Government at a Glance 2013

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Foreword

The financial and economic crisis that started in 2008 and affected most OECD member countries has reopened the debate on the role of the state on how and where it should intervene to achieve which objectives. Government at a Glance 2013 *provides key quantitative and qualitative data that can enable evidence-based decision making as well as help governments plan for the future. It allows for the comparison of government activities, practices and performance across a number of critical dimensions, and helps pinpoint areas that warrant further examination. In its policy chapter, the publication explores the links between trust in government and the policies and institutions of public governance.*

This work was led by Zsuzsanna Lonti under the direction of Rolf Alter and Edwin Lau and drafted by Natalia Nolan-Flecha, Santiago González, Jean-François Leruste and Alessandro Lupi. Major drafted contributions were received from Mario Marcel and Stéphane Jacobzone (Chapter 1 on "Trust in government, policy effectiveness and the governance agenda"); Catherine Gamper and Alice Lazzati (Chapter 2 on "Strategic governance"); Monica Brezzi, Arthur Mickoleit and Camila Vammalle (Chapter 3 on "Public finance and economics"); Ronnie Downes, Ian Hawkesworth, Joung Jin Jang, Knut Klepvisk and Lisa Von Trapp (Chapter 4 on "Budgeting practices and procedures"); Robert Ball and Maya Beauvallet (Chapter 5 on "Public sector employment and pay"); Robert Ball, Michelle Marshalian and Tatyana Teplova (Chapter 6 on "Women in government"); Elodie Beth, María-Emma Cantera, Ulrika Kilnes (Chapter 7 on "Public procurement"); Julio Bacio Terracino, Janos Bertok, Maria-Emma Cantera, Ronnie Downes, Ulrika Kilnes, Knut Klepvisk, Arthur Mickoleit, Adam Mollerup and Barbara Ubaldi (Chapter 8 on "Open and inclusive government"); Filippo Cavassini, Alice Lazzati and Adam Mollerup (Chapter 9 on "Special feature – Serving citizens: Accessibility and quality of public services"). We thank Lia Beyeler, Laura Boutin, Kate Lancaster, Natasha Lawrance, Sophie Limoges, Jennifer Stein and Deirdre Wolfender for their help in preparing the document for publication.

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Preface – Governance matters!

The outlook for the global economy is improving gradually, but the world continues to grapple with the consequences of the global financial, economic and social crisis. Low growth, high government indebtedness, persistent unemployment and widening inequalities require strong corrective action. Governments are expected to put our economies back on a track of stronger, greener and more inclusive growth.

Citizens look to governments to lead the way. Without strong leadership, supported by effective policies, trust is easily eroded. Indeed, the crisis has taken its toll on trust in government. Citizens across the OECD have lost their confidence in the ability of policy makers to solve economic problems and respond to their needs and demands. It is essential that governments regain the confidence of their citizens to carry out necessary reforms.

A key lever governments can use to build back trust is strong performance. The 2013 edition of *Government at a Glance* puts forth a dashboard to help decision makers and citizens analyse and benchmark government performance and to identify fields where the effectiveness and efficiency of the public sector can be improved. The 50 indicators cover the whole production chain of public goods and services (inputs, processes, outputs and outcomes) and key areas of public management and governance, such as budgeting practices, integrity and open government, e-government and ICT strategies.

Government at a Glance 2013 demonstrates that, while governments have taken steps to strengthen institutions and improve value for money, much remains to be done. For example, despite considerable efforts in many countries, the health of their public finances needs to be further improved and substantial gender disparities still exist. For example, women occupy only 40% of middle management and 29% of top management positions. Also, Open Government Data (OGD) is gaining importance as a governance tool – 56% of OECD countries have a national OGD strategy – but more effort is required to ensure that citizens can effectively use the available information. Across these and many other areas, public sector reform needs to remain a high priority in support of our economic and social goals.

By continually extending the scope and timeliness of our governance indicators and analysis, and providing them in a variety of electronic formats for ease of access, we trust that *Government at a Glance 2013* will be a critical resource for policy makers, citizens, and researchers in their pursuit of better policies for better lives.

Angel Gurría
OECD Secretary-General

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Executive summary

The financial and economic crisis and its aftermath have led many OECD governments to implement structural adjustment plans to restore the health of their public finances. However, trust in governments has declined considerably, as citizens' growing expectations have been hard to address with limited government resources. Between 2007 and 2012, confidence in national governments declined from 45% to 40% on average, making it difficult for national authorities to mobilise support for necessary reforms.

A new approach to public governance is needed if governments are to meet citizens' expectations with the limited means at hand. This approach should be built around creating strategic capacity, strong institutions, effective instruments and processes and clear measurable outcomes. The indicators presented in *Government at a Glance 2013* show how far OECD countries have progressed towards developing that strategic state.

Key findings

- **Public finance challenges remain, despite the significant efforts made by countries to restore financial health.** The OECD has produced estimates of improvements in the underlying primary balances that would be required to reduce gross public debt to 60% of GDP by 2030. On average, in OECD member countries, an increase of around 3% of potential GDP is needed from the fiscal position in 2012. However, several OECD countries continue to face rising public debt-to-GDP ratios, with government spending on average in 2011 outstripping revenues. This was partly due to the cost of stimulus packages and stagnant revenues because of the crisis, as well as increases in ageing-related spending.
- **Countries have adopted new budgetary practices and developed new governance institutions.** Changes in the global economic governance framework, which were necessary as existing mechanisms proved ineffective to maintain fiscal discipline, are driving countries to refine the current tools and implement new strategies. For instance, 97% of OECD countries currently have fiscal rules in place and the average number of rules per country has increased. Between 2009 and 2013, eight countries established Independent Fiscal Institutions to promote fiscal discipline, generate economic information and ensure that resources are allocated where they will be the most useful.
- **Public employment levels tend to remain stable over the longer term.** General government employment remained relatively unchanged between 2001 and 2011, at just under 16% of the total labour force. This figure is relatively small when compared to average government expenditures, which represented 45.4 % of GDP in 2011, showing the important role of outsourcing. Despite the fact that several OECD countries announced recruitment freezes and employment reductions as part of their fiscal consolidation plans, significant reductions in public employment are hard to sustain in the long run, as citizens demands keep growing.

- **Further mechanisms are needed to close the public sector gender gap.** Governments have taken a variety of steps to guarantee equal opportunities for their female and male employees, such as implementing recruitment and promotion targets as well as measures to facilitate greater work-life balance. However, data show that women occupy more than 50% (in certain cases, nearly 90%) of secretarial positions, but they are far less represented in more senior posts. Measures to correct such disparities include, for example, gender responsive budgeting (GRB), which inserts a gender perspective into all stages of the budgetary cycle. It aims to avoid "gender-blind spending" and to make government programmes more effective by identifying gender-disproportionate consequences of spending appropriations. However, less than half of OECD countries have instituted GRB.
- **Countries are using public procurement more strategically.** Many OECD countries are using innovative procurement tools to achieve economies of scale (94% use framework agreements, for example), restructuring their purchasing functions, consolidating their purchases and adopting ICTs in the procurement process (97% use a national e-procurement system for calls for tender). Moreover, many OECD members use public procurement policies not only to foster value for money but also to pursue other policy objectives such as innovation, sustainable growth (73% promote green procurement), SMEs (70% promote the use of SMEs) and a level playing field to access economic opportunities.
- **Asset and private interest disclosure by decision makers continues to be an essential tool for managing conflict of interest.** Nearly all countries require decision makers to make public their assets and income sources. However, few countries require the disclosure of previous employment and liabilities.
- **Open Government Data (OGD) is gaining importance as a governance tool.** Just over half of OECD countries have a national strategy for providing OGD to citizens; 12% indicate the existence of separate strategies in this field for individual line ministries, and 28% have both national and lower level strategies. Key OGD priorities include transparency and openness, volume increase for private sector business and creation of new businesses. In addition, the potential of OGD to improve service delivery is well understood by countries; however its potential impact on citizen engagement in public debates and in the decision-making process does not appear among the top priorities.
- **Citizens have more confidence in the public services they use than in the abstract notion of national government.** Despite diminishing trust in "government", citizens report being pleased with the services provided by governments. For instance, on average 72% reported having confidence in their local police force. Almost the same percentage considered themselves satisfied with the availability of quality health care, and 66% were satisfied with the education system and schools in their city or area. Levels of satisfaction remained fairly consistent, on average, during and immediately following the global financial and economic crisis.
- **Governments in OECD countries are increasingly concerned with delivering quality public goods and services to a wide range of citizens.** Many countries are introducing service delivery performance standards and implementing mechanisms to measure and integrate citizen feedback into the process. For the first time, *Government at a Glance* compares four dimensions of service quality – affordability, responsiveness, reliability and citizens' satisfaction – not only among countries, but also across the key public services of education, health care, justice and tax administration.

Reader's guide

In order to accurately interpret the data included in *Government at a Glance*, readers need to be familiar with the following methodological considerations that cut across a number of indicators. As in previous editions, the standard format for the presentation of indicators is on two pages, except for a few indicators – such as indicators on the rule of law and on the quality of public services – that are presented on four pages. For the two-page format, the first page contains text that explains the relevance of the topic and highlights some of the major differences observed across OECD countries. It is followed by a "Methodology and definitions" section, which describes the data sources and provides important information necessary to interpret the data. Closing the first page is the "Further reading" section, which lists useful background literature providing context to the data displayed. The second page showcases the data. These figures show current levels and, where possible, trends over time. A "Glossary" of the main definitions of the publication can be found in the final chapter of the book.

Calendar year/fiscal year in National Accounts data

Unless specified, data from the OECD National Accounts are based on calendar years.

Data for Australia and New Zealand refer to fiscal years: 1 July of the year indicated to 30 June for Australia and 1 April of the year indicated to 31 March for New Zealand. For Japan, data regarding sub-sectors of general government and expenditures by COFOG (Classification of the Functions of Government) refer to fiscal year.

The data based on the *System of National Accounts* (SNA) were extracted from the *OECD National Accounts Statistics* (database) on 12 August 2013.

Country coverage

Government at a Glance 2013 includes data for all 34 OECD member countries based on available information. 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.

Some additional countries, such as the Russian Federation (currently in the process of accession to the OECD) and others that have participant status to the Public Governance Committee of the OECD (Brazil, Egypt, South Africa, Ukraine) also supplied data for some indicators. Data for non-member countries are presented separately at the end of tables and figures.

Country codes (ISO codes)

OECD member countries		Poland	POL
Australia	AUS	Portugal	PRT
Austria	AUT	Slovak Republic	SVK
Belgium	BEL	Slovenia	SVN
Canada	CAN	Spain	ESP
Chile	CHL	Sweden	SWE
Czech Republic	CZE	Switzerland	CHE
Denmark	DNK	Turkey	TUR
Estonia	EST	United Kingdom	GBR
Finland	FIN	United States	USA
France	FRA		
Germany	DEU	**OECD accession country**	
Greece	GRC	Russian Federation	RUS
Hungary	HUN		
Iceland	ISL	**Other major economies**	
Ireland	IRL	Brazil (participant to the OECD Public Governance Committee)	BRA
Israel	ISR	China	CHN
Italy	ITA	India	IND
Japan	JPN	Indonesia	IDN
Korea	KOR	South Africa (participant to the OECD Public Governance Committee)	ZAF
Luxembourg	LUX		
Mexico	MEX	**Other participants to the OECD Public Governance Committee**	
Netherlands	NLD	Egypt	EGY
New Zealand	NZL	Ukraine	UKR
Norway	NOR		

OECD averages and totals

Averages

In figures and text, the OECD average refers to the unweighted, arithmetic mean of the OECD member countries for which data are available. It does not include data for non-member countries. In the notes, OECD member countries with unavailable data are listed.

When a figure depicts information for one or more years, the OECD average includes all member countries with available data. For instance, an OECD average for 2009 includes all current OECD member countries with available information for that year, even if at that time they were not members of the OECD.

Totals

OECD totals are most commonly found in tables and represent the sum of data in the corresponding column for the OECD countries for which data are available. Totals do not include data for non-member countries. In the notes, OECD member countries with unavailable data are mentioned.

Online supplements

Several indicators include online additional tables and figures that present country-specific data. When available, these are noted in the "Methodology and definitions" section of the indicator. *Government at a Glance 2013* also offers access to *StatLinks*, a service that allows readers to download the corresponding Excel files of the data featured. *StatLinks* is found at the bottom right-hand corner of the tables or figures and can be typed into a web browser or, in an electronic version of the publication, clicked on directly.

In addition, the following supplementary material are available on line at *www.oecd.org/gov/govataglance.htm*:

- Country fact sheets that present key data by country compared with the OECD average.
- The *Government at a Glance* statistical database that includes regularly updated data for a selection of indicators (via OECD.Stat).
- Country contextual notes that present contextual information describing some key features of the political and administrative structures for each member country.

Per capita indicators

Some indicators (e.g. expenditures, revenues and government debt) are shown on a per capita (e.g. per person) basis. The underlying population estimates are based on the *System of National Accounts* notion of residency. They include persons who are resident in a country for one year or more, regardless of their citizenship, and also include foreign diplomatic personnel and defense personnel together with their families, students studying and patients seeking treatment abroad, even if they stay abroad for more than one year. The one-year rule means that usual residents who live abroad for less than one year are included in the population, while foreign visitors (for example, vacationers) who are in the country for less than one year are excluded. An important point to note in this context is that individuals may feature as employees of one country (contributing to the GDP of that country via production), but residents of another (with their wages and salaries reflected in the gross national income of their resident country).

Purchasing Power Parities

Purchasing Power Parities (PPPs) are the rates of currency conversion that equalise the purchasing power of different countries by eliminating differences in price levels between countries. When converted by means of PPPs, expenditures across countries are in effect expressed at the same set of prices, meaning that an equivalent bundle of goods and services will have the same cost in both countries, enabling comparisons across countries that reflect only the differences in the volume of goods and services purchased.

2001 and 2009: PPPs for all European countries are annual benchmark results provided by Eurostat. PPPs for non-European countries and the Russian Federation are OECD estimates.

2011: PPPs for all OECD member countries and the Russian Federation are preliminary benchmark results calculated by the OECD. Estimates and preliminary results should be interpreted with caution as they are subject to revision.

More information is available on the OECD PPP Internet site: *www.oecd.org/std/prices-ppp*.

Composite indicators

The publication includes several descriptive composite indexes in narrowly defined areas related to conflict of interest and budget practices and procedures. These composite indexes are a practical way of summarising discrete, qualitative information. The composites presented in this publication were created in accordance with the steps identified in the *Handbook on Constructing Composite Indicators* (Nardo et al., 2008).

Details about the variables and weights used to construct the budget practices and procedures and conflict of interests' composites are available in Annex C and Annex E respectively. While the composite indicators were developed in co-operation with member countries and are based on theory and/or best practices, the variables composing the indexes and their relative weights are based on expert judgments and, as a result, may

change over time. The composites on budget practices and procedures are not comparable with those in the 2009 edition of *Government at a Glance*, as the latest Budget Practices and Procedures and Performance Budgeting surveys (2012) include questions that are worded slightly differently from the 2007 survey versions. Moreover, additional questions were included and some of the weights have been redefined.

Signs and abbreviations

..	Missing value or not available
x	Not applicable
EUR	Euros
USD	US dollars
p.p.	Percentage points

Introduction

Objectives

The recent economic crisis has highlighted the role of governments as major actors in modern societies. Governments are expected to set the conditions to generate economic growth that will increase the well-being of their citizens, regulate the behaviour of business and individuals in the name of the common good, redistribute income in order to promote fairness, and deliver public goods and services to their populations, while being faced with fiscal constraints and demographic pressures. The ability of governments to operate effectively and efficiently depends in part on their management policies and practices in diverse areas such as budgeting, human resources management, procurement, etc.

The main objective of the *Government at a Glance* series is to provide reliable internationally comparative data on government activities and their results in OECD member countries and beyond. In turn, these data can be used by countries to benchmark their governments' performance, track their own and international developments over time, and provide evidence to their public policy making.

The indicators in *Government at a Glance* are becoming a measuring standard in many fields of public governance. In addition to the core indicators that constitute the trademark of the publication, this third edition includes a selection of new indicators and additional data sources, allowing for a more complete picture of public administrations across OECD member countries.

What's new in *Government at a Glance 2013?*

Compared with *Government at a Glance 2011*, the 2013 edition presents several new features. To start with, it includes three new chapters: "Strategic governance" (Chapter 2), which aggregates elements from previous versions but also includes new indicators on trust in institutions, risk management and the rule of law; "Women in government" (Chapter 6), which analyses the participation of women in all areas of government, public administration, the judiciary and parliament; and "Special feature – Serving citizens: Accessibility and quality of public services" (Chapter 9), which is built on a new quality framework that contains the key dimensions of service quality (access, responsiveness, reliability and satisfaction). Some key features of these quality dimensions are measured for the policy sectors of education, health care, justice and tax administration.

Data on public finances are presented for 2001, 2009 and 2011 showcasing years prior, during and after the economic crisis. New indicators on debt, fiscal balance and investment are presented by sub-levels of government, as a way of deepening the understanding of the fiscal structure in member countries and the responsibility of states and municipalities.

The Budget Practices and Procedures, Performance Budgeting, Public Procurement and Compensation surveys were administered in 2012 allowing for the inclusion of a renewed set of indicators on these topics. The updated versions of the surveys collected more detailed and better quality information. For example, in the Compensation survey, data for key service delivery occupations have been collected for the first time, allowing comparison across OECD member countries of compensation levels and structures for police inspectors and detectives, police officers, immigration officers, customs inspectors and tax inspectors. As a special feature to this edition, an indicator on Information and Communication Technologies (ICT) expenditures is included.

Definition of government

Data on public finances are based on the definition of the sector "general government" found in the *System of National Accounts* (SNA). Accordingly, general government comprises ministries/departments, agencies, offices and some non-profit institutions at the central, state and local level, as well as social security funds. Data on revenues and expenditures are presented for both central and sub-central (state and local) levels of government and (where applicable) for social security funds. However, data on employment refer to the public sector which includes general government and public corporations, such as publicly owned banks, harbours and airports. Finally, data on public management practices and processes refer to those practices and processes at the central level of government only.

Framework

Government at a Glance covers more than the 34 OECD member countries. It contains data, where available, on accession countries – e.g. the Russian Federation – as well as other major economies in the world such as China, India, Indonesia and South Africa. For some indicators, data from participant countries to the Public Governance Committee (Brazil, Egypt, South Africa and Ukraine) have been included. These countries play a significant and increasing role in the world economy and in international political structures.

This third edition of *Government at a Glance* includes contextual, input, process, output and outcome indicators. The 2013 edition contains a broader set of indicators on key aspects of governmental performance related to outputs and outcomes in selected sectors, including for the first time the justice sector and dimensions of the quality of public services in health care, education, justice and tax administration. Figure 0.1 presents the conceptual framework for *Government at a Glance*.

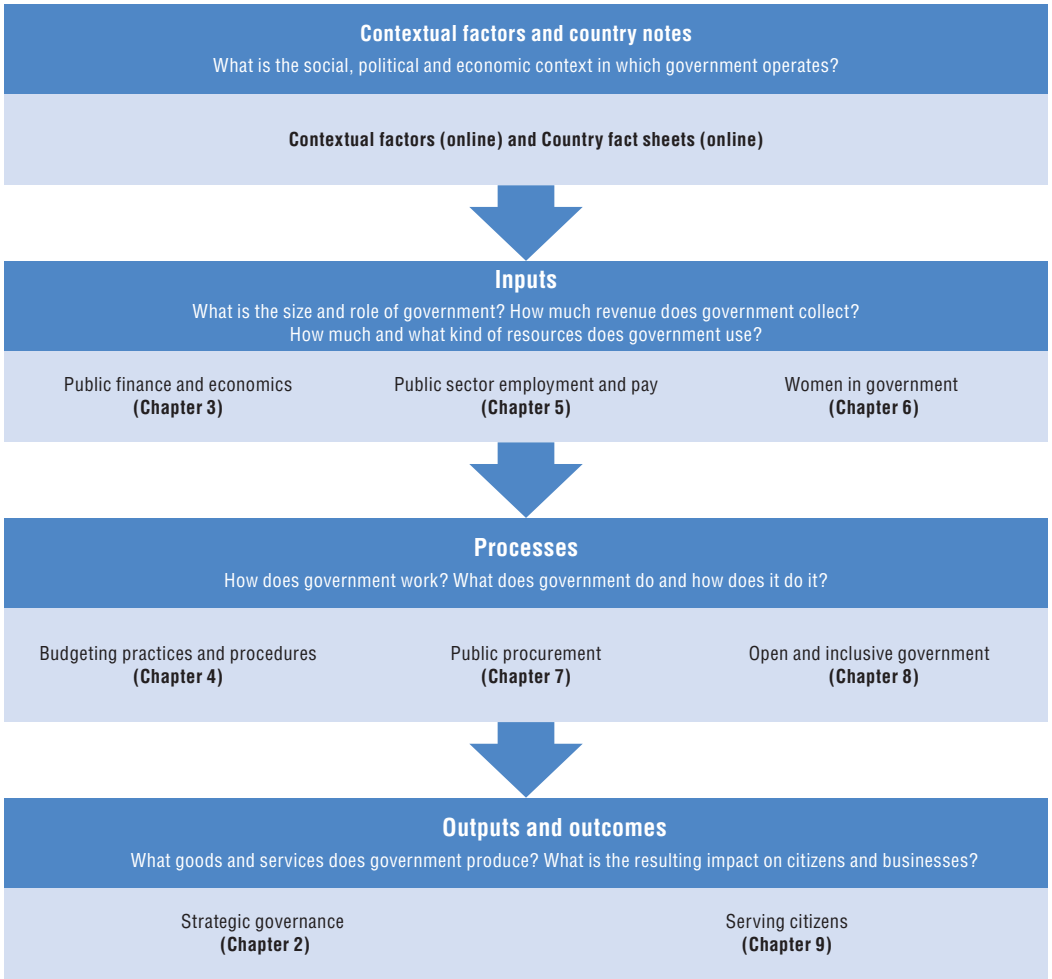
Inputs

Inputs refer to the resources used by governments in their production function, as well as the way in which they are mixed; these resources correspond to labour and capital. The chapters that describe these inputs are "Public finance and economics", "Public sector employment and pay", and "Women in government". They include indicators on government expenditures, production costs, employment and work-force characteristics. Differentiating these indicators can make it easier to understand different capacities of governments in producing public goods and delivering them to citizens.

Processes

Processes refer to the public management practices and procedures undertaken by governments to implement policies. They directly address the means used by public administrations to fulfil their duties and obtain their goals. In consequence, they are often

Figure 0.1. **Conceptual framework for *Government at a Glance 2013***



essential for ensuring the rule of law, accountability and fairness, as well as openness of government actions. Public sector reforms are usually targeted towards the improvement of processes; as such, they capture most of the attention of the public. This edition includes information on budgeting practices and procedures, public procurement, and open and inclusive government.

Outputs and outcomes

The dividing line between outputs and outcomes can be blurry; while outputs refer to the amount of goods and services produced by governments, outcomes show the effects of policies and practices on citizens and businesses. The success of a given policy should be measured, at a first stage, by outputs but should ultimately be judged by the outcomes it achieves. This edition has made an effort to incorporate an increasing number of indicators on outputs and outcomes. Aware of the difficulties in measuring outcomes, the previously mentioned quality framework was developed as a tool to evaluate several dimensions in place when governments deliver services to citizens. Examples of these indicators can be found in the "Special feature – Serving citizens: Accessibility and quality of public services" (Chapter 9).

Structure

Government at a Glance 2013 is structured as follows: it starts with a policy chapter that focuses on trust in government, the current situation concerning trust in government and the upcoming challenges faced by OECD member countries.

Chapters 2-9 include data on the following areas of public administration: "Strategic governance", "Public finance and economics", "Budgeting practices and procedures", "Public sector employment and pay", "Women in government", "Public procurement", "Open and inclusive government", and a special exploratory chapter called "Special feature – Serving citizens: Accessibility and quality of public services". These chapters highlight the need for better evidence on the impact and usefulness of the various public management tools adopted. The publication closes with a "Glossary" and several annexes on methodological aspects.

Future challenges

In order to produce *Government at Glance*, the OECD works in close co-operation with other organisations – including the International Labour Organization (ILO), The World Justice Project, the European Commission for the Efficiency of Justice (CEPEJ), Gallup and the European Commission – to provide a comprehensive view of what governments do and how they do it, while avoiding duplication of data collection. Co-operation ensures the comparability of data across the countries that are covered in the publication.

For future editions of the publication, the *Government at a Glance* team is planning to work in the following areas:

- Mapping of public sector agencies and their characteristics.
- New data collection on regulatory management practices and their performance.
- Indicators on the structure, functions, powers, responsibilities and priorities of the centre of government [the unit(s) that supports the collective work of the executive and the prime minister or president].
- Possibly comparing private and public sector compensation levels and structures.
- New indicators on lobbying and political funding.
- A repeat of the survey on strategic human resources management practices.

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Chapter 1

Trust in government, policy effectiveness and the governance agenda

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.

Introduction

The financial and economic crisis that started in 2008 led to a significant loss of trust in government. By 2012, on average only four out of ten people in OECD member countries expressed confidence in their government. As governments search for a path to economic recovery, the challenge they face is not only knowing what policies to choose, but also how to implement those policies. Yet, capacity to implement depends crucially on trust. Without trust in governments, markets and institutions, support for necessary reforms is difficult to mobilise, particularly where short-term sacrifices are involved and long-term gains might be less tangible. The sharp decline in trust in government is serving to underline that trust is an essential, yet often overlooked, ingredient in successful policy making.

A decline in trust can lead to lower rates of compliance with rules and regulations. Citizens and businesses can also become more risk-averse, delaying investment, innovation and employment decisions that are essential to regain competitiveness and jumpstart growth. Nurturing trust represents an investment in economic recovery and social well-being for the future. Trust is both an input to public sector reforms – necessary for the implementation of reforms – and, at the same time, an outcome of reforms, as they influence people's and organisations' attitudes and decisions relevant for economic and social well-being. As a result, trust in government by citizens and businesses is essential for the effective and efficient policy making both in good times and bad. Investing in trust should be considered as a new and central approach to restoring economic growth and reinforcing social cohesion, as well as a sign that governments are learning the lessons of the crisis.

The challenge of maintaining trust is complicated by a faster and more diversified flow of information across society, such as through civil society, the Internet and social networks. Together these suggest a more complex environment for governments with respect to maintaining the confidence of stakeholders. In this environment, good policy design and economic recovery may not be sufficient to restore trust if citizens are suspicious of the policy-making process and perceive the distribution of costs and benefits as unfair. Understanding what drives trust in government is essential to build a virtuous cycle that is able to sustain economic growth and well-being in the medium term.

The objective of this chapter is to explore the links between trust in government and the policies and institutions of public governance. It looks at how trust and specifically trust in government can be defined, how it is measured and how it may influence citizens' attitudes and responses to public policies. Drawing on the available evidence, the chapter discusses what drives trust and identifies a number of ways to make policies more reliable, responsive, open, inclusive and fair. The analysis is a preliminary exploration of a subject that has been approached by governance experts, economists and sociologists from rather disparate angles in the past. Even though more research may be needed to build a common perspective and stronger policy conclusions, trust in government already provides a different lens through which to look at public governance – a lens that pays much more attention to people's perceptions and how this influences their reaction to policy measures and reforms. Understanding trust may thus make policy makers and analysts of public governance more sensitive and responsive to the expectations of citizens.

What do we mean by trust in government?

Trust means *holding a positive perception* about the actions of an individual or an organisation. It is a subjective phenomenon, reflected in the "eyes of the beholder" that matters especially to the extent that it shapes behaviour. *Trust in government* represents confidence of citizens in the actions of a "government to do what is right and perceived fair" (Easton, 1965). It depends on the congruence between citizens' preferences – their interpretation of what is right and fair and what is unfair – and the perceived actual functioning of government (Bouckaert and van de Walle, 2003). As citizens' preferences are diverse, they use a multitude of different criteria to evaluate government actions/performance. What is considered right and fair by one individual may not be considered so by another. In order to analyse what influences trust in government, the preferences of citizens need to be compared to their perceptions of the functioning of government. As it is not the *actual* performance of government but its *perceived* performance that matters for trust in government, the drivers of perceptions besides governmental performance need to be identified as well.

At a broad level, trust in government builds on two main components: 1) *social trust*, that represents citizens' confidence in their social community; and 2) *political trust*, when citizens appraise government and its institutions. Political trust includes both macro-level trust, which is diffuse and system based, and institution-based trust. Civic engagement in the community and interpersonal trust have been shown to contribute to overall social trust (Putnam, 2000). This relationship, however, is not mechanical and may be affected by a number of contextual factors. For example, there are countries where people mistrust each other – social trust is low –, and then rely on institutions to represent their interest (Aghion et al., 2010).

Citizen expectations are key to their trust in government. As citizens become more educated, their expectations of government performance rise. If citizens' expectations rise faster than the actual performance of governments, trust and satisfaction could decline. These changes in expectations may explain more of the erosion of political support than real government performance (Dalton, 2005) and may surprise policy makers that are anchored in past diagnoses.

In addition, citizens' trust towards government is influenced differently whether they have a *positive or negative experience with service delivery*. A negative experience has a much stronger impact on trust in government than a positive one. Targeting public policies towards dissatisfied citizens will therefore have a stronger impact on trust in government (Kampen et al., 2006).

Much of the analysis on citizens' trust in government also applies to businesses and even to the government's own employees, but the formation of perceptions and the factors that influence them may be different.

Why does trust in government matter?

Trust in government has been identified as one of the most important foundations upon which the *legitimacy and sustainability of political systems are built*. Trust is essential for *social cohesion and well-being* as it affects governments' ability to govern and enables them to act without having to resort to coercion. Consequently, it is an efficient means of lowering transaction costs in any social, economic and political relationship (Fukuyama, 1995). A high level of trust in government might increase the efficiency and effectiveness of government operations.

Core levels of trust in government are necessary for the fair and effective functioning of government institutions – such as adherence to the rule of law, or the delivery of basic public services and the provision of infrastructure. The rule of law and independent judiciary are particularly important as their proper functioning is a key driver of trust in government, as established in several studies (Knack and Zak, 2003; Johnston, Krahn and Harrison, 2006; Blind, 2007). As well-functioning government institutions matter for business investment decisions, trust in them is a necessary ingredient to spur economic growth (Dasgupta, 2009; Algan and Cuha, 2013).

Trust in government institutions at the same time influences individual behaviour in ways that could support desired policy outcomes. This may range from rather narrowly defined policies and programmes (such as participation in vaccination campaigns) to broader policy reforms (e.g. environmental regulation or pension reform). Trust is important because many public programmes create the opportunity for free riding and opportunistic behaviour. Trust could reduce the risk of such behaviour to the extent that people are prepared to sacrifice some immediate benefits if they have positive expectations of the longer-term outcome of public policies, either at a personal level (pensions) or by contributing to the common good (redistribution of income through taxation).

Trust in government may help governments to implement structural reforms with long term benefits. Many reforms involve sacrificing short-term satisfaction for longer-term gains and will require broader social and political consensus to be effective and sustainable. In a high-trust environment, such reforms may not only be properly enacted and implemented, but could be sustained long enough to bear their fruits. This extends the time frame for policy decisions. In a low-trust climate, citizen will prioritise immediate, appropriable and partial benefits, and will induce politicians to seek short-term and opportunistic gains through free-riding and populist attitudes (Gyorffy, 2013).

Trust in government could improve compliance with rules and regulations and reduce the cost of enforcement. Rules and regulations are never perfect or complete enough to eliminate abuse. Their effectiveness depends on the extent to which people see them as fair and legitimate enough to outweigh the benefits of non-compliance. This is particularly important for regulations where the gap between the cost of compliance and personal benefits is large and where control is more difficult. Taxation is an example of the first, while traffic regulations are an example of the second. Trust in the regulator can lead to higher voluntary compliance (Murphy, 2004).

Trust in government institutions could help to increase confidence in the economy by facilitating economic decisions, such as on investment and consumption that foster economic growth. Trust in institutions as well as interpersonal trust may reduce the perception of risks linked to decisions ranging from the consumption of durables to job mobility, worker hiring and investment. An increase in trust among people raises total factor productivity, therefore fosters economic progress (Dasgupta, 2009). This, in turn, supports economic growth and extends the planning horizon of economic agents, increasing economic dynamism.

Trust in government seems to be especially *critical in crisis situations*, such as natural disasters, economic crisis or political unrest which focuses attention on the core functions of public governance. The capacity of governments to manage crises and to implement successful exit strategies is often a condition for their survival and for their re-election. In the aftermath of major disasters, lack of trust may hamper emergency and recovery

procedures causing great harm to society and damaging government's capacity to act. Likewise, the current economic crisis may reveal dimensions of trust that were not evident in the gradual evolution of countries in the years that preceded it.

Trust may run in different directions. It is not only trust of citizens and organisations in government that matters for policy effectiveness; trust of government in citizens and organisations and trust within government may shape policy design and its outcomes (Bouckaert, 2012). How much citizens and businesses are trusted by government is reflected in how government functions and how public services are organised as well as their efficiency and effectiveness – e.g. the tax system, the use of self-regulation and self-monitoring. In addition, citizens' and businesses' trust in government and governments' trust in citizens and businesses feed off one another. An open and responsive government is an enabling environment to reinforce trust between government and citizens in both directions. Unfortunately, trust *from* and *within* government is considerably less documented in the literature than trust *in* government.

While *trust takes time to be established, it can be lost quickly*. It is not sufficient to discuss the impact of trust in government on the performance of government, the economy and society, it is also necessary to describe what might happen if there is an increasing *distrust in government*. This might lead to less willingness on the part of citizens (and businesses) *to obey the law, to make sacrifices during crises or to pay taxes*. This could raise costs for government – resulting in declining efficiency – or erode revenues. Declining trust in government might also make it more difficult to attract and retain talent to work for government institutions.

Measuring trust in government

Trust is based on perceptions and its measurement is fraught with many challenges. This is true at the national level, and even more so at the international level. As trust represents a positive perception of government, it is measured by perception surveys, asking citizens, businesses or experts whether they trust (or have confidence) in government, leadership, and/or specific government institutions (e.g. local authorities or the justice system). Questions are often asked also about their satisfaction with public services, such as the local police, education or health care, although they represent a somewhat different concept than trust.

Several international surveys collect data on citizens' trust in government (see Table 1.1). The World Gallup Poll provides data across all 34 OECD member countries with sufficient regularity to capture the impact of the global financial and economic crisis on trust in government. The World Values Survey has measured trust in government for the

Table 1.1. **International surveys measuring trust or confidence in government**

Name of survey	Number of OECD countries covered	Years covered and frequency	Measurement	Answer scale
World Gallup Poll	34	2005-12 (annually)	Confidence in national government	2: yes/no
World Values Survey	25	4 waves: 1989-93; 1994-98; 1999-2004; 2005-08	Confidence in the government	4: a great deal/quite a lot/not very much/not at all
Eurobarometer	23	2003-13 (biannually)	Trust in government	2: tend to trust/tend not to trust
Edelman Trust Barometer	15	2001-13 (annually)	Trust in government	9 point scale: 1 means "do not trust at all" and 9 means "trust them a great deal"
Latinobarómetro	3	1995-2012 (annually)	Trust in government	4: a lot/some/a little/no trust

longest period of time, but the dataset is fragmented, and data is only available for multiple year periods, the latest wave being 2005-07. The European Union's Eurobarometer provides the most consistent dataset (including biannual data points) but unfortunately covers only 23 OECD member countries. The Edelman Trust barometer provides time series only for a restricted sample of the population (sampling criteria includes college educated and household income in the top quartile).

As international surveys were designed to offer cross country comparisons, their questions measuring trust in government are subject to ambiguity and they are often restricted down to the respondent's interpretation as no definition of the term *government* is usually provided. The international surveys apply similar methodologies in terms of sampling, but diverge in terms of question formulation (e.g. nuances between a question on *confidence* and a question on *trust* in government, different response scales) and also in terms of other measures of trust that could provide comparators (e.g. trust in national parliament, financial institutions, politicians, civil servants, international organisations, public services such as health care and education, businesses, religious institutions).

The limitations of international surveys make it difficult to gain a thorough understanding of how citizens' trust in government is evolving over time and what influences levels of trust in government across OECD countries and beyond. The incidence of cultural factors on how people approach public institutions makes pure cross country comparisons of trust in government especially challenging. Perhaps most importantly for the purpose of this analysis, the existing surveys were not designed to support policy analysis or lead to policy recommendations.

Although national surveys measuring trust in government cannot be used in a cross country comparative exercise, they better support policy analysis for many reasons. Compared to international surveys, they provide greater insight into the drivers of trust and can be corrected for election cycles. For example, the Barometer of Citizen Confidence conducted by Metroscopia in Spain publishes data on a monthly basis that allows government satisfaction to be compared with the perception of the economy. National surveys also cover trust across the public spectrum more in depth. For example, IPSOS Mori in the United Kingdom publishes twice a year trends of trust across public institutions (e.g. different levels of government, parliament), public services, economic policies (e.g. economic growth, unemployment, inflation, purchasing power), political parties and political representatives (leaders in the executive, politicians, members of parliament), and perceptions of corruption in government. National surveys can also provide measures of trust on existing policies. For example, IFOP in France asks citizens whether they trust their government to meet specific policy targets announced when they took office. National surveys also usually have much longer time series, for example the PEW Research Center in the United States provides trust in government data since the late 1950s.

The discussion above suggests that more could be done to increase comparability of data on citizens' trust from perception surveys and support policy discussion. First, surveys may be made more representative. Current surveys work with small sample sizes and are seldom representative geographically inside a country. Additional respondents' characteristics – such as their age, gender, race, educational level, marital status, income level, whether they have used a government service or not, etc. – influence their perception of government so it would be worthwhile that the sample reflect these as well. Second, survey questions could be improved. Key terms need to be defined precisely: e.g. in the Gallup World Poll, respondents are asked about how much confidence they have in *national government*, without any explanation of what is meant by that. Respondents might equate government with political leadership or

the bureaucracy. Survey questions and the attached response categories need also to be worded in ways that allow governments to act upon – e.g. change their behaviour – based on the information gained. Lastly, collection of information at regular intervals will allow, in addition to cross-country comparisons at one point in time, to detect changes over time and trends both in individual countries and across countries.

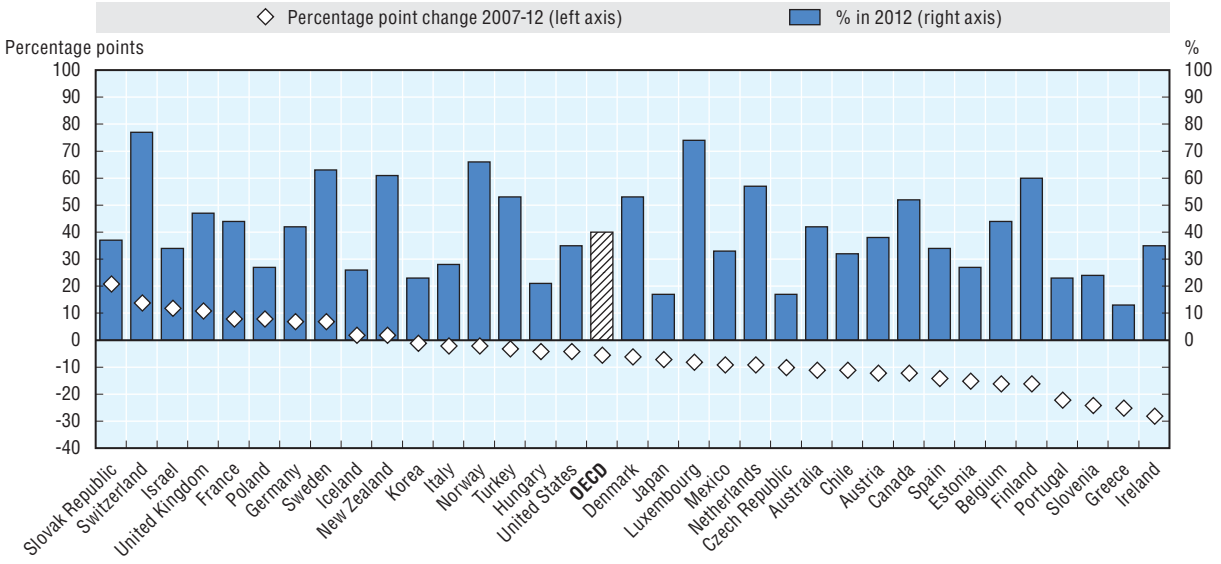
Patterns and trends of trust in government in OECD countries

Despite the methodological difficulties in measuring trust in government, the available data reveals some distinct patterns, trends and correlations that are revealing of the state of trust in government in OECD countries and may assist policy makers in digging deeper into the subject.

First, the most recent data available for OECD countries indicates that when citizens are asked about their confidence in the national government, their answers differ substantially across countries, with an average well below 50% (Figure 1.1). In other words, when asked through surveys, less than half the citizens of OECD countries respond that they have confidence in their national government. National averages rank between almost 80% in Switzerland and 12% in Greece. The distribution within this range does not appear to reflect standards of living, per capita GDP levels or speed of growth. While Japan and Korea – an upper income and fast growing country respectively – score below the OECD average, Turkey, with a lower per capita GDP scores well above it. This suggests that trust in government may not respond to long-term economic developments or absolute standards of living as much as it does to cultural factors, evolving expectations and political developments. This conclusion is reinforced by the available evidence for some emerging countries, which underscores the influence of expectations on government action of citizens on government on their levels of trust (Box 1.1).

Figure 1.1. **Confidence in national government in 2012 and its change since 2007**

Arranged in descending order according to percentage point change between 2007 and 2012



Note: Data refer to percentage of "yes" answers to the question: "In this country, do you have confidence in each of the following, or not? How about national government?" Data for Chile, Germany and the United Kingdom are for 2011 rather than 2012. Data for Iceland and Luxembourg are for 2008 rather than 2007. Data for Austria, Finland, Ireland, Norway, Portugal, the Slovak Republic, Slovenia, Switzerland are for 2006 rather than 2007.

Source: Gallup World Poll.

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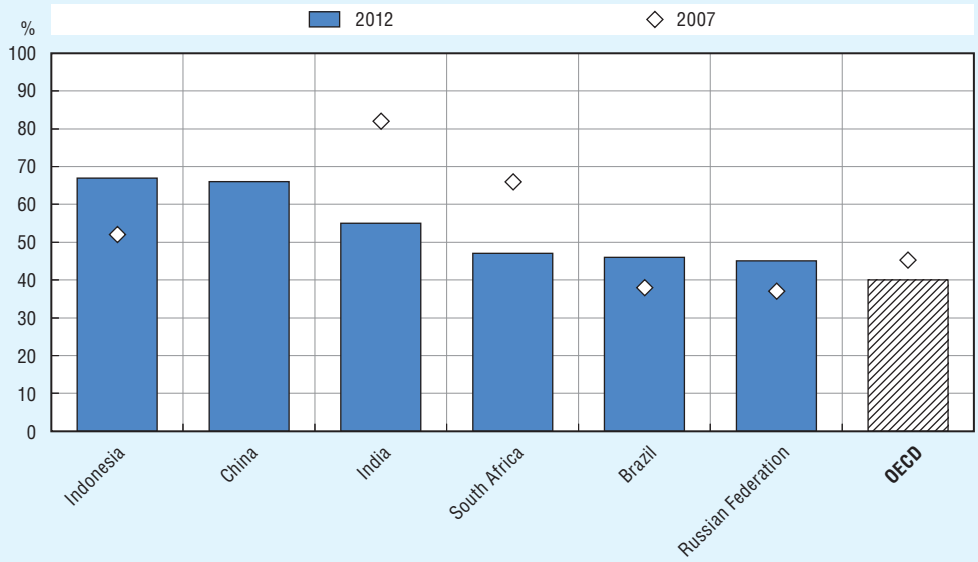
Box 1.1. **Confidence in national government in BRIICS countries (2012)**

On average across BRIICS countries, a majority of citizens expressed confidence in national government (54%) in 2012. Confidence in national government was the highest in Indonesia and China (two-thirds of citizens) and the lowest in South Africa, Brazil and the Russian Federation (all within a range of 45-47%). Trust in government in all BRIICS countries was higher than the OECD average (40%). Over the 2007-12 period, confidence in national government decreased on average by three percentage points across the BRIICS countries (excluding China), which was less than across OECD member countries (five percentage point decrease on average). Confidence increased the most in Indonesia (15 percentage points) and decreased the most in India (27 percentage points). Higher levels of confidence across BRIICS countries compared to most OECD member countries can be due to cultural and context-specific factors, but can also be explained by different expectations that citizens have of government services and performance due to different stages of socio-economic development. Nevertheless, there is an agreement among researchers that reaching the *optimal* level of trust is more important than reaching the *maximum* level of trust (Knack and Keefer, 1997; Nooteboom, 2006; Dasgputa, 2009; Bouckeart, 2012).

Confidence in national government in BRIICS countries is higher than in OECD



Note: Data refer to percentage of "yes" answers to the question: "In this country, do you have confidence in each of the following, or not? How about national government?"
Source: Gallup World Poll.

StatLink http://dx.doi.org/10.1787/888932940740

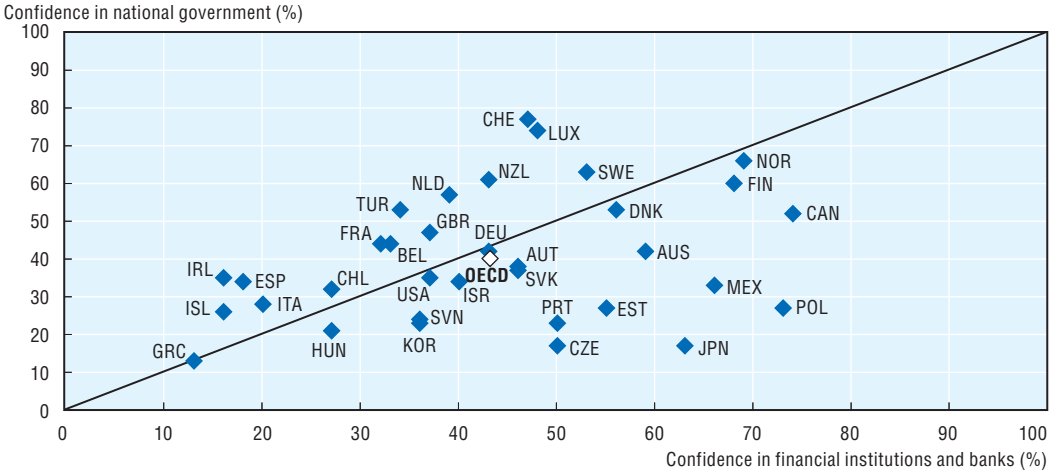
Second, the evidence shows that the average level of trust in government in 2012 was below its pre-crisis level in 2007 (lower panel in Figure 1.1). The share of respondents expressing confidence in national government in 2012 is lower on average by five percentage points (from 45% to 40%) than in 2007. This comparison masks much larger variations at the country level, as more than two-thirds of OECD countries reported a loss of confidence in government from 2007 to 2012. The larger drops in trust occurred in countries facing either a political, fiscal or economic crisis, such as Greece, Slovenia,

Ireland, Spain, Belgium and Portugal. In other countries, however, confidence in government increased, notably in the Slovak Republic, Israel, the United Kingdom, Poland, France, Switzerland, Germany, and Sweden.

Third, trust in government is, on average, similar to trust on two key institutions of the private sector: *a)* financial institutions and banks; and *b)* the media, but, again, with significant variations across OECD countries. Overall across OECD countries financial institutions and banks are trusted slightly more (43%) than government (40%) (see Figure 1.2). In some countries, which were least affected by the 2008 financial crisis, financial institutions and banks enjoy a high level of trust, such as Canada, Poland, Finland, Norway, Mexico, Australia and Japan. Conversely, in some countries that were most affected, trust in government tends to be relatively higher than in financial institutions, such as in Ireland, Spain, and Italy.

Figure 1.2. **Trust in financial institutions compared to government**

Comparison of confidence in financial institutions/banks and government (2012)



Note: Confidence in national government data refer to percentage of "yes" answers to the question: "In this country, do you have confidence in each of the following, or not? How about national government?" Confidence in financial institutions and banks data refer to percentage of "yes" answers to the question: "In this country, do you have confidence in each of the following, or not? How about financial institutions or banks?" Data for Chile, Germany and the United Kingdom are for 2010 rather than 2011. In the countries below the line, confidence in financial institutions and banks is higher than confidence in government.

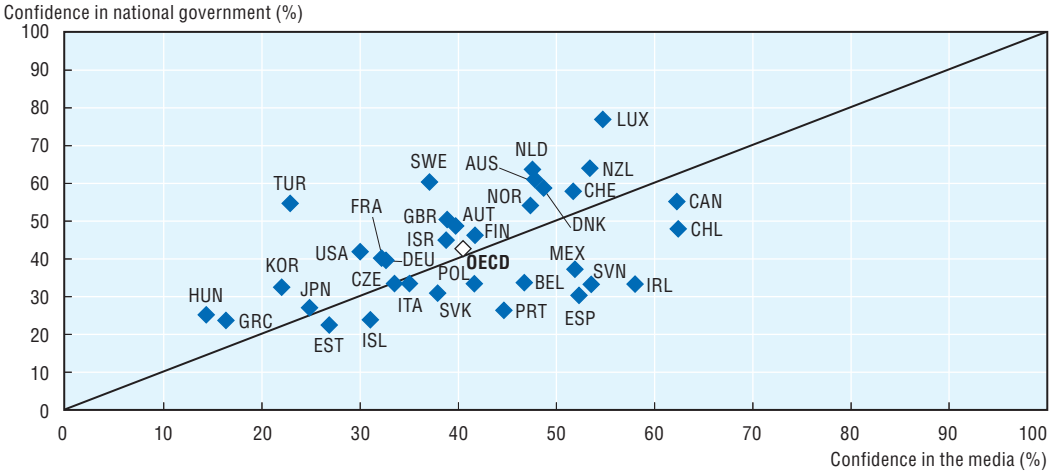
Source: Gallup World Poll.

StatLink http://dx.doi.org/10.1787/888932940759

Trust in the media was significantly higher than trust in government in Ireland, Spain and Portugal in 2010 – the year for which data are available – while it was significantly lower in Turkey, Sweden, the Netherlands and Luxembourg (see Figure 1.3). As countries in the first group include the ones with the largest deterioration in trust in government in the course of the crisis and the ones in the second are among the countries with highest and most stable levels of trust, the comparison may be more revealing of the evolution of trust in government than of trust in the media. The opposite may be happening in the comparison between trust in government and trust in financial institutions, with the dynamics of the latter dominating over the former.

Figure 1.3. **Trust in the media and government**

Comparison of confidence in national government and the media (2010)



Note: Confidence in national government data refer to percentage of "yes" answers to the question: "In this country, do you have confidence in each of the following, or not? How about national government?" Confidence in media data refer to percentage of "yes" answers to the question: "In this country, do you have confidence in each of the following, or not? How about quality and integrity of the media?" Data for Iceland and Norway refer to 2008 rather than 2010. Data for Switzerland and Estonia refer to 2009 rather than 2010. In the countries below the line, confidence in the media is higher than confidence in government.

Source: Gallup World Poll.

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Drivers of trust in government

Trust in government is multifaceted and based on a mix of economic, social and political interactions between citizens and government. A broad empirical literature[1] discusses the relationships between trust in government and economic, social and governance parameters. It identifies four broad groups of drivers of trust in government: 1) culture; 2) institutional setting; 3) economic and social outcomes; and 4) performance of institutions. While there is more or less a consensus on the range of drivers involved, the evidence is conflicting on the magnitude of their influence and the depth of their reciprocal relationship with trust. A general finding is that trust and most of its drivers are interlinked and self-fulfilling, and therefore complementary in their relationship to public governance and economic development.

Bouckaert (2012) argues that trust in government can be analysed at three levels. At the *macro-level*, trust relates to *political institutions and the functioning of democracy*. At the *meso-level*, trust relates to *policy making* – the ability of governments to manage economic and social issues, and to generate positive expectations for future well-being. Finally, at the *micro-level*, trust refers to the impact of government on people's daily lives through *service delivery*. Although distinct, these three levels interact and a significant lag in trust at one level may affect trust at other levels and influence policy outcomes. Efforts to strengthen trust therefore need to reinforce synergies across each of these different spheres.

Bouckaert's taxonomy is especially useful for two reasons. First, because it suggests that trust is not just something that *happens* to governments but something that governments can *influence* through their actions and policies. Second, because it suggests that when it comes to influencing trust, it is not only the *what* of public policies that matters, but also the *how*, the *for whom* and the *with whom*. Consequently, not only the final results but the processes used to attain them are also important for the citizens and business.

The public governance dimension – the institutional setting and its performance – of trust may be better understood when this concept is broken down into a set of inter-related *process* components that encapsulate what citizens expect from government. The OECD has proposed the following components:

- *Reliability:* the ability of governments to minimise uncertainty in the economic, social and political environment of their citizens, and to act in a consistent and predictable manner.
- *Responsiveness:* the provision of accessible, efficient and citizen-oriented public services that effectively address the needs and expectations of the public.
- *Openness and inclusiveness:* a systemic, comprehensive approach to institutionalising a two-way communication with stakeholders, whereby relevant, usable information is provided, and interaction is fostered as a means to improve transparency, accountability and engagement.
- *Integrity:* the alignment of government and public institutions with broader principles and standards of conduct that contribute to safeguarding the public interest while preventing corruption.
- *Fairness:* in a procedural sense the consistent treatment of citizens (and businesses) in the policy-making and policy-implementation processes.

In what follows, we use Bouckaert's three-level framework to identify potential drivers of trust in the governance domain and point at evidence from international surveys that is suggestive of a statistical correlation. This is still a preliminary exercise that is far from conclusive on causality relations, but one that could guide further research and discussion.

Macro-level

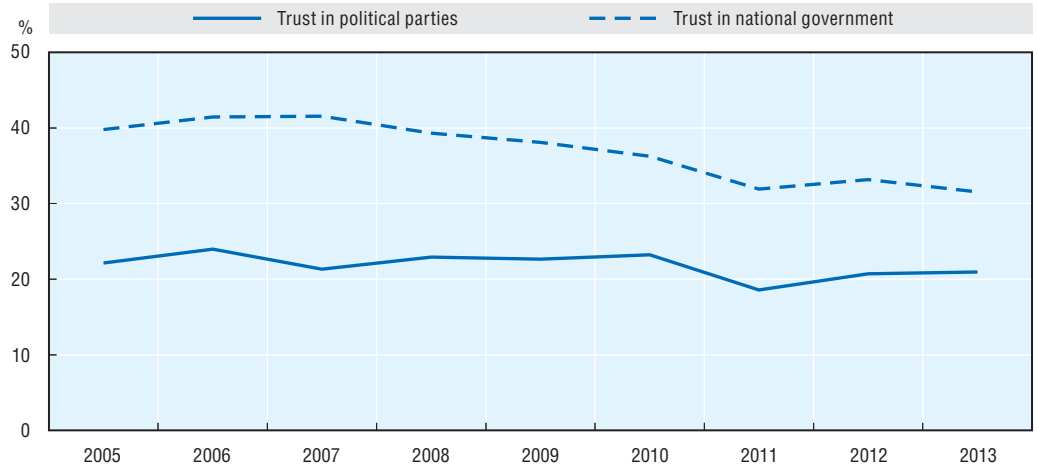
At the *macro-level* what matters for trust in government are *political institutions and the functioning of democracy*. A crucial prerequisite of becoming a member of the OECD is to be a democracy with well-developed political institutions.[2]

Regarding political institutions, at least in the European countries for which data are available, citizens consistently express more trust in government than in political parties (see Figure 1.4 and Figure 1.5). In 2013 among the European OECD member countries only in one country – Denmark – do people trust government and political parties at a similar level; in all other countries political parties are less trusted. Political parties are trusted the least – below 10% of respondents – in the countries most affected by the fiscal crises, e.g. Slovenia, Greece, Spain, Italy and Portugal. These are the same countries where trust in government is also the lowest.

A basic tenet of democracy, beside free and fair elections, is the adherence to the rule of law – which is both an outcome and a process measure – meaning that no one, including government, is above the law, where laws protect fundamental rights, and justice is accessible to all. This is reflected in a strong correlation between the confidence people have in their national government and in the judicial system (see Figure 1.6). Confidence in the judicial system represents both an outcome and a key governance dimension, most closely related to integrity.

Another conventionally used proxy measure for trust in the political system is voters' turn-out. However, there are competing hypotheses regarding the relationship between voters' turn-out and trust – the first one being that larger voter turn-out might reflect a higher trust in the political system; while the competing one: lower trust in the incumbent government might lead to higher propensity to vote in order to defeat it. However, the correlation coefficient between trust in government and voters' turn-out is negligible.

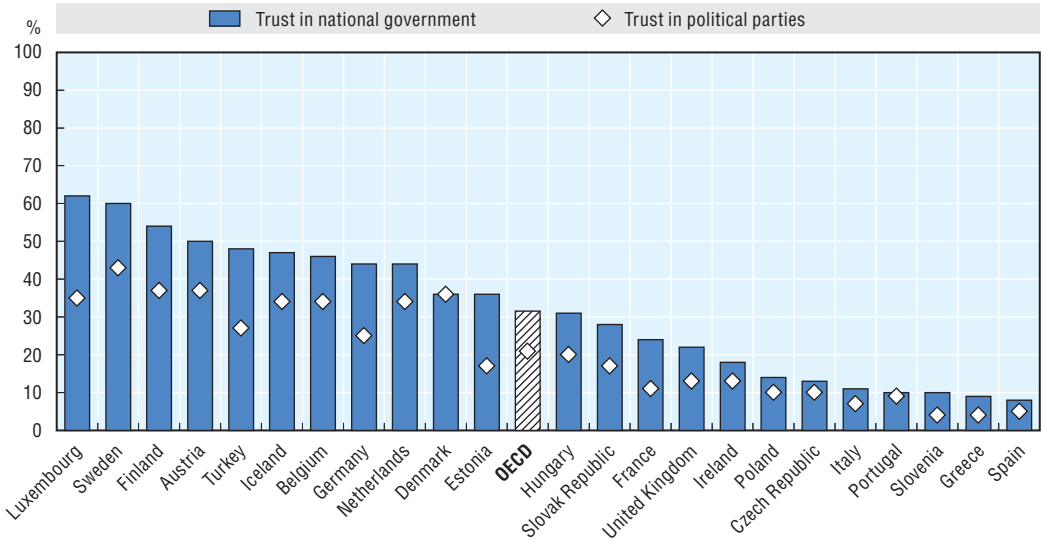
Figure 1.4. **Trust in political parties is much lower than trust in government in Europe over time (2005-13)**



Note: Data refer to percentage of "tend to trust" answers to the questions: "For each of the following institutions, please tell me if you tend to trust it or tend not to trust it: the (national) government; political parties." Data refers to annual averages for 23 OECD member countries: data not available for Australia, Canada, Chile, Israel, Japan, Korea, Mexico, New Zealand, Norway, Switzerland and the United States.
Source: *Eurobarometer* (database), OECD calculations.

StatLink http://dx.doi.org/10.1787/888932940797

Figure 1.5. **Trust in government and in political parties in European OECD member countries (2013)**



Note: Data refer to percentage of "tend to trust" answers to the questions: "For each of the following institutions, please tell me if you tend to trust it or tend not to trust it: the (national) government; political parties." Data refers to annual averages for 23 OECD member countries: data not available for Australia, Canada, Chile, Israel, Japan, Korea, Mexico, New Zealand, Norway, Switzerland and the United States.
Source: *Eurobarometer* (database).

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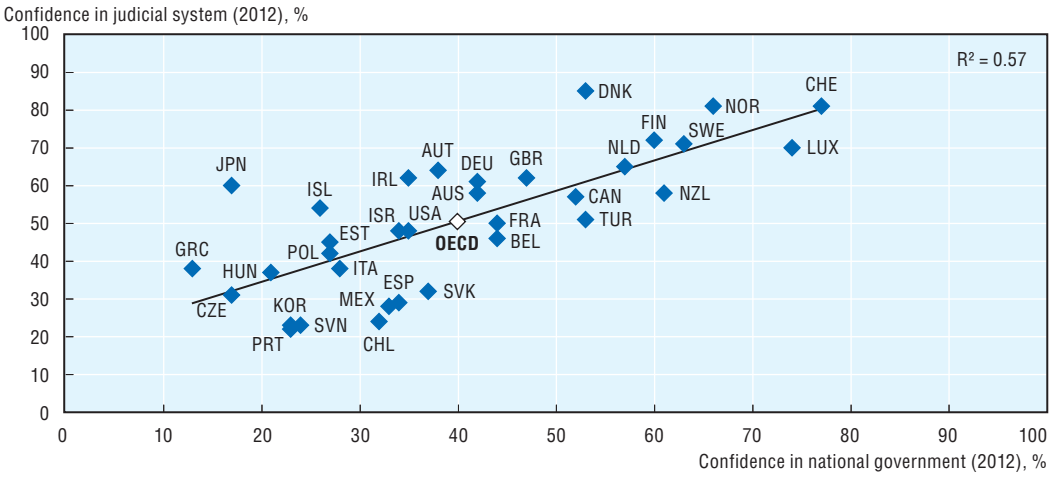
When expressing their confidence in national government, citizens also pass judgement on the leadership of their country (R squared: 0.9) (see Figure 1.7). Whether this leadership means political leaders only or also includes the top bureaucracy is open to question. However, it shows the utmost importance of leadership in public governance, and the need for a well-functioning political-administrative interface that supports the government's vision, performance and integrity.

Figure 1.6. **Confidence in the judicial system is important for confidence in national government**

Correlation between confidence in national government and confidence in the judicial system (2012)



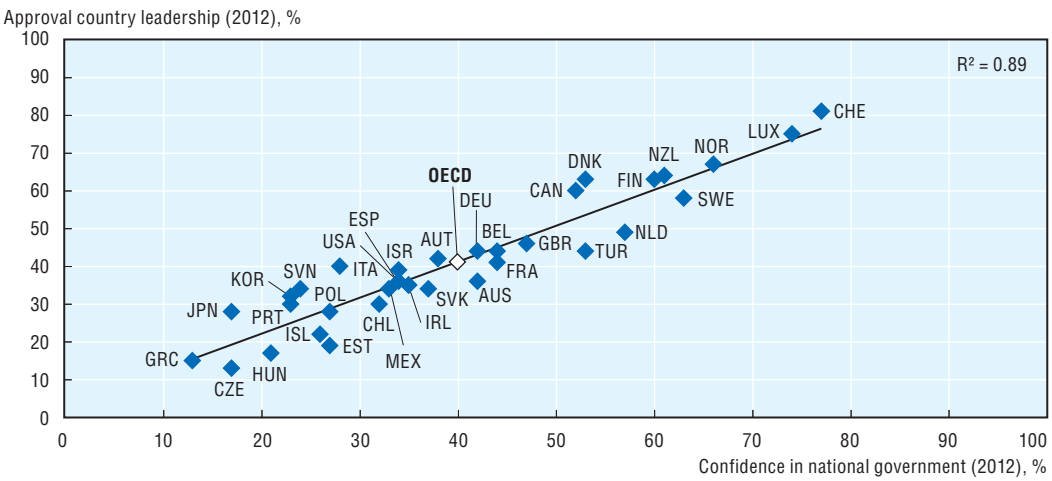
Note: Confidence in national government data refer to percentage of "yes" answers to the question: "In this country, do you have confidence in each of the following, or not? How about national government?" Confidence in the judicial system data refer to percentage of "yes" answers to the question: "In this country, do you have confidence in each of the following, or not? How about judicial system and courts?" Data for Chile, Germany and the United Kingdom are for 2011 rather than 2012.

Source: World Gallup Poll.

StatLink http://dx.doi.org/10.1787/888932940835

Figure 1.7. **Leadership is the key to confidence in national government**

Correlation between confidence in national government and leadership of the country (2012)



Note: Data for confidence in national government refer to the percentage of "yes" answers to the question: "In this country, do you have confidence in each of the following, or not? How about national government?" Data for approval of country leadership represent % of "approve" answers to the question: "Do you approve or disapprove of the job performance of the leadership of this country?" Data for Chile, Germany and the United Kingdom are 2011 instead of 2012.

Source: Gallup World Poll.

StatLink http://dx.doi.org/10.1787/888932940854

Meso-level

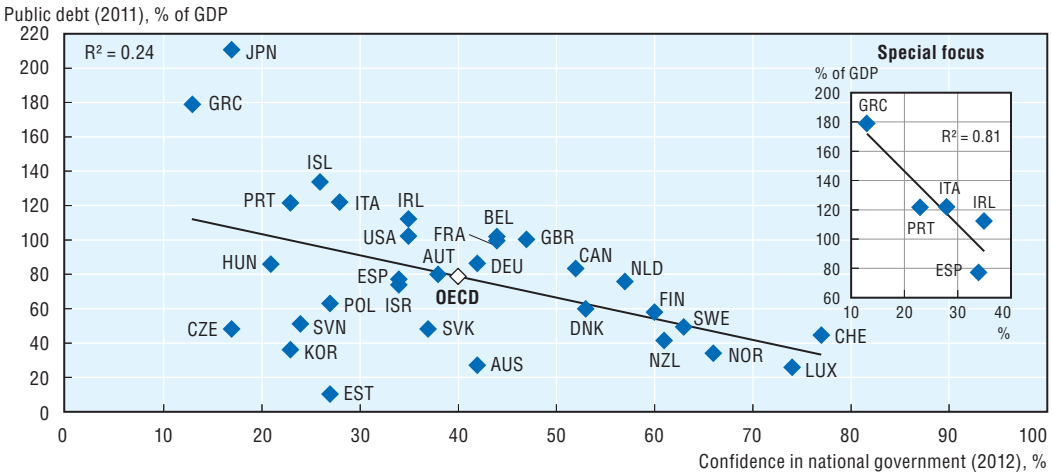
At the *meso-level*, trust may be related to *strategic policymaking* – the ability of governments to manage economic and social issues, and to generate positive expectations for future well-being. *Government at a Glance 2013* includes several indicators that look at the components and results of strategic policy making, such as fairness (Chapter 2), risk management (Chapter 2), fiscal sustainability (Chapter 2), fiscal balances (Chapter 3), debt levels (Chapter 3) as well as budget practices (Chapter 4). When relating these indicators to levels and change in trust in government, however, none of them show a strong correlation.

However, the level of *spending on social protection* (including unemployment, insurance, pensions, and welfare) showed modest correlation (R squared: 0.44) to the level of trust in government. As social programmes have become the target of fiscal consolidation in a number of countries, trust in government may take an additional hit from changes in the composition and rules of access to these programmes that are seen as a change in the social contract between the state and its citizens. The impact on public trust, however, could be mitigated by the processes through which reforms are carried out. This shows the importance of fairness both in terms of outcomes – focusing on who will be affected by how much, and how fairly the burden is shared – as well as in terms of the processes by which decisions are reached – how transparent are the decision-making process and the supporting evidence, and what are the possibilities for participation by those affected by the decisions. In this way, trust in government can further support itself: by encouraging participation and by building confidence in the evidence and criteria used by decision makers (and therefore the legitimacy of their decisions).

Fiscal prudence does not necessarily have a straightforward relationship to trust in government. It seems that when the fiscal house of the state is in order there is not much of a relationship. However, when countries are in serious fiscal trouble it becomes an overriding concern. This is well documented in Figure 1.8, showing the negative and strong

Figure 1.8. **The role of public debt matters only in countries in fiscal crisis**

Correlation between confidence in national government (2012) and public debt (2011)



Note: Confidence in national government data refer to the percentage of "yes" answers to the question: "In this country, do you have confidence in each of the following, or not? How about national government?" Public debt refers to general government gross financial liabilities. Data for confidence in national government for Chile, Germany and the United Kingdom are for 2011 rather than 2012.

Source: World Gallup Poll; and OECD (2013), "OECD Economic Outlook No. 93", *OECD Economic Outlook: Statistics and Projections* (database), May 2013, *http://dx.doi.org/10.1787/data-00655-en*.

StatLink *http://dx.doi.org/10.1787/888932940873*

correlation (R square: 0.81) for the five European countries with serious public debt problem (see Special focus). High levels of debt to GDP may thus bring into question the reliability of government and their ability to minimise uncertainty.

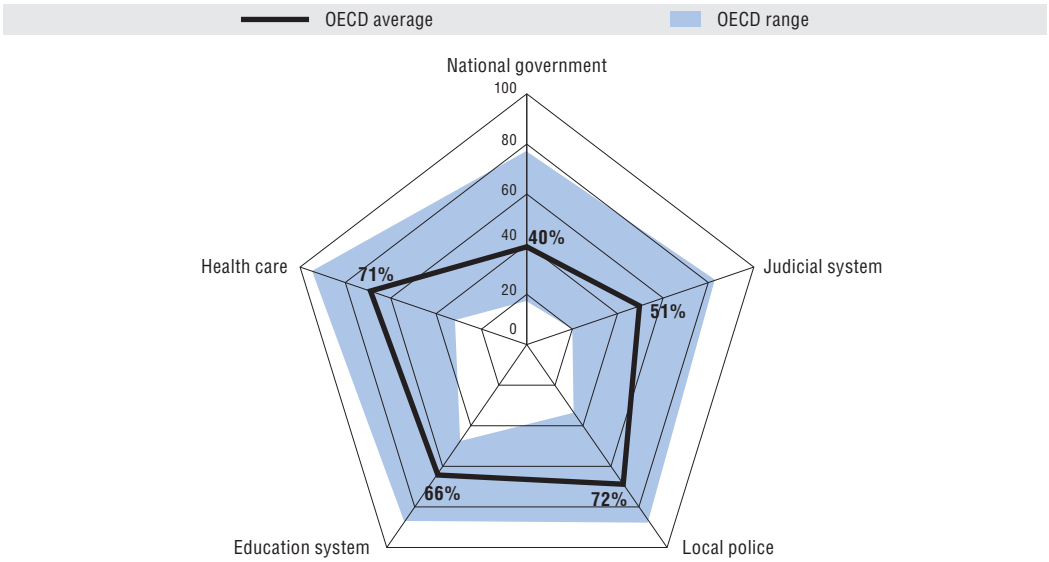
Micro-level

At the *micro-level* the focus is on the citizens' experience with government through the *delivery of public services*. Satisfaction with public services is much higher than trust in government but higher service satisfaction does not necessarily translate into increased confidence in government.

The evidence from surveys indicates that citizens can distinguish between different areas and bodies that integrate the public sector when asked more specifically (Figure 1.9). In 2012, and on average across OECD member countries, confidence was the highest in the local police and health care (respectively 72% and 71%) followed by education (66%), the judicial system (51%) and the least in national government (40%). This highlights the importance of understanding what is meant by "government": when citizens identify their level of trust in government, which elements of the broad network of actors, institutions and regulations make up government, as well as the infrastructures by which services are delivered for which they are referring to.

Besides the general picture, significant differences exist across countries, in terms of the relations between trust in national government and actual satisfaction with public services. The difference between the two measures is particularly large in Iceland, Japan,

Figure 1.9. **Satisfaction with public services is higher than trust in government (2012)**



Note: OECD average based on 2012 data for all countries, except Chile, Germany, Japan, Mexico, Korea and the United Kingdom for which data are for 2011 rather than 2012. Data for national government refer to the percentage of "yes" answers to the question: "In this country, do you have confidence in each of the following, or not? How about national government?" Data for the judicial system refer to the percentage of "yes" answers to question: "In this country, do you have confidence in each of the following, or not? How about Judicial system and courts?" Data for the local police refer to the percentage of "yes" answers to question: "In the city or area where you live, do you have confidence in the local police force, or not?" Data for education system refer to the percentage of "satisfied" answers to the question: "In the city or area where you live, are you satisfied or dissatisfied with the educational system or the schools?" Data for health care refer to the percentage of "satisfied" answers to the question: "In the city or area where you live, are you satisfied or dissatisfied with the availability of quality health care?"
Source: Gallup World Poll.

StatLink http://dx.doi.org/10.1787/888932940892

Slovenia, the Czech Republic where satisfaction with public services is high, whilst in Switzerland, Luxembourg and Turkey confidence in national government and satisfaction with public services are very close to each other. This reinforces the view that current answers to questions on the confidence in the national government as displayed through the available data may capture more short-term perceptions on the political system in some countries than on the government and the public administrations as institutions.

Trust tends to be highest at the local level, where services are delivered and where the link with government performance is most concrete. Trust also tends to be higher for actual users of public services than for the non-users. An exploration of the variations of trust across levels of governments and across different types of public institutions would provide some clues on the factors that shape public perceptions of government and on the different policy levers that can improve the perception of those areas of public administration.

Chapter 9 on the quality of public services is based on a general framework on service quality (Table 1.2). The chapter is built on existing service quality indicators presented by key dimensions of quality: access, timeliness, reliability and service satisfaction. In addition, data on the take-up of online government services are also presented, given the increased reliance of governments, businesses and citizens on them. These service quality dimensions overlap with some of the key governance dimensions that matter for citizens, such as inclusiveness (access), responsiveness and reliability. As there are many facets of these key dimensions of quality, as a first attempt, one facet is presented for each of the four policy areas when data are available: affordability, timeliness, accuracy and reported satisfaction with services.

Table 1.2. **The service quality framework**

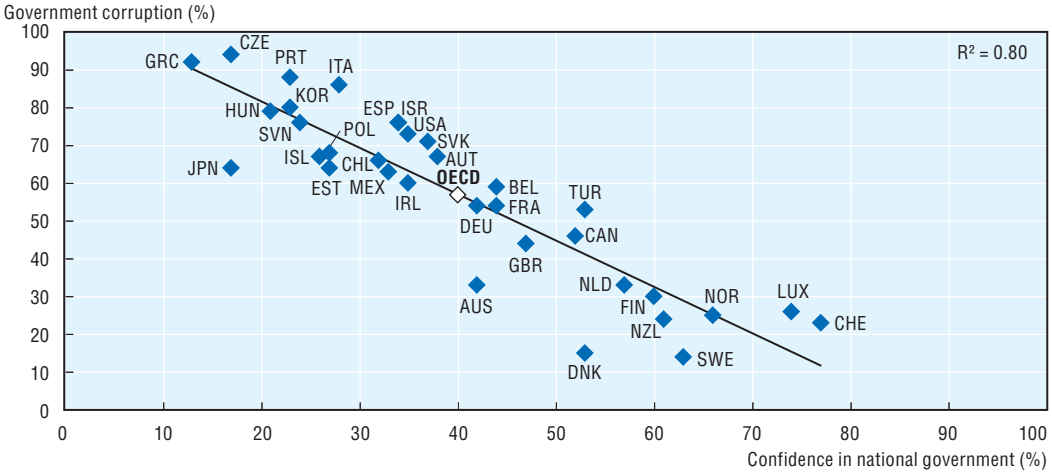
Access	Responsiveness	Reliability	Satisfaction
Affordability	Timeliness	Accuracy/competence/customer rights (possibilities to file complaints, suggestions, receive support and/or compensation	Reported satisfaction (perception)
Geographic proximity	"Match" of service to needs	Tangible function (facilities, machines, etc.)	Reported confidence/trust (perception)
Adaptations for those with disabilities	Customer service (courtesy and treatment)	Consistency/fairness	
Adaptations to different cultures (e.g. languages, etc.)	Integrated services (across delivery channels)	Security (confidentiality, safety)	
Access to electronic services (digital divide)			

Integrity: A cross cutting issue

Integrity seems to be essential to trust in government, as the correlation between perception of corruption and trust in government is high (see Figure 1.10). Integrity tools and mechanisms, that are essential public governance processes, are aimed at preventing corruption (which is the outcome) and fostering high standards of behaviour, helping to reinforce the credibility and legitimacy of the actors involved in policy decision making, safeguarding the public interest and restoring a sense of fairness of policy decisions. Policy tools addressing high-risk areas at the intersection of the public and private sectors – including effective management of conflict of interests, high standards of behaviour in the public sector and adequate lobbying and political finance regulation – can be leveraged to limit undue influence and build safeguards to protect the public interest.

Figure 1.10. **Be aware of corruption!**

Correlation between confidence in national government and perception of government corruption (2012)



Note: Data for confidence in national government refer to the percentage of "yes" answers to the question: "In this country, do you have confidence in each of the following, or not? How about national government?" Data for perception of government corruption represent % of "yes" answers to the question: "Is corruption widespread throughout the government, or not?" Data for Chile, Germany and the United Kingdom are for 2011 instead of 2012.
Source: Gallup World Poll.

StatLink http://dx.doi.org/10.1787/888932940911

This publication contains indicators on public management practices that are aimed at improving *integrity in* government: Chapter 8, "Conflict of interest and asset disclosure"; Chapter 8, "Budget transparency"; and Chapter 7, "Fair competition in public procurement and SMEs".

Conclusion

The experience of the institutional challenges of the financial, economic and social crisis of the recent past has contributed to a wide-ranging research on the role of governments in modern economies and societies. The role of trust is increasingly identified by leaders and analysts as the potentially missing element for better crisis management and better performance.

Understanding and improving trust in government seem to require a comprehensive, multi-sector, multi-actor agenda with a medium-term horizon. First, there is a need for a more comprehensive measurement of trust in government as well as a better identification of its drivers. This requires that our understanding and knowledge of the concept of trust and trust in government be enhanced. In addition, a regular, internationally comparable measurement of trust in government by citizens and by businesses would be necessary. This could be carried out by new survey(s) that combine elements of existing surveys, or by improving existing surveys (regarding their representativeness, survey designs, and by including question wording and the scales attached). Currently no national statistical offices (NSOs) are involved in the measurement of trust in government.

