Government at a Glance Latin America and the Caribbean 2017

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Government at a Glance:
Latin America
and the Caribbean
2017

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Foreword

This second edition of Government at a Glance: Latin America and the Caribbean 2017*, provides internationally comparable data on government activities and their results for the LAC region. By showcasing a dashboard of key indicators it is aimed at helping policy makers and citizens analyze the relative performance of governments and, when possible, benchmark against OECD member countries. The 45 indicators cover key aspects of public management, including public finance and economics, public employment, the role and influence of the centre of government, regulatory policy and governance, open and digital government and public procurement.*

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This joint publication between the OECD and the Inter-American Development Bank (IDB) is the result of contributions from a wide range of sources and expertise. This work was financed with resources from and technical support by the IDB. It greatly benefited from inputs provided by the IDB/OAS/CRDI network of e-Government in Latin America and the Caribbean (Red GEALC), the Inter-American Network on Government Procurement, the IDB/ECLAC Network on Public Investment National Public Investment Systems Network in Latin America (NPIS), the OECD-LAC Network on Good Regulatory Practices and the OECD/IDB Network of Senior Budget Officials for Latin America and the Caribbean (LAC SBO). The authors express their gratitude to country officials from Latin America and the Caribbean who replied to the surveys and helped during the data cleaning and validation process. Furthermore, we thank the IDB country representatives and country economists, who assisted whenever a question arose, and facilitated channels of communication with government authorities.

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Preface

Over the past two decades several countries in the Latin America and the Caribbean (LAC) region have made great strides to reform their economies and improve the performance of their public sectors. As shown in the first edition of *Government at a Glance: Latin America and the Caribbean*, these reforms contributed to strengthening public institutions and laying the policy foundations for more egalitarian societies. In order to sustain inclusive growth, LAC countries need to build on past achievements and continue to implement policy reforms.

Compared to the previous edition of *Government at a Glance: Latin America and the Caribbean*, which placed special emphasis on public financial management, this second report covers additional countries as well as a wider range of public management areas, including: the redistributive impact of fiscal policy; the role and influence of the centre of government; open government and open government data policies; digital government; regulatory governance; cost-benefit analysis in the appraisal of public investment projects; and budgeting in health systems. Data for many of these areas has been collected for the first time in the region.

Through taxes and spending, fiscal policy plays a key role in reducing income inequality. However, tax-benefit systems tend to be less redistributive in the LAC region than among Organisation for Economic Cooperation and Development (OECD) countries. This publication argues that in-kind transfers (e.g. health and education) are the most powerful tool for achieving income redistribution in the LAC context, and, as such, are areas where most countries in the region have focused their efforts. However, these transfers are not sufficient, and to further improve income redistribution there is a need to better monitor the overall quality of public expenditure, strengthen the design of social protection systems and improve the incidence of targeted spending in some sectors.

Governments can help guarantee equitable access to services by ensuring transparency and promoting inclusive policy making. For example, most countries in the region have implemented open government strategies and are increasingly using Information and Communications Technologies to streamline government processes and facilitate interactions between citizens and governments. Over the past decade, open government has evolved from being an objective in itself to being an instrument for achieving broader policy goals such as inclusive growth and the sustainable development goals. Still, to fully reap the benefits of open government there is a need for more and better co-ordination by the centre of government, particularly at the policy design and evaluation stages, as well as more effective use of different tools for engaging citizens.

Government at Glance: Latin America and the Caribbean 2017, provides a dashboard of 45 internationally comparable indicators to help governments benchmark their practices and performance, not only across countries in the region, but to the OECD member countries as well. It can also inform public debate on public sector reform policies.

This publication is the result of a fruitful collaboration between OECD and the Inter-American Development Bank (IDB). It brings together OECD methodology and expertise developed in collecting information on public governance practices from government officials, and OECD and IDB policy networks, and in-depth analytical and country knowledge, in almost all countries in Latin America and the Caribbean.

