established and communicated. The strategy sets out guidelines to identify relevant actors, such as:

- Who is affected by the impacts of climate change or by possible adaptation decisions?
- Who is responsible for the implementation of possible adaptation measures?
- Who can support the success of adaptation measures?

Throughout the development and implementation process of the strategy, the leadership and dedication of the department of general climate policy has been key to sustaining the strategy. The ownership as well as high-level political support within ministries proved to be essential as well. For example, the Ministry of Health recently created the *Competence Centre for Health and Climate* which underlines the integration of these two policy fields and facilitates the co-ordination as part of the strategy by working towards mainstreaming climate change reflections across the Ministry of Health.

Finance mechanisms to support the implementation of the climate adaptation strategy

The *Strategy for Adaptation to Climate Change* does not have a separate budget envelope, but instead relies on individual agency appropriations. This means that each ministry depending on the action assigned to their responsibility is planning and allocating funds in their own annual budget towards implementing specific actions. These are subject to approval by the Ministry of Finance and Parliament.

The agreed actions are a strong sign of commitment by each actor which can create pressure to follow-up with concrete steps, especially coupled with the public progress report. However, while the Strategy has supported the generation of buy-in as well as structuring actions which would need financing, the financing does depend heavily on the engagement of the highest political level, both within the ministries as well as government and parliament overall. Human resources dedicated to the implementation of the strategy as well as steering in case of the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology are often limited. As such, follow-up on the Strategy often has to compete with other priorities given that there is no exclusively dedicated team responsible in the different ministries.

One interesting example is the Competence Centre for Health and Climate which has been built on the back of the strategy and demonstrates the high-level support for integrating climate and health further. The Competence Centre counts with its own appropriations and together with the Federal Ministry of Social Affairs, Health Care and Consumer Protection has been undertaking efforts to finance specific projects regarding the interlinkage of health and climate adaptation and to support the implementation of the Strategy in subordinate bodies as well as collecting further evidence and improving co-ordination with the BMK.

Performance mechanisms to track the implementation of the climate adaptation strategy

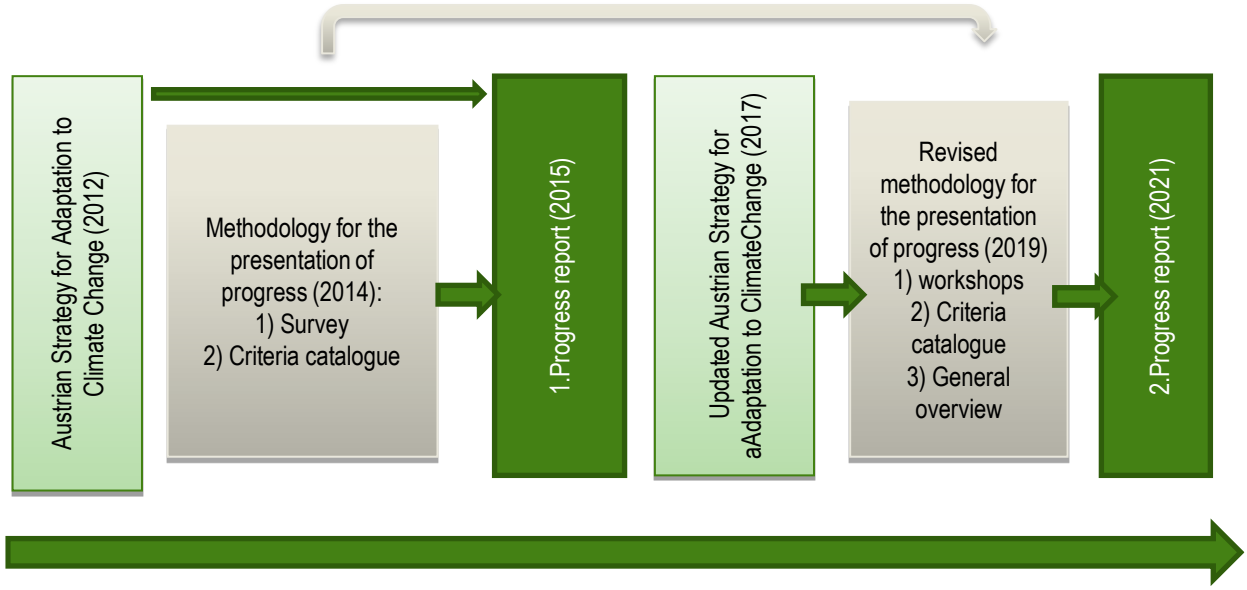
Incentives for co-ordination across ministries can be built through strong accountability processes, for example, annual reporting and audit, individual ministerial responsibility, as well as recognition (primarily for chief executives). Agreeing to performance measures, and providing joint advice serve to build commitment and focus among participating agencies.

The *Austrian Strategy for Adaptation to Climate Change* foresees a progress reports every five years presenting the implementation status in the fields of activity (Annex Figure 1.A.1). The reporting cycle for the progress report and the development/update of Strategy are staggered which means coupled with reports and assessments by the ministers and subnational governments, which often have their own

strategy in alignment with the national Strategy provide a good overview of progress on actions in each area.

In order to monitor the status of implementation in a structured manner, a concept for progress report has been developed. For the first progress report in 2015, this consisted of two components: a questionnaire and a catalogue of indicators.

Annex Figure 1.A.1. Process for the presentation of progress in adaptation to climate change in Austria



Source: Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology, *Anpassung an den Klimawandel in Österreich- Weiterentwickeltes Konzept für die Fortschrittsdarstellung*.

The written questionnaire was used to record the status quo of climate change adaptation in the respective fields of activity. Experts from the federal government and states, interest groups and other institutions active in implementation had the opportunity to assess the extent to which, in their view, the concrete recommendations for action and the recommended further steps from the action plan had already been implemented in the fourteen fields of activity of the strategy.

As part of the indicator catalogue, three to five central criteria (key criteria) were defined for each field of activity in order to be able to make statements about significant developments and trends. The focus was placed on criteria and data that are already collected and could be used as progress indicators (i.e. allow a statement on the progress in climate adaptation). In those areas where knowledge about the impact of climate change is limited, the first step was to observe the climate change-related trends in these areas (impact criteria).

The combination of these two elements provided an overall snapshot of the development and trend of adaptation in the respective fields of activity of the strategy. The results from the first report were used as a basis for updating the Strategy for Adaptation to Climate Change. Indeed, each activity area first outlines the key messages from the progress report.

Based on the experience gained in preparing the first progress report and on new findings from monitoring and evaluation processes at European and international level, the concept for progress report was further developed. The adapted concept for the second progress report (2021) foresees workshops, a catalogue

of indicators as well as a comprehensive overview of progress. It also includes good practices for climate adaption in each area.

Ten thematic workshops (in place of the questionnaire used previously) were held with stakeholders from government as well as non-governmental actors. The thematic workshops focussed on the progress of adaptation in the respective field of activity and the extent to which the goals of the individual recommendations for action have been achieved.

The catalogue of indicators basically remains the same as used for the first progress report, with additional indicators being adapted for those areas which have been added in the revision of the Strategy in 2015. Overall, 47 indicators were developed with some indicators pertaining to more than one field of activity. The indicators as well as the thematic workshops result in a comprehensive overview of the progress achieved.

The *Strategy for Adaptation to Climate Change* sets out a well-structured framework for reporting on progress of implementing the strategy. Both progress reports were adopted in the Council of Ministers and confirmed by the state governors' conference which support the high-level political commitment to the strategy. The progress reports serve to update the Strategy which means concrete actions can be taken as a result of the progress reported.

Nevertheless, the reporting is based on voluntary participation by the ministries and the Länder with the pressure for progress resulting mainly from public reporting. In addition, given the co-ordinated manner of each field of activity, actors responsible for implementing the actions are forced to rely on each other, without having the power to influence each other’s actions. While this can incentivise co-ordination, it also requires leadership from actors to co-ordinate actions successfully.

Conclusion

The interministerial co-operation undertaken to develop as well as to implement the *Strategy for Adaptation to Climate Change* has contributed to advance the climate change agenda. By involving stakeholders from across the government early in the strategy design phase, it has facilitated the implementation as well as co-ordination of actions agreed in the Strategy. It has helped to raise awareness within the ministries and at subnational level of the cross-cutting nature of climate change adaptation and to designate contact points responsible for following up. Furthermore, the regular progress reports have contributed to establish accountability for actions. Lastly, the informal processes for co-ordination have contributed to flexibility and less rigidity of processes which may at time increase obstructive attitudes.

At the same time, some enabling factors could be further strengthened to improve co-ordination. The level of co-ordination depends on the political leadership in ministries. In cases where this is strongly invested in climate change, ministries have made efforts to dedicate specific efforts to mainstream climate change adaptation across their areas of responsibility allowing for more forward-looking planning, such as the Competence Centre for Health and Climate. However, in other instances the dependence on political leadership impacts long-term planning in this area as processes are not well anchored in the organisational responsibilities and rather depend on individual contributions. In addition, there are no dedicated cross-cutting financing mechanisms for the Strategy in place which further exacerbates the dependence on leadership.