Secondly, further work is required on an analytical framework followed by more sophisticated econometric techniques to explore in greater depth the relationships between trust in government and the different institutions of government and dimensions of government performance in order to draw conclusions that could identify areas where government action can make a difference. It is particularly important that we understand the roles and responsibilities of all levels and institutions of government in influencing trust in government, starting with national leadership, the various policy sectors and service

delivery agents at local level of government in how decisions are made, transmitted and implemented. The OECD could assist in developing international comparisons, and help countries to exchange with each other in terms of strategies and actions that have succeeded in rebuilding trust in government. A precursor to this work could be country specific case studies carried out – among others – as part of the OECD's Public Governance Reviews.

Most important of all, however, a renewed focus on trust in government can bring a new perspective to public governance, enhancing the role of the citizens. At an institutional level, this should reinforce the notion of a *social contract* between citizens and the state, where the former contribute not only by paying taxes and obeying the law, but also by being receptive to public policies and co-operating in their design and implementation. To gain this support from citizens, however, governments need to be more inclusive, more transparent, more receptive and more efficient. Recognising and better understanding the critical role that trust plays in effective public policies should assist governments better shape their policy and reform agendas, improving outcomes for all.

Notes

1. See GOV/PGC(2013)1 (*www2.oecd.org/oecdinfo/info.aspx?app=OLIScoteEN&Ref=GOV/PGC(2013)1*).
2. This publication (available on line in the "Country Contextual Factors Annex") contains basic information on political institutions, as well as government structure for each member country. How those institutions function is captured by other indicators in the publication.

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International surveys measuring trust or confidence in government: Weblinks

World Gallup Poll: *www.gallup.com/strategicconsulting/en-us/worldpoll.aspx*.

World Values Survey: *www.worldvaluessurvey.org*.

Eurobarometer: *www.ec.europa.eu/public_opinion/index_en.htm*.

Edelman Trust Barometer: *www.edelman.com/insights/intellectual-property/trust-2013*.

Latinóbarometro: *www.latinobarometro.org*.

2. STRATEGIC GOVERNANCE

This chapter contains key strategic outcome indicators for governments. Some of these indicators relate to the performance of selected policy sectors and government activities (such as efficiency and effectiveness measures for the health care, education and justice sectors as well as for tax administration), based on conventions developed for their measurement by those policy communities. Others represent the performance of the "whole of government", such as the indicators on the rule of law, risk management or fiscal sustainability. Some indicators also reflect key good governance principles, such as the rule of law and fairness through the lens of the role of government in reducing income inequalities, as well as efficiency and effectiveness. Most indicators focus on a short time span (values are shown for a few, selected years), while fiscal sustainability projects the fiscal position of a government until 2030. The diversity of these indicators shows the varied expectations citizens and businesses have of governments, as well as the wide-ranging responsibilities governments carry out. All of these indicators are strategic: they are important to the well-being of societies and economies. Many of them reflect performance of government functions that cannot be carried out by other actors, e.g. rule of law, risk management.

Trust in government

Trust in government represents the confidence of citizens and businesses in the actions of government to do what is right and perceived as fair. It is one of the most important foundations upon which the legitimacy and sustainability of political systems are built. Trust in government is essential for social cohesion and well-being as it affects the government's ability to govern and enables government to act without coercion. Consequently, it is necessary for the fair and effective functioning of public institutions.

Trust in government and its institutions also depends on the congruence between citizens' and businesses' preferences, their interpretation of what is right and fair and what is unfair, and the perceived performance of government. As a result, trust in government is very much culturally defined and context dependent. There are high-trust countries, such as Switzerland, Luxembourg, Norway and Sweden and low-trust countries, such as the eastern European countries (Figure 2.1), and the level of trust in government could be affected by many contextual factors, such as the economic environment, natural disasters or the extent of corruption.

Trust in government is measured primarily by perception surveys. Due to the impact of cultural and other contextual factors, comparison across countries needs to be interpreted with great care. Instead of focusing on absolute levels of trust in government, changes in trust levels over time can provide better insight. From 2007 to 2012, confidence in national governments on average across OECD member countries has declined by 5 percentage points from 45% to 40%. The largest decline was experienced in Slovenia, Portugal, Greece and Ireland – countries severely affected by the financial, economic and fiscal crisis. At the same time in the Slovak Republic, Switzerland, Israel, the United Kingdom and France, trust in government increased during this period. Further analysis indicates that when people are asked about their confidence in the national government, they are evaluating political leadership.

Government is also the provider of key public services such education, health care, public safety and judicial services. The provision of these services in most OECD member countries is the main responsibility of local government, except the judiciary, which is independent. Citizens have higher confidence in – or satisfaction with – these public services than in the abstract notion of the national government (Figure 2.2). In 2012 on average across OECD member countries, confidence/satisfaction was highest with police (72% of respondents expressing confidence in the police) followed very closely by health care (71%), education (66%) and, finally, the judicial system (50%).

Methodology and definitions

Data was collected by Gallup World Poll. The World Poll uses proportional stratified probability sampling and has a sample size of 1000 citizens in each country. There is more information at *www.gallup.com/strategic-consulting/en-us/worldpoll.aspx*.

Further reading

OECD (forthcoming), *Trust in government, assessing the evidence, understanding the policies*, OECD Publishing, Paris.

Figure notes

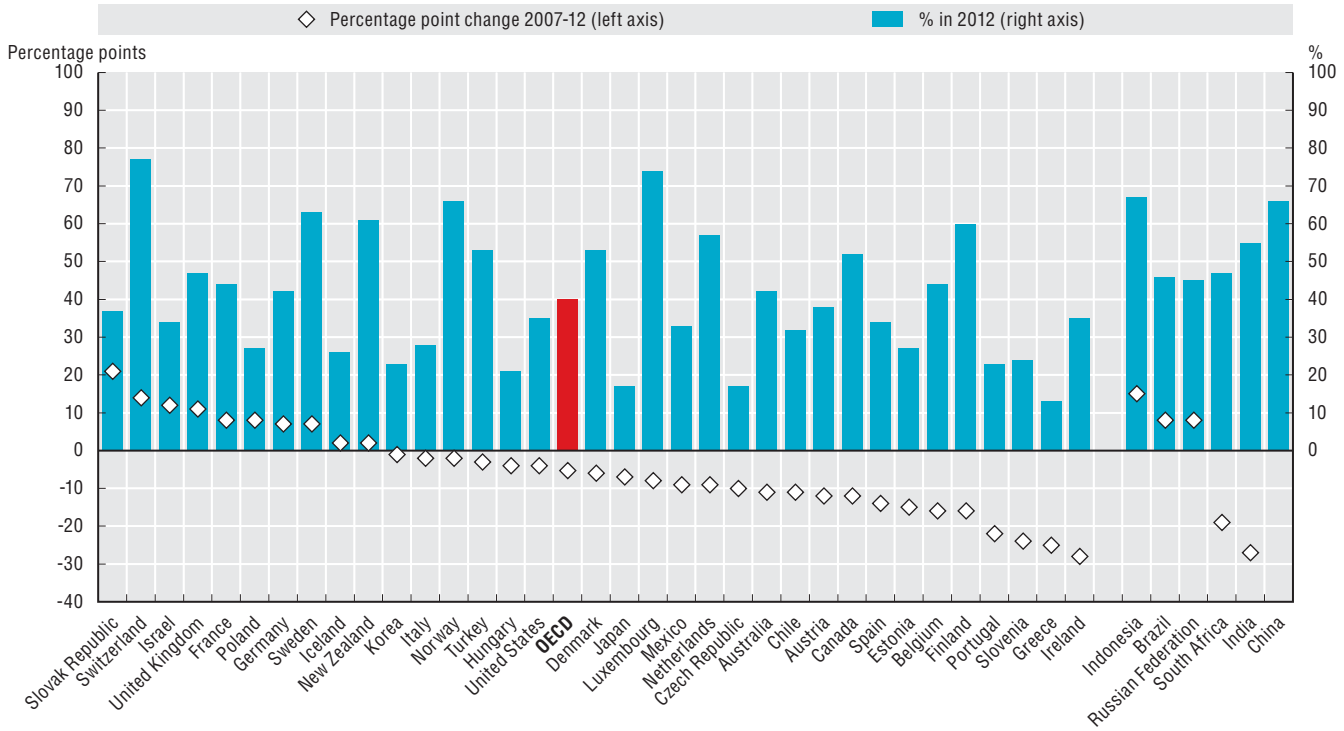
Data for Chile, Germany and the United Kingdom are for 2011 rather than 2012. Data for Iceland and Luxembourg are for 2008 rather than 2007. Data for Austria, Finland, Ireland, Norway, Portugal, the Slovak Republic, Slovenia and Switzerland are for 2006 rather than 2007.

2.1: Data refer to the percentage who answered "yes" to the question: "Do you have confidence in national government?"

2.2: Data for Japan, Korea and Mexico are for 2011 rather than 2012. Judicial system data refer to the percentage who answered "yes" to the question: "In this country, do you have confidence in each of the following, or not? How about Judicial system and courts?" Local police data refer to the percentage of "yes" to the question: "In the city or area where you live, do you have confidence in the local police force, or not?" Education system data refer to the percentage who answered "satisfied" to the question: "In the city or area where you live, are you satisfied or dissatisfied with the educational system or the schools?" Health care data refer to the percentage who answered "satisfied" to the question: "In the city or area where you live, are you satisfied or dissatisfied with the availability of quality health care?"

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

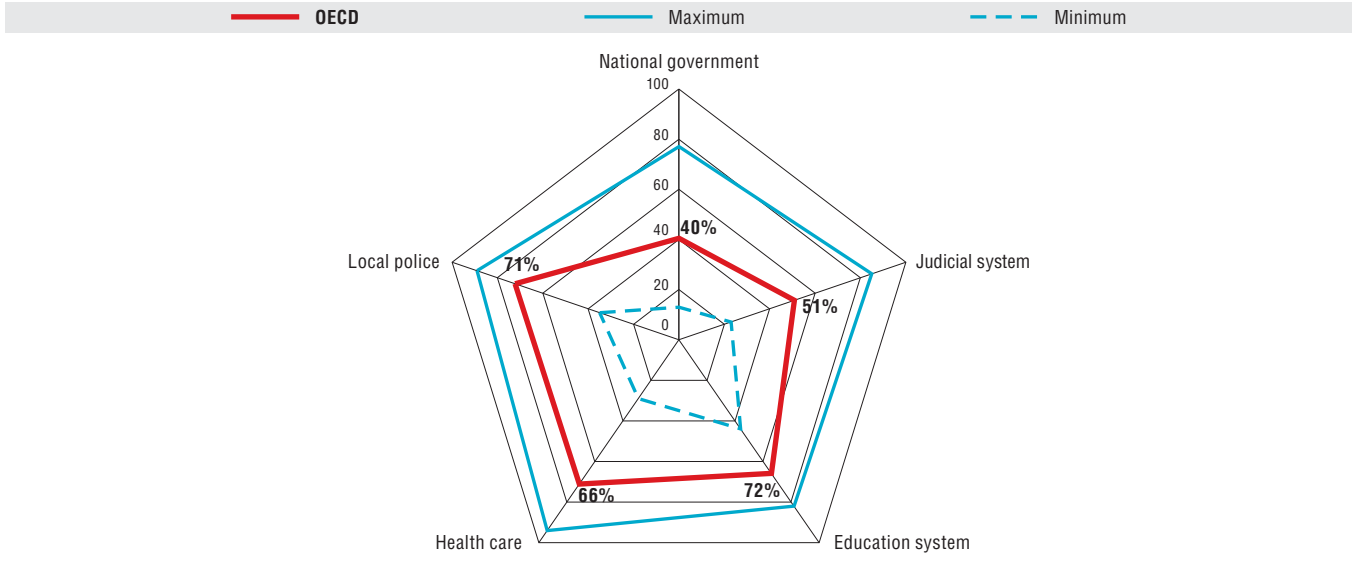
2.1. Confidence in national government in 2012 and its change since 2007



Source: Gallup World Poll.

StatLink http://dx.doi.org/10.1787/888932940740

2.2. Confidence and satisfaction across government institutions (2012)



Source: Gallup World Poll.

StatLink http://dx.doi.org/10.1787/888932940930

Improving fairness through selected government policies

One of the major tasks of government is to level the playing field for citizens by ensuring fairness in both the processes it follows – procedural justice – and the results it achieves – distributive justice. A key element of the latter is to allow income differences to exist to the extent that they acknowledge and reward performance, accepting individuals' differential contributions to economic and social well-being. At the same time, governments should seek to minimise economic and social harm that can arise from inequality and take into account the societal consensus. These twin objectives lead to reduced income inequalities through progressive taxation and the use of cash transfers (e.g. pensions, unemployment insurance).

Since the 1980s the income gap between rich and poor has widened (OECD 2011, *Divided We Stand: Why Inequality Keeps Rising*) in the majority of OECD member countries, demonstrating that the benefits of economic growth have not been equally shared among individuals. Globalisation, technological change, regulatory and institutional reforms have all been identified as main drivers of rising income inequalities. The global economic crisis further accelerated these developments by unevenly affecting different groups of the population, with the majority of the burden of the crisis being borne by the unemployed and the underemployed.

Most OECD member countries have adopted a mix of public policies in order to reduce income inequality in society and its long-term costs on economic development. Social protection and insurance systems have worked through a combination of cash transfers and progressive income taxation. In addition, specific fiscal stimulus packages were created to boost demand and cushion poorer households to reduce the impact of the crisis. These measures aimed at addressing income inequality by redistributing income between rich and poor and also on an intergenerational basis, in order to provide support to age groups in greater need.

The Gini coefficient is considered the main indicator assessing the level of income inequality in a country. The impact of the social protection system enacted by central governments through transfers and taxes can be measured by comparing the coefficient before and after taxes and transfers. On average, income inequality levels before taxes in a pool of OECD member countries have not changed in magnitude between 2005 and 2010 (0.47). Nonetheless, some countries have observed a consistent increase in their pre-tax and transfers inequality in the last five years, as in the case of Ireland. Government intervention proved essential in these situations, reaching a reduction in the Gini coefficient of about 0.26 (versus an average of 0.16). On the other hand, Chile remains the country achieving the least redistribution in both years, with an impact of 0.02 on the Gini index. All countries seem also to retain a progressive income tax system, with Poland and Chile holding fewer different tax rates than Ireland.

Methodology and definitions

The values of the Gini coefficient range between 0, in the case each share of the population has the same income, and 1, in the case where the richest individual has all the income. Gaps between poorest and richest are computed as the ratio of average income of the bottom 10% to average income of the top 10%. Redistribution is measured by comparing Gini coefficients for market income (i.e. gross income not adjusted for public cash transfers and household taxes) and for disposable income (i.e. net of transfers and taxes). The disposable household income definition does not take into account in-kind transfers. The data have been drawn from the *OECD Income Distribution Database*, whose information has been collected through a network of national data providers in order to benchmark countries' performance in income inequality.

The tax data, derived from OECD *Taxing Wages*, use tax rates applicable to the tax year. For Australia, New Zealand and the United Kingdom, the tax year is not the calendar year. The data show the difference between two scenarios: a single person without dependents earning 67% of the average wage, and a single person without dependants earning 167% of the average wage. The average rates are expressed as a percentage of gross wage earnings. Average wage measures the average annual gross wage earnings of adult, full-time manual and non-manual workers in the industry.

Further reading

OECD (2013), *Taxing Wages 2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/tax_wages-2013-en*.

OECD (2011), *Divided We Stand: Why Inequality Keeps Rising*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264119536-en*.

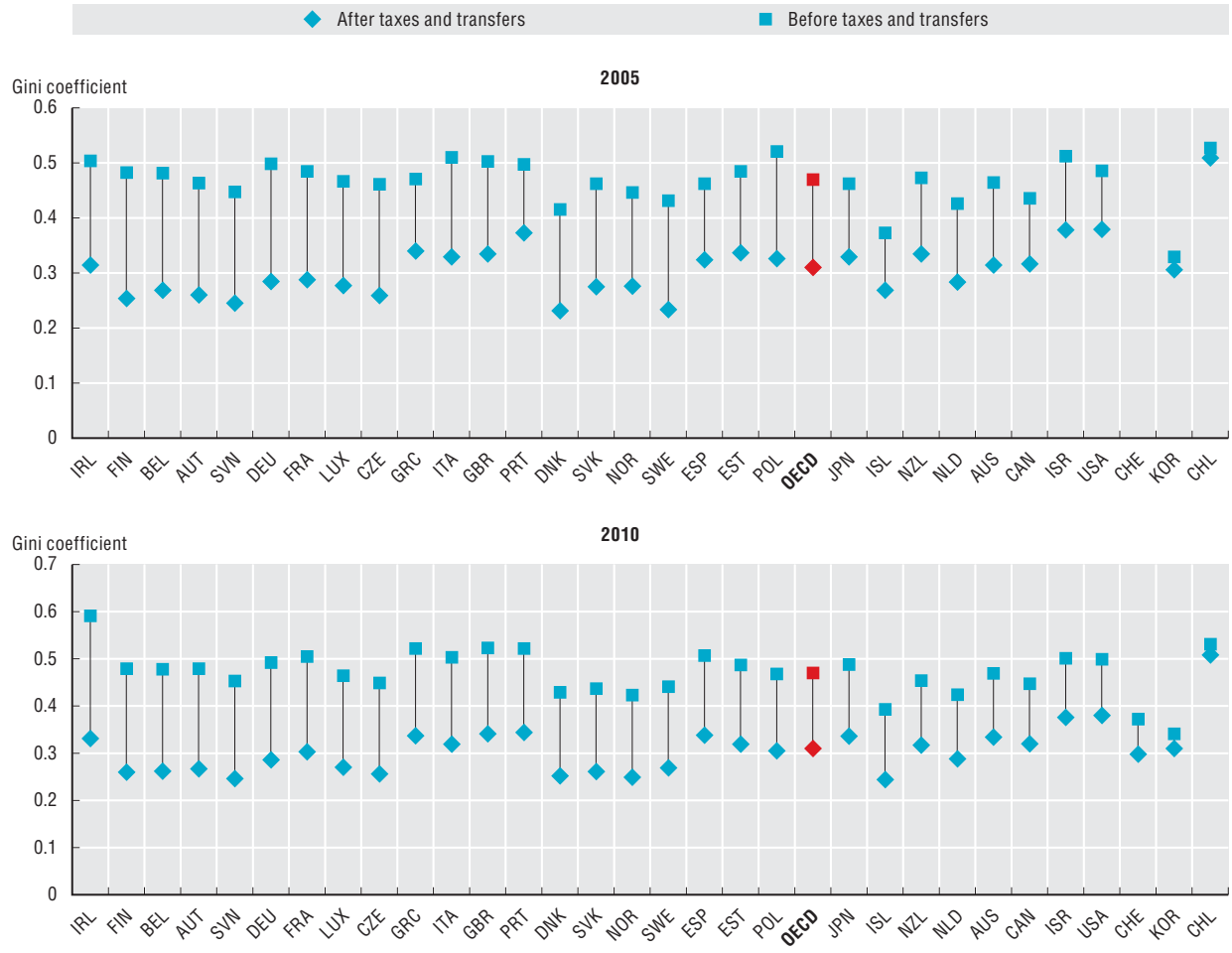
Figure notes

2.3: Data for Hungary, Mexico and Turkey are not available. Data for Switzerland are not available in 2005. *2005:* Data for Australia, Finland, Germany, Italy, Norway and Sweden are for 2004. Data for Chile, Japan and Korea are for 2006. Data for New Zealand are for 2003. *2010:* Data for Chile, Ireland, Japan, New Zealand and Switzerland are for 2009.

2.4: Wage figures for Turkey are based on the old definition of average worker (ISIC D, Rev. 3). Data refer to personal income taxes plus employee contributions to social security (as % of gross wage earnings). In Chile average earnings are exempt from income taxation and consequently the income tax has a small incidence on total tax revenues.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

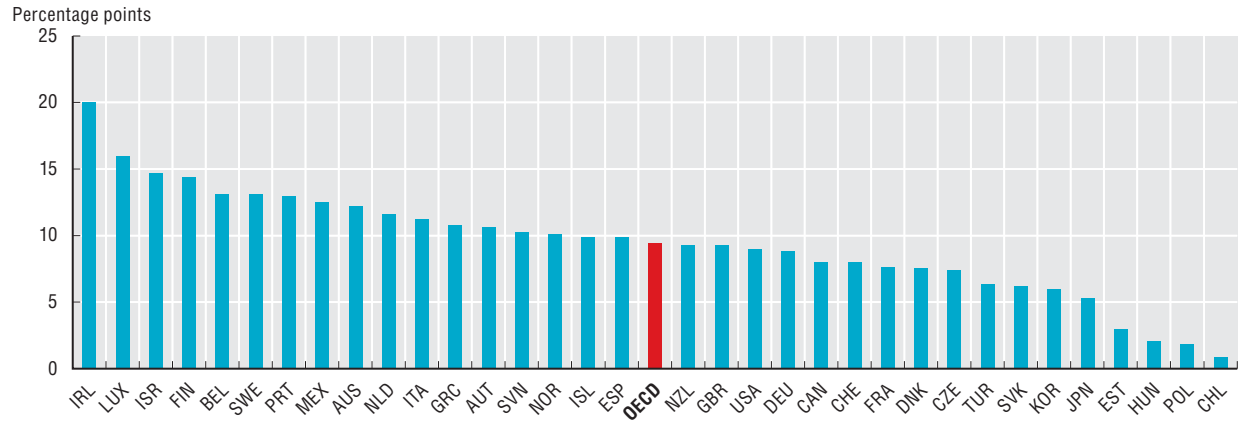
2.3. Differences in income inequality pre- and post-tax and government transfers (2005 and 2010)



Source: OECD *Income Distribution Database*, *www.oecd.org/social/income-distribution-database.htm*.

StatLink http://dx.doi.org/10.1787/888932940949

2.4. Difference in average income tax rate of single persons earning 167% and 67% of average earnings (without dependents) (2012)



Source: OECD (2013), *Taxing Wages 2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/tax_wages-2013-en*.

StatLink http://dx.doi.org/10.1787/888932940968

Rule of law

Rule of law means that no one, including government is above the law, where laws protect fundamental rights, and justice is accessible to all. It implies a set of common standards for action, which are defined by law and enforced in practice through procedures and accountability mechanisms for reliability, predictability and "administration through law". Rule of law has been considered as one of the key dimensions that determine the quality and good governance of a country.

There are several interpretations of the rule of law. We use the one developed for The World Justice Project's (WJP) Rule of Law Index as one of the most comprehensive and systematic approaches. Accordingly, the rule of law encompasses the following four universal principles: "the government and its officials and agents are accountable under the law; the laws are clear, publicised, stable and fair, and protect fundamental rights, including the security of persons and property; the process by which laws are enacted, administered and enforced is accessible, efficient and fair; justice is delivered by competent, ethical, and independent representatives and neutrals, who are of sufficient number, have adequate resources, and reflect the makeup of the communities they serve."

Based on these four principles, WJP developed nine key factors that form the basis of their Rule of Law Index. From those we have selected four for presentation here, being the most crucial for good governance. These are: limited government powers, fundamental rights, regulatory enforcement and civil justice. In addition open government data will be presented separately. Information summarised in these factors represents the perception of experts and citizens.

Limited government powers

Limited government powers is a combination of seven key elements (subfactors): that government powers are defined in fundamental law; that they are effectively limited by the legislature; that they are effectively limited by the judiciary; that they are effectively limited by independent auditing and review; that government officials are sanctioned for misconduct; that government powers are subject to non-governmental checks and transition of power is subject to the law. This composite indicator measures whether authority is distributed, whether by formal rules or by convention, in a way that ensures that no single government organ has the ability to exercise unchecked power.

Even within OECD member countries there is a marked variation on the extent of limitations on government powers. The Nordic countries have the most limitations on government powers followed by Australia and New Zealand, while government powers are the least controlled in Turkey, Mexico and Greece. As expected, the average score of OECD member countries on this indicator is high, showing that there are substantial checks on government powers. In partner, participant and accession countries, controls of government powers are more limited, including the Russian Federation, Ukraine and China.

When looking at the OECD average for the subfactors that are aggregated to this composite indicator, the best developed, with the highest score, are the laws related to the transition of power (0.87) (where 1 signifies highest adherence to the rule of law), while least developed are sanctions for government officials in case of misconduct (0.67) and the role of independent auditing and reviews should also be increased (0.73).

Fundamental rights

This composite indicator captures the protection of fundamental human rights and as a result, it is a normative measure. It includes evaluation of eight key elements: equal treatment and the absence of discrimination; effective guarantees to the right to life and security of person; due process of law and rights of the accused; effective guarantee of freedom of opinion and expression; effective guarantee of freedom of belief and religion; freedom from arbitrary interference with privacy; effectively guaranteed assembly and association and fundamental labour rights. It covers a relatively modest menu of rights that are firmly established under international laws and are most closely related to rule of law and good governance concerns.

The average score for the OECD member countries is high at almost 0.8, meaning that the guarantee of fundamental rights is strong in most countries. Similarly as in the case of limited government powers, fundamental rights are best guaranteed by the Nordic countries (Sweden, Denmark, Norway and Finland) followed by New Zealand and Spain, while least guaranteed in the same three countries, Turkey, Mexico and Greece. This indicates that there is a strong association between ensuring that government powers are limited and securing fundamental rights (R^2 equal to 0.81). However, regulatory enforcement is weaker on average across OECD member countries as compared to the adherence to fundamental rights. It is more diverse in the partner and participant countries, where fundamental rights are well guaranteed – although still below the OECD average – in Brazil and South Africa, while improvements may be needed in the remaining countries, especially China and Egypt.

On average in the OECD member countries equal treatment and absence of discrimination is the area where further action is needed (0.7), while the guarantee of freedom of the right to life and security of the person is the best developed (0.86).

Regulatory enforcement

The regulatory enforcement composite indicator measures the extent to which regulations are fairly and effectively enforced. It does not assess what and how government regulates, just how regulations are implemented and enforced. It considers areas of regulation that all countries regulate to some degree, such as public health, workplace safety, environmental protection and commercial activity. The key elements include whether government regulations are effectively enforced; government regulations are applied

and enforced without undue influence; administrative proceedings are conducted without unreasonable delay; due process is respected in those proceedings; and the government does not appropriate without reasonable compensation. As a result, this indicator is different from the regulatory quality management indicators included in *Government at a Glance 2009*, which focused on consultation, regulatory impact assessment and regulatory simplification.

Regulatory enforcement is strongest in Sweden, Japan, Denmark and Austria, closely followed by Australia, Norway, the Netherlands, Finland and New Zealand, while it needs improvement in Mexico, Greece, Turkey and Italy. Overall, there is room for considerable improvement in many OECD member countries, as the OECD average amounts to 0.71. Partner and participant countries all scored below the OECD average. The best performers are Brazil and South Africa, and the worst is Ukraine.

Looking at the elements of regulatory enforcement, improper influence of the application and enforcement of government regulations are the rare, receiving the highest score (0.77), while their effective enforcement could be improved the most (0.67).

Civil justice

The civil justice composite measures whether ordinary people can resolve their grievances effectively through the civil justice system, which requires that the system be accessible, affordable, effective, impartial and culturally competent. The components cover whether people can access and afford civil justice; whether civil justice is free of discrimination; whether civil justice is free of corruption; whether civil justice is free of improper government influence; whether civil justice is not subject to unreasonable delays; whether civil justice is effectively enforced; and whether alternative dispute resolutions are accessible, impartial and effective.

Access to civil justice is the highest in the Nordic countries, as well as in the Netherlands and Germany. Italy, Mexico and Turkey are the OECD member countries with the lowest scores for civil justice. Of the four key contributors to rule of law examined – limited government powers, fundamental rights, regulatory enforcement and access to civil justice – the average performance of OECD member countries is the lowest in the case of civil justice (0.69), just slightly below regulatory enforcement (0.71), while Brazil and South Africa perform the best among partner countries.

The biggest access problem for the civil justice system across OECD member countries is timeliness (0.47), while civil justice free of corruption recorded the highest score (0.8).

Methodology and definitions

Data is collected by The World Justice Project by a set of five questionnaires, based on the Rule of Law Index's conceptual framework. The questionnaires are administered to experts and the general public in the countries. On average there are more than 300 potential local experts per country qualified to respond to the questionnaires and the services of local polling companies are engaged to administer the survey to the public. Data are available for 28 OECD member countries as well as 8 partner and participant countries. All variables used to score each of the composite indicators are coded and normalised to range between 0 and 1, where 1 signifies the highest score and 0 the lowest. More detailed information on the selected factors of limited government powers (2.10), fundamental rights (2.11), regulatory enforcement (2.12) and civil justice (2.13) is available on line at *http://dx.doi.org/10.1787/888932943172*, *http://dx.doi.org/10.1787/888932943191*, *http://dx.doi.org/10.1787/888932943210*, *http://dx.doi.org/10.1787/888932943229* respectively.

Further reading

Aghast, M. et al. (2013), *WJP Rule of Law Index 2012-2013*, The World Justice Project, Washington.

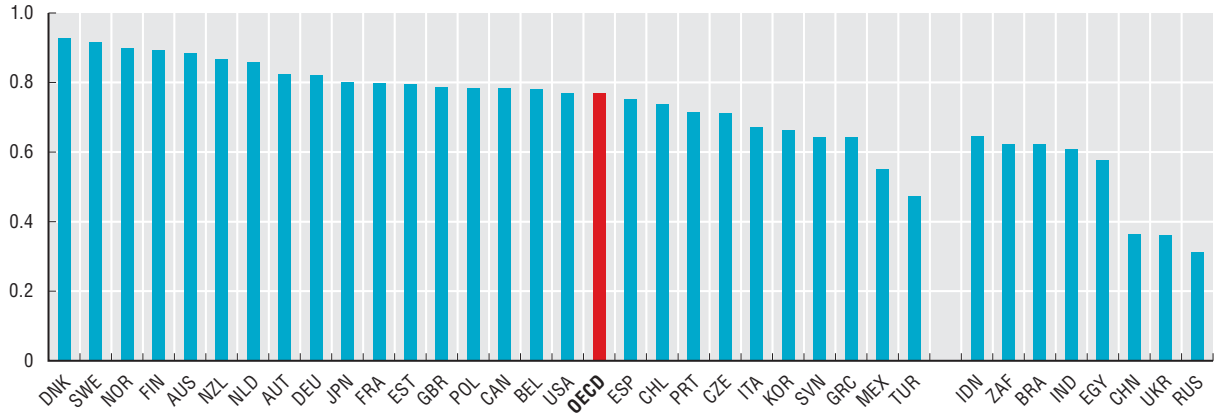
Figure notes

Data for Iceland, Ireland, Israel, Luxembourg, the Slovak Republic and Switzerland are not available. Data for Hungary are not displayed.

For Italy changes in the legislation introduced in 2013 are not reflected.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

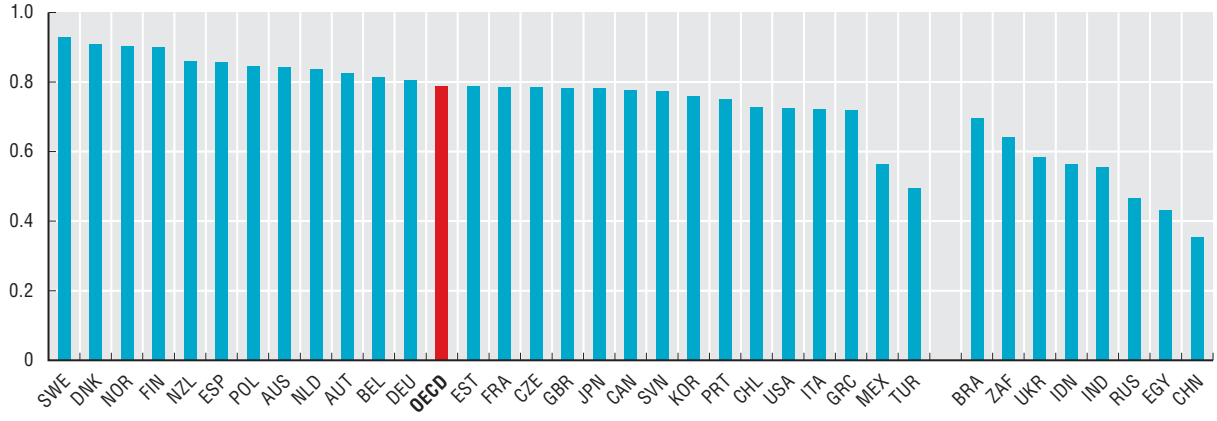
2.5. Limited government powers (2012-13)



Source: The World Justice Project.

StatLink http://dx.doi.org/10.1787/888932940987

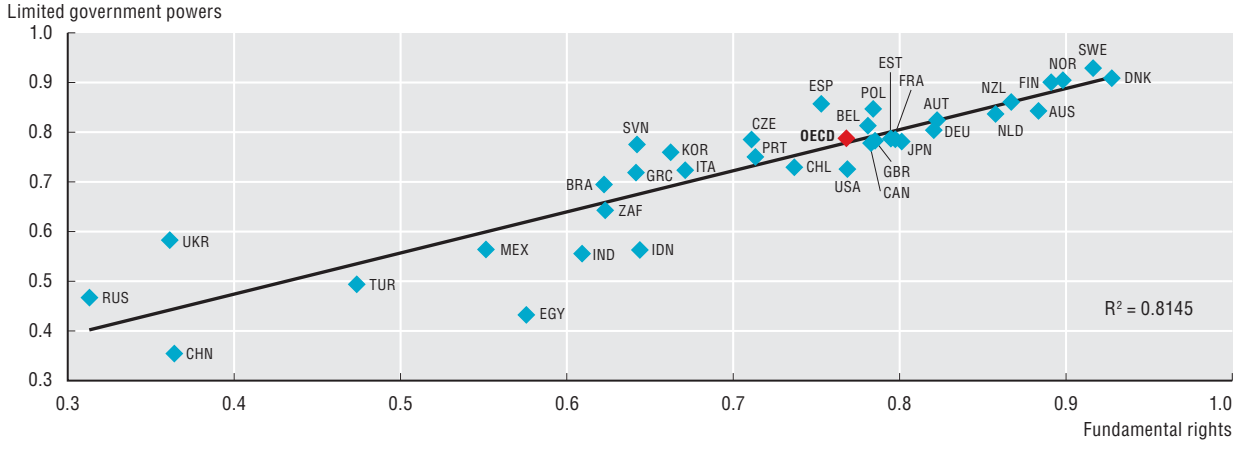
2.6. Fundamental rights (2012-13)



Source: The World Justice Project.

StatLink http://dx.doi.org/10.1787/888932941006

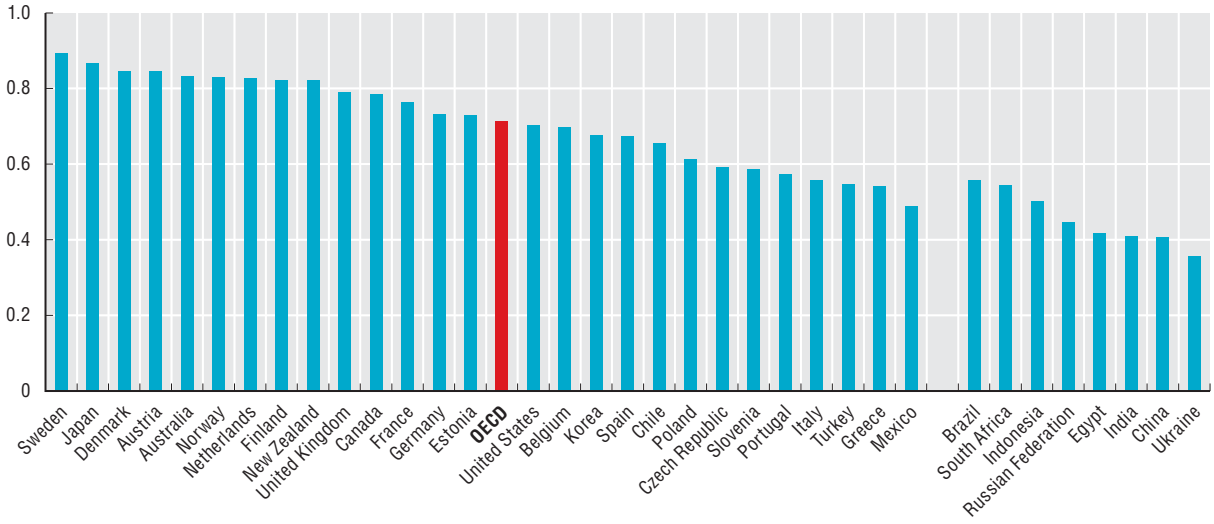
2.7. Limited government powers versus fundamental rights (2012-13)



Source: The World Justice Project.

StatLink http://dx.doi.org/10.1787/888932941025

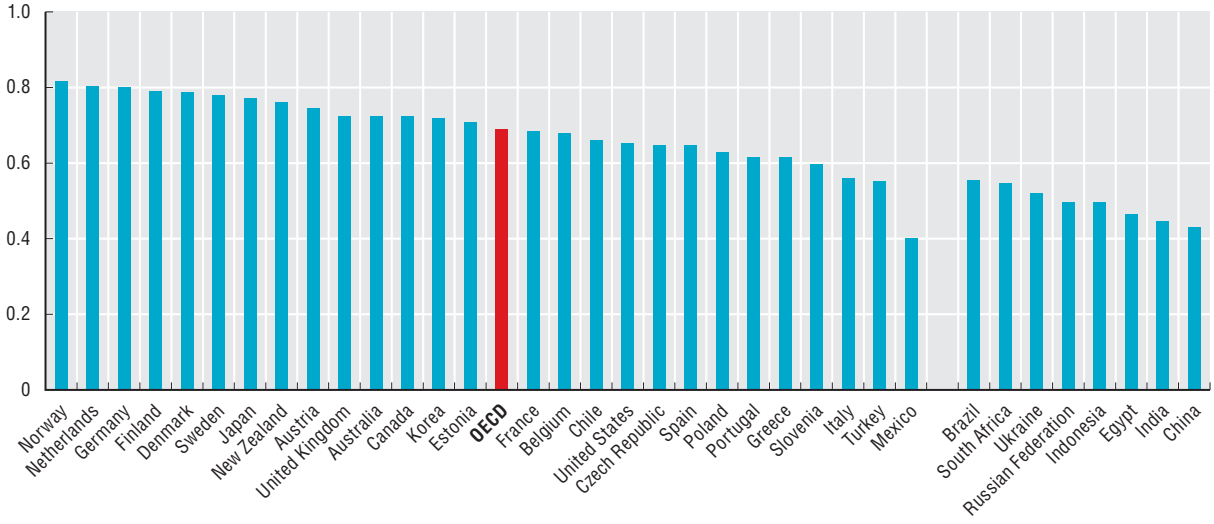
2.8. Regulatory enforcement (2012-13)



Source: The World Justice Project.

StatLink http://dx.doi.org/10.1787/888932941044

2.9. Civil justice (2012-13)



Source: The World Justice Project.

StatLink http://dx.doi.org/10.1787/888932941063

Risk management

OECD member countries have been significantly affected by disruptive shocks events over the past decades, with increasing economic impacts.

In the last 30 years the number of shocks has increased from around 100 to at times more than 300 each year across OECD member countries, causing hundreds of billions in annual losses. They present governments with many challenges, threaten many citizens' lives, and have the potential to disrupt the activity of small and medium-sized businesses and transnational corporations alike. Large critical infrastructure can also be at risk, with devastating impacts as demonstrated in the Great East Japan Earthquake in 2011. Such large scale disruptive shocks have led countries to strengthen risk management policies, including the identification and assessment of risks as well as the implementation of measures that increase resilience.

Addressing critical risks across OECD member countries requires support from the highest political level, but equally an engagement for managing risk reduction across all governmental sectors and territorial levels, including local communities. This requires strategic frameworks, incorporating and co-ordinating strategy, capability, and governance to enable risk-informed policy making. Risk reduction is overseen by the Centre of Government (mostly prime minister's office) in four OECD countries and central co-ordination is assured in most others, often located in the national civil protection departments.

Risk management policy has also been mainstreamed across sectors, through strategies, plans and tools. Nearly all OECD member countries that initiated inter-disciplinary reviews of progress in integrating risk management in public policy and investment systematically consider disaster risk management in sectoral public investment strategies and planning. However, only two-thirds use analyses of the costs and benefits of risk management in the design and operation of major public investments. The importance attributed to the local level is reflected by the fact that 86% of OECD member countries have established a legal framework for local responsibilities and almost two-thirds developed risk sensitive regulation in land zoning and private real estate development. Still, the share of local governments that receive a regular allocation for disaster risk reduction, namely 62%, is much lower. The legal enabling environment will remain ineffective if local governments are not provided with necessary resources to carry out risk reduction activities.

The challenge for governments is to organise integrated policy responses that address multidisciplinary challenges. In this respect, the National Risk Assessments represent an important tool, which can help build an all-hazard integrated risk management strategy. However, over half of OECD member countries conduct their assessments in an integrated manner, based on an all-hazard approach and future probable risks in their assessments.

In comparison to the challenges faced in lower income countries, the standards attained in risk management across the OECD are high. Nevertheless, with growing exposure and changing hazard profiles, economic losses continue to increase, despite a downward trend in disaster fatalities. Early warning systems have allowed warnings to be transmitted effectively to affected communities that, in turn, generally know how act upon them. Risk awareness has also been raised in many countries, not least as the result of effective public campaigns and integration of risk management tenets in the standard curricula of primary, secondary and tertiary education institutions.

Methodology and definitions

Data on disasters are based on EM-DAT, the OFDA/CRED *International Disaster Database* (*www.emdat.be*) developed by the Catholic university of Louvain-Brussels in Belgium. Losses are based on SwissRe estimations. The online platform managed by the UN's International Strategy for Disaster Risk Reduction provides access to country reports on progress towards the Hyogo Framework for Action objectives (*www.preventionweb.net/english/hyogo/*). Data reported here reflect the latest reporting period (2011-13). The progress reports are based on a self-assessment undertaken through multi-stakeholder processes. Finally, information was obtained through a set of OECD questionnaires, followed by phone interviews in 2012, in collaboration with public officials, and other risk experts from the OECD High Level Risk Forum.

Figure 2.17, Total number of annual disasters 1980-2010, is available on line at *http://dx.doi.org/10.1787/888932941101*.

Further reading

OECD (2012), *Disaster Risk Assessment and Risk Financing: A G20/OECD Methodological Framework*, OECD, Paris, *www.oecd.org/gov/risk/G20disasterriskmanagement.pdf*.

SwissRe (2011), "Closing the financial gap: New partnerships between the public and private sectors to finance disaster risks", SwissRe Economic Research and Consulting, Zurich, *http://media.swissre.com/documents/pub-closing-the-financial-gap_w1.pdf*.

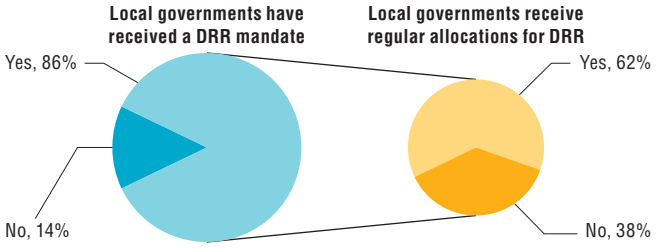
UNISDR (2013), *Global Assessment Report on Disaster Risk Reduction – From Shared Risk to Shared Value: The Business Case for Disaster Risk Reduction*, United Nations Office for Disaster Risk Reduction, Geneva, *www.preventionweb.net/english/hyogo/gar/2013/en/home/index.html*.

Table note

Data for Austria, Belgium, Denmark, Estonia, Iceland, Ireland, Israel, Luxembourg and the Slovak Republic are not available.

2.16: Information on Canada draws on HFA data for the period 2009-11.

2.14. Local governments of OECD member countries with a disaster risk reduction (DRR) mandate and budget



Source: Data extracted from the HFA progress reports published on: *www.preventionweb.net/english/hyogo/progress/?pid:3&pil:1.*

StatLink http://dx.doi.org/10.1787/888932941082

2.15. Responsibility for DDR co-ordination across OECD countries

	Responsibility for DRR co-ordination is situated in:
Prime minister's office	Australia, France, New Zealand, Turkey
Central planning and/or co-ordinating unit	Chile, Egypt, Greece, Japan, Korea, Norway, Poland, Switzerland, United Kingdom
Civil Protection Department	Australia, Finland, France, Italy, Norway, Portugal, Slovenia, Sweden
Environmental planning agency	France, Switzerland
Ministry of Finance	France

Source: Data extracted from the HFA progress reports published on: *www.preventionweb.net/english/hyogo/progress/?pid:3&pil:1.*

StatLink http://dx.doi.org/10.1787/888932943248

2.16. OECD national risk management policies

	Risk in national policy planning-risk is integrated in:					Risk assessment				Financial contingency planning		Early warning			Education and training
	Public investment and planning decisions	National dvpt. plan	Sector strategies and plans	Civil defence policy, strategy and contingency planning	Land zoning and real estate dvpt.	National risk assessment	All hazards approach	Whole of government approach	Future probable risk integrated in risk assessment	National contingency and calamity funds	Catastrophe bonds and other capital market instruments	Areas at risk receive timely and understandable warnings	Warnings are acted on effectively	Communication systems and protocols used and applied	Public campaigns in areas at risk include disaster risk
Australia	●	●	●	●	●	●	●	..	●	●	●	●	●	●	●
Canada	..	..	..	..	..	●	●	●	..	●	❍	●	●	●	●
Chile	●	●	●	●	●	..	❍	..	❍	●	●	●	●	●	●
Czech Republic	●	●	●	❍	❍	..	●	..	❍	●	❍	●	●	●	●
Finland	●	●	●	●	●	..	❍	..	●	●	❍	●	●	●	●
France	●	❍	●	●	●	●	❍	●	❍	●	❍	●	●	●	●
Germany	●	❍	❍	❍	❍	●	❍	..	❍	❍	❍	●	●	●	●
Greece	●	●	●	●	●	..	❍	..	●	●	❍	●	●	●	●
Hungary	●	●	●	●	●	●	❍	●	●	●	❍	●	●	●	●
Italy	●	●	●	●	❍	..	●	..	●	●	❍	●	●	●	●
Japan	●	●	●	❍	●	..	●	..	❍	●	●	●	●	●	●
Korea	●	●	●	❍	●	..	●	..	●	●	●	●	●	●	●
Mexico	●	●	●	●	●	●	●	..	❍	●	●	●	●	●	●
Netherlands	●	❍	●	●	●	●	●	●	●	●	❍	●	●	●	●
New Zealand	●	❍	●	●	●	●	●	..	●	●	❍	●	●	●	●
Norway	●	❍	●	●	●	●	●	❍	●	●	❍	●	●	●	●
Poland	●	●	●	●	❍	..	❍	..	❍	●	●	●	●	●	..
Portugal	..	●	●	●	❍	..	●	..	●	●	❍	❍	❍	❍	●
Slovenia	●	●	●	●	●	..	●	..	●	●	❍	●	●	●	●
Sweden	●	●	●	❍	●	●	●	●	●	●	❍	●	●	●	●
Switzerland	●	●	●	●	●	●	●	●	●	❍	●	●	●	●	●
Turkey	●	●	●	●	●	●	❍	..	❍	●	❍	●	❍	●	●
United Kingdom	●	❍	●	●	❍	●	●	●	●	●	❍	●	●	●	●
United States	●	❍	●	●	●	●	●	●	●	●	●	●	❍	●	●
Brazil	●	●	❍	●	●		❍	..	●	❍	❍	●	❍	❍	●
China	●	●	●	●	❍		●	..	●	●	❍	●	●	●	●
Egypt	●	❍	❍	●	❍		●	..	❍	●	●	●	●	●	●
India	●	●	●	●	●		●		●	●	❍	●	●	●	●
Total OECD															
● Yes	22	16	22	18	17	14	16	8	15	22	8	23	21	23	23
❍ No	0	7	1	5	6	0	8	1	8	2	16	1	3	1	0

Source: Data extracted from the HFA progress reports published on *www.preventionweb.net/english/hyogo/progress/?pid:3&pil:1.*

StatLink http://dx.doi.org/10.1787/888932943267

Fiscal sustainability

Fiscal sustainability is the ability of a government to maintain public finances at a credible and serviceable position over the long term. Ensuring long-term fiscal sustainability requires that governments engage in continual strategic forecasting of future revenues and liabilities, environmental factors and socio-economic trends in order to adapt financial planning accordingly. High and increasing debt levels are harmful to governments' fiscal positions and can cause a vicious cycle of growing debt, reducing the potential for economic growth as funds are diverted away from productive investments. Many OECD member countries continue to face rising public debt-to-GDP ratios since the financial and economic crisis. The costs associated with addressing the current economic slowdown, as well as projected increases in ageing-related spending, present serious challenges for the sustainability of public finances.

The OECD has produced estimates of increases in the underlying primary balances that would be required to reduce gross public debt to 60% of GDP by 2030. According to this model, Greece, the United Kingdom, and the United States require a total average increase from their respective 2012 primary underlying balances of over 6% of potential GDP (economy working at full capacity), in order to reduce public debt to 60% of GDP in this time frame. Japan requires 13% of potential GDP to reduce its debt-to-GDP ratio to 60%, however the required consolidation efforts are so large that it is not expected to reach this target by 2030 in this scenario. Conversely, the current states of public finances (e.g. fiscal balances and levels of debt) in Denmark, Estonia, Germany, Korea and Switzerland are such that these countries are not expected to require surpluses to reduce debt to reach the target of 60% of GDP.

On average, OECD member countries have implemented or announced fiscal consolidation plans equivalent to over 5.5% of GDP for the 2009-15 period, of which two-thirds are structured around expenditure measures, and the remaining one-third around revenue measures. However, the size and composition of cumulative fiscal consolidation plans vary significantly across OECD member countries. Countries with the largest economic imbalances and the most rapid deterioration in public finance require larger fiscal consolidation. As such, Greece, Ireland and Portugal have announced fiscal consolidation packages equalling more than 12% of GDP. On the contrary, Canada, Sweden and Switzerland have implemented or announced fiscal consolidation packages that are below 1.6% of GDP. Expenditure measures account for the largest share of fiscal consolidation packages in most countries. Revenue measures represent the largest share in only seven countries: Belgium, the Czech Republic, Denmark, Estonia, Italy, Poland, and Turkey.

Sound strategic forecasting exercises should consider the costs associated with demographic changes; especially since most OECD member countries face growing budgetary pressures due to expected increases in ageing-related spending and technological change on health care, long-term care and pensions. On average, without policy changes, ageing-related public spending in OECD member countries is expected to increase by nearly three percentage points of GDP between 2014 and 2030.

Methodology and definitions

The data for Figures 2.18 and 2.20 are drawn from the *OECD Economic Outlook*, No. 93. Total consolidation needed to achieve a government gross financial liability-to-GDP ratio equal to 60% of GDP by 2030 is measured in two time spans: between 2012 and 2014 as the change in the underlying primary balance, and from 2014 to 2030 as the difference between the level reached in 2014 and its average over the latest period. The assumptions made to generate the primary balance required to reduce the debt-to-GDP ratio to 60% can be found in the *OECD Economic Outlook*, No. 93, in Box 4.5 and Table 4.2.

The data for Figure 2.19 are drawn from the 2012 OECD Survey on Fiscal Consolidation.

For most countries, data on gross debt used for the purpose of these calculations refer to the liabilities (short-term and long-term) in the general government as defined in the *System of National Accounts*. This definition differs from the definition of debt under the Maastricht Treaty which is used to assess EU fiscal positions.

Further reading

OECD (2013), "OECD Economic Outlook No. 93", *OECD Economic Outlook: Statistics and Projections* (database), *http://dx.doi.org/10.1787/data-00655-en*.

OECD (2012), *Restoring Public Finances, 2012 Update*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264179455-en*.

Figure notes

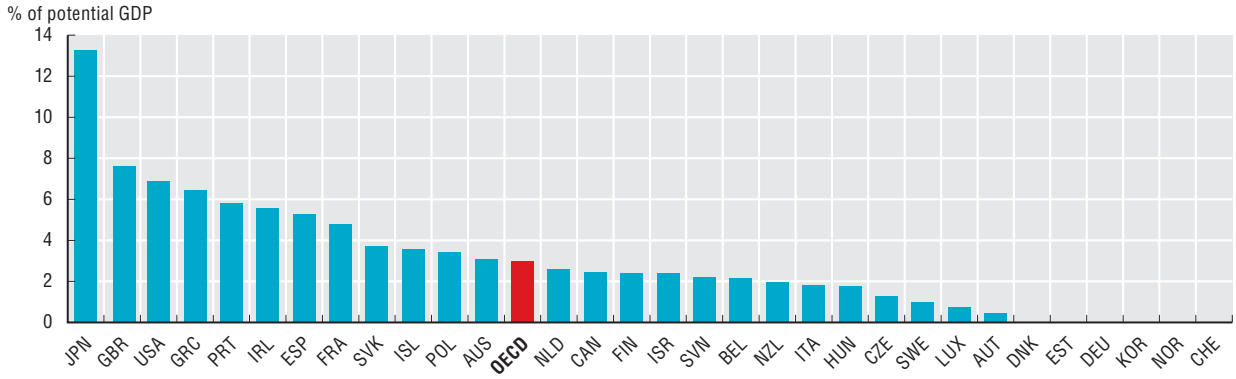
2.18 and 2.20: Data for Chile, Mexico and Turkey are not available. In Denmark, Estonia, Germany, Korea, Norway and Switzerland, no consolidation is needed to achieve the 60% gross financial liability-to-GDP ratio by 2030. The OECD average is unweighted. Fiscal projections are the consequence of applying a stylised fiscal consolidation path and should not be interpreted as a forecast.

2.19: The data are the sum of annual incremental consolidation from 2009/10 until 2015 as reported by the national authorities. Only the following countries reported consolidation in 2009: Estonia, Hungary, Ireland, Poland and Slovenia. Hungary's 2007-08 consolidation is not included. Austria reports consolidation until 2016. The following participating countries have not reported an announced concrete consolidation plan and are not included in the graph: Japan, Korea and the United States. Australia reports consolidation (especially in 2013) but applies a broader definition of the term consolidation than in this survey. New Zealand and Slovenia have reported some revenue measures but they are not completely quantified.

2.20: For the ageing-related spending where projections are not available over the period 2014-30, linear interpolation has been applied.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

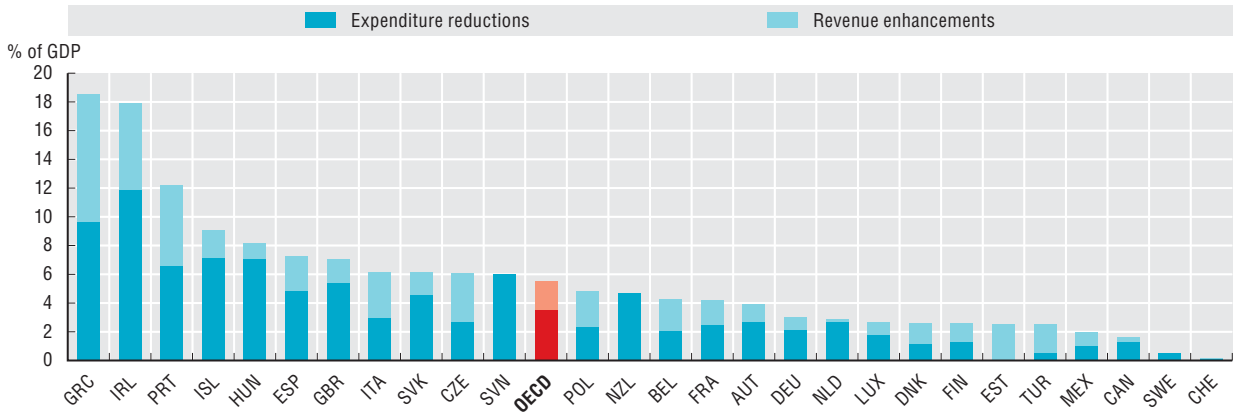
2.18. Total consolidation requirements between 2012 and 2030 in order to reduce government gross financial liabilities to 60% of GDP



Source: OECD calculations; OECD (2013), "OECD Economic Outlook No. 93", *OECD Economic Outlook: Statistics and Projections* (database), May 2013, *http://dx.doi.org/10.1787/data-00655-en*.

StatLink http://dx.doi.org/10.1787/888932941120

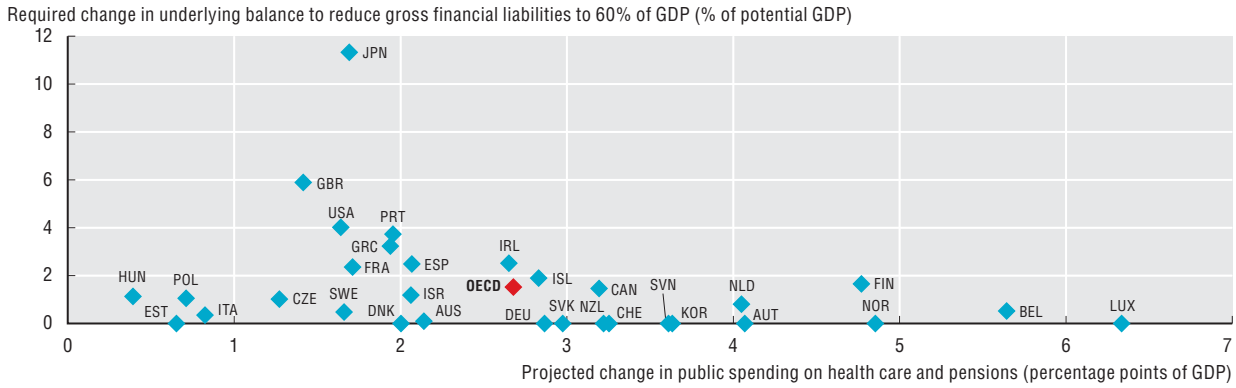
2.19. Expenditure-based and revenue-based fiscal consolidation as percentage of GDP (2009-15)



Source: 2012 OECD Survey on Fiscal Consolidation.

StatLink http://dx.doi.org/10.1787/888932941139

2.20. Fiscal consolidation requirements and projected change in ageing-related expenditures (2014 to 2030)



Source: OECD calculations; OECD (2013), "OECD Economic Outlook No. 93", *OECD Economic Outlook: Statistics and Projections* (database), May 2013, *http://dx.doi.org/10.1787/data-00655-en*.

StatLink http://dx.doi.org/10.1787/888932941158

Public sector efficiency

Estimating efficiency concerns the assessment of the relationship between inputs invested and outputs produced with those resources. The improvement of this measure as a way of controlling expenditures is a key objective of OECD governments. The fiscal crises faced by many countries both before and after the great economic and financial recession put public sector performance at the forefront.

Efficiency indicators compare output measures with input measures. Together, they are able to express efficiency in its two dimensions, i.e. technical (or operational) and allocative efficiency. Performance assessments and measurement should be based on economic (or cost) efficiency, i.e. the product of both operational and allocative efficiency.

Efficiency indicators are presented for: health care, education, justice and tax administration, where both input and output data exist and there is a developing consensus among countries on how to measure efficiency in an internationally comparable way.

Health care

There are several measures of health care efficiency in the sector, among which a key figure is the average length of stay (ALOS) in hospitals. All other factors being constant, a shorter stay is expected to reduce the cost per discharge and transfer care from inpatient care to less expensive recovery settings. However, shorter stays tend to be more service intensive and more costly per day. Too short a length of stay may also cause adverse effects on health outcomes, or reduce the comfort and recovery of the patient. In 2011 the average length of stay in hospitals for all conditions reached an OECD average of eight days. Mexico and Turkey had the shortest length of stay, at less than half the OECD average. On the other side, hospital stays were highest in Japan, where it reached almost 18 days, more than double the OECD average. In most countries, ALOS has fallen over the past decade, from an average of 9.2 days in 2000 to 8.0 days in 2011. At the system level, factors such as practice guidelines or payment systems affect ALOS in hospitals. In Japan, for example, the abundant supply of beds and the structure of hospital payments provide incentives to keep patients longer.

Justice sector

Governments are under great pressure to deliver efficient and responsive judicial services in order to avoid additional time and monetary costs for citizens seeking justice, including the expenses of legal representation. A pivotal indicator of efficiency of the civil judicial systems can be obtained by associating the cost of trial as a percentage of the value of the claim (i.e. the input) to the national average trial length of the first instance (i.e. the output). Slower courts decrease confidence in the justice sector and in the long run can increase costs for businesses and deter private investments. In addition, longer trials also mean a greater economic burden for both citizens and the state. The cost of trial amounts on average to 19% of the value of the claim in OECD member countries, while first instances last on average around eight months. Korea, New Zealand and Norway prove to be at the top of performance scale, while longer and more expensive trials are held in the Slovak Republic. Furthermore, institutional frictions and an uneven geographical distribution of judicial resources seem to be the main causes for the remarkable length of Italian first instances. However, efficiency comparisons in the sector should not be considered as measures of quality of service and due process, or of the quality of the court's decision.

Education

Human capital development and accumulation is essential to ensure the creation of a highly-skilled workforce, well-equipped to compete in the international labour market and to become active citizens of responsive democracies. Educational attainments of individuals are considered a suitable measure of output of human capital production. When compared to the national cumulative expenditure per student (i.e. the educational input), they can offer an insight into which systems are able to deliver more efficient services. The PISA (Programme for International Student Assessment) measure of proficiency in reading and mathematics is positively correlated to expenditure for both primary and secondary studies, though the relationship seems to hold particularly for low levels of cumulative expenditure per student (*OECD PISA in Focus 13*). In addition to expenditures, student performance also depends on the quality of teachers, individual socio-economic backgrounds and school management practices, among other factors. Countries such as Finland, Korea and New Zealand spend less than the OECD average per student, but achieve better performances. On the other hand, Austria and Luxembourg have higher per student expenditures although their scores are below average.

Tax administration

Tax collection from citizens and businesses is the main resource on which governments rely to support the provision of public services. The "cost of collection" ratio is a standard measure of efficiency often adopted by revenue bodies, comparing the annual costs of administration with the total revenue collected over the fiscal year. A downward trend of the ratio can constitute, all the other things being equal, evidence of a reduction in relative costs (improved efficiency) or improved tax compliance (improved effectiveness). For most countries, a decreasing or stable trend over time can be observed between 2005 and 2008, most likely due to decreased costs. On the other hand, some revenue bodies observed an inversion in their trend from 2008 to 2011, with ratios increasing most likely because of reduced tax receipts in the aftermath of the economic crisis.

International comparisons of the efficiency of tax administrations must be made with caution. Differences in tax rates and the overall legislated tax burden; variations in the range and in the nature of taxes collected; macroeconomic conditions affecting tax receipts; and differences in the underlying cost structures resulting from institutional arrangements (e.g. multiple bodies involved in revenue administration, as in Italy), and/or the conduct of non-tax functions (e.g. customs) are all factors affecting the efficiency ratios presented here.

Methodology and definitions

Average length of stay (ALOS) refers to the average number of days that patients spend in hospital. It is generally measured by dividing the total number of days stayed by all inpatients during a year by the number of admissions or discharges. Day cases are excluded. The data cover all inpatients cases (including not only curative/acute care cases).

Justice data on civil trials have been drawn by OECD "Judicial Performance and its Determinants: A Cross-Country Perspective". Trial length is estimated (further information on page 159). Total private cost of trial (as a share of the value of the claim) discounted of the expected probability of receiving legal aid refers to a specific civil law case, from beginning to end. It is taken from the World Bank, *Doing Business* (database) and encompasses three different types of costs necessary to resolve a commercial dispute: court fees, enforcement costs and average lawyers' fees.

Data on expenditures per student refer to the 2009 financial year. Spending per student equals the total expenditure by education institutions (both public and private, where not specified differently) divided by the corresponding full-time equivalent enrolment and includes both core and ancillary services. Due to differences across countries in the duration of courses, annual spending per student may not fully reflect the total spent on a student. The achievement scores were based on assessments of 15-year olds administered as part of the PISA programme.

Data on tax administration are provided by surveyed revenue bodies or extracted from official country reports. Tax administration expenditures include three categories: administrative costs, salary costs and IT costs. IT expenditure was defined as the total costs of providing IT support for all administrative operations (both tax and non-tax related). For comparison purposes, efforts have been made to separately identify the resources used and the costs of tax and non-tax related functions.

Further reading

OECD (2013a), *Tax Administration 2013: Comparative Information on OECD and other Advanced and Emerging Economies*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264200814-en*.

OECD (2013b, forthcoming), *Health at a Glance 2013: OECD Indicators*, OECD Publishing, Paris.

OECD (2012), *Education at a Glance 2012: OECD Indicators*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eag-2012-en*.

Palumbo, G. et al. (2013), "Judicial Performance and its Determinants: A Cross-Country Perspective", *OECD Economic Policy Papers*, No. 5, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5k44x00md5g8-en*.

Figure notes

2.21: The data for Canada, Japan and the Netherlands refer to average length of stay for curative (acute) care (resulting in an underestimation). Data related to 2011: data for Australia, Belgium, Canada, Chile, China, France, Norway and the Russian Federation are for 2010; data for Iceland are for 2009; data for Greece and Indonesia are for 2008. Data related to 2000: data for China and Korea are for 1999; data for Austria and Chile are for 2001; data for Luxembourg are for 2002.

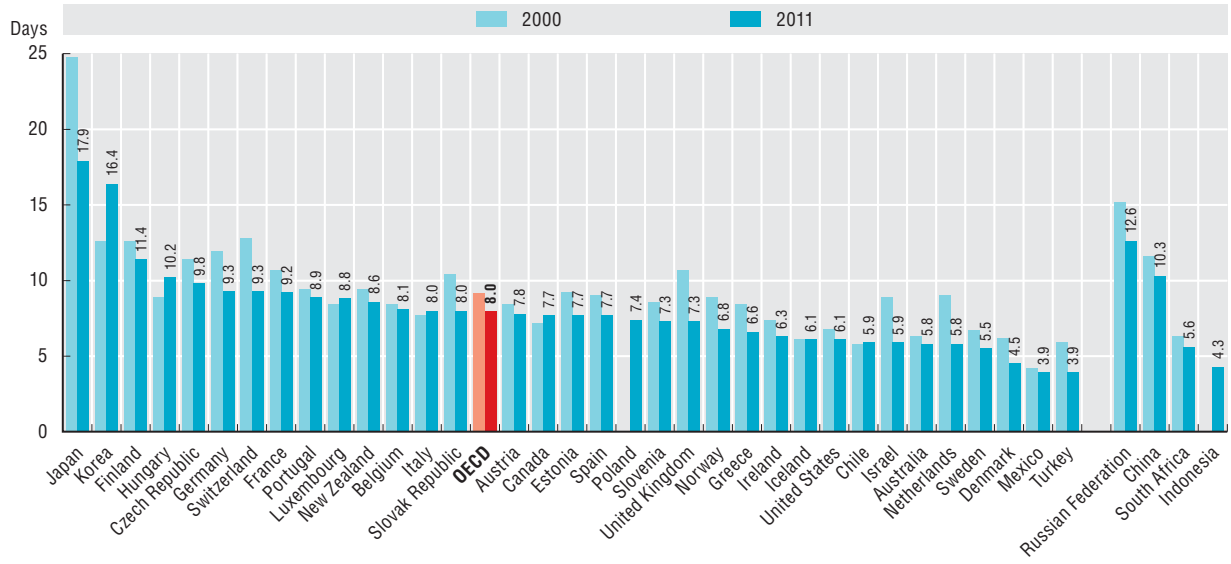
2.22: Data for the United Kingdom only cover England and Wales. For more information about the data, please refer to *Doing Business* (database).

2.23: Expenditure data for Canada are for 2008. Expenditure data for Chile are for 2010. Expenditure data for Hungary, Ireland, Italy, Poland, Portugal, Slovenia, Switzerland, Brazil and the Russian Federation refer to public institutions only.

2.24: SSC and excises are not included for the Czech Republic, France, Germany, Poland, Portugal and the Slovak Republic. SSC are not included for Austria, Belgium, Japan, Korea, Luxembourg, Mexico and Spain. Excises are not included for Finland, Indonesia, New Zealand and Slovenia. For Brazil, Ireland and South Africa costs include customs. For Estonia costs include customs for 2005. For Spain costs include customs for 2008 and 2011. For Chile and Sweden costs exclude debt collection. For Switzerland VAT administration only is considered. For Iceland the computed ratios for these years are understated as not all costs appear to have been quantified for survey reporting purposes. For Italy the computed ratios for these years significantly understate the true ratio as they do not take account of expenditure incurred on tax related work carried out by other agencies that have not been quantified. For the United States ratios indicated vary from IRS-published ratios owing to use of "net" and not "gross" revenue collections as the denominator. Data for Italy does not reflect the undergoing fiscal reform to streamline the revenue collection.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

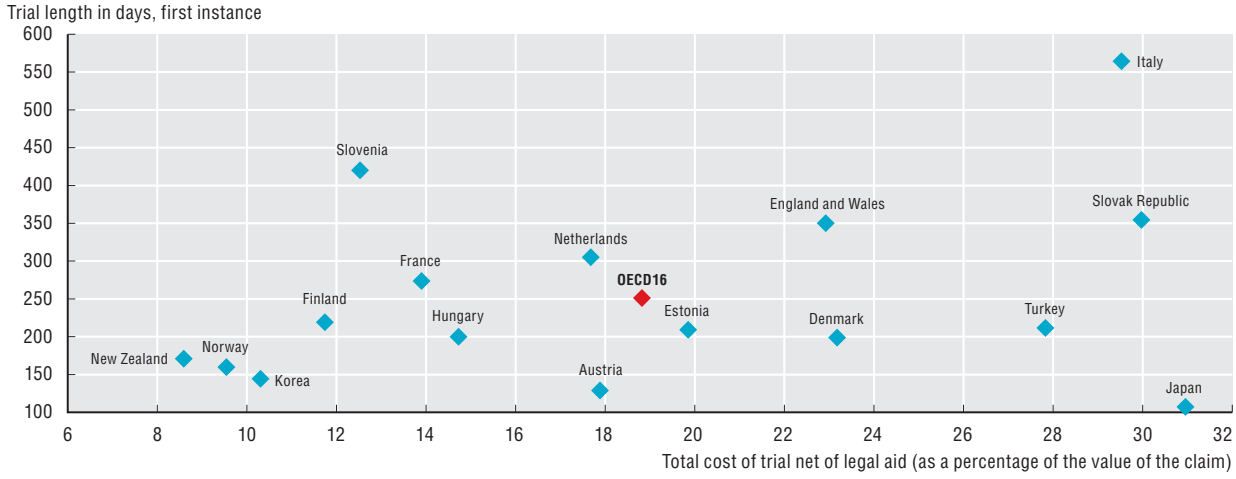
2.21. Average length of stay for all conditions (2000 and 2011)



Source: OECD Health Statistics 2013.

StatLink http://dx.doi.org/10.1787/888932941177

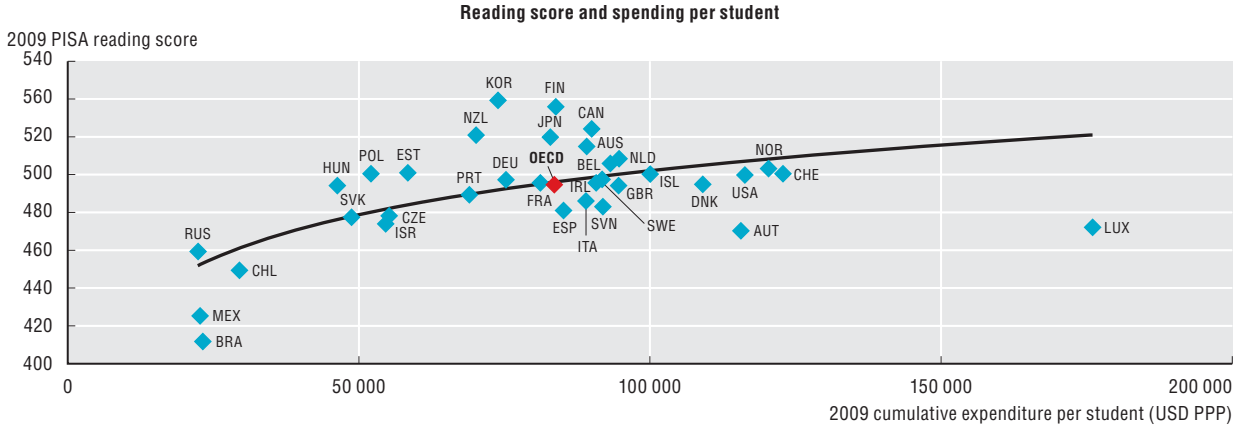
2.22. Trial length in days of first instance and trial cost (as a share of the value of the claim, 2012)

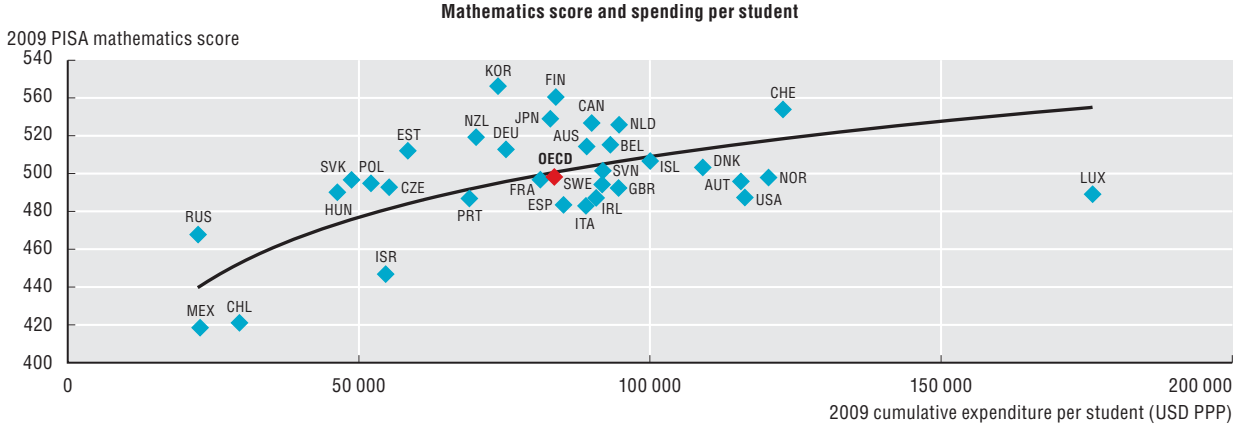


Source: World Bank, *Doing Business* (database); and Palumbo, G. et al. (2013), "Judicial Performance and its Determinants: A Cross-Country Perspective", *OECD Economic Policy Papers*, No. 5, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5k44x00md5g8-en*.

StatLink http://dx.doi.org/10.1787/888932941196

2.23. Performance in PISA scores and cumulative expenditure per student between 6 and 15 years old education in USD PPP (2009)

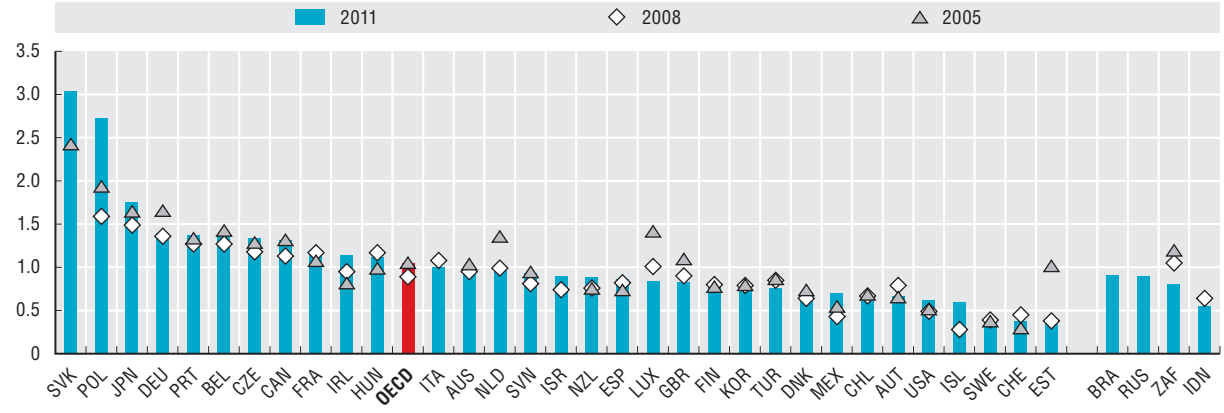




Source: OECD (2012), *Education at a Glance 2012: OECD Indicators*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eag-2012-en*, Table B1.3b; and OECD (2010), *PISA 2009 Results: What Students Know and Can Do – Student Performance in Reading, Mathematics and Science (Volume I)*, PISA, OECD Publishing, Paris, Table I.2.3, *http://dx.doi.org/10.1787/9789264091450-en*.

StatLink http://dx.doi.org/10.1787/888932941215

2.24. Cost of collection ratios (administrative costs/net revenue collection) (2005, 2008 and 2011)



Source: OECD (2013), *Tax Administration 2013: Comparative Information on OECD and other Advanced and Emerging Economies*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264200814-en*.

StatLink http://dx.doi.org/10.1787/888932941234

Public sector cost-effectiveness

Whereas the concept of efficiency measures performance in terms of whether resources invested are productively transformed into the desired output, the concept of effectiveness measures the extent to which an activity attains its desired objectives. Cost-effectiveness, i.e. the ratio of an input to an intermediate or final outcome, reflects the relationship between resources expended and results achieved and is critical for the evaluation of the success of government policies.

Government performance assessment is particularly crucial in sectors such as education and health care that are fundamental to citizens' well-being and to countries' economic and social development. These two sectors have also sufficiently developed and standardised internationally the measurement of inputs and outcomes, thereby allowing their effectiveness to be meaningfully compared.