Angel Gurría
Organisation for Economic Co-operation
and Development
Secretary-General

Luis Alberto Moreno
Inter-American Development Bank
President

Executive summary

Inequalities pose a critical challenge for government. Not only do they harm economic growth and create social distress, but they also hamper access to opportunities and basic public services. Government plays an important role, not only through taxes and transfers, but also by designing and implementing public policies that tackle inequalities in the distribution of income and other outcomes that affect people's well-being.

Latin America and the Caribbean (LAC) remains the most unequal region in the world, although much has been achieved over the past years as a result of strong growth and structural reforms. To sustain these achievements in a challenging global environment, LAC governments will need to design and implement policies to promote economic growth and job creation, while continuing to work to ensure more equitable access by the population to cost-effective services. This will require high-quality, timely and internationally comparable evidence to inform policy making and benchmark specific interventions. *Government at a Glance: Latin America and the Caribbean 2017* provides such evidence to guide public sector reforms in the LAC region

Key findings

The state is much smaller on average in the LAC region than in OECD countries. Government spending accounts for about 31% of GDP on average in the LAC countries, compared to 41.5% in OECD countries; nevertheless, the difference is decreasing. Between 2007 and 2014 expenditure increased by 4.7 percentage points in the LAC region compared to a 2.5 p.p. increase in the OECD. In 2014, LAC governments spent about 8.7% of GDP on social benefits (e.g. education, health and pensions) on average, while this figure was 16.9% in the OECD area. In turn, for the same year LAC countries employed fewer people as a percentage of total employment (12.4% in LAC and 28.6% in OECD countries). In 2014 government investment as a percentage of GDP reached 2.6% in LAC countries compared to an average of 3.2% in the OECD.

Fiscal policy plays a more limited role in income distribution in LAC than in OECD countries, on average. The tax benefit system drives a wedge between market and disposable income, reducing the Gini coefficient by 2.8 percentage points on average in LAC, as opposed to 17.8 percentage points in OECD countries. This happens due to a combination of less progressive direct tax schedules; greater reliance on indirect, often regressive, taxes; a proliferation of tax benefits; and subsidies in several sectors (e.g. energy) that are poorly targeted and often benefit the better-off. The distributive potential of government intervention is nevertheless much stronger when social in-kind spending is taken into account.

Health systems in the LAC region are highly fragmented, in terms of both service delivery and financing. Most countries have several, coexisting financing schemes for health. Moreover, public health expenditures are often treated as off-budget items and therefore not subject to the full scrutiny of the budget process. Although coverage is relatively high in the LAC countries surveyed, the package of goods and services received by beneficiaries tends to be less comprehensive than in OECD countries. Overcoming fragmentation and improving co-ordination is a key challenge for increasing health expenditure efficiency in the LAC region.

Governments in the LAC region have yet to create a culture of policy evaluation that can do much to improve policy design and implementation. For example, while around three-quarters of LAC countries reported having a national strategy for digital government, only slightly more than one-fifth signalled efforts to measure the financial benefits of government ICT projects for citizens and businesses. Similarly, over 70% of LAC countries have public procurement strategies to pursue secondary policy objectives, but only a much smaller number of countries (6.3% in the case of green procurement and 28.6% in the case of support for MSMEs) measure the impacts of those strategies. In the same vein, while countries have adopted formal requirements for the use of different regulatory tools, such as consultation and regulatory impact assessment, their implementation in practice varies greatly among countries and, in a similar way to OECD countries, ex post evaluation is seldom carried out in LAC countries.

The centre of government's leadership and co-ordination roles have increased but focus mainly on procedures as opposed to policy content. The number of cross-ministerial initiatives has increased in LAC countries during recent years, reflecting efforts to enhance the co-ordination function of the centre of government. For example, 92% of LAC countries indicated that open government initiatives are co-ordinated by the centre of government. In a similar way to OECD countries, co-ordination and policy discussions take place through cabinet meetings and bilateral contacts with ministers. However, in comparison to OECD countries, the centres of government in the LAC region play a more active role in reviewing and ensuring compliance with processes than on assessing, discussing or deciding new public policies.