Canada – Gender-Based Violence Strategy

Background

The strategy

The Canadian federal strategy against gender-based violence (GBV) – officially called It's Time: Canada's Strategy to Prevent and Address Gender-Based Violence – is a large and expanding horizontal initiative that involves several federal departments and agencies. It is a "whole-of-government approach to ending GBV" with goals that include:

- Reduce GBV
- Improve health, social and justice outcomes for individuals who have experienced GBV
- Change the social norms, attitudes and behaviours that contribute to GBV
- Increase support in the health, social services and justice systems for individuals who have experienced GBV
- Support policies, programmes and initiatives that are evidence-based and reflect the unique experiences and needs of diverse groups

Officially launched in 2017, the strategy has received approximately CAD 800 million in federal funding over nine years, with CAD 44 million ongoing.

The GBV strategy falls under the leadership of Women and Gender Equality Canada (WAGE), a department which itself has seen tremendous expansion and growth in recent years, since its recent transition from a relatively small federal organisation to a full-fledged federal department with more than 400 employees.

While WAGE is the lead on the Strategy, it also delivers key initiatives under the strategy in close collaboration with other federal partners. In particular there are six other federal departments and agencies, known as "funded partners", that receive funding for specific initiatives:

- Public Health Agency of Canada (PHAC)
- Public Safety Canada (PS)
- Department of National Defence (DND)
- [Canada's national police force] Royal Canadian Mounted Police (RCMP)
- Immigration, Refugees and Citizenship Canada (IRCC)
- Department of Justice Canada (added as a funded partner to the strategy in 2021) (JUS)

The collective outcomes of the strategy rely on collaborative and co-ordinated functioning through a wide breadth of initiatives spread across funded departments and flowing through to multiple levels of organisational implementation. In addition to funding for front-line and non-governmental organisations, funding under the strategy also supports internal programmes and initiatives, such as specialised training for RCMP officers (Canada's federal police force), enhancing family crisis teams in the Department of Defence, or the development of awareness campaigns.

As a part of the strategy, WAGE houses the GBV Knowledge Centre – a hub for several essential yet intangible elements of the strategy including information and research, governance and co-ordination, reporting and evaluation, and knowledge mobilisation processes. The knowledge centre functions as a focal point for GBV-related information, as well as a point of collective expertise dedicated to the issue.

The strategy has three pillars, with the following selected examples of initiatives under each:

1. Preventing gender-based violence
    - National Youth Awareness Strategy on Gender-Based Violence (WAGE)

- Awareness of online child sexual exploitation (PS)
- Developing and testing innovative practices in youth/teen dating violence prevention (PHAC)

2. Supporting survivors and their families
   - GBV Program: Identify, pilot and adapt interventions to address gaps in supports for Indigenous and underserved groups of survivors in Canada (WAGE)
   - Support for the Canadian Centre for Child Protection (PS)
   - Enhance Family Crisis Teams (DND)
3. Promoting responsive legal and justice systems
   - Cultural Competency Training for RCMP employees (RCMP)
   - Enhance capacity to combat online child sexual exploitation and transnational child sex offenders (RCMP)
   - Support for the Sexual Assault Review Team and Victim Support Action Plan (RCMP)

Growth, flexibility and programme definition

Canada's GBV strategy has been evolving and expanding since its inception, with the scope and ambitions of the strategy continuing to grow and adapt to new and emerging issues. This ambitions growth reflects a dedication of the federal government to meaningfully address this highly complex issue that impacts some of the most vulnerable members of the population. Addressing this issue requires a multi-sectoral and intersectional approach.

The growth of the strategy is a defining feature of its current structure and functioning. Relationships must be established, and often re-established, as new people come into the strategic fold. Collaboration and open communication and sharing become essential. Data collection, infrastructure and analysis must reflect the realities of programmes that exist in flux, and reporting elements have to keep pace with outcomes that are continually unfolding. Budgets and funding allocation must also adjust for growth and changes in initiatives.

Meanwhile, the strategy – for much of its existence – also had to be able to flex and respond to the unexpected COVID-19 crisis. The crisis meant the rapid introduction of new or different programmes, shifts in finances, new policy problems to understand and tackle, and new or added pressures on personnel resources. The growth experienced by the strategy have highlighted a very important underlying tension: the need to balance flexibility with control.

People

Collaboration and co-ordination are at the core of the implementation of Canada's GBV Strategy across agencies. WAGE leads the strategy with formally-defined authority and related co-ordination efforts; however, much of the day-to-day co-ordination and collaboration is informal. The Minister of WAGE and Youth holds ultimate responsibility for the Strategy, with the Deputy Minister playing a significant role in oversight and implementation. Beyond this, the strategy is guided by various levels of formal committees, which round out the decision-making structure, while other levels of working groups also exist to ensure the implementation of the strategy. Committees, each of which have formal Terms of Reference created under the Strategy's governance structure are:

- **Assistant Deputy Minister (ADM) Oversight Committee**: is composed of members from all 23 federal departments and agencies that advance the Strategy. Its mandate includes monitoring progress, ensuring responsiveness to emerging issues, identifying and enabling collaboration and complementarity with related initiatives. At the inception and launch of the Strategy, this ADM Oversight Committee met often, it does not currently convene regularly.

- **Director General (DG) Steering Committee:** supports the work of the ADM Oversight Committee and meets quarterly. It is responsible for matters of monitoring and assessing risks to the Strategy, directing ongoing action as appropriate, recommending Deputy Minister approval of the monitoring and accountability framework, and advising on evaluation results.
- **Working-level Interdepartmental Coordinating Committee:** supports the work of both higher-level committees. The ICC also meets on a quarterly basis. Its focus is on information sharing, ongoing action, and co-ordination on issues related to the Strategy. Additionally, there are further informal working groups that function as information-sharing and collaborative hubs of the strategy, but which are not formally constructed or mandated in this committee's Terms of Reference. These working groups are often fluid, numerous, and collaborate across areas of expertise, sometimes in a scheduled way and sometimes on an ad-hoc basis or as required. In practice, much of the tangible progress and new proposals to advance the Strategy are often developed at this level and need to get approval from the other two Committees.

Despite this thorough structure, working across agencies is not always easy. The growth of the programme and of WAGE in general has required substantial hiring. Adding to this, WAGE reportedly experienced some challenges with turnover, due to factors including the COVID-19 pandemic and intergovernmental mobility. This led to some instability, which provided an additional burden for those working on the strategy.

Other challenges included the often very different ways of working across agencies. Organisational cultures can be diverse, with different priorities, communication styles, formal and informal processes, and technological systems (e.g. data infrastructure). This can mean different management styles and processes, which can determine communication patterns or hierarchies of decision-making. In order to share information and work collaboratively, two (or more) of these types of styles must come together, usually through the collaboration of individual staff members.

Across the whole of the strategy, it is commonly "face to face diplomacy" through one-on-one relationships that gets things done. From sharing data for reporting across agencies – via overcoming obstacles in its collection or formulation – to understanding the needs of communities – via close collaboration with external groups – the work of individual people is the deciding factor in delivering results. This is especially the case given the often-ambiguous nature of such a rapidly expanding new strategy; in instances that a best practice or rule hasn't been firmly established, the initiative, collaboration and judgement of skilled and motivated staff – rather than protocol or process – is what leads to the delivery of outcomes. Flexibility is important in this area as well, on an individual level; compromises on ways of doing things are often necessary to facilitate people working together. The depth of skills of those working on the GBV strategy, and values-driven approach to initiatives such as this in Canada's public service, exemplifies the notion that delivering results is often down to the effort, resilience, resourcefulness and determination of individuals, and cannot be mandated or legislated.

Financial

Financial resources are budgeted for the Strategy, and planned for expenditure, through a series of steps. The overarching federal budget announces and allocates a higher-level description of funding. Broadly, this is the stage at which departments or agencies find out how much is being allocated to them. Following this, the departments who received funding detail their implementation plans for the funding through a Treasury Board Submission. While usually these submissions come from individual departments, for aspects of multi-departmental initiatives such as the GBV Strategy, multiple departments can work together to present a whole-of-initiative overview. These submissions are subsequently tabled to the Treasury Board of Canada (the Treasury), who then ultimately approves – pending parliamentary approval – the implementation plans for the initiatives and overall strategy.

The budget for the strategy has increased substantially over the course of the entire initiative to date, and tracking and classifying spending becomes a significant undertaking. What "counts" as a GBV initiative, as opposed to belonging to another area or programme, is sometimes not clear or up for debate. Certain initiatives receive funding from the GBV strategy as well as another area, or could be seen as impacting GBV while being funded through another source. Further, the Canadian government has many simultaneous horizontal initiatives underway at any one time, many of which have cross-cutting or aligned goals, meaning that clean "black and white" ways to tag and organise individual programmes are not always possible, or even optimal. Because of this, drawing lines around the strategy – often for reporting or disclosure purposes – can be challenging.

As an example of this, Public Safety is running extensive programming under a strategy to tackle human trafficking. Parts of this strategy have obvious overlaps with the GBV strategy, and indeed some programmes may see funding from each. The RCMP also runs trainings for its officers on unconscious gender bias, which is directly funded as part of the GBV strategy, though the knowledge and experienced gained in this training also helps officers better recognise and respond to trafficking situations. The overlaps in benefits between these two strategies are obvious and for the most part immensely positive, but how to classify them, and report on their outcomes, can be a challenge on paper. Necessarily stringent financial reporting and transparency standards require somewhat firm lines drawn around spending classifications, however the nature of these is abundantly more cross-cutting.

This creates conceptual tensions, particularly at WAGE who is leading the strategy, between having some control over the strategy and its various programmes and allowing for flexibility, which ultimately allow the programme to be its most effective, though then more difficult to clearly define. Nevertheless, financial allocation and reporting processes exist and adhering to them does not decrease in importance in the face of results delivery and excellent outcomes, creating a classification hurdle that must be overcome in the GBV strategy execution.