Education

In the education sector, human capital creation and skills development are two key objectives for the public sector due to their beneficial effects on employment prospects and the life-long earnings. In addition, a better educated workforce contributes to higher economic growth and consequently, a more prosperous society. These effects will also be reflected in the resources available to governments: more employable and better skilled individuals potentially increase the revenue-base through larger contributions, while simultaneously decreasing the need for public spending on social assistance.

One of the key outcome measures for the education sector is the public Net Present Value (NPV) of schooling. NPV measures the economic returns of public investments in the sector, after considering their costs. Additional schooling creates economic benefits for governments by raising supplementary revenues from higher earnings and new entrants to the labour market. On average, OECD member countries attain a NPV for tertiary education exceeding USD 100 000. When compared to the size of public investment, on average one-third of the NPV, the incentives for governments to invest in higher education become evident. Among OECD member countries, Hungary, Ireland and the United States are attaining the greatest public NPV from tertiary education, while lower gains are achieved on average from investment in upper secondary education, the worst case being Estonia, where costs actually exceed benefits.

Health care

Similarly, governments have a vested interest in evaluating the cost-effectiveness of their health systems not only because of the remarkable importance of its outcomes, but also because expenditure for this sector represents one of the largest shares of aggregate public spending and has been boosted consistently by technological changes and population ageing.

In order to assess cost-effectiveness, improvements in life expectancy (the most adopted and comparable outcome) are compared to total health expenditure per capita in countries. Conclusions, however, should be drawn with care, as many other factors beyond total health spending have a major impact on life expectancy and total health expenditure comprises both public and private expenditures (the private share of health spending being particularly large in countries such as the United States and Mexico). Results show that there is a positive relationship between total health expenditure per capita and life expectancy, suggesting that higher health spending is associated with better health outcomes for individuals. Italy, Japan and Spain stand out as having relatively high life expectancy relative to their expenditure. On the other side, Hungary, Mexico and the United States have a relatively low life expectancy, given their total health spending. Similar results (see online figure) have shown that the overall positive relationship with life expectancy is not affected when considering only public health spending. Nonetheless, the extent to which Mexico and the United States have a relatively low life expectancy compared to the OECD average is slightly reduced when only public spending on health care is taken into account.

Methodology and definitions

The public economic returns to education for males are measured in terms of NPV. Public costs include lost income tax receipts during the schooling years. Public expenditures are related to educational attainment, taking into account the duration of studies, and include direct expenditure and public-private transfers. The benefits for the public sector are additional tax and social contribution receipts associated with higher earnings, and savings from transfers that the public sector does not have to pay above a certain earnings level. Values of data to compute the NPV for upper secondary education are based on the difference between people who attained upper secondary or post-secondary non-tertiary education and those who have not. Values of data to compute the NPV for tertiary education are based on the difference between people who attained tertiary education and those who have attained upper secondary education.

Life expectancy measures how long on average people would live based on a given set of age-specific death rates. Life expectancy at birth for the total population is calculated as the unweighted average of men and women. Total expenditure on health measures the final consumption of health goods and services (i.e. current expenditure), plus capital investment in health care infrastructure. This includes spending by both public and private sources on medical services and goods, public health and prevention programmes, and administration.

Figure 2.27, Life expectancy at birth and public expenditure on health per capita (2011), is available on line at *http://dx.doi.org/10.1787/888932941291*.

Further reading

OECD (2013a), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eag-2013-en*.

OECD (2013b, forthcoming), *Health at a Glance 2013: OECD Indicators*, OECD Publishing, Paris.

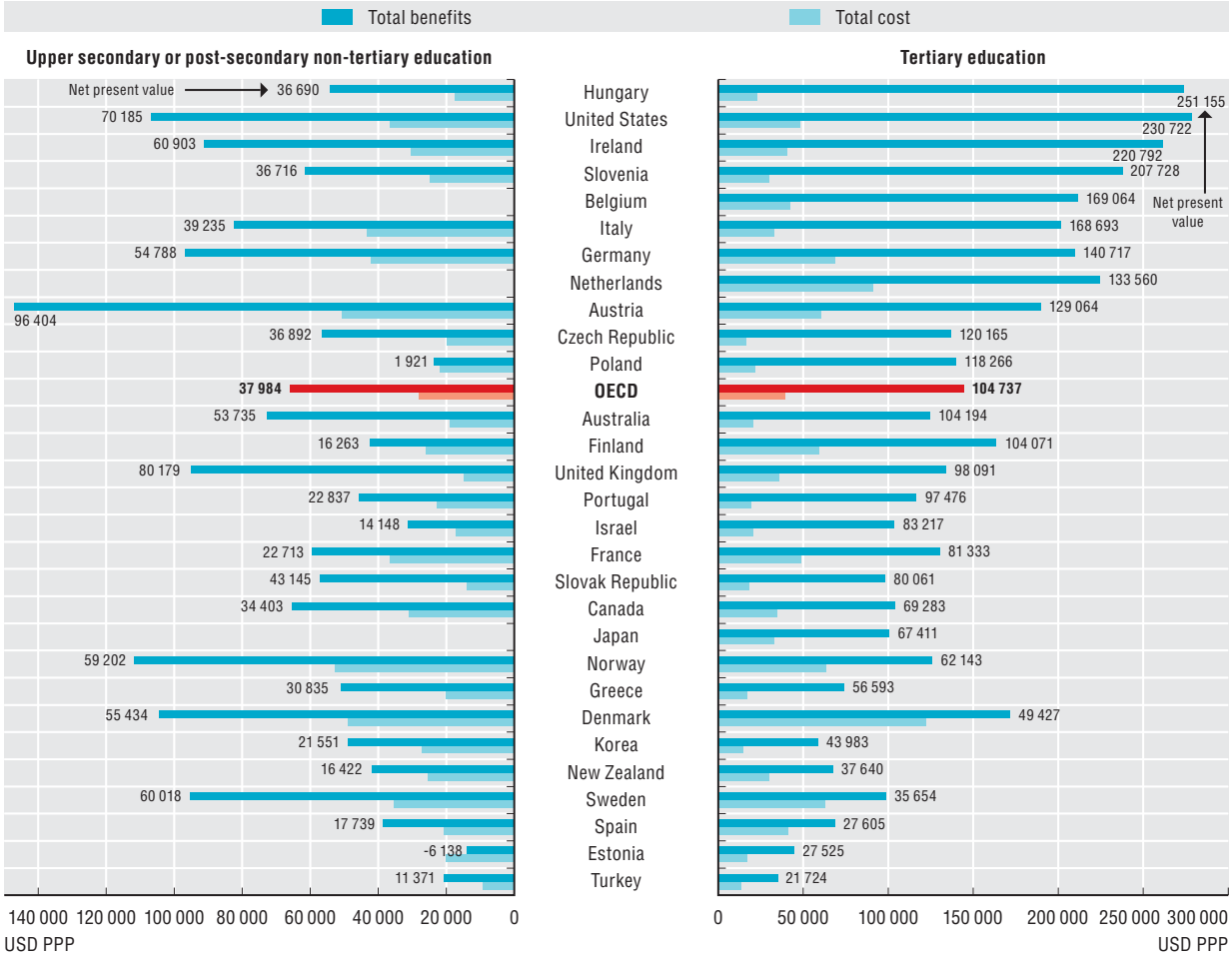
Figure notes

2.25: Data for upper secondary for Belgium and the Netherlands are not included because these education levels are compulsory. Data for upper secondary for Japan are not included because lower and upper secondary education is not broken down. Data for Italy, the Netherlands and Poland are for 2008. Data for Japan are for 2007. Data for Turkey are for 2005. See Annex 3 for notes (*www.oecd.org/edu/eag.htm*).

2.26: Expenditure data for Belgium and New Zealand exclude investments. Expenditure data for the Netherlands are for current expenditure. Expenditure data for Belgium, Mexico and New Zealand use a different methodology. Expenditure data for Chile, Israel and Mexico are estimates. Life expectancy data for Australia, Belgium, Chile, France, Italy and the United States are estimates. Expenditure data for Australia, Israel, Japan and Luxembourg are for 2009. Expenditure data for Turkey are for 2008. Life expectancy data for Canada are for 2009.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

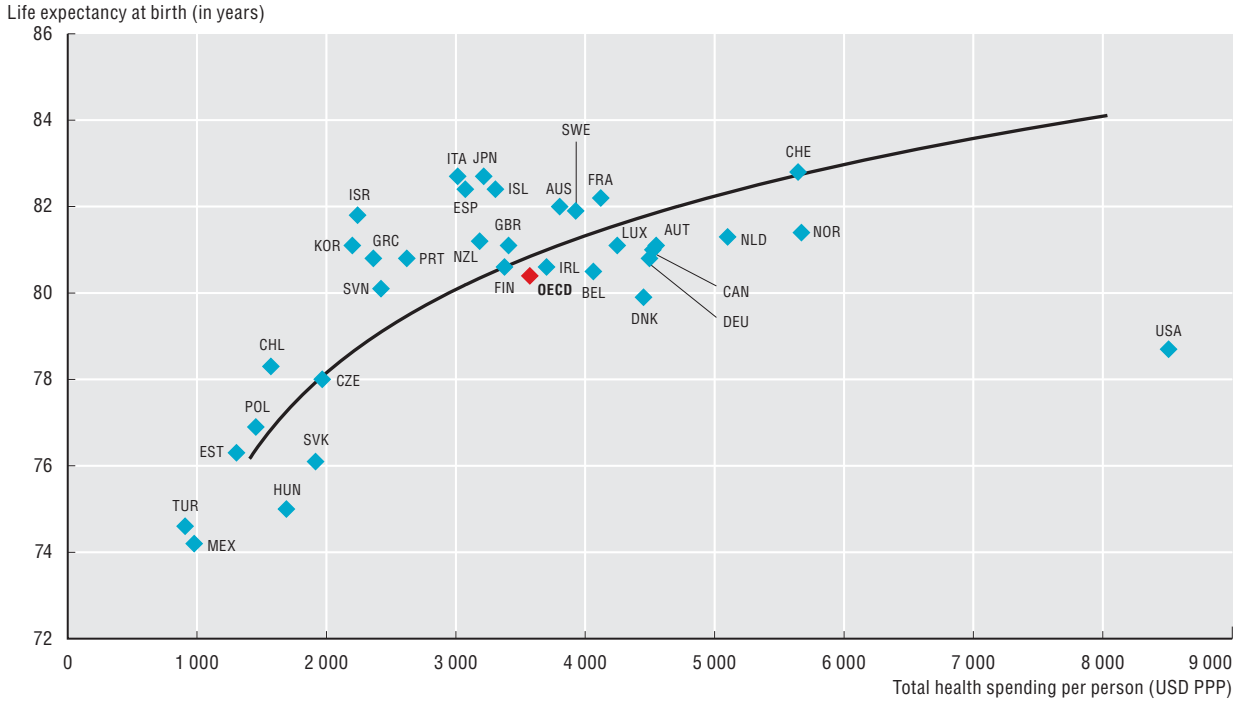
2.25. Public net present value for a man obtaining upper secondary or post-secondary non-tertiary education and tertiary education as part of initial education (2009 or latest available year)



Source: OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, Paris, Table A7.2a and Table A7.4a, *http://dx.doi.org/10.1787/eag-2013-en*.

StatLink http://dx.doi.org/10.1787/888932941253

2.26. Life expectancy at birth and total expenditure on health per capita (2011)



Source: OECD Health Statistics 2013.

StatLink http://dx.doi.org/10.1787/888932941272

3. PUBLIC FINANCE AND ECONOMICS

Governments have two main responsibilities: to provide goods and services (e.g. education and health care) and to redistribute income (e.g. through social benefits and subsidies). Among many other responsibilities, governments are also responsible for managing risks, addressing fairness in society, fighting corruption and protecting the environment. To finance these activities, governments raise money in the form of revenues (e.g. taxation) and/or through borrowing.

The health of public finances in most OECD member countries strongly deteriorated in the aftermath of the global financial and economic crisis. However, fiscal balance have been improving in most OECD member countries since 2010, due to fiscal rules, new budget practices and fiscal consolidation plans implemented in response to the crisis. Although these improvements indicate that governments are on the right path, public debt levels continue to rise within a weak economic recovery environment. Most OECD countries therefore still face the complex challenge of balancing fiscal consolidation and the urgent need to stimulate economic growth.

This chapter describes and analyses the variation among member countries in key indicators in public finance and economics, helping to shed light on how governments are responding to fiscal pressures. It includes indicators on government deficits/surpluses and debts. It assesses trends in the size and structure of government revenues and expenditures, the costs of producing public goods and services, and the role of government in providing these, as well as the magnitude of government investment. Given the importance of information and communication technologies (ICT) for government innovation and productivity, the chapter presents exploratory data on government ICT expenditures. In order to offer insights into longer-term trends and the impact of the economic crisis, data for most indicators are presented for 2001 (the base year), 2009 (the year in the midst of the crisis) and the latest year for which data are available (in most cases, 2011).

General government fiscal balance

The fiscal balance is the difference between government revenues and expenditures. A fiscal deficit occurs when, in a given year, a government spends more than it receives in revenues. On the other hand, a government will run a surplus when revenues exceed expenditures. Consecutive large fiscal deficits are strongly detrimental to the sustainability of public finances as they are financed by additional debt. When the level of outstanding debt is high, the cost of servicing that debt (both in absolute interest payments and in higher interest rates) pushes a country further into deficit, thereby hindering fiscal sustainability. Governments can reduce future debt servicing costs by improving the primary balance, which equals the fiscal balance net of interest payments.

In 2011, OECD member countries ran a fiscal deficit representing on average 3.5% of GDP. The largest deficits occurred in Ireland (13.3%), the United States (10.1%), Greece (9.6%), Spain (9.4%) and Japan (8.9%). Only six OECD member countries ran a fiscal surplus: Norway (13.4%), Hungary (4.2%), Korea (2.0%), Estonia (1.2%), Switzerland (0.5%) and Sweden (0.03%).

Between 2001 and 2009, fiscal deficits increased in all OECD countries except Switzerland and Germany, from an average of 0.7% to 5.5% of GDP. However, most of the deterioration took place in 2008 and 2009 as a result of the global financial and economic crisis, when government expenditures increased faster than both revenues and GDP (in nominal terms and in all countries except Israel and Hungary). The trend inverted after 2009 mostly due to the fiscal rules, new budget practices and fiscal consolidation plans implemented in response to the crisis. Between 2009 and 2011, the growth rates of expenditures (in nominal terms) were lower than the ones of revenues and GDP, in all except four countries (Japan, New Zealand, Slovenia and Switzerland). In consequence, fiscal balance as a percentage of GDP improved on average by two percentage points, with fiscal deficits declining the most in Hungary (8.7 percentage points to become a surplus of 4.2%), Greece (6 percentage points) and Portugal (5.8 percentage points). The significant improvement in Hungary's fiscal balance is due to capital transfers in 2011 (amounting to 9.7% of GDP) from households to general government, due to withdrawals from private pension funds. Only three countries did not improve their fiscal balance between 2009 and 2011: Japan, Slovenia and Switzerland.

In 2011, the primary fiscal balance of OECD member countries reflected an average deficit of 0.8% of GDP. Debt interest payments accounted for the remaining share of the fiscal balance. Primary balance strongly differed across OECD member countries: 19 countries ran primary deficits, ranging from 10% of GDP in Ireland to 0.1% in Denmark, whereas 14 countries ran primary surpluses, ranging from 0.2% of GDP in Austria to 14.5% in Norway.

The importance of interest payments in the fiscal balance also varied considerably across countries. Within the 19 countries running primary deficits, interest payments accounted on average for 2.9% of GDP, ranging from 1.4% in the Czech Republic to 7.2% in Greece. Although Greece's primary deficit was not the highest with 2.4% of GDP, its interest payments were the highest across OECD member countries.

Methodology and definitions

General government fiscal balance data are derived from the *OECD National Accounts Statistics* (database), which are based on the *System of National Accounts* (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Using SNA terminology, general government consists of central government, state government, local government and social security funds. Fiscal balance, also referred to as net lending (+) or net borrowing (-) of general government, is calculated as total general government revenues minus total general government expenditures. Revenues encompass social contributions, taxes other than social contributions, and grants and other revenues. Expenditures comprises intermediate consumption, compensation of employees, subsidies, social benefits, other current expenditures (including interest spending), capital transfers and other capital expenditures. The primary balance is the fiscal balance net of interest payments on general government liabilities.

Gross domestic product (GDP) is the standard measure of the value of goods and services produced by a country during a period.

Further reading

OECD (2013a), *National Accounts at a Glance 2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/na_glance-2013-en*.

OECD (2013b), *OECD Economic Outlook*, Vol. 2013/1, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eco_outlook-v2013-1-en*.

Figure notes

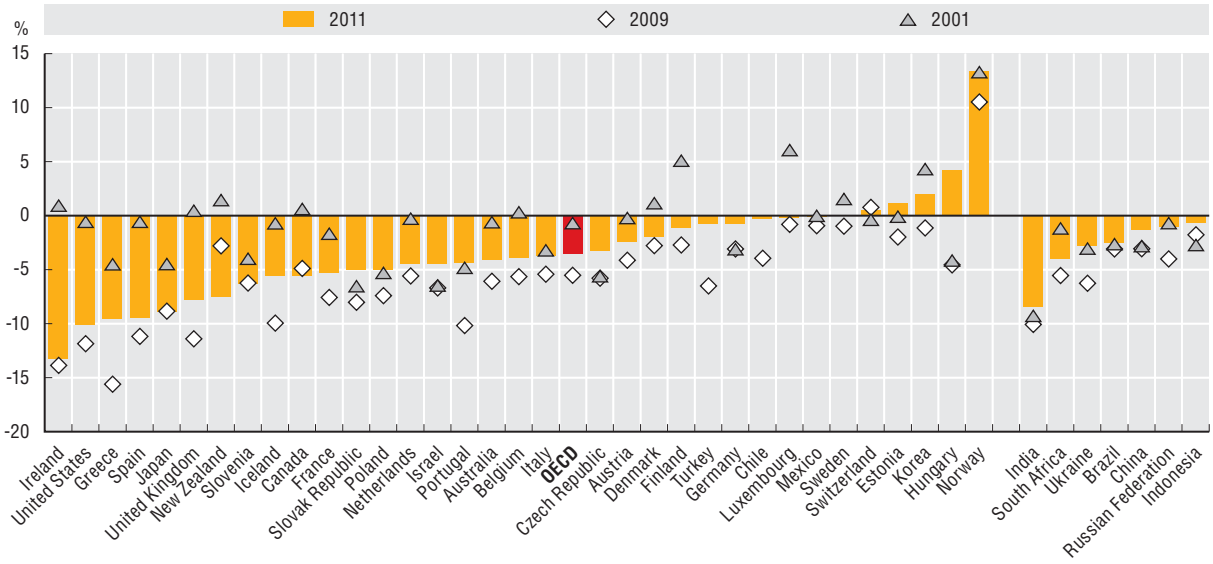
Data for Canada, New Zealand and the Russian Federation are for 2010 rather than 2011.

3.1: Data for Chile and Turkey for 2001 are not available and these countries are not included in the OECD average. Data for Chile are for 2010 rather than 2011. Data for Japan and Mexico for 2001 are estimated. Data for the Russian Federation are for 2002 instead of 2001.

3.2: Data for Chile are not available.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

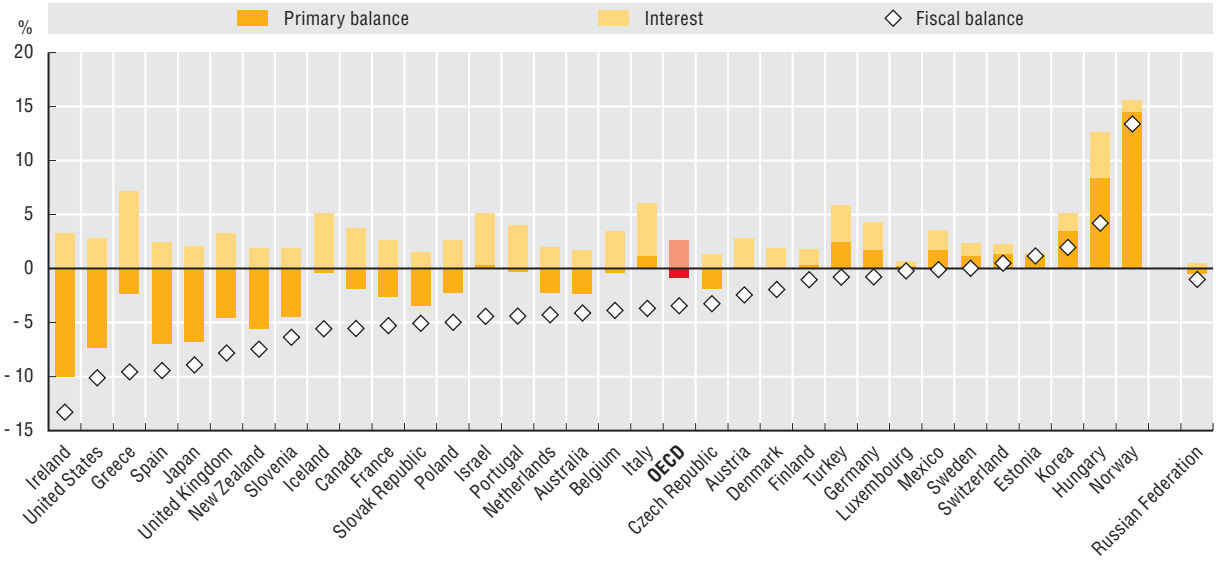
3.1. General government fiscal balance as a percentage of GDP (2001, 2009 and 2011)



Source: Data for OECD member countries: *OECD National Accounts Statistics* (database). Data for the other major economies (excluding the Russian Federation): International Monetary Fund (2013), *Economic Outlook*, April 2013, IMF, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932941310

3.2. General government primary balance and interest spending as a percentage of GDP (2011)



Source: *OECD National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932941329

General government debt

When expenditures exceed revenues, governments need additional resources to finance their deficits, consequently they borrow money and increase the level of public debt. Changes in debt over time reflect the behaviour of past fiscal balances; recurring large deficits will result in higher debt levels. On the contrary, a succession of surpluses will reduce debt levels. In general, the higher a government's liabilities, the higher the perceived probability by markets of a government defaulting on loans and therefore the higher risk premium required by the market, which in turn, raises the cost of debt.

On average, general government debt across OECD member countries represented 78.8% of GDP in 2011; this figure varied from 10% in Estonia to 228% in Japan. Debt in the majority of the OECD member countries was higher in 2011 than it was in 2001. However, this result stems from combined patterns, with debt-to-GDP ratios dropping until 2007 mainly as a result of economic growth. Debt has continuously increased since then, mostly due to the global financial crisis, and more specifically as a result of lower revenue collections, declines in economic activity and/or additional spending on stimulus packages and interventions to support financial institutions. Over this period the biggest increases took place in Japan (76.6 percentage points), Ireland (67 p.p.), the United Kingdom (55.1 p.p.), and the United States (48.1 p.p.).

The debt burden per capita varies considerably, ranging from USD 2 207 in Estonia to USD 77 134 in Japan. On average the figure is USD 26 774 for OECD member countries. Despite the high debt levels in Japan, the majority of government debt is owned by Japanese citizens, and therefore the risk of default (and hence the need to pay risk premiums) is considered to be lower.

With the exception of Australia and Estonia, securities other than shares are the preferred debt instrument for OECD member countries. A debt structure relying highly on securities other than shares is linked to market fluctuations, affecting the cost of debt.

Methodology and definitions

Data are derived from the *OECD National Accounts Statistics* (database), which are based on the *System of National Accounts* (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Debt is a commonly used concept, defined as a specific subset of liabilities identified according to the types of financial instruments included or excluded. Generally, debt is defined as all liabilities that require payment or payments of interest or principal by the debtor to the creditor at a date or dates in the future. Consequently, all debt instruments are liabilities, but some liabilities such as shares, equity and financial derivatives are not debt.

Debt is thus obtained as the sum of the following liability categories (according to the *1993 System of National Accounts*), whenever available/applicable in the financial balance sheet of the institutional sector: currency and deposits; securities other than shares, except financial derivatives; loans; insurance technical reserves; and other accounts payable. According to the SNA, most debt instruments are valued at market prices (although some countries might not apply this valuation, in particular for securities other than shares, except financial derivatives).

These data are not always comparable across countries due to different definitions or treatment of debt components. Notably, they include the unfunded government sponsored retirement schemes for some OECD countries (e.g. Australia and Canada) as well as for the countries whose data source is the IMF *Economic Outlook*. The debt position for these countries is thus overstated relative to countries that have large unfunded liabilities for pensions, and that are not recorded in the core accounts of the 1993 SNA.

The SNA definition of debt differs from the definition applied under the Maastricht Treaty, which is used to assess EU fiscal positions. Figure 3.7, Maastricht general government debt by debt holder (2011), is available on line at *http://dx.doi.org/10.1787/888932941424*.

Government debt per capita was calculated by converting government debt to USD 2011 using the OECD/Eurostat purchasing power parities (PPP) for GDP and dividing them by population. For the countries whose data source is the IMF *Economic Outlook*, an implied PPP conversion rate was used. PPP is the number of units of country B's currency needed to purchase the same quantity of goods and services in Country A. Figure 3.6, Annual growth rate of real government debt per capita (from 2001 to 2011), is available on line at *http://dx.doi.org/10.1787/888932941405*.

Further reading

OECD (2013), *OECD Factbook 2013: Economic, Environmental and Social Statistics*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/factbook-2013-en*.

Figure notes

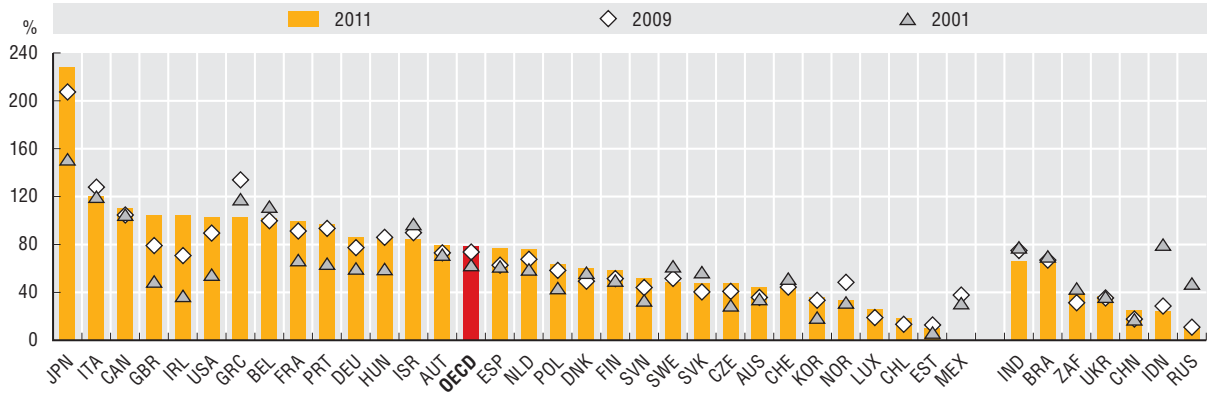
Data for Iceland, New Zealand and Turkey are not available. Data for Chile, Japan, Korea and the United Kingdom are reported on a non-consolidated basis. Data for Switzerland are for 2010 rather than 2011.

3.3: Data for 2001 for Chile and Luxembourg and for 2011 for Mexico are not available and these countries are not included in the OECD average. Data for Korea are for 2002 rather than 2001. Data for Denmark are for 2003 rather than 2001.

3.4 and 3.5: Data for Mexico are not available.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

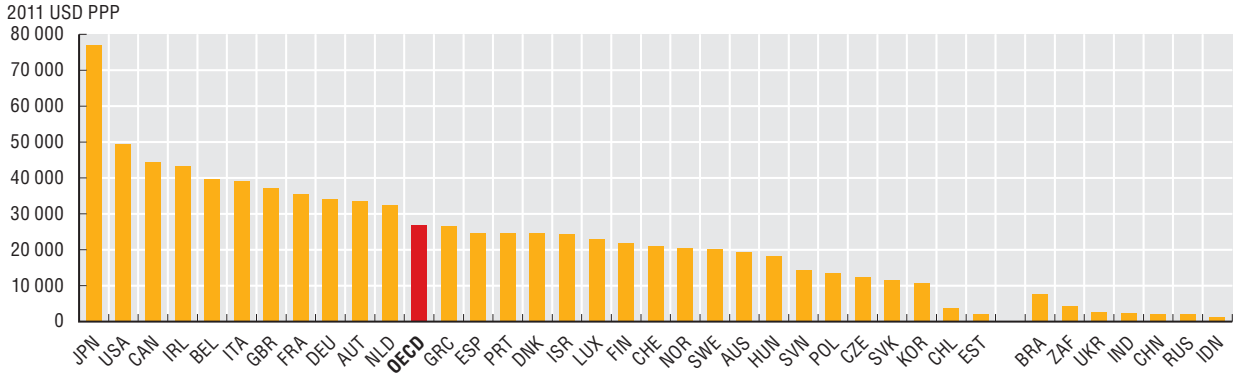
3.3. General government debt as a percentage of GDP (2001, 2009 and 2011)



Source: Data for OECD member countries: *OECD National Accounts Statistics* (database). Data for the other major economies (excluding the Russian Federation): International Monetary Fund (2013), *Economic Outlook*, April 2013, IMF, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932941348

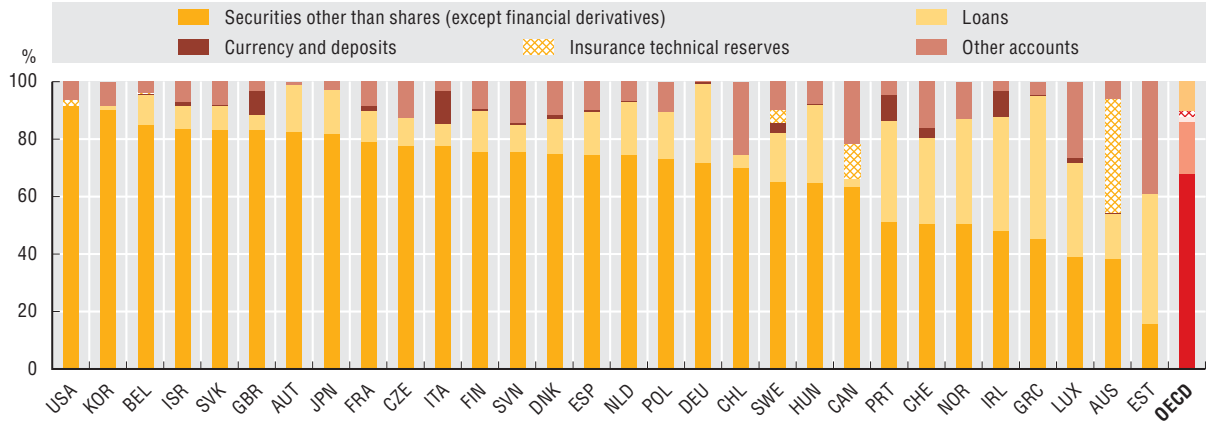
3.4. General government debt per capita (2011)



Source: Data for OECD member countries: *OECD National Accounts Statistics* (database). Data for the other major economies (excluding the Russian Federation): International Monetary Fund (2013), *Economic Outlook*, April 2013, IMF, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932941367

3.5. Structure of government debt by financial instruments (2011)



Source: *OECD National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932941386

Fiscal balance and debt by level of government

Central governments share different degrees of sovereignty with sub-central governments. As a consequence those sub-central governments may encounter diverse fiscal situations. Different political systems are characterised by varying degrees of autonomy at state and local levels to incur debt; sub-national governments are usually subject to tight fiscal rules, and, in particular, their capacity to incur debt is often limited. Liabilities from sub-national governments resulting from the need to finance deficits through borrowing are considered as debt of the sub-national governments. Even modest increases in debt by a large number of government entities (e.g. states or municipalities) may increase general government debt (across all levels of government), thereby affecting budget balances and potentially interest rates on public debt.

When compared to central governments, the revenue base of sub-national governments is in most cases small. As a consequence, most sub-national governments in OECD member countries rely on transfers from the central governments. In 2011, and on average across OECD member countries, central governments had a fiscal deficit representing 3.2% of GDP, only 0.2 percentage points lower than general governments. In the cases of Australia, Canada, Germany and Spain, over a third of the general government balance is driven by the balance at the state level.

Overall, sub-national debt levels are not significantly large across OECD member countries when compared to general government debt, with the exception of a few (mainly federal and quasi-federal) countries. In 2011, sub-national debt accounted for an average of 11.8% of GDP, with local level debt ranging from 1.3% of GDP in Greece to 38% of GDP in Japan. In the cases of Canada, Germany, the United States (state and local governments) and Spain, state government debt levels as a share of GDP were respectively 53.3%, 26.0%, 24.7% and 18.7%.

Between 2001 and 2011, no major changes occurred in the debt structure across government levels for OECD member countries. In the case of the United Kingdom, sub-national government debt was reduced by 7.1 percentage points, however this trend is likely to be inverted for upcoming years as a consequence of the Housing Revenue Account's reform, which may increase borrowing from local governments. Similarly, a considerable decline in the share of sub-national debt also occurred in Japan, the Netherlands and the United States. However, as overall debt levels have continued to increase in these countries, these declines can be attributed to a slower growth of debt at the sub-national levels compared to the growth of debt at the central level. In addition, sub-national governments are often submitted to strict fiscal rules and required by central governments to participate in national consolidation efforts.

Methodology and definitions

Data are derived from the *OECD National Accounts Statistics* (database), based on the *System of National Accounts* (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Using SNA terminology, general government consists of central, state and local governments, and social security funds. State government is only applicable to the nine OECD member countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a quasi-federal country), Switzerland and the United States.

Fiscal balance, also referred to as net lending (+) or net borrowing (-) of general government, is calculated as total general government revenues minus total general government expenditures.

For additional information on debt, see the "methodology and definitions" section of the "General government debt" indicator on page 64.

Further reading

Teresa Ter-Minassian (2007), "Fiscal Rules for Subnational Governments: Can They Promote Fiscal Discipline?", *OECD Journal on Budgeting*, Vol. 6/3, OECD Publishing, Paris, *http://dx.doi.org/10.1787/budget-v6-art17-en*.

Vammalle, C. and C. Hulbert (2013), "Sub-National Finances and Fiscal Consolidation: Walking on Thin Ice", *OECD Regional Development Working Papers*, No. 2013/02, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5k49m8cqkcf3-en*.

Figure notes

Data for Chile are not available. Local government is included in state government for Australia and the United States. Australia does not operate public social insurance schemes. Social security funds are included in central government in Norway, the United Kingdom and the United States.

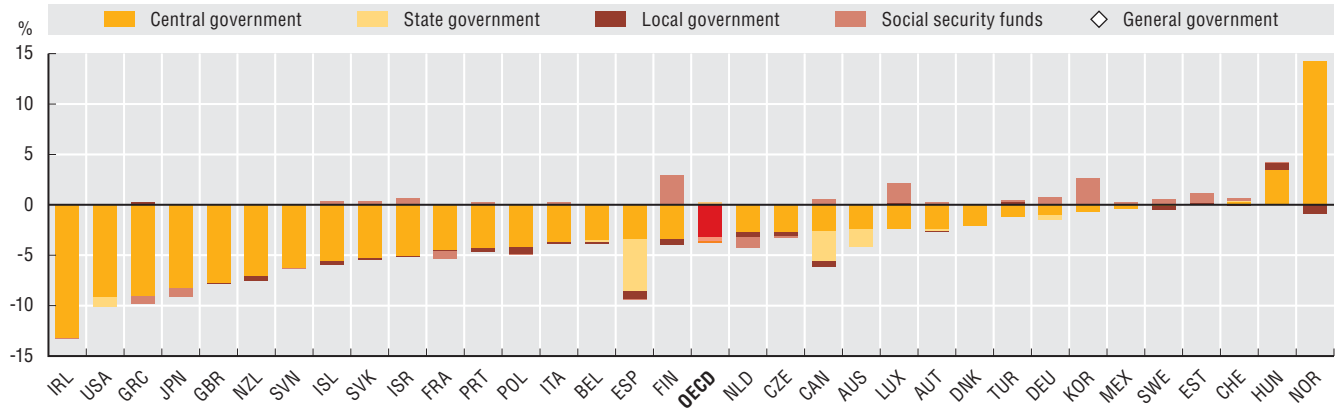
3.8: Data for Canada and New Zealand are for 2010 rather than 2011.

3.9: Data for Mexico, New Zealand, Switzerland and Turkey are not available. Data for central government are not available for Iceland and Ireland and these countries are not included in the OECD average. Data for Japan, Korea, the United Kingdom and the United States are reported on a non-consolidated basis. Data for Switzerland are for 2010 rather than 2011.

3.10: Data for Iceland, Mexico, New Zealand and Turkey are not available. Data for 2001 for Israel and Luxembourg are not available and these countries are not included in the OECD average. Data are reported on a non-consolidated basis (apart from Australia). Data for Switzerland are for 2010 rather than 2011. Data for Korea are for 2002 rather than 2001. Data for Denmark are for 2003 rather than 2001.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

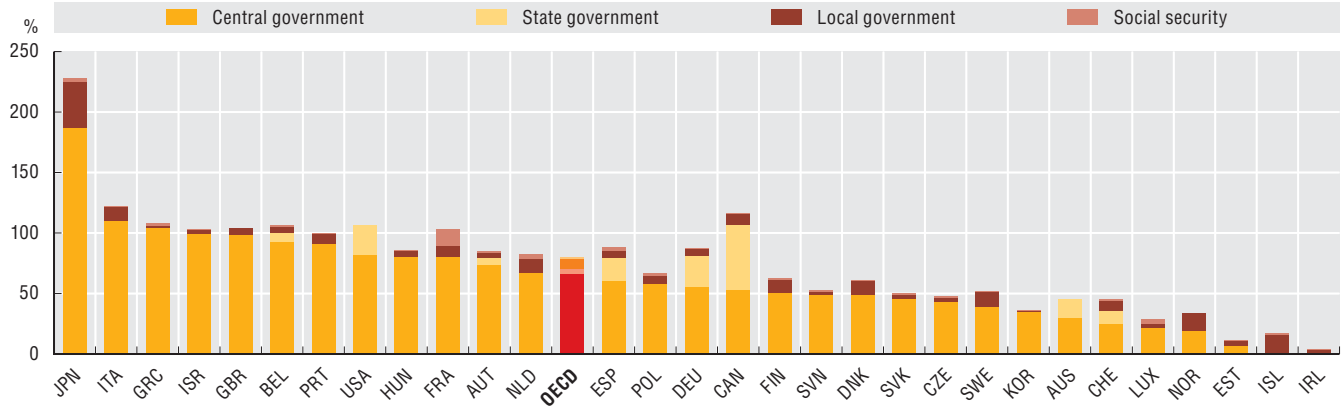
3.8. Government fiscal balance across levels of government as a percentage of GDP (2011)



Source: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888932941443

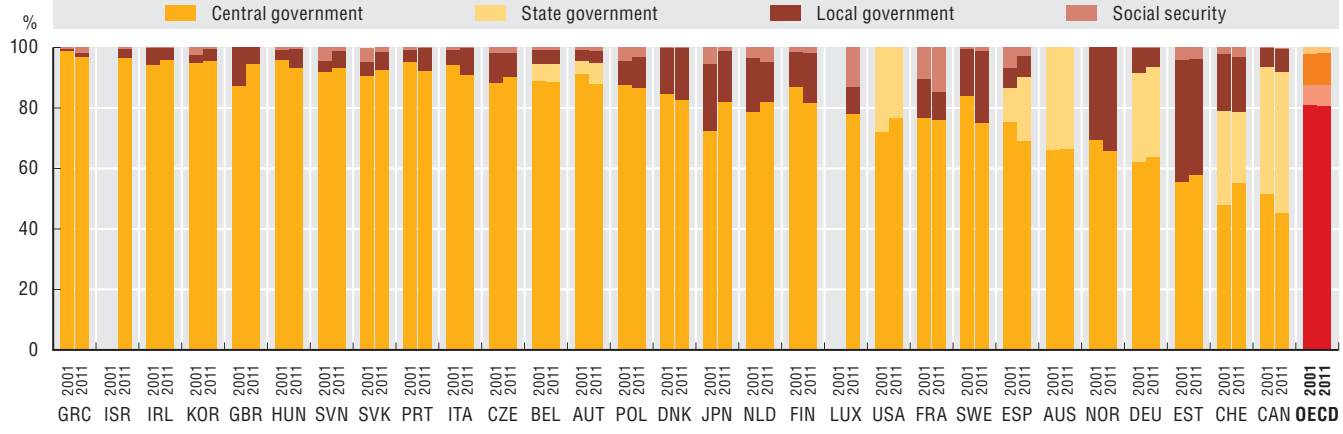
3.9. Government debt across levels of government as a percentage of GDP (2011)



Source: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888932941462

3.10. Distribution of government debt across levels of government (2001 and 2011)



Source: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888932941481

General government revenues

Governments collect revenues mainly for two purposes: to finance the goods and services they deliver to citizens and businesses and to fulfil their redistributive role. Major sources of revenues of governments are taxes collected from households and corporations as well as social contributions. Comparing levels of government revenues across OECD member countries, as a share of GDP or per capita, provides an indication of the importance of the public sector in the economy in terms of available financial resources. The total amount of revenues collected by governments is determined by past and current political decisions that are themselves based on cultural expectations for social redistribution, fiscal constraints and economic fluctuations and performance. As such, levels of government revenues strongly differ across OECD member countries.

In 2011, general government revenues represented 41.9% of GDP on average across OECD countries, a level only 0.2 percentage points higher than a decade earlier (41.7% in 2001). The levels collected across countries vary significantly, from 57.3% in Norway to 22.7% in Mexico. Nordic countries tend to collect higher revenues than other groups of countries, as most of their social benefits to households are taxable. Although government revenues as a share of GDP remained stable across OECD member countries between 2001 and 2011, there were significant fluctuations across countries. They increased the most in Hungary (10.1 percentage points) and in Portugal (6.6 percentage points), although this increase occurred mostly since 2009 for both countries in response to the fiscal crisis in those countries. Government revenues as a share of GDP decreased the most during the same period in Israel (7.3 percentage points) and Sweden (4.9 percentage points), although in Israel they rose between 2009 and 2011. Government revenues increased in two-thirds of OECD member countries during 2009-11.

On average across the OECD, government revenues represented USD 15 141 PPP per capita in 2011. When expressed in terms of population, the difference in magnitude between the highest and lowest collectors of government revenues across OECD countries is over 9 fold (USD 36 800 per capita in Luxembourg compared to almost USD 4 000 in Mexico), whereas it is only 2.5 fold when expressed as a share of GDP.

Government revenues per capita increased on average by 1.5% every year across OECD member countries between 2001 and 2011. The highest average annual increases occurred in Estonia (5.3%) and Korea (5.0%). Government revenues declined in only four OECD countries during the same period, though very moderately, ranging between 0.1% and 0.3% on average per year: Italy, the United States, Spain and Canada.

Methodology and definitions

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

Government revenues per capita were calculated by converting total revenues to USD 2011 using the OECD/Eurostat purchasing power parities (PPP) for GDP and dividing them by population. For the countries whose data source is the IMF *Economic Outlook* an implied PPP conversion rate was used. PPP is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A.

Further reading

OECD (2013), *National Accounts at a Glance 2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/na_glance-2013-en*.

Figure notes

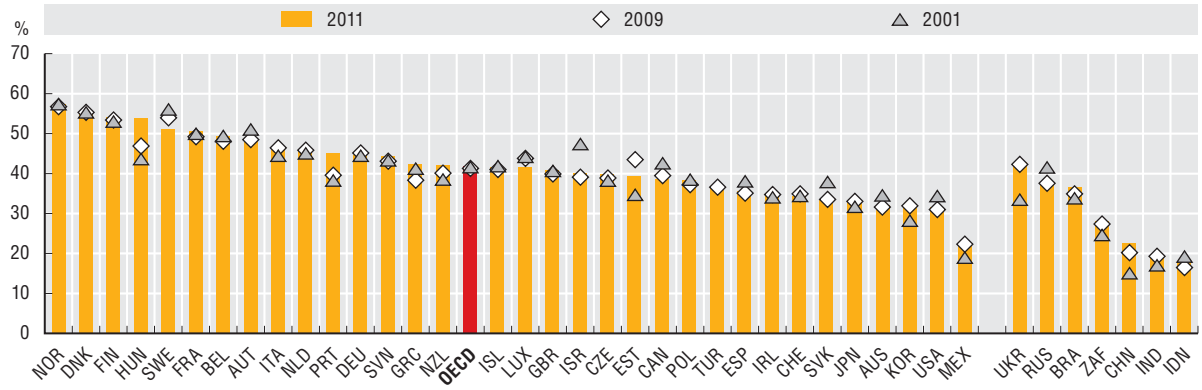
Data for Chile are not available. Data for Canada, New Zealand and the Russian Federation are for 2010 rather than 2011. Data for Japan and Mexico for 2001 data are estimated. Data for the Russian Federation are for 2002 rather than 2001.

3.11: Data for Turkey for 2001 are not available and this country is not included in the OECD average.

3.12: Data for Turkey are not available.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

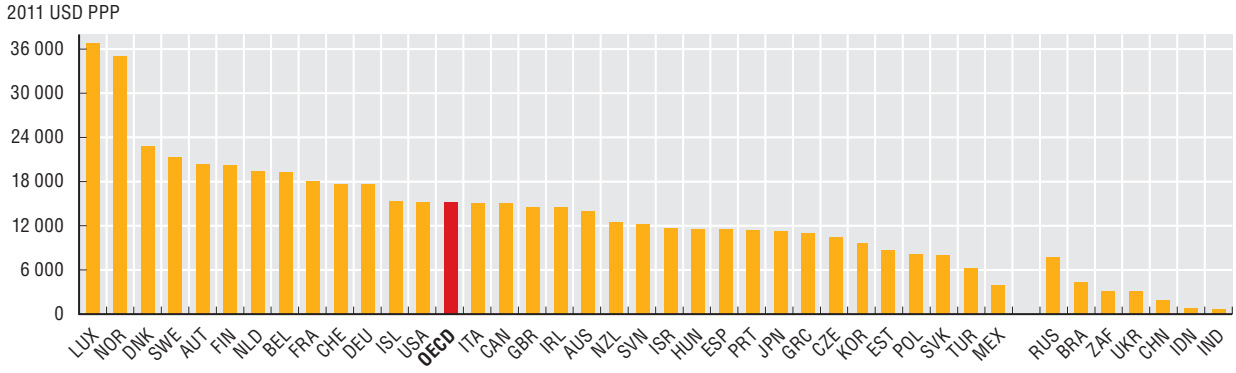
3.11. General government revenues as a percentage of GDP (2001, 2009 and 2011)



Source: Data for OECD member countries: *OECD National Accounts Statistics* (database). Data for the other major economies (excluding the Russian Federation): International Monetary Fund (2013), *Economic Outlook*, April 2013, IMF, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932941500

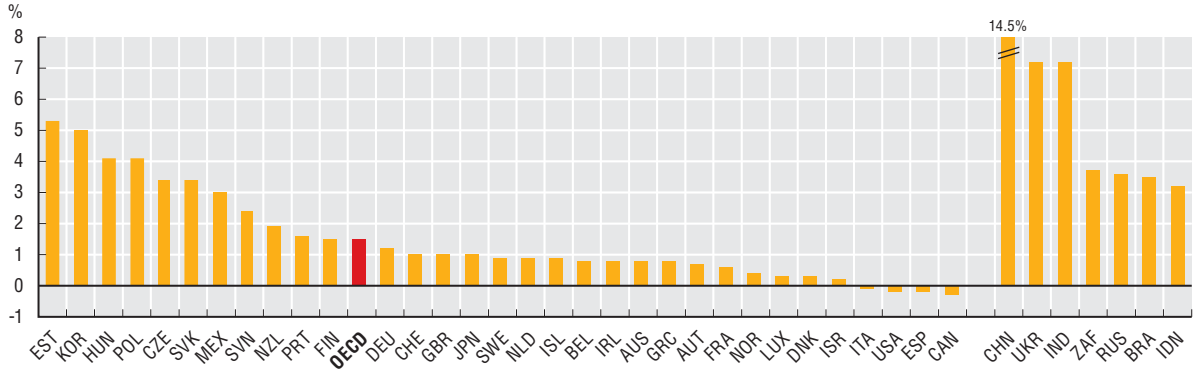
3.12. Government revenues per capita (2011)



Source: Data for OECD member countries: *OECD National Accounts Statistics* (database). Data for the other major economies (excluding the Russian Federation): International Monetary Fund (2013), *Economic Outlook*, April 2013, IMF, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932941519

3.13. Annual average growth rate of real government revenue per capita (from 2001 to 2011)



Source: Data for OECD member countries: *OECD National Accounts Statistics* (database). Data for the other major economies (excluding the Russian Federation): International Monetary Fund (2013), *Economic Outlook*, April 2013, IMF, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932941538

Structure of general government revenues

Analysing the structure of general government revenues provides an indication of the relative contributions from citizens and/or sectors of the economy to finance government expenditures.

In 2011, and on average across OECD member countries, over 60% of general government revenues were collected through taxes other than social contributions, almost 25% through social contributions, while the remainder were collected through grants and other revenues. Government expenditures are financed differently across OECD member countries. Denmark and Australia, for example, are relatively more dependent on taxes other than social contributions (over 80% of total revenues), and therefore finance welfare spending through general taxation. On the other hand, the Czech Republic, France, Germany, Japan, the Slovak Republic and Spain rely relatively more on social contributions (almost 40% of total revenues). Norway is the only country whose contribution of grants and other revenues exceeded 25% of total revenues (mostly explained by dividend and interest earned by the government sovereign wealth fund, from which the capital is built up through accumulation of net revenues from the petroleum sector).

Between 2009 and 2011, the structure of government revenues remained fairly stable on average across OECD member countries. The share of taxes other than social contributions increased by 0.4 percentage points, the share of social contributions decreased by 0.6 percentage points – due to the impact of the economic crisis reducing employment and thereby social contributions – and grants and other revenues increased by 0.2 percentage points. The structure of government revenues changed the most significantly in Hungary (grants and other contributions increased by 16.7 percentage points), Mexico (taxes other than social contributions increased by 9.3 percentage points) and Portugal (grants and other contributions increased by 6.8 percentage points).

On average across OECD member countries, a third of total tax revenues (including social security contributions) in 2010 were generated by taxes on income and profits, another third by taxes on goods and services (of which value added tax (VAT) constitutes a significant share), over a quarter from social security contributions and the remaining from property taxes (5.4%), payroll taxes (1%) and other taxes (0.6%). This breakdown was very similar in 2001. However, OECD member countries place different emphasis on different taxes. For instance, the majority of tax revenues in Denmark, Australia and New Zealand are collected through taxes on income and profits.

Methodology and definitions

Revenues data are derived from the *OECD National Accounts Statistics* (database), which are based on the *System of National Accounts* (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Using SNA terminology, general government consists of central, state, local government and social security funds. Revenues encompass taxes other than social contributions (e.g. taxes on consumption, income, wealth, property and capital), social contributions (e.g. contributions for pensions, health and social security), and grants (from foreign governments or international organisations) and other revenues (e.g. sales, fees, property income and subsidies). These aggregates are not directly available in the *OECD National Accounts Statistics* (database), and were constructed using sub-account line items (see Annex A). The data presented in Figure 3.16 are from OECD *Revenue Statistics*.

The OECD *Revenue Statistics* and the SNA differ in their definitions of tax revenues. In the SNA, taxes are compulsory unrequited payments, in cash or in kind, made by institutional units to the general government. Social contributions are actual or imputed payments to social insurance schemes to make provision for social insurance benefits. These contributions may be compulsory or voluntary and the schemes may be funded or unfunded. OECD *Revenue Statistics* treat compulsory social security contributions as taxes whereas the SNA considers them social contributions because the receipt of social security benefits depends, in most countries, upon appropriate contributions having been made, even though the size of the benefits is not necessarily related to the amount of the contributions.

Further reading

OECD (2012), *Revenue Statistics 2012*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/rev_stats-2012-en-fr*.

OECD (2010), *Tax Policy Reform and Economic Growth*, OECD Tax Policy Studies, No. 20, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264091085-en*.

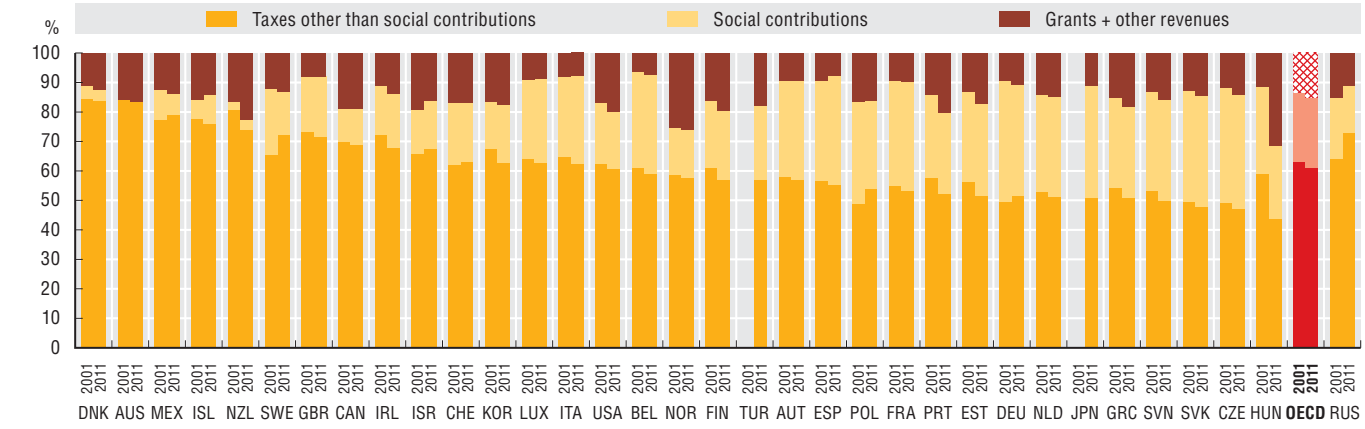
Figure notes

3.14 and 3.15: Data for Chile are not available. Data for Japan and Turkey for 2001 are not available and these countries are not included in the OECD average. Australia does not collect revenues via social contributions because it does not operate government social insurance schemes. Capital taxes are not available for the Russian Federation. Data for Canada, New Zealand and the Russian Federation are for 2010 rather than 2011. Data for Mexico are for 2003 rather than 2001. Data for the Russian Federation are for 2002 rather than 2001.

3.16: For the OECD member countries, part of the European Union total taxation includes custom duties collected on behalf of the European Union.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

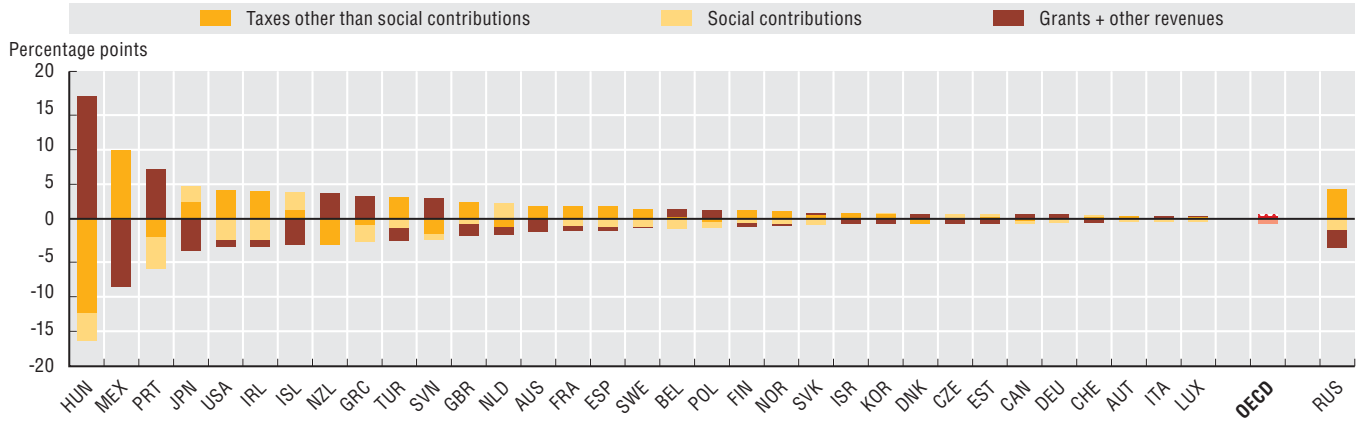
3.14. Structure of general government revenues (2001 and 2011)



Source: *OECD National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932941557

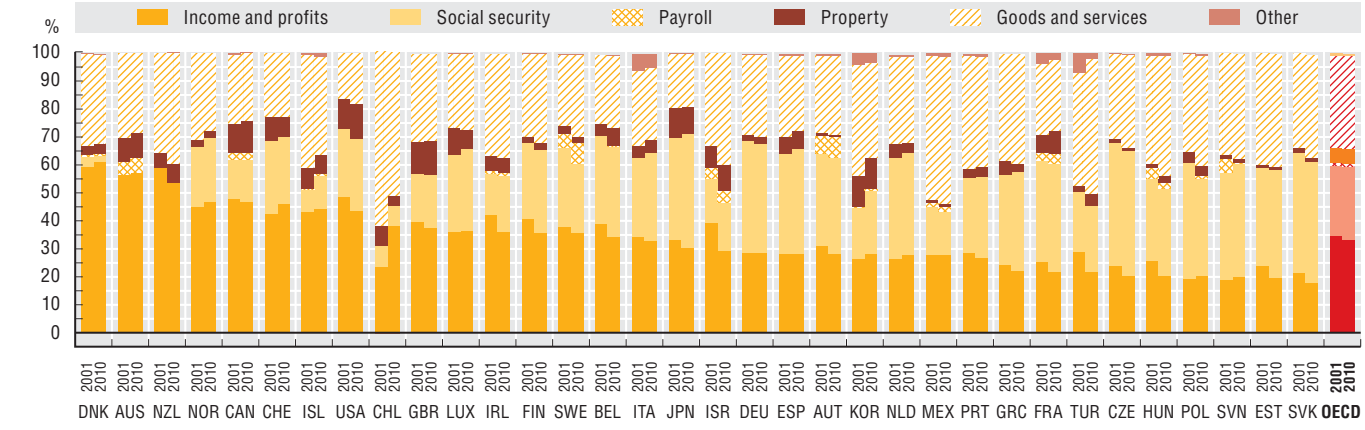
3.15. Change in the structure of general government revenues (2009 to 2011)



Source: *OECD National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932941576

3.16. Breakdown of tax revenues as a percentage of total taxation (2001 and 2010)



Source: OECD (2012), *Revenue Statistics 2012*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/rev_stats-2012-en-fr*.

StatLink http://dx.doi.org/10.1787/888932941595

Revenue structure by level of government

Government revenues are collected differently across levels of government, as the central, state and local levels hold different abilities to levy taxes and collect social contributions. The extent to which revenues are transferred between levels provides an indication of the financial interdependence among levels of government. The amount of taxes collected by sub-central governments can be considered a proxy for their fiscal autonomy.

In 2011, and on average across OECD member countries, central governments collected a majority of general government revenues (60.3%). Sub-central governments (state and local) collected on average 21% of total revenues, and the remaining 18.7% were collected through social security funds. OECD member countries vary considerably in their revenue structure by level of government. Over 85% of general government revenues were collected by the central government in the United Kingdom (90.6%), New Zealand (89.6%) and Norway (86.2%). On the other hand, central governments from eight OECD member countries collect less than half of total revenues, three of which are not federal states: Finland (42.9%), France (34.1%) and Japan (24.1%). Local governments from Japan and the Nordic countries, with the exception of Norway, collect a relatively larger share of total revenues, accounting on average for 31.2% of total revenues compared to the OECD average of 13.3%. Among the nine federal countries, the state governments collecting the highest share of revenues are in the United States (46%), Canada (43.2%) and Australia (38.8%). Almost half of total government revenues in France are collected via social security funds.

Between 2001 and 2011, the share of revenues collected by central governments decreased by 1.7 percentage points on average across the OECD member countries. In contrast, the share of sub-central governments increased by 1.3 percentage points. Only seven countries experienced an increase in the share of central government revenues: Denmark (9.4 percentage points), Hungary (8.2 p.p.), Norway (4.0 p.p.), Greece (3.3 p.p.), Germany (2.4 p.p.), Switzerland (1.6 p.p.) and Portugal (0.1 p.p.).

Central governments are mostly financed through taxes other than social contributions, representing on average 77% of revenues in 2011. In contrast to the relative homogeneity of central government revenue sources, fiscal resources available at the sub-central level vary significantly. The majority of local government revenues are collected through intergovernmental transfers and other revenues (over 61% of local revenues on average in 2011). Of the remaining 39% of local revenues, taxes on property represent the largest share. The limits imposed on local governments to set their own tax bases, rates and reliefs may reduce their power to generate their own revenue sources and potentially their ability to provide more tailored public services.

Methodology and definitions

Revenue data are derived from the *OECD National Accounts Statistics* (database), which are based on the *System of National Accounts* (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Using SNA terminology, general government consists of central, state and local governments, and social security funds. State government is only applicable to the nine OECD member countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a quasi-federal country), Switzerland and the United States. Data in 3.17 and 3.18 (available on line) exclude transfers between levels of government, except for Australia and Japan. Figure 3.18, Change in the distribution of general government revenues across levels of government (2009-11), as well as Figures 3.19, 3.20 and 3.21 (structure of central, state and local government revenues), are available on line at *http://dx.doi.org/10.1787/888932941633*, *http://dx.doi.org/10.1787/888932941652*, *http://dx.doi.org/10.1787/888932941671*, *http://dx.doi.org/10.1787/888932941690* respectively.

Revenues encompass taxes other than social contributions (e.g. taxes on consumption, income, wealth, property and capital), social contributions (e.g. contributions for pensions, health and social security), and grants and other revenues. Grants can be from foreign governments, international organisations or other general government units. Other revenues include sales, fees, property income and subsidies. These aggregates are not directly available in the *OECD National Accounts*, and were constructed using sub-account line items (see Annex A).

Further reading

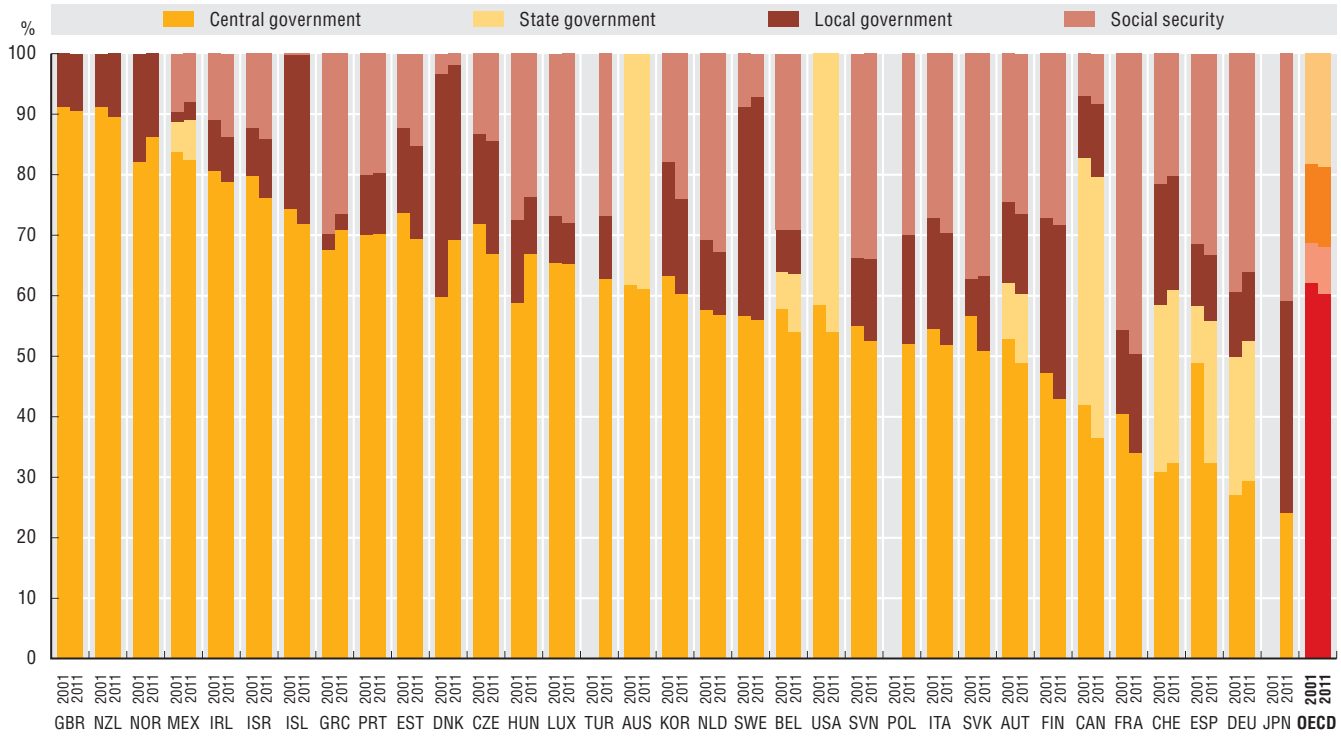
Blöchliger, H. et al. (2010), "Fiscal Policy Across Levels of Government in Times of Crisis", *OECD Working Papers on Fiscal Federalism*, No. 12, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5k97b10wqn46-en*.

Figure notes

Data for Chile are not available. Data for Japan, Poland and Turkey for 2001 are not available and these countries are not included in the OECD average. Transfers between levels of government are excluded (apart from Australia, Japan and Turkey). Data for Canada and New Zealand are for 2010 rather than 2011. Data for Mexico are for 2003 rather than 2001. Local government is included in state government for Australia and the United States. Australia does not operate government social insurance schemes. Social security funds are included in central government in New Zealand, Norway, the United Kingdom and the United States.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

3.17. Distribution of general government revenues across levels of government (2001 and 2011)



Source: *OECD National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932941614

General government expenditures

Governments spend money mainly for two purposes: to produce and/or pay for the goods and services delivered to citizens and businesses and to redistribute income. Comparing government expenditures across OECD member countries, as a share of GDP or per capita, provides a measure of the size of the government sector in the economy in terms of financial resources spent. Similarly to government revenues, government expenditures are determined by past and current political decisions that are themselves based on cultural expectations for social redistribution and levels of goods and services to be provided, fiscal constraints, and economic fluctuations and performance. Levels of government expenditures therefore strongly differ across OECD member countries. It is important to note that the size of expenditures is not an indication of government efficiency or productivity.

In 2011, general government expenditures accounted for 45.4% of GDP on average across OECD member countries. Differences across countries ranged from 57.6% in Denmark to 22.8% in Mexico. In general, government expenditures in OECD-EU member countries represent a higher share of GDP. The largest government sectors are in Denmark, France and Finland, with government expenditures equal or above 55% of GDP, whereas the smallest are in Korea and Mexico, with shares of 30% and 23% of GDP respectively.

Over the 2001-11 period, government expenditures as a share of GDP across OECD member countries underwent strong fluctuations. They increased significantly between 2001 and 2009, by 4.5 percentage points on average, and most notably in Ireland (15.4 percentage points), the United Kingdom (11.1 percentage points) and Estonia (10.7 percentage points). However, most of the increase across OECD countries during this period occurred after 2007: as overall economic activity contracted, automatic stabilisers came into force and discretionary expenditures were introduced. Only three countries reduced government expenditures as a share of GDP during the 2001-09 period: Israel (8.1 percentage points), the Slovak Republic (2.9 percentage points) and Switzerland (0.7 percentage points). Between 2009 and 2011, the overall trend reverted as the share of government expenditure in GDP decreased on average by 1.4 percentage points, mostly due to the slowdown (or reduction in some cases) of expenditures compared to the growth of GDP. The strongest reductions occurred in Estonia (7.2 percentage points), Sweden, Iceland and the Slovak Republic (all above 3 percentage points). Over the same period, the share of expenditures in GDP increased in only three countries, New Zealand (6.6 percentage points between 2009 and 2010, due to fiscal stimulus packages), Slovenia (1.4 percentage points) and Japan (0.1 percentage points).

On average across the OECD member countries, government expenditures represented USD 16 240 PPP per capita in 2011. In terms of population, the difference in magnitude between the highest and lowest levels of government expenditures across OECD member countries is over 9 fold (USD 37 000 PPP per capita in Luxembourg compared to almost USD 4 000 PPP in Mexico), whereas it is only 2.5 fold when expressed as a share of GDP.

Between 2001 and 2011, government expenditures per capita increased on average by 2.2% on an annual basis across OECD member countries. The strongest increases occurred in Korea (6.1% average annual increase) and Estonia (5%), whereas government expenditures declined only in Israel, though moderately (0.1%).

Methodology and definitions

Government expenditures data are derived from the *OECD National Accounts Statistics* (database), which are based on the *System of National Accounts* (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. In SNA terminology, general government consists of central, state and local governments and social security funds. Expenditures encompass intermediate consumption, compensation of employees, subsidies, social benefits, other current expenditures (including interest spending), capital transfers and other capital expenditures.

Gross domestic product (GDP) is the standard measure of the value of goods and services produced by a country during a period. Government expenditures per person were calculated by converting total government expenditures to USD 2011 using the OECD/Eurostat purchasing power parities (PPP) for GDP and dividing by population (for the countries whose data source is the IMF *Economic Outlook* an implied PPP conversion rate was used). PPP is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A.

Further reading

OECD (2013), *National Accounts at a Glance 2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/na_glance-2013-en*.

Figure notes

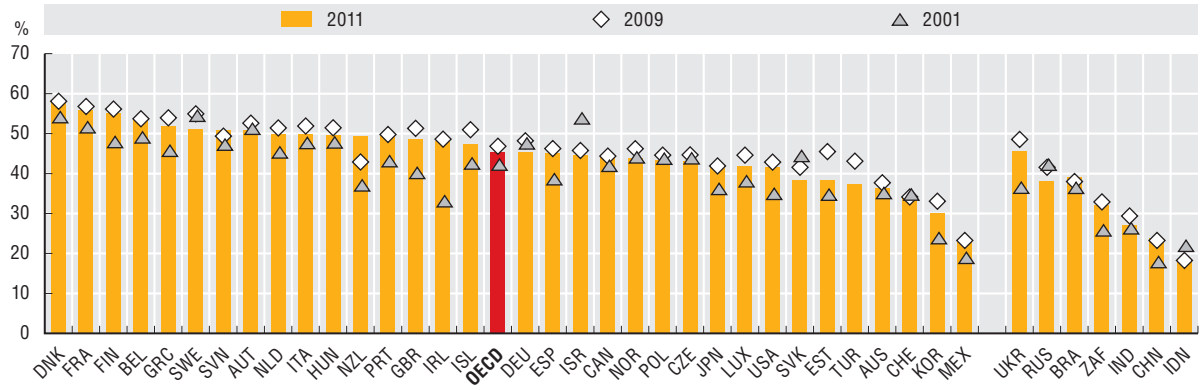
Data for Chile are not available. Data for Canada, New Zealand and the Russian Federation are for 2010 rather than 2011. Data for Japan and Mexico for 2001 are estimated. Data for the Russian Federation are for 2002 rather than 2001.

3.22: Data for Turkey for 2001 are not available and this country is not included in the OECD average.

3.24: Data for Turkey are not available.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

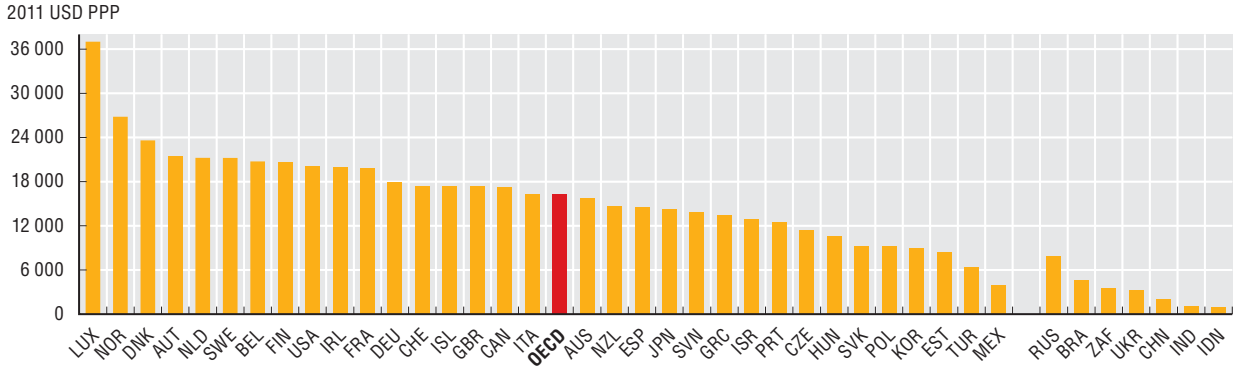
3.22. General government expenditures as a percentage of GDP (2001, 2009 and 2011)



Source: Data for OECD member countries: *OECD National Accounts Statistics* (database). Data for the other major economies (excluding the Russian Federation): International Monetary Fund (2013), *Economic Outlook*, April 2013, IMF, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932941709

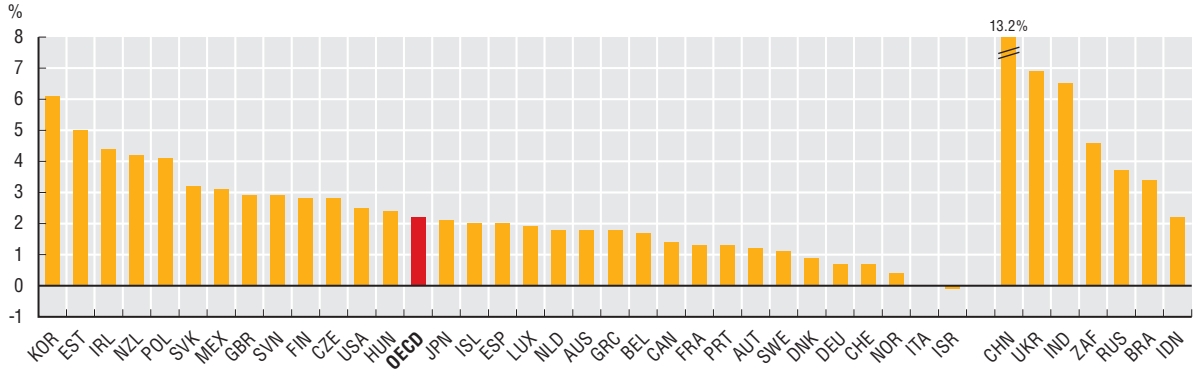
3.23. Government expenditures per capita (2011)



Source: Data for OECD member countries: *OECD National Accounts Statistics* (database). Data for the other major economies (excluding the Russian Federation): International Monetary Fund (2013), *Economic Outlook*, April 2013, IMF, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932941728

3.24. Annual average growth rate of real government expenditures per capita (from 2001 to 2011)



Source: Data for OECD member countries: *OECD National Accounts Statistics* (database). Data for the other major economies (excluding the Russian Federation): International Monetary Fund (2013), *Economic Outlook*, April 2013, IMF, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932941747

Structure of general government expenditures (by COFOG function)

Governments spend money on a broad array of goods and services, from providing childcare to building bridges or subsidising alternative energy sources. International commitments to mutual policy goals can also influence the structure of expenditures; such is the case with OECD-EU member countries and their common goals towards economic growth, agriculture, energy, infrastructure, and research and development, among others.

With the exception of Korea and the United States, social protection expenditure, which is driven by old age pension but also includes unemployment insurance and disability benefits, is the largest function of public expenditures in all OECD member countries, representing on average 35.6% of total expenditure in 2011. In Korea, the most important function is economic affairs (which includes support for industries) while in the United States, health expenditure is the largest category, reaching 21.4% of total expenditure in 2011.

While they reflect social and policy preferences, factors such as an ageing population or a high level of public debt requiring substantial interest payments also influence the structure of general government expenditures. The share of resources devoted to different policy sectors shifted between 2001 and 2011. OECD member countries increased their share of social protection and health expenditure by respectively 2 and 1.2 percentage points on average. A small increase also occurred in recreation, culture and religion (0.05 percentage points). The shift of spending towards social protection is mostly due to the impact of the financial and economic crisis (unemployment insurance and other welfare benefits) whereas the cost of new medical technologies, innovation and an ageing population likely accounts for the shift of resources towards health. The share of all other policy areas decreased: general public services (1.1 percentage points), economic affairs (0.6 percentage points), defence and housing and community amenities (both 0.5 percentage points), education (0.3 percentage points), public order and safety and environmental protection (both 0.1 percentage points).

Health stands as a good example for changes in expenditure levels within a policy area. In the period between 2001 and 2011, with the exception of Iceland, Ireland, Luxembourg, Portugal and Slovenia, all OECD member countries experienced an increase in the share of health expenditures. However, in recent years, this trend has slowed or reversed as a consequence of the economic downturn and active policies to contain the growth of health spending. For instance, most of the reductions in Ireland occurred through cuts in wages, reduction in the number of health care workers and lower fees paid to professionals and pharmaceutical companies. Iceland has put on hold investments in health infrastructure while obtaining efficiency gains through the merger of hospitals.

Methodology and definitions

Expenditures data are derived from the *OECD National Accounts Statistics* (database), which are based on the *System of National Accounts* (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into ten functions: general public services; defence; public order and safety; economic affairs; environmental protection; housing and community amenities; health; recreation, culture and religion; education; and social protection. Further information about the types of expenditures included in each category is available in Annex B. General government consists of central, state and local governments and social security funds. Data in Table 3.27 (available on line at *http://dx.doi.org/10.1787/888932943324*) and Table 3.28 (available on line at *http://dx.doi.org/10.1787/888932943343*) illustrate general government expenditures by function as a percentage of GDP in 2011 and the change from 2001 to 2011.