The use of merit-based recruitment has improved in the region, while performance appraisal and compensation management need further development. Merit-based competitive hiring has been reinforced in the last 10 years, mainly through the introduction of public employment web portals and the strengthening of civil service agencies. However, in many countries, performance appraisal tends to be formalistic in nature, with limited effect on performance. In turn, in many countries, pay inequities – both horizontal (same responsibility, different pay) and vertical (hierarchically superior positions with lower pay) – abound and have worsened over time.

Reader's guide

In order to accurately interpret the data included in Government at a Glance: Latin America and the Caribbean 2017*, readers need to be familiar with the following methodological considerations that cut across a number of indicators. The standard format for the presentation of indicators is on two pages. The first page contains text that explains the relevance of the topic and highlights some of the major differences observed across LAC countries. Furthermore, when data are comparable, the OECD averages are considered as an additional benchmark. 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 terms used in the publication can be found in the final chapter of the book.*

Data sources and features

Most of the data used in the *Government at a Glance: Latin America and the Caribbean 2017* are collected from government officials by the OECD/IDB via specifically defined surveys. As such, they represent either official government statistics or the country's own assessment of current practices and procedures. To the extent possible, OECD data collection instruments use standardised definitions and common units of measure. However, bias can occur in that countries may interpret and answer questions differently and/or may not answer the questions completely objectively. In general, the direction of the bias is known but not necessarily its extent. To try and minimise these biases the OECD/IDB cleaned and verified the collected data by following up with countries when there were potential inconsistencies or outliers. This has been done by benefitting from the OECD's knowledge through previous work in the region and mainly from the IDB's expertise and local presence in the countries under study. In addition, respondents have been asked to provide additional evidence to validate their answers which, in turn, have been verified with other external and additional sources whenever available (e.g. the Open Government Partnership dataset).

Data are also drawn from other international organisations such as the *International Labour Organization* (ILO), and the *International Monetary Fund* (IMF). The public finance and economics data for LAC countries are based on the *IMF World Economic Outlook (IMF WEO)* and the *IMF Government Financial Statistics (IMF GFS)* databases. Data from the *IMF WEO were extracted in late April 2016 corresponding to the April update. Data* from the GFS database were extracted in May 16th 2016. For the OECD averages, the data are based on the *System of National Accounts (SNA)*, and were extracted from the Government at a Glance online database representing the last available update: June 21st 2016. In most cases, data on public finances are presented for 2007, 2009, 2014 and if available 2015, showcasing the years immediately after and before the economic crisis as well as the latest information available. However, to increase the coverage all simple averages are calculated based on 2014.

The public employment data for LAC countries was extracted from the ILO dataset LABORSTA in July 15th 2016.

Despite the significant accomplishments of international organisations in harmonising data among the different statistical systems, several differences exist in different instances, that impact some of the indicators analysed. As a consequence, within the methodological sections, specific notes are included whenever specific methodological considerations need to be taken into account.

Country coverage

Government at a Glance: Latin America and Caribbean 2017 was intended to include data for 15 LAC countries. The 15 countries to which the surveys were initially sent are: Argentina, Brazil, Haiti, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Jamaica, Mexico, Panama, Paraguay, Peru and Uruguay. Based on data availability these are the countries for which data from external sources (e.g. ILO, IMF) was extracted. In addition, for this edition, seven OECD survey instruments were used to collect data on relevant public management practices. To the extent possible data were collected through existing policy networks. Based on the coverage and country participation in the different networks data were collected for an uneven number of countries. The table below displays the country coverage for each of the surveys sent specifically for this publication. In the case of the budget practices and procedures survey, this edition includes new indicators; however, the data corresponds to the collection that took place in 2013 and was cleaned for the first edition of *Government at a Glance: Latin America and the Caribbean*, launched in June 2014. In the case of the regulatory governance survey, eight countries were originally targeted and seven answered the survey. Despite several attempts the Dominican Republic didn't reply to the questionnaire.