The nature of the strategy – in that it encompasses funding that is then distributed to various entities – also means that financial reporting relies on information from numerous sources. Further, some funding for the strategy is distributed directly to partner departments or ministries, while some cascades through WAGE to then be distributed to external organisations (e.g. academic partners, community groups). Federal partners can write their own funding proposals to receive funding for initiatives under the strategy, which ideally will be co-ordinated with strategy leadership in WAGE to ensure synergies and eliminate overlap. Departments that receive strategy funding must collaborate with WAGE – even if not for the initiative specifically – for matters of transparency and financial reporting. WAGE itself works more directly with external organisations, including having more insight or control over financial outflows.

Data and Measurement

Measuring and monitoring the strategy is an essential aspect of ensuring and reporting on its results. For the GBV Strategy, yearly reports provide an overview of the Strategy's main efforts in the year, and summarise various initiatives and elaborate on plans (Government of Canada, 2019[5]). These reports are often more qualitative in nature, are published to the public, and do not contain raw data. However, data, when available, are also publicly available on a government website, which transparently displays outcomes and indicators (Government of Canada, n.d.[6]).

Beyond these two means, all funded partners, including WAGE, are accountable to deliver specific initiatives for which they receive funding under the Strategy, which are in step with the Program Alignment Architecture for each. The Strategy's funded partners are responsible for ensuring that their own outcomes contribute to the overall Strategy's broader results.[5] They also must report to the Treasury and Parliament on the indicators outlined in their Treasury Board Submissions.

Further, there are planned reporting protocols at different stages in the multi-year Strategy. WAGE is leading a mid-term horizontal evaluation – intended to be for year four of the Strategy, which is the fiscal year 2020-2021 – that will take the Strategy's outcomes into account, across all funded partners. There is also an additional planned horizontal evaluation in year seven – fiscal year 2023-2024. These evaluations will examine the performance of the horizontal initiative aspect of the Strategy, such as progress made toward intended short-term outcomes of each of the funded partners, as well the level of co-ordination and collaboration amongst them.

Evidence collection and analysis essential, it is not simple, and requires expertise, planning and frameworks, a broad understanding of data concepts, infrastructure, time and a variety of resources (e.g. a budget for software, the time of employees). As with many modern initiatives that implement evidence-based programming, the GBV strategy faces challenges in this area that can impact results delivery. Overcoming these could help the strategy gain insights to be able to deliver enhanced results, though many of the issues are being tackled or overcome by the workforce of the strategy.

One area in which the GBV strategy faces these challenges is in information sharing. Data and evidence, which often is the source of indicators required in planning and reporting, must be collected by various sources and then shared interdepartmentally. This process can be complicated by differing collection standards and techniques, workload and resources issues, and different internal priorities.

Another challenge is a lack of human ability. Data must be collected, analysed and presented by people that understand it. This can mean knowing best practices for collection and the reasons for them, perhaps some understanding of statistical concepts used in analysis and interpretation, why some indicators give better information than others, how to use the required software and databases, and how to present a case for using data in evidence-informed decisions. A general digital and data-based upskilling of the workforce aides in this, but there is also a need for dedicated roles held by data experts that can analyse data, guide its collection, and advise on the procurement of fit-for-purpose infrastructure systems.

The complexity of the problem being tackled and its longer-term time frame for outcomes also contributes to the measurement challenges. Success in the GBV strategy broadly requires shifting attitudes and behaviours, alongside changes in systems and structures, potentially legislation or laws, and the creation or reinforcement of resources and infrastructure. All of these take time, making it sometimes difficult to show results in the sort of timeframes expected by reporting and budget windows.

Finally, the strategy does not exist in vacuum and this is a challenge in proving its impact. Even if key indicators show improvement (e.g. domestic violence rates, arrest or conviction numbers, trafficking instances, hospital admissions) there isn't often a clear way of showing a direct causal impact to elements of the strategy. Improvements in gender issues may be due to general societal perspective shifts, economic factors, the "#MeToo" movement happening concurrently, and so on. Isolating the causal results of the strategy for reporting purposes can be an impossible challenge, and therefore one that must be accepted and built into reporting and measurement expectations.

Norway – Escalation Plan for Youth Mental Health

Introduction: Norway's integrated and early intervention approach to youth mental health

"The more complex the problem, the greater the necessity for government agencies to collaborate to solve it."

- Case study interviewee

Preventing and treating mental health[6] issues and disorders is an incredibly complex policy challenge. Mental health problems can be caused and influenced by a series of interrelated health, social, environmental and- in the modern age- even technological factors. To be effective, research has shown that policy coherence and integrated service provision deliver significantly better and faster outcomes (OECD, 2018[10]). As such, co-ordination and co-operation amongst government entities responsible for youth and other at-risk populations is essential to designing and implementing effective mental health policies and services.

The present case study leverages the experience of Norway's Escalation Plan for Youth Mental Health as a good practice in cross-ministerial co-ordination and co-operation. The case provides interesting insights to better understand how more coherent and joined-up government action can take place in practice. Specifically, it examines the types of public management practices that enable and support the ability of government institutions to better research, prioritise, plan and deliver results together, including: the institutional arrangements chosen for co-ordination and the alignment of sectoral policies and objectives; the assignment, sharing and pooling of human and financial resources; and the performance management practices established to monitor and evaluate progress and results.

Mental health issues often begin in childhood or adolescence, with early intervention being key to effective treatment and the prevention of more serious disorders. Indeed, the median age of onset for a mental illness in the OECD is only 14 years of age (OECD, 2012[11]). Norway has been one of the first OECD Member Countries to recognise the interconnected nature of mental health challenges, as well as the importance of early intervention, and adapted its government response accordingly. In 2017, the Government issued a first major holistic approach to mental health with the strategy "*Master all life- the Government's strategy for good mental health (2017-2022)*". It was accompanied by a strategy that specifically targeted youth- persons up to 20 years of age- named the *Escalation Plan for Youth Mental Health 2019-2024*[7]*. The Plan is* led by the Ministry of Health in consortium with several other relevant ministries. The main objectives of the strategy include:

- Promoting the mental health of children and adolescents, quality of life and experience of coping
- Early intervention
- Children and young people's need for support and treatment
- Generating research, knowledge and competence in mental health

It is important to note that- relative to EU and other OECD member states- the majority of Norwegian children and adolescents enjoy good mental health. However, it is a concerning trend that youth are increasingly diagnosed with mental disorders, and report negative stress, body pressure and loneliness. It is uncertain how much of this trend can be attributed to a real increase in mental health problems, or whether it can be credited to greater openness and less stigma associated with mental health problems in society. However, in 2017, 60% of the country's municipalities reported that mental health problems among children and adolescents was their biggest challenge in public health and entry into the labour market. Unfortunately, the most recent data indicate that the COVID pandemic may have aggravated this trend. It was recognised that reversing this trend required more urgent and concerted action from across the government.

A second impetus for inter-ministerial collaboration also stemmed from the mounting evidence and recognition in the Norwegian government that mental health problems are not only a medical concern, but can also have adverse "spill-over effects" into other aspects of society, being linked with unemployment, withdrawing from school and vocational activities, and criminality. For example, it is estimated that up to 9 of 10 persons imprisoned in Norway are afflicted with a mental health issue. Working together would not only help to improve mental health in youth, but also to curb other negative impacts on society.

The following case study uses mental health policy for youth in Norway as the basis for understanding the public management instruments that can support delivering better policy and service results across agencies. Government stakeholders from the Ministries of Health and Care Services, Education, Labour and Social Affairs, and Justice and Public Security were interviewed to identify good practices and challenges. The following factors were identified:

- institutional arrangements and mandate
- financial mechanisms
- availability of HR and skills and capacities for co-ordination and co-operation
- evidence-base for joined up work

Mandate and Institutional arrangements

"Inter-directorate co-ordination is just as important as inter-ministry co-ordination. We have to co-ordinate better even within our Ministry and look beyond our specific areas to make things happen."

"Co-ordination can happen fairly easily around strategy and policy design, but can be much more challenging in implementation."

- Case study interviewees

The Escalation Plan was developed by an inter-governmental working group comprised of the Ministries of Health and Care Services, Children and Family Affairs, Education, Labour and Social Affairs, Justice and Public Security, Culture, Local Government and Modernisation and of Agriculture and Food. Though the impetus for the Plan originated with the Ministry of Health, representatives from each ministry were voluntarily and very strongly engaged, each fully recognising the importance of improving youth mental health both as a valid end, as well as a means for achieving positive effects in their own policy sectors. While the strong leadership from the Ministry of Health was a key success factor, the genuine buy-in from the implicated Ministries at the outset equally proved essential to the sustainability of collaborations over the longer term. Representation in the group was usually at the level of Advisors and Senior Advisors within the Ministries.

Individual working group representatives were responsible for communicating the Plan internally within their respective ministries, aligning sectoral policies, as well as for internal co-ordination in implementation. To provide an example, in the Ministry of Education, the Plan's objectives needed to be mainstreamed across the different Directorates- ranging from curriculum development, to training for teachers, to the frameworks and indicators for the evaluation of educational outcomes, etc. This could prove a substantial challenge for working group members given the broad scope of areas within their ministries that could be implicated by the Plan.

Co-operation around youth mental health was also reinforced with the creation of the Government's four "Core groups", one of which was named the *Core Group for Vulnerable Children and Youth*. This Core Group touched on all issues related to youth, including mental health, but also crime prevention, substance use and radicalisation. It included more senior-level representatives at Director-General or Secretary General level.