Structure of governments by selected COFOG II level priority functions are shown in Figure 3.29 (general public services), Figure 3.30 (public order and safety), Figure 3.31 (economic affairs), Figure 3.32 (health care), Figure 3.33 (education) and Figure 3.34 (social protection). These are available on line at *http://dx.doi.org/10.1787/888932941766*, *http://dx.doi.org/10.1787/888932941785*, *http://dx.doi.org/10.1787/888932941804*, *http://dx.doi.org/10.1787/888932941823*, *http://dx.doi.org/10.1787/888932941842*, *http://dx.doi.org/10.1787/888932941861* respectively.

Further reading

OECD (2012), *Health at a Glance: Europe 2012*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264183896-en*.

Table notes

Data are not available for Canada, Chile, Mexico and New Zealand.

3.26: Time series data are not available for Japan, Switzerland and Turkey. Data for Poland are for 2002 rather than 2001.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

3.25. Structure of general government expenditures by function (2011)

	General public services	Defence	Public order and safety	Economic affairs	Environmental protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection
Australia	12.5	4.1	4.8	11.4	2.6	1.8	19.2	2.1	14.5	27.1
Austria	13.1	1.4	2.9	10.5	1.0	1.2	15.3	2.0	11.0	41.6
Belgium	15.0	1.8	3.4	12.3	1.4	0.7	14.8	2.4	11.6	36.6
Czech Republic	10.7	2.1	4.3	13.9	3.1	1.9	18.1	2.9	11.4	31.7
Denmark	13.7	2.4	2.0	6.1	0.7	0.6	14.5	2.8	13.5	43.8
Estonia	8.4	4.1	5.6	12.0	-0.9	1.6	13.3	5.0	16.9	34.2
Finland	13.3	2.6	2.7	8.8	0.5	1.0	14.2	2.2	11.6	43.1
France	11.5	3.2	3.1	6.3	1.9	3.4	14.7	2.5	10.8	42.6
Germany	13.6	2.4	3.5	7.8	1.5	1.2	15.5	1.8	9.4	43.3
Greece	24.6	4.6	3.3	6.2	1.0	0.4	11.6	1.2	7.9	39.3
Hungary	17.5	2.3	3.9	14.4	1.5	1.6	10.4	3.5	10.5	34.5
Iceland	17.8	0.1	3.1	12.4	1.3	0.7	16.1	7.0	17.1	24.6
Ireland	11.4	0.9	3.7	16.4	2.1	1.3	15.6	1.8	10.9	35.9
Israel	14.7	14.7	3.8	5.8	1.5	1.0	12.3	3.9	16.5	25.9
Italy	17.3	3.0	4.0	7.1	1.8	1.4	14.7	1.1	8.5	41.0
Japan	11.0	2.2	3.1	9.8	2.9	1.8	17.3	0.8	8.4	42.7
Korea	15.2	8.6	4.2	20.1	2.4	3.3	15.2	2.2	15.8	13.1
Luxembourg	11.4	1.0	2.5	9.9	2.8	1.8	11.4	4.0	12.1	43.2
Netherlands	11.2	2.7	4.2	10.9	3.3	1.2	17.0	3.5	11.6	34.5
Norway	9.7	3.6	2.2	9.6	1.5	1.6	16.5	2.9	12.6	39.8
Poland	13.4	2.7	4.2	13.0	1.6	2.0	10.9	3.0	12.8	36.6
Portugal	17.1	2.7	4.0	8.2	1.1	1.3	13.8	2.2	12.9	36.7
Slovak Republic	15.4	2.7	6.4	9.8	2.7	2.6	15.5	3.0	10.6	31.3
Slovenia	12.4	2.3	3.3	11.4	1.6	1.3	13.5	3.7	13.2	37.3
Spain	12.5	2.3	4.8	11.6	2.1	1.3	14.1	3.3	10.5	37.4
Sweden	14.4	2.9	2.7	8.2	0.7	1.5	13.7	2.2	13.3	40.5
Switzerland	9.9	2.9	5.0	13.7	2.3	0.6	6.1	2.6	17.9	39.0
Turkey	16.4	4.1	5.2	11.9	1.1	3.5	12.1	2.3	11.4	31.9
United Kingdom	11.6	5.1	5.3	5.3	2.0	1.8	16.5	2.1	13.4	36.8
United States	12.4	11.7	5.5	9.4	0.0	2.1	21.4	0.7	15.5	21.3
OECD	**13.6**	**3.6**	**3.9**	**10.5**	**1.6**	**1.6**	**14.5**	**2.7**	**12.5**	**35.6**

Source: OECD National Accounts Statistics (database). Data for Australia are based on *Government Finance Statistics* provided by the Australian Bureau of Statistics.

StatLink http://dx.doi.org/10.1787/888932943286

3.26. Change in the structure of general government expenditures by function (2001 to 2011)

	General public services	Defence	Public order and safety	Economic affairs	Environmental protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection
Australia	0.4	-0.4	0.3	-1.4	1.0	-0.7	2.4	-0.1	0.0	-1.5
Austria	-2.5	-0.3	0.0	0.3	0.0	-0.3	1.7	0.1	0.2	0.8
Belgium	-6.3	-0.7	0.2	3.4	-0.1	0.1	1.5	0.5	-0.2	1.6
Czech Republic	1.6	-1.4	-0.6	-6.4	1.0	-0.7	2.2	0.5	1.5	2.3
Denmark	-1.6	-0.6	0.2	0.1	-0.4	-0.7	1.9	-0.3	-0.1	1.5
Estonia	-0.9	0.2	-1.4	1.4	-3.0	-0.2	1.6	-0.7	-2.1	5.0
Finland	-1.1	-0.1	-0.1	-0.8	-0.2	0.1	2.0	-0.1	-0.9	1.2
France	-2.7	-0.7	0.2	-0.5	0.3	-0.2	1.0	0.4	-0.6	2.9
Germany	1.0	0.0	0.1	-1.4	0.0	-0.9	1.4	0.0	0.7	-0.8
Greece	1.1	-2.8	0.7	-3.8	-0.2	-0.5	0.3	0.4	1.8	2.8
Hungary	-4.6	-0.3	-0.5	1.9	-0.1	-0.2	0.1	0.2	-0.6	4.0
Iceland	2.5	0.0	-0.4	-4.0	-0.4	-0.2	-2.5	-0.1	-1.1	6.1
Ireland	0.4	-1.0	-1.1	3.1	-0.7	-4.3	-3.1	-0.2	-2.6	9.5
Israel	-4.3	-1.2	0.7	0.3	0.3	-0.7	1.2	0.5	1.8	1.6
Italy	-2.9	0.6	0.1	-1.9	0.0	-0.3	1.6	-0.7	-1.3	4.8
Korea	1.8	-1.9	-0.9	-3.2	-0.3	-0.6	4.2	-0.1	-2.2	3.2
Luxembourg	-0.6	0.2	0.1	2.7	-0.5	-0.3	-1.3	-0.4	0.1	0.0
Netherlands	-3.6	-0.8	0.4	-1.4	0.1	-0.5	5.8	-0.2	0.2	0.0
Norway	-1.8	-0.7	-0.1	-1.0	0.3	0.8	0.3	0.5	-0.7	2.4
Poland	-0.1	0.0	0.8	5.0	0.2	-1.7	1.0	0.6	-1.0	-4.9
Portugal	3.0	-0.5	0.0	-4.8	-0.5	-1.0	-1.1	-0.8	-2.2	7.8
Slovak Republic	-1.7	-2.3	0.2	-5.2	1.0	0.8	4.5	0.9	3.3	-1.5
Slovenia	-2.0	-0.4	-0.7	2.0	0.0	-0.1	-0.4	1.1	-0.6	1.1
Spain	-2.1	-0.5	0.0	-0.2	-0.2	-1.3	0.8	-0.1	-0.6	4.2
Sweden	-0.5	-1.0	0.2	1.0	0.1	-0.3	1.8	0.2	0.1	-1.6
United Kingdom	1.0	-0.6	-0.4	-1.0	0.3	0.0	1.8	-0.4	0.3	-1.0
United States	-2.5	2.3	-0.4	-1.7	0.0	0.5	2.2	-0.2	-2.0	1.7
OECD	**-1.1**	**-0.5**	**-0.1**	**-0.6**	**-0.1**	**-0.5**	**1.2**	**0.0**	**-0.3**	**2.0**

Source: OECD National Accounts Statistics (database). Data for Australia are based on *Government Finance Statistics* provided by the Australian Bureau of Statistics.

StatLink http://dx.doi.org/10.1787/888932943305

Expenditures structure by level of government

Different levels of government share the responsibility for financing public goods and services and redistributing income. The degree to which each level is responsible for expenditures is affected by the institutional structure in each country and the distribution of spending power across levels of governments. When sub-central levels have a higher level of autonomy they might be better suited for shaping policies and programmes.

In 2011 and on average across OECD member countries 46% of general government expenditures were undertaken by central government. Sub-central governments (state and local) covered 32% and social security funds accounted for the remaining share. However, the level of fiscal decentralisation varies considerably across countries. In Ireland, for example, 76.4% of total expenditure is carried out by central government, representing an increase of 27.1 percentage points as compared to 2001. In contrast, central government accounts for less than 20% of total expenditures in Germany and Switzerland, both federal states.

In general, central governments spend a relatively large proportion of their budgets on social protection (e.g. pensions and unemployment benefits), general public services (e.g. executive and legislative organs, public debt transactions) and defence. In over half of OECD member countries, expenditures on social protection represent the largest share of central government budgets. In Belgium and Spain, central governments allocate over 60% of their budgets to general public services.

With the exception of Austria, education represents the largest share of expenditure, at both the state and local levels. In addition, environmental protection, housing and community amenities and recreation, culture and religion are mostly financed by sub-levels of government, displaying a more immediate and tangible link of these levels with citizens.

There is a positive relation between sub-central expenditures and revenues across OECD member countries. However, a wide variation of sub-central tax autonomy exists. Limits on sub-central governments' ability to set their own local tax bases, rates and reliefs reduce the power to generate their own revenue sources, adapt to economic shocks by increasing tax rates, and potentially their ability to provide more tailored public services. As a consequence, local governments tend to rely heavily on transfers from central government. No clear trend exists in OECD member countries towards fiscal decentralisation.

Methodology and definitions

Expenditures data are derived from the *OECD National Accounts Statistics* (database), which are based on the *System of National Accounts* (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into ten functions: general public services; defence; public order and safety; economic affairs; environmental protection; housing and community amenities; health; recreation, culture and religion; education; and social protection. Further information about the types of expenditures included in each category is available in Annex B. General government consists of central, state and local governments and social security funds. State government is only applicable to the nine OECD member countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a quasi-federal country), Switzerland and the United States.

Data in Figures 3.35 and 3.37 (Change in the distribution of general government expenditures across levels of government in 2009-11) exclude transfers between levels of government and thus provide a rough proxy of the overall responsibility for providing goods and services borne by each level of government. However, data on expenditures at the central, state and local levels (Tables 3.38, 3.39 and 3.40) include transfers between the different levels of government and therefore illustrate how much is spent on each function at each level of government. Figure 3.37 (*http://dx.doi.org/10.1787/888932941918*), and Tables 3.38 (*http://dx.doi.org/10.1787/888932941937*), 3.39 (*http://dx.doi.org/10.1787/888932941956*) and 3.40 (*http://dx.doi.org/10.1787/888932941975*) are available on line.

Further reading

Blöchliger, H. and C. Vammalle (2012), *Reforming Fiscal Federalism and Local Government: Beyond the Zero-Sum Game*, OECD Fiscal Federalism Studies, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264119970-en*.

OECD (2013), *National Accounts at a Glance 2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/na_glance-2013-en*.

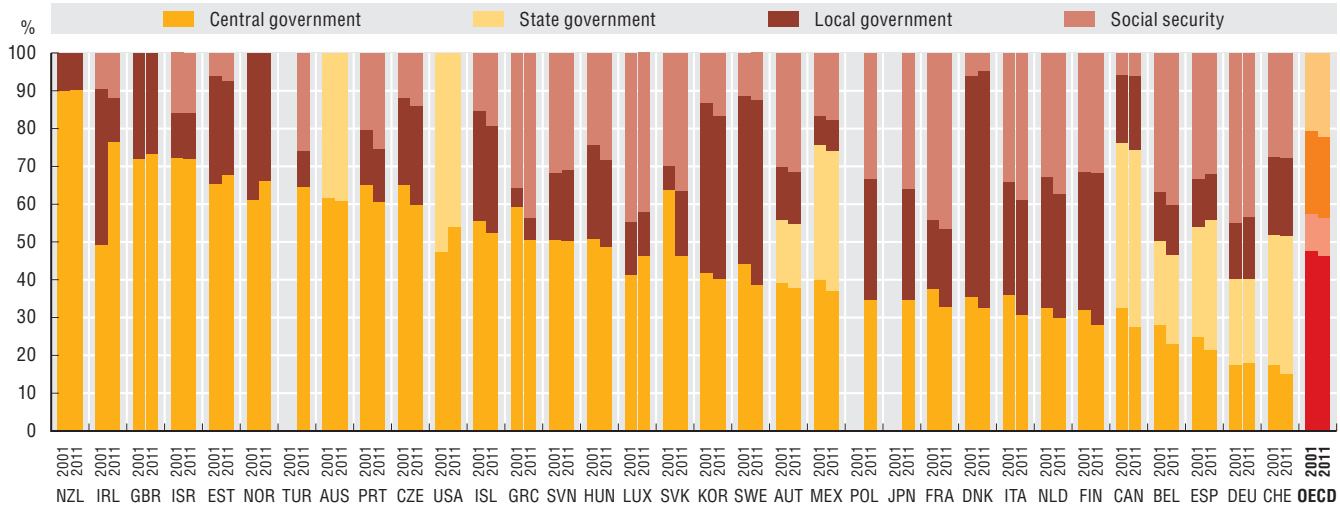
Figure notes

Data for Chile are not available. Transfers between levels of government are excluded (apart from Australia, Japan and Turkey). Data for Canada and New Zealand are for 2010 rather than 2011.

3.35: Data for Japan, Poland and Turkey for 2001 are not available and these countries are not included in the OECD average. Data for Mexico are for 2003 rather than 2001. Local government is included in state government for Australia and the United States. Australia does not operate government social insurance schemes. Social security funds are included in central government in New Zealand, Norway, the United Kingdom and the United States.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

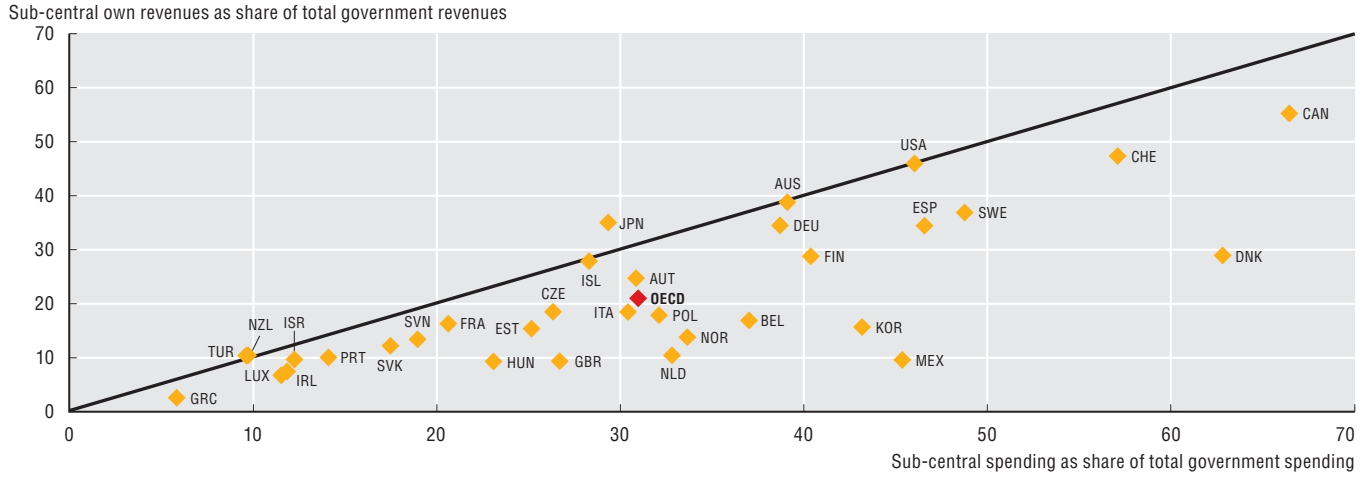
3.35. Distribution of general government expenditures across levels of government (2001 and 2011)



Source: *OECD National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932941880

3.36. Fiscal decentralisation: Sub-central government's share in general government revenues and expenditures (2011)



Source: *OECD National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932941899

Government investment spending

One of the main reasons for government investments is the promotion of economic growth; this is achieved, among other ways, through the financing of public infrastructure projects (roads, housing, schools, hospitals and communication networks). Moreover, some projects with desired social returns (public goods) are not profitable for the private sector and thus are developed by the public sector. Public direct investment can be used by governments for countercyclical policy objectives. For instance, as a result of the recent economic downturn, many OECD governments introduced stimulus plans through an increase in investments in soft and hard infrastructures.

In 2011, government expenditures on direct investment represented, on average, 15.5% of total investment in OECD member countries. For 23 OECD member countries, this figure is lower than in 2009 due to the implementation of austerity programmes. Between 2009 and 2011, the share of government direct investment in total investment continued to increase in Poland (3.6 percentage points), Ireland (1.9 p.p.), Denmark (1.8 p.p.), Hungary (1.8 p.p.), Canada (1.3 p.p.), Australia (0.4 p.p.), Belgium and Switzerland (both 0.1 p.p.).

The share of direct investment in general government expenditure varies greatly across countries. The differences are linked to the existing infrastructure stock. On average in 2011, OECD member countries direct investment represented 6.7% of general government expenditure. Four OECD member countries have experienced a continuous increase of the share of direct investment in general government expenditure for both periods 2001-09 and 2009-11, namely Poland (5.4 percentage points), Canada (3.5 p.p.), Sweden (1.3 p.p.) and Denmark (0.3 p.p.). In turn, the share of direct investment for 11 OECD member countries has continuously declined for both periods, the most in Ireland (7.5 percentage points), Korea (7.2 p.p.) and Iceland (6.6 p.p.). In countries where the crisis was the most acute, government direct investment suffered the most significant reductions during the subsequent consolidation phases. This result illustrates a mix of higher expenditure for other items (unemployment insurance and other automatic welfare expenditure) and consolidation policies affecting investment.

The distribution of direct investment spending across levels of government is closely linked to the countries' political structure. Investments at the state level are only relevant for federal countries, where they represent, on average, over a quarter of public direct investment, but reaching levels of 84% in the United States and 66% in Australia. On average for OECD member countries, about 62% of government direct investment is carried out by subnational governments compared to 37.3% undertaken by the central government. For the period between 2001 and 2011, no common trend exists toward investment decentralisation. While some countries, such as the Slovak Republic and Hungary, have experienced significant reallocations from the central to local governments, others, such as Ireland and Poland, have seen the opposite trend.

Methodology and definitions

Data are derived from the *OECD National Accounts Statistics* (database), which are based on the *System of National Accounts* (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. General government investment includes direct investment (measured by gross fixed capital formation) and indirect investment (measured by capital transfers). In this analysis, only direct investment has been taken into account. Gross fixed capital formation consists mainly of road infrastructure but also includes infrastructure such as office buildings, housing, schools and hospitals.

Total investment refers to the investment spending of the entire economy, including expenditures by general government, non-financial corporations, financial corporations, households and non-profit institutions.

Government consists of central, state and local governments and social security funds. State government is only applicable to the nine OECD member countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a quasi-federal country), Switzerland and the United States. Figure 3.44, Change in the distribution of investment spending across levels of government (2001-11), is available on line at *http://dx.doi.org/10.1787/888932942051*.

Further reading

OECD (2013, forthcoming), *Investing Together: Working Effectively across Levels of Government*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264197022-en*.

OECD (2011), *Making the Most of Public Investment in a Tight Fiscal Environment: Multi-level Governance Lessons from the Crisis*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264114470-en*.

OECD/Korea Institute of Public Finance (2012), Institutional and Financial Relations across Levels of Government, OECD Fiscal Federalism Studies, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264167001-en*.

Figure notes

Data for Canada and the Russian Federation are for 2010 rather than 2011. Data for Mexico are for 2003 rather than 2001. Data for the Russian Federation are for 2002 rather than 2001. Differences in the data availability between Figures 3.41 and 3.42 are due to the use of different data tables within the *OECD National Accounts Statistics* (database).

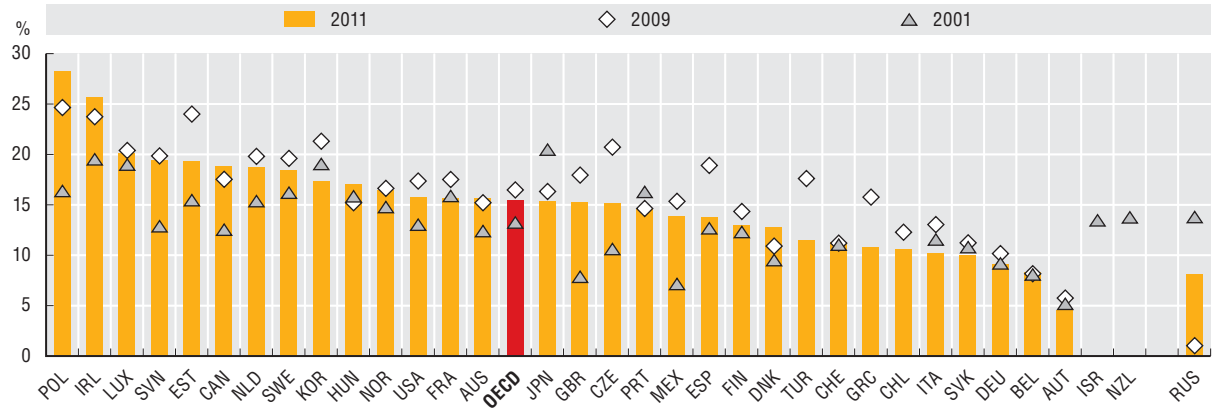
3.41: Data for Iceland are not available. The following countries are not included in the OECD average due to missing time-series: Chile (2001), Greece (2001), Turkey (2001), Israel (2009-11) and New Zealand (2009-11). Data for Australia and Chile are for 2010 rather than 2011. Data for Ireland are for 2002 rather than 2001.

3.42: Data for Chile are not available. Data for Japan and Turkey for 2001 are not available and these countries are not included in the OECD average. Data for New Zealand are for 2010 rather than 2011.

3.43: Data for Chile are not available. Data for New Zealand are for 2010 rather than 2011. Local government is included in state government for Australia and the United States. Australia does not operate government social insurance schemes. Social security funds are included in central government in New Zealand, Norway, the United Kingdom and the United States.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

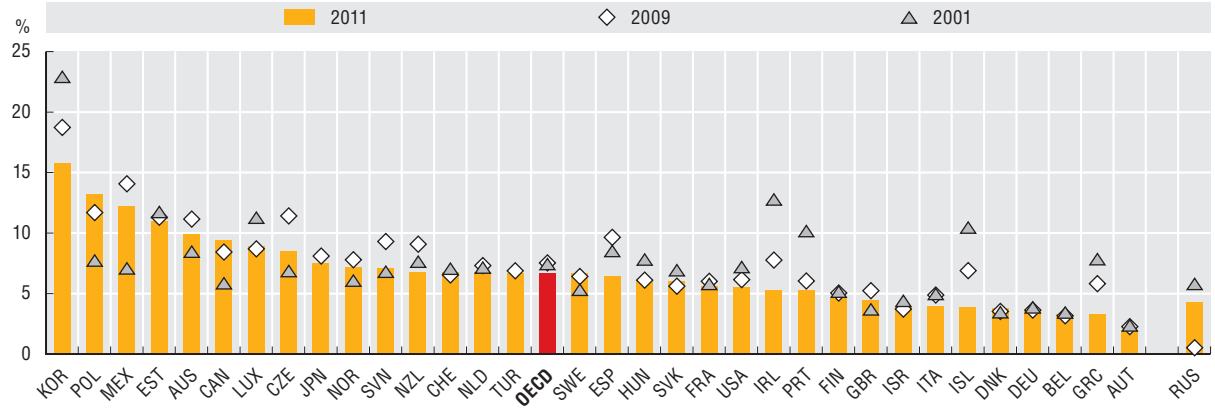
3.41. Government investment as a share of total investment (2001, 2009 and 2011)



Source: OECD *National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932941994

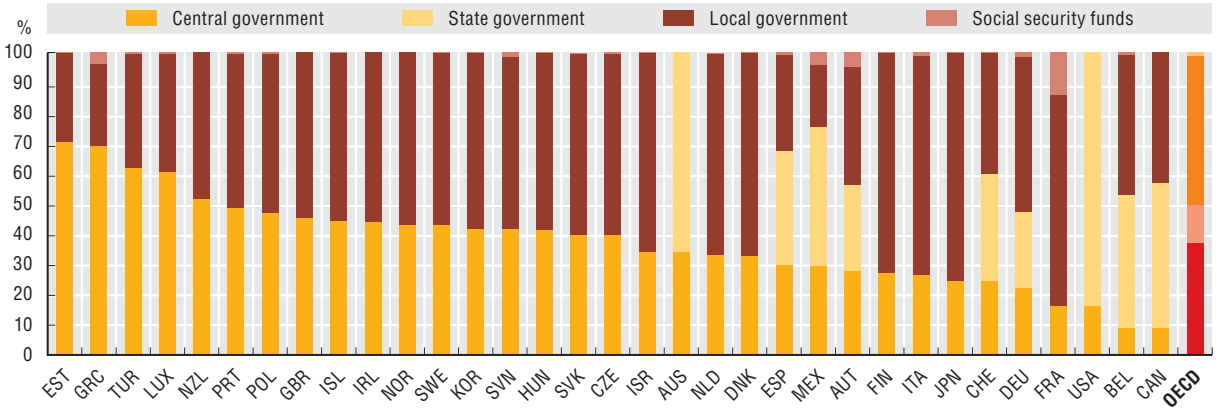
3.42. Government investment as a share of total government expenditures (2001, 2009 and 2011)



Source: OECD *National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932942013

3.43. Distribution of investment spending across levels of government (2011)



Source: OECD *National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932942032

Production costs and outsourcing of general government

Production costs are the share of government expenditures dedicated to the production of goods and services. While some governments produce most goods and services themselves, others outsource a large portion of the production to non-profit or private entities. There are two ways by which outsourcing can take place. Governments can either purchase goods and services to be used as inputs (goods and services used by government, i.e. intermediate consumption), or they can pay a non-profit or private institution to provide the goods and services directly to the end user (goods and services financed by government, i.e. social transfers in kind via market producers).

Government decisions on the amount and type of public goods and services to produce, and how to best produce them, influence how they are delivered to citizens. Outsourcing has been used as a way of gaining external expertise and delivering goods and services more cost-efficiently, though the actual results may vary. In addition, the use of outsourcing enhances the role of the government as a source of demand and employment in the non-government sector. Government outsourcing is measured by the size of expenditures on goods and services purchased by central, state and local governments.

In 2011, the production costs of government goods and services represented almost a quarter of GDP on average across OECD member countries, ranging from 32% in Denmark and the Netherlands to 12% in Mexico. Between 2001 and 2011, the share of government production costs in GDP increased on average by 1.6 percentage points across OECD member countries. However, this trend reverted after 2009, resulting in a 1 percentage point contraction. Around 56% of the adjustment took place through a lower share of compensation of general government employees.

In terms of the structure of production costs, almost half (47%) accounted for compensation of government employees in 2011, while a lower share (44%) corresponded to outsourcing (goods and services used and financed by general government). The remaining 9% of production costs represented consumption of fixed capital.

In 2011, government outsourcing represented on average 10% of GDP in OECD member countries. However, its importance varies greatly, from 2.8% and 5.4% in Mexico and Switzerland to 14.2% and 19% in Finland and the Netherlands, respectively. In the cases of Belgium, Japan and Germany, less than 40% of the expenditures correspond to intermediate consumption, implying that resources are mainly spent as provision delegated to third parties. In contrast, Switzerland, Denmark, Finland and Estonia spent over 80% of outsourcing resources in intermediate consumption and thus government remains in charge of direct provision.

Methodology and definitions

The concept and methodology of production costs builds on the existing classification of government expenditures in the *System of National Accounts* (SNA). In SNA terminology, general government consists of central, state and local government, and social security funds.

In detail, government production costs include:

- Compensation costs of general government employees including cash and in-kind remuneration plus all mandatory employer (and imputed) contributions to social insurance and voluntary contributions paid on behalf of employees.
- The goods and services used by general government, which are the first component of government outsourcing. In SNA terms, this includes intermediate consumption (procurement of intermediate products required for government production such as accounting or information technology [IT] services).
- The goods and services financed by general government, which are the second component of government outsourcing. In SNA terms, this includes social transfers in kind via market producers paid for by government (including those that are initially paid for by citizens but are ultimately refunded by government, such as medical treatments refunded by public social security payments).
- Consumption of fixed capital (depreciation of capital).

The data include government employment and intermediate consumption for output produced by the government for its own use, such as roads and other capital investment projects built by government employees. The production costs presented here are not equal to the value of output in the SNA. Table 3.48, Change in production costs as percentage of GDP (2009 to 2011), is available on line at *http://dx.doi.org/10.1787/888932943362*. Figure 3.49, Structure of general government outsourcing expenditures (2011), is available on line at *http://dx.doi.org/10.1787/888932942127*.

Further reading

OECD (2013), *National Accounts at a Glance 2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/na_glance-2013-en*.

Figure notes

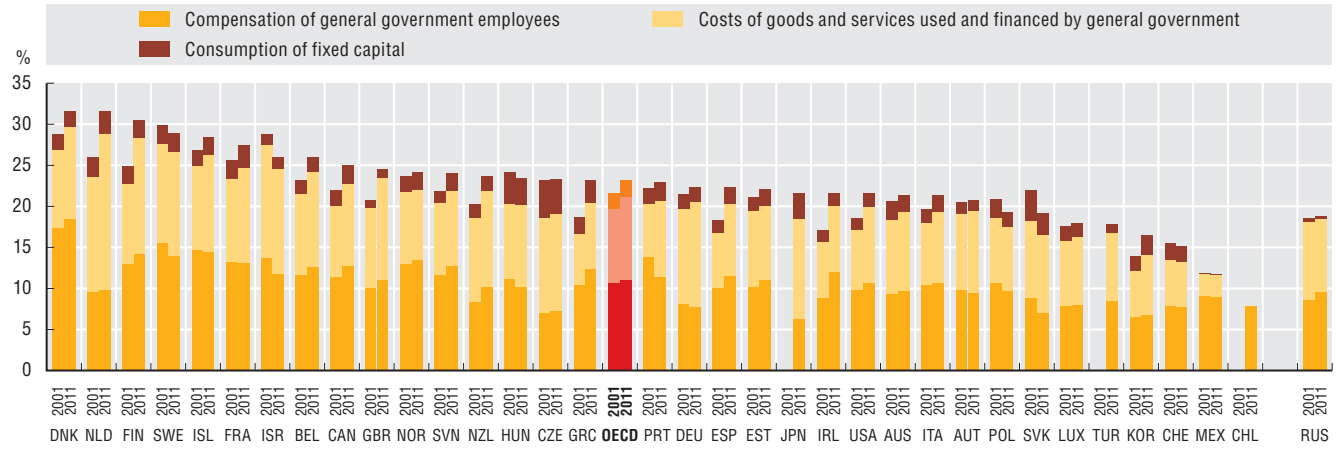
Data for Canada, New Zealand and the Russian Federation are for 2010 rather than 2011. Data for Mexico are for 2003 rather than 2001. Data for the Russian Federation are for 2002 rather than 2001. Canada, Iceland, Israel, Mexico, the United Kingdom and the United States do not account separately for goods and services financed by general government in their National Accounts.

3.45: Data for Japan and Turkey for 2001 are not available and these countries are not included in the OECD average. Data for Chile are available for 2010 rather than 2011 and for compensation of employees only (not included in the OECD average).

3.46 and 3.47: Data for Chile are not available.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

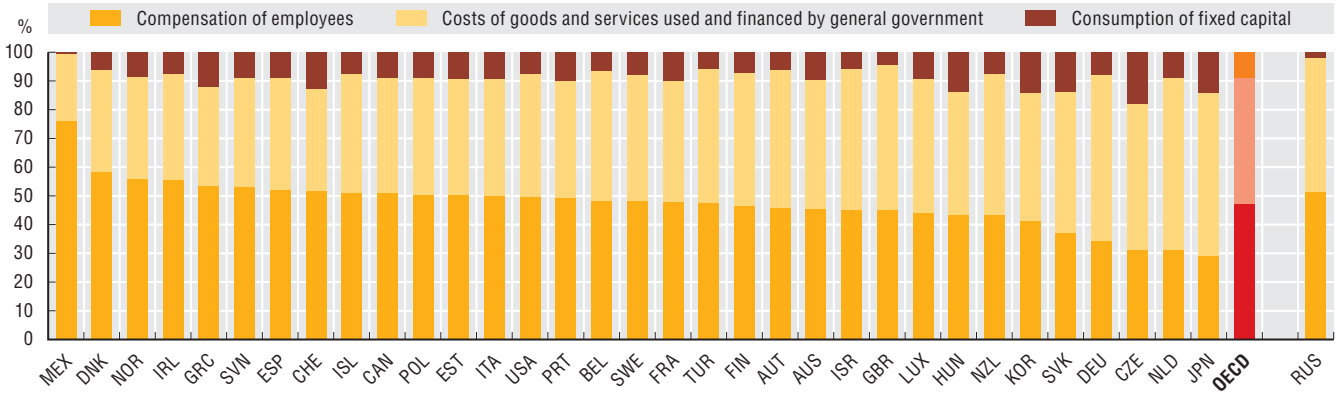
3.45. Production costs as a percentage of GDP (2001 and 2011)



Source: OECD *National Accounts Statistics* (database). Data for Australia are based on a combination of *Government Finance Statistics* and *National Accounts* data provided by the Australian Bureau of Statistics.

StatLink http://dx.doi.org/10.1787/888932942070

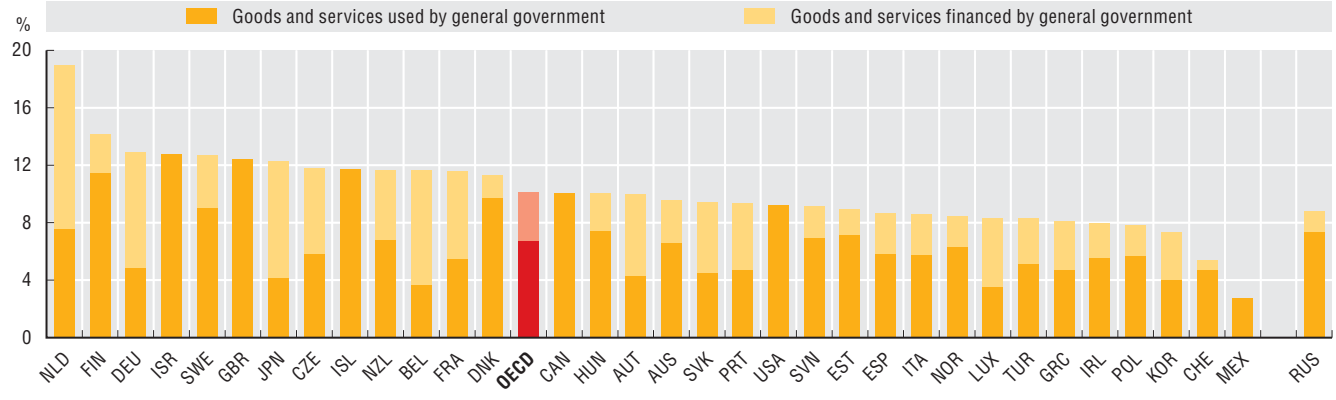
3.46. Structure of production costs (2011)



Source: OECD *National Accounts Statistics* (database). Data for Australia are based on a combination of *Government Finance Statistics* and *National Accounts* data provided by the Australian Bureau of Statistics.

StatLink http://dx.doi.org/10.1787/888932942089

3.47. Expenditures on general government outsourcing as a percentage of GDP (2011)



Source: OECD *National Accounts Statistics* (database). Data for Australia are based on a combination of *Government Finance Statistics* and *National Accounts* data provided by the Australian Bureau of Statistics.

StatLink http://dx.doi.org/10.1787/888932942108

Special feature: Central government ICT spending

Central government ICT spending is the share of total central government budgets dedicated to ICTs (e.g. investments in hardware and software, running costs of IT infrastructures, salaries for ICT specialists and training). Governments look to the use of technology, and especially the Internet, as a lever for more efficient internal operations, greater public service quality, and better and more open policy making.

The expectations to deliver policy-relevant results are also high because spending on ICTs is considerable. Examples of the absolute amounts spent illustrate why it is important to understand underlying patterns and to optimise the use of ICTs: USD 75 billion at central government in the United States; USD 10 billion in the United Kingdom; between USD 4 billion and 5 billion in Canada, France and Australia. Some ICT spending volumes can represent over 2% of a central government's budget. However, it would not be correct to interpret high or low shares of ICT expenditure as an indication of prioritisation, performance or efficiency. Important context factors need to be considered, although their role is not yet entirely clear. The countries where central governments spend more than 1.5% of their budget on ICT include both highly centralised countries (New Zealand, Finland) and federal countries (the United States, Canada, Switzerland), as well as both large and small countries measured by population.

The absolute size of the public administration can also influence spending patterns. Governments in Slovenia and Estonia have similar employment numbers and spend a similar amount on ICT capital and operations per employee; Italy, Spain and Germany have larger public administrations and spend more on ICT per employee (around USD 3 000-4 000 PPP). The United States stand out with an average ICT spend per employee of over USD 26 000 PPP, followed by Switzerland, the United Kingdom, Korea and Australia.

At the same time, the size of public administration does not explain everything. Central governments in Australia and Korea have similar sizes too, but spend around three times more on ICT per employee than those in Chile or Finland. France and the United States have high central government employment volumes compared to the sample, but the United States spends a significantly higher amount on ICTs per employee. One could expect economies of scale to reduce the average spending per employee in larger administrations; at the same time, larger administrations have potentially higher complexities in implementing public policies, which would reduce economies of scale.

Some countries have used dedicated ICT spending reviews to better understand spending patterns, consider domestic context factors and improve returns on government ICT use.

More detailed information on ICT spending, including comparisons of disaggregated data, could help improve ICT expenditure decisions. Analysis of such data could illustrate how individual ICT spending categories develop over time, e.g. public employment costs compared to outsourcing; how central government ICT spending interacts with spending at local levels where most public services are delivered; or how the use of technology supports the attainment of policy objectives in areas like health care, education or justice.

Methodology and definitions

ICT spending data is available in 21 countries and covers capital, operating and human resources expenditures. Data comes from an OECD survey of government ICT expenditures conducted in 2010 and 2011 with central government officials in the OECD Network on E-government. Additional data was extracted from publicly available official data sources. This is the first time that data collection and harmonisation was undertaken for such a large number of countries. Data presented here are therefore preliminary and pending further harmonisation.

Further reading

OECD (2010), *OECD E-government Studies: Indicators Project*, available at *www.oecd.org/governance/public-innovation*.

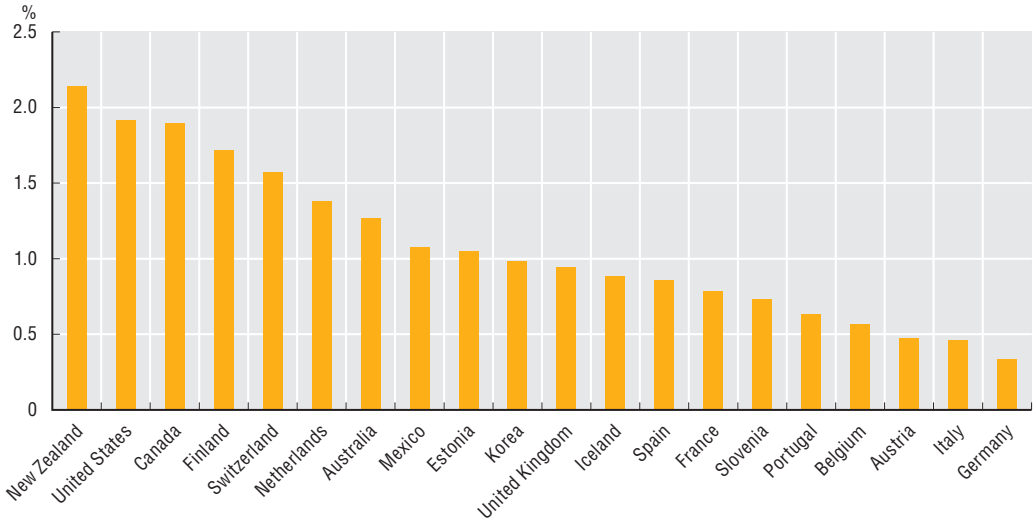
Figure notes

Data for Australia, Germany, Italy, Korea, Spain, and Switzerland are for 2010 rather than 2011. Data for Belgium and Slovenia are for 2009 rather than 2011. Data for France, New Zealand and the United Kingdom are for 2008 rather than 2011.

3.50: Total ICT expenditures include capital, operating and human resources expenditures except for those countries where HR expenditures are not available: Austria, Belgium, Estonia, Germany, Iceland, Slovenia, Switzerland and the United Kingdom. Data for Austria and Portugal are for 2010 rather than 2011. Data for Iceland are for 2008 rather than 2011. Chile provided detailed ICT spending data but is not displayed due to missing central government expenditures.

3.51: ICT expenditures in this figure include only capital and operating expenditures as the areas where economies of scale can most likely be expected (data for the Netherlands, New Zealand and the United States include HR expenditures). Data for Austria, Iceland and Portugal are not available. Central government employment data is provided as the number of employees except for France, Korea, New Zealand, Switzerland and the United Kingdom where data represent full-time equivalents (FTEs). As a result, the comparison understates employment numbers and overstates the combined ICT capital and operating expenditures per employee for these five countries.

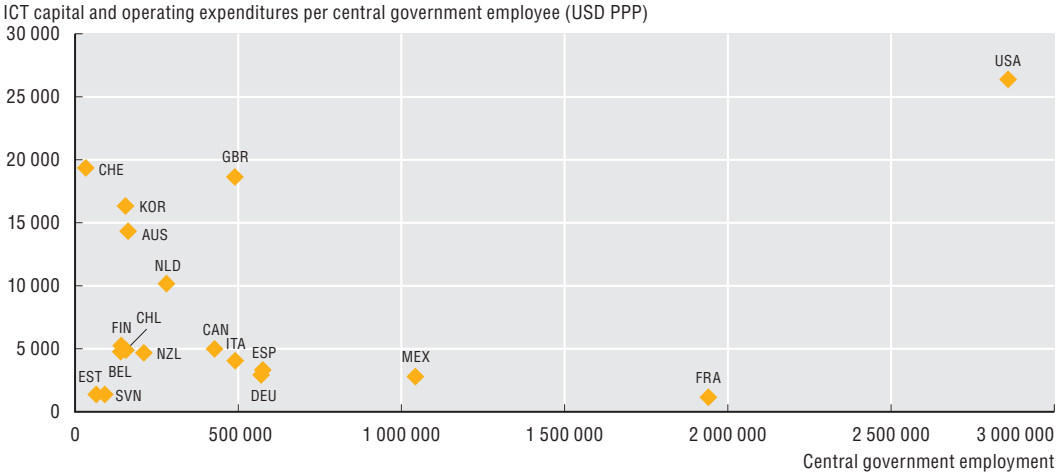
3.50. Total ICT expenditures as a share of central government expenditures (2011 or latest available year)



Source: OECD Survey of ICT Expenditures, 2010-11; *OECD National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932942146

3.51. ICT capital and operating expenditures per central government employee compared to central government employment (2011 or latest available year)



Source: OECD Survey of ICT Expenditures, 2010-11; International Labour Organization (ILO), *LABORSTA* (database). Data for Chile, France, Korea, Switzerland and the United Kingdom for employment are from OECD Public Employment Survey 2010.

StatLink http://dx.doi.org/10.1787/888932942165

4. BUDGETING PRACTICES AND PROCEDURES

Successful fiscal outcomes are mainly the result of three features: the general performance of the economy, political commitment to fiscal discipline and the institutional arrangements for budgeting. This chapter focuses on the last of these features. Well-functioning budget institutions are a necessary condition to improve fiscal health, achieve stable taxes and guarantee inter-generational fairness. Moreover, a nation's public expenditure system must promote fiscal discipline, the allocation of resources where they are most valuable and the efficient operation of government.

This chapter presents indicators comprising key budgetary institutional features. These are the existence of fiscal rules as a tool to seek fiscal sustainability by setting constraints, the degree to which budgets have incorporated a medium-term perspective to ensure that multi-year consequences of expenditure measures are considered, the amount of autonomy given to government organisations on their budgetary decisions, whether or not performance information is used in budget formulation, the assessment of public-private partnerships (compared to traditional infrastructure projects), and finally whether countries have established an independent fiscal institution as a support mechanism to ensure the prudent management of public finances. Although these are presented as separate features of sound budgetary designs, they build on each other and should be understood as a package.

The results of this chapter are based upon countries' responses to OECD surveys and represent their own assessment. The composite indexes represent calculations by staff members with the purpose of summarising discrete, qualitative information of budgetary practices into aggregated indicators, which are easier to interpret than several separated variables; composite indexes are calculated with the purpose of furthering the discussion and consequently may evolve over time.

Fiscal rules

A fiscal rule is a long-term constraint on fiscal policy through numerical limits on the budgetary aggregates. Without overall limits, incremental budgeting can become an open-ended process in which governments accommodate demands by spending more than they have. A fiscal rule has two fundamental characteristics. First, it presents a constraint that binds political decisions made by the legislature and by the executive. And second, it serves as a concrete indicator of the executive's fiscal management. While fiscal rules can help governments to achieve fiscal objectives and discipline, there is no one-size-fits-all rule for every country.

Fiscal rules may focus on different elements of government fiscal performance: revenues, expenditures, budget balance, and public debt. Across OECD member countries, the most common types of fiscal rules are budget balance rules (28 member countries) and debt rules (23), due to obligations for European Union countries. Revenue rules are the least common, as only five OECD member countries have them in place (Australia, France, Greece, the Netherlands, and the Slovak Republic).

Fiscal rules can have different national legal foundations, and may be enshrined in constitutions, or primary or secondary legislation. Other countries may stipulate fiscal rules in public political commitments or in internal rules set out by the ministries of finance. Australia is an interesting example as it has in place all four kinds of rules. The legal basis for three of them is the Budget Honesty Act, which is a strong political commitment; in the case of the debt rule, it is founded in legislation. Japan and Korea have only expenditure rules, in both cases as internal rules and policies.

Finally, some countries must also ascribe to fiscal rules fixed in international law. In the case of countries in the European Union, for instance, the Maastricht Treaty establishes a debt and two budget balance rules. As a result of the new Fiscal Compact and the – Six Pack – measures for fiscal consolidation, EU authorities have requested to raise fiscal rules to constitutional status as a way of increasing the political costs of non-compliance. Ten countries (Austria, Belgium, the Czech Republic, Germany, Hungary, Italy, Poland the Slovak Republic, Spain and Switzerland) have fiscal rules stipulated in their constitutions.

One of the most important lessons from past experience is that unduly rigid rules tend to be unworkable and could be insensitive to economic or political circumstances. In turn, strong fiscal rules regimes may rely rather on the strength of political commitment, monitoring by independent fiscal institutions and other actors, as well as clear and effective enforcement procedures for non-compliance. Concerning the latter, different kinds of measures can be implemented, from the need to present a corrective proposal to the legislature to automatic correction mechanisms and sanctions. Countries belonging to the EU are subject to Excessive Deficit Procedures (EDP), a multi-step revision process of the country fiscal situation, which can lead to sanctions.

The recent changes in the economic governance framework have loosened the requirements to start an EDP. Across OECD member countries, with the exception of EDPs, automatic correction mechanisms are the most common enforcement tool for budget balance rules, whereas a requirement for the indebted institution to adopt measures is the most common correction mechanism for debt rules. Automatic sanctions for breaking any kind of fiscal rules are only used in five OECD member countries (the Netherlands, the United States, Switzerland, Poland and the Slovak Republic).

Methodology and definitions

Data refer to 2012 and draw upon country responses to questions from the 2012 OECD Survey on Budgeting Practices and Procedures. Survey respondents were predominately senior budget officials in OECD member countries. Responses represent the countries' own assessments of current practices and procedures. Data refer only to central/federal governments and exclude budgeting practices at state/local levels.

Primary legislation (also referred to as principal legislation or primary law) is regulations which must be approved by the legislature.Secondary regulations are regulations that can be approved by the head of government, by an individual minister or by the Cabinet – that is, by an authority other than the legislature. Secondary regulations are susceptible to disallowance by the legislature.

Further reading

Anderson, B. and J. Sheppard (2010), "Fiscal futures, institutional budget reforms, and their effects: What can be learned?", *OECD Journal on Budgeting*, Vol. 9/3, *http://dx.doi.org/10.1787/budget-9-5kmh6dnl056g*.

Schick, A. (2010), "Post-Crisis Fiscal Rules: Stabilising Public Finance while Responding to Economic Aftershocks", *OECD Journal on Budgeting*, Vol. 10/2, *http://dx.doi.org/10.1787/budget-10-5km7rqpkqts1*.

Table notes

4.1 and 4.2: Data not available for Iceland. Data reflect countries' multiple fiscal rules. New Zealand and Turkey do not have fiscal rules in place and are not displayed in the table.

4.1: For Italy Law No. 243/2012 introduced the structural budget rule, the expenditure and debt rule in line with European requirements. The first two will enter into force by 2014 and the debt rule by 2015.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

4.1. Types and legal foundation of fiscal rules (2012)

	Expenditure rule(s)	Budget balance (deficit/surplus) rule(s)	Debt rule(s)	Revenue rule(s)
Australia	❍	❍	❒	❍
Austria	❒	■ ●	■ ●	
Belgium		● ✧ ■	■	
Canada		✧		
Chile	❒	❒		
Czech Republic	❒	●	■	
Denmark	❒	❒ ■	■	
Estonia	✧	■ ✧	❒ ■	
Finland	✧	❒ ■	■	
France	❒	■	■	❒
Germany		● ■	■	
Greece	■	❒ ■	■	■
Hungary		❒ ■	■ ●	
Ireland	✧	❒ ■	❒ ■	
Israel	❒	❒		
Italy		● ■	■	
Japan	✧			
Korea	✧			
Luxembourg	✧	■	■	
Mexico		❒		
Netherlands	✧	❒ ■	❒ ■	✧
Norway		✧		
Poland	❒	■	❒ ● ■	
Portugal	❒	■	■	
Slovak Republic		■	●	❒
Slovenia	❒	■	■	
Spain	❒	●	●	
Sweden	❒	❒ ■	■	
Switzerland		●		
United Kingdom		❒ ■	❒ ■	
United States	❒		❒	
Russian Federation	❒			❒
Total OECD	**21**	**28**	**23**	**5**

● Constitution.
■ International treaty.
❒ Primary and/or secondary legislation.
✧ Internal rules or policy.
❍ Political commitment.

Source: 2012 OECD Survey on Budgeting Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888932943381

4.2. Enforcement mechanisms for fiscal rules (2012)

Type of rule/correction mechanisms	Automatic correction mechanisms	Proposal with corrective measures presented to the legislature	Entity must implement measures	Automatic sanctions	Excessive deficit procedures of the stability and growth pact	None
Expenditure	DNK, GRC, USA, ESP	EST, FRA, ISR, NLD, SWE, ESP	AUT, GRC, NLD, SWE, CHL, ESP	USA		AUS, CZE, FIN, FRA, IRL, JPN, KOR, LUX, POL, PRT, RUS, SVN
Budget balance	AUT, BEL, DNK, FIN, FRA, DEU, GRC, IRL, ITA, LUX, PRT, SVK, SVN, ESP, CHE	ISR, ITA, MEX, ESP	GRC, ESP, CHL	NLD, CHE	AUT, BEL, CZE, DNK, EST, FIN, FRA, DEU, GRC, HUN, IRL, ITA, LUX, NLD, POL, PRT, SVK, SVN, ESP, SWE, GBR	AUS, CAN, NOR
Debt	POL, SVK, ESP	POL, SVK, ESP	GRC, HUN, POL, SVK, ESP	NLD, POL, SVK	AUT, BEL, CZE, DNK, EST, FIN, FRA, DEU, GRC, HUN, IRL, ITA, LUX, NLD, POL, PRT, SVK, SVN, ESP, SWE, GBR	AUS, USA
Revenues	GRC	NLD				AUS, FRA, RUS, SVK

Source: 2012 OECD Survey on Budgeting Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888932943400

Medium-term expenditure frameworks

Medium-term expenditure frameworks (MTEFs) help central/federal government organisations to adopt a *medium term budgetary perspective* rather than solely an annual one. MTEFs typically span a period of three to five years, including the budgeted fiscal year, and combine prescriptive yearly ceilings with descriptive forward estimates.

There is an international consensus about the importance of adopting a medium-term perspective in the budget process. In the first place, MTEFs are a key element available to central budget authorities to help manage expenditures across central government and ensure fiscal discipline: expenditure estimates capture information on the cost of existing policies and programmes and form the baselines for the following years' budgets, while expenditure ceilings provide a top-down constraint on spending in future years. MTEFs also help control spending by allowing for the incorporation of multi-year policies that may require an extended time horizon for implementation, such as large capital projects, new programmes, and organisational restructures. Furthermore, from the point of view of line ministry and agency managers, the medium-term perspective signals the direction of policy and funding changes thereby giving them time to adjust and better plan their operations.

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

Medium-term expenditure ceilings are set in all but four OECD countries (Belgium, Israel, Hungary and Luxembourg), most often spanning a period of four years. The strength of these frameworks varies greatly across OECD member countries, reflected by the degree to which they are stipulated in legislation, decided by the executive or the legislative, and subsequently monitored by the legislative or independent bodies. Most often, expenditure ceilings are set for total aggregate expenditures. Some countries (Austria, Germany, Italy, Korea, the Netherlands, and New Zealand) have additional ceilings in place by programme, sector, and/or organisation. In order for MTEFs to be effective, monitoring and enforcement mechanisms should be in place whereby the executive reports to the legislature or an independent fiscal institution on compliance.

Methodology and definitions

Data refer to 2012 and draw upon country responses to questions from the 2012 OECD Survey on Budgeting Practices and Procedures. Survey respondents were predominately senior budget officials in OECD member countries. Responses represent the countries' own assessments of current practices and procedures. Data refer only to central/federal governments and exclude budgeting practices at state/local levels.

An MTEF was defined as a framework for integrating fiscal policy and budgeting over the medium-term by linking aggregate fiscal forecasting to a disciplined process of maintaining detailed medium-term budget estimates by ministries reflecting existing government policies. Forward estimates of expenditures become the basis of budget negotiations in the years following the budget and the forward estimates are reconciled with final outcomes in fiscal outcome reports.

The composite index in Figure 4.4 contains 10 variables that cover information on the existence medium-term perspective in the budget process, the number of years the estimate covers, the types of expenditures included in the frameworks, the possibility of carry over unused funds from one year to another and how they are monitored. It should be noted that the index does not purport to measure the overall quality of MTEF systems but is descriptive in nature. Annex C contains a description of the methodology used to construct this index, including the specific weights assigned to each variable.

Further reading

OECD (2013, forthcoming), *Budgeting Practices and Procedures in OECD Countries*, OECD Publishing, Paris.

OECD (2002), "OECD Best Practices for Budget Transparency", *OECD Journal on Budgeting*, Vol. 1/3, pp. 7-14, *http://dx.doi.org/10.1787/budget-v1-art14-en*.

World Bank (2013), *Beyond the Annual Budget – Global Experience with Medium-Term Expenditure Frameworks*, International Bank for Reconstruction and Development, The World Bank, Washington, DC, *http://dx.doi.org/10.1596/978-0-8213-9625-4*.

Figure and table notes

Data not available for Iceland

4.3: In the case of Germany the legal foundation of the MTEF is the *Finanzplan* which is discussed in parallel with the parliamentary approval of the budget, it includes the budget ceilings. In the case of the Netherlands, organisational expenditures are included in the total and sector expenditures for the Netherlands

4.4: Index country scores for Belgium, Hungary, Israel and Luxembourg are 0 as they reported not having an MTEF in place.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

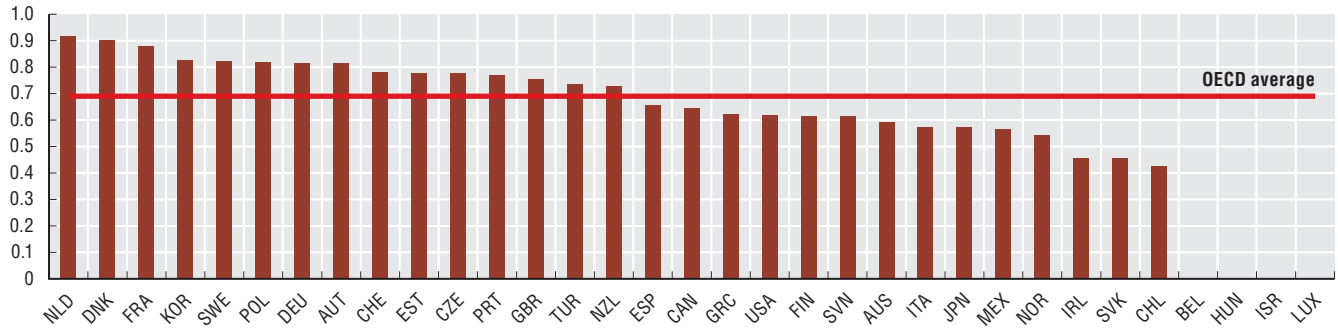
4.3. Medium-term perspective in the budget process at the central level of government (2012)

	Existence and legal basis of MTEF	Length of ceilings (including upcoming fiscal year)	Target(s) of expenditure ceilings		
			Total expenditures	Programme or sector expenditures	Organisational expenditures
Australia	✧	4 years	✓		
Austria	●	4 years	✓	✓	
Belgium	❍	x	x	x	x
Canada	✧	3 years			✓
Chile	✧	3 years	✓		
Czech Republic	■	3 years			
Denmark	●	4 years		✓	
Estonia	✧	4 years			✓
Finland	✧	4 years	✓		
France	●	3 years		✓	
Germany	■	4 years	✓	✓	✓
Greece	●	5 years			✓
Hungary	❍	x	x	x	x
Ireland	✧	3 years			✓
Israel	❍	x	x	x	x
Italy	✧	3 years	✓	✓	
Japan	✧	3 years	✓		
Korea	●	5 years	✓	✓	
Luxembourg	❍	x	x	x	x
Mexico	●	5 years	✓		
Netherlands	●	4 years	✓	✓	
New Zealand	✧	4 years	✓	✓	
Norway	✧	6 or more years	✓		
Poland	●	4 years			
Portugal	●	4 years		✓	
Slovak Republic	■	3 years			✓
Slovenia	❒	4 years	✓		
Spain	■	3 years	✓		
Sweden	■	3 years	✓		
Switzerland	●	4 years	✓		
Turkey	■	3 years	✓		✓
United Kingdom	✧	4 years			✓
United States	●	6 or more years		✓	
Russian Federation	❒	3 years	✓	✓	✓
Total OECD			**17**	**10**	**8**
● Yes in a law which stipulates both the existence of a MTEF and budget ceilings	11				
■ Yes in a law stipulating the creation of a MTEF which should be based on budget ceilings	6				
❒ Yes in a law stipulating that spending thresholds should not exceed medium term estimates	1				
✧ Yes in a strategy/policy stipulating the MTEF and/or budget ceilings	11				
❍ No	4				
x Not applicable (e.g. No MTEF in place)					

Source: 2012 OECD Survey on Budgeting Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888932943419

4.4. Use of a medium-term perspective in the budget process (2012)



Source: 2012 OECD Survey on Budgeting Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888932942184

Executive budget flexibility

A feature of budget reforms in many OECD countries is the relaxing of input controls by the central budget authority to give government organisations greater flexibility and autonomy to achieve their objectives efficiently and effectively. It is based upon the premise that heads of individual government organisations are the best positioned to achieve their policy and programme objectives (let managers manage). Moreover, even with a sound budget formulation process, economic assumptions can change, input prices can fluctuate and evolving political priorities can call for the reallocation of budgeted resources. Greater flexibility for line managers permits them to adjust spending according to such changing conditions.

On the other hand, if this authority is unreserved and unchecked, it can undermine fiscal sustainability. Potential risks include opportunities for the abuse of power by government managers, increased government deficits and weakened efficiency. Too much flexibility may also undermine the intent of legislators' and appropriations, as resources could be diverted away from their priorities. Therefore, although models vary, the majority of OECD member countries adopt some balance between top-down directives and oversight for performance with varying degrees of ministerial flexibility. The Central Budget Authority sets the top-down budget constraints, based on political priorities and medium-term expenditure considerations, while line ministries, agencies and other public organisations are given responsibility for the allocation and use of those funds to meet agreed-upon programme objectives. With such freedom however also comes greater need for accountability and the use of performance management (see indicator on performance budgeting). This can enhance efficiency and effectiveness in light of new priorities, new circumstances and new knowledge. It also strengthens the incentive for politicians to focus on outputs and outcomes rather than inputs alone.

A key aspect of executive budget flexibility is the use of lump sum appropriations, which provides managers with more flexibility to allocate funds across and within programmes as they see fit. The majority of member countries place sub-limits on these lump sums, most commonly on spending on wages and compensation of employees. Similarly, a limited number of line item appropriations in the approved budget provide the executive with more flexibility. Only a quarter of OECD member countries have fewer than 300 line items. The majority of CBAs in member countries also permit line ministries and agencies to carry over unspent appropriations from one year to the next, albeit with restrictions such as complying with thresholds, needing to request approval or both. Generally speaking there is greater flexibility with regards to investment spending over operational expenditure since capital projects often span several years. In addition, some countries permit the executive to borrow against future appropriations. Of the seven countries that follow this practice, however, all have in place a threshold limiting the amount that can be overspent in the current fiscal year. The executive may also have permission to increase or cut spending during the budget year without prior legislative approval. This additional flexibility is often granted based on the notion that it can facilitate the optimal use of public resources and provide incentives to improve the efficiency of public expenditure.

Methodology and definitions

Data refer to 2012 and draw upon country responses to questions from the 2012 OECD Survey on Budgeting Practices and Procedures. Survey respondents were predominately senior budget officials in OECD member countries. Responses represent the countries' own assessments of current practices and procedures. Data refer only to central/federal governments and exclude budgeting practices at state/local levels.

Further reading

OECD (2013, forthcoming), *Budgeting Practices and Procedures in OECD Countries*, OECD Publishing, Paris.

Table notes

4.5: Data are not available for Iceland. In Germany line ministries may borrow against future appropriations provided that the following fiscal year's budget contains an item of expenditure having the same purpose, and that there is an intention to balance the cash position in the current fiscal year. If additional spending cannot be treated as advance expenditure, it must be treated as excess expenditure. In Spain, line ministries do not receive lump-sum appropriations, however they may, within limits, reallocate funds. In Finland, Korea and Slovenia, only certain kinds of expenditures may be carried over to the following fiscal year. In Australia, annual appropriations do not lapse at the end of the financial year and may be drawn against to the limit of the available appropriation, generally, annual appropriations are available until they are spent, reduced in accordance with the reduction provisions in the annual Appropriation Acts, or the relevant annual Appropriation Act is repealed by another Act. In the United States, data apply to large departments/line ministries only. In Turkey some appropriations can be exceptionally carried over, this is determined on a yearly basis in Annual Central Government Budget Law and the authority to decide on the carry over is given to the Minister of Finance

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

4.5. Ability of line ministries to carry over unused funds and borrow against future appropriations (2012)

	Number of sub-limits on line ministries' lump sum appropriations	Ability of line ministries to borrow against future appropriations		Ability of line ministries to carry over unused funds or appropriations from one year to the next	
		Operating expenditure	Investment expenditure	Operating expenditure	Investment expenditure
Australia	0	❍	❍	x	x
Austria	x (no lump sums)	❍	❍	●	●
Belgium	2	❍	❍	❍	❍
Canada	2	❍	❍	■	■
Chile	3 or more	❍	❍	❍	❍
Czech Republic	3 or more	❍	❍	●	●
Denmark	1	■	❍	●	●
Estonia	1	❍	❍	■	●
Finland	0	❍	❍	●	●
France	0	❍	❍	■	■
Germany	x (no lump sums)	■	■	❍	❍
Greece	3 or more	❍	❍	❍	❍
Hungary	1	❍	■	●	●
Ireland	0	❍	❍	❍	■
Israel	3 or more	❍	❍	●	●
Italy	1	❍	■	❍	■
Japan	0	❍	❍	●	●
Korea	3 or more	❍	❍	●	●
Luxembourg	1	❍	■	❍	●
Mexico	3 or more	❍	❍	❍	❍
Netherlands	0	❍	❍	■	■
New Zealand	0	■	■	■	■
Norway	0	❍	❍	■	■
Poland	0	❍	❍	❍	❍
Portugal	1	❍	❍	●	●
Slovak Republic	2	❍	❍	❍	●
Slovenia	1	❍	❍	●	●
Spain	x (no lump sums)	❍	❍	■	■
Sweden	0	■	■	■	■
Switzerland	0	❍	❍	●	●
Turkey	x (no lump sums)	❍	❍	❍	❍
United Kingdom	x (no lump sums)	❍	❍	■	■
United States	3 or more	❍	❍	■	■
Russian Federation	3 or more	■	■	■	●
OECD total					
● Yes, without threshold		0	0	11	14
■ Yes, up to certain threshold		4	6	10	11
❍ No, not permitted		29	27	11	7

Source: 2012 OECD Survey on Budgeting Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888932943438

Performance budgeting

Governments are increasingly incorporating performance information in the budgeting and governance processes as a means of achieving better results, promoting greater value for money, and increasing the transparency of spending decisions. Good performance information can contribute to better decisions regarding the use of resources and how to run particular programmes. Greater transparency of performance and resource allocation also increases the accountability of government agencies for their expenditures.

Although performance budgeting practices are widely used in OECD member countries, there are vast differences in the approaches taken and there is no consensus on the optimal type of regime that should be applied. However, the OECD has identified three broad categories of performance budgeting systems: *i)* presentational performance budgeting whereby performance information is produced and shown alongside funding allocations, but not necessarily utilised to make spending decisions; *ii)* performance-informed budgeting where such information explicitly influences the allocation of resources; and *iii)* direct performance budgeting (formula-based budgeting) in which funding is strictly linked to outputs and outcomes. The majority of OECD member countries fall into the first or second categories, with few adopting the latter for select types of expenditures (e.g. funding of higher education or hospitals).

Results from the 2011 OECD Survey on Performance Budgeting indicate that the practice is generally decentralised within central/federal government. That is, it is more common that line ministries apply performance budgeting practices in the allocation of their own budget envelopes across agencies/divisions. The exceptions are spending reviews, where central budget authorities and chief executives play a more central role. Some countries however adopt a more centralised approach, and have in place a government-wide framework for developing performance information (evaluations and performance measures), integrating performance information into budget and accountability processes, using it in decision making, and monitoring and reporting on results. For instance, countries such as Korea, Mexico and Canada have standard and comprehensive frameworks for line ministries and agencies including such elements as guidelines, reporting templates and performance ratings. In the majority of countries however, failure to achieve performance targets most often triggers no financial consequences, but is rather followed by publication of the poor performance and more intense monitoring in the future.

Performance information can take many forms, including financial and operational data, evaluations, and even independent statistics and reports from outside government. By far the most commonly used information in budget negotiations are input measures, such as financial and operational data (Table 4.6).

Methodology and definitions

Data refer to 2011 and draw upon country responses to questions from the 2011 OECD Survey on Performance Budgeting. Survey respondents were predominately senior budget officials in OECD member countries. Responses represent the countries' own assessments of current practices and procedures. Data refer only to central/federal governments and exclude performance budgeting practices at the state/local levels. For EU member countries, results exclude any EU funding.

Spending reviews are a specific kind of government evaluation, and are commissioned with the specific objective of identifying budgetary savings across government. The OECD value-for-money project differentiates spending reviews from other types of evaluation through three main characteristics:

1. Spending reviews not only look at programme effectiveness and efficiency under current funding levels, but also examine the consequences for outputs and outcomes of alternative funding levels. They may be functional in nature (e.g. focus on operational efficiency) and/or strategic (e.g. focus both on efficiency and on whether initiatives are aligned with high-level policy priorities).
2. The responsibility for the spending review procedure is under the responsibility of either the Ministry of Finance or the prime minister's office.
3. The follow-up of spending reviews is decided in the budget process.

This composite index in Figure 4.7 contains 11 variables that cover information on the availability and type of performance information developed, processes for monitoring and reporting on results and whether (and how) performance information is used on budget negotiations and decision making by the central budget authorities, line ministries and politicians. It should be noted that the index does not purport to measure the overall quality of performance budgeting systems but is descriptive in nature. Annex C contains a description of the methodology used to construct this index, including the specific weights assigned to each variable.

Further reading

OECD (2008), "Performance Budgeting: A User's Guide", *OECD Policy Brief*, OECD Publishing, Paris, *www.oecd.org/governance/budgeting/40357919.pdf*.

OECD (2007), *Performance Budgeting in OECD Countries*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264034051-en*.

Figure and table notes

Data are not available for Iceland and Israel. For Austria Performance information is not yet used for budgeting negotiations but during the budget implementation and to improve efficiency.

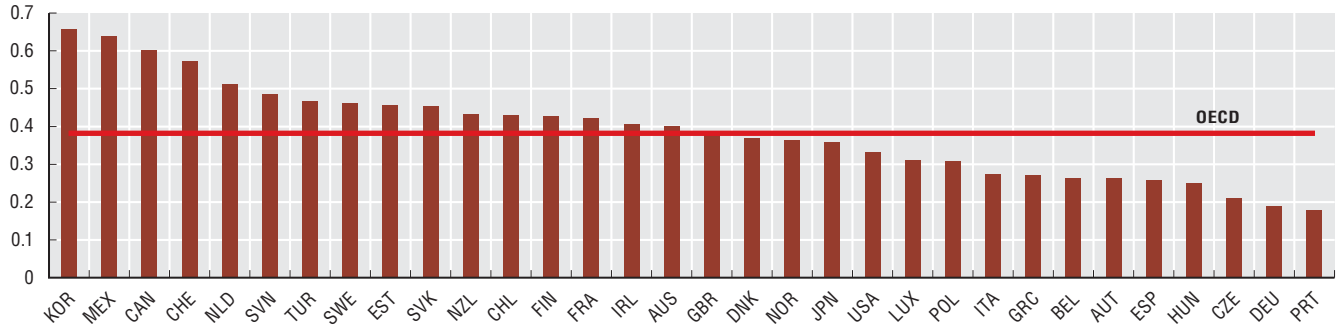
4.6. Performance budgeting practices at the central level of government (2011)

	Existence of standardised performance budgeting framework for central government	Use of performance information in negotiations with CBA						Consequences for poor performance		
		Financial data	Operational data and performance reports	Spending reviews	Statistical information	Independent performance information	Performance evaluations	Organisational or programme's poor performance made public	Intensified monitoring of organisation and/or programme	Budget decreases
Australia	No, line ministries/agencies have their own	●	■	■	✧	❒	■	❒	■	✧
Austria	Yes	x	x	x	x	x	x	❍	❍	❍
Belgium	No, line ministries/agencies have their own	●	❒	❍	■	✧	✧	❍	❒	❍
Canada	Yes	●	●	■	■	❒	■	✧	■	✧
Chile	Yes	●	❒	x	❒	❒	■	●	❒	❍
Czech Republic	Yes, but optional	✧	✧	x	❍	❍	x	❍	❍	❍
Denmark	Yes	●	✧	❒	✧	✧	❒	■	❒	●
Estonia	Yes	●	❒	❍	✧	✧	✧	✧	❍	❍
Finland	Yes	●	✧	■	✧	❍	✧	■	✧	■
France	Yes	✧	✧	✧	❒	❒	●	❒	■	✧
Germany	No, line ministries/agencies have their own	✧	✧	x	❍	✧	✧	❒	■	❒
Greece	No, line ministries/agencies have their own	●	●	●	●	●	x	✧	✧	❒
Hungary	No, line ministries/agencies have their own	●	❒	❍	✧	✧	❒	❍	✧	✧
Ireland	Yes	●	❒	●	❒	✧	■	❒	❒	✧
Italy	Yes	●	❍	❒	❍	❍	✧	❍	❒	❍
Japan	Yes	❒	❒	x	❒	❒	❒	●	❍	❒
Korea	Yes	■	■	■	❒	✧	■	■	■	■
Luxembourg	No, line ministries/agencies have their own	●	✧	✧	✧	✧	✧	❒	✧	❒
Mexico	Yes	●	●	●	●	❒	■	●	●	✧
Netherlands	Yes	●	❒	■	■	■	❒	✧	❒	❒
New Zealand	Yes	■	✧	❒	❒	✧	✧	■	❒	✧
Norway	Yes	❍	❍	x	❍	❍	❍	✧	❒	✧
Poland	Yes	❒	❒	❒	❒	x	x	❍	❍	❍
Portugal	No, line ministries/agencies have their own	●	✧	❍	✧	❒	❍	❍	❍	❍
Slovak Republic	Yes	●	●	●	●	❒	❒	✧	❒	❒
Slovenia	Yes	●	●	❍	✧	❒	❒	■	✧	✧
Spain	Yes	✧	✧	❍	❍	❍	✧	❍	❍	❍
Sweden	Yes	●	■	✧	❒	❒	❒	❒	❒	❒
Switzerland	Yes	●	■	❒	●	●	❒	✧	❒	❍
Turkey	Yes	●	❒	✧	■	❍	❒	✧	✧	✧
United Kingdom	No, line ministries/agencies have their own	●	■	●	❒	■	❒	●	❒	✧
United States	Yes	x	x	x	x	x	x	..	..	..
Russian Federation	Yes	●	■	❒	■	❒	■	❒	✧	✧
Total OECD										
● Always		21	5	5	4	2	1	4	1	1
■ Usually		2	5	5	4	2	6	5	5	2
❒ Occasionally		2	9	5	9	10	10	6	12	7
✧ Rarely		4	9	4	8	9	8	8	6	11
❍ Never		1	2	6	5	6	2	8	7	10
x Not applicable (information not produced or negotiations do not take place)		2	2	7	2	3	5	0	0	0

Source: 2011 OECD Survey on Performance Budgeting.

StatLink http://dx.doi.org/10.1787/888932943457

4.7. Use of performance budgeting practices at the central level of government (2011)



Source: 2011 OECD Survey on Performance Budgeting.

StatLink http://dx.doi.org/10.1787/888932942203

Public-private partnerships

Public-private partnerships (PPPs) are long-term contractual agreements between the government and a private partner whereby the latter typically finances and delivers public services using a capital asset (e.g. transport or energy infrastructure, hospital or school buildings). The private party may be tasked with the design, construction, financing, operation, management and delivery of the service for a pre-determined period of time, receiving its compensation from fixed unitary payments or tolls charged to users. PPPs account for less than 15% of annual capital central government expenditure, and there is a great variation across countries in the extent to which PPPs are used: the United Kingdom has the most projects (648), followed by Korea (567) and Australia (127).

Governments may choose to pursue PPPs since, compared to more traditional forms of infrastructure procurement, these partnerships may allow them to better harness the private sector's expertise in combining the design and operation of an asset, allowing services to be provided in a more efficient manner. Governments with sufficient experience and enough data to make a judgement regarding PPPs report that these outperform traditional infrastructure projects with respect to timeliness, construction costs and quality (Figure 4.8). Experiences from some OECD member countries, however, suggest that not all PPPs are well-managed, and therefore may not deliver the expected benefits. Long-term contracts for certain services can be too inflexible given the changing needs of the public sector and changing technology, and the PPP procurement process has often been lengthy, complex and costly for both the public and the private sector. Countries also report that transaction costs for the public and private parties for PPPs is higher than for traditional infrastructure procurement. Last, there have been incentives in some countries to use PPPs in order to finance assets off the public balance sheets. If designed with such a purpose, PPP projects can be excluded from public sector net debt. This in turn entails a lack of transparency of future liabilities and fiscal risks.

In response to these challenges, the OECD developed *Principles for Public Governance of Public Private Partnerships*. The Principles provide specific guidance under three broad headings: *i)* establishing clear, predictable and legitimate institutional frameworks for PPPs supported by competent and well-resourced authorities; *ii)* grounding the selection of PPPs in value for money; and *iii)* using the budgetary process transparently to minimise fiscal risks and ensure the integrity of the procurement process.

There is no clear answer as to whether one of the procurement methods consistently outperforms the other when calculated over the whole life of the asset. Greater use of value-for-money assessments is recommended to ascertain *ex ante* whether a particular project is a good candidate for a PPP agreement. A project's value for money should be evaluated in all its phases with a focus on the full life-cycle costs of the asset and the potential risks the project represents to the public sector. However, while the majority of member countries (21) conduct relative value-for-money assessments of PPPs compared to TIPs, the majority of these do so for only certain projects (Table 4.9). Absolute value-for-money assessments are more commonplace. Some countries have put dedicated PPP units in place to ensure robust value-for-money assessments of PPPs, to align stated objectives with the profit objectives of the private sector, and to ensure that they are administered in a transparent manner. In 2010, 17 OECD countries had set up such units, with more countries beginning to follow this trend.

Methodology and definitions

Data are from the 2012 OECD Survey on Budgeting Practices and Procedures. Survey respondents were predominately senior budget officials. Responses represent the countries' own assessments of current practices and procedures. Data refer only to central/federal governments and exclude budgeting practices at state/local levels.