Coverage of the different surveys sent to LAC countries

Survey	Number of countries that responded
Cost benefit analysis	12
Centres of government	15
Budget practices and procedures	17
Budgeting practices for health	13
Regulatory governance	7
Digital government	22
Open government and open data	13
Public procurement	22

Building on the successful experience that led to the publication of *Government at a Glance: Latin America and the Caribbean* 2014, the joint OECD/IDB LAC Senior Budget Officials network was used as a vehicle to collect data for the survey on budget practices for health. The survey was presented in the 2015 annual meeting of the network in Santiago, Chile (27-29 May) and preliminary results were presented in the 2016 annual meeting in Montevideo Uruguay (30 March – 1 April). In addition, the results from this survey were presented and discussed at the First OECD Health Systems Joint Network Meeting for Latin America and the Caribbean held in Bogota, Colombia in July 2016.

The IDB/OAS/CRDI Network of e-Government in Latin America and the Caribbean (RED GEALC) was the vehicle to collect and clean the data of the digital government survey. The survey was presented at the annual meeting of the network in Mexico City (26-27 October, 2015) and data were cleaned in close cooperation with delegates to the network.

The Cost Benefit Analysis (CBA) survey was presented in the framework of the annual meeting of the IDB/ECLAC network on Public Investment that took place from 21-23 April of 2015 in Santiago de Chile. The data was cleaned in close cooperation with delegates to the network.

The first meeting of the OECD LAC network on good regulatory practices that took place in Lima on 25-26 June 2015 was used to conduct a workshop presenting the regulatory governance survey. During the second meeting in Santiago, Chile on 26-27 April 2016, the results were presented and discussed. Shortly after, the data cleaning was finalised in close co-operation with the respondents to the survey.

In the course of the special meeting of the Inter-American Network on Government Procurement that took place in Washington D.C on 26 May 2015, a workshop on the public procurement survey was conducted. The data was cleaned in close cooperation with delegates to the network.

In the case of the centres of government and open government surveys, no designated policy networks exist in the region. As a result, the surveys were sent via the country delegates to the members of Open Government Partnership in the case of Open Government and through institutional contacts in the case of centres of government. In both cases the data were cleaned in close cooperation with the survey respondents.

Country codes (ISO codes)

The International Organization for Standardization (ISO) defines three letter codes for the names of countries, dependent territories and special areas of geographical interest. For the graphical display of some figures, the following ISO codes are used.

LAC countries	ISO	LAC countries	ISO
Antigua and Barbuda	ATG	Guatemala	GTM
Argentina	ARG	Guyana	GUY
Bahamas	BHS	Haiti	HTI
Barbados	BRB	Honduras	HND
Belize	BLZ	Jamaica	JAM
Bolivia	BOL	Mexico	MEX
Brazil	BRA	Nicaragua	NIC
Chile	CHL	Panama	PAN
Colombia	COL	Paraguay	PRY
Costa Rica	CRI	Peru	PER
Dominica	DMA	Suriname	SUR
Dominican Republic	DOM	Trinidad and Tobago	TTO
Ecuador	ECU	Uruguay	URY
El Salvador	SLV	Venezuela	VEN
Grenada	GRD		

LAC and OECD averages and totals

Averages

In figures and text, the LAC and OECD averages refer to the unweighted, arithmetic mean of the LAC region and OECD member countries for which data are available. When a figure depicts information for one or more years, the LAC average includes all countries with available data (unless specified otherwise). For instance, a LAC average for 2014 includes all current LAC countries with available information for that year. In the case of the OECD average, the averages have been updated considering the latest available data (unless specified otherwise).

Totals

LAC and OECD totals are most commonly found in tables and represent the sum of data in the corresponding column for LAC and OECD countries for which data are available. In the case of LAC countries, those not included in the tables are countries without available data. In the OECD member countries, the totals are those published in the *OECD Government at a Glance 2015 edition* and/or in the Government at a Glance online data set.

Online supplements

Government at a Glance: Latin America and the Caribbean 2017 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 materials are available online at: *www.oecd.org/gov/government-at-a-glance-latin-america-and-the-caribbean-2016-9789264265554-en.htm*

Country fact sheets that present key data by country compared with the LAC and OECD averages.