The creation of the Core Group brought with it many advantages for co-operation, including greater Ministerial attention and support which facilitated the mainstreaming of Escalation Plan objectives within ministries. However, increased political attention and visibility also entailed some policy changes to the Plan that threatened the continuity of previous initiatives- and therefore potential impact. This required additional work from the Core Group to identify synergies between new and existing initiatives and ensure they were responsive to new demands while minimising disruptions as much as possible. Relative to previous working arrangements, the Core Group also faced an increased reporting burden to Ministers and Parliamentarians which was welcomed, but also unfortunately was not accompanied by additional institutional resources to support these growing demands.

Finally, another institutional reinforcement for inter-ministerial co-operation was the inclusion of the Ministry of Local Government and Modernisation was a member of the newly minted Core Group, representing in principle the viewpoints and constraints of municipalities in implementing the Plan, the 350+ local governments of Norway were logically not included in the Core Group. Given the importance of local services for policy implementation and service delivery in health, education, social services, etc., and the variety of contexts at local level with regard to the prevalence of youth mental health issues, their exclusion from the group added another layer of complexity to effective implementation.

Financing mechanisms

"Working together means we can pool and get the most out of our financial resources, sometimes for actions that are difficult to get funding for."

"There can be insufficient funds transferred to local governments for implementation and, at times, the budget flexibility is not there."

"If resources are scarce, you are often asked to focus on your fundamental mission as a ministry/Directorate."

- Case study interviewees

Interviewees reported that, on the whole, the Escalation Plan and various inter-agency working arrangements allowed them to better align budgetary resources for greater impact. By tackling different aspects related to youth mental health, they could hope to achieve better results overall. It also allowed them to pool limited resources and allocate them to under-funded areas. For example, imprisoned youth could have greater access to mental health services while in prison.

However, a certain element of budget uncertainty originally surrounded the Escalation Plan. Indeed, the Escalation Plan did not have a separate budget envelope, but rather relied on each ministry estimating, planning for and allocating funds in their own annual budgets. These were in turn subject to the agreement to the Ministry of Finance- and later Parliament- in budget negotiations and approval. Furthermore, while the Escalation Plan enjoyed general support and buy-in, there was always healthy competition from other policy priorities. In times of resource scarcity, there could be the temptation for ministerial Directorates to prioritise initiatives considered more traditionally within their scope of influence, and to which they were directly accountable for. Demonstrating accountability for results to the Ministry of Finance, Parliament, and other external actors could arguably be easier by staying within the traditional policy sphere of their organisation.

With the creation of the *Core Group for Vulnerable Children and Youth,* some ministries reported easier decisions and approvals around budget items related to the Plan. The Plan remained without its own budget envelope however.

The lack of a single budget envelope, and the multi-level governance dimension of service delivery in Norway, also had a significant influence on implementation. Indeed, while a portion of the allocated funding remained within each Ministry, some amounts would be transferred to local municipalities for

implementation or to be reflected in existing local services. From the point of view a municipality therefore, implementing Plan actions might require seeking funds from several ministries simultaneously. To add complexity, each ministry might use a different financial instrument (earmarked vs. non-earmarked grants or transfers) further limiting the flexibility of resources at local level. Municipalities- schools, police, social services- often reported a lack of funds to meet objectives.

Skills and capacities for co-ordination

"The formal structures are needed (…for co-ordination), but without the informal discussions it wouldn't happen. We need people who can work with others."

"We are not staffed in a way that allows that everyone work full-time on a strategy or plan with different ministries. Co-ordination can take a lot of time and can be considered extra work."

"We recruit people who can co-operate. This is a competency we look for. It's crucial."

- Case study interviewees

While the institutional arrangements and mandate of the working group/Core Group were essential to the success of the Escalation Plan, the role of more informal relationships and personal contact amongst policy experts cannot be underestimated. A shared commitment to the importance of the strategy and the need for greater co-operation ensured the continuity of the Plan despite changing government programmes. Interviewees noted that, as examples like the Escalation Plan increase in government, the "culture of collaboration" has increased notably in recent years, and this was viewed as a very positive development.

Interviewees also stressed the importance of having sufficient dedicated personnel to facilitate inter-ministerial (and intra-ministerial) co-operation. While the net benefits were viewed as valuable and worthwhile, there was also recognition of the amount of time it demanded for reviewing documentation, meetings, information sharing, communications, monitoring, etc. The culture of co-operation was reported as strong in the government, however the time and resource implications are not sufficiently acknowledged.

A second consideration raised was the types of skills and capacities required for this kind of work. Open-mindedness, strong communication skills, capacities for innovation, good knowledge of government procedures and operations, analytical and problem-solving capabilities, and increasingly data literacy are skills that enable better co-ordination across agencies. In general, these were viewed to be high in the Norwegian administration, and were noted to be explicitly part of recruitment and promotion criteria. It was noted that greater mobility of staff not just within, but between ministries, as well as levels of government, might help to increase the propensity for inter-agency co-ordination in the future.

Performance management

"The Ministry of Finance is strict but fair. If you have the evidence that something works, you can usually get the funding."

"There is a huge evidence-gap on the impacts of joined-up policies and services. We need more evidence on the benefits of co-operation".

"It can be very difficult to argue for preventive social and psychological interventions. Very good evaluations are needed and can be rare."

- Case study interviewees

An annual report was produced by the working group to monitor and assess the Plan's progress and impact. Representatives from each ministry were responsible for collecting and providing the necessary evidence for the report. While resource-intensive, it helped provide justification to the Ministry of Finance

for the approval of ongoing funding, as well as ensure accountability amongst stakeholders for implementation. However, important challenges were also noted- namely the methodological difficulties in measuring the impact of policy interventions on mental health outcomes. Psychological and social interventions are particularly difficult to assess given measurement challenges, the inter-related factors, and the difficulties to demonstrate causality. Preventative measures are also notoriously challenging to assess, given that impacts are delayed and exogenous factors play a role. A second methodological challenge was to demonstrate the added value of policy coherence and co-operation. Changes in policy, the multi-level aspects, etc. make it challenging to demonstrate the value of pooled resources and aligned strategies. It was noted that better skills and capabilities for such evaluations would help to consolidate the business case for further action and co-operation.

Conclusions and lessons learned

The Norwegian case study demonstrates that inter-ministerial co-operation and co-ordination on improving Youth Mental Health in Norway contributes positively to policy outcomes while increasing the value for money for tax-payers. Ministers and senior-level public officials should continue to promote and pursue inter-ministerial co-ordination- particularly for highly complex policy goals- and support a “culture of cooperation” generally in government.

However, there are transaction costs incurred that should be reduced to the extent possible with greater resource flexibility, increased mobility of human resources, improved methods and resources for monitoring and evaluation, stronger skills and capacities for co-ordination and evaluation, and greater attention to multi-level governance challenges in order to ensure local levels have the capabilities to deliver on strategic goals. Public sector reforms should seek out to minimise these costs. Furthermore, taking an evidence-based, systems-approach to policy design and implementation would allow for better decision-making around where to prioritise and allocate resources, as well as how to more effectively and efficiently organise government institutions around policy goals.

Notes

[1] Agencies in the context of this paper includes any organisation – it could be a policy ministry, a delivery agency, or a subnational government/municipality.

[2] Cross-agency initiatives in the context of this paper refer to any project or activity that requires agencies to work together to achieve results. It can include any variation of cooperation, coordination or collaboration further discussed in the following sections.

[3] See, for example, New Zealand's framework: https://www.publicservice.govt.nz/guidance/guidance-system-design-toolkit/

[4] Machinery of Government refers to the structural configuration of public service organisations – e.g. how many ministries and agencies exist, and their roles and functions.

[5] The results framework for the strategy can be found in the horizontal initiatives section of Departmental Results Reports, at https://women-gender-equality.canada.ca/en/transparency/departmental-results-reports.html.

[6] The OECD adopts the World Health Organization's widely accepted definition of mental health, referring to a state of well-being in which the individual realises his or her abilities, can cope with the normal stresses of life, can work productively and fruitfully, and is able to contribute to his or her community.

[7] https://www.regjeringen.no/contentassets/1ea3287725fa4a2395287332af50a0ab/no/pdfs/prp20182019 0121000dddpdfs.pdf

Gender budgeting and intersectionality

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The economic and fiscal costs of gender inequalities, such as the gender employment gap, are high. Intersectional analysis improves understanding of gender gaps and the measures needed to address them. This paper looks at how gender budgeting can be expanded to include intersectional analysis, allowing for consideration of how gender inequalities intersect with inequalities based on race, socioeconomic class, sexual orientation and disability. It provides examples from governments that have started to incorporate an intersectional approach to gender budgeting. It also highlights the main benefits and challenges associated with intersectional analysis and considers what governments can do to support an intersectional approach to gender budgeting.

JEL classification: J16, H5, H6

Keywords: gender, budget, intersectional

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Executive summary

Addressing gender inequalities can improve growth, productivity, competitiveness and the sustainability of economies. As an example, closing gaps in labour force participation and working hours may result in an average boost of 9.2% to GDP across OECD countries by 2060. Intersectional analysis is a tool that can be used to better understand the drivers of these gender gaps and how to address them. It considers how gender inequalities interlock with inequalities based on race, socioeconomic class, sexual orientation and disability.