The PPP concept includes both – pure PPPs –, e.g. projects where the main source of revenue for the private partners is government (in the form of regular payments or a unit charge), as well as concessions (where the main source of revenue is user charges levied by the private partners on the beneficiaries of the services).

Relative value for money tests compare several forms of procuring the asset in order to determine which form represents the most value for money. Absolute value for money tests determine whether a project overall (e.g. a dam, an airport, a high-way) represents value for money for society. Methodologies for both kinds of assessments vary by country.

Further reading

Burger, P. and I. Hawkesworth (2013), "Capital budgeting and procurement practices – towards an integrated approach?", presented at the OECD Annual Network Meeting of Senior Public-Private Partnership Officials, 15-16 April 2013.

OECD (2012), *Principles for Public Governance of Public Private Partnerships*, May 2012, OECD, Paris, *www.oecd.org/gov/budgeting/PPPnoSG.pdf*.

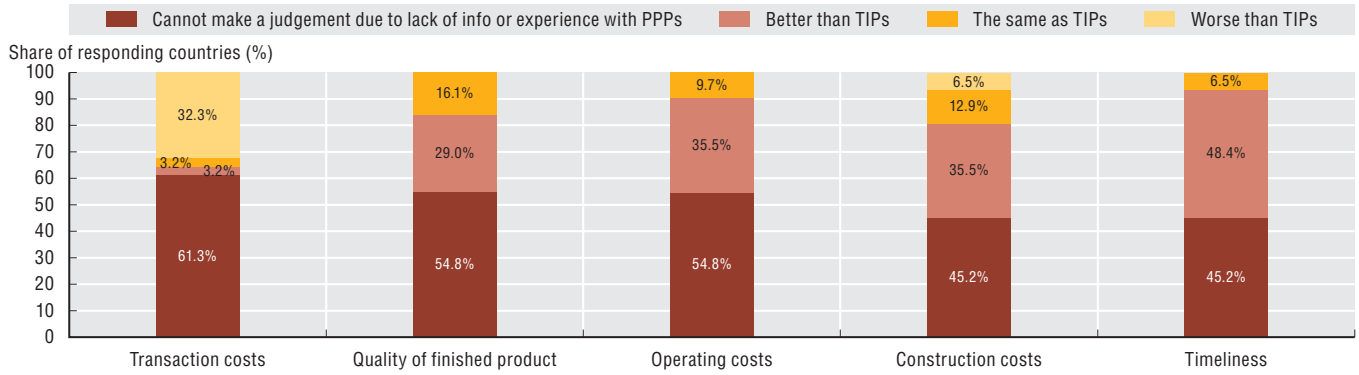
OECD (2010), *Dedicated Public-Private Partnership Units: A Survey of Institutional and Governance Structures*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264064843-en*.

Figure and table notes

4.8 and 4.9: Data are not available for Iceland.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

4.8. Countries' assessments of PPPs relative to TIPs along various dimensions



Source: 2012 OECD Survey on Budgeting Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888932942222

4.9. Value for money assessments of PPPs and TIPs and dedicated PPP units

	Use of relative value for money assessments	Use of absolute value for money assessments		Dedicated PPP unit reporting to Ministry of Finance	Dedicated PPP units in line ministries	No dedicated PPP unit exists in central/federal government
	For PPPs	For PPPs	For TIPs			
Australia	●	●	■			✓
Austria	x	x	❍			✓
Belgium	x	x	x			✓
Canada	●	●	❒	✓	✓	
Chile	●	●	■	✓	✓	
Czech Republic	..	..	❒	✓		
Denmark	❍	■	■		✓	
Estonia	x	x	❒			✓
Finland	❒	■	■			✓
France	❒	●	❒	✓		
Germany	●	●	●	✓	✓	
Greece	●	●	❒	..	..	..
Hungary	❒	❒	x		✓	
Iceland	..	..	..	..	..	..
Ireland	●	●	●	✓		
Israel	■	■	■	✓		
Italy	❍	❒	❒			✓
Japan	❍	●	■		✓	
Korea	■	●	■	✓	✓	
Luxembourg	❒	❒	❒			✓
Mexico	●	●	●			✓
Netherlands	■	●	■	✓	✓	
New Zealand	●	●	■	✓		
Norway	x	x	■			✓
Poland	x	●	●	✓	✓	
Portugal	●	●	●	✓		
Slovak Republic	x	x	❍			✓
Slovenia	■	●	■			✓
Spain	❒	❒	❒			✓
Sweden	❒	■	■			✓
Switzerland	❒	❍	❍			✓
Turkey	❍	●	●	✓		
United Kingdom	●	●	●	✓		
United States	❒	❒	■			✓
Russian Federation	❍	●	●	✓	✓	
OECD total						
● Yes, for all projects	10	17	7	14	9	15
■ Yes, for those above certain monetary threshold	4	4	13			
❒ Yes, ad hoc basis	8	5	8			
❍ No	4	1	3			
x Not applicable	6	5	2			

Source: 2012 OECD Survey on Budgeting Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888932943476

Independent fiscal institutions

In the mid-1990s, academic economists floated the idea that countries could adapt some of the good experiences of independent central banking to the fiscal sphere. However, it was only after the surge of government deficits and debts following the recent crisis that a growing number of countries decided to create independent fiscal institutions (IFIs, typically referred to as fiscal councils or parliamentary budget offices) in a growing number of OECD member countries.

With the creation of these councils, governments are seeking to reinforce fiscal rules that had proved inadequate on their own to ensure prudent management of public finances, as well as signal their commitment to act virtuously after the crisis. This is particularly true in the European Union where new regulations require member states to have independent bodies monitor compliance with fiscal rules and produce or endorse macroeconomic forecasts. Other recent examples (Canada, Australia) were established to increase fiscal transparency and enhance the role of the legislature in the budget process. In addition to this new generation of IFIs are a handful of much older institutions, such as the Congressional Budget Office (CBO) in the United States and the Netherlands Bureau for Economic Policy Analysis (CPB).

Today's independent fiscal institutions are extremely diverse: their roles, resources and structures vary considerably across countries. In addition to analysis of fiscal policy and budget proposals, common functions include a role in forecasting, monitoring compliance with fiscal rules, analysis of long-term fiscal sustainability, costing of policy proposals and analytical studies on selected issues.

Requirements in the new EU regulations would point towards a dominant model in the European Union, although individual country needs and the local institutional environment continue to determine many of the options chosen. With the exception of the Netherlands CPB (and until recently the Danish Economic Council), all of the fiscal councils in OECD member countries within the EU are tasked with monitoring compliance with the fiscal rules. None of the institutions in OECD member countries that are outside the EU have this task.

Institutions' role in forecasting takes several forms. The Netherlands CPB and the United Kingdom's Office for Budget Responsibility (OBR) have been tasked with producing the official forecasts. Others produce alternative forecasts (e.g. the United States and Canada). While others provide an opinion on the government's forecasts (e.g. France, Ireland and Sweden). The vast majority of institutions also provide analysis of long-term fiscal sustainability. Just under half of institutions in OECD member countries have a role in costing policy proposals, with this function more typically found in parliamentary budget offices. Both the Netherlands CPB and the Australian Parliamentary Budget Officer (PBO) are also tasked with costing election platforms.

There is similar diversity in the structure and resources of IFIs. Some are under the statutory authority of the executive, while a smaller number are under the legislature (Australia, Canada, Italy [established by Law approved in December 2012 expected to become operational in 2014] and the United States). Two have been established as autonomous units within the national audit institution (Finland and France). They may have an individual or collegial (council) leadership structure. The CBO has the largest budget at USD 45 million and a staff of around 250, while the Irish Fiscal Advisory Council operates for under EUR 1 million with fewer than five secretariat staff. Those institutions with a role in policy costing – one of the most resource intensive tasks that require staff with specific programme knowledge – tend to have larger staffs. Three institutions have budgets with multi-annual funding commitments, a practice which can enhance independence and help insulate the institution from political pressure (Australia, the Netherlands and the United Kingdom).

Methodology and definitions

The data, collected via a set of questions for in-depth country notes on independent fiscal institutions in 2012-13, focuses on institutions in 17 OECD member countries. In preparing the notes, the OECD Secretariat consulted extensively with officials in the selected independent fiscal institutions, as well as with parliamentary officials, government officials, academics, and other stakeholders as appropriate. Further data on new institutions is currently being collected.

Chile established a Fiscal Advisory body in early 2013. Spain has put forward legislation for an Independent Fiscal Authority that is expected to pass in late 2013.

Further reading

Calmfors, L. and S. Wren-Lewis (2011), "What Should Fiscal Councils Do?", *Centre for Economic Studies and IFO Institute for Economic Research (CESifo)*, Vol. 26, No. 68, pp. 649-695, London.

Hagemann, R. (2011), "How Can Fiscal Councils Strengthen Fiscal Performance?", *OECD Journal: Economic Studies*, Vol. 2011/1, *http://dx.doi.org/10.1787/eco_studies-2011-5kg2d3gx4d5c*.

Kopits, G. (2011), "Independent Fiscal Institutions: Developing Good Practices", *OECD Journal on Budgeting*, Vol. 11/3, pp. 35-52, *http://dx.doi.org/10.1787/budget-11-5kg3pdgcpn42*.

OECD (2013, forthcoming), *Principles for Independent Fiscal Institutions and Country Notes*, OECD Publishing, Paris.

Table notes

See *StatLink* for country specific note.

4.10. Roles and resources of independent fiscal institutions in OECD countries (2013)

	Institution name	Established	Budget	Staff	Role in forecasts of macroeconomic assumptions	Analysis of long-term fiscal sustainability	Role in monitoring compliance with fiscal rules	Role in policy costing	Role in costing election platforms
Australia	Parliamentary Budget Office (PBO)	2011	AUD 2.4 M over four years with additional short-term funding during election period	Recruitment of 30-35 staff ongoing	✧	●	❍	●	●
Austria	Government Debt Committee (GDC)	1970	Data not available	15 Committee members, 3 secretariat staff	■	●	●	❍	❍
Belgium	High Council of Finance (HCF)	1936	Data not available	27 Council members, 14 secretariat staff	■	●	●	❍	❍
Canada	Parliamentary Budget Officer (PBO)	2008	CAD 2.8 M	15	❒	●	❍	●	❍
Denmark	Economic Council	1962	DKK 23.5 M	25 Council members, 30 secretariat staff	❒	●	●	❍	❍
Finland	Fiscal Policy Audit and Executive Office	2013	EUR 1.4 M	7 (plus support and communications staff)	■	●	●	❍	❍
France	High Council for Public Finances (HCFP)	2013	EUR 782 000 (FY 2013)	10 Council members, recruitment of 5 staff ongoing	■	❍	●	❍	❍
Ireland	Fiscal Advisory Council	2011	EUR 800 000 (FY 2013)	5 Council members, 3 secretariat staff	■	❍	●	❍	❍
Korea	National Assembly Budget Office (NABO)	2003	USD 12.7 M	125	❒	●	❍	●	❍
Mexico	Centro de Estudios de las Finanzas Públicas (CEFP)	1998	MXN 50.9 M (FY 2009)	59	❒	●	❍	●	❍
Netherlands	Bureau for Economic Policy Analysis	1945	EUR 13.5 M	117	✦	●	❍	●	●
Portugal	Conselho das Finanças Públicas (CFP)	2011	EUR 2.65 M (FY 2013)	5 Council members, recruitment of 15-20 staff ongoing	■	●	●	❍	❍
Slovak Republic	Council for Budget Responsibility (CBR)	2012	EUR 2 M (FY 2013)	3 Council members, recruitment of 15-20 staff ongoing	✧	●	●	●	❍
Slovenia	Fiscal Council	2009	EUR 100 000 (FY 2012)	7 Council members, no secretariat staff	■	●	●	❍	❍
Sweden	Fiscal Policy Council (FPC)	2007	SEK 7.55 M	6 Council members, 5 secretariat staff	■	●	●	❍	❍
United Kingdom	Office for Budget Responsibility (OBR)	2010	GBP 1.75 M	3-person Budget Responsibility Committee, 2 non-executive members, 17 secretariat staff	✦	●	●	●	❍
United States	Congressional Budget Office (CBO)	1974	USD 45.2 M	250	❒	●	❍	●	❍

● Yes.
❍ No.
✧ No role.
✦ Prepare official forecasts.
■ Assess forecasts only.
❒ Prepare alternative forecasts.

Source: OECD (2013, forthcoming), *Principles for Independent Fiscal Institutions and Country Notes*, OECD Publishing, Paris.

StatLink http://dx.doi.org/10.1787/888932943495

5. PUBLIC SECTOR EMPLOYMENT AND PAY

The size of government is often associated with the number of people working for government, although with increasing outsourcing of government functions, employment in government is less and less an accurate measure of the reach of government. However, in certain key occupations – such as teachers, nurses, doctors and police officers – government is still the largest employer.

In this chapter, we examine the trends in public sector employment 2001 and 2011. Our data proves again that public employment is "sticky". While many OECD member countries had announced hiring freezes and employment reductions as part of their fiscal consolidation plans, few could sustain significant reductions in public employment. As demand for public services does not diminish, there are two ways to reduce employment for the long run: productivity gains, that are seldom quantifiable, but assumed to be rather modest; and outsourcing, where government still pays for the service but it is carried out by the private sector.

Beside the public employment data, few other topics attract more interest than how much government employees are paid. Compared to the 2011 edition, the most comprehensive, internationally comparable compensation data is presented. The data were collected with an improved survey instrument for an extended group of key central government occupations. In addition to that of senior and middle managers, professionals and secretaries, compensation of key service provision occupations are also shown, such as teachers, immigration officers, tax/customs officers and police officers. The number of countries participating in the data collection increased from 20 countries in 2011 to 26 countries in 2013. However, not all participating countries could provide data for all the occupations.

Employment in general government and public corporations

Individual governments choose what public services to deliver and how to deliver them. Some countries use more public employees than others to provide services: teachers, health care providers, security and emergency workers and government administrators, for instance, are considered civil servants in many member countries and deliver important services. Other countries, however, make greater use of the private and non-profit sectors. The proportion of the labour force working for the government reflects this choice and is one factor in determining the ultimate cost of service delivery to tax-payers. The relative size of government employment can also have an effect on the labour market, with potential to impact the productivity of the economy.

The size of government employment varies significantly among OECD member countries, with governments in Nordic countries employing a higher proportion of the labour force than others. In 2011 for example, the governments of Norway and Denmark employed about 30% of the labour force, compared to 9% or less in Korea, Japan, Greece and Mexico.

Across the OECD member countries, general government employment as a percentage of the labour force remained relatively stable between 2001 and 2011, at just under 16% on average. Overall during this period, the share decreased only nominally, with the Slovak Republic, Sweden, Mexico and Portugal having the largest decreases at just over 2 percentage points. Employment in public corporations – such as post offices and railways in some OECD member countries – is a minor part of the labour force and tends to be smaller than general government employment. In general, public corporations in Central Eastern and European countries employ a relatively larger share of the labour force compared to other OECD member countries, despite the strong wave of privatisation in these countries during the early 1990s. Overall, employment in public corporations as a percentage of the labour force decreased in the majority of OECD member countries, from an average of 5.7% in 2001 to 4.7% in 2011.

Methodology and definitions

Data refer to 2001 and 2011 and were collected by the International Labour Organization (ILO) and OECD. The data are based on *System of National Accounts* (SNA) definitions and cover employment in general government and public corporations. The general government sector comprises all levels of government (central, state, local and social security funds) and includes core ministries, agencies, departments and non-profit institutions that are controlled and mainly financed by public authorities. Public corporations are legal units mainly owned or controlled by the government which produce goods and services for sale in the market. Public corporations also include quasi-corporations.

Data represent the number of employees except for Austria, the Czech Republic, Italy, the Netherlands and New Zealand where data represent full-time equivalents (FTEs). As a result, employment numbers for these five countries are understated in comparison. The labour force, or active population, comprises all persons who fulfill the requirements for inclusion among the employed or the unemployed. For purposes of international comparability, the working age population is commonly defined as persons aged 15 years and older, although this might vary in some countries. Labour force refers to all persons of working age who furnish the supply of labour for the production of goods and services during a specified time-reference period.

Further reading

OECD (2011), *Public Servants as Partners for Growth: Toward a Stronger, Leaner and More Equitable Workforce*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264166707-en*.

Pilichowski, E. and E. Turkisch (2008), "Employment in Government in the Perspective of the Production Costs of Goods and Services in the Public Domain", *OECD Working Papers on Public Governance*, No. 8, OECD Publishing, Paris, *http://dx.doi.org/10.1787/245160338300*.

Figure notes

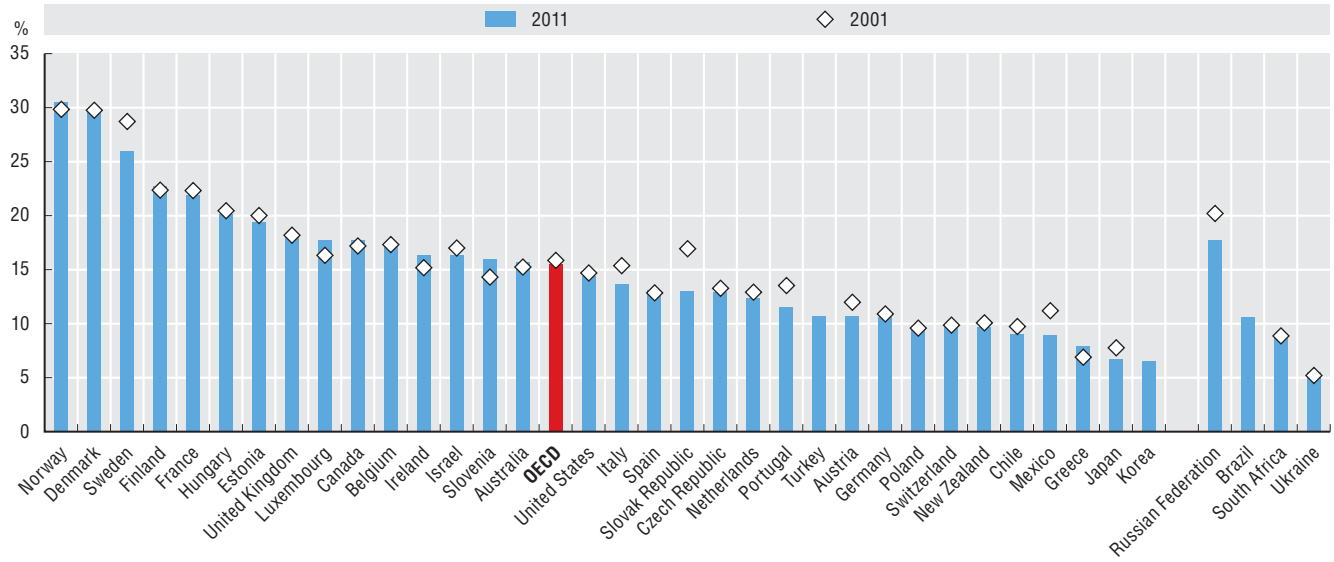
Data for Iceland are not available. Data for Australia and Chile refer to the public sector (general government and public corporations). Data for Germany, Ireland, Sweden, the United Kingdom and Ukraine are for 2010 rather than 2011. Data for Hungary, Japan, Mexico, Brazil and the Russian Federation are for 2009 rather than 2011. Data for Chile, Greece, Portugal and Switzerland are for 2008 rather than 2011. Data for France are for 2006 rather than 2011. Data for Ukraine are for 2002 rather than 2001.

5.1: Data for 2001 for Korea and Turkey are not available and these countries are not included in the OECD average. Data for Norway are for 2010 rather than 2011. Data for South Africa are for 2006 rather than 2011.

5.2: Data on public corporations for Austria, Belgium, Hungary, Israel, Italy, Japan, Korea, Portugal, and the United States are missing and thus these countries are not presented. Data for the Czech Republic are for 2010 rather than 2011. Data for Finland are for 2008 rather than 2011. Data for Norway are for 2007 rather than 2011. Data for the Netherlands are for 2005 rather than 2011.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

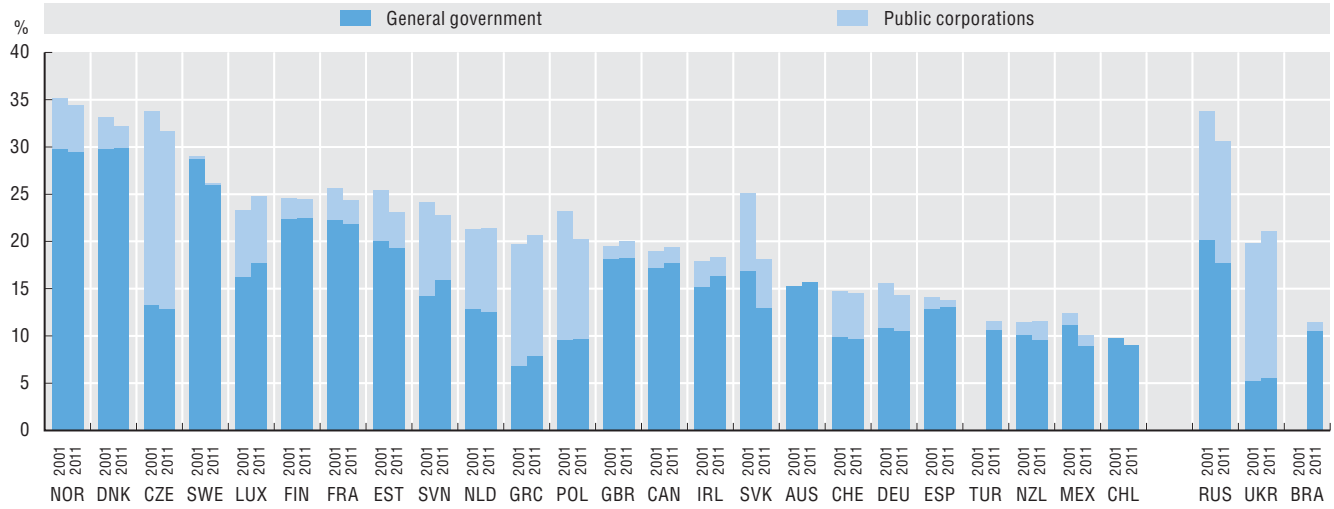
5.1. Employment in general government as a percentage of the labour force (2001 and 2011)



Sources: International Labour Organization (ILO), *LABORSTA* (database); *OECD Labour Force Statistics* (database). Data for Korea were provided by government officials.

StatLink http://dx.doi.org/10.1787/888932942241

5.2. Employment in general government and public corporations as a percentage of the labour force (2001 and 2011)



Sources: International Labour Organization (ILO), *LABORSTA* (database); *OECD Labour Force Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932942260

General government employment across levels of government

The proportion of staff employed at sub-central levels of government is an indicator of the level of decentralisation of public administrations. In general, larger shares of government employees at the sub-central level indicate that more responsibilities are delegated to regional and local governments for providing public services. Although decentralisation can increase the responsiveness of government to local needs and priorities, it can also result in variations in service delivery within countries.

In 2011, most countries had more employees at the sub-central level than at the central level of government. Federal states employ less than one-third of all government employees at the central level, indicating higher levels of decentralisation. The variance in the proportion of government employees at the central level of government is much larger in unitary states, ranging from less than 20% in Japan and Sweden to about 90% in Ireland, Turkey and New Zealand.

Between 2001 and 2011, the percentage of government staff employed at the central level has remained relatively stable, with a slight trend towards greater decentralisation in the majority of OECD member countries. A few countries have experienced significant decentralisation in this period, including Spain, the Czech Republic and Japan, where the share of government staff employed at the sub-central level has increased by 10 percentage points or more. In the case of Spain, this increase was due to the delegation of responsibilities to the sub-central level together with staff reductions implemented since 2010. Only one country – Norway – experienced a notable centralisation of government staff during this period, with a 13 percentage point increase in the share of staff employed at the central level, although nearly two-thirds of government employees continue to be employed at the sub-central level.

Methodology and definitions

Data were collected by the International Labour Organization (ILO) and the OECD and refer to 2001 and 2011, except where indicated. The data are based on the *System of National Accounts* (SNA) definitions and cover employment in central and sub-central levels of government. Sub-central government is comprised of state and local government including regions, provinces and municipalities. Together the central and sub-central levels comprise general government. In addition, countries provided information on employment in the social security funds component of general government, which include all central, state, and local institutional units whose principal activity is to provide social benefits. As social security funds refer to different levels of government, employment in this category has been recorded separately unless otherwise stated. However, in most countries, with the exceptions of France, Mexico, and Germany, social security funds employ a small number of staff and represent a small percentage of the total workforce. The following countries are federal states in the dataset: Belgium, Brazil, Canada, Germany, Mexico, the Russian Federation, Spain (considered a quasi-federal country), Switzerland and the United States.

Data represent the number of employees except for Italy, the Netherlands and New Zealand where data represent full-time equivalents (FTEs). As a result, employment numbers for these three countries are understated in comparison.

Further reading

Charbit, C. and M. Michalun (2009), "Mind the Gaps: Managing Mutual Dependence in Relations among Levels of Government", *OECD Working Papers on Public Governance*, No. 14, OECD Publishing, Paris, *http://dx.doi.org/10.1787/221253707200*.

OECD (2011), *Public Servants as Partners for Growth: Toward a Stronger, Leaner and More Equitable Workforce*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264166707-en*.

Figure notes

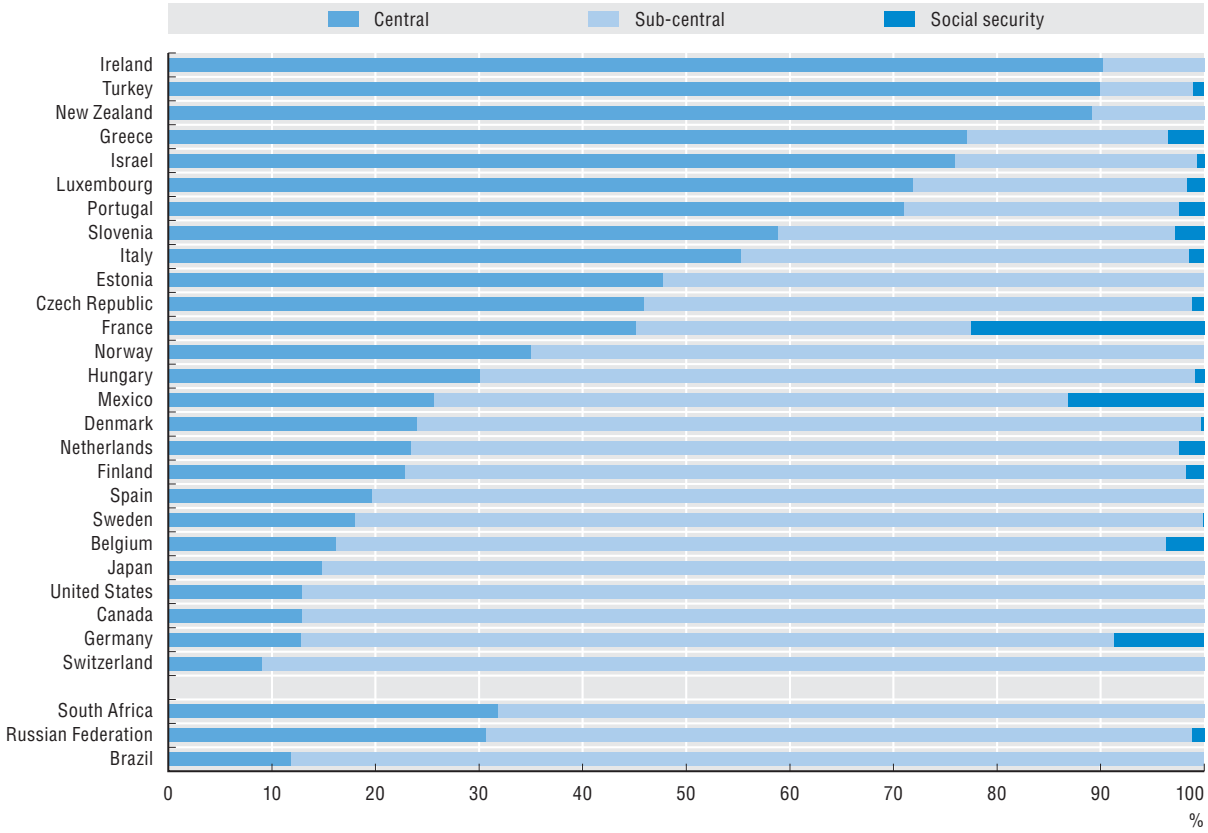
Data for Australia, Austria, Chile, Iceland, Korea, Poland, the Slovak Republic and the United Kingdom are not available. Social security funds are not separately identified (i.e. recorded under central and/or sub-central government) for Canada, Estonia, Ireland, Japan, New Zealand, Norway, Spain, Switzerland and the United States. Data for Germany, Ireland, Norway and Sweden are for 2010 rather than 2011. Data for Japan, Mexico and the Russian Federation are for 2009 rather than 2011. Data for Greece, Hungary and Switzerland are for 2008 rather than 2011. Data for the Czech Republic are for 2007 rather than 2011. Data for France and South Africa are for 2006 rather than 2011.

5.3: Data for Brazil are for 2009. Data for Portugal are for 2008.

5.4: Data for Portugal are not available.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

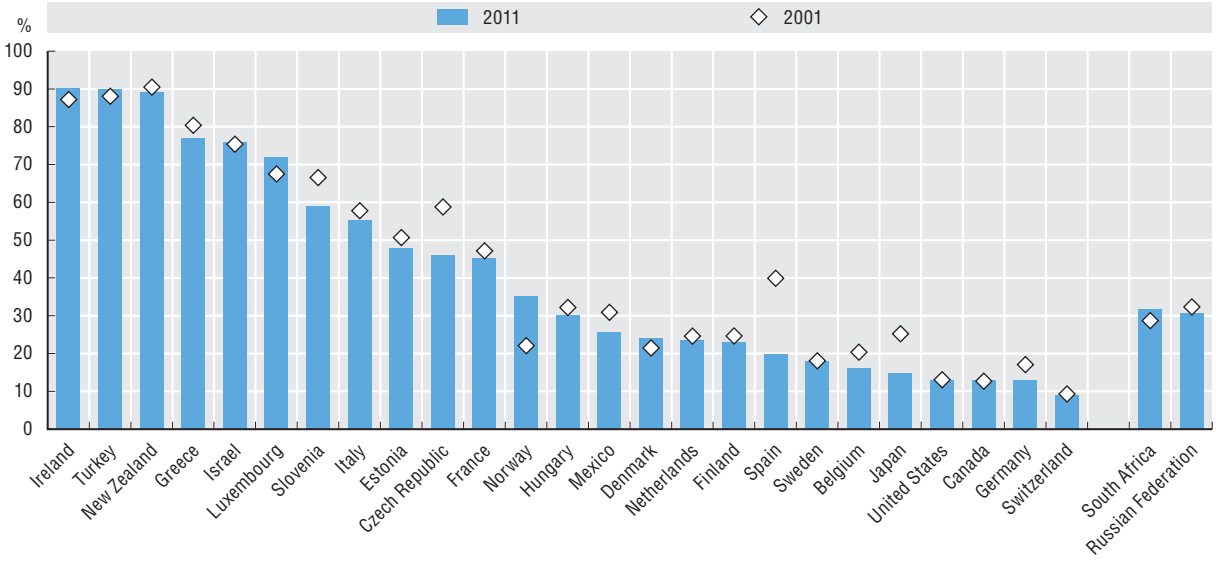
5.3. Distribution of general government employment across levels of government (2011)



Source: International Labour Organization (ILO), *LABORSTA* (database).

StatLink http://dx.doi.org/10.1787/888932942279

5.4. Change in the percentage of government staff employed at the central level (2001 and 2011)



Source: International Labour Organization (ILO), *LABORSTA* (database).

StatLink http://dx.doi.org/10.1787/888932942298

Compensation of senior managers

The level of total compensation for senior managers in the public sector is one indicator of the attractiveness of the public sector and of its ability to keep talent for positions with high levels of responsibility in government. Compensation in these positions represents a minimal share of public expenditures, but holds symbolic value as it concerns staff who have a leading role in government policy making and execution and whose appointment is often discretionary.

D1 managers are top public servants below the minister or Secretary of State, and D2 are just below D1 (see Annex D for details). D1 managers earn on average 32% more than D2 managers, but can sometimes earn less than D2 managers because they have less seniority, e.g. have been in their position for less time.

On average, D1 level senior managers' compensation amounts to around USD 230 000 PPP, including about USD 36 000 PPP in employers' social contributions and USD 31 000 PPP for working time correction. D2 level managers' total compensation reaches around USD 175 000 PPP (including employers' social contributions and holidays). Differences in compensation levels across countries result from differences in the share of highly qualified employees, seniority levels and the share of women in senior occupations. Differences can also be the result of different organisational structures in countries. Relative to GDP per capita (accounting for the differences in economic development of the countries), D1 senior managers in Italy, New Zealand, and Chile experienced the highest compensations while in Iceland, the Slovak Republic and Norway, D1 senior managers had among the lowest levels of earnings.

Differences in compensation levels can also result from differences in national labour markets, in particular the remuneration in the private sector for comparable skills. Part of this effect is captured by comparing the average compensation of senior managers to the compensation of tertiary-educated employees. On average, a D1 senior manager's compensation is 3.4 times higher than the average tertiary educated employee's compensation.

Methodology and definitions

Data refer to 2011 and were collected by the 2012 OECD Survey on the Compensation of Employees in Central/Federal Governments. Officials from central Ministries and Agencies responded through the OECD Network on Public Employment and Management.

Data are for six central government Ministries/Departments (Interior, Finance, Justice, Education, Health and Environment or their equivalents). The classification and the definition of the occupations are an adaptation of the International Standard Classification of Occupation (ISCO) developed by the International Labour Organization (ILO). Compensation levels are calculated by averaging the compensation of the staff in place.

Total compensation includes wages and salaries, and employers' social contributions, both funded and unfunded. Social contributions are restricted to health and pensions systems, in order to have consistent data across countries.

Compensation was converted to USD using PPPs for GDP from the *OECD National Accounts Statistics* (database). The data are not adjusted for hours worked per week, since managers are formally or informally expected to work longer hours but adjusted for the average number of holidays.

See Annex D for the full methodology.

Further reading

OECD (2012), *Public Sector Compensation in Times of Austerity*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264177758-en*.

Figure notes

Data for Canada, the Czech Republic, Hungary, Ireland, Luxembourg, Mexico, Switzerland and Turkey are not available.

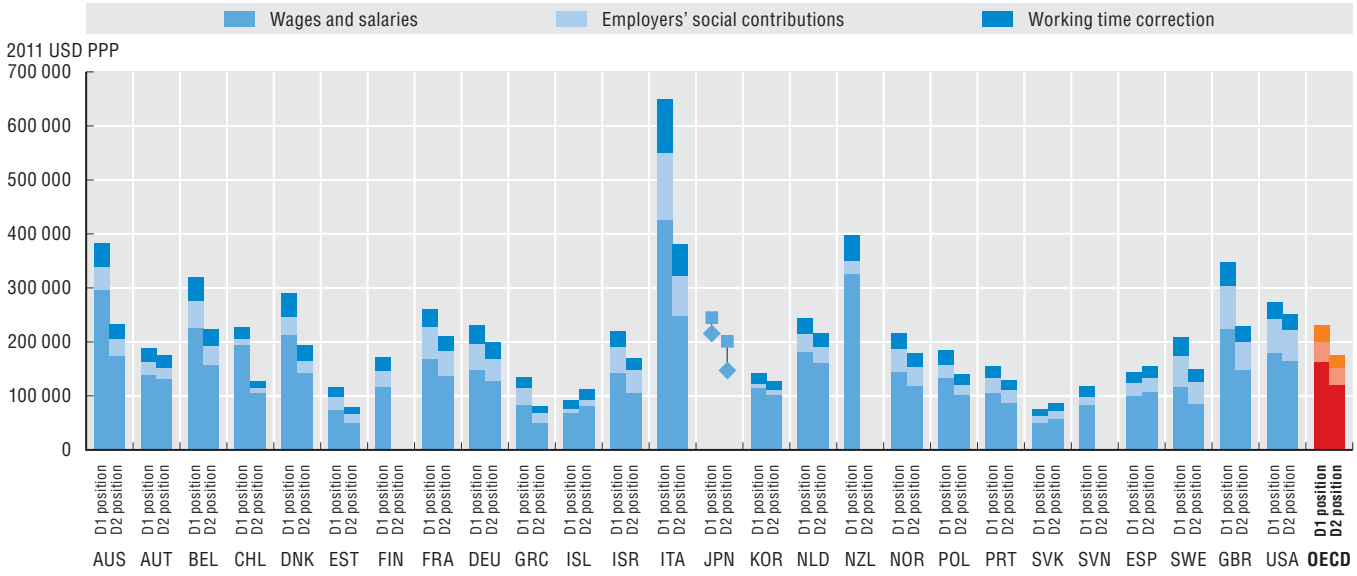
Compensation data for D2 positions are mixed with D1 positions in Finland and Slovenia. **Belgium:** Ministries of Education and Environment are not included because they do not belong to the federal authority. **Denmark:** Ministry of Education is not included because many of its tasks have been moved to other ministries. **Estonia:** data for the Ministries of Education and Environment are not available. **Greece, New Zealand:** only data on entry level and maximum level of compensation are available, the average is hence not the actual average but the mean between the entry level and the maximum level. **Iceland:** the Ministry of Justice belongs to the Ministry of Interior. **Italy:** a law in 2011 limits the level of compensation for senior managers from 2012 onwards to a maximum of USD 370 000 PPP. **Japan:** data are provided in terms of entry and maximum level of total compensation, the arithmetic mean has been taken into account in the OECD average. **The Slovak Republic:** only half of the employees in the Ministry of Justice are included for statistical reasons (consistency of ISCO codes). The head of civil service (one employee of each ministry; D1) is entitled for the coverage of unavoidable expenses in service and other personal expenses to untaxed flat rate compensation each month in the amount of 121% of the highest salary tariff (the highest salary tariff is EUR 935.5). This amount is not included in the data. **Spain:** data for D1 positions do not include incentive payments. **Sweden:** the Ministry of Interior belongs to the prime minister's office and is not included in the data. **The United Kingdom:** data are for 2012 (using PPP 2012) and the average is the median rather than the arithmetic mean.

Please see also Annex D for additional notes.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

5.5. Average annual compensation of central government senior managers (2011)

Adjusted for differences in holidays

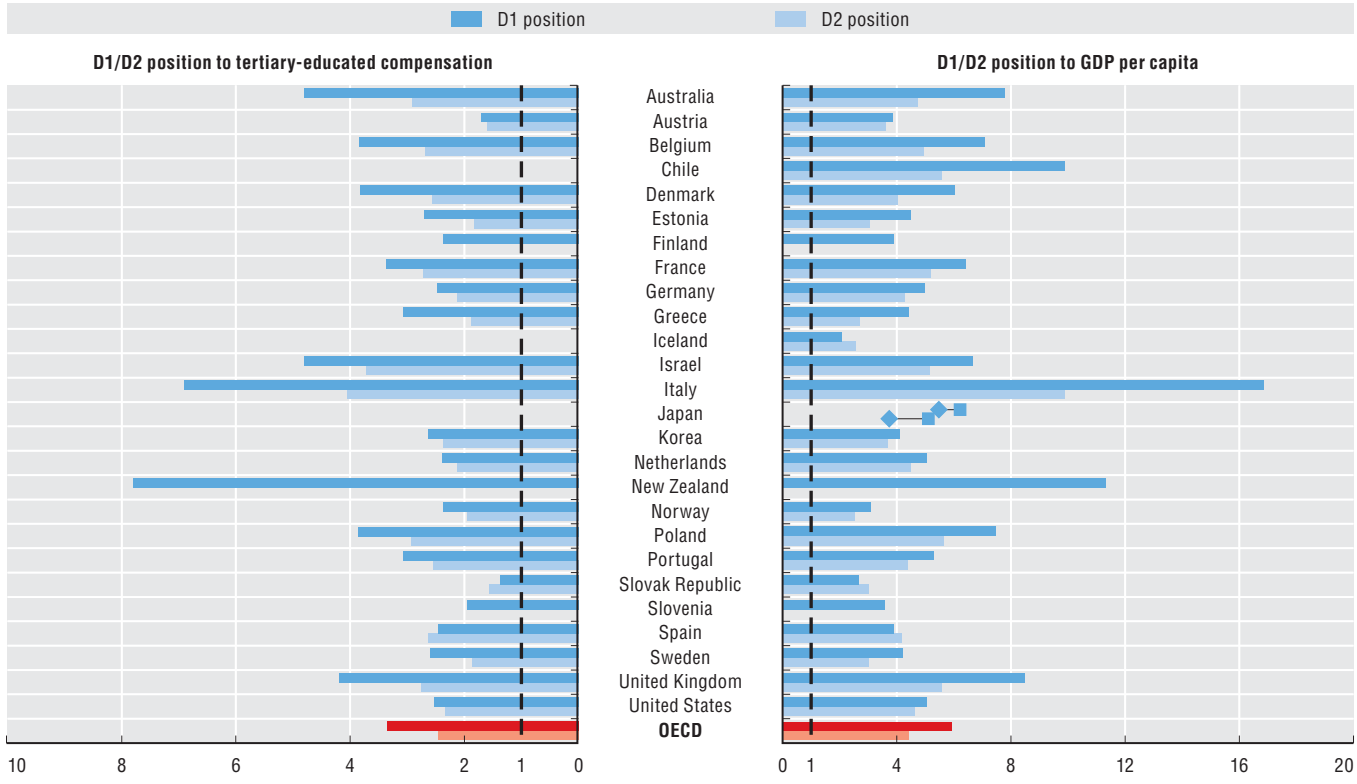


Sources: 2012 OECD Survey on Compensation of Employees in Central/Federal Governments; *OECD STAN/National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932942317

5.6. Average annual compensation of central government senior officials relative to GDP per capita and to compensation of tertiary-educated workers

Ratio in 2011



Sources: 2012 OECD Survey on Compensation of Employees in Central/Federal Governments; *OECD STAN/National Accounts Statistics* (database); OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eag-2013-en*.

StatLink http://dx.doi.org/10.1787/888932942336

Compensation of middle managers

Middle managers are located between senior management and professionals in the central government workforce hierarchy. Hence they have a key intermediate position to implement human resource management reforms and to interact and build trust and social dialogue with all public employees.

On average, D3 level middle managers' compensation amounts to around USD 126 000 PPP, of which 17% represents employers' social contributions and 14% the working time adjustment. D4 middle managers' total compensation reaches around USD 113 000 PPP (including employers' social contributions and holidays).

D3 managers plan, direct and co-ordinate the functioning of a directorate/administrative unit within the ministry and D4 are just below D3 (see Annex C for details). The difference in compensation between D3 and D4 positions is smaller than the difference between the two senior positions. D3 managers earn on average 10% more than D4 managers. In addition, the compensation of middle managers is significantly lower than that of senior managers – senior managers in D1 positions earn 84% more of what middle managers in D3 positions earn, and almost twice as much what managers in D4 positions earn. This difference between D1 and D4 positions is highest in Italy, Australia, the United Kingdom and Israel, and lowest in the United States and Korea.

Relative to GDP per capita, D3 middle managers in Poland and Chile reached top compensation levels while in Norway and Estonia they earned the lowest levels in this position. Similarly, D4 middle managers earnings recorded highest ratios in the United States but lowest ratios were found in Norway, Israel and Greece.

Differences in compensation levels can also result from differences in national labour markets. On average, a D3 middle manager's compensation is 1.8 times higher than a tertiary-educated employee's compensation. D3 positions seem relatively better compensated in Poland and, on the contrary, there can be a lower level of attractiveness in Austria, Estonia and the Slovak Republic. D4 positions in the United States and Belgium were more competitive in the public sector and, on the contrary weak in Austria, Israel and Norway as compared to the compensation of the tertiary-educated workers.

Methodology and definitions

Data refer to 2011 and were collected by the 2012 OECD Survey on the Compensation of Employees in Central/Federal Governments. Officials from central Ministries and Agencies responded through the OECD Network on Public Employment and Management.

Data are for six central government Ministries/Departments (Interior, Finance, Justice, Education, Health and Environment or their equivalents). The classification and the definition of the occupations are an adaptation of the International Standard Classification of Occupation (ISCO) developed by the International Labour Organization (ILO). Compensation levels are calculated by averaging the compensation of the staff in place.

Total compensation includes gross wages and salaries, and employers' social contributions, both funded and unfunded. Social contributions are restricted to health and pensions systems, in order to have consistent data across countries.

Compensation was converted to USD using PPPs for GDP from the *OECD National Accounts Statistics* (database). The data are not adjusted for hours worked per week, since managers are formally or informally expected to work longer hours but adjusted for the average number of holidays.

See Annex D for the full methodology.

Further reading

OECD (2012), *Public Sector Compensation in Times of Austerity*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264177758-en*.

Figure notes

Data for Canada, the Czech Republic, Hungary, Ireland, Luxembourg, Mexico, New Zealand, Switzerland and Turkey are not available.

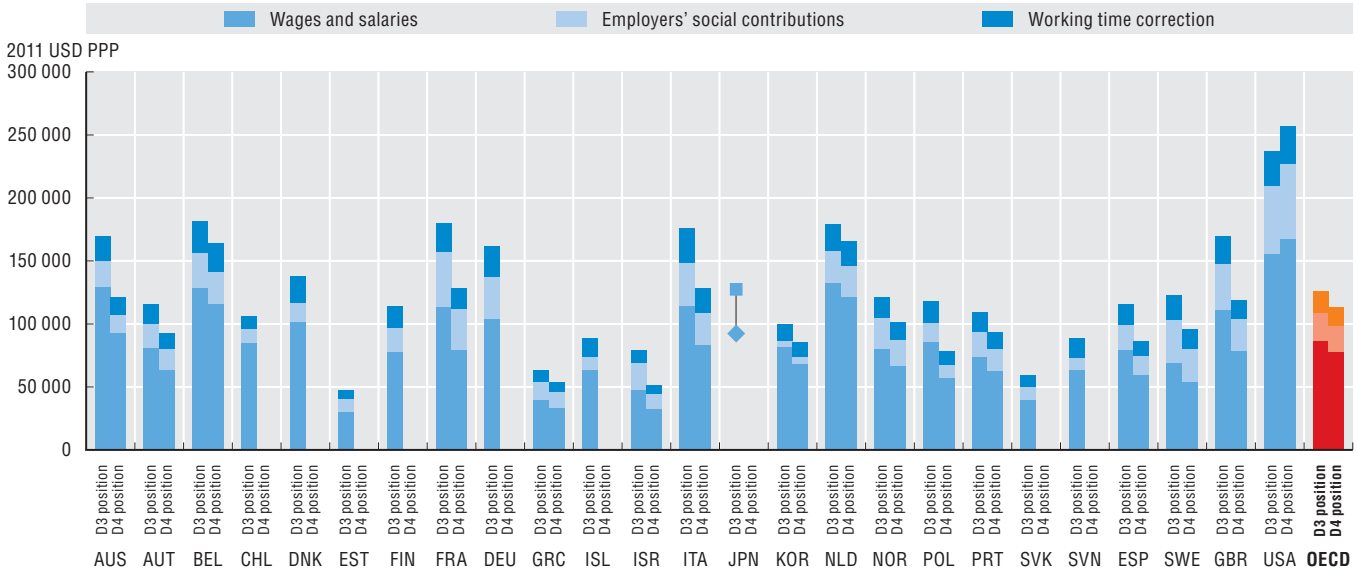
Compensation data for D4 positions are mixed with D3 in Estonia, Finland, Japan and Slovenia. **Belgium:** Ministries of Education and Environment are not included because they do not belong to the federal authority. **Denmark:** the Ministry of Education is not included because many of its tasks have been moved to other ministries. **Estonia**: data for the Ministries of Education and Environment are not available. **Greece:** only data on entry level and maximum level of compensation are available; the average is hence not the actual average but the mean between the entry level and the maximum level. **Iceland:** the Ministry of Justice belongs to the Ministry of Interior. **Japan:** data for D3 position are provided in terms of entry and maximum level of total compensation, the arithmetic mean has been taken into account in the OECD average. **The Slovak Republic:** only half of the employees in the Ministry of Justice are included for statistical reasons (consistency of ISCO codes). **Sweden:** the Ministry of Interior belongs to the prime minister's office and is not included in the data. **The United Kingdom:** data are for 2012 (using PPP 2012) and the average is the median rather than the arithmetic mean.

Please see also Annex D for additional notes.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

5.7. Average annual compensation of central government middle managers (2011)

Adjusted for differences in holidays

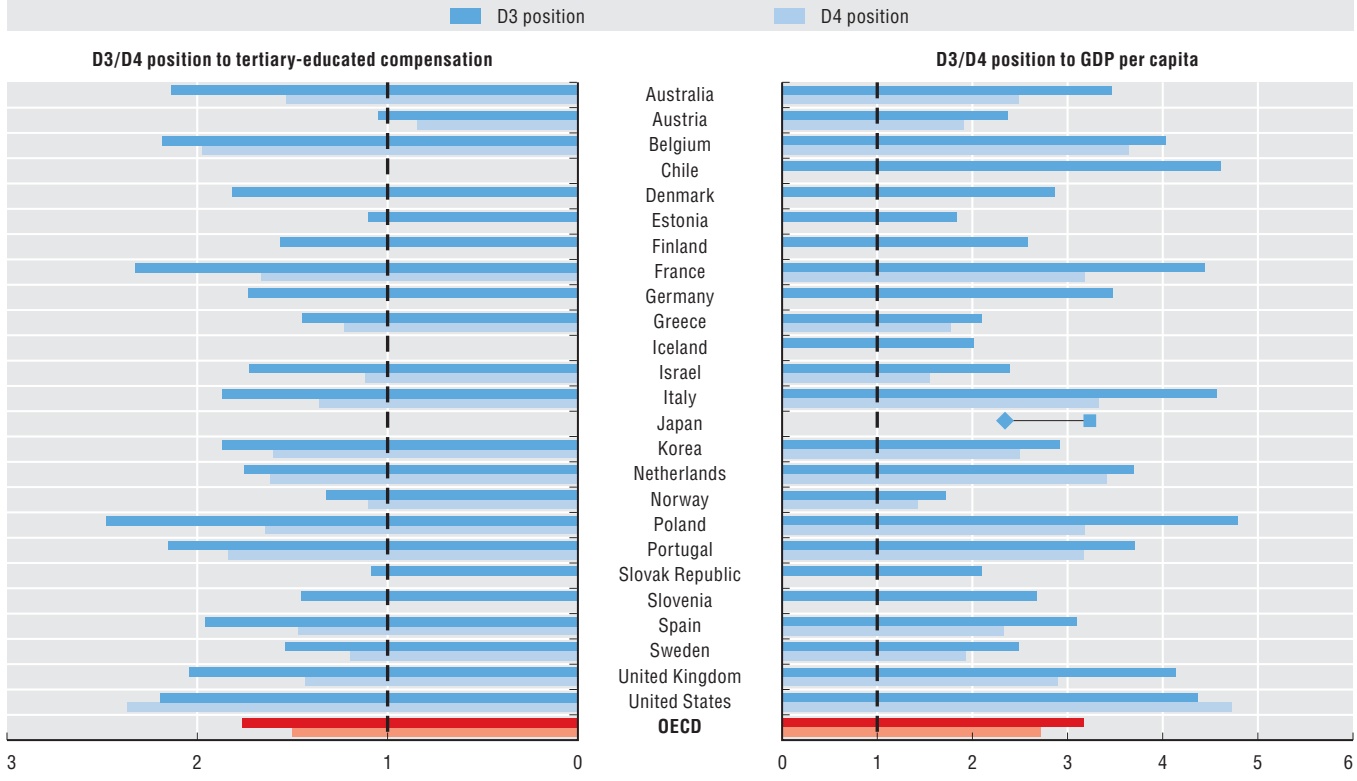


Sources: 2012 OECD Survey on Compensation of Employees in Central/Federal Governments; *OECD STAN/National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932942355

5.8. Average annual compensation of central government middle managers relative to GDP per capita and to compensation of tertiary-educated workers

Ratio in 2011



Sources: 2012 OECD Survey on Compensation of Employees in Central/Federal Governments; *OECD STAN/National Accounts Statistics* (database); OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eag-2013-en*.

StatLink http://dx.doi.org/10.1787/888932942374

Compensation of professionals in central government

Economists' and policy analysts' analytical skills are crucial for improving the government ability to take decisions based on evidence. Professionals do not have managerial responsibilities (beyond managing maximum three staff) and are above the ranks of administrative/secretarial staff (see Annex C for details). Data are presented for senior and junior professionals.

On average, senior professionals' compensation amounts to about USD 89 000 PPP, of which 17% each represents employers' contributions and working time adjustment. Junior professional compensation is almost USD 72 000 PPP (including employers' social contributions and working hours and holidays).

Senior professionals earn on average 24% more than junior professionals. The difference between the two levels is highest in Belgium, Chile and Denmark and lowest in Korea. D1 senior managers earn on average 2.6 times more than the senior professionals. The difference between D1 senior managers and senior professionals is highest in Italy and the United Kingdom and lowest in the Slovak Republic, Spain and Iceland. The survey suggests that the differences in the level of compensation between countries for these two professional groups across countries are less pronounced than for senior managers and middle managers.

Differences in compensation levels can result from various factors that are not controlled for. Relative to GDP per capita, professionals in Chile recorded the highest levels of compensation, while Greece, Estonia and Iceland experienced the lowest relative earnings in this occupational group. On average, when compared to the compensation of tertiary-educated workers, the category of junior professionals has almost the same levels of remuneration.

Methodology and definitions

Data refer to 2011 and were collected by the 2012 OECD Survey on the Compensation of Employees in Central/Federal Governments. Officials from central Ministries and Agencies responded to the survey through the OECD Network on Public Employment and Management.

Data are for six central government Ministries/Departments (Interior, Finance, Justice, Education, Health and Environment or their equivalents). The classification and the definition of the occupations are an adaptation of the International Standard Classification of Occupation (ISCO) developed by the International Labour Organization (ILO). Compensation levels are calculated by averaging the compensation of the staff in place.

Total compensation includes gross wages and salaries, and employers' social contributions, both funded and unfunded. Social contributions are restricted to health and pensions systems, in order to have consistent data across countries.

Compensation was converted to USD using PPPs for GDP from the *OECD National Accounts Statistics* (database). Working time adjustment compensates for differences in time worked, taking into account both the average number of working days/hours and the average number of holidays.

See Annex D for the full methodology.

Further reading

OECD (2012), *Public Sector Compensation in Times of Austerity*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264177758-en*.

Figure notes

Data for Australia, Canada, the Czech Republic, Hungary, Ireland, Japan, Luxembourg, Mexico, New Zealand, Norway, Switzerland and Turkey are not available.

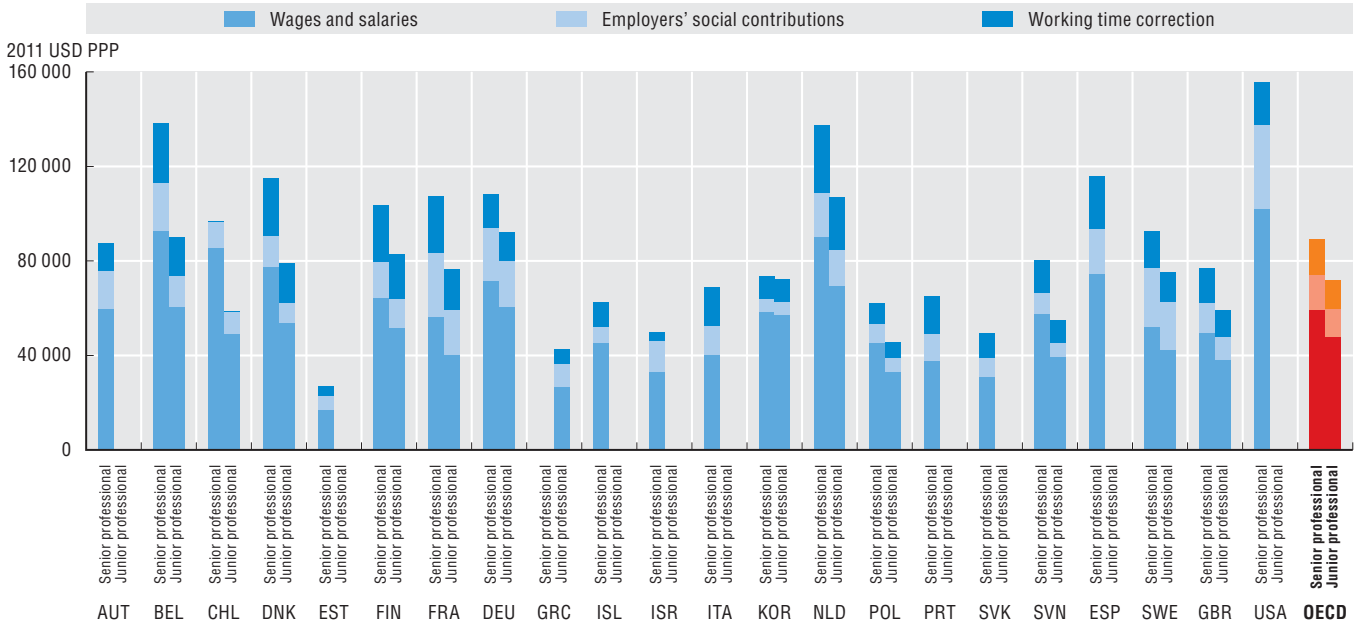
Senior and junior professionals are mixed for Austria, Estonia, Greece, Iceland, Israel, Italy, Portugal, the Slovak Republic, Spain and the United States. **Belgium:** the Ministries of Education and Environment are not included because they do not belong to the federal authority. **Denmark:** the Ministry of Education is not included because many of its tasks have been moved to other ministries. **Estonia:** the Ministries of Education and of Environment are not available. **Germany:** the distinction between both categories is based on the different education levels and not on the grade of experience. **Greece:** only data on entry level and maximum level of compensation are available; the average is hence not the actual average but the mean between the entry level and the maximum level. **Italy:** the number of employees includes full-time and part-time employees. **Iceland:** the Ministry of Justice belongs to the Ministry of Interior. **The Slovak Republic:** only half of the employees in the Ministry of Justice are included for statistical reasons (consistency of ISCO codes). **Sweden:** the Ministry of Interior belongs to the prime minister's office and is not included in the data. **The United Kingdom:** data are for 2012 (using PPP 2012) and the average is the median rather than the arithmetic mean.

Please see Annex D for additional notes.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

5.9. Average annual compensation of senior and junior professionals in central government (2011)

Adjusted for differences in working hours and holidays

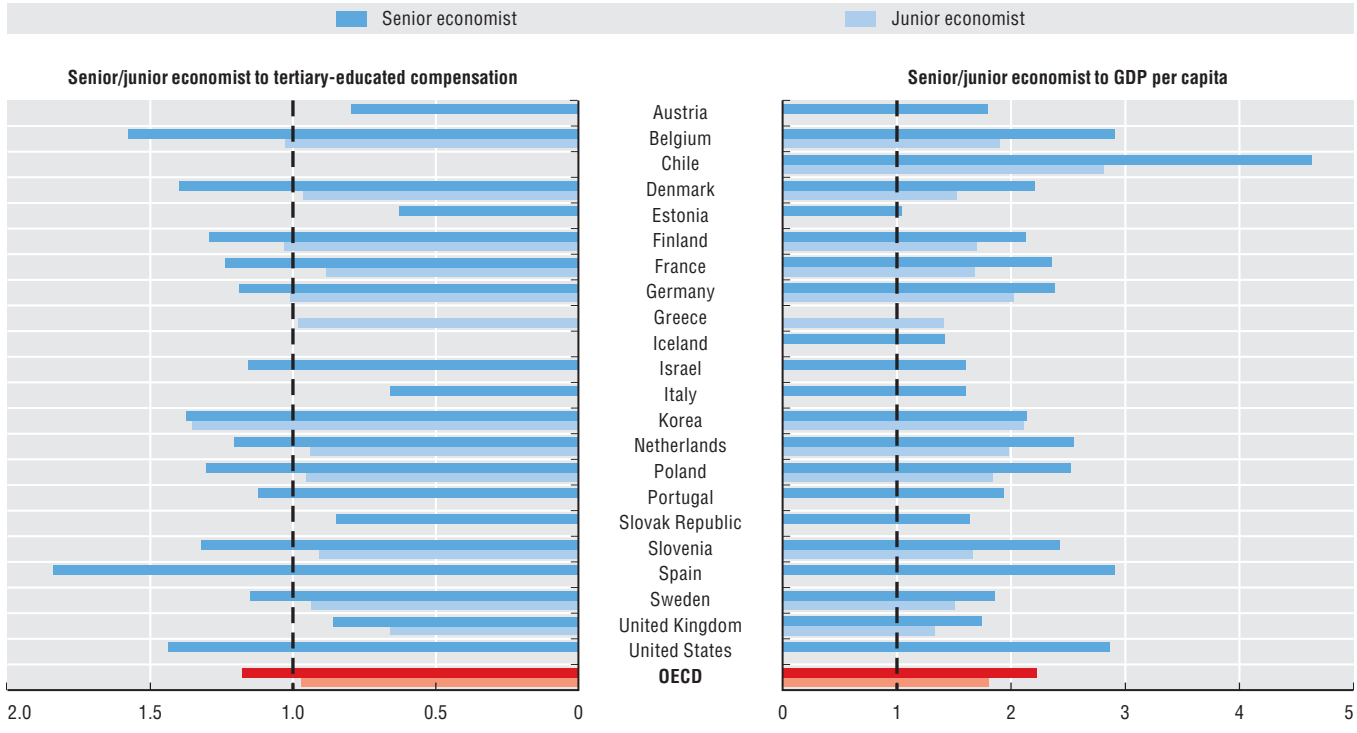


Sources: 2012 OECD Survey on Compensation of Employees in Central/Federal Governments; *OECD STAN/National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932942393

5.10. Average annual compensation of senior and junior professionals in central government relative to GDP per capita and to compensation of tertiary-educated workers

Ratio in 2011



Sources: 2012 OECD Survey on Compensation of Employees in Central/Federal Governments; *OECD STAN/National Accounts Statistics* (database); OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eag-2013-en*.

StatLink http://dx.doi.org/10.1787/888932942412

Compensation of secretarial staff

Among the different central government occupations, the remuneration of staff in secretarial positions seems to vary the least across OECD member countries. On average, secretaries' compensation amounts to around USD 50 000 PPP, including almost USD 8 600 PPP employers' contributions and USD 8 500 PPP for working time correction. By consequence, gross wages reached 66% of total compensation. To account for the total amount of contributions to social security systems, one should add employees' social contributions that are included in the gross wage. As for other occupations, the structure of total remuneration between wages and employers' social contributions varies across countries. Those differences are linked to historical, cultural and political consensus on how to fund the social security system. Senior managers in D1 positions earn on average 4.6 times more than secretaries. This difference is the most significant in Italy, Australia and the United Kingdom, and the lowest in Iceland, the Slovak Republic and Spain.

When corrected by GDP per capita, secretaries' compensations are highest in Poland and the Netherlands while lowest ratios are found in the Slovak Republic and Estonia.

Differences in compensation levels can also be the result of differences in national labour markets, in particular the remuneration in the private sector of comparable skills. In this comparison, secretaries seem relatively better compensated in Korea and Spain relative to tertiary-educated workers. On the contrary these positions can be less attractive in the Slovak Republic. It is important to note that the ratio of secretaries' compensation to the average tertiary-educated employees' compensation is lower than one for all the countries and equals 0.7 on average. This might reflect that secretarial positions do not necessarily require that incumbents have tertiary education but it might indicate also that this is the result of differences in national labour markets, in particular the remuneration in the private sector for similar positions.

Methodology and definitions

Data refer to 2011 and were collected by the 2012 OECD Survey on the Compensation of Employees in Central/Federal Governments. Officials from central ministries and agencies responded to the survey through the OECD Network on Public Employment and Management.

Data are for six central government Ministries/Departments (Interior, Finance, Justice, Education, Health and Environment or their equivalents). The classification and the definition of the occupations are an adaptation of the International Standard Classification of Occupation (ISCO) developed by the International Labour Organization (ILO). Compensation levels are calculated by averaging the compensation of the staff in place.

Total compensation includes gross wages and salaries, and employers' social contributions, both funded and unfunded. Social contributions are restricted to health and pensions systems, in order to have consistent data across countries.

Compensation was converted to USD using PPPs for GDP from the *OECD National Accounts Statistics* (database). Working time adjustment compensates for differences in time worked, taking into account both the average number of working days/hours and the average number of holidays.

See Annex D for the full methodology.

Further reading

OECD (2012), *Public Sector Compensation in Times of Austerity*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264177758-en*.

Figure notes

Data for Canada, the Czech Republic, Greece, Hungary, Ireland, Japan, Luxembourg, Mexico, New Zealand, Switzerland and Turkey are not available.

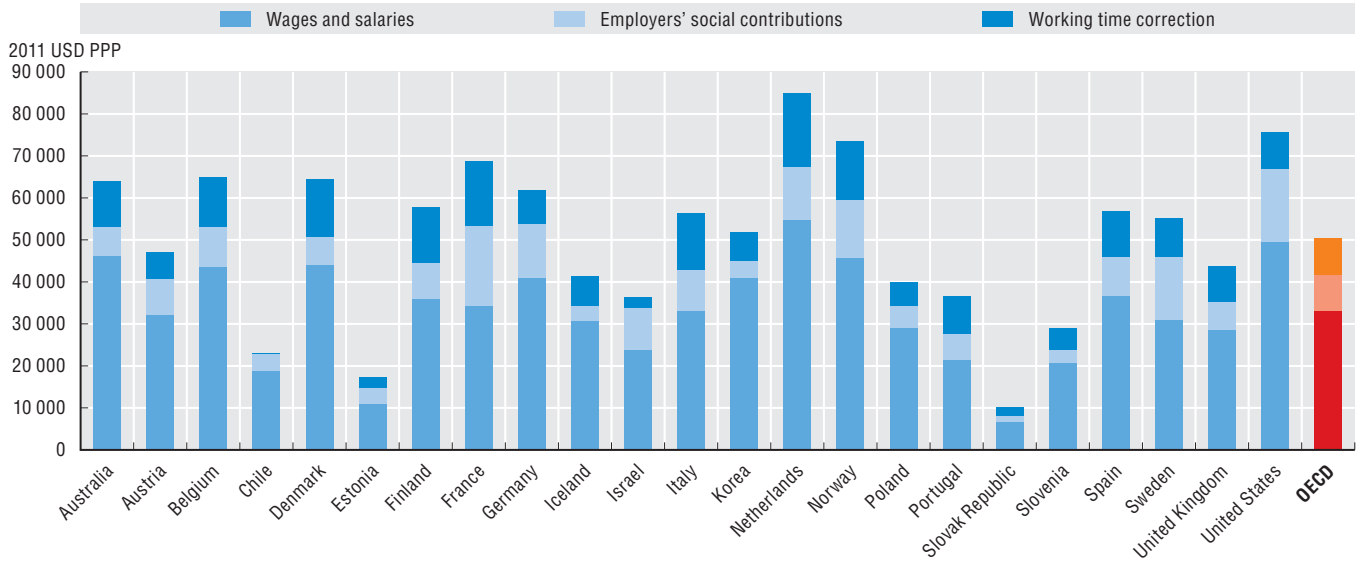
Belgium: the Ministries of Education and Environment are not included because they do not belong to the federal authority. **Denmark:** the Ministry of Education is not included because many of its tasks have been moved to other ministries. **Estonia:** the Ministries of Education and of Environment are not available. **Iceland:** the Ministry of Justice belongs to the Ministry of Interior. **Italy:** the number of employees includes full-time and part-time employees. **The Slovak Republic:** only half of the employees in the Ministry of Justice are included for statistical reasons (consistency of ISCO codes). **Sweden:** the Ministry of Interior belongs to the prime minister's office and is not included in the data. **The United Kingdom:** data are for 2012 (using PPP 2012) and the average is the median rather than the arithmetic mean.

Please see Annex D for additional notes.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

5.11. Average annual compensation of employees in secretarial positions (2011)

Adjusted for differences in working hours and holidays

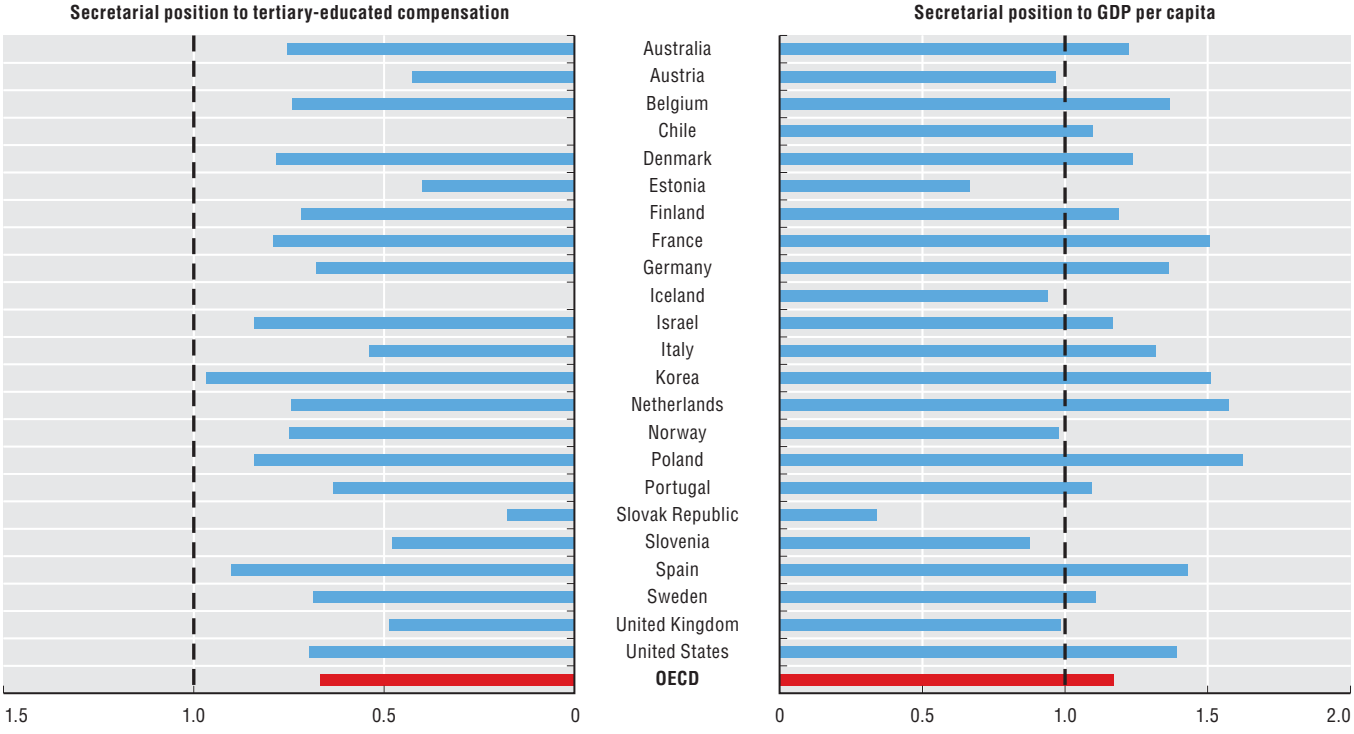


Sources: 2012 OECD Survey on Compensation of Employees in Central/Federal Governments; *OECD STAN/National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932942431

5.12. Average annual compensation of employees in secretarial positions relative to GDP per capita and to compensation of tertiary-educated workers

Ratio in 2011



Sources: 2012 OECD Survey on Compensation of Employees in Central/Federal Governments; *OECD STAN/National Accounts Statistics* (database); OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eag-2013-en*.

StatLink http://dx.doi.org/10.1787/888932942450

Compensation in selected service occupations

Central government employees in service occupations work on the front line interacting with users of public services. Data are included for occupations related to law and order and tax administration: police inspectors and detectives (called police inspectors), police officers, immigration officers, customs inspectors and tax inspectors. Though all countries have employees in charge of these tasks, some of these functions are also carried out by sub-central governments. In some countries specific functions (immigration or tax) cannot be distinguished.

On average, police inspectors' compensation amounts to around USD 83 000 PPP, of which 18% represents employers' contributions and 19% working time adjustment. Police officers' compensation is approximately USD 63 000 PPP (including employers' social contributions and working hours and holidays).

Differences in compensation levels are rather small among the five occupations. A police inspector earns 33% more than a police officer on average. The United States and the United Kingdom invest proportionately more than other countries in their police inspectors compared to their police officers. On the contrary, police officers and inspectors earn nearly the same amount in Iceland, the Netherlands and Norway.

Central governments seem to pay tax inspectors more than police officers mostly in the Netherlands, Slovenia, Portugal and Spain. In addition, Portugal, the United Kingdom and the United States to a large extent seem to invest more in customs inspectors relative to police officers. The same group of countries plus the Netherlands seem to remunerate immigration officers more than police officers.

As is the case for other occupations, the structure of total remuneration between wages and salaries and employers' social contributions varies across countries. Those differences are linked to historical, cultural and political consensus on how to fund the social security system.

Relative to GDP per capita and when compared to the average tertiary-educated wage, two occupations were analysed: police inspectors and police officers. On average, the ratio of police inspectors' compensation to the average tertiary-educated compensation is nearly equal but slightly lower for police officers, meaning that earnings for these positions have the same level of attractiveness or lower than the average compensation of the whole economy.

Methodology and definitions

Data refer to 2011 and were collected by the 2012 OECD Survey on the Compensation of Employees in Central/Federal Governments. Officials from central Ministries and Agencies responded to the survey through the OECD Network on Public Employment and Management.

Data is for some frontline service delivery agents (detectives/police inspectors, police officers, immigration officers, customs inspectors and tax inspectors). The classification and the definition of the occupations are an adaptation of the International Standard Classification of Occupation (ISCO) developed by the International Labour Organization (ILO).

Total compensation includes gross wages and salaries, and employers' social contributions, both funded and unfunded, including pension payments paid through the state budget rather than through employer social contributions (mostly for some pay-as-you-go systems). Social contributions are restricted to health and pensions systems, in order to have consistent data across countries.

Compensation was converted to USD using PPPs for GDP from the *OECD National Accounts Statistics* (database). Working time adjustment compensates for differences in time worked, taking into account both the average number of working days/hours and the average number of holidays.

See Annex D for the full methodology.

Further reading

OECD (2012), *Public Sector Compensation in Times of Austerity*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264177758-en*.

Figure notes

Data for Canada, Chile, the Czech Republic, Germany, Greece, Hungary, Ireland, Japan, Luxembourg, Mexico, New Zealand, Switzerland and Turkey are not available.

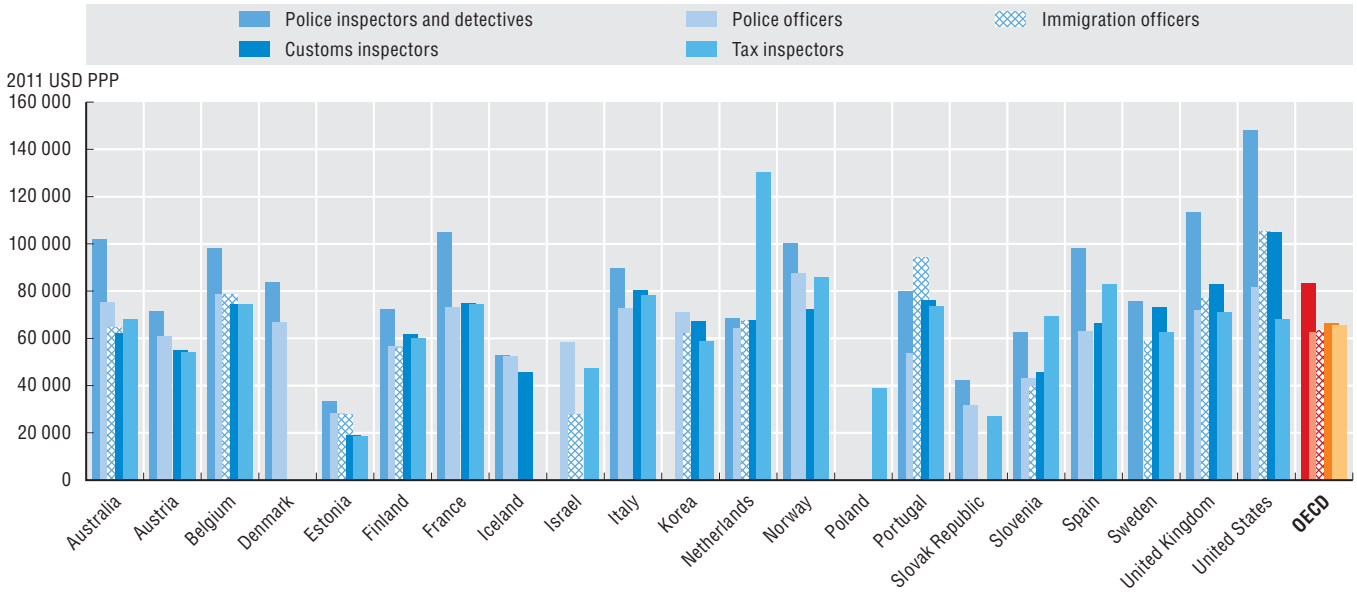
Immigration officers are included in police officers in Austria, Denmark, Iceland, Italy, Norway, the Slovak Republic and Spain. Police inspectors and police officers are mixed in Israel, Korea and Sweden. Customs officers are included in police officers in the Slovak Republic. Tax inspectors and immigration officers are included in police officers in Iceland. **Australia:** municipal and local police officers and inspectors represent the major share of police employees and are not included. **Austria:** only contractual workers are considered since they represent the majority of service delivery agents. **Poland:** services delivery occupations are outside the civil service except for tax inspectors. **The United Kingdom:** data are for 2012 (using PPP 2012). Only data on entry level and maximum level of compensation are available, the average is hence not the actual average but the mean between the entry level and the maximum level.