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 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 defence 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 parity (PPP) between two countries is the rate at which the currency of one country needs to be converted into that of a second country. This conversion is done to ensure that a given amount of the first country's currency will purchase the same volume of goods and services in the second country as it does in the first. In consequence, when converted by means of PPPs, expenditures across countries are in effect expressed at the same set of prices enabling comparisons across countries that reflect only the differences in the volume of goods and services purchased.

The PPP index used for LAC countries is the same to those used by the IMF World Economic Outlook (WEO). The International Comparisons Program (ICP) is a global statistical initiative that produces internationally comparable purchasing power parity (PPP) estimates. The PPP exchange rate estimates, maintained and published by the World Bank, the OECD, and other international organisations, are used by WEO to calculate its own PPP weight time series.

Composite indicators

The publication includes seven descriptive composite indexes in narrowly defined areas. One in open government data, one in stakeholder engagement for regulatory policies and five in human resources management practices. These composite indexes are a practical way of summarising discrete, qualitative information. The stakeholder engagement and open government data composites were created in accordance with the steps identified in the *Handbook on Constructing Composite Indicators* (Nardo, et al., 2008).

The human resource management (HRM) practices composites were developed through country diagnostics and *the critical point* methodology. According to this methodology, each factor describes a specific and desirable situation that refers to a certain key aspect of HRM. The benchmark is therefore a specific and substantial parameter that enables comparison with the situation empirically encountered in each country diagnostic.

Details about the variables and weights used to construct the stakeholder engagement composite are available in Annex B. The details about the composite indicator on Open Government Data are available in Annex C. The details about the composite indicators on human resources management Practices are in Annex A. The composite indicators are based on theory and/or best practices, the variables composing the indexes and their relative weights are based on expert judgements and, as a result, may change over time.

Signs and abbreviations

X	Missing values
n.a.	Not applicable (unless otherwise stated)
EUR	Euros
USD	US dollars
LAC	Latin American and Caribbean
p.p.	Percentage points

Introduction

Objectives

The main objective of the *Government at a Glance* series is to provide reliable, internationally comparable data on government activities and their results in OECD member countries. By broadening the scope to other regions of the world, in particular to Latin America and the Caribbean (LAC), the publication allows LAC countries to benchmark their governments' performance within the region and in relation to the OECD. In addition, it allows governments to track their own and international developments over time, and provides evidence to their public policy making. As a result of the successful cooperation between the OECD and the IDB this second edition for the LAC region covers a broader set of topics and includes more countries.

Government at a Glance: Latin America and the Caribbean 2017, recognises that governments are major actors in modern societies. Every citizen throughout his or her life interacts with governments at several stages; from the issuance of a passport to the provision of health, education and social benefits. Furthermore, as societies reach higher development levels, expectations from governments tend to increase, while at the same time becoming more complex. Good governance is critical to long term economic, social and environmental development. The ability of governments to operate effectively and efficiently depends in part on their management policies and practices. For instance, open government is key to guarantee that the adequate channels are in place to ensure citizens' participation and engagement. At the same time it permits public scrutiny which is crucial for greater integrity and accountability from government authorities, managers, and other government officials. In turn, public procurement is conductive to an efficient use of public resources but, in addition, could be used to support secondary policy objectives (e.g. support to environmental objectives or women owned enterprises). This publication provides insight into these fields of public governance, among others.

Indicators on government activities and public management practices

LAC countries are primarily interested in collecting information to identify how public governance and, more specifically, public management practices contribute to a government's ability to achieve its objectives. *Government at a Glance: Latin America and the Caribbean 2017*, is built on the following framework, which describes the public "production" process and identifies five types of indicators: 1) contextual factors, 2) inputs, 3) processes, 4) outputs and outcomes. The current edition includes the three first components of the framework; further editions of the publication may extend to include outputs and outcomes.

1) Contextual factors

Annex D presents contextual information describing some key features of the political and administrative structure for 21 LAC countries included in the publication. Situating policies and indicators within this contextual background can help us better understand differences among countries, and identify those with similar structures that might serve as better comparators for benchmarking purposes.