While most OECD countries practising gender budgeting primarily consider the impacts of budget measures on gender equality, a handful of governments have expanded the scope of their gender budgeting practice to include intersectional perspectives. This includes countries such as Sweden and Finland, where intersectional considerations are encouraged as part of gender budgeting, as well as countries such as Canada, where methods and tools have been developed for the systematic consideration of intersectionality as part of the overall approach to gender budgeting.

An intersectional approach to gender budgeting differs from initiatives such as equality budgeting. This is largely because an intersectional approach to gender budgeting will systematically prioritise gender as a strong component of the analysis. In addition, while equality budgeting may consider the impacts of factors such as gender, race, and income individually and then add these together, intersectional analysis explicitly looks for diverse and often compounding effects of interlocking identity factors through simultaneously considering factors such as gender, race and income.

Case studies illustrate how intersectional analysis brings insights that support the development of policy and budget measures that are more effective at closing gender gaps. For example, intersectional analysis of workforce participation in Australia shows that single mothers are much less likely to be employed than partnered mothers. In addition, First Nations women with a disability can face more pronounced and intersectional discrimination and disadvantage. This information can be used to prioritise budget measures that help reduce the barriers that these women face to participating in the workforce, for example, through improving their access to affordable childcare and taking actions that address discrimination.

Challenges to implementing an intersectional approach to gender budgeting can include a lack of available data to support intersectional analysis, the perception that intersectional analysis is too complex, and a lack of government capacity to undertake the work. Governments can help mitigate these challenges and support an intersectional approach to gender budgeting through strengthening the availability of data disaggregated by factors such as gender, race, and income; gaining insights on intersectionality through engaging with citizens and non-governmental organisations (NGOs); and strengthening the capacity of government departments to do intersectional analysis. This includes developing methods and tools for intersectional analysis, as well as guidance and training on their use.

Introduction

Gender inequality can be compounded by multiple aspects of an individual's identity (e.g. race, socio-economic class, sexual orientation, or disability) (OECD, 2023[1]). Intersectional analysis can provide insights into the causes of inequalities through the identification of compounding and interlocking advantages and disadvantages faced by diverse communities. The term "intersectionality" was first coined by Kimberlé Crenshaw to describe how race and gender interact to shape black women's employment experiences in the United States (Crenshaw, 1989[2]). Although it originates in the United States, intersectional analysis has started to be considered by a number of countries across the OECD as a way to garner insights into the underlying causes of inequality.

Intersectional analysis is highlighted as a best practice in the OECD Best Practices for Gender Budgeting, which explain that "this analysis is the foundation to better understanding the nature of gender inequality being experienced by citizens, and how to address it" (OECD, 2023[1]). Where gender budgeting is conducted with an intersectional approach, the methods and tools used to support gender budgeting – such as gender impact assessment (GIA) – include consideration of how gender inequality might intersect with other forms of inequality. Intersectional analysis focuses on both the distinct and interlocking effects of different factors – such as gender, race, and income – rather than their individual impact on communities. It recognises that the impacts of a policy or budget measure can vary significantly across different communities, even among those within a single group, such as "women with disabilities".

The paper provides an overview of the different approaches to incorporating an intersectional approach to gender budgeting. It also considers the benefits of an intersectional approach and sets out the factors that can help support this type of analysis.

Gender budgeting and intersectionality

What is an intersectional approach to gender budgeting?

Gender budgeting helps bring information to the fore on how budget measures affect gender equality. In most OECD countries where gender budgeting is practised, it focuses on gathering evidence on how measures are likely to affect gender equality, without explicitly considering how inequalities may differ for some communities as a result of factors such as disability, race, and income. This includes countries with a longer-standing approach to gender budgeting (such as Austria, Korea and Spain), as well as countries that have introduced gender budgeting more recently (such as Colombia, Germany and France).

A handful of OECD countries, have, however increased the scope of gender budgeting to include intersectional analysis. Some countries, such as Sweden and Finland, encourage intersectional analysis where feasible. For example, the Finnish Government Action Plan for Gender Equality 2020-2023 promotes an intersectional approach to tackling gender gaps, where the focus is not just on gender but also, for instance, on socioeconomic status, age and economic background (Finnish Ministry of Social Affairs and Health, 2021[3]).

Other countries, such as Canada, have developed a methodological framework to guide systematic consideration of intersectionality as part of the overall approach to gender budgeting (see Box 33). The Victorian Government in Australia has also recently introduced gender budgeting characterised by an intersectional approach. Unlike in Canada, where the scope of gender-based assessments was expanded to include intersectionality over time, in Victoria, the government has included intersectionality from the beginning. Guidelines provided by the Victorian Government show how to apply an intersectional lens to gender impact assessments at all stages of the gender impact assessment (GIA) process (Table 5).

Table 5. Guidelines for conducting intersectional GIA in Victoria, Australia

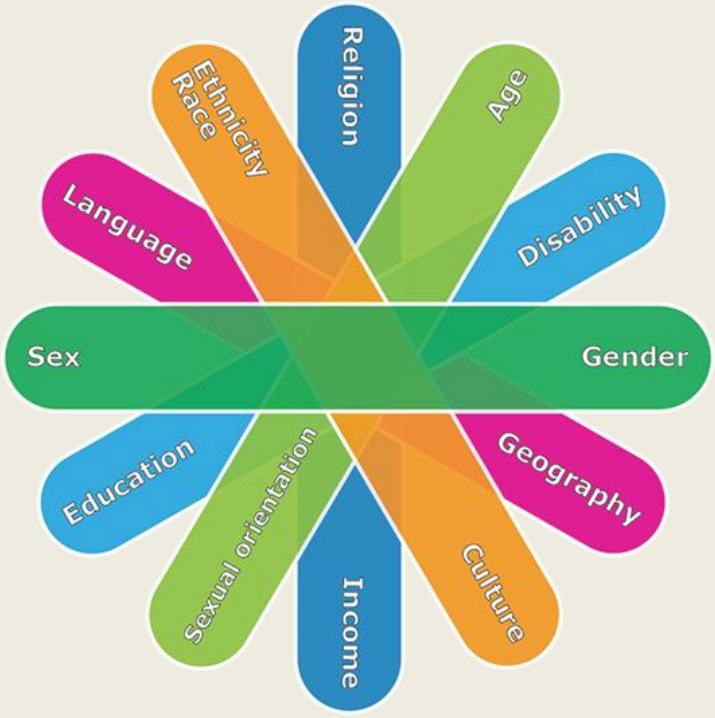
Step	Guidance
1. Define the issues	Consider the unique and different needs of those with intersectional attributes for service delivery and access? Are they benefitting equally? Are there any additional barriers to access for specific groups?
2. Understand the policy context	Determine what existing information is relevant and available, such as demographic data or research. In reviewing research, be alert to inherent biases and assumptions that exist in many studies that may mean people with intersectional attributes are overlooked. Consider consultation to give a voice to people with different intersectional attributes and improve understanding of their experiences.
3. Options analysis	When evaluating possible courses of action, consider whether all people will benefit from, and access, a proposed option equally. If there are variances in benefits and access, the policy option does not need to be discarded. Instead, determine what further changes will address these gaps and improve access and benefits.
4. Recommendation	Explain the rationale for the proposed recommendation, including how this recommendation meets the needs of diverse people that experience intersectional gender inequality. Consider how to incorporate an intersectional approach into monitoring and evaluation.

Source: Victorian Commission for Gender Equality in the Public Sector (2023[4]), *Applying Intersectionality*, https://www.genderequalitycommission.vic.gov.au/applying-intersectionality.

Box 33. An intersectional approach to gender budgeting in Canada

Gender Based Analysis Plus is one of the central tools of gender budgeting in Canada. At its core, GBA Plus is gender impact assessment with an intersectional lens. GBA Plus was introduced in 2011 to replace Gender-Based Analysis (GBA), adopted by Canada in 1995, which did not explicitly consider other factors or the importance of intersectionality.

The "Plus" in GBA Plus acknowledges that GBA goes beyond biological (sex) and socio-cultural (gender) differences. It examines how sex and gender intersect with other identities such as: race, ethnicity, religion, age and mental or physical disability. Some of the identity factors considered in GBA Plus analysis are highlighted in the figure below:



Source: Government of Canada (2023[5]), *Government of Canada's Approach on Gender-Based Analysis Plus*, https://women-gender-equality.canada.ca/en/gender-based-analysis-plus/government-approach.html.

It should be noted that an intersectional approach to gender budgeting differs from more general intersectional analysis in that gender is systematically prioritised as a strong component of the analysis and is often used as a foundation upon which broader intersectional analysis is built. By contrast, more general intersectional analysis does not prioritise one identity factor in the analysis and does not assume relationships among different identity factors. Some see an intersectional approach to gender budgeting as a possible steppingstone towards more general intersectionality-informed budgeting in the future (Hankivsky, 2018[6]).

How does gender budgeting with an intersectional approach differ from initiatives such as equality budgeting?

Some OECD countries implement equality budgeting rather than gender budgeting (see Box 34 for the example of Ireland). Equality budgeting involves analysing the impact of policies and budget measures on individuals according to factors such as gender, age, ethnicity and race. Equality budgeting differs from gender budgeting with an intersectional approach in that it does not prioritise gender as the starting point for analysis.