Please see Annex D for additional notes.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

5.13. Average annual compensation of employees in service delivery occupations (2011)

Adjusted for differences in working hours and holidays

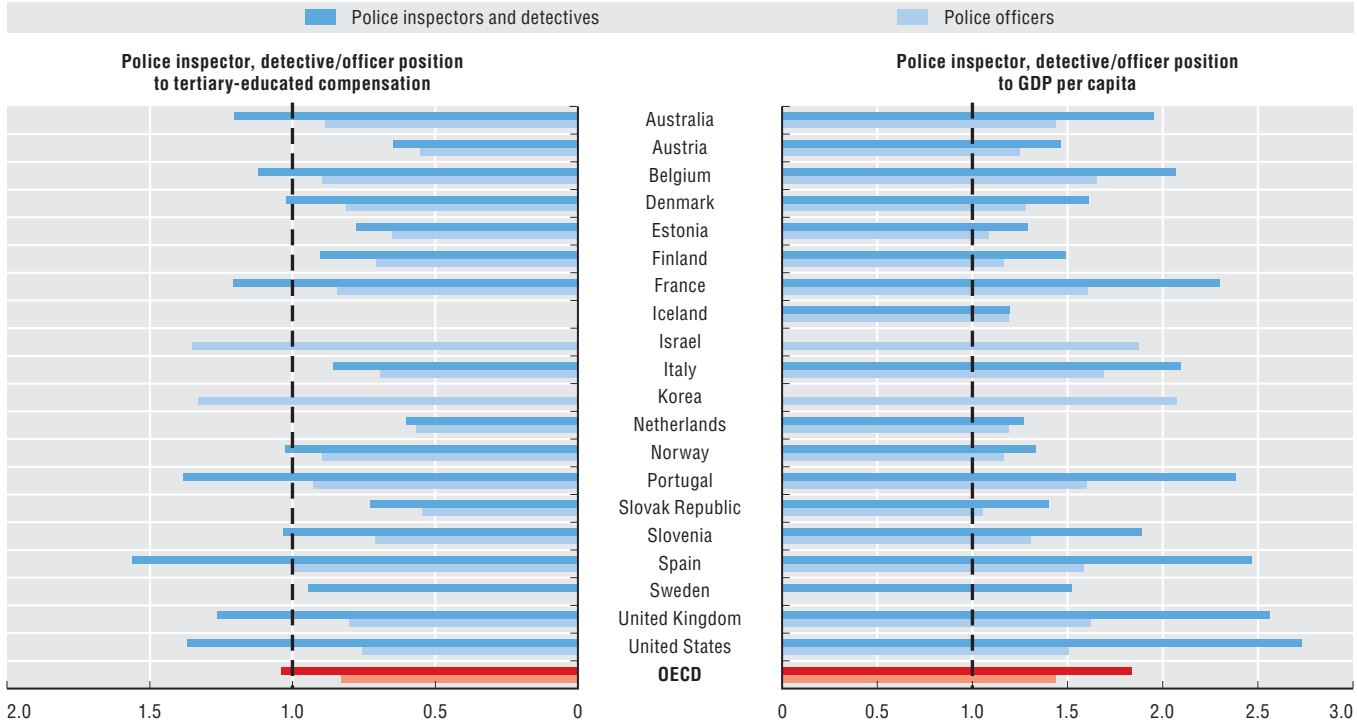


Sources: 2012 OECD Survey on Compensation of Employees in Central/Federal Governments, *OECD STAN/National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932942469

5.14. Average annual compensation of central government police inspectors and officers relative to GDP per capita and to compensation of tertiary-educated workers

Ratio in 2011



Sources: 2012 OECD Survey on Compensation of Employees in Central/Federal Governments; *OECD STAN/National Accounts Statistics* (database); OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eag-2013-en*.

StatLink http://dx.doi.org/10.1787/888932942488

Teachers' salaries

Teachers are the backbone of the education sector which is a crucial determinant of productivity and growth. Teachers' salaries represent the largest single cost item in the labour-intensive education system. Salaries and working conditions play an important role in attracting, motivating and retaining skilled teachers.

In most countries there are three categories of school teachers: primary, lower secondary and upper secondary. Salaries increase with qualifications, experience and job content, meaning the level of education they teach. The data presented here compare the starting, mid-career and maximum statutory gross wages of lower secondary teachers, who have the minimum level of training, in public institutions. However, international comparisons should consider that statutory salaries are just one, albeit major, component of teachers' overall compensation. Variations between countries in social benefits, both employers' social contributions and employees' social contributions, as well as bonuses and allowances can result in differences in total compensation. Moreover, teachers' salaries have not been adjusted for the differences in contractual working hours and holidays that may be relevant for national and international comparisons. However, these data can provide an indication of differences in the returns to teaching experience in OECD member countries.

The annual statutory gross basic wages of lower secondary teachers with 15 years of experience range from less than USD 15 000 PPP in Estonia, the Slovak Republic and Hungary to over USD 60 000 PPP in Luxembourg, Germany and the Netherlands in 2011. The average for OECD member countries reaches nearly USD 40 000 PPP. In Korea, Japan and Mexico top-of-the scale salaries are more than double the starting salaries. Salaries at the top of the scale are on average around 60% higher than starting salaries.

In general, teachers' gross wages are lower than the average annual gross wages for employees with a similar level of education (full-time, full-year workers with a tertiary education aged 25-64 years). In Spain, Korea, Luxembourg and Portugal, teachers earn more. In New Zealand, Canada, Germany and Finland, teachers' statutory salaries are almost equal to the average earnings of tertiary-educated workers. However, in the Slovak Republic, Iceland, the Czech Republic, Hungary, Italy and Austria, teachers' salaries are considerably below the average earnings of workers with a tertiary degree.

Methodology and definitions

Statutory salaries refer to scheduled salaries according to official pay scales. The salaries reported are gross (total sum paid by the employer before tax) less the employer's contribution to social security and pension (according to existing salary scales). They are for a full-time teacher with the minimum training necessary to be fully qualified at the beginning of the teacher career, after 15 years of teaching experience and at the maximum annual salary (top of the scale).

Statutory salaries as reported in this indicator must be distinguished from actual expenditures on wages by governments and from teachers' average salaries.

Gross teachers' salaries were converted to USD using PPPs from the *OECD National Accounts Statistics* (database).

The relative salary indicator is calculated for the latest year with earnings data available. In this case, teachers' salaries represent those actually paid after 15 years of work experience. Earnings for workers with a tertiary education are average earnings for full-time, full-year workers in the age group of 25-64 years with education at ISCED 5A/5B/6.

Further reading

OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eag-2013-en*.

Figure notes

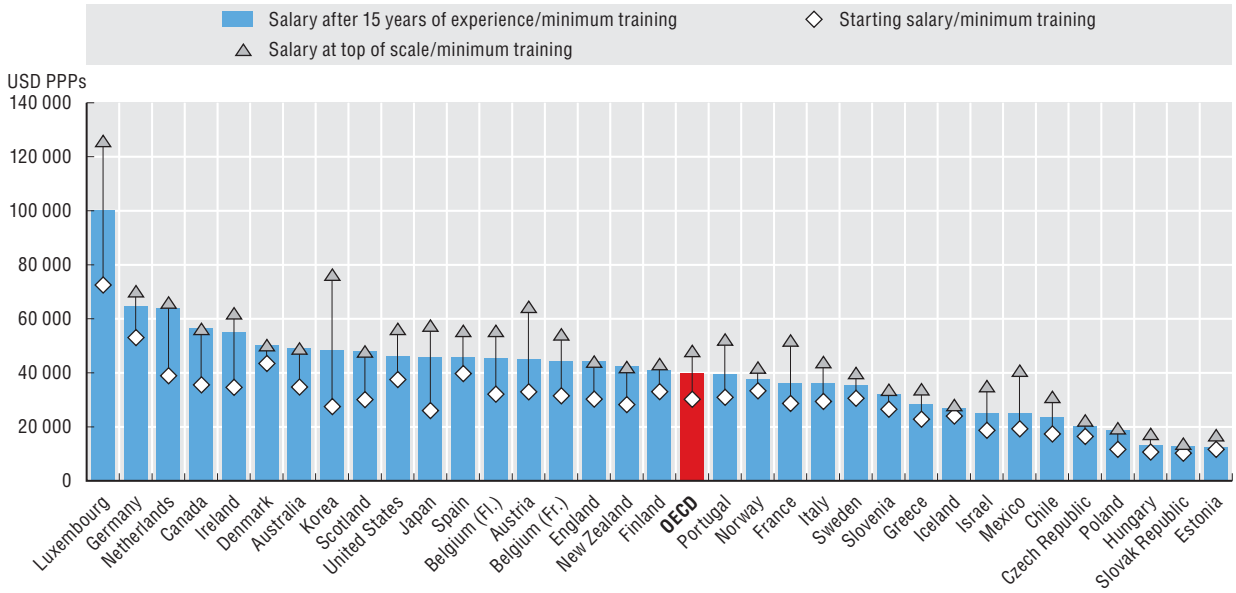
Belgium is presented as Belgium (Fr.) and Belgium (Fl.). The United Kingdom is presented as England and Scotland.

5.15: Data for Switzerland and Turkey are not available.

5.16: Data for Greece, Japan, Mexico, Switzerland and Turkey are not available. Data for Australia, Canada, Finland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal and Spain are for 2010. Data for France are for 2009. Data for Iceland are for 2006.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

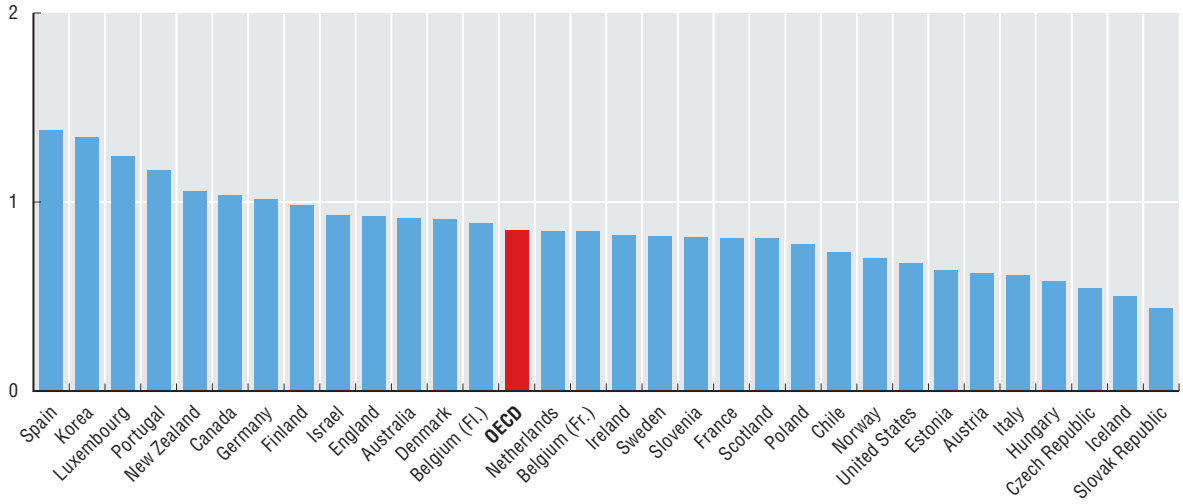
5.15. Teachers' salaries in lower secondary education in public institutions (2011)



Source: OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eag-2013-en.*

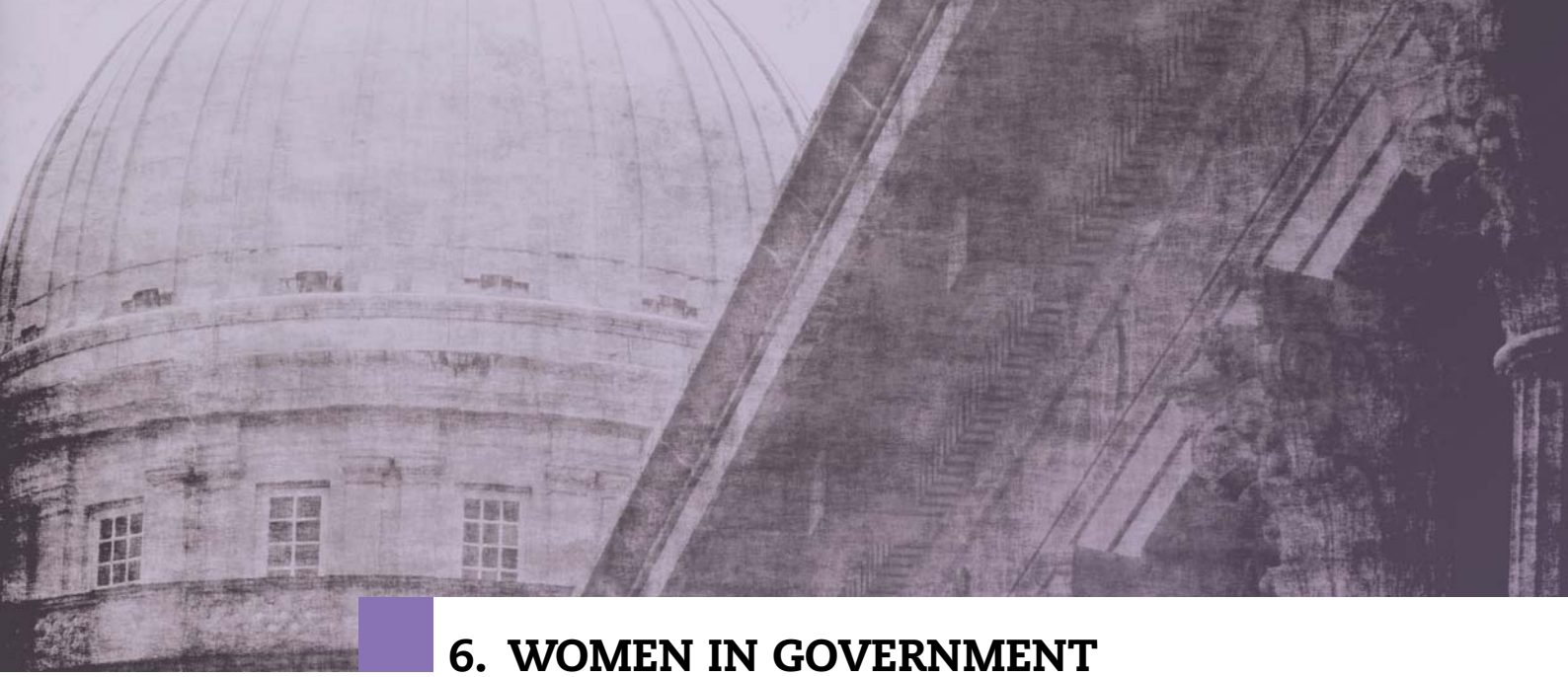
StatLink *http://dx.doi.org/10.1787/888932942507*

5.16. Ratio of teachers' salaries to the earnings of tertiary-educated workers (2011)



Source: OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eag-2013-en.*

StatLink *http://dx.doi.org/10.1787/888932942526*



6. WOMEN IN GOVERNMENT

Women represent a large and growing share of the public workforce in the majority of OECD member countries. Indeed, governments have taken a variety of steps to guarantee equal opportunities for their female and male employees, such as implementing recruitment and promotion targets and measures to facilitate greater work-life balance. Significant gender disparities remain, however, between various occupations, and women still face barriers in reaching senior leadership positions in government. Such gender imbalances in the upper echelons of government compromise the role of women in decision making, including in the legal system, where women are instrumental in protecting equal rights for all citizens. Further efforts are needed to close gender gaps and strengthen the capacity of governments to embed gender considerations in policy and programme design and implementation, thereby ensuring fairness and improving the responsiveness of government policies and services.

This chapter features indicators on the share of women in the executive, judicial and legislative branches of government in OECD member countries. Data on women in part-time work and in various positions in government employment are presented, along with a comparison of female employment in the public sector with the total labour force. These data indicate continued occupational segregation of women, with long-term impacts on pay and career prospects.

Women in general government employment

The share of women in government employment is an important indicator of openness and fairness in public institutions. As governments continue to strengthen fundamental public service values such as merit and transparency, they are increasingly recognising the importance of diversity measures, including gender representation. Moreover, creating a public sector that is representative of the population it serves contributes to improving the quality of public policies and responsiveness of services by fostering a better understanding of citizens' needs. It is also good practice in terms of boosting public sector productivity, by ensuring the government makes the best use of the available talent pool. Finally, promoting greater participation of women in the government workforce can be a means of enhancing social mobility.

On average in OECD member countries, women make up a larger portion of the general government workforce (56%) than the total labour force, where women account for about 40-50% of the total labour force. Government employment policies may be a significant draw for women in some countries, since in many countries the public sector may offer more flexible working conditions, additional paid parental leave, and/or higher subsidised childcare or other benefits compared to those available in the private sector. However, disparities do exist across member countries: the difference is largest in the Nordic countries, Estonia and Slovenia, where the share of women in general government is 20 percentage points higher than their share of total employment. Conversely, in Greece, Japan, the Netherlands and Turkey, women are slightly better represented in the labour force than in general government employment.

The share of women working in general government increased between 2001 and 2010 in all 21 OECD member countries for which data are available. Estonia experienced the largest rise in female employment over this period; women accounted for three quarters of general government employment in 2010, more than any other OECD member country. In contrast, according to the most recent figures, women represented only 24% and 36% of general government employees in Turkey and Greece, respectively.

Methodology and definitions

Data are from the International Labour Organization (ILO) and refer to 2001 and 2010. The general government sector comprises all levels of government, including: *a)* all units of central, state or local government; *b)* all social security funds at each level of government; and *c)* all non-market non-profit institutions that are controlled and mainly financed by government units. The labour force comprises all persons who fulfil the requirements for inclusion among the employed or the unemployed.

Data represent the number of employees except for the Netherlands and New Zealand, where the data represent full-time equivalents (FTE). As a result, employment numbers for these two countries are understated in comparison. Data for Canada, Chile, Finland, Poland and Turkey are for the public sector (general government and public enterprises) instead of general government.

Further reading

OECD (2012), *Closing the Gender Gap: Act Now*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264179370-en*.

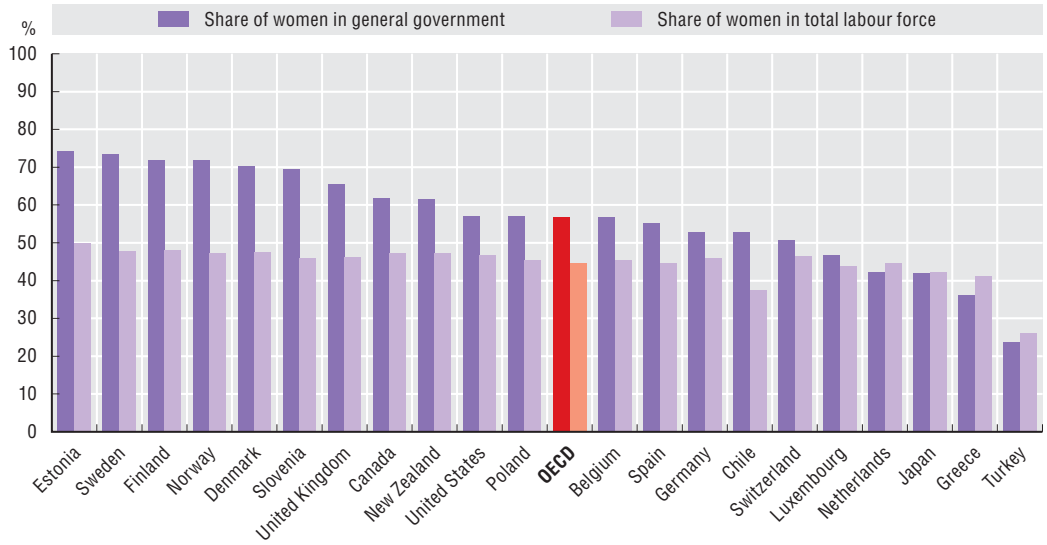
OECD (2011), *Public Servants as Partners for Growth: Toward a Stronger, Leaner and More Equitable Workforce*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264166707-en*.

Figure notes

Data for Japan are for 2009 rather than 2010. Data for Canada, Chile, Finland, Greece, Poland and Switzerland are for 2008 rather than 2010. Data for Norway and Sweden are for 2007 rather than 2010. Data for Turkey are for 2006 rather than 2010. Data for the Netherlands are for 2005 rather than 2010.

6.1: Data for the share of women in general government are from the ILO *LABORSTA* (database). Data for the share of women in the labour force are from the *OECD Labour Force Statistics* (database).

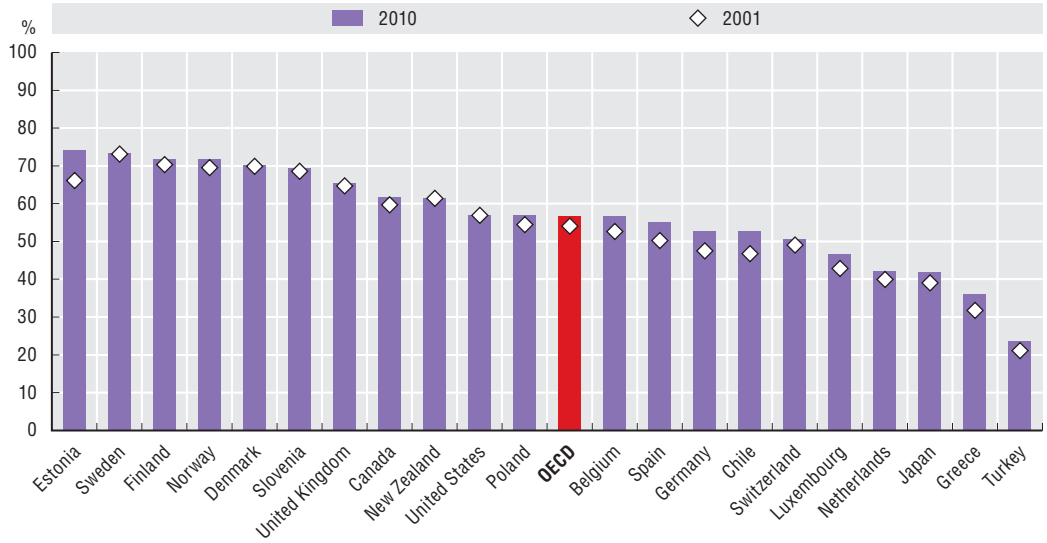
6.1. Women in general government compared to women in labour force (2010)



Sources: International Labour Organization (ILO), *LABORSTA* (database); and *OECD Labour Force Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932942545

6.2. Women in general government (2001 and 2010)



Source: International Labour Organization (ILO), *LABORSTA* (database).

StatLink http://dx.doi.org/10.1787/888932942564

Women in central government employment

Central government employment represents a subset of overall general government employment and includes a range of professional, managerial and secretarial positions in central government ministries or departments. The representation of women in central government, including senior administrative positions is therefore an important indicator of the role women play in policy making and implementation in OECD member countries.

On average, women accounted for just over 50% of all central government employees in 2010 in the 22 countries for which data are available. This figure is slightly less than the share of women in general government employment (57%, see Figure 6.2), reflecting the inclusion of female-dominated occupations, such as teachers and nurses, occupations that are more commonly found at state and local levels. Chile, Italy and Poland continue to employ the largest percentages of women in central government, at approximately 70%, while Japan employs the smallest share (16%), followed by Germany (39%). The representation of women in central government remains slightly larger than their employment in the labour force due to, in many countries, policies such as more flexible working conditions and paid parental leave.

The proportion of women in central government employment increased between 2000 and 2010 in nearly all 15 OECD member countries for which data are available (in two countries – Estonia and Japan – the share dropped by less than 1 percentage point). However, despite the growth in women in central government employment over the last decade, women continue to be over-represented in lower-level positions. In 15 of 19 countries, women occupy more than 50% of secretarial positions – in Slovenia and Austria, approximately 90% of secretarial positions are filled by women. Women are far less represented in higher tiers, where they occupy only 40% of middle management and 29% of top management positions (see Figure 6.4).

In addition, women make up a disproportionate share of part-time workers in the central government. In all 16 OECD member countries that provided data, two-thirds or more of part-time workers were women in 2010, including more than 85% in Germany, Luxembourg and France. Although part-time work may be an attractive option for employees seeking greater flexibility in order to balance work and family responsibilities, it generally leads to lower compensation and fewer opportunities for career advancement over the long term. Providing a path from part-time to full-time work is one way that countries can offer flexibility to all employees without damaging their long-term career prospects.

Methodology and definitions

Data were collected through the OECD 2011 Survey on Gender in Public Employment. Respondents were predominately senior officials in central government human resource management departments.

Central government (also referred to as the national or federal government) refers to the ministries/departments and agencies controlled and financed at the central level of government. Employment data refer to staff employed under the General Employment Framework, which covers the employment conditions of most government employees, as well as the majority of statutory employees. Part-time employment includes positions that involve fewer hours per week than a full-time job. The definition of part-time employment varies by country, but is usually fewer than 30 or 35 hours per week.

Top management positions are defined as those posts situated below ministers or deputy ministers. Middle management is the level immediately below top management down to positions responsible for the management of at least three people. These usually encompass heads of divisions/departments/units within a ministry. Professionals are defined as staff between management and clerical/administrative support staff. Secretarial positions include staff responsible for administrative tasks and general office support.

Further reading

OECD (2012), *Closing the Gender Gap: Act Now*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264179370-en*.

OECD (2011), *Public Servants as Partners for Growth: Toward a Stronger, Leaner and More Equitable Workforce*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264166707-en*.

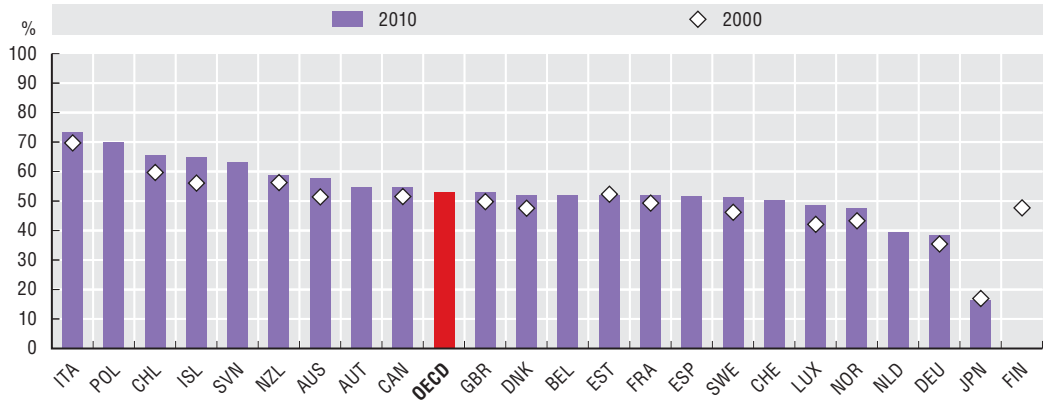
Figure notes

Data for Luxembourg, Slovenia and Sweden are for 2011 rather than 2010. Data for France are for 2009 rather than 2010. Data for the Netherlands are in full-time equivalent.

6.3: Data for Estonia, Japan and Spain are for full-time employees only. Data for Finland are not available for 2010.

6.4: Data for Switzerland on secretarial positions also include technical positions.

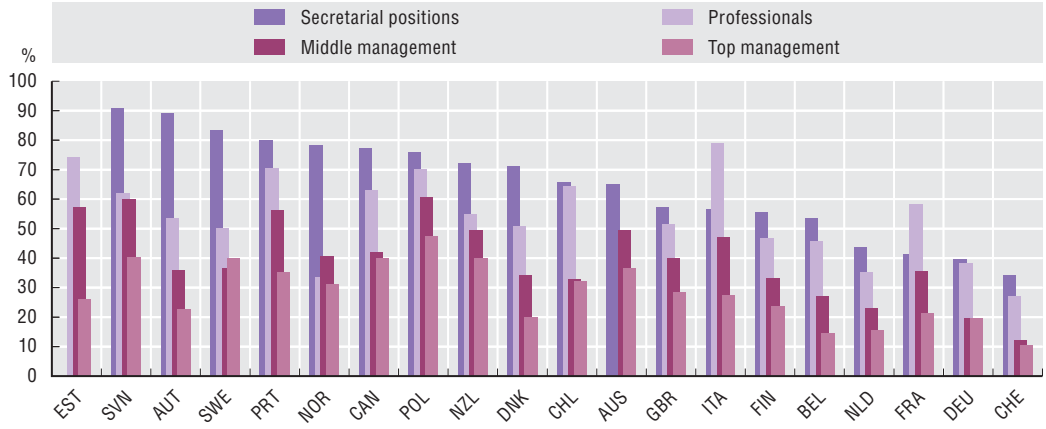
6.3. Share of central government employment filled by women (2000 and 2010)



Source: 2011 OECD Survey on Gender in Public Employment.

StatLink http://dx.doi.org/10.1787/888932942583

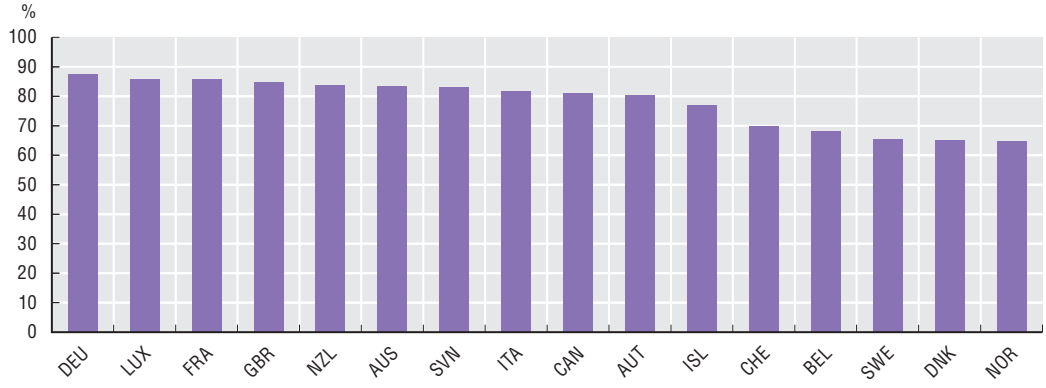
6.4. Share of central government employment by occupation groups filled by women (2010)



Source: 2011 OECD Survey on Gender in Public Employment.

StatLink http://dx.doi.org/10.1787/888932942602

6.5. Share of part-time positions in central government filled by women (2010)



Source: 2011 OECD Survey on Gender in Public Employment.

StatLink http://dx.doi.org/10.1787/888932942621

Women in senior administrative positions in central government

Despite the growing share of women employed in central governments (see also Figure 6.3), women remain under-represented in senior administrative or leadership positions. The gender imbalance found in senior levels of central government limits the role of women in the decision-making process, adversely impacting the fairness of public policies and laws. One key illustration of this is gender representation in the legal system, which is vital for upholding equal rights and eliminating gender-based discrimination in judicial rulings.

On average, in OECD member countries women occupy over 50% of central government jobs, but only 29% of top management positions in the 18 countries for which data are available. The extent to which women hold senior-level positions in central government administrations varies considerably among member countries. In Poland, almost 50% of top management jobs are filled by women, whereas this figure is more than halved in countries such as Belgium and Switzerland. The largest gaps between the share of women in central government and their presence in top senior positions can be found in Austria, Belgium and Italy.

A similar trend can be found in many justice systems of the OECD member countries. In 2010, just under half of professional judges in member countries with available data were women, but only 29% of seats for first and second instance court presidents were filled by women in the same year. Women are also relatively less represented on supreme courts (28% of justices). Women were presidents of supreme courts in only five member countries with available data (the Czech Republic, Ireland, Greece, Finland and Sweden).

In an effort to improve these imbalances, some countries implement active policy responses in order to ensure equal employment opportunities exist for women. These include the use of diversity or gender quotas, equal pay rules/guidelines, leadership training and mentoring programmes, as well as work-life balance schemes like flexible working hours. Some countries such as the United Kingdom and Canada have established special judicial commissions working to increase gender diversity in the pool of available candidates for judicial selection.

Methodology and definitions

Data on number of women in top management positions and central government were obtained from the 2011 OECD Survey on Gender in Public Employment. Responses were collected from government officials responsible for central/federal HRM and employment policies.

Data on the number of women professional judges and women as presidents of courts were collected from the Council of Europe's Commission for European Commission for the Efficiency of Justice (CEPEJ). Unless otherwise noted, the latter refer to first and second instance courts. Data concerning women supreme court justices were derived from the *European Commission Database on Women in Decision Making*. The definition of supreme court adopted by the European Commission refers to the highest judicial body in each country in the domain of civil and penal jurisdiction. In some countries, however, the supreme court may also have administrative and/or constitutional jurisdiction. Justices include presidents of supreme courts.

Further reading

CEPEJ (2012), *Evaluation of European Judicial Systems – 2012 edition (2010 data), CEPEJ Studies No. 18*, Council of Europe Publishing, Strasbourg.

OECD (2012), *Closing the Gender Gap: Act Now*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264179370-en*.

Figure notes

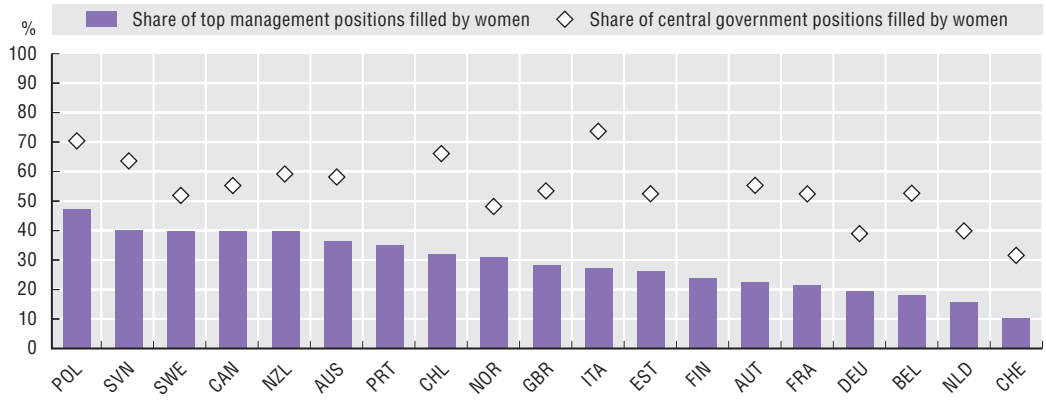
6.6: Data on share of women in central government positions unavailable for Portugal and Finland. Data for Luxembourg, Slovenia and Sweden are for 2011 rather than 2010. Data for France are for 2009 rather than 2010. Data for Estonia, Japan and Spain are for full-time employees only. Data for the Netherlands are in full-time equivalent.

6.7: Data on share of court presidents for Iceland, Ireland, Switzerland and Turkey refer to first instance courts only. Data for Spain refer to second instance courts only.

6.8: Data for Australia, Canada, Korea, Mexico, New Zealand, Switzerland, and Ukraine refer to 2010. Data for Chile, Norway and Israel refer to 2011. Data for the United States and Japan refer to 2013.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

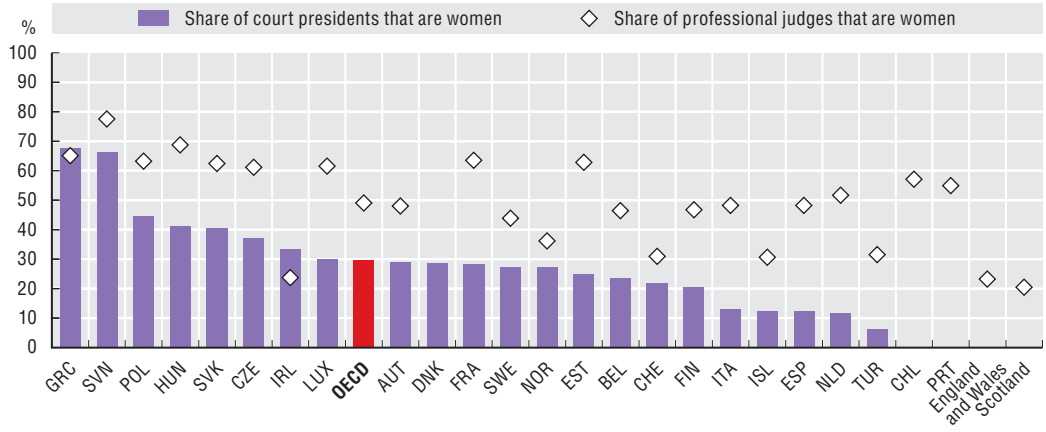
6.6. Women in top management positions compared to their share in central government (2010)



Source: 2011 OECD Survey on Gender in Public Employment.

StatLink http://dx.doi.org/10.1787/888932942640

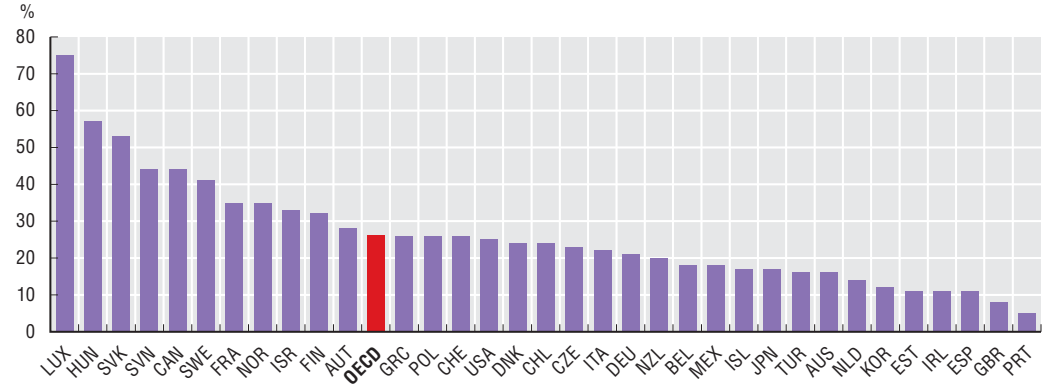
6.7. Women as court presidents compared to their share of professional judges (2010)



Source: CEPEJ (2012), *Evaluation of European Judicial Systems – 2012 edition (2010 data), CEPEJ Studies No. 18*, Council of Europe Publishing, Strasbourg. Data for Chile provided by national authorities.

StatLink http://dx.doi.org/10.1787/888932942659

6.8. Share of women supreme court justices (2012 or latest available year)



Source: EU countries, *European Commission Database on Women in Decision-Making*. Non-EU countries: 2011 OECD Survey on Women in Public Leadership.

StatLink http://dx.doi.org/10.1787/888932942678

Women in politics

Women's representation in politics is important not only in terms of ensuring gender equality in the political process, but also for bringing attention to important socio-economic issues such as human development, gender-based violence, family-friendly policies, equal pay, pensions, electoral reform and the delivery of services. Yet women still face a "glass ceiling" blocking their full participation in political life in the legislature and political executive, and remain generally underrepresented in politics.

On average in the OECD, women held just over a quarter of seats in lower or single houses of parliament – as of early 2012 – with only 12 member countries reaching or superseding the 30% threshold recommended by the United Nations and Inter-Parliamentary Union for the representation of women. Compared to 2002, this marks a small increase of 6 percentage points on average. The representation of women in OECD parliaments is generally highest in Nordic countries, with 40% or more of seats held by women in Sweden, Finland, Iceland and Norway. In Turkey, Japan, Chile and Hungary women held fewer than a quarter of seats.

Countries with proportional electoral systems tend to have more women in legislature, possibly due to the practice of selecting a more gender-balanced set of candidates in party lists. In the OECD, 9 out of 12 countries meeting the 30% representation threshold use some form of proportional representation in the election of legislative representatives. In addition to the type of electoral system in place, women's political representation can also be impacted by cultural and financial barriers as well as by challenges in reconciling responsibilities of political and private life. To address this gap, nine OECD member countries have introduced gender quotas as a means of promoting gender equality in parliaments. Application of these quotas, however, may vary, from quotas applied during the nomination process (e.g. rules for placing women on party lists or to be nominated in an electoral district) to results-based quotas whereby a certain share of number of seats in parliament are reserved for women.

In the political executive of OECD member countries, the percentage of women ministers increased from 21% in 2005 to 25% in 2012. Data from 2012 shows that the share of female ministers ranges from over 50% in Norway, Sweden, Finland and Iceland to less than 10% in Hungary, Estonia, Slovenia, Greece and Turkey. Women often hold social and cultural policy portfolios. Although the process of ministerial appointments differs depending on the country's political system (parliamentary voting or appointments versus presidential appointments with or without parliamentary approval), women are not represented equally in any system.

Methodology and definitions

Data for women parliamentarians refer to lower or single houses of parliament and were obtained from the *Inter-Parliamentary Union's PARLINE database*. Data refer to share of women parliamentarians recorded as of 31 October 2012 and 25 October 2002.

Countries in light blue represent lower or single house parliaments with legislated candidate quotas as of January 2013. Legislative quotas are enshrined in the election law, political party law or other comparable law of a country. By definition, both forms are based on legal provisions, obliging all political entities participating in elections to apply them equally. Non-compliance with legislative quotas can result in penalties for those political entities that do not apply to them. Data on gender quotas were obtained from the Institute for Democracy and Electoral Assistance (IDEA) *Global Database on Quotas for Women*.

Data on women ministers were obtained from the Inter Parliamentary Union's "Women in Politics" posters. Data represent appointed women ministers as of 1 January 2012 and 1 January 2005. Data show women as a share of total ministers, including deputy prime ministers and ministers. Prime ministers/heads of government were also included when they held ministerial portfolios. Vice-presidents and heads of governmental or public agencies have not been included in the total.

Further reading

International IDEA (2007), *Designing for Equality*, Stockholm, Sweden.

OECD (2012), *Closing the Gender Gap: Act Now*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264179370-en*.

Figure notes

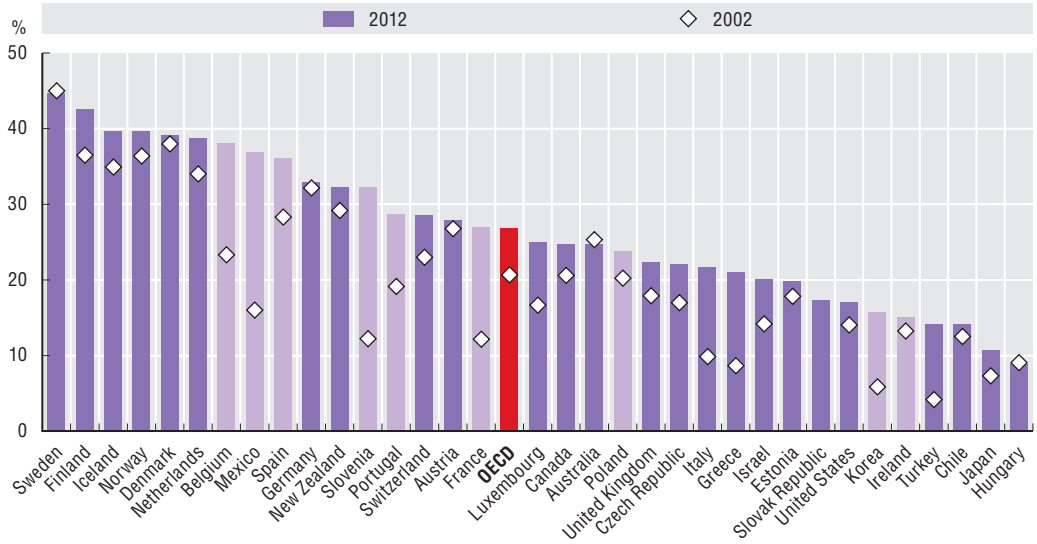
6.9: Data refer to share of women parliamentarians recorded as of 31 October 2012 and 25 October 2002. Percentages represent the number of women parliamentarians as a share of total filled seats. 2002 data for the Slovak Republic are unavailable.

6.10: Data represent women appointed ministers as of 1 January 2012 and 1 January 2005. The total includes deputy prime ministers and ministers. Prime ministers/heads of government were also included when they held ministerial portfolios. Vice-presidents and heads of governmental or public agencies have not been included.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

6.9. Share of women parliamentarians and legislated gender quotas (2012 and 2002)

Lower or single house of Parliament



Note: Bars in light purple represent countries with lower or single house parliaments with legislated candidate quotas as of 21 January 2013.

Sources: Inter-Parliamentary Union (IPU), *PARLINE* (database); and IDEA, *Quota Project* (database).

StatLink http://dx.doi.org/10.1787/888932942697

6.10. Share of women ministers (2005 and 2012)

Source: Inter-Parliamentary Union (IPU), "Women in Politics" Posters, 2012 and 2005.

StatLink http://dx.doi.org/10.1787/888932942716

7. PUBLIC PROCUREMENT

Representing an average of 13% of GDP in OECD countries, and 29% of general government expenditure, public procurement is a very important government activity. This chapter provides an estimate of the spending power of public procurement and underscores its potential as a policy lever to pursue economic, social and environmental goals while ensuring value for money and efficiency of spending.

A key concern for OECD member country governments today is achieving savings in order to consolidate public finances and create fiscal space for other policies. Many OECD countries therefore have used innovative vehicles to achieve economies of scale, restructuring their purchasing functions, consolidating their purchases and adopting ICTs in the procurement process.

Moreover, public procurement policies are utilised by many OECD member countries not only to foster value for money but also to pursue other policy objectives. These policy objectives are designed to spur innovation, promote sustainable growth, support the development of SMEs and level the playing field to access economic opportunities. Information on these and other strategic approaches to public procurement are included in this chapter.

Increasingly important challenges for governments in the coming years will be to reconcile the various objectives pursued through procurement, to increase monitoring and evaluation of procurement spending and results, and to address the gap in the professionalisation of the procurement function.

Public procurement spending

Public procurement is the purchase by governments and state-owned enterprises of goods, services and works. It accounts for a significant amount of total general government expenditure. In 2011, on average, general government procurement spending represented 29% of total general government expenditures (or 13% of GDP).

Considering the spending power of government procurement, countries that manage to achieve efficiency gains in procurement spending stand to achieve considerable savings to create greater fiscal space for economic and social policies. For instance, on average in OECD member countries, a decrease in procurement spending by 10% through improvements in efficiency (e.g. keeping the same basket of goods and services procured) would amount to a reduction of 2.9% of total general government expenditure, representing 1.3% of GDP in 2011. Efficiencies can be achieved through various tools including through the adoption of ICTs and the consolidation of purchases to exploit economies of scale.

Sub-central governments should also be included in efforts to improve efficiency in procurement spending, as government procurement spending at state and local levels accounts for 55% of total general government procurement spending on average across OECD countries. This is of particular importance for federal states – Austria, Belgium, Canada, Germany, Mexico, Spain, Switzerland and the United States – since their state or local level of government spends on average 76% of total government procurement. Nevertheless, unitary states should also direct efforts towards their sub-central levels of government, which account for 48% of procurement spending on average, most notably Italy (80%), Finland (72%), Denmark (69%), Japan (69%) and Sweden (69%).

Methodology and definitions

The size of general government procurement spending is estimated using data from the *OECD National Accounts Statistics* (database), based on the *System of National Accounts* (SNA). General government procurement is defined as the sum of intermediate consumption (goods and services purchased by governments for their own use, such as accounting or information technology services), gross fixed capital formation (acquisition of capital excluding sales of fixed assets, such as building new roads) and social transfers in kind via market producers (purchases by general government of goods and services produced by market producers and supplied to households). Figure 7.3, General government procurement as a percentage of GDP (2011), is available on line at *http://dx.doi.org/10.1787/888932942773*).

Government procurement here includes the values of procurement for central, state and local governments. The sub-central component refers to state and local governments. Social security funds have been excluded in this analysis, unless otherwise stated in the notes (however Figure 7.4 Government procurement by levels of government including social security funds, is available on line at *http://dx.doi.org/10.1787/888932942792*). State government is only applicable to the nine OECD federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a quasi-federal country), Switzerland and the United States. Public corporations were also excluded in the estimation of procurement spending.

Further reading

OECD (2013, forthcoming), *Principles for Integrity in Public Procurement: Progress in OECD Countries*, OECD Publishing, Paris.

OECD (2011), *National Accounts at a Glance 2011*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/na_glance-2011-en*.

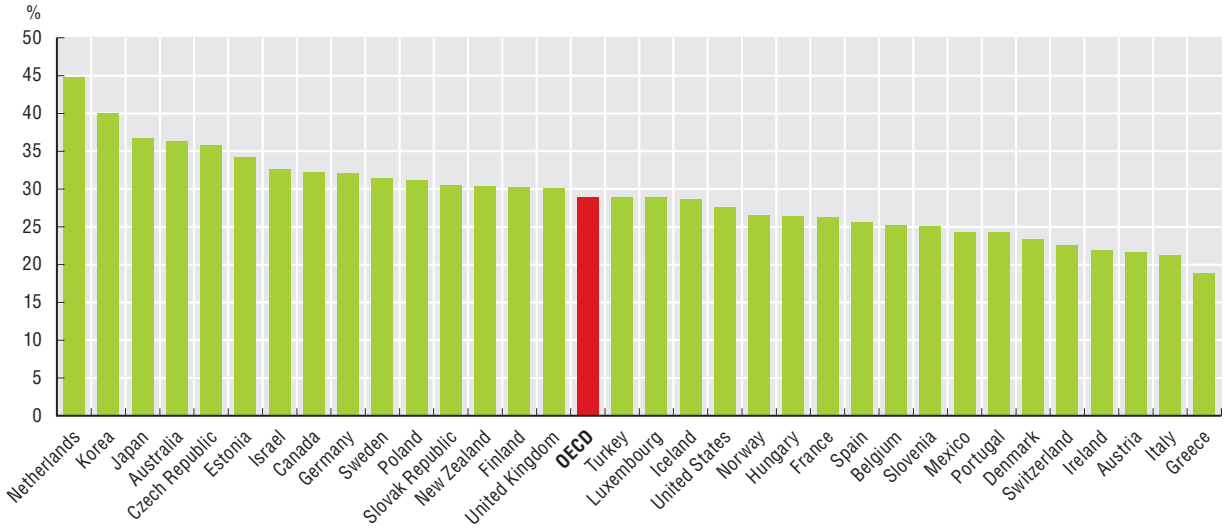
Figure notes

Data for Chile are not available. Data for Canada and New Zealand are for 2010 rather than 2011.

7.2: Data for Australia are not available. Social security funds are included in central government in New Zealand, Norway, the United Kingdom and the United States. Data for Japan at the sub-central level of government refer to fiscal years.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

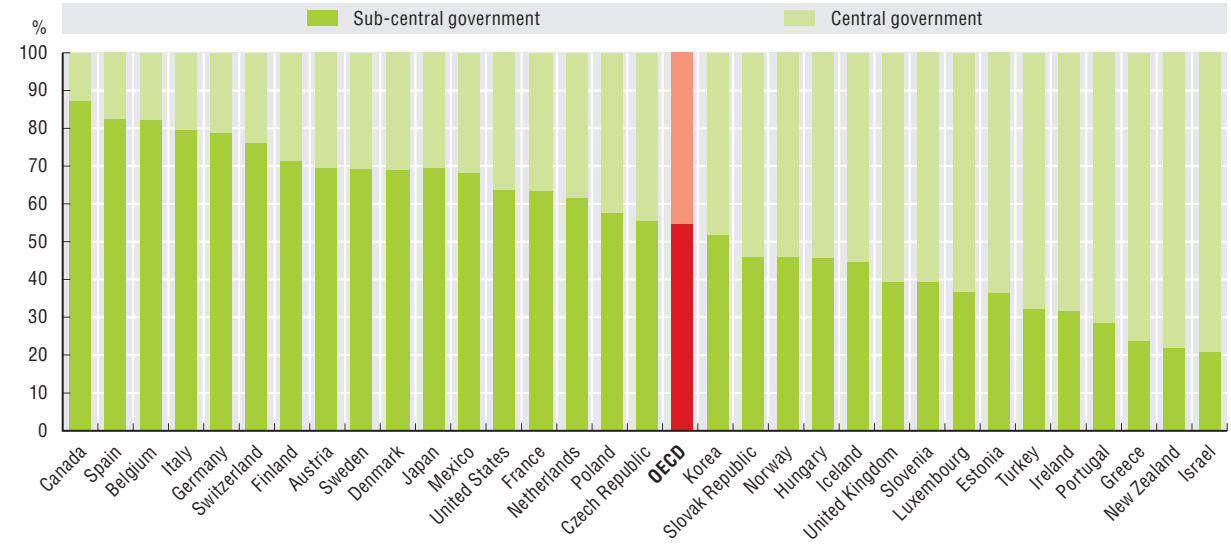
7.1. General government procurement as share of total general government expenditures (2011)



Source: OECD National Accounts Statistics (database). Data for Australia are based on a combination of Government Finance Statistics and *National Accounts* data provided by the Australian Bureau of Statistics.

StatLink http://dx.doi.org/10.1787/888932942735

7.2. Share of general government procurement by level of government, excluding social security funds (2011)



Source: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888932942754

Innovative tools in public procurement

Driven by the imperative to increase productivity in times of austerity, many OECD member countries are investing in innovative tools to streamline procurement procedures and achieve greater value for money from procurement spending. In particular, these tools include the increased use of e-procurement platforms, framework agreements, pre-qualification systems, electronic reverse auctions and contracts with options.

E-procurement – the use of information and communication technologies in public procurement – can facilitate access to public tenders and increase competition. In addition, e-procurement tools can help reduce costs to government by reducing administrative burdens, shortening procurement contract cycles and raising compliance levels. Many central governments have invested in e-procurement systems; however, governments have yet to take full advantage of the potential benefits of such tools. In OECD member countries, for instance, e-procurement systems continue to be primarily used as platforms to publish information rather than as a two-way communication tool with suppliers. While almost all OECD member countries (97%) are announcing tenders in a national e-procurement system, only 48% offer potential suppliers the possibility of submitting their bids electronically. The Public Procurement Service in Korea is one exception to this trend, having launched a new bidding service in 2011 that allows the bidding process to take place via smartphones through newly developed security tokens and applications.

Countries are also implementing new procurement procedures to help reduce costs. In order to achieve economies of scale, almost all OECD member countries (94%) use framework agreements. However, only about one-third of OECD member countries calculate the savings resulting from the use of these mechanisms to verify whether economies of scale were achieved. Conversely, fewer than half (42%) of responding OECD member countries routinely use electronic reverse auctioning. When using this procurement vehicle, there are both conditions for success and potential adverse impacts that need to be considered. While savings can be achieved if there is an increase in competition, there are also associated risks such as difficulties for small and medium-sized enterprises – which often have lower production volumes and lower profit margins – to compete.

Methodology and definitions

Data were collected through the 2011 OECD Survey on Reporting Back on the 2008 Procurement Recommendation (29 OECD member countries responded), as well as the 2012 OECD Survey on Public Procurement (33 OECD member countries responded). Respondents to both surveys were country delegates responsible for procurement policies at the central government level.

In Figure 7.6, e-tendering refers to enterprises using Internet for offering goods or services in public authorities' electronic procurement systems in their country.

A contract with options refers to a contract under which the procuring entity has the option to obtain predetermined additional goods or services, or to extend the contract by a pre-determined period, under conditions specified in the contract. An electronic reverse auction is a real-time purchasing technique conducted on line, used by the procuring entity to select the successful submission. It involves the presentation by suppliers or contractors of successively lowered bids during a scheduled period of time and the automatic evaluation of bids.

The nature of framework agreements varies by country, but generally these are agreements between procuring entities and suppliers that establish certain terms and can facilitate the awarding of future contracts. Framework agreements are conducted in two stages: a first stage selects a supplier (or suppliers) or a contractor (or contractors) to be a party (or parties) to a framework agreement with the procuring entity. In a second stage, a procurement contract is awarded under the framework agreement to a supplier or contractor party to the framework agreement.

A prequalification system is intended to identify, at an early stage, those suppliers or contractors that are suitably qualified to perform the contract.

Further reading

European Commission (2011), *Evaluation Report: Impact and Effectiveness of EU Public Procurement Legislation Part 1*, Commission Staff Working Paper, SEC(2011)853 Final, Brussels.

European Commission (2010), *Green Paper on Expanding the Use of E-procurement in the European Union*, COM(2010)571 Final, Brussels.

OECD (2013, forthcoming), *Principles for Integrity in Public Procurement: Progress in OECD Countries*, OECD Publishing, Paris.

Figure and table notes

7.5: Data are unavailable for Greece. All European Union countries must publish procurement plans in the European Union public procurement website (*www.ted.europa/eu*). For Japan, the response reflects the functionalities of an e-procurement system that is expected to be in operation in 2013.

7.6: All enterprises employ 10 persons or more (excluding the financial sector). Data are unavailable for Australia, Canada, Chile, Israel, Japan, Korea, Mexico, New Zealand, Switzerland, Turkey and the United States. Data for Turkey are for 2011 rather than 2012.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

7.5. Use of innovative procurement tools in central government (2012)

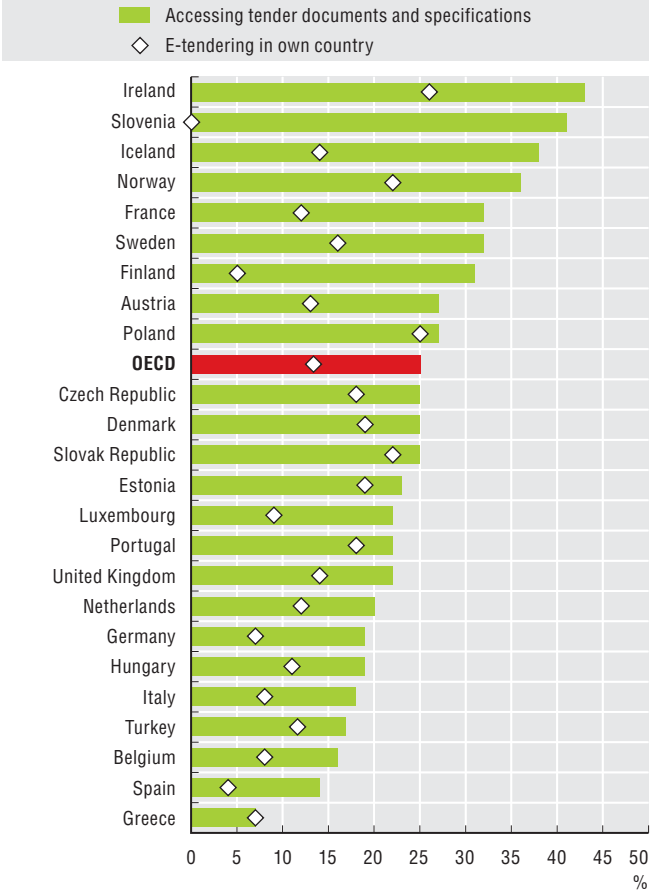
	Functionalities of e-procurement systems				Other procurement tools and mechanisms			
	Publishing procurement plans (about forecasted government needs)	Announcing tenders	Electronic submission of bids (excluding by e-mails)	Electronic submission of invoices (excluding by e-mails)	Framework agreement procedure	Contracts with options	Prequalification systems	Electronic reverse auctioning
Australia	●	●	●	■	✦	✦	✦	✦
Austria	❍	●	❍	❍	❒	❒	✦	✧
Belgium	●	●	●	❍	✧	✧	✧	✧
Canada	❍	●	■	❍	❒	❒	❒	✧
Chile	●	●	●	❍	❒	✧	✦	✧
Czech Republic	●	●■	●	■	❒	✦	❒	✦
Denmark	●■	●	●	●	❒	❒	❒	✦
Estonia	❍	●	●	❍	❒	✧	✧	✧
Finland	❍	●	■	●	✦	✦	✦	✦
France	●■	●■	●■	■	✦	✦	✧	✧
Germany	❍	●■	■	❍	❒	❒	✦	✧
Hungary	■	●	■	■	✦	✦	✦	✦
Iceland	■	■	❍	●	❒	✦	✦	✧
Ireland	❍	●	●	❍	❒	✧	✧	✧
Israel	●	●	■	■	❒	❒	✦	❒
Italy	●	●	●	❍	❒	❒	✦	✧
Japan	●	●	■	❍	✧	✦	❒	✦
Korea	●	●	●	●	✦	✦	❒	✧
Luxembourg	❍	●	●	❍	✦	✧	✧	✧
Mexico	●■	●■	●	❍	❒	✧	✧	●
Netherlands	■	●■	●■	■	❒	❒	✧	✧
New Zealand	●	●	❍	●	✦	✦	✦	✧
Norway	●	●	■	●	❒	❒	✦	✧
Poland	❍	●	❍	❍	✦	✦	✧	✦
Portugal	●	●	●	❍	❒	✧	❒	✦
Slovak Republic	❍	●	●	❍	❒	✦	✦	❒
Slovenia	●■	●■	■	■	❒	✧	❒	✦
Spain	●	●	■	■	❒	✦	✦	✧
Sweden	●	●	●	●	✦	✦	✦	✧
Switzerland	●	●■	❍	●	❒	❒	❒	✧
Turkey	❍	●	❍	❍	❒	✧	❒	✧
United Kingdom	●	●	■	■	❒	✦	✦	✦
United States	●■	●	■	■	❒	❒	❒	✦
Total OECD	● 20	32	16	8	❒ 22	10	10	3
	■ 8	7	13	10	✦ 9	14	15	11
	❍ 10	0	6	15	✧ 2	9	8	19

● Yes, in a national central e-procurement system.
■ Yes, in e-procurement systems of specific procuring entities.
❍ No.
❒ Tool is routinely used in all procuring entities.
✦ Tool is routinely used in some procuring entities.
✧ Tool is not routinely used.

Source: 2012 OECD Survey on Public Procurement.

StatLink http://dx.doi.org/10.1787/888932943514

7.6. Percentage of enterprises using electronic procurement systems (2012)



Source: Eurostat.

StatLink http://dx.doi.org/10.1787/888932942811

Strategic public procurement

OECD member countries are no longer considering value for money in the strict sense of price and quality as the sole objective of public procurement. They are gradually including more strategic objectives such as support to small and medium-sized enterprises (SMEs), innovation, and environmental considerations.

Prioritising among objectives is an emerging challenge for governments. Almost 70% of OECD member countries (23 out of 33) have developed a strategy or policy at the central level to promote the use of public procurement to support SMEs. Out of these countries that have developed an SME policy at the central level, half of them have mandatory rules on the use of public procurement to support SMEs, and a third of them have non-mandatory rules but are subject to voluntary targets. Furthermore, 76% of OECD countries have developed a strategy or policy at the central level to support green public procurement.

However, most OECD member countries do not always measure the opportunity cost of pursuing socio-economic and environmental goals, resulting in governments sometimes lacking the adequate tools to prioritise between competing objectives (e.g. value for money versus support to socio-economic and environmental objectives). Consequently, governments may not optimise the use of their public resources in procurement. Considering that the vast majority of OECD member countries have an SME strategy in place, 61% of OECD member countries do not track the number or value of contracts awarded to SMEs. Without this information, measuring effectiveness is extremely difficult.

In line with the current trend, procurement officials are expected to comply with increasingly complex rules and pursue value-for-money objectives, while taking into account strategic considerations. However, the most prominent weakness of procurement systems identified by almost half of OECD member countries is the lack of adequate capability, both in terms of shortage of procurement officials and the insufficient specialised knowledge of available technologies, innovations or market developments.

Public procurement is still handled as an administrative function in many countries, with over one-third of countries (39%) reporting that procurement officials are not recognised as a specific profession. Out of the 18 OECD member countries that recognise procurement as a specific profession, 11 countries have a formal job description for procurement officials and 8 countries have specific certification or licensing programmes in place (Australia, Canada, Chile, Ireland, New Zealand, the Slovak Republic, Switzerland and the United States). However, only five countries have integrity guidelines (e.g. codes of conduct) in place specifically for procurement officials.

Methodology and definitions

Data were collected through the 2011 OECD Survey on Reporting Back on the 2008 Procurement Recommendation (29 OECD member countries responded) and the 2012 OECD Survey on Public Procurement (33 OECD member countries responded). Respondents to both surveys were country delegates responsible for procurement policies at the central government level.

Procurement officials are recognised as a specific profession if this profession was recognised through a certification or licensing programme, through well-defined curricula (e.g. formal job description/role) and/or through integrity guidelines (e.g. codes of conduct specifically for procurement officials).

Green procurement is defined by the European Commission as "a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured".

Further reading

OECD (2013, forthcoming), *Principles for Integrity in Public Procurement: Progress in OECD Countries*, OECD Publishing, Paris.

OECD (2011), *Making the Most of Public Investment in a Tight Fiscal Environment: Multi-level Governance Lessons from the Crisis*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264114470-en*.

OECD (2007), "Improving the Environmental Performance of Public Procurement: Report on Implementation of the Council Recommendation", *OECD Papers*, Vol. 7/9, *http://dx.doi.org/10.1787/oecd_papers-v7-art26-en*.

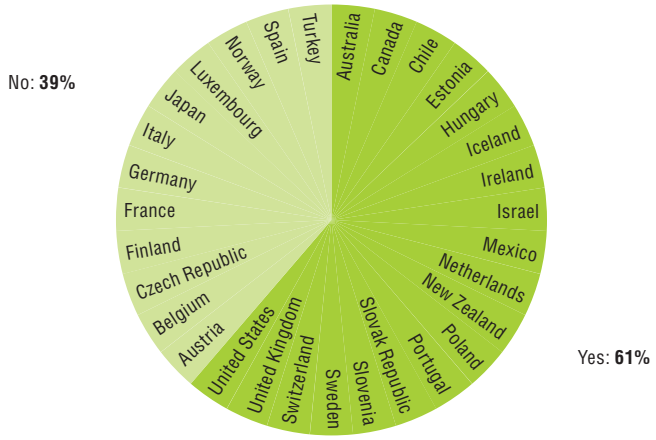
Figure and table notes

7.7: Data are unavailable for Denmark, Greece and Korea.

7.8: Data are unavailable for Greece. Australia has developed a procurement policy to support improved gender equality in organisations tendering for government procurement. In Germany, the responses reflect the situation at the federal level of government. However, it is important to underline that the German *Länder* have taken a multitude of measures to promote green public procurement and to support SMEs. Denmark will launch in 2013 a strategy on intelligent public procurement which will address strategic challenges such as innovation, green procurement and support of SMEs. Data for Turkey were provided by the Turkish Statistical Institute.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

7.7. Recognition of procurement officials as a specific profession (2010)



Source: 2011 OECD Survey on Reporting Back on the 2008 Procurement Recommendation.

StatLink http://dx.doi.org/10.1787/888932942830

7.8. Policies and strategies promoting procurement to support socio-economic and/or environmental objectives (2011)

	Policies or strategies in place that promote the use of procurement to support socio-economic and/or environmental objectives			Measurement of results of policies/strategies to use procurement to support socio-economic and/or environmental objectives		
	Green public procurement	Small and medium-sized enterprises (SMEs)	Support to innovative goods and services	Green public procurement	Small and medium-sized enterprises (SMEs)	Support to innovative goods and services
Australia	●	●	●	✧	✧	✧
Austria	●	●	●	❖	■	✦
Belgium	●	❍	❍	❖	x	x
Canada	●	●	●	■	■	■
Chile	❒	●	❒	x	■	x
Czech Republic	●	❒	❒	✦	x	x
Denmark	●	●	❍	✧	✧	x
Estonia	❍	❍	❍	x	x	x
Finland	●	❒	●	■	x	❖
France	●❒	●❒	●❒	■	■	✧
Germany	●	●	●	✧	✧	✧
Hungary	❒	●	❍	x	■	x
Iceland	●	❍	❍	✧	x	x
Ireland	●	●	●	✦	✦	✦
Israel	●	●	❍	■	■	❖
Italy	●	●	●	■	■	■
Japan	●	●	❍	■	■	x
Korea	●	●	●	■	■	■
Luxembourg	❒	❒	❍	x	x	x
Mexico	●	●	❍	✧	■	x
Netherlands	●	●	●	■	■	❖
New Zealand	❍	❍	❍	x	x	x
Norway	●❒	●	●	■	✧	✧
Poland	●	●	●	■	■	■
Portugal	●	●	❒	■	❖	x
Slovak Republic	❒	❍	❍	x	x	x
Slovenia	●❒	●❒	❍	■	■	x
Spain	●	●	●	✧	✧	✧
Sweden	❒	❒	❒	x	x	x
Switzerland	●❒	●	●	■	✦	■
Turkey	❍	❍	❍	x	x	x
United Kingdom	●❒	●❒	●❒	■	■	x
United States	●	●	●	■	■	■
Total OECD	● 25	23	16	■ 15	15	6
	❒ 10	7	6	❖ 2	1	3
	❍ 3	6	13	✦ 2	2	2
				✧ 6	5	5
				x 8	10	17

● Yes, a strategy/policy has been developed at a central level.
❒ Yes, some procuring entities have developed an internal policy.
❍ No, there is no such strategy/policy in place.
■ Yes, on a regular basis.
❖ Yes, on an ad hoc basis.
✦ Unknown.
✧ No.
x Not applicable.

Source: 2012 OECD Survey on Public Procurement.

StatLink http://dx.doi.org/10.1787/888932943533

Fair competition in public procurement and SMEs

Ensuring a level playing field for potential suppliers to gain access to government contracts remains a major hurdle, especially at the international level. Cross-border procurement in an integrated market like the European Union represents less than 4% of the total value of contract awarded.

At the national level, the use of exceptions to competitive tendering restrains competition. As a result of stimulus spending following the financial crisis, the use of exceptions increased in 18% of OECD member countries between 2008 and 2011, mostly due to accelerated procedures. For countries to maximise competition while ensuring the efficiency of the procurement process, it is essential that exceptions are strictly used under a limited number of circumstances. Exceptions to competitive tendering can be subject to abuse, which undermines the administrative efficiency of procurement.

Despite the fact that SMEs represent a substantial share of the global economy and of the labour market, they represent a much lower share of government contracts. In order to promote a level playing field, 85% of OECD member countries have introduced measures directly aimed at SMEs which have a comparative disadvantage when participating in tenders. The most common measures that have been introduced include carrying out training and workshops for SMEs (introduced by 58% of OECD countries) and making documentation or guidance focused on SMEs available on line (51%). Fewer than a third of OECD member countries (30%) have simplified administrative procedures to facilitate the participation of SMEs in tenders.

A third of OECD member countries (33%) have put in place specific legislative provisions or policies (e.g. set-asides) to encourage participation from SMEs in procurement. Such preference is given, for example, in Australia, France, Korea and the United States. In addition to regulatory measures, SMEs benefit from preferential financial treatment (e.g. waiving fees) in only 6% of OECD member countries.

Methodology and definitions

The data were collected through two surveys focusing on public procurement at the central level. The 2011 OECD Survey on Reporting Back on Progress made since the 2008 Procurement Recommendation was answered by 29 OECD member countries and Brazil, Egypt, Morocco and the Russian Federation. Data are unavailable for Denmark, Greece, Korea and Spain. The 2012 OECD Survey on Public Procurement was answered by 33 OECD member countries and Brazil and Colombia. Data are unavailable for Greece. Respondents to both surveys were country delegates responsible for procurement policies at the central government level. Table 7.11, Public procurement in central government by procedure: Availability of data for number and value of contracts, is available on line at *http://dx.doi.org/10.1787/888932943571*.

Further reading

European Commission (2010), *EU Public Procurement Legislation: Delivering Results*, Office for Infrastructure and Logistics, Brussels.

OECD (forthcoming), *OECD Review of the United States Federal Public Procurement*, OECD Publishing, Paris.

OECD (2013, forthcoming), *Principles for Integrity in Public Procurement: Progress in OECD Countries*, OECD Publishing, Paris.

OECD (2009), *OECD Principles for Integrity in Public Procurement*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264056527-en*.

OECD (2008), *OECD Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264040090-en*.

Figure and table notes

7.9: In the **Czech Republic**, contracting entities are required to set down non-discriminatory tender conditions. In **Denmark**, the Competition and Consumer Authority has published a step-by-step guide including information on rules, procedures and key issues related to how to establish SMEs consortia. In **Estonia**, there are no specific approaches in place to support SMEs, since the majority of Estonian enterprises are classified as SMEs. In **Finland**, the central procurement unit plans the tenders in a way that encourages SMEs to participate in the tendering process. In **New Zealand**, the majority of enterprises are classified as SMEs. Although there is not a specific policy of preference for SMEs, support is given by way of measures to reduce compliance costs for suppliers (e.g. through procedural simplification, development of online guides and templates, and training and workshops for both suppliers and procurement practitioners). In **Spain**, the central body responsible for the assessment on public procurement (the Public Procurement Consultative Board) is in contact with SMEs and general associations of SMEs to listen to their demands on this issue. In the **United Kingdom**, there is a programme of work with departments to drive up spending with SMEs where they can provide best value to the taxpayer. An example of supportive documentation focused on SMEs is "Winning the Contract" available on the LearnDirect website. The procurement process has also been simplified: for example, government departments have eliminated the use of pre-qualification questionnaires (PQQ) in most procurements below the EU threshold of approximately United Kingdom Pounds (£) 100 k.

7.10: Data for Belgium and Greece are not available.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

7.9. Approaches in place to promote fair access of SMEs to public procurement in central government

	Specific legislative provision or policy (e.g. set-aside) is in place to encourage participation from SMEs in procurement	A specific unit dedicated to SMEs is in place at the central government level	Training and workshops are carried out for SMEs	Documentation or guidance focused on SMEs is available on line	Administrative procedures are simplified for SMEs to participate in tenders	SMEs benefit from preferential financial treatment, e.g. waiving fees	Not applicable, there are no specific measures to support the participation of SMEs in public procurement in central government	Other
Australia	❍	●	❍	❍	❍	❍	❍	❍
Austria	❍	●	●	●	❍	❍	❍	❍
Belgium	❍	●	●	❍	●	❍	❍	❍
Canada	❍	●	●	●	❍	❍	❍	❍
Chile	❍	❍	●	●	❍	❍	❍	❍
Czech Republic	❍	❍	❍	❍	❍	❍	●	❍
Denmark	❍	●	●	●	❍	❍	❍	●
Estonia	❍	❍	❍	❍	❍	❍	❍	●
Finland	❍	❍	❍	❍	❍	❍	❍	●
France	●	❍	●	●	❍	❍	❍	●
Germany	●	❍	❍	❍	❍	❍	❍	❍
Hungary	●	❍	●	●	●	❍	❍	❍
Iceland	❍	❍	❍	❍	❍	❍	●	❍
Ireland	❍	❍	●	●	●	❍	❍	❍
Israel	❍	●	❍	●	❍	❍	❍	❍
Italy	❍	❍	●	●	❍	❍	❍	❍
Japan	●	●	❍	●	❍	❍	❍	❍
Korea	●	●	●	●	❍	●	❍	❍
Luxembourg	❍	❍	❍	❍	●	❍	❍	❍
Mexico	●	●	●	●	❍	●	❍	❍
Netherlands	●	❍	●	❍	●	❍	❍	❍
New Zealand	❍	❍	●	❍	●	❍	❍	❍
Norway	❍	●	❍	❍	❍	❍	❍	❍
Poland	●	●	●	●	❍	❍	❍	❍
Portugal	❍	❍	●	❍	❍	❍	❍	❍
Slovak Republic	❍	❍	❍	❍	❍	❍	●	❍
Slovenia	●	❍	❍	❍	●	❍	❍	❍
Spain	●	●	❍	●	●	❍	❍	●
Sweden	❍	❍	❍	❍	❍	❍	●	❍
Switzerland	●	❍	●	●	●	❍	❍	❍
Turkey	❍	●	●	❍	❍	❍	❍	❍
United Kingdom	❍	●	●	●	●	❍	❍	●
United States	●	●	●	●	●	❍	❍	❍
Total OECD								
● Yes	12	15	19	17	11	2	4	6
❍ No	21	18	14	16	22	31	29	27

Source: 2012 OECD Survey on Public Procurement.

StatLink http://dx.doi.org/10.1787/888932943552

7.10. Assessments/audits are required to evaluate *ex post* the use of exceptions for direct awards of contracts at the central government level

Source: 2012 OECD Survey on Public Procurement.

StatLink http://dx.doi.org/10.1787/888932942849

8. OPEN AND INCLUSIVE GOVERNMENT

Citizens expect openness and inclusiveness from government: a systemic, comprehensive approach to institutionalising a two-way communication with stakeholders, whereby relevant, usable information is provided, and interaction is fostered as a means to improve transparency, accountability and engagement. More open and inclusive policy-making processes help to ensure that policies are better informed and will better match citizens' needs. Facilitating the participation of citizens can enhance democratic engagement, build trust in government and harness productive forms of responsibility, including in the delivery of public services. Access to information and open data policies are key concrete pillars for promoting open government. An important additional contributor to openness is budget transparency, as the budget is where policy objectives are reconciled and implemented in monetary terms. However, transparency does not automatically drive greater accountability. A government can be open, in the sense of being transparent, even if it does not embrace new technology. A government can provide open data and still remain deeply opaque and unaccountable. Inclusive policy making focuses on evaluating the impact of policies on key groups of society that might be disadvantaged by that impact.

Open government data

Public organisations produce and collect a broad range of data in order to perform their tasks. Sharing these data with the public leads to greater transparency and increases public awareness of government activities. Open government data (OGD) can also help generate insights on how to improve government performance and hold governments accountable. OGD provide also the basis for meaningful public participation and collaboration in the creation of innovative, responsive and value-added services and policies, and are ultimately expected to improve the decision making of both governments and individuals. The public shall be able to use government data for making more informed decisions that could increase the quality of their lives; while governments are expected to more easily access a wider range of datasets to foster evidence-based decision making. Finally, OGD are seen as a potential source of economic growth, and as a basis for new forms of entrepreneurships and social innovation.