2) Inputs

Input indicators include data on government revenues, expenditures, employment and workforce characteristics. These are the main components of the government production function and provide insight into the incentives and constraints that governments face in determining what types of goods and services to provide. Furthermore, these data allow for a comparison of the proportion of the economy devoted to producing different goods and services, as well as the difference in the mix of inputs used for production. For instance, as labour is a key input in the government production process, the size of the public sector may affect government productivity and its capacity to provide goods and services.

3) Processes

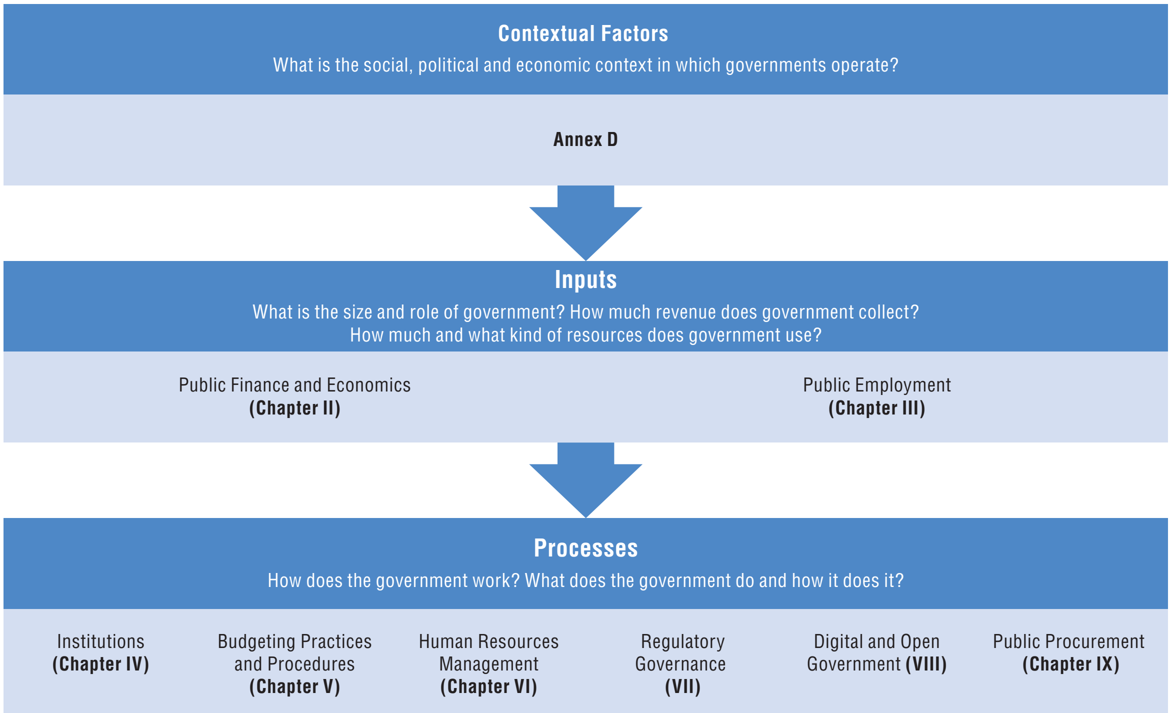
Process indicators refer to the public management practices and procedures undertaken by governments to implement policies. They describe how governments implement policies and how inputs are transformed into outputs and outcomes. Information on processes such as budgeting, public procurement, human resource management, regulatory governance and open and digital government practices allow countries to evaluate the effects of recent reforms, and identify new strategies to improve productivity. For example, effective human resource management is key for aligning people management with the strategic goals of public sector organisations. Digital government can improve public trust by using new technologies to boost the quality and tailor the provision of public services. Finally, the openness, usefulness and re-usability of public data can create new business opportunities and inform citizen engagement as well as the government decision making process.

4) Indicators of outputs and outcomes

The dividing line between outputs and outcomes can be blurry. While outputs refer to the quantity and type 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. *Government at a Glance: Latin America and the Caribbean 2017*, does not include output or outcome indicators. To start, it is difficult to develop valid indicators that truly measure the outputs and outcomes of public administration. In addition, little internationally comparable information on outputs and outcomes exists for the LAC region. However, it is expected that future editions may close this gap by including some data on outputs and outcomes.