Box 34. Equality budgeting in Ireland

The first iteration of equality budgeting was introduced in 2017 on a pilot basis, with gender as a primary axis of equality. In 2018, the scope of the equality budgeting initiative was extended to additional dimensions of equality, including poverty, socioeconomic inequality and disability. For this second phase, a series of equality budgeting themes were identified, including:

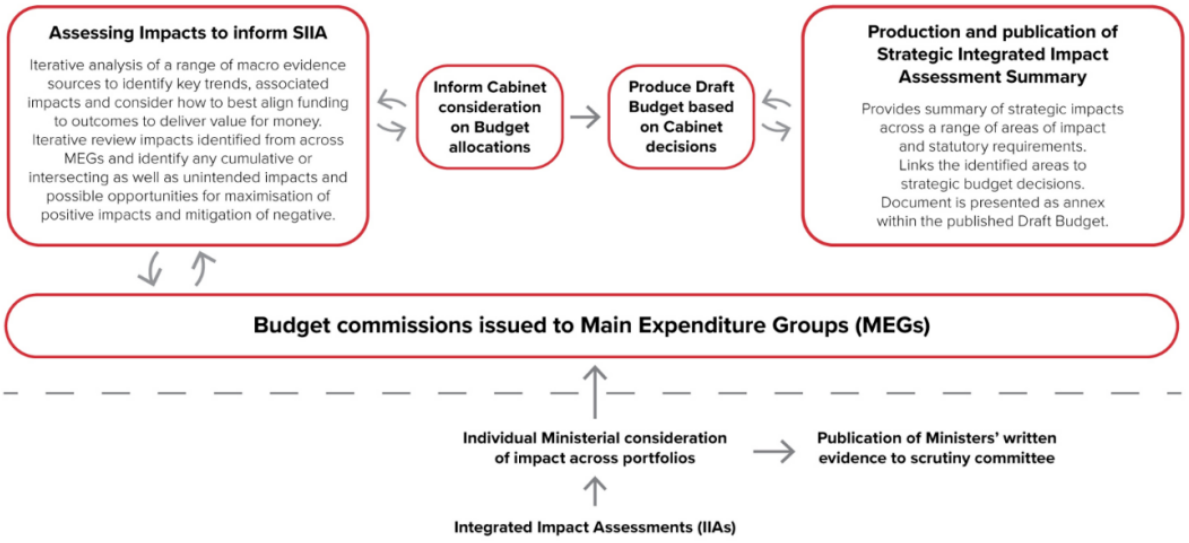
1. Ensure gender equality
2. Ensure people with disabilities have equal opportunities
3. Promote integration & ensure a fair & inclusive society for minority groups
4. Accessible health and wellbeing services
5. Equality of access to education
6. Provide early intervention through children & youth services
7. Create a safer and equal society for all
8. Support those in lower socio-economic groups & provide better access to opportunities

The identification of themes was informed by the various government strategies that are currently guiding policy development across many different equality dimensions, such as the National Strategy for Women and Girls.

Source: OECD (2019[7]), *OECD Scan: Equality Budgeting in Ireland*, OECD, Paris, https://www.oecd.org/gov/budgeting/equality-budgeting-in-ireland.pdf.

As with gender budgeting, an equality budgeting practice would be considered intersectional where both the distinct and interlocking effects of different factors - such as gender, race, and income – are considered. An example is provided by the Welsh Government in the United Kingdom. The Welsh Government undertakes a Strategic Integrated Impact Assessment (SAII) as part of the annual budget process (see Figure 17). The SAII looks at trends in relation to different aspects of wellbeing, including social, economic, cultural and environmental. The SAII includes consideration of integrated impacts, described as “post-human intersectionality” since they include analysis of how human identity factors intersect with other aspects of wellbeing like the environment (see Box 35 for further information).

Figure 17. The Strategic Integrated Impact Assessment (SAII) process for the Welsh Government Budget



Source: Government of Wales (2022[8]), Draft Budget 2023-24: A Budget in Hard Times, https://www.gov.wales/sites/default/files/publications/2022-12/2023-2024-draft-budget-narrative-v1.pdf.

Box 35. Strategic Integrated Impact Assessment (SIIA) in Wales, United Kingdom

The Welsh Government has been undertaking Strategic Integrated Impact Assessment (SIIA) as part of the budget process since 2015-16. Its introduction was linked to a broader push in Wales to give greater consideration to the wellbeing of future generations. It recognises that in order to tackle challenges related to climate change, poverty, health inequality and jobs and growth there needs to be a better understanding of the long-term impact of decisions, including budget decisions.

The Welsh SIIA helps frame the budget process and inform budget prioritisation through providing information on key social, economic, cultural and environmental trends. A SAII summary is presented as an annex to the published Draft Budget, providing information on some of the key trends that have informed strategic budget decisions, as well as the budget measures that have been prioritised to help support improvements in these trends.

SIIA was somewhat inspired by the integrated thinking demonstrated by intersectional approaches to gender budgeting. The SIIA brings together information related to the social, economic, cultural and environmental impacts of government decisions, facilitating understanding of the positive and negative intersections and encouraging more integrated thinking during the budget process.

Source: Government of Wales (2022[9]), Welsh Government Draft Budget 2023-24, https://www.gov.wales/sites/default/files/publications/2022-12/2023-2024-draft-budget-narrative-v1.pdf.

Benefits of an intersectional approach to gender budgeting

Gender inequalities persist in all areas of social and economic life. Addressing gender inequalities is not only a matter of intrinsic value and a moral imperative. Closing gender gaps can also bring economic and fiscal gains, particularly when considered in the context of current demographic trends (Nicol, 2022[10]). For example, closing gaps in labour force participation and working hours may result in an average boost of 9.2% to GDP across OECD countries by 2060, adding about 0.23 percentage points to average annual growth (OECD, 2023[11]).

Intersectional analysis can empower more informed and targeted policy action to help close gender gaps, such as those relating to the labour market. This is because someone's gender alone is unlikely to fully explain the reasons for different gender gaps. Intersectional analysis helps reveal other specific challenges they face, such as those relating to different demographic, social or economic factors.

In some cases, the gender impacts of budget measures are more easily estimated than impacts related to other identity factors such as race, religion, or disability. This may be the case where, for example, there is more systematic collection of gender-disaggregated data than data related to other identity factors. An intersectional approach helps encourage broader evidence gathering and analysis of a wider range of policy impacts, avoiding the prioritisation of inequalities that are easiest to observe and measure, and enabling a deeper understanding of how to close gender gaps. The following case studies illustrate how intersectional analysis can bring insights that can support the development policy and budget measures that are more effective at closing gender gaps.

Intersectional analysis to help close the gender employment gap

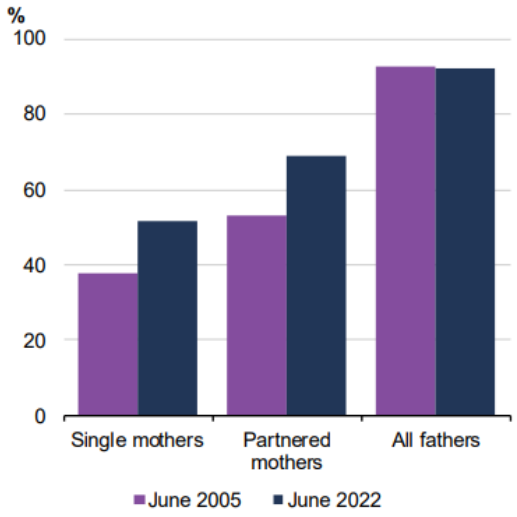
Intersectional analysis undertaken as part of gender budgeting efforts can help give greater understanding around the gender employment gap, and the types of budget measures – and who they need to target – for this gap to close.

This is illustrated through intersectional analysis of workforce participation in Australia. Although there has been an increase in women's workforce participation in recent decades, the gender gap in the labour market remained at 8.3% in March 2023, with employed women also tending to work fewer hours than employed men. Intersectional analysis of participation rates by gender and parental status show that single mothers are much less likely to be employed than partnered mothers (Figure 18, Panel A). In addition, women report caring for children to be the main barrier to finding a job or increasing their hours in paid work (Figure 18, Panel B). This information can be used to prioritise budget measures that help reduce the barriers to these women participating in the workforce, for example, through improving access to affordable childcare.

Further analysis of participation rates for men and women with First Nations status (Figure 19, Panel A) and those with disability status (Figure 19, Panel B) provides insights that First Nations women and women with disability are less likely to be employed than other Australian women. In addition, First Nations women with a disability can face compounding and intersectional discrimination and disadvantage. The gender employment gap will only be closed when policies and measures that can help support the participation of these women in the labour market are identified and implemented (Commonwealth of Australia, 2023[12]).

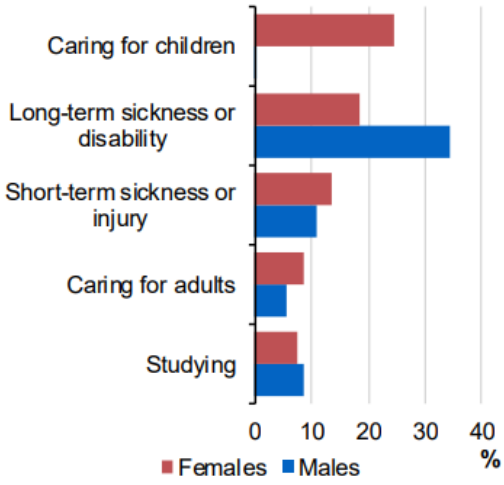
Figure 18. Workforce participation rates of parents with young children and main reasons not available to participate in the labour force

Panel A. Workforce participation rates of parents with children under 5 years in Australia



Source: Treasury analysis of ABS Labour Force Status of Families.