Nonetheless, OGD are still an emerging domain; the comparability of assessment of government performance in the provision and quality of open data faces various challenges. First, strategies and policies on open government data are in constant evolution. Moreover, the administration and production of OGD is often delegated to regional and local levels of government. Third, there are no commonly agreed international definitions, e.g. of a dataset.

OECD member countries are increasingly taking a strategic approach to OGD: 56% of the countries have a national strategy, 12% indicate the existence of separate strategies for individual line ministries, and 28% specify the co-existence of these strategies. Only in 4% of the countries are OGD strategies absent.

Main strategic objectives related to OGD vary across OECD countries. Most member countries appear to prioritise transparency and openness, volume increase for private sector businesses and creation of new businesses. The potential of OGD for improved service delivery seems also to be appreciated, whereas citizen engagement in public debates and decision-making processes does not appear among the top priorities. Understanding the main objectives is essential to identify what type of data should be prioritised for release and in which format, as achievement of different objectives requires opening up different datasets. While accountability and transparency can be served by releasing aggregated data, boosting economic growth may entail realising specific datasets at a more granular level.

Data availability, accessibility and relevance for the users are essential for value creation. In terms of availability, Canada, the Netherlands, Slovenia and the United States appear to have the most numerous datasets on their centralised "one-stop shop" OGD portal. However, cross-country comparisons on dataset supply should be made with caution in order to accommodate national differences in the concept of datasets applied, and in the publication model chosen, i.e. centralised "one-stop shop" OGD portal versus open government portals of local authorities.

Methodology and definitions

Data have been collected through the 2013 OECD Survey on Open Government Data that focused on the availability of public sector information at the central/federal level. The survey collected responses from 25 OECD countries and Egypt, the Russian Federation and Ukraine. Respondents were delegates from countries responsible for e-government and public sector information.

The definition of Open Government data includes both any data and information produced or commissioned by public bodies and data that can be freely used, re-used and distributed by anyone, subject only – at the most – to the requirement to attribute the source and share the same way. A dataset is conceived as a collection of data, usually presented in tabular form.

The policy objectives correspond to the open government data policy/strategy in place at the central/federal level in the country. Countries were asked in the survey to list the top five objectives in their policy; therefore other objectives might apply. Re-use of government data refers to inclusion of publicly released data and information in contexts different from their initial purpose (like software development and press releases) and can be forbidden through copyright laws or allowed through licensing statements.

Table 8.3, Availability of Open Format Data on Line Ministries' Websites (2013), is available on line at *http://dx.doi.org/10.1787/888932943609*.

Further reading

Ubaldi, B. (2013), "Open Government Data: Towards Empirical Analysis of Open Government Data Initiatives", *OECD Working Papers on Public Governance*, No. 22, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5k46bj4f03s7-en*.

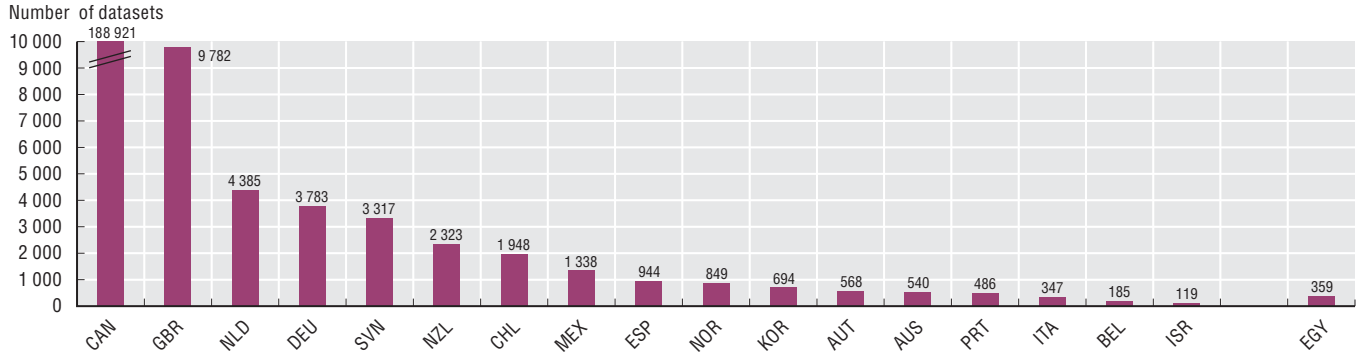
Figure and table notes

8.1: Data are unavailable for countries without a centralised "one-stop shop" open government data portal: Estonia, Finland, Ireland, Japan, and Switzerland. Data are unavailable for Denmark and France. Data for Australia cover only the Federal government data initiative (*http://data.gov.au*). Data for Spain cover only the Central government data initiative (*http://datos.gob.es*).

8.2: Switzerland and Egypt do not have OGD policies/strategies currently in place in central/federal government.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

8.1. Number of datasets in centralised "one-stop shop" open government data portal (2013)



Source: 2013 OECD Survey on Open Government Data.

StatLink http://dx.doi.org/10.1787/888932942868

8.2. Top five principal objectives of central/federal government open government data strategy (2013)

	Increase transparency	Increase openness	Improve public sector performance by strengthening accountability for outputs/ outcomes	Deliver public services more effectively and efficiently by improving internal operations and collaboration	Deliver public services more effectively and efficiently by enabling delivery from private sector through data re-use	Create economic value for the public sector	Create economic value for the private sector/increase the volume of private sector business activity	Facilitate creation of new businesses	Facilitate citizen participation in public debate	Enable citizen engagement in decision-making processes
Australia	❍	●	❍	●	●	❍	●	❍	❍	●
Austria	●	●	❍	❍	●	❍	●	❍	●	❍
Belgium	❍	●	❍	●	●	❍	●	●	❍	❍
Canada	❍	●	●	●	❍	❍	●	❍	●	❍
Chile	●	❍	●	❍	●	❍	❍	❍	●	●
Denmark	❍	❍	❍	●	●	❍	●	●	❍	❍
Estonia	●	●	●	❍	●	❍	●	❍	❍	❍
Finland	●	❍	●	❍	●	❍	●	●	❍	❍
France	●	❍	●	●	❍	❍	●	●	❍	❍
Germany	●	❍	❍	●	❍	❍	❍	●	●	●
Ireland	●	●	❍	●	●	❍	❍	●	❍	❍
Israel	●	●	❍	●	●	❍	❍	●	❍	❍
Italy	❍	●	●	●	❍	❍	●	●	❍	❍
Japan	●	●	❍	❍	●	❍	●	●	❍	❍
Korea	●	●	❍	❍	●	❍	●	●	❍	❍
Mexico	●	●	●	❍	❍	❍	❍	❍	●	❍
Netherlands	❍	●	●	❍	❍	❍	●	❍	●	❍
New Zealand	●	❍	❍	●	❍	❍	●	❍	●	●
Norway	●	❍	❍	●	●	❍	●	●	❍	❍
Portugal	❍	●	❍	●	❍	❍	❍	●	❍	●
Slovenia	●	●	❍	❍	●	❍	❍	●	❍	●
Spain	●	●	●	❍	❍	❍	●	●	❍	❍
Sweden	●	●	●	●	❍	❍	❍	●	❍	❍
Switzerland	x	x	x	x	x	x	x	x	x	x
United Kingdom	●	❍	●	●	❍	❍	●	❍	❍	●
Egypt	x	x	x	x	x	x	x	x	x	x
Russian Federation	●	●	❍	❍	❍	●	❍	●	●	❍
Ukraine	●	❍	❍	●	❍	●	●	❍	●	❍
Total OECD	**17**	**16**	**11**	**14**	**13**	**0**	**16**	**15**	**7**	**7**

● Yes
❍ No
Source: 2013 OECD Survey on Open Government Data.

StatLink http://dx.doi.org/10.1787/888932943590

Conflict of interest and asset disclosure

Growing expectations of open and fair public decision making, particularly following the financial and economic crisis, have put mounting pressure on governments to ensure that official decisions are not improperly affected by private interests. At the same time, new forms of partnership between governments and the private and non-profit sectors increase the complexity for policy makers and public managers in ensuring integrity of these transactions. Safeguarding the integrity of government decision making is therefore essential for restoring trust in government.

A conflict of interest arises when a public official's private interests could potentially compromise his or her performance. If not adequately identified and managed, conflict-of-interest situations could lead to corruption. At the same time, an excessively strict approach can be costly and unworkable, and may deter experienced and competent potential candidates from entering public office or public service.

Practice shows that asset and private interest disclosure by decision makers continues to be an essential tool for managing conflict of interest. Figure 8.4 presents an aggregate of the level of disclosure and public availability of disclosed information by top decision makers in the three branches of government (executive, legislature and judiciary). The levels are determined by whether top decision makers are required to disclose such private interests as their assets, liabilities, income source and amount, paid and unpaid outside positions, gifts and previous employment.

Although asset and private interest disclosure by decision-makers continues to be common practice in OECD countries, there are different levels of disclosure in the three branches of government. Disclosure practices are considerably higher in the executive and legislative branches than in the judiciary. For example, disclosure is not required for judges and prosecutors in the Czech Republic, France, Luxembourg and New Zealand. In Luxembourg, there are no disclosure requirements for decision makers in any of the three branches of government. Of the private interests covered, countries give the highest attention to paid outside positions as well as the receipt of gifts, by either prohibiting these or by requesting their disclosure.

Much variation also exists in OECD member countries in terms of the public availability of disclosed information by decision-makers. In the majority of countries, information is only partially made available to the public. In certain countries, this is a result of the degree of importance assigned to privacy concerns. The vast majority of countries make information on assets and income source publicly available. Previous employment and liabilities are made publicly available by few countries.

Following the collection of disclosure forms, just over 80% of OECD countries that have disclosure requirements in place verify that disclosure forms are submitted (Table 8.5). However, less than half perform internal audits of the submitted information for accuracy. No actions are taken following the collection of the disclosure forms in Ireland, Italy, Switzerland and Turkey. However, in Ireland and Italy, most of the disclosed information is available to the public, allowing citizens themselves to scrutinise the information submitted.

Methodology and definitions

Data refer to 2012 and were collected via the OECD Survey on Managing Conflict of Interest. Respondents to the survey were country delegates responsible for integrity policies in central/federal government.

The term "public official" is defined as any person holding a legislative, executive, administrative or judicial office of a country, whether appointed or elected, whether permanent or temporary, whether paid or unpaid, irrespective of that person's seniority; and any other person who performs a public function, including for a public agency or public enterprise, or provides a public service, as defined in the domestic law of the country. For decision makers, the term "executive branch" covers the positions of president, prime minister, and ministers or members of cabinet. The term "legislative branch" covers the positions of upper and lower house legislators. The term "judicial branch" covers judges and prosecutors.

When calculating an aggregate of the country-specific data, all private interests and all positions were deemed equally important and were therefore assigned the same weights. Annex E provides detailed data on conflict-of-interest disclosure.

Further reading

OECD (2010), *Post-Public Employment: Good Practices for Preventing Conflict of Interest*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264056701-en*.

OECD (2007), *OECD Guidelines for Managing Conflict of Interest in the Public Service: Report on Implementation*, OECD Publishing, Paris.

OECD (2003), *Recommendation of the Council on Guidelines for Managing Conflict of Interest in the Public Service*, OECD Publishing, Paris.

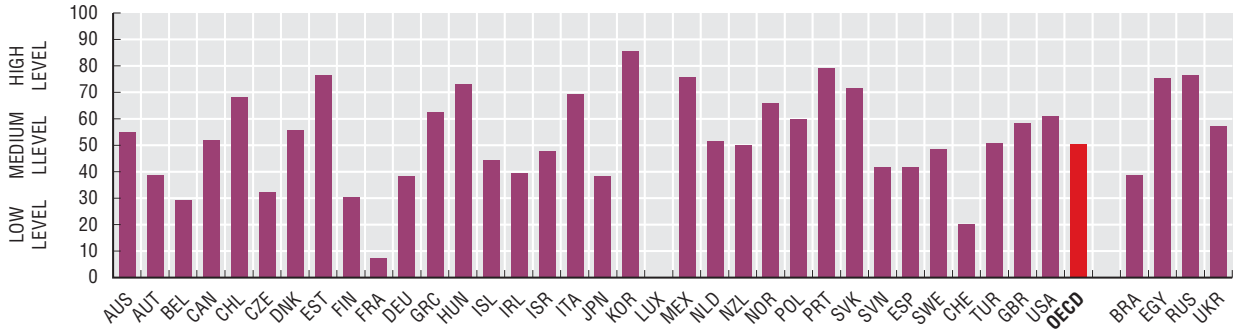
Figure and table notes

8.4: Data for Brazil, the Czech Republic, Greece, Israel, and the Russian Federation refer to 2010 rather than 2012. Data reflect practices in member countries. Country-specific data and notes are available in Annex E.

8.5: Data for the Czech Republic, Greece, and Israel are not available. For Australia, Austria, Canada, Chile, Denmark, Estonia, Germany, Hungary, Italy, Japan, Korea, Luxembourg, Mexico, Norway, the Slovak Republic, Spain, Switzerland, Turkey and the United States, information provided only refers to the executive branch of government.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

8.4. Asset disclosure: Level of disclosure of private interests and public availability of information (2012)



Source: 2012 OECD Survey on Managing Conflict of Interest.

StatLink http://dx.doi.org/10.1787/888932942887

8.5. Actions regarding disclosure of private interests by public officials (2012)

	Verification that disclosure form was submitted	Review that all required information was provided	Internal audit of the submitted information for accuracy
Australia	●	❍	❍
Austria	●	●	●
Belgium	●	●	❍
Canada	●	●	❍
Chile	●	●	❍
Denmark	●	●	❍
Estonia	●	❒	❒
Finland	●	●	❍
France	●	❒	❒
Germany	●	●	❒
Hungary	●	❍	❍
Iceland	●	❍	❍
Ireland	❍	❍	❍
Italy	❍	❍	❍
Japan	❍	●	●
Korea	●	●	●
Luxembourg	x	x	x
Mexico	●	●	❒
Netherlands	●	●	❍
New Zealand	●	●	❒
Norway	●	❒	❍
Poland	●	●	❒
Portugal	●	●	●
Slovak Republic	●	●	❍
Slovenia	●	❒	❒
Spain	●	●	●
Sweden	●	●	❒
Switzerland	❍	❍	❍
Turkey	❍	❍	❍
United Kingdom	●	●	●
United States	●	●	❍
Egypt	●	●	❍
Ukraine	❒	❒	❍
Total OECD			
● Procedure conducted for all those required to submit disclosure form	25	19	6
❒ Procedure conducted for only some required to submit disclosure form	0	4	8
❍ Procedure not conducted	5	7	16

Source: 2012 OECD Survey on Managing Conflict of Interest.

StatLink http://dx.doi.org/10.1787/888932943628

Budget transparency

The national budget is one of the principal policy documents of government, reflecting its policy objectives and spending priorities. Budget transparency – the disclosure and accessibility of key fiscal and budgetary information – is therefore at the core of good governance. The economic and social crisis underscored the need for greater budget transparency, and it has become a core component of countries' strategies for open government. The "OECD Best Practices for Budget Transparency" explicitly recognise the importance of disclosing government budgetary information in a timely and systematic manner, as well as the need to ensure the quality, integrity and, very importantly, the accessibility of this information in order to inform citizens and the legislature and hold government accountable.

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

A key aspect of transparency is the extent to which the executive's budget provides information on the budget framework and the government's policies and priorities. Countries vary in the amount and types of information provided. While fiscal policy objectives, macroeconomic assumptions, and medium-term perspective (see indicator on MTEFs) are common in the budgets of all OECD member countries, fewer countries include information on tax expenditures, performance information and long-term fiscal projections. Arguably, there is no single factor more responsible for derailing fiscal objectives and projections of deficits or surpluses than the use of weak macroeconomic assumptions. According to survey results, around 95% of OECD member countries make the medium-term fiscal policy objectives, the proposed and approved budgets publicly available. The transparency of off-budget or extra-budgetary expenditures is also important, since incentives may exist to keep such appropriations off of the balance sheets. The most common off-budget expenditures in member countries are social security funds (13 countries), public health care funds (10 countries), and loan guarantees (9 countries). The majority of these countries include these expenditures in the budget, although exceptions exist (see online Table 8.8).

While disclosure of government fiscal and budgetary information is essential and growing, it can also be complex and inadvertently reduce transparency and accountability. Indeed, non-expert audiences can easily be intimidated by technical language and by the volume of budget information presented to legislatures, or confused by the role and extent of extra-budgetary activities. Some OECD member countries (14) publish citizens' budgets-easy to understand summary documents of the main features of the annual budget as presented to the legislature, including explanations and definitions of technical terms.

Methodology and definitions

Data refer to 2012 and draw upon country responses to questions from the 2012 OECD Survey on Budgeting Practices and Procedures. Survey respondents were predominately senior budget officials in OECD member countries. Responses represent the countries' own assessments of current practices and procedures. Data refer only to central/federal governments and exclude budgeting practices at state/local levels.

Off-budget funds are special funds owned by the government that are not part of the budget and that receive revenues from earmarked levies, possibly in addition to other sources such as fees and contributions from the general tax fund. Earmarked levies are different from fees in that they do not reflect the market value of the services that are financed from the revenues. In particular, they may be lower or higher in view of social considerations.

A citizens' guide to the budget is defined here as an easy-to-understand summary of the main features of the annual budget as presented to the legislature. It should be a self-contained document that explains what is in the annual budget proposals and what their effects are expected to be. While containing links or references to more detailed documents, the guide should not require readers to refer to them, or to know their contents, in order to understand the guide.

Table 8.8, Inclusion of off-budgetary expenditures in the budget documentation, is available on line at *http://dx.doi.org/10.1787/888932943666*.

Further reading

IMF (2001, 2007), *Manual on Fiscal Transparency*, International Monetary Fund, Washington, DC.

OECD (2013, forthcoming), *Budgeting Practices and Procedures in OECD Countries*, OECD Publishing, Paris.

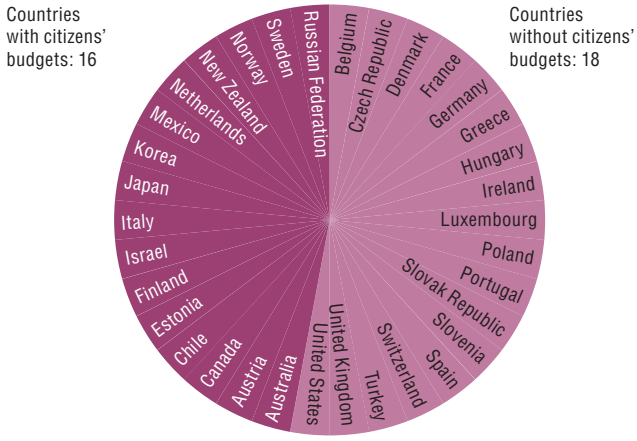
OECD (2002), "OECD Best Practices for Budget Transparency", *OECD Journal on Budgeting*, Vol. 1/3, pp. 7-14, *http://dx.doi.org/10.1787/budget-v1-art14-en*.

Figure and table notes

Data unavailable for Iceland.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

8.6. Use of citizens' budgets in OECD countries (2012)



Source: 2012 OECD Survey on Budgeting Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888932942906

8.7. Budgetary information made publicly available (2012)

	Medium-term fiscal policy objectives	Budget proposal	Approved budget	Methodology and economic assumptions for establishing fiscal projections	Sensitivity analyses of fiscal and/or macroeconomic models	Budget circular	Independent reviews/analyses	Pre-budget report	Long-term perspective on total revenue and expenditure
Australia	●	●	●	●	●	❍	❍	x	●
Austria	●	●	●	●	❍	❍	●	x	●
Belgium	●	●	●	●	x	●	●	x	x
Canada	●	●	●	●	●	x	●	x	●
Chile	●	●	●	●	❍	●	x	●	x
Czech Republic	●	●	●	●	●	❍	●	x	❍
Denmark	●	●	●	●	❍	❍	❍	x	x
Estonia	●	●	●	●	●	❍	❍	●	x
Finland	●	●	●	●	❍	●	x	x	●
France	●	●	●	●	●	●	●	●	❍
Germany	●	●	●	●	●	❍	●	x	●
Greece	●	●	x	❍	x	❍	x	●	x
Hungary	●	●	●	●	❍	●	❍	❍	x
Ireland	●	●	●	●	●	●	●	●	x
Israel	●	●	●	●	❍	❍	❍	●	x
Italy	x	●	●	●	●	●	●	x	x
Japan	●	●	●	●	●	●	x	●	●
Korea	●	●	●	❍	❍	●	●	x	x
Luxembourg	●	●	●	●	●	❍	●	●	●
Mexico	●	●	●	●	●	❍	x	●	x
Netherlands	●	●	●	●	●	❍	●	x	●
New Zealand	●	●	●	●	●	❍	❍	●	●
Norway	●	●	●	❍	❍	●	❍	x	x
Poland	●	●	●	●	●	●	❍	x	x
Portugal	●	●	●	❍	●	●	●	●	x
Slovak Republic	●	●	●	❍	❍	●	●	x	x
Slovenia	❍	●	●	●	●	●	x	❍	●
Spain	●	●	●	❍	❍	●	●	❍	x
Sweden	●	●	●	●	●	❍	●	●	●
Switzerland	●	●	●	●	●	❍	x	x	●
Turkey	●	●	●	●	❍	●	❍	●	❍
United Kingdom	●	❍	●	●	●	x	●	●	●
United States	●	●	●	●	●	●	x	x	●
Russian Federation	●	●	●	●	●	●	●	●	●
Total OECD									
● Publicly available	31	32	32	27	20	17	16	14	14
❍ Not publicly available	1	0	0	6	11	14	9	3	3
x Not applicable	1	1	1	0	2	2	8	16	16

Source: 2012 OECD Survey on Budgeting Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888932943647

Inclusive policy making

Open and inclusive policy making is transparent, evidence-driven, accessible and responsive to as wide a range of citizens as possible. It strives to include a diverse number of voices and views in the policy-making process, including traditional cultures. To be successful, these elements must be applied at all stages of the design and delivery of public policies and services. While inclusive policy making enhances transparency, accountability and public participation and builds civic capacity, it also offers a way for governments to improve their policy performance by working with citizens, civil society organizations (CSOs), businesses and other stakeholders to deliver concrete improvements in policy outcomes and the quality of public services.

Gender impact assessments (GIAs) are one kind of tool that policy makers can use to assess, according to gender-relevant criteria, the impact that new legislation or policies may have on women and relative to men. Building awareness and understanding among policy makers of the potentially different effects of policy choices on men and women is key to inclusive policy making in various domains. Nevertheless, seemingly gender-neutral policy decisions can have effects, whether intentional or not, on women's chances of becoming equal participants in society. They may make it more difficult for them to find employment, secure an education, start a business, meet the needs of their family, or ensure their human rights. For example, a workplace regulation that permits both parents to take leave to care for a sick child is more likely to affect women as primary caregivers. GIAs can be conducted *ex ante* (e.g. before the proposed law or policy has been approved or gone into effect) and *ex post* (e.g. following implementation). According to the OECD Survey on Gender Public Policies and Leadership, *ex ante* evaluations are more commonplace. Of the OECD responding countries, for instance, 84% (16 countries) reported having requirements for *ex ante* GIAs on primary legislation compared to 37% (7 countries) for *ex post*. In general, however, it seems GIAs are not routine elements of policy making; the majority of responding countries reserve GIAs for primary and secondary legislation rather than for policies and programmes.

Gender-responsive budgeting (GRB) is arguably the best known form of gender impact assessment. GRB inserts a gender perspective at all stages of the budgetary cycle: it aims to avoid "gender-blind spending" and improve the effectiveness of government programmes by identifying gender-disproportionate consequences of spending appropriations. Just over half of the responding countries (10) reported having requirements for GRB. Belgium, Finland, France, Israel, Korea, Mexico, Norway, the Slovak Republic, Spain and Sweden reported always conducting such evaluations for the central/federal budgets.

Citizen consultation is a second way for governments to open the policy-making process to citizens. The *OECD Guidelines on Open and Inclusive Policy Making* state that all citizens should have equal opportunities and multiple channels to access information, be consulted and participate. Every reasonable effort should be made to engage with as wide a variety of people as possible. To accomplish this, governments in OECD countries are exploiting the power of new information and communication technologies (ICT) to increase awareness and participation. The use of ICT tools in consultation varies extensively across countries, and take-up on the part of citizens remains, on average, low in countries of the European Union. According to Eurostat's *Information Society Statistics* (database), on average, less than 10% of citizens had reported using the Internet to take part in an online consultations or voting to define civic or political issues (e.g. urban planning, signing a petition). The propensity to use online tools for consultation or voting was highest in the Nordic countries.

Methodology and definitions

Data refer to 2012 and draw upon country responses to questions from the 2011 OECD Survey on Gender Public Policies and Leadership. Respondents were predominately senior budget officials in OECD member countries. Responses represent the countries' own assessments of current practices and procedures. Data refer only to central/federal governments.

Indicators on citizens and businesses are collected from Eurostat's *Information Society Statistics* (database) which evaluates the share of citizens and businesses using the Internet for online consultations or voting to define civic or political issues (e.g. urban planning, signing a petition). Data are collected by national statistical offices based on Eurostat's annual Model Survey on ICT Usage and E-Commerce in Businesses and annual Community Survey on ICT Usage in Households and by Individuals.

Further reading

OECD (2012), *Closing the Gender Gap: Act Now*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264179370-en*.

OECD (2009), *Focus on Citizens: Public Engagement for Better Policy and Services*, OECD Studies on Public Engagement, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264048874-en*.

Figure and table notes

8.9: Data are not available for Austria, Canada, Denmark, Estonia, Hungary, Iceland, Italy, Japan, the Netherlands, Poland, Portugal, Slovenia, Turkey, the United Kingdom and the United States.

8.10: Data unavailable for Australia, Canada, Chile, Israel, Japan, Korea, Mexico, New Zealand, Switzerland, Turkey and the United States.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

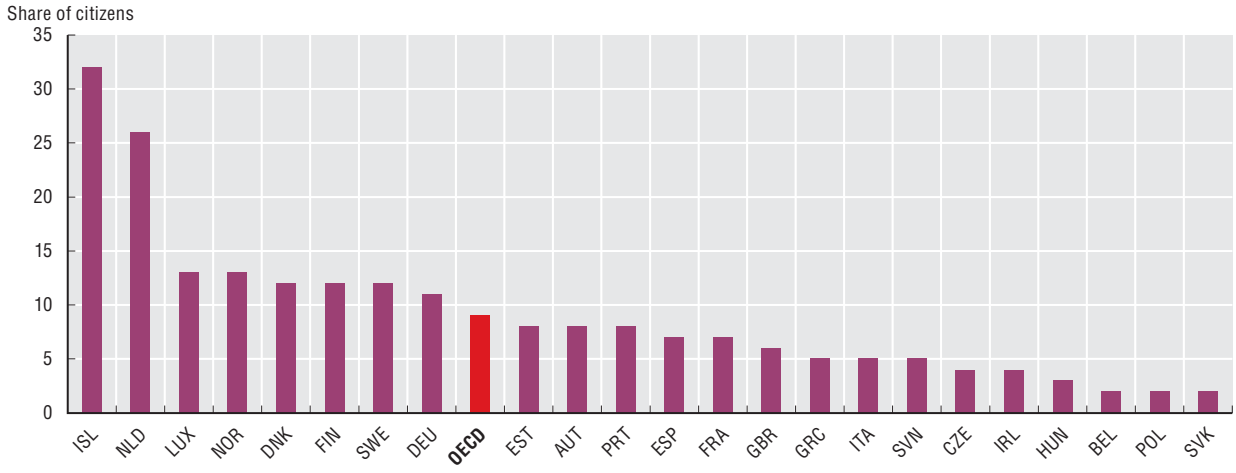
8.9. Requirements for gender impact assessments at the central/federal level of government (2011)

	Requirements for ministries/departments/agencies to conduct gender impact assessments (*ex ante*)			Requirements for ministries/departments/agencies to conduct gender impact assessments (*ex post*)			Requirement to undertake gender-responsive budgeting at the central level
	Primary legislation	Subordinate regulation	Government programmes and initiatives	Primary legislation	Subordinate regulation	Government programmes and initiatives	
Australia	✧	✧	■	✧	✧	✧	✧
Belgium	❍	❍	■	❍	❍	❍	●
Chile	■	■	■	✧	✧	✧	❍
Czech Republic	■	■	■	■	■	■	✧
Finland	●	■	■	■	■	■	●
France	❍	❍	❍	❍	❍	❍	●
Germany	●	●	●	✧	✧	✧	✧
Greece	■	■	■	■	■	■	❍
Ireland	■	✧	■	✧	✧	✧	✧
Israel	●	●	✧	■	■	■	●
Korea	●	●	●	●	●	●	●
Luxembourg	●	●	✧	✧	✧	✧	✧
Mexico	■	✧	■	✧	❍	■	●
New Zealand	■	■	■	✧	✧	✧	✧
Norway	●	✧	■	●	●	■	●
Slovak Republic	●	✧	✧	✧	✧	✧	✧
Spain	●	●	■	✧	✧	✧	●
Sweden	●	●	●	●	●	●	●
Switzerland	●	✧	✧	❍	❍	❍	■
Total OECD							
● Yes, always	10	6	3	3	3	2	9
■ Yes, sometimes	6	5	11	4	4	6	1
❍ No, but planned	2	2	1	3	4	3	2
✧ No, not planned	1	6	4	9	8	8	7

Source: 2011 OECD Survey on National Gender Frameworks, Gender Public Policies and Leadership.

StatLink http://dx.doi.org/10.1787/888932943685

8.10. Percentage of individuals who have taken part in an online consultation or voting



Source: Eurostat, *Information Society Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932942925

9. SPECIAL FEATURE – SERVING CITIZENS: ACCESSIBILITY AND QUALITY OF PUBLIC SERVICES

Governments in OECD member countries are increasingly focused on making quality public goods and services accessible to as wide a range of citizens as possible while also ensuring these are more responsive to the diversity of individual needs. Many countries are introducing more stringent service and performance standards and implementing mechanisms to measure and integrate citizen feedback into delivery processes.

Several motives are driving the move towards more citizen-focused strategies. More educated, well-informed citizens are judging governments on their performance, an important aspect of which is service quality. Indeed, citizens' experiences in interacting with government agencies – and their satisfaction with the treatment, goods and services they receive – can influence their perceptions of the capacity and fairness of government institutions and their views of whether they receive value for money from their tax contributions or fees paid. Moreover, in times of fiscal austerity, measuring service quality is also necessary to evaluate the impact of spending cuts on services, and to ascertain whether government departments and organisations are achieving efficiency gains without adverse effects on the elements that matter most to citizens.

This chapter is a first attempt to compare dimensions of service quality not only across countries but also across key public services: education, health care, justice and tax administration. It presents a selection of citizen-focused indicators along several dimensions of accessibility and quality: affordability, availability of online channels, timeliness, and reliability. In addition, perception data on citizens' reported satisfaction with these services are also presented. There are several facets to each of these dimensions. For example, "accessibility" can refer to several factors, from geographic proximity to service providers to the accommodation of facilities or channels to different needs. This chapter, however, presents only a subset of indicators, chosen on the basis of data availability and comparability across member countries.

Access to public services: Affordability

The impact of basic public goods and services like education, health care and justice on citizens' lives depends significantly on the extent to which intended recipients are able to access and consume them. The accessibility of public services can be considered a performance criterion for governments, reflecting their capacities to accurately recognise the diversity and nature of different needs, create and tailor delivery and communication channels accordingly, and ensure equity and fairness in delivery and distribution.

Barriers to access can take several forms including: geographical distance, inadequate facilities for users requiring special accommodations, insufficient number of delivery channels (Internet, phone, person-to-person, etc.), insufficient information or use of complex language, a lack of interpreters or translators for non-native speakers, inconvenient opening times or excessive administrative burdens. Such barriers can decrease awareness of eligibility or existence of services or deter potential recipients. Affordability, or the economic costs of purchasing a good or service relative to income, can be an important barrier to access. Financial accessibility can not only make the difference between whether or not a good or service will be consumed, but can also impact the confidence of citizens in the fairness of public institutions.

However, while governments have a vested interest in ensuring that citizens, particularly low-income or other vulnerable groups, can afford basic services, they also face the challenge of balancing concerns for equity and well-being with efforts to preserve consumer choice and incentivise better performance of public providers. Indeed, subsidising or providing services at below-market prices can influence users to consume goods that they do not need or decrease competition, reducing the number of providers and decreasing the incentives for quality improvements.

Health care

While most OECD member countries provide universal health insurance coverage for a core set of services, citizens may still have to pay for some services or medications. These costs could lead some citizens to forgo or delay seeing a doctor or undertaking a treatment, thus reducing overall access to health care, or resulting in more costly hospitalisation at a later stage. In addition, citizens in greater need of health services may carry a heavier burden of these costs, if they are not exempted from some of these costs or if there is no spending cap. There is significant variation in out-of-pocket payments as a share of final household consumption across OECD member countries. Out-of-pocket payments represented 1.5% of final household consumption in France, the Netherlands, Turkey and the United Kingdom, but more than 4% in Chile, Korea, Mexico and Portugal (Figure 9.1). More important, however, is the distribution of those out-of-pocket payments by income group. Many countries, for example, have exemptions and caps to out-of-pocket payments for lower income groups to protect health care access.

Justice

Citizens also face time and monetary costs when bringing forward or processing a case through the legal system. In instances where one may be a defendant or an accused person, there are also costs associated with maintaining legal representation. The provision of legal aid can facilitate access to justice, ensuring that even those without the necessary financial resources may still exercise their right to a fair trial. Legal aid as defined here can take the form of gratuitous or subsidised legal representation, legal advice and exempted fees. The share of cases receiving legal aid can provide an indication of the extent to which public financial support is made available. Of the 11 OECD member countries for which data are available, in four countries – Finland, France, the Netherlands and Norway – citizens received legal aid in more than 10% of first-instance cases. In the remaining countries, citizens received legal aid in 6% or fewer of first-instance cases (Figure 9.2). In some countries, such as Austria, non-contested first-instance cases may not always be eligible for legal aid, potentially misrepresenting the ratio of cases benefitting from state assistance.

Education

In addition to direct costs, citizens can face indirect costs in accessing public services. For example, in addition to tuition fees, citizens will need to take into consideration living expenses as well as the potential earnings they give up when deciding to enter higher education. Public tertiary education institutions in five countries – Chile, Japan, New Zealand, the United Kingdom and the United States – charged tuition fees that accounted for 14% or more of per person disposable income (Figure 9.3). In five countries – Austria, Italy, the Netherlands, Spain and Switzerland – entry fees weighed significantly less on citizens' income, ranging from 3% to 7% of per person disposable income. In five countries – Denmark, Finland, Mexico, Norway and Sweden – public tertiary education institutions did not charge tuition fees.

In ten countries, at least half the students received financial aid. These countries included five of the six countries with above-average tuition fees (Australia, Chile, New Zealand, the United Kingdom and the United States), a country where tuition fees with respect to per person disposable income were relatively moderate (the Netherlands), and most countries with no tuition fees (Denmark, Finland, Norway and Sweden). In these countries, on average, approximately 71% of citizens of the relevant age cohort entered university-level education. In countries with less than half the students receiving financial aid, on average, approximately 45% of citizens of the relevant age cohort entered university-level education.

Methodology and definitions

Data on out-of-pocket payments are derived from *OECD Health Statistics 2013*. Out-of-pocket payments are expenditures borne directly by a patient where neither public nor private insurance cover the full cost of the health good or service. They include cost-sharing and other expenditure paid directly by private households, and also include estimations of informal payments to health care providers in some countries. Only expenditure for medical spending (i.e. current health spending less expenditure for the health part of long-term care) is presented here, because the capacity of countries to estimate private long-term care expenditure varies widely.

Data on legal aid and first-instance cases are derived from the evaluation of judicial systems conducted by the European Commission for the Efficiency of Justice (CEPEJ). Legal aid refers to cases receiving public funds to subsidise or finance legal representation. It can also include cases that received gratuitous legal advice, or that were granted exemptions from certain fees. Criteria for receiving aid vary by country, ranging from types of individuals who may qualify for assistance to the kinds of cases eligible. Data on the estimated costs of processing a case are obtained from the World Bank Group's *Doing Business* (database). Cost is recorded as a percentage of the claim, assumed to be equivalent to 200% of income per capita. No bribes are recorded. Three types of costs are recorded: court costs, enforcement costs and average attorney fees.

Data on tuition fees, financial aid and entry rates into Type A university-level education are derived from *Education at a Glance 2013: OECD Indicators* (OECD, 2013). Tuition fees cover only Type A first-degree programmes at public institutions (in PPPs-converted USD) for the academic year 2010-11. Adjusted disposable income is defined as the maximum amount that a unit can afford to spend on consumption goods or services without having to reduce its financial or non-financial assets or by increasing its liabilities, adjusted for government transfers. Entry rates refer to the estimated percentage of people of an age cohort entering Type A university-level education for the first time.

Further reading

CEPEJ (2012), *European Judicial Systems – Edition 2012 – Efficiency and Quality of Justice*, Council of Europe Publishing, Strasbourg.

OECD (2013a), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eag-2013-en*.

OECD (2013b, forthcoming), *Health at a Glance 2013: OECD Indicators*, OECD Publishing, Paris.

Figure notes

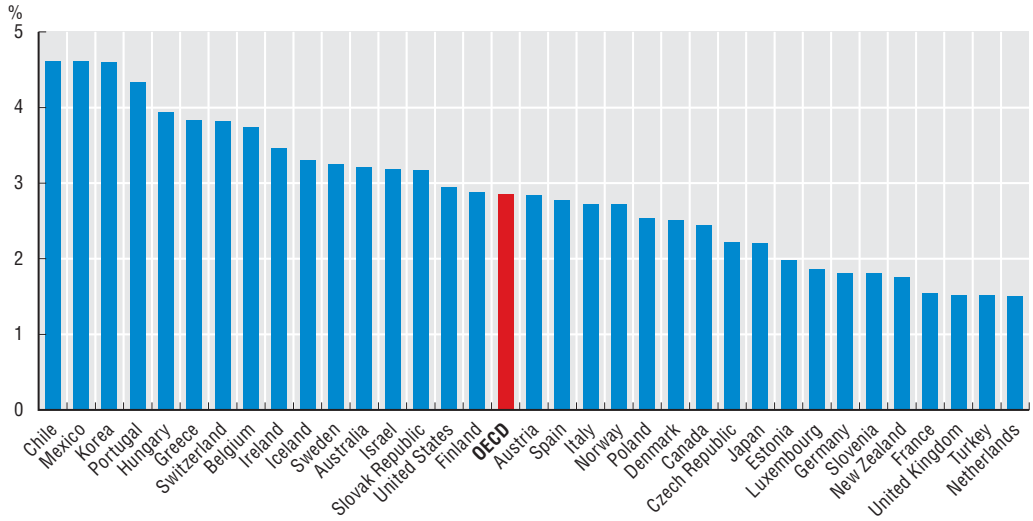
9.1: Data for Australia, Austria, Canada, Japan, Mexico, New Zealand and Norway are for 2010. Data for Israel are for 2009. Data for Turkey are for 2008.

9.2: Non-criminal and criminal cases for all countries except Austria and France, where data refer to non-criminal cases only.

9.3: For the United States, figures on entry rates and the percentage of students who benefit from public loans/scholarships are reported for all students (full-time national and full-time non-national/foreign students), and data on entry rates include both Type A and Type B programmes. For France, average tuition fees ranging from USD 200 to USD 1 402 for university programmes are dependent on the Ministry of Education. For Japan, tuition fees refer to public institutions; however, more than two-thirds of students are enrolled in private institutions. For Chile, if only public institutions are taken into account, the proportion of students who benefit from public loans and/or scholarships/grants is 68%. Data on loans/scholarships: data for Australia exclude foreign students. Data for Mexico and the United Kingdom refer to academic year 2008-09. Data for Denmark, France, Mexico, the Netherlands and the United states include only public universities, including tertiary/Type B in France. See Annex 3 of *Education at a Glance 2013: OECD Indicators* (OECD, 2013) for further notes (*www.oecd.org/edu/eag.htm*).

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

9.1. Out-of-pocket expenditure as a share of final household consumption (2011 or latest available year)

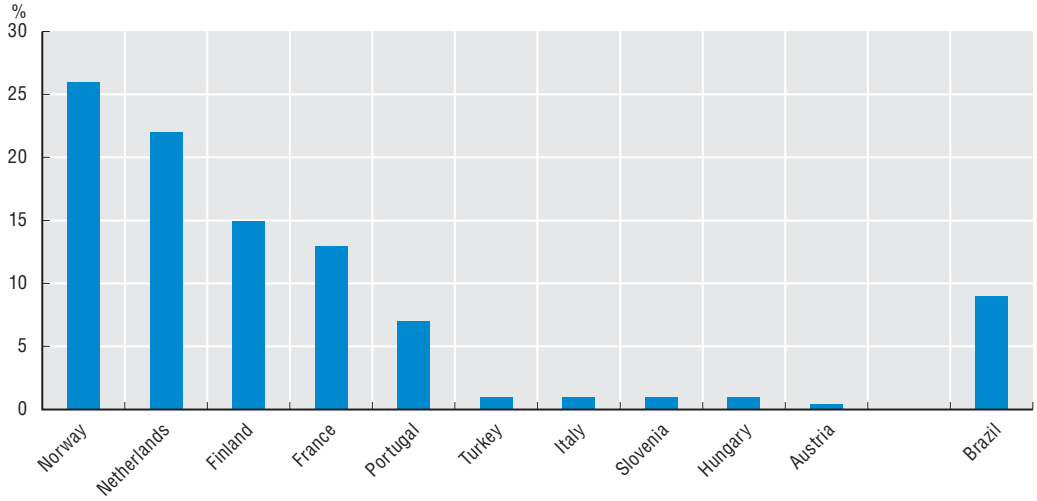


Source: OECD Health Statistics 2013.

StatLink http://dx.doi.org/10.1787/888932942944

9.2. Cases granted legal aid (2010)

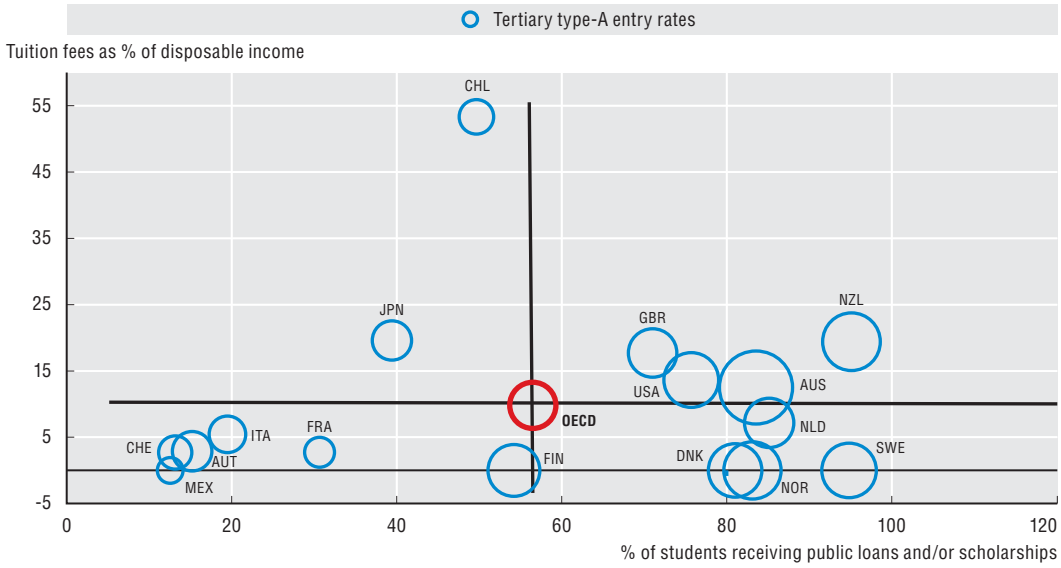
As a share of first instance cases



Source: CEPEJ (2012), *European Judicial Systems* (database). OECD calculations based on questions 91, 94, 97, 98, 99 and 100. Data from Brazil provided by the national authorities.

StatLink http://dx.doi.org/10.1787/888932942963

9.3. Tuition fees and financial aid (2010-11)



Sources: OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eag-2013-en* (Tables B5.1, B5.2 and C3.1a); and OECD (2013), *National Accounts at a Glance 2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/na_glance-2013-en*.

StatLink *http://dx.doi.org/10.1787/888932942982*

Uptake of online public services

Citizens and businesses increasingly prefer and use digital channels to interact with governments and access public services. Online channels can facilitate access to a wider range of users and provide greater convenience, while also reducing costs for all involved, including governments. While in general the adoption of online channels is growing, several kinds of gaps in the uptake remain in many OECD member countries, where usage of online services remains more limited. Governments must continue to work on reducing such disparities while still developing their online service supply.

Businesses' uptake of online public services

Online public service provision can help businesses save time and reduce administrative burdens, increasing also the likeliness of applying ICTs in operations as a means to improve productivity. As firms are considered more ready to use online public services than citizens, countries are taking measures to increase the high uptake levels even further, for example by making selected online transactions mandatory.

Iceland, Finland and the Slovak Republic among others have a high level of general online interaction with public authorities, although a different trend emerges when examining the use of fully transactional services, such as electronic handling of administrative procedures. Here Australia, France and Slovenia rank highest among member countries. Country-specific legislation, differences in mandatory requirements for using online services, and the use of intermediaries in service delivery can contribute to explaining variations across countries.

Large firms (250 or more employees) generally have a very high level of e-government uptake; however, they account on average for less than 1% of the total number of firms across the OECD area. Medium-sized firms (50-249 employees) are closer to the uptake of large firms; however, there is a considerable uptake gap between large and small firms (10-49 employees) across countries. Countries such as Australia, Hungary, Italy, Korea and Spain display some of the largest disparities in uptake between large and small enterprises.

Increasing business uptake holds double benefits. Focusing on increasing the business uptake of online channels for public service delivery may help governments reduce expenditures. As such, governments are increasingly selecting services where digital interaction with businesses can be made fully mandatory (e.g. VAT tax filings, permits or registrations). Additionally, while the uptake of online public services is lower in smaller firms, small and medium-sized firms remain important drivers of growth in OECD countries. Hence, paying particular attention to boosting access and ICT capacities can nurture economic growth generally, not only in areas related to the Internet.

Citizens' uptake of online public services

Relative to firms, citizens resort less to online channels when accessing public services. Nordic countries lead in this regard, both in terms of citizen use of Internet to generally interact with the government as well as for more advanced actions, such as sending filled forms. France, Ireland and the Netherlands, also have high citizen use of the Internet to send filled forms to public authorities.

The average rates of citizen use of e-government can translate into significant disparities by age, educational attainment or income levels. For example, the age group with the highest level of interaction with public authorities is individuals from 25 to 34 year-old. Comparing with the younger population of 16 to 24-year-olds, a "youth gap" in the take-up of e-government services seems to appear. Several reasons can be suggested: for example, 16-24 year olds might use fewer public services in general as they may remain dependents of households. In some countries, some of the most commonly deployed e-government services, such as tax filings, are either not relevant or are not necessarily dealt with by the youngest age group. On the other hand, issues such as voter registration, driving licenses, benefits claims, education and work choices do require dealing with public authorities in many countries, also for younger parts of the population indicating an actual challenge.

Elderly citizens are also less likely to adopt Internet channels for accessing public services. In a number of countries, there is a considerable disparity when comparing the use of the Internet for online government services between individuals aged 25 to 34 years and those aged 65 to 74. Again, several explanations can be suggested. The lack of digital skills is one key barrier for the older age group, with adverse implications in the short to medium term for governments striving to address demographic changes through greater use of digital welfare services, for example e-health services such as telemedicine.

Governments are undertaking a number of measures to increase citizens' uptake, for example, identifying services where users are ready to have physical service delivery channels closed down; or providing incentives to use digital channels, such as reduced speed in paper proceedings or even transaction fees attached to face-to face services. Specific segments of the population, for example university students, are intensive users of Internet and can more easily be required to use electronic channels, as is the case in Denmark. In Canada, offering support in the transition to digital channels, for example through the use of social media and video clips, is helping increase the uptake of online services. Where some countries are introducing a "digital by default" approach through mandatory communication channels, other countries, such as the United Kingdom, are seeking to establish "a pull" by increasing the preference for digital channels by delivering online services of high quality.

One-way interactions with government (e.g. obtaining information) remain more common for both citizens and firms than more advanced, transactional interactions (e.g. full electronic case handling or sending in completed forms). Implementing adequate enabling infrastructures and helping users evolve to the latter stage of online interaction are key for governments to fully exploit the potential efficiency gains of ICTs in service delivery.

Methodology and definitions

Indicators on citizens and businesses are based on Eurostat's *Information Society Statistics* (database) and the OECD's *ICT Database*. The indicators evaluate the share of citizens and businesses using the Internet to interact with public authorities. The two sources are methodologically comparable. Data are collected by national statistical offices based on Eurostat's annual Model Survey on ICT Usage and E-Commerce in Businesses and annual Community Survey on ICT Usage in Households and by Individuals.

The data show interaction with public authorities by the Internet. Public authorities refer to both public services and administration activities, at all levels of government. Interaction is a derived indicator covering subcategories of various actions performed through the Internet, such as obtaining information, downloading and sending forms, or completing administrative procedures and case handling. While the use of intermediaries is widespread in a number of countries, this is not captured in the survey data.

The e-government uptake indicator measures the percentages of firms or citizens who have used the Internet to interact with public authorities in the last 12 months preceding the survey. The 12-month period allows for comparisons across countries with differing schedules of service transactions across sectors. Firms with 10 or more employees are covered, not including the financial sector. Individuals between 16 and 74 are covered.

Further reading

OECD/International Telecommunication Union (2011), *M-Government: Mobile Technologies for Responsive Governments and Connected Societies*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264118706-en*.

OECD (2009), *Rethinking e-Government Services: User-Centred Approaches*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264059412-en*.

Figure notes

9.4: Data unavailable for Canada, Chile, Israel, Japan, Mexico, Turkey and the United States. Data unavailable on full electronic interaction for Switzerland and on obtaining information for Australia. Data for Australia, Chile, Korea, New Zealand, and Switzerland refer only to obtaining information, not general interaction, and include the financial sector. Data for Australia refer to 2010, data for Iceland, the United Kingdom and New Zealand refer to 2012. Data for Belgium and Finland on Internet interaction refer to 2012; data for Belgium, Finland, Iceland and the United Kingdom on electronic administrative procedures refer to full electronic case handling in 2010.

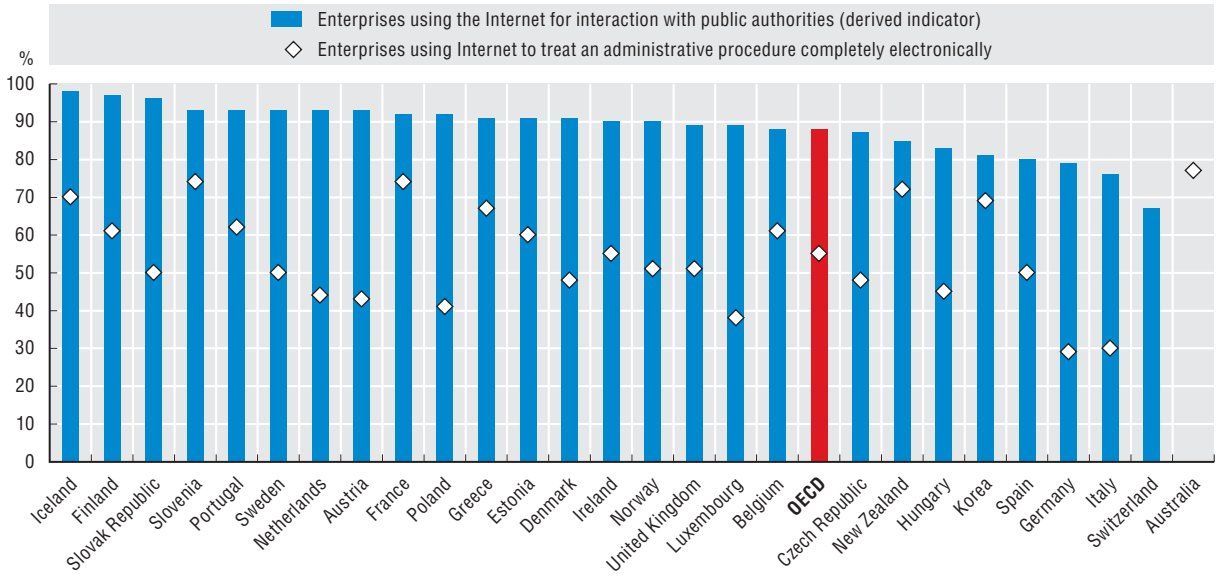
9.5: Data unavailable for Canada, Chile, Israel, Japan, Mexico, Turkey and the United States. Data for Australia, Korea, New Zealand and Switzerland refer only to obtaining information, not general interaction, and include the financial sector. Data for Korea and Switzerland refer to 2011. Data for Australia refer to 2010 and cover use of the Internet to complete forms electronically.

9.6: Data unavailable for Korea, Mexico, Turkey and the United States. Data unavailable on sending filled forms for Australia, Israel and Switzerland, and on interaction with public authorities for Japan. Data for Canada, Switzerland and New Zealand refer only to obtaining information, not general interaction. Data for Israel cover citizens aged 20 and above and cover both obtaining information and filling in forms on line. Data for Canada refer to 2009, data for Australia, Israel and Switzerland refer to 2010. Data for New Zealand refer to downloading forms rather than sending filled forms.

9.7: Data unavailable for Japan, Korea, Mexico, Turkey and the United States. Data for Australia, Canada, New Zealand, Israel and Switzerland refer only to obtaining information, not general interaction. In these countries the age group "25-34 years old" refers rather to individuals between 25 and 44 years of age. Data for Chile refer to the 25-64 years age group. Data for Israel cover citizens aged 20 and above and cover both obtaining information and filling in forms on line. Data for Canada, Israel and Switzerland refer to 2010.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

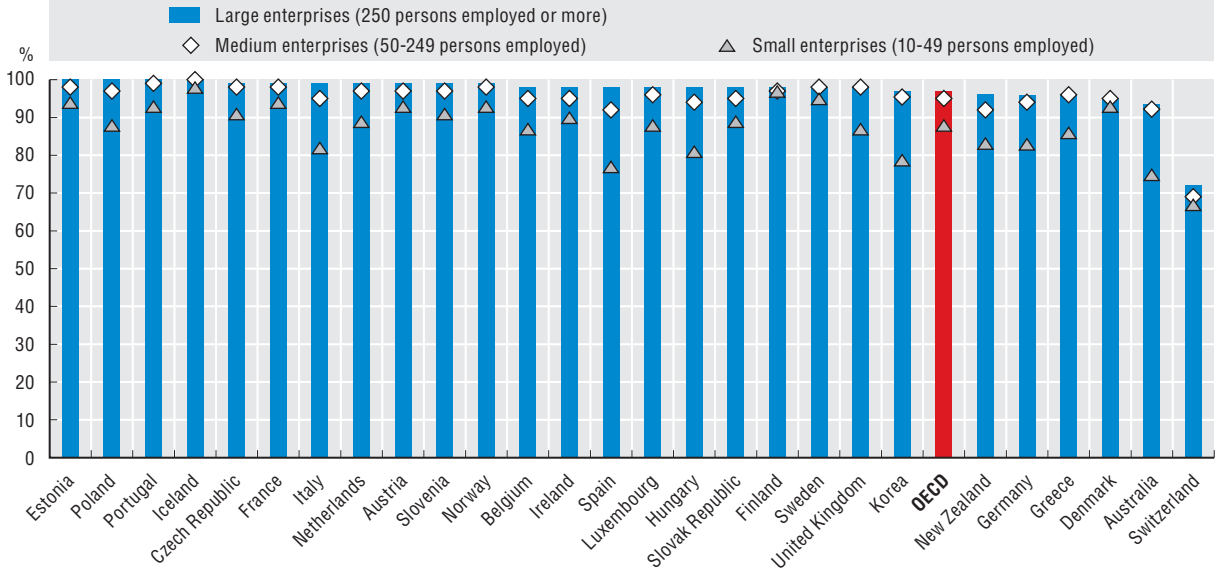
9.4. Firms using the Internet to interact with public authorities by type of activity (2011)



Source: OECD, *ICT Database*; and Eurostat, *Information Society Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932943001

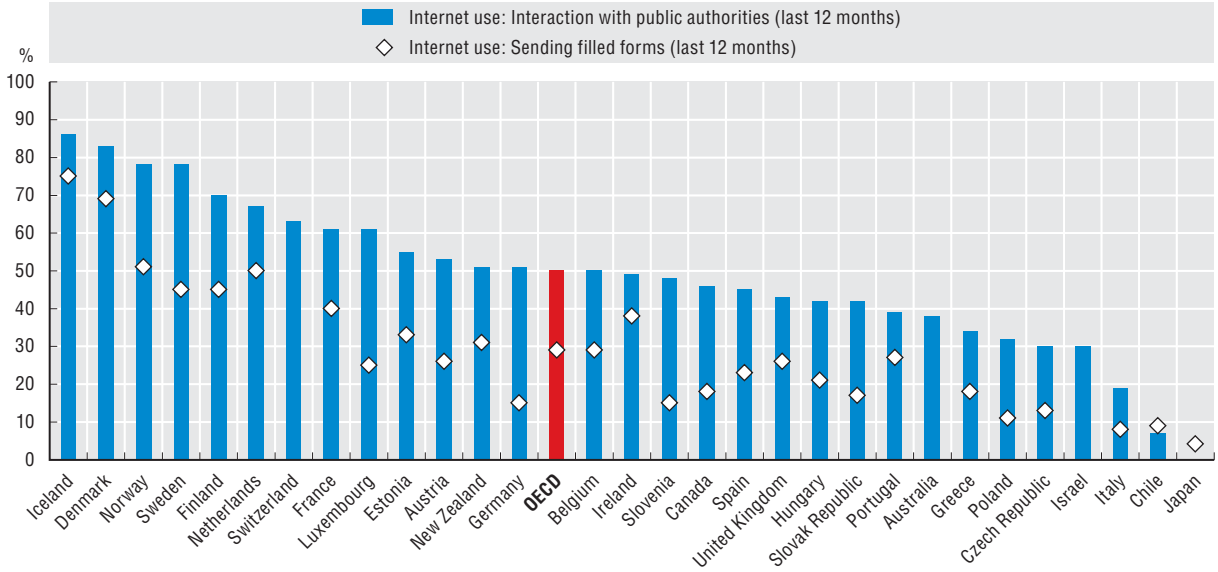
9.5. Firms using the Internet to interact with public authorities by firm size (2012)



Source: OECD, *ICT Database*; and Eurostat, *Information Society Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932943020

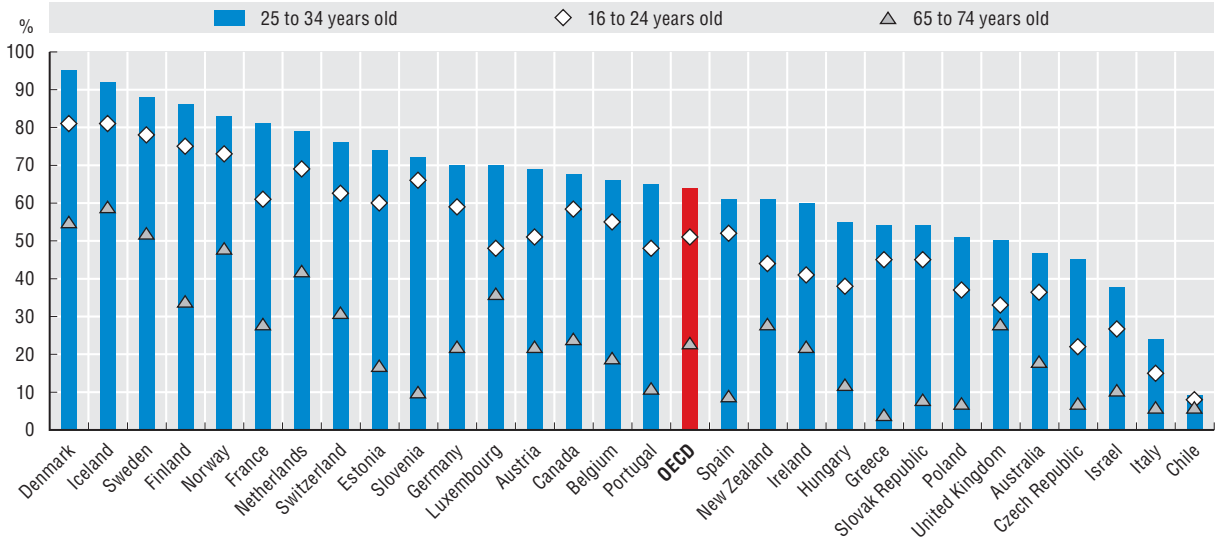
9.6. Citizens using the Internet to interact with public authorities by type of activity (2012)



Source: OECD, *ICT Database*; and Eurostat, *Information Society Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932943039

9.7. Citizens using the Internet to interact with public authorities by age group (2012)



Source: OECD, *ICT Database*; and Eurostat, *Information Society Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932943058

Responsiveness of public services: Timeliness

Responsive public goods and services explicitly recognise and adapt to the heterogeneity of citizens' needs. Rather than adopting a "one size fits all" approach, responsive service providers implement strategies that segment customer bases, as well as establish mechanisms that proactively seek and take into account citizens' feedback or complaints. In addition, responsive public goods and services seek to be reactive to needs, responding as quickly as possible and minimising delays. Timeliness of service delivery therefore stands out as a responsiveness indicator that particularly affects citizens' confidence in the ability of public services to meet their needs.

Health care

Waiting time is one measure of the timeliness of service delivery. Excessive waiting times may affect not only the perception of the quality of the service but also the expected impact of the service. For example, delaying a medical treatment can sometimes lead to adverse health effects and unnecessary hospitalisation at an acute stage. In addition, it can strain the doctor-patient relationship and reduce the trust of citizens in the health system. Still, waiting times may also reflect the fact that, in the absence of any other allocation factor, when services are provided entirely for free, time may become a variable of adjustment in case of limited supply. Among OECD member countries for which data are available, on average, almost 40% of citizens who had been advised to see a specialist reported having to wait more than four weeks before seeing the specialist in 2010 (Figure 9.8). There is, however, significant cross-country variation. The share of citizens waiting more than four weeks was almost 60% in Canada and less than 20% in Germany.

On average, fewer citizens (about 10%) had to wait more than four months for an elective surgery. Approximately 20% of citizens reported long waiting times in Canada, Sweden, Norway, and the United Kingdom. No citizen in Germany has reported a waiting time of more than four months. Understaffing, poor organisation or a shortage of hospital beds can all contribute to long waiting times for surgeries.

Tax administration

A number of OECD member countries have included timeliness as a key performance standard for certain public services, notably tax administration. Among the countries where a time standard was set for tax returns, the average processing time did not exceed 40 days for paper returns and 35 days for electronic returns (Figure 9.9). In two countries – the Netherlands and Poland – returns were processed within three months. For all other countries, standards for the processing time for paper returns ranged from up to 10 days in Ireland to 42 days in Australia, Denmark and Japan. For the majority of countries, electronic filing did not significantly lower processing time standards, with the exception of Australia, Canada and Ireland. In these countries, citizens filing their tax returns electronically saw their tax returns processed three to four times faster than citizens filing tax returns in paper form.

Justice

Timeliness can also be very important in determining the quality of justice systems. Delays can reflect badly on the capacity of justice systems to uphold the rule of law and to provide an efficient level playing field for resolving economic disputes, thus undermining confidence in the justice institutions. Delays can also create added costs as cases remain pending and economic situations unresolved, impeding prospects for future investment. Excessively short processing times on the other hand may undermine the need for due process.

Trial length is one common indicator of timeliness in the justice sector. Across the 31 OECD member countries for which data are available, average disposition time of first instance civil cases ranged from more than 550 days in Italy to approximately 100 days in Japan, with an OECD average of approximately 242 days (Figure 9.10). Countries following the French legal system report the longest disposition times. Beyond procedural and substantive differences across legal systems, however, the organisation of the justice system – including staffing and human resource management policies, use of IT and capabilities for managing the case load – can affect the time necessary for solving a case in court.

Methodology and definitions

Data on waiting times for specialist and elective surgery are derived from *OECD Health Data 2011*. The waiting time for specialist and elective surgery is the time between the patient being advised to seek care and the appointment. Only those respondents who had specialist consultations or elective surgery were asked to specify waiting times.

Data on the processing time of personal tax returns are derived from *Tax Administration 2013: Comparative Information on OECD and other Advanced and Emerging Economies*. Processing time refers to the time between the filing of the personal income tax return by a citizen and the decision by the tax authority on tax refunds. Tax returns are the forms on which citizens report their taxable income to the relevant authorities. Tax refunds refer to the reimbursement that citizens receive when the amount they paid is greater than their tax liability.

Justice data on the average length of first-instance civil trial cases have been drawn by OECD "Judicial Performance and its Determinants: A Cross-Country Perspective". Trial length is estimated with a formula commonly used in the literature: $[(Pending_{t-1} + Pending_t)/(Incoming_t + Resolved_t)]*365$. Where information on the number of pending cases was not available but the country was able to provide information on the actual length, the latter was used (England and Wales, Mexico, New Zealand and the Netherlands). For those countries for which neither the estimated nor the actual trial length was available, trial length has been calculated imputing the predicted value of the regression of the estimated length trial as found in the World Bank Group's, *Doing Business* (database).

Further reading

OECD (2013a), *Tax Administration 2013: Comparative Information on OECD and other Advanced and Emerging Economies*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264200814-en*.

OECD (2013b, forthcoming), *Health at a Glance 2013: OECD Indicators*, OECD Publishing, Paris.

Palumbo, G. et al. (2013), "Judicial Performance and its Determinants: A Cross-Country Perspective", *OECD Economic Policy Papers*, No. 5, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5k44x00md5g8-en*.

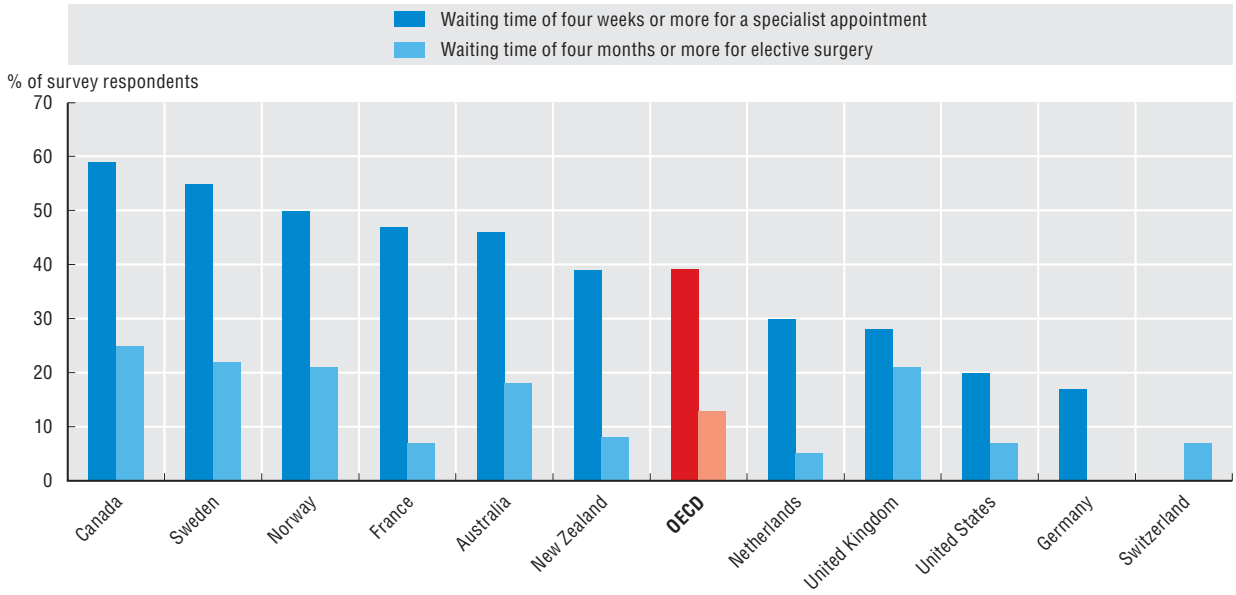
Figure notes

9.9: The figure only includes countries where an administrative standard is applied in practice. For the Netherlands, the number of days could not be estimated with reasonable approximation and have not been included. Data for Austria: same standard applied for both paper and e-filed returns. Data for Chile: returns filed between 1 April and 19 April: refunds by deposit are due on 10 May and refunds by sending a cheque are due on 30 May; returns filed between 20 April and 27 April: refunds by deposit are due on 17 May and refunds by sending a cheque are due on 30 May; returns filed between 28 April and 9 May: refunds by deposit are due on 26 May and refunds by sending a cheque are due on 30 May. Data for Hungary refer to the standard set by the tax authority and not the actual performance. Data for the United States: the standard is for individual paper returns only. A separate standard for electronically filed returns is not applicable. For returns filed electronically, the goal is to issue refunds within 5 to 21 days, which the Internal Revenue Service achieves for most returns filed electronically. Data concerning paper returns are not applicable for Estonia and Portugal.

9.10: Data for the United Kingdom refers to England and Wales.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

9.8. Waiting times for a specialist appointment and elective surgery (2010)

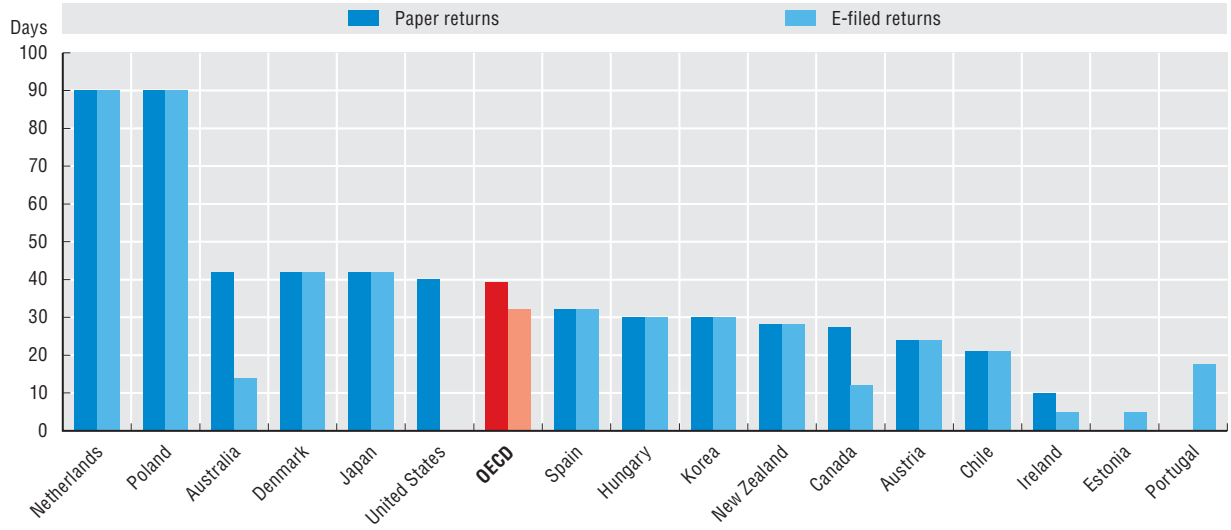


Source: Commonwealth Fund International Health Policy Survey 2010.

StatLink http://dx.doi.org/10.1787/888932943077

9.9. Processing time of personal tax returns where a tax refund is expected (2011)

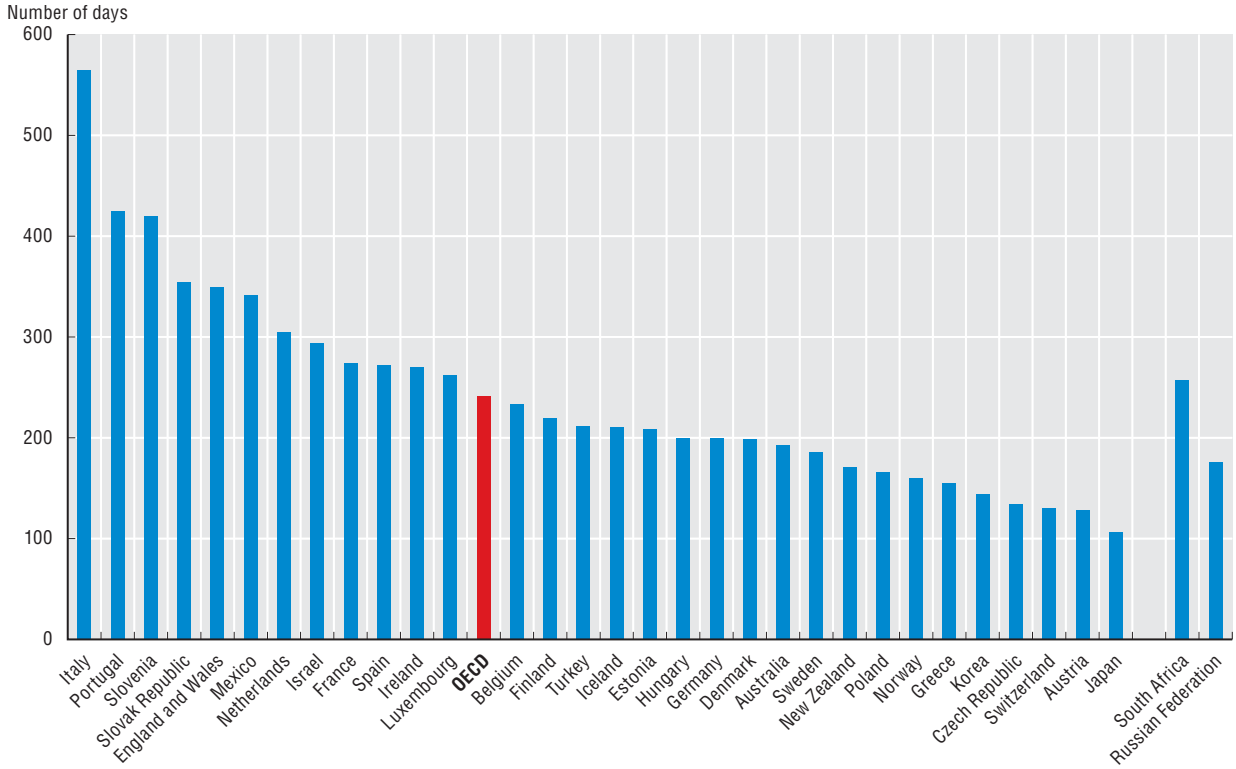
Average number of days for at least 80% of returns



Source: OECD (2013), *Tax Administration 2013: Comparative Information on OECD and other Advanced and Emerging Economies*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264200814-en*.

StatLink http://dx.doi.org/10.1787/888932943096

9.10. Trial length of first-instance cases in days (2012)



Source: OECD, CEPEJ, World Bank; and Palumbo, G. et al. (2013), "Judicial Performance and its Determinants: A Cross-Country Perspective", *OECD Economic Policy Papers*, No. 5, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5k44x00md5g8-en*.

StatLink http://dx.doi.org/10.1787/888932943115

Reliability of public services: Ensuring citizens' rights

In any democratic society citizens will have a number of basic rights as well as obligations in relation to their government and its agencies. While measuring users' satisfaction with public sector goods and services is considered to be an important indicator to evaluate performance of service delivery in OECD countries, few measures have been consensually developed on the extent to which governments design their institutional framework to allow citizens' rights to be acknowledged and heard. Such a framework helps to ensure the reliability of public services by informing citizens of their rights and by providing them with channels of redress and quality assurance. Statements of citizens' rights might also promulgate basic service and process standards, e.g. the Citizens' Charter that existed in the United Kingdom.

The assessment of citizens' rights recognition has become even more compelling in a context of decreasing trust in national governments and in leadership. Few countries have a common definition of patient or taxpayer rights, let alone a standardised regulatory framework for the implementation of complaint practices.

Tax administration

In the tax administration sector, the diversity of tax policies across countries creates different environments in which revenue bodies operate and, as a result, the specific details of taxpayer rights vary somewhat by country. Nonetheless, several common trends can be recognised and therefore analysed. At the beginning of last decade, the OECD Committee of Fiscal Affairs Working Party No. 8 published a document displaying that, while most countries at that time did not have an explicit "taxpayer charter", the following basic taxpayer rights were present in all frameworks: "the right to be informed, assisted and heard; the right of appeal; the right to pay no more than the correct amount of tax; the right to certainty; the right to privacy; and the right to confidentiality and secrecy".

Across OECD member countries, over the past years a significant number of governments have developed a taxpayer or service charter in order to organise these basic rights. A taxpayer or service charter is constituted by a set of documents including statements about behaviours expected from both officials and taxpayers. Different patterns concerning the characteristics related to the charters can be found across OECD member countries. In some cases, regulatory measures taken to protect taxpayers are consolidated into a "taxpayer charter" which is later widely published, but other settings exist. Therefore, international comparisons should take into account that countries without a taxpayer charter may nonetheless attach as much importance to taxpayer rights as countries with formal taxpayer charters statements.

As set out in Table 9.11, as of 2012 almost all revenue bodies conducting tax operations have a formalised set of taxpayers rights set out in legislative and/or administrative form. Of the 33 OECD member countries under analysis, 30 countries have codified the rights (partly or in full) in tax law or other statutes, the only exceptions being Ireland, New Zealand and Turkey. On the other hand, 26 revenue bodies operate with a set of rights and obligations that are elaborated in administrative documents (sometimes referred to as "taxpayer" or "service" charters). Different factors, beyond cultural and legal issues, seem to affect the countries' decision to adopt a codified or an administrative approach in practice. On the one hand, reasons advanced in support of adopting an administrative approach include: speed in the implementation process, a more "reader-friendly" language, broader scope (including, for example, broader rights that cannot fit the legislative process), greater flexibility, and ease of redress. On the other hand, the benefits of a codified approach take into account the following considerations: improved taxpayer perceptions by witnessing a stronger commitment from the revenue bodies' side; speed of adherence by staff to the adoption of the regulation; solidity of the document in the face of changes resulting from different political interests (longevity); and subjecting the document to established mechanisms of redress and challenge.