Panel B. Main reasons not available to start a job or more hours in Australia, 2020-21

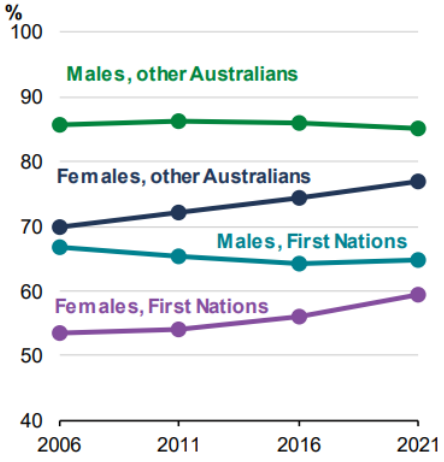


Source: ABS Barriers and Incentives to Labour Force Participation.

Source: Commonwealth of Australia (2023[12]), *Women's Budget Statement*, https://budget.gov.au/content/womens-statement/download/womens_budget_statement_2023-24.pdf.

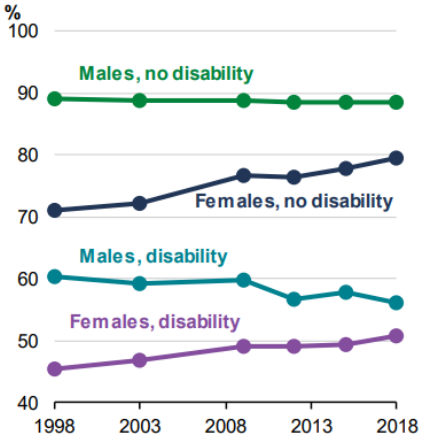
Figure 19. Workforce participation rates by sex, first nation status and disability in Australia

Panel A. Workforce participation rates by sex and First Nation status in Australia



Note: Persons aged 25–64 years.
Source: ABS Census.

Panel B. Workforce participation rates by sex and disability in Australia



Note: Persons aged 15–64 years and living in households.
Source: ABS Survey of Disability, Ageing and Carers.

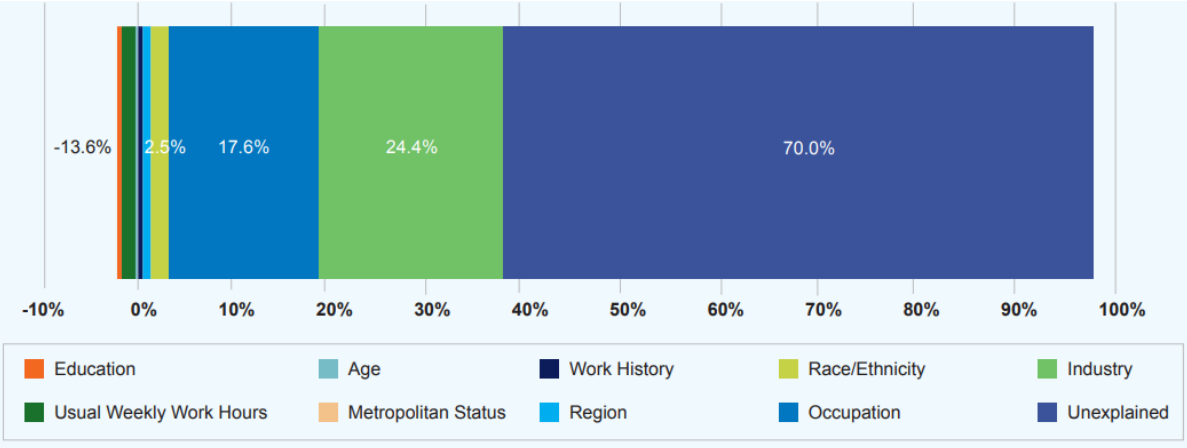
Source: Commonwealth of Australia (2023[12]), *Women's Budget Statement*, https://budget.gov.au/content/womens-statement/download/womens_budget_statement_2023-24.pdf.

Intersectional analysis to help close the gender pay gap

The gender pay gap is often calculated based on earnings data for women and men who work full-time, thus controlling for differences in work hours and experience. While this calculation is helpful, more in-depth intersectional analysis can uncover different advantages and disadvantages faced by communities with different identify factors, giving greater understanding of the causes of the gender pay gap and the policies and measures required to address them.

This is illustrated through intersectional analysis of the gender pay gap in the United States. New analysis shows that about a third of the gap between full-time, year-round working men and women's wages can be explained by identity factors, such as age, education, industry, occupation, or work hours. However, roughly 70% cannot be attributed to measurable differences between workers (see Figure 20). At least some of this unexplained portion of the wage gap is the result of discrimination.

Figure 20. Measurable contributors to the gender pay gap in the United States, 2020



SOURCE: Foster, Thomas B., Marta Murray-Close, Liana Christin Landivar, and Mark DeWolf. An evaluation of the gender wage gap using linked survey and administrative data, (Washington DC: US Census Bureau, Center for Economic Studies, 2020), https://www2.census.gov/ces/wp/2020/CES-WP-20-34.pdf

Source: US Department of Labor - Women's Bureau (2023[13]), *Understanding the Gender Wage Gap*, https://www.dol.gov/sites/dolgov/files/WB/equalpay/WB_issuebrief-undstg-wage-gap-v1.pdf.

Analysis looking at the gender wage gap for Black and Hispanic women relative to white, non-Hispanic men, shows that differences in occupation and industry are the single largest measurable cause of women's lower wages. Other measurable factors causing differences include educational attainment and age (Black and Hispanic workers tend to be younger). Statistical modelling to separate out the impact of these differences shows that 2.5% of the wage gap is due only to the impact of race, as opposed to age, education or type of job. This suggests that discrimination remains a meaningful factor.

The intersectional analysis shows that efforts to close the gender and racial wage gap should address discrimination as well as occupational and industry segregation. This will require measures to support women entering male-dominated fields, measures that help raise wages and job quality across all sectors and especially in women-dominated jobs, and measures to promote the employment of women of all races in the high growth fields creating the jobs of the future (US Department of Labor - Women's Bureau, 2023[13]).

Factors that can help support an intersectional approach to gender budgeting

Challenges to implementing an intersectional approach to gender budgeting can inhibit governments from moving beyond the traditional approach to gender budgeting. These include a lack of available data to support intersectional analysis, perception that intersectional analysis is too complex and a lack of government capacity to undertake the analysis. This chapter looks at factors that can be put in place to mitigate these challenges and help support an intersectional approach to gender budgeting.

Strengthening the availability of data disaggregated by gender and other identity factors

Robust evidence and analysis supports the central budget authority in making decisions that are targeted and impactful. In order for gender budgeting to take into account intersectional analysis, there needs to be good availability of data disaggregated by gender and other identity factors.

A challenge to this can be that the availability of data in relation to some identity factors is better than others. As a core demographic variable, sex is collected in most administrative and survey data. By contrast, data relating to some other identity factors - such as homelessness, sexual orientation, religion and socio-economic background – are not always collected in administrative survey data and thus are less well captured in official statistics. Data challenges compound when you are looking at the impact of policies on individuals with more than one identity factor, e.g. homelessness and religion. Even where data does exist, sample sizes may not be large enough to provide reliable estimates for these groups.

Sometimes it is difficult to gather or rely on data because of privacy or trust concerns, e.g. data related to sexual orientation or data from minority communities. This can result in underreporting. In other instances, there may be legal impediments to data collection. For example, it is prohibited to collect data on ethnicity in certain countries (e.g. Denmark, Finland, Japan, and Sweden) (Balestra and Fleischer, 2018[14]). While this is intended to protect these individuals and prevent discrimination, it means there is less information available relating to population groups with these identity factors.

A data audit, which identifies the areas in which there is good government data and areas where there are gaps is often a useful starting point for introducing intersectional analysis. This can then be used to develop a data improvement plan to ensure that gender budgeting with an intersectional approach is informed by robust evidence and analysis. The types of actions that can be taken as part of a data improvement plan include data linking, boosting sample sizes, and working with communities with privacy and trust concerns to build better relationships. Wales (in the United Kingdom) and Canada are examples of countries that have made efforts to improve their data to help support intersectional analysis in recent years (see Box 36).

Box 36. Improving data to support intersectional analysis

Canada

The Government of Canada has invested heavily in the collection of disaggregated data to support an intersectional approach to gender impact assessment and gender budgeting. Recent years have included targeted investment towards a Gender, Diversity and Inclusion Statistics Hub providing easy public access to disaggregated and intersectional data, analytical products, and insights. The 2021 Budget included an allocation of CAD 172 million over 5 years to fund the development of a Disaggregated Data Action Plan (DDAP) aiming to fill data gaps and encourage a culture shift, where data disaggregation becomes standard practice within government.

The DDAP includes data collection, the use of alternative data sources, methods and the development of standards, engagement and collaboration, and the dissemination of results with a current focus on the four employment equity groups: Indigenous Peoples, women, racialised populations and persons with disabilities. Where relevant and possible (based on the subject at hand, data confidentiality, privacy and quality considerations), disaggregation will extend to other groups (e.g. LGBTQ2S+ communities, children and youth, older adults, official language minority communities, immigrants, low-income Canadians).