Health care

In the health sector, patient rights and involvement – such as the possibility to file a legal complaint – are considered as basic standards in the assessment of attention given to users in public service delivery. The analysis considered five elements: the existence of a formal definition or charter for patients' rights at the national level; whether patients can seek redress in courts in case of medical error; whether hospitals are required to have a patient desk for collecting and resolving complaints; the existence of an Ombudsman office responsible for investigating and resolving complaints against health services; and whether class action suits are permitted against health providers and pharmaceutical companies.

The vast majority of OECD countries declared that a formal definition of patients' rights exists at the national level (26 countries out of 33). Only Canada, Israel, Luxembourg, Sweden and Switzerland reported no such provision. In all countries but Finland, Iceland, New Zealand and the Slovak Republic, patients can seek redress in courts in case of medical errors. Hospitals are required as well to have a patient desk to register patients' complaints in a majority of countries (19).The vast majority of OECD countries reported the existence of an Ombudsman in charge of investigating and resolving patients' complaints about health services. Only Denmark, Japan, Korea, the Netherlands and Turkey do not have this type of mediation.

Methodology and definitions

Data on taxpayers' rights were drawn from *Tax Administration 2013: Comparative Information on OECD and other Advanced and Emerging Economies* (OECD, 2013). The information has been collected through two surveys administered in OECD member countries and a pool of other major economies: the IBFD Tax Survey and the CIS Survey. A taxpayer or service charter is defined as a set of documents including statements about behaviours expected from both officials and taxpayers.

Data on patients' right were taken from "Health Systems Institutional Characteristics: A Survey of 29 OECD Countries" (Paris et al., 2010). Information was collected through the OECD Survey on Health System Characteristics (2008-09 and 2012). The following question was used to extract information from the 2012 survey: Question 90: "Is there any formal definition of patients' rights at the national level (e.g. through a law, a charter)?" The following questions were used from the 2008-09 survey: Question 76: "Are hospitals required to have a patient desk in charge of collecting and resolving patient complaints?" Question 78: "What is the type of tort system in the country?" Question 80: "Can people engage in class action suits against health providers, pharmaceutical companies, etc.?" Question 81: "Are there any Ombudsmen in charge of investigating and resolving patients' complaints about health services?" A class action suit can be defined as a legal action brought by one or more persons on behalf of themselves and a much larger group, all of whom have the same grounds for action.

Further reading

OECD (2013), *Tax Administration 2013: Comparative Information on OECD and other Advanced and Emerging Economies*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264200814-en*.

Paris, V., M. Devaux and L. Wei (2010), "Health Systems Institutional Characteristics: A Survey of 29 OECD Countries", *OECD Health Working Papers*, No. 50, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5kmfxfq9qbnr-en*.

Figure notes

9.12: **Canada:** the Taxpayer Bill of Rights describes 15 rights, which are a combination of statutory rights and service rights. Statutory rights are codified in the tax legislation and generally include a legal right to redress. Service rights govern the revenue body relationship with taxpayers and encompass an administrative redress process. This service complaints process begins first with attempting to resolve the matter with the relevant official in the case; if the taxpayer is not satisfied, he/she can file a formal complaint through the Service Complaints Program; if he/she remains unsatisfied, he/she can file a complaint with the Taxpayers' Ombudsman who will provide an impartial and independent review. **Chile:** in February 2010, a new article was introduced in the Tax Code which specifies and details the minimum taxpayers' rights that are recognised and guaranteed by the law. **Ireland:** while there is an internal mechanism for processing complaints, customers can also make an appeal under statutory provisions via the Appeals Commissioners, the Ombudsman's Office or the Equality Tribunal. **Luxembourg:** the taxpayers' rights formally defined in administrative documents concern direct taxes only.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

9.11. Citizens' rights in the national health care system (2009-12)

	Formal definition or charter for patients' rights at the national level (2012)	Patient can seek redress in courts in case of medical error (2009)	Hospitals are required to have a patient desk for collecting and resolving complaints (2009)	Ombudsman office is responsible for investigating and resolving complaints against health services (2009)	Class action suits permitted against health providers and pharmaceutical companies (2009)
Australia	●	●	●	●	●
Austria	●	●	❍	●	●
Belgium	●	●	❍	●	●
Canada	❍	●	❍	●	●
Chile	●	..	..	..	..
Czech Republic	●	●	●	..	●
Denmark	●	●	●	❍	●
Finland	●	❍	●	●	❍
France	●	●	●	●	❍
Germany	●	●	❍	●	..
Greece	●	●	..	●	..
Hungary	●	●	●	●	..
Iceland	●	❍	●	●	❍
Ireland	●	●	●	●	❍
Israel	❍	..	..	..	..
Italy	●	●	●	..	❍
Japan	●	●	●	❍	●
Korea	●	●	●	❍	❍
Luxembourg	❍	●	●	●	❍
Mexico	●	●	●	●	❍
Netherlands	●	●	●	❍	..
New Zealand	●	❍	●	●	❍
Norway	●	●	❍	●	●
Poland	●	●	❍	●	●
Portugal	●	●	●	●	●
Slovak Republic	..	❍	..	..	..
Slovenia	●	..	..	..	..
Spain	●	●	●	●	●
Sweden	❍	●	❍	●	●
Switzerland	❍	●	❍	●	❍
Turkey	..	●	●	❍	●
United Kingdom	●	●	●	●	●
United States	●	..	..	..	..
Total OECD	**26**	**25**	**19**	**21**	**14**

● Yes
❍ No

Sources: Paris, V., M. Devaux and L. Wei (2010), "Health Systems Institutional Characteristics: A Survey of 29 OECD Countries", *OECD Health Working Papers*, No. 50, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5kmfxfq9qbnr-en*;

StatLink *http://dx.doi.org/10.1787/888932943704*

9.12. Citizens' rights in tax administration (2013)

	Taxpayers' rights are formally defined in tax law or other statutes	Taxpayers' rights are formally defined in administrative documents
Australia	●	●
Austria	●	●
Belgium	●	●
Canada	●	●
Chile	●	●
Czech Republic	●	❍
Denmark	●	●
Finland	●	●
France	●	●
Germany	●	❍
Greece	●	●
Hungary	●	●
Iceland	●	❍
Ireland	❍	●
Israel	●	●
Italy	●	●
Japan	●	❍
Korea	●	●
Luxembourg	●	●
Mexico	●	●
Netherlands	●	●
New Zealand	❍	●
Norway	●	●
Poland	●	❍
Portugal	●	●
Slovak Republic	●	❍
Slovenia	●	●
Spain	●	●
Sweden	●	●
Switzerland	●	❍
Turkey	❍	●
United Kingdom	●	●
United States	●	●
Total OECD	**30**	**26**

● Yes
❍ No

Source: OECD (2013), *Tax Administration 2013: Comparative Information on OECD and other Advanced and Emerging Economies*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264200814-en*.

StatLink http://dx.doi.org/10.1787/888932943723

Citizen satisfaction with public services

Measuring users' satisfaction with public goods and services is at the heart of a citizen-centric approach to service delivery and an important component of organisational performance strategies for continual improvement. Perception data are commonly used to evaluate citizens' experiences with government organisations and obtain their views on the outputs received. Such information can help public managers identify which elements of service delivery drive satisfaction, as well as monitor the impact of reforms on end-users. Measuring citizen satisfaction is also a means of allowing policy makers and managers to better understand their customer base, helping to identify sub-groups of users and needs or gaps in accessibility. Moreover, citizen satisfaction can be an important outcome indicator of overall government performance.

In efforts to improve the responsiveness and quality of public services, more and more government organisations are proactively seeking and acting on feedback from citizens about their experiences. Canada's "common measurement tool" and Italy and France's "quality barometers", for example, are designed to allow different government organisations to measure and track service quality over time, and incorporate perception data from citizens. The French government has in place a panel of respondents providing continuous feedback on services delivered, particularly those corresponding to major life events.

In general across OECD member countries, public services are highly valued by the majority of citizens. In 2012, for instance, 72% of citizens on average across OECD member countries reported having confidence in their local police force. Almost the same percentage considered themselves satisfied with the availability of quality health care, and 66% were satisfied with the education system and schools in their city or area.

On average, levels of satisfaction remained fairly consistent during and immediately following the economic and social crisis. Between 2007 and 2012, levels of citizen satisfaction increased only marginally, by less than 2 percentage points, in all three service areas analysed here. There are, however, large differences between countries. Fewer OECD countries experienced an increase in confidence in local police (15 countries) than a rise in satisfaction with education (19 countries) and health care (19 countries). Confidence in local police increased the most in Estonia (by 14 percentage points) and the Slovak Republic (13 p.p.), whereas it considerably declined in Mexico (15 p.p.) and Hungary (7 p.p.). Satisfaction with the education system increased the most in Israel and the United Kingdom (both by 9 p.p.) and decreased the most in Chile (17 p.p.) and Mexico (11 p.p.). All except nine countries saw their level of satisfaction with health care change within the 5 percentage point range, the strongest increases occurring in Hungary (10 p.p.) and the United Kingdom (8 p.p.), and the most significant drops in Greece (23 p.p.) and Japan (10 p.p.).

Overall, satisfaction with services is higher than confidence in national government. On average in 2012 across OECD member countries, confidence in local police and satisfaction with health care are both 30 percentage points higher than confidence in government, and satisfaction with the education system is 26 percentage points higher.

Methodology and definitions

Data are drawn from the Gallup World Poll which is conducted in approximately 140 countries around the world based on a common questionnaire, translated into the predominant languages of each country. With few exceptions, all samples are probability-based and nationally representative of the resident population aged 15 and over in the entire country (including rural areas). However, results may be affected by sampling and non-sampling errors. Sample sizes are a minimum 1 000 persons in each country. See Chapter 1 for a broader discussion on the measurement of trust in government.

Data for confidence in local police refer to the percentage of "yes" answers to the question: "In the city or area where you live, do you have confidence in the local police force?"

Data for satisfaction with the education system and schools refer to the percentage of "satisfied" answers to the question: "In the city or area where you live, are you satisfied or dissatisfied with the educational system or the schools?"

Data for satisfaction with the availability of quality health care: refer to the percentage of "satisfied" answers to the question: "In the city or area where you live, are you satisfied or dissatisfied with the availability of quality health care?"

Figure 9.14, "Levels of satisfaction and confidence across selected public services compared to confidence in national government (2012)" can be found on line at *http://dx.doi.org/10.1787/888932943153*.

Further reading

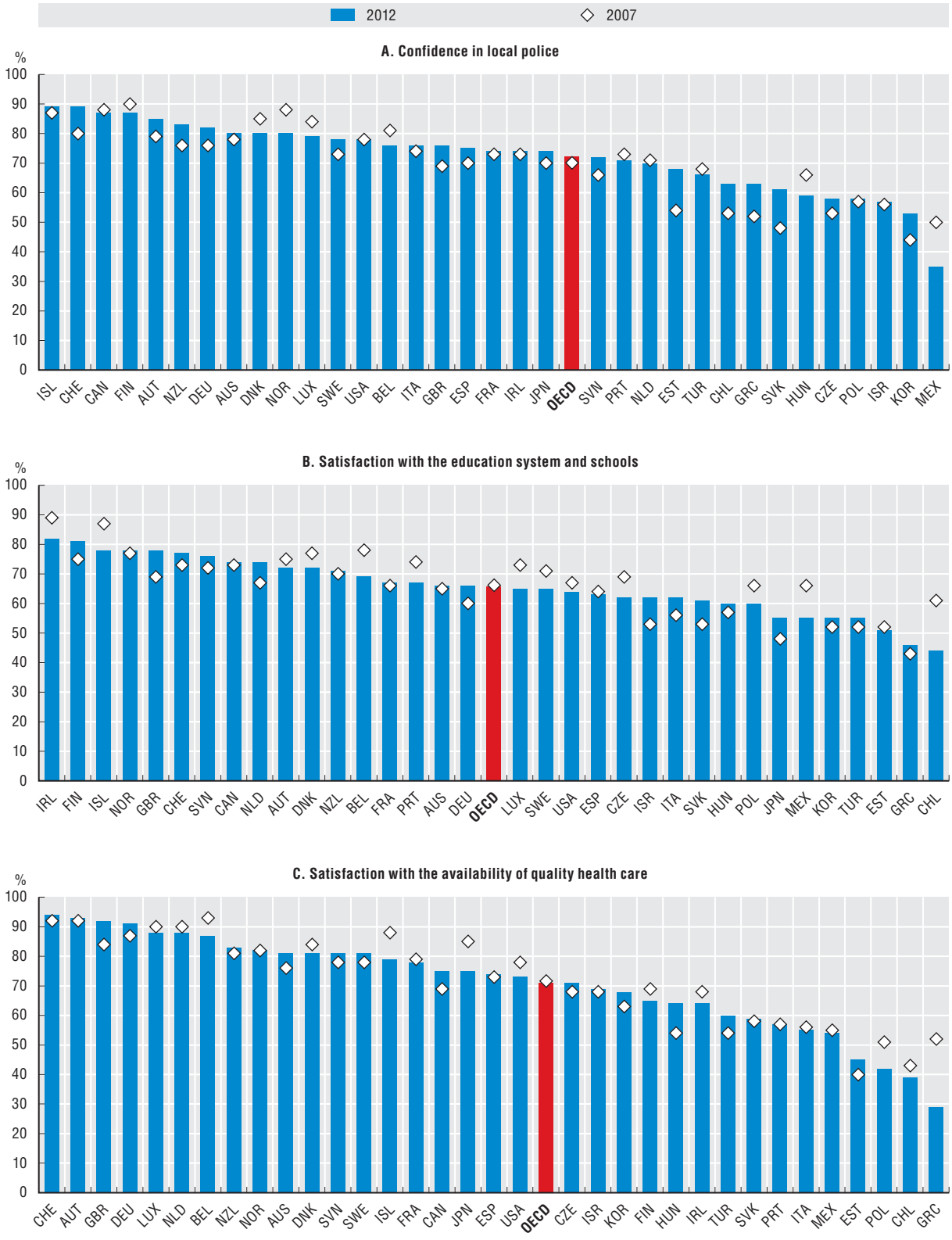
OECD (2012), *Measuring Regulatory Performance: A Practitioner's Guide to Perception Surveys*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264167179-en*.

Figure notes

Data for Austria, Finland, France, Ireland, Portugal, the Slovak Republic, Slovenia and Switzerland are for 2006 rather than 2007. Data for Chile, Germany and the United Kingdom are for 2011 rather than 2012. For confidence in local police and satisfaction with health care, data for Japan, Korea and Mexico are for 2011 rather than 2012.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

9.13. Levels of satisfaction and confidence across a selection of public services (2007 and 2012)



Source: World Gallup Poll.

StatLink http://dx.doi.org/10.1787/888932943134

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ANNEX A

Methodology for revenue aggregates

The following table provides detailed information about how the aggregates of taxes, social contributions, and grants and other revenues presented in Chapter 3 "Public finance and economics" were constructed from the *OECD National Accounts* data.

Table A.1. **Revenue aggregates**

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

ANNEX B

Classification of the Functions of Government (COFOG)

Developed by the OECD, the Classification of the Functions of Government (COFOG) classifies government expenditure data from the *System of National Accounts* by the purpose for which the funds are used. As Table B.1 illustrates, first-level COFOG splits expenditure data into ten "functional" groups or sub-sectors of expenditures (such as defence, education and social protection), and second-level COFOG further splits each first-level group into up to nine sub-groups. While first-level COFOG data are available for 32 out of the 34 OECD member countries, second-level COFOG data are currently only available for 21 OECD European member countries plus Japan.*

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

First-level	Second-level
General public services	• Executive and legislative organs, financial and fiscal affairs, external affairs. • Foreign economic aid. • General services. • Basic research. • R&D general public services. • General public services n.e.c. • Public debt transactions. • Transfers of a general character between different levels of government.
Defence	• Military defence. • Civil defence. • Foreign military aid. • R&D defence. • Defence n.e.c.
Public order and safety	• Police services. • Fire protection services. • Law courts. • Prisons. • R&D public order and safety. • Public order and safety n.e.c.

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

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

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

n.e.c.: Not elsewhere classified.

ANNEX C

Composite indexes budget practices

This edition of *Government at a Glance* includes two composite indexes related to budgetary practices: the use of a medium-term perspective in the budget process and the use of a performance budgeting system. Data used for the construction of the composites are derived from the 2012 OECD Survey on Budgeting Practices and Procedures and the 2011 OECD Survey on Performance Budgeting. Survey respondents were predominantly senior officials in the Ministry of Finance.

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

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

Each composite index is based on a theoretical framework representing an agreed-upon concept in the area it covers. The variables comprising the indexes were selected based on their relevance to the concept by a group of experts within the OECD and in consultation with country delegates to the relevant working parties.

- Various statistical tools, such as factor analysis, were employed to establish that the variables comprising each index are correlated and represent the same underlying concept.
- Different methods for imputing missing values have been explored.
- All sub-indicators and variables were normalised for comparability.
- To build the composites, all sub-indicators were aggregated using a linear method according to the accepted methodology.
- Sensitivity analysis using Monte Carlo simulations was carried out to establish the robustness of the indicators to different weighting options (e.g. equal weighting, factor weighting and expert weighting). Expert weighting resulted as the most appropriate weighting method.

The indexes do not purport to measure the overall quality of budgetary systems. To do so would require a much stronger conceptual foundation and normative assumptions. Rather, the composite indexes presented in *Government at a Glance* are descriptive in nature, and have been given titles to reflect this. The survey questions used to create the indexes are the same across countries, ensuring that the indexes are comparable.

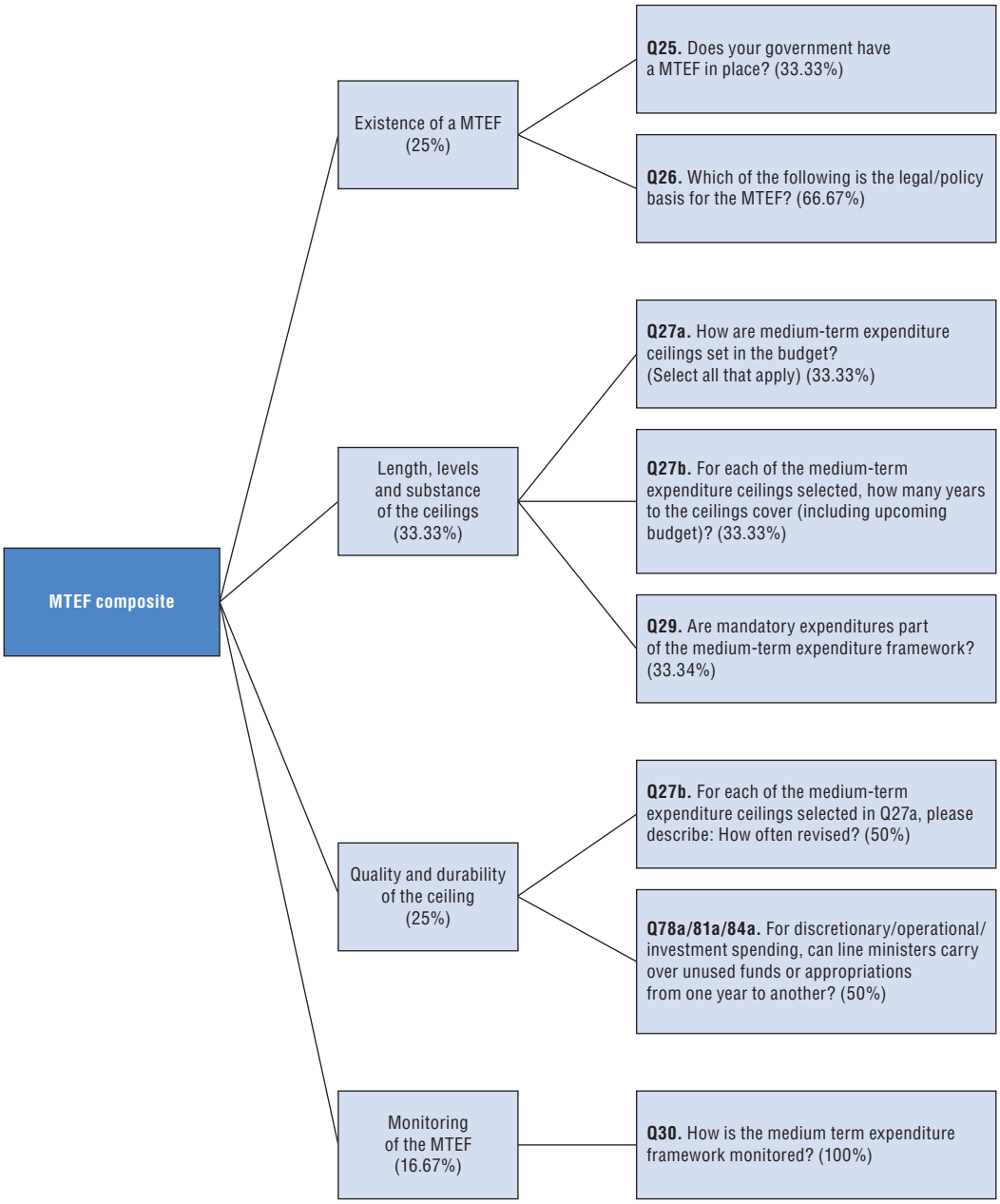
While the composite indexes were developed in co-operation with member countries and are based on best practices and/or theory, both the variables comprising the composites and their weights are offered for debate and, consequently, may evolve over time. The OECD is currently redefining best practices for budget transparency and is revisiting the concept of budgetary flexibility; as such, no composites related to these topics are presented in this edition. The composites displayed in the 2013 edition of *Government at a Glance* are not comparable with those in the 2009 edition, as they are built on renewed versions of the surveys including additional or differently worded questions and different weights.

The composites were built according to the following methodology: each of the topics was divided into broad categories comprising the theoretically relevant aspects for each of the two subject areas (medium-term expenditure frameworks and performance budgeting). A weight was assigned to each of these broad categories. Within each of the broad categories, the relevant questions were identified, a sub-weight was assigned to each question and a score was given to each of the answers within these questions. The country scoring for each question is the product of the weight of the broad category and the sub-weight of the question multiplied by the answer provided by each country (1 or 0). The composite is the result of adding together these scores for each country. Both composites vary from 0 to 1; a score of 1 implies the use of sound practices on a given topic.

Medium-Term Expenditure Framework (MTEF) variables, weights and scoring

The following items and weights have been used in the construction of the MTEF composite.

Figure C.1. **Variables and weights used in MTEF index**

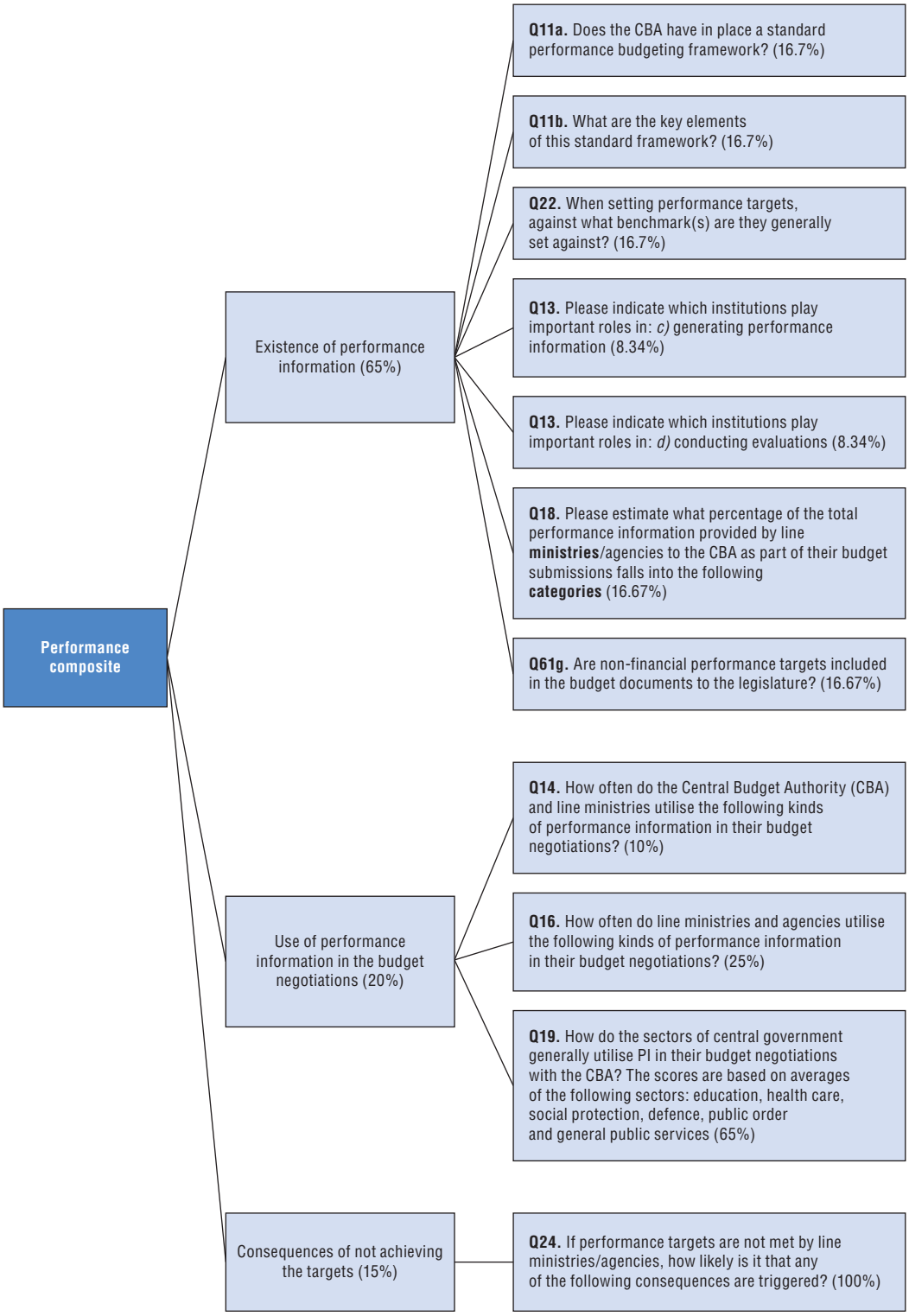


Note: Additional details regarding the theoretical framework, construction and weightings of each composite are available at: *www.oecd.org/gov/govataglance.htm*.

Use of a performance budgeting system at the central level, weights and scoring

The following items and weights have been used in the construction of the MTEF.

Figure C.2. **Variables and weights used in the performance budgeting index**



Note: Additional details regarding the theoretical framework, construction and weightings of each composite are available at: *www.oecd.org/gov/govataglance.htm*.

ANNEX D

Methodology and additional notes on compensation of government employees

Compensation plays an important role in both attracting and motivating qualified workers in the public sector. As part of fiscal consolidation efforts in many OECD countries, government employees' compensation is being called into question, involving in some cases decreases in salaries and/or benefits or pay freezes. In 2010, the OECD launched a database, updated in 2012, on compensation levels for typical occupations in central government in core ministries that contributes to a better understanding of the salary structures and pay levels in the public sector. Since there is no common definition of managerial positions and the number of managerial levels varies across countries and ministries, this compensation survey offers a common typology for specific occupations in central government. Comparing average compensation in the public sector can be misleading because the public sector in different countries includes various and heterogeneous occupations. However, this survey provides compensation data for comparable occupations, hence improving our knowledge of the public sector.

The comparison of compensation levels for senior managers, middle managers, professionals and secretaries shows their relative total remuneration across OECD countries, which includes not only wages salaries but also contributions to health and pension benefits. Therefore when comparing compensation levels, we have a more or less full-cost approach that allows for consistent comparisons across countries.

Compensation data are also compared within countries to the average wage paid to tertiary-educated workers, reflecting the relative attractiveness of these professions to others requiring similar levels of education. Comparison must also take into account various levels of economic development in the countries, hence the correction by GDP per capita. However comparison between countries must be made with caution because of different labour markets, different cultural and political consensus, and possible differences in wage defining characteristics even for the same occupational groups across countries, which are not corrected for in this analysis.

Occupations

The survey on Compensation of Employees in Federal/Central Government provides an update to the previous 2010 survey. The data collected through this survey will enable

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.

comparative analysis and further work on compensation policies and practices. This survey aims at collecting information on annual compensation of employees for a sample of occupations in central/federal/national government. The purpose is to build a database on compensation levels for typical positions in central government that contributes to a better understanding of the salary structures and pay levels in the public service.

The survey focuses on central/federal government level and excludes states, regional and local levels and social security institutions. The survey excludes all public and quasi-public corporations at all government levels. The survey doesn't cover the subordinated offices/organisations of central government ministries, often referred to as "agencies". It also focuses on employees working full-time, excluding consultants and short-term staff.

The questionnaire collects data for four typical occupational groups in central/federal government: top managers, middle managers, professionals, and secretaries. These occupations are considered relatively representative and comparable across countries. Information for these occupations – except the service occupations – is collected from three core ministries (Interior, Finance and Justice) and three sectoral ministries (Education, Health and Environment). Box D.1 describes the typical responsibilities of the ministries covered in this survey.

Box D.1. **Typical responsibilities of the ministries covered in this survey**

The following description of activities or functions of the ministries covered in this survey was for guidance only. In some countries the name of the ministry may be different or may be even called department or secretariat.

Ministry of Interior/Home Affairs

- Ensures the representation of the State in the entire territory.
- Ensures the respect of citizens' rights in general by universal suffrage.
- Ensures the respect of competencies of local authorities within the framework of devolution.
- Defines immigration policy.
- Establishes and co-ordinates national security policy.
- Ensures the maintenance of a peaceful and safe society.
- Ensures the preservation of internal security and the protection of the constitutional order.

Ministry of Finance

- Plans and prepares government's budget.
- Analyses and designs tax policies.
- Develops and implements regulations for financial institutions.
- Monitors economic and financial developments.
- Administers the transfer of funds from national/central/federal government to sub-national governments.

Ministry of Justice

- Ensures the well functioning of the judiciary system.
- Prepares the text of law and regulations for some specific fields.
- Defines the main orientations of the public policy in terms of justice and looks after its implementation.
- Provides support to the victims of crime.
- Provides fair, consistent, and effective enforcement of punishment and other sanctions.

Box D.1. **Typical responsibilities of the ministries covered in this survey** *(cont.)*

Ministry of Education

- Regulates, co-ordinates, and organises the national educational system, generally from primary school to secondary or high school.
- Ensures equal access to public education.
- Controls and assesses schools and higher education institutions both private and public.
- Ensures an effective management of the teachers and administrative workforce.

Ministry of Health

- Designs and implements public health policy (prevention, sanitary organisation and formation of professionals).
- Defines the policy relative to sport and for fighting drug addiction.
- In collaboration with other ministries, it defines industrial safety regulations and social security.

Ministry of Environment

- Defines and manages the legislative and regulatory framework related to the protection of the environment and the efficient use of natural resources.
- Certifies the facilities, land uses and industries across the country to ensure that potential risks to environment, human health, safety and property are minimised.

Box D.2 contains the classification and definitions of the occupations covered in this survey and which are considered to be relatively typical in every government. There is a large focus on managers in general as the criteria for considering an official to be a manager is to supervise and lead the work of at least three people. Because it is extremely difficult to provide for more detailed descriptions of responsibilities that differentiate across the different layers of management, the option has been chosen to focus on hierarchical differentiation rather than a more detailed description of functions.

Box D.2. **Classification and definition of occupations**

Top managers

D1 Managers (part of ISCO-08 1112) are top public servants just below the minister or Secretary of State/junior minister. They can be a member of the senior civil service and/or appointed by the government or head of government. They advise government on policy matters, oversee the interpretation and implementation of government policies and, in some countries, have executive powers. D1 managers may be entitled to attend some Cabinet/Council of ministers meetings, but they are not part of the Cabinet/Council of ministers. They provide overall direction and management to the ministry/Secretary of State or a particular administrative area. In countries with a system of autonomous agencies, decentralised powers, flatter organisations and empowered managers. The precise job title can differ across countries.

D2 Managers (part of ISCO-08 11 and 112) are just below D1 managers. They formulate and review the policies and plan, direct, co-ordinate and evaluate the overall activities of the ministry or special directorate/unit with the support of other managers. They may be part of the senior civil service. They provide guidance in the co-ordination and management of the programme of work and leadership to professional teams in different policy areas. They determine the objectives, strategies, and programmes for the particular administrative unit/department under their supervision.

Box D.2. **Classification and definition of occupations** *(cont.)*

Middle managers (have managerial responsibilities for at least 3 staff)

D3 Managers (part of ISCO-08 12) are just below D2 managers. They plan, direct and co-ordinate the general functioning of a specific directorate/administrative unit within the ministry with the support of other managers usually within the guidelines established by a board of directors or a governing body. They provide leadership and management to teams of professionals within their particular area. These officials develop and manage the work programme and staff of units, divisions or policy areas. They establish and manage budgets, control expenditure and ensure the efficient use of resources. They monitor and evaluate performance of the different professional teams.

D4 Managers (part of ISCO-08 121) are just below D3 managers. They formulate and administer policy advice, and strategic and financial planning. They establish and direct operational and administrative procedures, and provide advice to senior managers. They control selection, training and performance of staff; prepare budgets and oversee financial operations, control expenditure and ensure the efficient use of resources. They provide leadership to specific professional teams within a unit.

Professionals

Senior economists/policy analysts (part of ISCO-08 242 and 2422) do not have managerial responsibilities (beyond managing 3 staff maximum), and are above the ranks of junior analysts and administrative/secretarial staff. They are usually required to have a university degree. They have some leadership responsibilities over a field of work or various projects, they develop and analyse policies guiding the design, implementation and modification of government operations and programmes. These professionals review existing policies and legislation in order to identify anomalies and out-of-day provisions. They analyse and formulate policy options, prepare briefing papers and recommendations for policy changes. Moreover, they assess the impact, financial implications and political and administrative feasibility of public policies. Staffs in this group have the possibility of becoming a manager through career progression. Their areas of expertise may vary from law, economics, politics, public administration, international relations, to engineering, environment, pedagogy, health economics, etc. Senior policy analysts/economists have at least five years of professional experience.

Junior economists/policy analysts (part of ISCO-08 242 and 2422) are above the ranks of administrative/secretarial staff. They are usually required to have a university degree. They have no leadership responsibilities. They develop and analyse policies guiding the design, implementation and modification of government operations and programmes. These professionals review existing policies and legislation in order to identify anomalies and out-of-day provisions. They analyse and formulate policy options, prepare briefing papers and recommendations for policy changes. Moreover, they assess the impact, financial implications and political and administrative feasibility of public policies. Their areas of expertise may vary from law, economics, politics, public administration, international relations, to engineering, environment, pedagogy, health economics, etc. Junior policy analysts/economists have less than five years of professional experience.

Secretarial positions

Secretaries (general office clerks) (part of ISCO-08 411 and 4110) are generally not required to have a university degree although many do. They perform a wide range of clerical and administrative tasks in connection with money-handling operations, travel arrangements, requests for information, and appointments. They record, prepare, sort, classify and fill information; sort, open and send mail; prepare reports and correspondence; record issue of equipment to staff; respond to telephone or electronic enquiries or forward to appropriate person; check figures, prepare invoices and record details of financial transactions made; transcribe information onto computers, and proofread and correct copy. Some assist in the preparation of budgets, monitoring of expenditures, drafting of contracts and purchasing or acquisition orders. The most senior ones who supervise the work of clerical support workers are excluded from this category.

The classification and the definition of the occupations are an adaptation of the International Standard Classification of Occupations (ISCO-08) developed by the International Labour Organization (ILO). The reason is that few countries follow the ISCO model to classify their occupations in government.

Since there is no common definition of managerial positions and the number of managerial levels varies across countries and ministries, for the purpose of this survey, D1 will denote the highest managerial level below the minister/Secretary of State (who are designated by the president/prime minister) and appointed by the minister (sometimes designated by the president/prime minister). This survey covers up to D4 managerial level positions, where D1 and D2 are considered senior management positions while D3 and D4 middle management ones.

The category of "professionals" has been divided between junior and senior positions. The reason is that this group involves staff with a large degree of variation of experience.

Moreover, the 2012 survey collects information concerning some frontline service delivery occupations (detectives/inspectors, police officers, immigration officers, customs inspectors and tax inspectors). These functions are organised in central government, and can be located in either ministries or agencies. It should be noted that in some countries functions like immigration officers do not exist as these activities are carried out by the police. In other countries, some of the functions mentioned above are carried out by states and/or local governments.

Box D.3. **Service delivery agents – description of occupation**

Police inspectors and detectives (part of ISCO-08 3355) investigate facts and circumstances relating to crimes committed in order to identify suspected offenders. They also search for information not readily available or apparent concerning establishments or the circumstances and behaviour of persons, mostly in order to prevent crimes. Their tasks include establishing contacts and sources of information about crimes planned or committed in order to prevent crimes or identify suspected offenders; obtaining, verifying and analysing evidence in order to solve crimes; making arrests; testifying in courts of law, among others. They usually have management responsibilities. Police inspectors and detectives are usually required to have a university diploma and/or are recruited through promotion after a certain number of years of experience as police officers (usually more than five years).

Police officers (part of ISCO-08 5412) maintain law and order, patrolling public areas, enforcing laws and regulations and arresting suspected offenders. Other duties include directing traffic and assuming authority in the event of accidents; providing emergency assistance to victims of accidents, crimes and natural disasters; among others. Police officers are usually not expected to have managerial responsibilities over more than three persons. Police officers are usually not required to have a university diploma.

Immigration officers (part of ISCO-08 3351) check persons crossing national borders to administer and enforce relevant rules and regulations. Their tasks include patrolling national borders and coastal waters to stop persons from illegally entering or leaving the country; checking travel documents of persons crossing national borders to ensure that they have the necessary authorisations and certificates; co-ordinating and co-operating with other agencies involved in law enforcement, deportation and prosecution; among others. Immigration officers are not expected to have management responsibilities over more than three persons, if any.

Box D.3. **Service delivery agents – description of occupation** *(cont.)*

Customs inspectors (part of ISCO-08 3351) check vehicles crossing national borders to administer and enforce relevant rules and regulations. Their duties include inspecting the luggage of persons crossing national borders to ensure that it conforms to government rules and regulations concerning import or exports of goods and currencies; examining transport documents and freight of vehicles crossing national borders to ensure conformity with government rules and regulations; detaining persons and seizing prohibited and undeclared goods found to be in violation of immigration and customs law; among others. Customs inspectors are not expected to have managerial responsibilities over more than three persons, if any.

Tax inspectors (part of ISCO-08 3352) examine tax returns, bills of sale and other documents to determine the type and amount of taxes, duties and other types of fees to be paid by individuals or businesses, referring exceptional or important cases to accountants or senior government officials. They advise organisations, enterprises and the public on government laws, rules and regulations concerning the determination and payments of taxes, duties and other government fees, and on the public's rights and obligations; examine tax returns, bills of sale and other relevant documents; investigate filed tax returns and accounting records, systems and internal controls of organisations to ensure compliance with taxation laws and regulations; among others. Tax inspectors are not expected to have managerial responsibilities over more than three persons, if any.

Compensation

The survey focuses on total compensation, which has two main components: 1) gross wages and salaries; and 2) employer's social contributions. Data on remuneration levels were asked for full time jobs:

1. **Gross wages and salaries** include the values of any social contributions, income taxes, etc., payable to the employee even if they are actually withheld by the employer for administrative convenience or other reasons and paid directly to social insurance schemes, tax authorities, etc., on behalf of the employee. Employer's social contributions are not included in gross wages and salaries. In-kind compensation is excluded from the survey. Gross wages and salaries include:
   - **Basic wages and salaries** refer to the regular annual payments to employees for their time worked and services delivered to government. Although salaries and wages are paid at regular weekly, monthly or other intervals, for the purposes of this survey the annual salary was requested. Overtime payments are excluded from the data.
   - **Additional payments** – because of the difficulties in getting exhaustive data and ensuring comparability across countries, additional payments have been limited to its most significant categories including:
     - Compensations for time not worked make reference to **annual leave** and statutory holidays only.
     - **Bonuses and gratuities regularly paid** refer to year-end and seasonal bonuses; profit-sharing bonuses; and additional payments in respect of vacation, supplementary to normal vacation pay and other bonuses and gratuities.
     - **Bonuses and gratuities not paid in a regular fashion** (performance-related pay) refer to ad hoc bonuses or other exceptional payments linked to the overall performance of the employee to which he/she may be entitled.

2. **Employer's social contributions** are social contributions payable by employers to social security funds or other employment-related social insurance schemes to secure social benefits (health insurance, pensions) for their employees:
   - **Employer's contribution** to statutory social security schemes or to private funded social insurance schemes for covering old age, pension, sickness and health. Employer's social contributions represent social contributions payable by employers to social security funds or other employment-related social insurance schemes to secure social benefits (health insurance, pensions) for their employees. In some countries, these social contributions pay for public schemes, while in others they pay for private schemes. Employer's social contributions sometimes also include specific funds created, for example, in social agreements. Data collected on employer's social contributions have been limited in the 2011 survey to health and pension plans, which represent the majority of employer's social contributions.
   - **Unfunded** employees' social benefits paid by employers limited to health and pension benefits. The term "unfunded" refers to social benefits for which no social security fund exists and there is no official tracking of social contributions. Unfunded pension or health schemes exist in many countries: in that case, it is the general government budget that pays for civil servants pensions/health benefits. In a number of countries, the employee and employer contributions do not cover all the costs associated with the social benefits of government employees. In those cases, special lines in the budget are often dedicated to covering this unfunded part of social benefits.

Not all countries have been able to include the social contribution element in their survey responses (mainly because of unfunded pension schemes). As a consequence, it has been necessary to estimate this component using other data sources for those countries. In the National Accounts, imputations for unfunded pension's schemes are made conceptually consistent across countries. Therefore, by using the National Accounts data it was possible to estimate the overall rate of employer's social contributions that was reported in the different existing databases regarding government compensation of employees. The rate to calculate compensation costs in the data for this publication has been chosen after investigation and discussion with the countries. The source of National Accounts for this share was selected in the following countries: Finland, Germany, Greece, Japan and Norway. Moreover, for Belgium this share was estimated using a combination of information from the compensation survey and National Accounts data.

We should note that, contrary to the compensation survey where employers' contributions are restricted to health and pensions, data under the National Accounts framework consider all employer's social contributions. By consequence, the share resulted, to a certain extent, was overestimated when this source was taken into account. Moreover, National Accounts data provide ratios of employer's social contributions for all government employees. Using this ratio doesn't accommodate any differences that may exist for instance in ratios of social contributions across occupations. For the countries which have provided data for employer's social contributions in the survey, the exact data for social contributions (that may vary across occupation) have been used.

The level of social contributions is only a proxy. The quantity and quality of benefits that employees receive through the employers' and employees' social contributions depend on many variables such as the quality and efficiency of the management of the funds and services in each country.

Use of comparators

Calculations have been made converting compensation data in USD using the PPP methodology. This compensates for differences in exchange rates and in relative price levels. The PPP does not take into account the relatively different costs of living in capital cities within and across countries. In many countries, the majority of central government employees are employed in capital cities. Wages can tend to make up for the relative difference in the costs of living in capital cities.

The OECD also compared countries with data normalised with GDP per capita available through the *OECD National Accounts Statistics* (database). This normalisation is a way to remove differences in levels of average wealth in the country.

The OECD also calculated ratios of average total compensation to average tertiary educated compensation (gross wages plus employer's social contributions). Since central government employees occupations covered in the survey generally have a high level of education, the ratio allows the issue of the comparability of the public sector compensation with that of the whole economy. Data on tertiary educated compensation are based on a combination of sources as stated in the publication *OECD Education at a Glance* (2013 or previous editions). However, even if corrected for the level of education, other characteristics of the individuals in these occupations remain uncorrected, for example: seniority, age, gender, etc.

The ratios of compensation of employees relative to GDP per capita and to tertiary educated compensation were not corrected for working time. This approach was followed in order to maintain consistency between the three measures compared.

Adjustment for working time

The differences between the time people actually work and the annual average compensation (annual average gross salary plus employer's social contributions) is calculated so as to obtain an adjusted annual average compensation. Indeed, to put the compensation of employees reported on a comparable basis across countries, the differences in the working time (number of hours worked per week in the civil service, the legal or average holiday entitlement, and the number of days that apply to the civil service) are used for the calculation of the adjusted annual average compensation.

For all managers (namely D1, D2, D3 and D4 positions), since weekly working times apply very unevenly to this category of employees, data was adjusted only for holidays.

The working time corrections are reported in Table D.1.

Average comparative annual compensation is as:

$$W_{co}^{a^*} = \frac{\left(\frac{W_{co}^{a}}{P_c}\right)}{H_c^{a^*}}$$

where:

$W_{co}^{a^*}$ = Average annual compensation of employees in country *c* within occupational group *o* in PPP corrected for working time.

W_{co}^{a} = Average annual compensation in domestic currency in country *c* within occupational group *o* in national currency.

P_c = Purchasing power parity of country *c*.

$H_c^{a^*}$ = Ratio of average working time in country *c*. This corresponds to average annual working hours in country *c* (from survey data) divided by 2088. The number 2 088 equals the theoretical working hours in year with 40 hours of work per week, no holidays or leave of any kind. This also results in an average of 261 working days per year with each working day including 8 hours of work.

Table D.1. **Working time corrections**

	Contractual working time, h/week	Average number of holidays	Number of average public holidays that apply to the civil service	Average working days per year in country	Average working hours per year in country	Coefficient for working time corrections, weekly hours and holidays	Coefficient for working time correction, holidays	Coefficient for working time correction, no correction
Australia	37.5	20	10	231	1 730	0.830	0.885	1.000
Austria	40	25	10	226	1 806	0.866	0.866	1.000
Belgium	38	26	10	225	1 708	0.819	0.862	1.000
Chile	44	15	9	237	2 083	0.999	0.908	1.000
Denmark	37	30	9	222	1 641	0.787	0.850	1.000
Estonia	40	34	5	222	1 774	0.850	0.850	1.000
Finland	36.3	32	7	222	1 607	0.771	0.850	1.000
France	35.5	25	7.5	228	1 620	0.777	0.875	1.000
Germany	41	29.5	10	221	1 814	0.870	0.848	1.000
Greece	40	25	12	224	1 790	0.858	0.858	1.000
Iceland	40	30	14	217	1 734	0.831	0.831	1.000
Israel	42.5	24	9	228	1 936	0.928	0.873	1.000
Italy	36	32.0	8	221	1 589	0.762	0.847	1.000
Japan	38.8	20	17	224	1 734	0.831	0.858	1.000
Korea	40	20	14	227	1 814	0.870	0.870	1.000
Netherlands	36	23	8	230	1 654	0.793	0.881	1.000
New Zealand	40	20	11	230	1 838	0.881	0.881	1.000
Norway	37.5	25	10	226	1 693	0.812	0.866	1.000
Poland	40	26	11	224	1 790	0.858	0.858	1.000
Portugal	35	25	11	225	1 573	0.754	0.862	1.000
Slovak Republic	37.5	25	15	221	1 655	0.794	0.847	1.000
Slovenia	40	29.9	15	216	1 727	0.828	0.828	1.000
Spain	37.5	22	14	225	1 685	0.808	0.862	1.000
Sweden	39.8	33	9	219	1 739	0.834	0.839	1.000
United Kingdom	37	25	8	228	1 685	0.808	0.873	1.000
United States	40	20	10	231	1 846	0.885	0.885	1.000

Notes: Figures in the table are rounded.
Maximum working days per year if 5 out of 7 days per week are worked: 261. Maximum working hours per year if 8h per working day: 2 088.
Austria: From 1 January 2011 on, the amount of holidays depends on the age: an FTE is entitled to take 240 hours (30 days/6 weeks) from that year on, in which his/her 43rd birthday is before 1 July. If his/her 43rd birthday is after 30 June, he/she is entitled to take the 240 hours in the next year.
Estonia: The annual leave per year depends on the length of service. 35 calendar days = 28 working days + officials whose length of service exceeds three years, receive one extra day each year, maximum 10 days.
Finland: The number of days of annual leave per year is 30 or 38 days depending on the length of service.
Germany: Contractual working time between public employees and civil servants is different.
Italy: The number of legal working days of holidays varies. 30 days in the first three years of work, 32 from the fourth year. For the police, there are two bands based on seniority: 36 days from 15 to 25 years of service, 45 days for more than 25 years.
Korea: Civil servants are entitled to 3-21 days of annual leave per year depending on the length of service.
Slovak Republic: The contractual working time in hours per week is 40 h/week or 37.5 h/week depending on the contract. The number of days of holidays depend on age: 25 days (under 33 years old); or 30 days (for more than 33 years old).
Slovenia: The average number of days of annual leave is estimated. A worker is entitled to annual leave which may not be shorter than four weeks. In addition, he has the right to one additional day of annual leave for every child under the age of 15. In relation to work performance a civil servant is also entitled to no more than three days of annual leave. The annual leave can be extended by up to three days in case of bad working conditions (noise, heat,…) or of bad health condition or for directing an organisational unit.
Sweden: The number of working days varies with age according to the central collective agreement. Employees under 30 years of age have 28 days of holidays, between 30 and 39 years they are 31 days and for employees 40 years or older they have 35 days.
The United Kingdom: The number of working hours in a week is 37 outside London, where most Civil Servants work, and 36 inside London. The number of average working days per year of holiday's entitlement varies depending on the department.
Source: 2011 OECD Survey on Compensation of Employees in Central/Federal Government.

ANNEX E

Detailed data on conflict-of-interest disclosure

This annex provides data for each responding country on the types of private interests that they require central government decision makers to disclose as well as the level of transparency of these disclosures. The data underlie the summary of data presented in Figure 8.4.

Notes of Table E.1

Data reflect practices in member countries. When calculating an aggregate of the country specific data provided on the private interest disclosure in three branches of government and its level of public availability, all private interests and all positions were deemed equally important and were therefore assigned the same weights. To translate the country responses into a point system, the categories "Prohibited" and "Information is disclosed and publicly available online or print" were awarded with 100 points, the highest available. "Information is disclosed and publicly available upon request" was awarded with the second highest point, 67, and "Information is disclosed and not publicly available" was awarded with the third highest point, 33. No points were awarded to the category "Disclosure is not required". All private interests examined were weighted equally.

Data for **Brazil**, the **Czech Republic**, **Greece**, **Israel**, and the **Russian Federation** refer to 2010. Similarly, data for the legislative and judicial branch of Spain refer to 2010.

In **Luxembourg**, there are no requirements for the disclosure of private interests. In the **United States**, the prosecutorial function is the executive branch. Senior officials in the Department of Justice are required to file publicly available financial disclosure reports under the same requirements as all other executive branch employees. Lower level federal prosecutors have a separate, non-public, conflict of interest reporting system. Data regarding judges in **Norway** exclude lay judges and judges in conciliation boards. In **New Zealand**, judges and prosecutors are not required to disclose conflicts of interest. However, there are "Guidelines for Judicial Conduct" in place (available through the Courts website: *www.courtsofnz.govt.nz/business/guidelines/guidelines-for-judicial-conduct*). Also, prosecutors are often lawyers and have professional ethical duties that must be complied with (and can be sanctioned and even lose their practising certificate for breaching their duties, depending upon the circumstances). In **Brazil**, a new law on conflict of interest for executive branch public officials and prohibitions after leaving post (Law 12.813) entered into force in July 2013.

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.

Paid outside positions: In **Austria** and **Belgium** for all positions and in **Iceland** and **Switzerland** for judges, any tenured civil servant is subject to the binding decision of the government in the case that an outside paid position may result in a conflict of interest. In **Denmark**, outside positions for judges can only be held (and must be disclosed) if these positions are reserved for judges by law or if permitted to by a special board. In Estonia, paid outside positions are prohibited by law for the prime minister, ministers, judges and prosecutors, with the exceptions of research and teaching which should be disclosed. In **Japan**, judges may not hold a paid outside position without obtaining the permission of the Supreme Court during their terms of office. In principle, judges similarly have to obtain the permission of the Supreme Court or supervisors in the case of unpaid outside positions as well. However, there are cases where judges have not obtained the permission of the Supreme Court or supervisors where they have taken up unpaid outside positions, such as, for example, the position of PTA chairperson. If information about outside positions of judges is requested, personal identification information of judges may not be publicly available. In **Poland**, the prime minister and ministers cannot conduct certain types of activities which may lead to a conflict-of-interest situation. Moreover, they are obliged to inform on their membership in bodies of foundations, commercial law companies and co-operatives, even if these positions are not paid.

Previous employment: In **Estonia**, no regulation requires members of the executive and legislature to publish information about previous employment; however in practice this information is proactively published.

Assets, liabilities, amounts and sources of income, and gifts: In **Iceland**, the prime minister is only required to disclose loans that have been written off or changed to their benefit. In **Ireland**, parliamentarians' salaries and allowances are publicly available. In addition, all parliamentarians, including office holders, must disclose their personal interests, i.e. income from other sources (i.e. outside paid positions), shares, directorships, land, gifts, below cost supply of a service or travel, consultancy work, and any interest in a public contract in annual statements of interests under the Ethics Acts. These interests are publicly available on the Registers of Members' Interests. In **Mexico**, gifts must be declared if they amount to equal or greater value of ten times the minimum wage. Information on public servants is published on line if authorised by the public servants. In practice, about 66% of public servants make the information publicly available. In **Poland**, the prime minister and ministers are obliged to disclose statements of means, which present for example their assets, liabilities, and income source/amount. Although the statements are not publicly available by law, almost all ministers agree to publish them on line.

Although no actions are taken following the collection of the disclosure forms in Ireland and Italy, most of the disclosed information is available to the public, allowing citizens themselves to scrutinise the information submitted.

Table E.1. **Disclosure of selected private interests and public availability of disclosed information in the three branches of government by country (2012)**

			AUS	AUT	BEL	CAN	CHL	CZE	DNK	EST	FIN	FRA	DEU	GRC	HUN	ISL	IRL	ISR	ITA	JPN	KOR	LUX	MEX	NLD	NZL	NOR	POL	PRT	SVK	SVN	ESP	SWE	CHE	TUR	GBR	USA	RUS	BRA	EGY	UKR
Executive branch	President	Assets	x	○	x	x	●	○	x	●	○	●	○	●	■	○	○	x	x	x	●	○	●	x	x	x	❐	●	●	❐	x	x	x	❐	x	●	●	❐	■	●
		Liabilities	x	○	x	x	●	○	x	●	○	●	○	○	●	○	○	x	x	x	●	○	●	x	x	x	❐	●	●	❐	x	x	x	❐	x	●	❐	❐	■	●
		Income source	x	○	x	x	●	○	x	●	○	○	○	●	●	○	○	x	x	x	●	○	●	x	x	x	❐	●	●	❐	x	x	x	❐	x	●	●	❐	■	●
		Income amount	x	○	x	x	○	○	x	❐	○	○	○	●	●	○	○	x	x	x	●	○	●	x	x	x	❐	●	●	❐	x	x	x	❐	x	●	●	❐	○	●
		Outside position: Paid	x	P	x	x	●	○	x	●	○	○	P	P	P	○	○	x	x	x	■	○	●	x	x	x	❐	P	●	❐	x	x	x	P	x	●	○	❐	P	●
		Outside position: Non-paid	x	P	x	x	●	○	x	○	○	○	○	P	P	○	○	x	x	x	■	○	○	x	x	x	❐	P	●	❐	x	x	x	■	x	●	○	❐	P	●
		Gifts	x	P	x	x	P	○	x	●	○	○	○	❐	●	○	○	x	x	x	●	○	❐	x	x	x	○	●	○	●	x	x	x	P	x	●	P	○	P	●
		Previous employment	x	○	x	x	○	○	x	●	○	○	○	○	○	○	○	x	x	x	●	○	●	x	x	x	○	●	●	❐	x	x	x	■	x	●	●	❐	■	●
	Prime minister	Assets	●	❐	■	●	x	■	●	●	●	❐	○	●	●	●	●	❐	●	■	●	○	x	❐	●	●	●	●	●	❐	●	■	○	❐	●	x	●	x	■	●
		Liabilities	●	❐	○	●	x	■	○	●	●	❐	○	○	●	○	○	❐	■	■	●	○	x	❐	●	○	●	●	●	❐	●	○	○	❐	●	x	❐	x	■	●
		Income source	●	○	○	❐	x	■	●	●	●	○	○	●	●	●	●	❐	■	■	●	○	x	❐	●	●	●	●	●	❐	❐	■	○	❐	●	x	●	x	■	●
		Income amount	○	○	○	❐	x	■	●	❐	●	○	○	●	●	○	●	❐	■	■	●	○	x	❐	○	○	●	●	●	❐	❐	■	○	❐	●	x	●	x	■	●
		Outside position: Paid	●	P	●	P	x	■	P	●	●	○	P	P	P	●	P	P	❐	P	■	○	x	P	●	●	●	P	●	❐	■	P	P	P	●	x	P	x	P	●
		Outside position: Non-paid	●	❐	●	●	x	■	P	○	●	○	○	P	P	●	P	○	❐	○	■	○	x	P	●	●	●	P	●	❐	■	P	P	❐	●	x	○	x	P	●
		Gifts	●	P	○	●	x	■	●	●	●	○	❐	❐	●	●	●	P	P	■	■	○	x	❐	●	●	●	●	○	●	❐	P	○	P	●	x	P	x	P	●
		Previous employment	○	○	○	❐	x	○	●	●	○	○	○	○	○	●	○	❐	■	○	■	○	x	■	○	●	○	●	●	❐	■	○	○	❐	○	x	❐	x	■	●
	Ministers or members of cabinet	Assets	●	❐	■	●	●	■	●	●	●	❐	○	●	●	●	●	❐	●	■	●	○	●	❐	●	●	●	●	●	❐	●	■	○	❐	●	■	●	❐	■	●
		Liabilities	●	❐	○	●	●	■	○	●	●	❐	○	○	●	○	○	❐	■	■	●	○	●	❐	●	○	●	●	●	❐	●	○	○	❐	●	■	❐	❐	■	●
		Income source	●	○	○	❐	●	■	●	●	●	○	○	●	●	●	●	❐	■	○	●	○	●	❐	●	●	●	●	●	❐	❐	■	○	❐	●	■	●	❐	■	●
		Income amount	○	○	○	❐	○	■	●	❐	●	○	○	●	●	○	●	❐	■	○	●	○	●	❐	○	○	●	●	●	❐	❐	■	○	❐	●	■	●	❐	■	●
		Outside position: Paid	●	P	●	P	●	■	P	●	●	○	P	P	P	●	P	P	❐	P	■	○	●	P	●	●	●	P	●	❐	■	P	P	P	●	■	P	❐	P	●
		Outside position: Non-paid	●	❐	●	●	●	■	P	○	●	○	○	P	P	●	P	○	❐	○	■	○	○	P	●	●	●	P	●	❐	■	P	P	❐	●	■	○	❐	P	●
		Gifts	●	P	○	●	P	■	●	●	●	○	❐	❐	●	●	●	P	P	○	■	○	❐	❐	●	●	●	●	○	●	❐	P	○	P	●	■	P	P	P	●
		Previous employment	○	○	○	❐	○	○	●	●	○	○	○	○	○	●	○	❐	■	○	■	○	●	■	○	●	○	●	●	❐	■	○	○	❐	○	■	●	❐	■	●
Legislative branch	Upper house legislators	Assets	●	○	■	■	●	■	x	x	x	❐	x	x	x	x	●	x	■	■	x	○	■	○	x	x	●	x	x	❐	❐	x	○	x	●	■	●	■	■	x
		Liabilities	●	○	○	■	●	■	x	x	x	❐	x	x	x	x	○	x	■	■	x	○	■	○	x	x	●	x	x	❐	❐	x	○	x	○	■	❐	■	■	x
		Income source	●	●	○	■	●	■	x	x	x	○	x	x	x	x	●	x	■	■	x	○	■	○	x	x	●	x	x	❐	❐	x	○	x	●	■	●	■	■	x
		Income amount	○	●	○	❐	○	■	x	x	x	○	x	x	x	x	●	x	■	■	x	○	■	○	x	x	●	x	x	❐	❐	x	○	x	●	■	●	■	■	x
		Outside position: Paid	●	●	●	■	●	■	x	x	x	○	x	x	x	x	●	x	■	■	x	○	■	●	x	x	●	x	x	❐	●	x	●	x	●	■	P	■	■	x
		Outside position: Non-paid	●	❐	●	■	●	■	x	x	x	○	x	x	x	x	○	x	■	○	x	○	P	●	x	x	●	x	x	❐	●	x	●	x	●	■	○	■	■	x
		Gifts	●	P	○	■	P	■	x	x	x	○	x	x	x	x	●	x	P	■	x	○	■	●	x	x	●	x	x	●	○	x	○	x	●	■	P	○	P	x
		Previous employment	○	○	○	■	○	○	x	x	x	○	x	x	x	x	○	x	■	○	x	○	■	○	x	x	○	x	x	❐	●	x	○	x	○	■	○	■	■	x
	Lower house legislators	Assets	●	○	■	●	●	■	●	●	○	❐	○	●	●	●	●	❐	■	■	●	○	■	○	●	●	●	●	●	❐	❐	■	○	❐	●	■	●	❐	■	■
		Liabilities	●	○	○	●	●	■	○	●	○	❐	○	○	●	○	○	❐	■	■	●	○	■	○	●	○	●	●	●	❐	❐	○	○	❐	●	■	❐	❐	■	■
		Income source	●	●	○	●	●	■	●	●	○	○	●	●	●	●	●	❐	■	■	●	○	■	●	●	●	●	●	●	❐	❐	○	○	❐	●	■	●	❐	■	■
		Income amount	○	●	○	❐	○	■	○	❐	○	○	●	●	●	○	●	❐	■	■	●	○	■	●	○	○	●	●	●	❐	❐	■	○	❐	●	■	●	❐	■	■
		Outside position: Paid	●	●	●	●	●	■	●	●	○	○	●	P	P	●	●	P	■	■	■	○	P	●	●	●	●	●	●	❐	●	■	●	P	●	■	P	❐	■	■
		Outside position: Non-paid	●	❐	●	○	●	■	○	○	○	○	●	P	P	●	○	P	■	○	■	○	P	●	●	●	●	●	●	❐	●	■	●	❐	○	■	○	❐	■	■
		Gifts	●	P	○	●	P	■	●	●	○	○	●	❐	●	●	●	P	P	■	■	○	■	●	●	●	●	●	○	●	○	P	○	P	●	■	P	○	P	■
		Previous employment	○	○	○	●	○	○	○	●	○	○	●	○	○	●	○	○	■	○	●	○	■	○	○	●	○	●	●	❐	●	■	○	❐	○	■	○	❐	■	■

Table E.1. **Disclosure of selected private interests and public availability of disclosed information in the three branches of government by country (2012)** *(cont.)*

			AUS	AUT	BEL	CAN	CHL	CZE	DNK	EST	FIN	FRA	DEU	GRC	HUN	ISL	IRL	ISR	ITA	JPN	KOR	LUX	MEX	NLD	NZL	NOR	POL	PRT	SVK	SVN	ESP	SWE	CHE	TUR	GBR	USA	RUS	BRA	EGY	UKR
Judicial branch	Judges	Assets	❍	❍	❍	❍	■	❍	❍	●	❒	❍	❍	❒	❒	❍	❍	❒	■	❍	●	❍	■	❍	❍	❍	❒	❍	●	❒	❍	■	❍	❒	❍	■	■	❒	■	■
		Liabilities	❒	❍	❍	❍	■	❍	❍	●	❒	❍	❍	❒	❒	❍	❍	❒	■	❍	●	❍	■	❍	❍	❍	❒	❍	●	❒	❍	❍	❍	❒	❍	■	❒	❒	■	■
		Income source	❍	❍	❍	❍	■	❍	❒	●	❒	❍	❍	❒	❒	❒	❍	❒	■	❒	●	❍	■	❍	❍	●	❒	❍	●	❒	❍	❍	❍	❒	❍	■	■	❒	■	■
		Income amount	❍	❍	❍	❍	❍	❍	❒	❒	❒	❍	❍	❒	❒	❍	❍	❒	■	❒	●	❍	■	●	❍	❍	❒	❍	●	❒	❍	■	❍	❒	❍	■	■	❒	■	■
		Outside position: Paid	❒	❒	❒	❍	■	❍	●	P	■	❍	❒	P	P	❒	❍	P	■	❒	■	❍	P	●	❍	●	❒	P	●	❒	❒	❍	❒	P	P	■	P	P	P	■
		Outside position: Non-paid	❒	❒	❒	❍	■	❍	●	❍	■	❍	❒	P	P	❍	❍	❒	■	❒	■	❍	■	●	❍	●	❒	P	❍	❒	❒	❍	❒	❒	❍	■	❍	P	P	■
		Gifts	❍	P	P	❍	P	❍	P	P	❍	❍	P	P	❒	❍	❍	❒	P	❍	■	❍	P	P	❍	P	❍	P	❍	●	❍	P	❍	P	❍	■	P	❍	P	■
		Previous employment	❒	❒	❍	❍	❍	❍	❍	❒	❍	❍	❒	❍	❍	❍	❍	❒	■	❒	■	❍	■	❍	❍	●	❍	❍	❍	❒	❍	❍	❍	❒	❍	■	❒	❒	■	■
	Prosecutors	Assets	❍	❍	❍	❒	■	❍	❍	●	❒	❍	❍	❒	❒	❍	❒	❒	■	❍	●	❍	■	❍	❍	❍	❒	❍	●	❒	❍	■	❍	❒	❍	❍	●	❒	■	■
		Liabilities	❍	❍	❍	❒	■	❍	❍	●	❒	❍	❍	❒	❒	❍	❍	❒	■	❍	●	❍	■	❍	❍	❍	❒	❍	❍	❒	❍	❍	❍	❒	❍	❍	❒	❒	■	■
		Income source	❍	❍	❍	❍	■	❍	❍	●	❒	❍	❍	❒	❒	❒	❍	❒	■	❒	●	❍	■	❍	❍	❍	❒	❍	❍	❒	❍	❍	❍	❒	❍	❍	●	❒	■	■
		Income amount	❍	❍	❍	❍	❍	❍	❍	❒	❒	❍	❍	❒	❒	❍	❍	❒	■	❒	●	❍	■	❍	❍	❍	❒	❍	❍	❒	❍	■	❍	❒	❍	❍	■	❒	■	■
		Outside position: Paid	❒	❒	❒	❒	■	❍	❍	P	■	❍	❒	P	P	❒	❒	P	■	❒	■	❍	P	●	❍	❒	❒	P	❒	❒	❒	❍	❒	P	P	❍	P	❒	P	■
		Outside position: Non-paid	❒	❒	❒	❒	■	❍	❍	❍	■	❍	❒	P	P	❍	❍	❍	■	❒	■	❍	■	●	❍	❒	❒	P	❍	❒	❒	❍	❒	❒	❍	❍	❍	❒	P	■
		Gifts	❒	P	P	❒	P	❍	P	●	❍	❍	P	P	❒	❍	❒	P	P	■	■	❍	P	P	❍	P	❍	P	❍	●	❍	P	❒	P	❍	❍	P	❍	P	■
		Previous employment	❍	❒	❍	❍	❍	❍	❍	❒	❍	❍	❒	❍	❍	❍	❍	❒	■	❍	■	❍	■	●	❍	●	❍	❍	❍	❒	❍	❍	❍	❒	❍	❍	❒	❒	■	■

● Information is disclosed and publicly available on line or print.
❒ Information is disclosed and not publicly available.
■ Information is disclosed and publicly available upon request.
❍ Disclosure is not required.
P Prohibited.
x Indicates not applicable (e.g. country has no President).

Source: 2012 OECD Survey on Managing Conflict of Interest.

StatLink http://dx.doi.org/10.1787/888932943742

ANNEX F

Members of the Steering Group

	Name	Title/position	Ministry
Australia	Ms Kathie Potts	Deputy Public Service Commissioner	Australian Public Service Commission
Austria	Mr Michel Kallinger	Director-General	Federal Chancellery, Public Service and Innovative Administrative Development
Belgium	Mr Jacques Druart	Head International Co-ordination	Federal Public Service Personnel and Organisation
Canada	Nicolas Wise	Executive Director	Treasury Board Secretariat
Denmark	Mr David Fjord Nielson	Special Advisor	Ministry of Finance
Finland	Ms Katju Holkeri	Head of Government Policy Unit	Ministry of Finance
France	Mr Daniel Aunay	Chef de la mission des relations internationales	Ministère du Budget, des Comptes publics, de la Fonction publique et de la Réforme de l'État
Italy	Dr Pia Marconi	Director-General	Department of Public Administration
Japan	Mr Irie Akifumi	First Secretary	Permanent Delegation of Japan to the OECD
Korea	Mr Seong Ju Kang	Director-General for Information Security Policy	Information Strategy Office, Ministry of Public Administration and Security
Netherlands	Mr Peter van Der Gaast	Head of the Department on Analysis, Labour Market and Macroeconomic Counselling	Ministry of the Interior and Kingdom Relations
Norway	Kleng Bratveit		Ministry of Government Administration and Reform, Department of ICT Policy and Public Sector Reform
Sweden	Susanne Johansson	Advisor	Statskontoret
United Kingdom	Ms Liz McKeown	Deputy Director, Analysis and Insight	Cabinet Office

Glossary

Term	Use in *Government at a Glance*
Budget	A comprehensive statement of government financial plans which include expenditures, revenues, deficit or surplus and debt. The budget is the government's main economic policy document, demonstrating how the government plans to use public resources to meet policy goals, and to some extent indicating where its policy priorities.
Cash transfers	Benefits provided to eligible individuals by governments that are not required to be spent on a specific good or service. Examples of cash transfers include pensions, unemployment benefits and development aid.
Central Budget Authority (CBA)	The Central Budget Authority (CBA) is a public entity, or several co-ordinated entities, located at the central/national/federal level of government, which is responsible for the custody and management of the national/federal budget. In many countries, the CBA is often part of the Ministry of Finance. Specific responsibilities vary by country, but generally, the CBA is responsible for formulating budget proposals, conducting budget negotiations, allocating or reallocating funds, ensuring compliance with the budget laws and conducting performance evaluations and/or efficiency reviews. This Authority regulates budget execution but does not necessarily undertake the treasury function of disbursing public funds. Lastly, a very important role of the Central Budget Authority is monitoring and maintaining aggregate/national fiscal discipline and enforcing the effective control of budgetary expenditure.
Citizen's budget	A citizens' guide to the budget is defined here as an easy-to-understand summary of the main features of the annual budget as presented to the legislature. It should be a self-contained document that explains what is in the annual budget proposals and what their effects are expected to be. While containing links or references to more detailed documents, the guide should not require readers to refer to them, or to know their contents, in order to understand the guide.
Collective goods and services	Goods and services that benefit the community at large. Examples include government expenditures on defence, and public safety and order.
Composite index	An indicator formed by compiling individual indicators into a single index on the basis of an underlying model (Nardo et al., 2005).

Dataset A set of indicators or variables concerning a single topic (e.g. regulatory quality).

Efficiency Achieving maximum output from a given level of resources used to carry out an activity (*OECD Glossary of Statistical Terms*).

Effectiveness The extent to which the activity's stated objectives have been met (*OECD Glossary of Statistical Terms*).

European System of National Accounts An internationally compatible accounting framework used by members of the European Union for a systematic and detailed description of a total economy (that is a region, country or group of countries), its components and its relations with other total economies (*OECD Glossary of Statistical Terms*). It is fully consistent with the *System of National Accounts* (SNA).

Federal state A country that has a constitutionally delineated division of political authority between one central and several regional or state autonomous governments.

Fiscal rule For purposes of this book, the OECD utilises a similar definition as the European Commission. A numerical fiscal rule refers to a permanent constraint on fiscal policy aggregates (e.g. in-year rules are excluded).

Full-time equivalent (FTE) The number of full-time equivalent jobs, defined as total hours worked divided by average annual hours worked in full-time jobs (*OECD Glossary of Statistical Terms*).

Gender Socially constructed and socially learned behaviours and expectations associated with females and males. All cultures interpret and elaborate the biological differences between women and men into a set of social expectations about what behaviours and activities are appropriate, and what rights, resources and power women and men possess. Like race, ethnicity and class, gender is a social category that largely establishes one's life chances. It shapes one's participation in society and in the economy.

General Employment Framework in the public service It usually concerns the employment conditions of most government employees, and certainly concerns most statutory employees. Casual employees, by this definition, are not employed under the General Employment Framework for government employees. Please note that in a number of countries, all employees, including those employed on a short term basis, are employed under the General Employment framework, with a few exceptions (few casual employees in those cases, if any).

General government The general government sector consists of: *a)* All units of central, state or local government; *b)* All social security funds at each level of government; and *c)* All non-market non-profit institutions that are controlled and mainly financed by government units. The sector does not include public corporations, even when all the equity of such corporations is owned by government units. It also does not include quasi-corporations that are owned and

controlled by government units. However, unincorporated enterprises owned by government units that are not quasi-corporations remain integral parts of those units and, therefore, must be included in the general government sector (*1993 System of National Accounts*).

Governance The exercise of political, economic and administrative authority.

Gross domestic product (GDP) The standard measure of the value of the goods and services produced by a country during a period. Specifically, it is equal to the sum of the gross values added of all resident institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs). The sum of the final uses of goods and services (all uses except intermediate consumption) measured in purchasers' prices, less the value of imports of goods and services, or the sum of primary incomes distributed by resident producer units (*OECD Glossary of Statistical Terms*).

Independent Fiscal Institution (IFI) A publicly funded, independent body under the statutory authority of the executive or the legislature which provides non-partisan oversight and analysis of, and in some cases advice on, fiscal policy and performance. IFIs have a forward-looking *ex ante* diagnostic task (in contrast to public audit institutions which perform an equally indispensable *ex post* task).

Indicator "… quantitative or qualitative measure derived from a series of observed facts that can reveal relative positions (e.g. of a country) in a given area. When evaluated at regular intervals, an indicator can point out the direction of change across different units and through time." (Nardo et al., 2005)

Individual goods and services Goods and services that mainly benefit individuals. Examples include education, health and social insurance programmes.

Input Units of labour, capital, goods and services used in the production of goods and services.
"Taking the health service as an example, input is defined as the time of medical and non-medical staff, the drugs, the electricity and other inputs purchased, and the capital services from the equipment and buildings used." (Lequiller, 2005)

Labour force The labour force, or currently active population, comprises all persons who fulfil the requirements for inclusion among the employed or the unemployed during a specified brief reference period (*OECD Glossary of Statistical Terms*).

Outcome Refers to what is ultimately achieved by an activity. Outcomes reflect the intended or unintended results of government actions, but other factors outside of government actions are also implicated (*OECD Glossary of Statistical Terms*).

Output In performance assessment in government, outputs are defined as the goods or services produced by government agencies (e.g. teaching hours delivered, welfare benefits assessed and paid) (*OECD Glossary of Statistical Terms*).

Performance information

Performance information can be generated by both government and non-governmental organisations, and can be both qualitative and quantitative. Performance information refers to metrics/indicators/general information on the inputs, processes, outputs and outcomes of government policies/programmes/organisations, and can be ultimately used to assess the effectiveness, cost effectiveness and efficiency of the same. Performance information can be found in: statistics; the financial and/or operational accounts of government organisations; performance reports generated by government organisations; evaluations of policies, programmes or organisations; or spending reviews, for instance.

Productivity

Productivity is commonly defined as a ratio of a volume measure of output to a volume measure of input use (*OECD Statistical Glossary*). Economists distinguish between total productivity, namely total output divided by change in (weighted) input(s) and marginal productivity, namely change in output divided by change in (weighted) input(s) (Coelli et al., 1999).

Public sector

The general government sector plus (quasi) public corporations (*1993 System of National Accounts*).

Public sector process

Structures, procedures and management arrangements with a broad application within the public sector.

Public services

Services that are performed for the benefit of the public or its institutions. Public services are provided by government to its citizens, either directly (through the public sector) or by financing private provision of services. The term is associated with a social consensus that certain services should be available to all, regardless of income. Even where public services are neither publicly provided nor publicly financed, for social and political reasons they are usually subject to regulation going beyond that applying to most economic sectors.

System of National Accounts

The *System of National Accounts* (SNA) consists of a coherent, consistent and integrated set of macroeconomic accounts, balance sheets and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules (SNA 1.1).

The *System of National Accounts 1993* (SNA) has been prepared under the joint responsibility of the United Nations, the International Monetary Fund, the Commission of the European Communities, the OECD and the World Bank (*OECD Glossary of Statistical Terms*).

The 2008 SNA has recently been finalised and includes a number of changes to the 1993 SNA. For all OECD countries except Australia (as well as Canada for government debt), the indicators presented under the SNA are based on the 1993 SNA. It is important to note that it will take a certain number of years (2014 for most countries) before the national accounts will reflect these changes (that will have, to a certain extent, an impact on selected indicators presented in this publication).

Unitary states

Countries that do not have a constitutionally delineated division of political authority between one central and several regional or state autonomous governments. However, unitary states may have administrative divisions that include local and provincial or regional levels of government.

Variable

A characteristic of a unit being observed that may assume more than one of a set of values to which a numerical measure or a category from a classification can be assigned (e.g. income, age, weight, etc., and "occupation", "industry", "disease", etc.) (*OECD Glossary of Statistical Terms*).

Working time adjustment

Adjustment applied to annual average compensation of government employees that compensates for differences in time worked taking into account, where applicable, the average number of working days and the average number of hours worked per week.

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