In the first year of implementation, the government increased sample sizes for flagship surveys, such as the Labour Force Survey, the Canadian Community Health Survey and the General Social Survey. Increases to sample sizes are also planned for other surveys, such as the Survey on Access to Health Care and Pharmaceuticals During the Pandemic, the Mental Health and Access to Care Survey, and the Canadian Social Survey. Content has also been added to existing and new surveys (Canadian Social Survey, Survey Series on People and their Communities, Canadian Survey on Business Conditions, Census of Population), and administrative data has been linked and integrated to existing data holdings (Canadian Census Health and Environment Cohort) to allow further disaggregation by population group and geography level.

Wales (United Kingdom)

The Government of Wales established Equality, Race and Disability Evidence Units in 2022 to improve the availability, quality, granularity, and accessibility of evidence about individuals with protected and associated characteristics so that the level and types of inequalities across Wales can be fully understood. These Units are instrumental in supporting the Strategic Integrated Impact Assessment undertaken as part of the budget process. The Units focus on improving the equality evidence for use in decision making, delivery of policies, provision of services, research and debate, both within the Welsh public sector and beyond.

The types of evidence used by the Units in informing their analysis include lived experience, social research, evaluation, statistics, economic research, expert knowledge and stakeholder consultation and operational research. All three Units consider intersectionality in their work and many projects require working across the three Units.

A strategy describes the scope, remit and intentions for the Units. An evidence audit and gaps analysis is being undertaken to identify areas where improvements are needed in equalities evidence. It is anticipated that this will lead to a suite of tasks to drive improvement, such as boosting sample sizes, looking at options to introduce new data sources, and undertaking research projects to understand barriers to reporting and intersectional impacts.

Sources: (Statistics Canada, 2023[15]) and (Government of Wales, 2022[16]).

Gaining insights on intersectionality through engaging with citizens and NGOs

Another way through which intersectional analysis can be made more robust – particularly in the absence of good data – is through engagement with citizens and Non-Government Organisations (NGOs). Civil society and NGOs can bring unique insights through drawing on lived experiences. This helps enrich the understanding of how policies impact those with intersecting identify factors. Feedback from civil society and analysis by NGOs relating to the budget and its impacts can also help provide insights on its intersectional impacts, reinforcing transparency and accountability. An example of intersectional analysis by the United Kingdom's Women's Budget Group relating to the United Kingdom budget is provided in Box 37.

Box 37. Analysis of the United Kingdom budget and its impact on black and minority ethnic (BME) women by the UK Women's Budget Group

The UK Women's Budget Group is an independent and not-for-profit membership network consisting of women's voluntary organisations, academics and policy expert whose aims are to promote a gender equal economy. The group has previously undertaken intersectional analysis of the cumulative impact of austerity on black and minority ethnic (BME) women using qualitative and quantitative data.

Their study shows that BME women have lower income on average and are disproportionately likely to be living in poverty, in families with children and to be working in the public sector. The study also highlights the impact of intersectional inequalities that make BME women face disadvantages such as sexism and racism in the labour market. The accumulated factors make BME women more vulnerable to the impact of public spending cuts, such as benefits and tax credits.

The Women's Budget Group identified the impact of the budget on the everyday lives of BME women through direct interviews, and the collation of anecdotes from the targeted group.

Source: (Women's Budget Group, n.d.[17]) and (Women's Budget Group, 2018[18]).

Mechanisms for citizen and NGO participation or consultation can be particularly helpful in providing platforms through which civil society insights can support government analysis. For example, targeted focus groups can help fill specific data gaps relating to intersectional impacts of different policies and measures. Another mechanism that is used by governments is regular consultation with an expert advisory group, such as the Equality Budgeting Advisory Group in Ireland. The Irish Group also includes academics, whose research provides useful insights to support intersectional analysis as part of gender budgeting efforts (Hankivsky, 2018[6]). Stakeholder groups are also used to help inform intersectional analysis in Wales (in the United Kingdom) (see Box 38).

Box 38. The Budget Improvement and Impact Advisory Group in Wales (United Kingdom)

The Budget Improvement and Impact Advisory Group advises the Welsh Government from an equalities and inclusion perspective. The group supports the government in undertaking the Strategic Integrated Impact Assessment in the budget document and aims to ensure that budget and tax processes better align funding to outcomes. The group meets formally at least four times per year.

The membership of the group includes stakeholders who bring expertise and experience from a range of areas of impact that are considered as part of the budget process, to ensure those impacted by budget decisions are involved in the improvement to these processes while avoiding unintended impacts. Representation is sought in the following areas: children and young people, health, older people, future generations representative, disability, trade union and social partnership, gender, Local Government, Race, Local and Regional Intermediaries, asylum seekers and refugees, third sector partnership council, faith & belief, Welsh language, LGBTQ+, Welsh Government Treasury, transgender, Welsh Government Equalities Team, environment, Welsh Government Communities Team, poverty, equality & human rights. Experts, academics and other Welsh Government representatives can be invited into meetings where it is of relevance.

One of the roles of the group is to ensure that budget engagement and impact assessments fully consider lived experiences, maximise civic participation and engage with relevant partners. It also helps the Welsh Government in better understanding the intersectional nature between social, cultural, economic and environmental impacts and fully cover intended and unintended impacts.

Source: Government of Wales (2022[19]), Budget Impact Advisory Group - Terms of Reference, https://www.gov.wales/budget-improvement-and-impact-advisory-group/terms-of-reference.

Strengthening the capacity of government departments to do intersectional analysis

With some OECD governments already stretched to implement an effective and impactful approach to gender budgeting, there may be concerns or resistance to broadening the approach to include intersectional analysis. This includes countries where gender impact assessment has only recently been introduced, is still in development, or is implemented with insufficient resources. The dilemma can often be whether to continue to focus primarily on gender and address current implementation challenges, or to embark on a more ambitious agenda instead (Brenton, 2023[20]). For this reason, where an intersectional approach to gender budgeting is adopted, it is prudent for it to be accompanied by a strengthening of the capacity of government departments.

The development of methods and tools for intersectional analysis, and guidance and training around their implementation is one of the main ways in which government capacity for intersectional analysis can be strengthened. This may include defining the scope of intersectional analysis, and advice on how to identify which identity factors should be included in analysis related to any given budget proposal. Examples of guidance material provided in Victoria (Australia) are shown in Box 39.

Box 39. Guidance for intersectional gender budgeting in Victoria, Australia

The Victorian Government in Australia has a number of online training resources to support departments and agencies in undertaking intersectional gender impact assessments, a key tool of gender budgeting. The resources include guidance on:

- What is intersectionality?
- How to determine when a gender impact assessment is required
- Conducting an intersectional gender impact assessment
- Data sources for conducting a gender impact assessment

The government also provides podcasts showcasing the lived experienced of individuals facing intersectional barriers as well as case studies, illustrating intersectional gender impact assessment across different policy areas. Given gender budgeting and intersectional analysis is still relatively new, the government plans to further develop the guidance, in partnership with experts, over time.

Source: Victorian Commission for Gender Equality in the Public Sector (2023[4]), *Applying Intersectionality*, https://www.genderequalitycommission.vic.gov.au/applying-intersectionality.

It can also be helpful for budget templates to include guidance on how intersectional analysis is done and what information should be provided alongside new budget proposals. Examples of templates provided by the Government of Canada are shown in Box 40.

To further support the capacity of government departments to undertake intersectional analysis, some governments seek to include historically underrepresented people in assessment teams. Unconscious biases and assumptions relating to communities with different identity factors may unintentionally skew assessments and a diverse team can help overcome this. This is one of the reasons why, for example, the Welsh Government's Equality, Race and Disability Evidence Units are aiming to recruit a team of individuals reflecting the diversity of the population of Wales (Government of Wales, 2022[16]).

Box 40. Budget templates in Canada

The Government of Canada has a template setting out the minimum information requirements for each new budget proposal. The information provided alongside each budget proposal helps inform decision making by the Minister of Finance and Prime Minister.

À key component of the required information relates to the expected impacts of the budget proposal. Departments are asked to provide an overall summary, in 500 words or less, of the incremental impacts the proposal is expected to achieve, drawing on analysis such as the intersectional gender impact assessment (Gender-Based Analysis Plus (GBA Plus)).

Each budget proposal also needs to include a number of mandatory Annexes, one of which is the full GBA Plus. The Department of Finance provides a separate template for the GBA Plus Annex, as well as a guide to support its completion. The template sections include:

1. General information on the budget proposal, as well as the timing of when the GBA Plus was conducted.
2. Brief description of the proposal.
3. Target client group for the proposal, e.g. a specific regional or demographic group.
4. Expected outcomes of the proposal, including direct and indirect benefits. This should include assessment of which gender and demographic groups are expected to directly and indirectly benefit from the proposal, and their intersecting identity factors. Distributional and intergenerational impacts are also considered in this section.
5. A) Identification of potential barriers to participation or access and/or negative impacts for different demographic groups.

   B) Where applicable, identification of Responsive Approaches, outlining programme designs or implementation elements that seek to reduce barriers to participation or to mitigate potential negative impacts of the proposal.
6. Implications for the Gender Results Framework, outlining which gender goal will be demonstrably advanced by a proposal.
7. Public and Stakeholder Engagement, Gender and Diversity Considerations, outlining if gender and diversity considerations were discussed with stakeholders and were integrated into the design of this budget proposal.
8. Monitoring and evaluation, describing the proposal approach for monitoring and evaluating impacts of the proposal on different groups, and for the collection of disaggregated data and performance data.
9. Data sources used to inform the GBA Plus and any notable data gaps.
10. Summary GBA Plus (Suitable for Publication).

Sources: (Government of Canada, 2022[21]) and (Government of Canada, 2022[22]).

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