The figure below presents the conceptual framework for *Government at a Glance: Latin America and the Caribbean 2017*.

Figure 0.1. **Conceptual framework for *Government at a Glance: Latin America and the Caribbean 2017***



Structure

Government at a Glance: Latin America and the Caribbean 2017, starts with a policy chapter analysing the impact of fiscal policy on equity in the LAC region. Chapters 2-9 provide data on the following areas of public administration: Public Finance and Economics, Public Employment, Institutions, the public administration (CoGs), Budgeting Practices and Procedures, Human Resources Management, Regulatory Policy and Governance, Digital and Open Government and Public Procurement. Finally, there are four indicators that are included as special features, addressing topical issues such as health budgeting, cost benefit analysis, non-renewable natural resources as a source of revenue, and competition friendly regulatory environment. They are found in the Budgeting Practices and Procedures, Regulatory Policy and Governance and Public Finance and Economics chapters respectively.

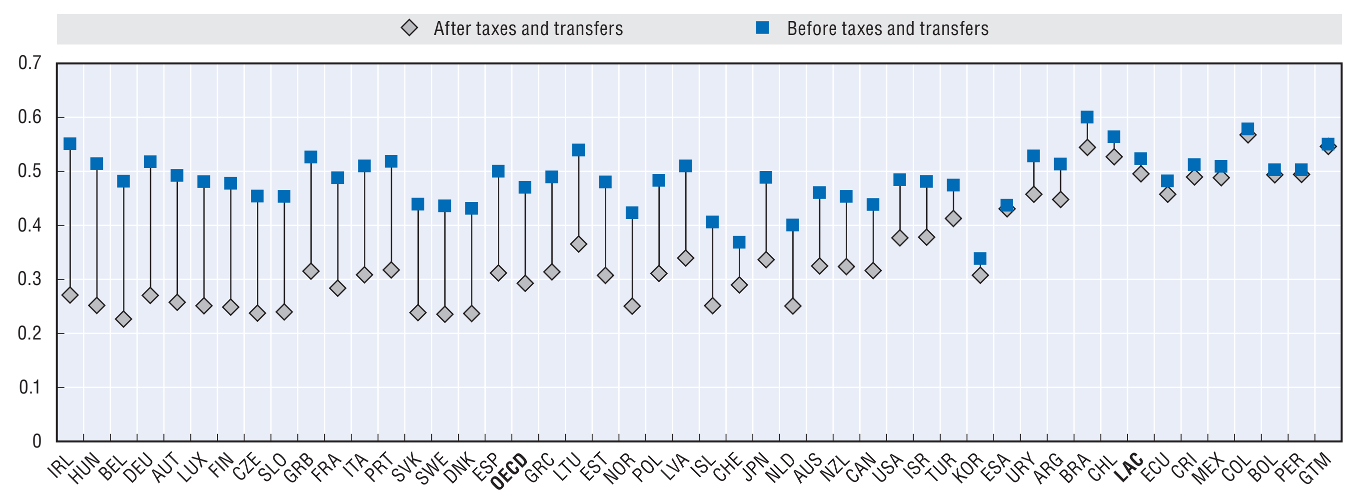
Chapter 1

The impact of fiscal policy on equity

Introduction

Inequality pose a critical challenge for government. In a broad sense, rising inequalities can not only harm economic growth and create social distress, but can also negatively affect access to opportunities and basic public services. To a greater or lesser extent, depending on the societal agreement, governments play a role in income redistribution through taxes and transfers. In this context, the efficiency and effectiveness of fiscal policy are essential to achieve more equal societies and fight poverty. In the case of Latin America and the Caribbean (LAC) this is particularly relevant as, despite recent improvements, the region is still the most unequal in the world. According to the latest available evidence, on average in 2012, inequality in LAC measured by the Gini coefficient after taxes and transfers is 70% higher than in OECD member countries, with scores of 0.49 and 0.29, respectively (see Figure 1.1).

Figure 1.1. **Differences in income inequality pre and post government taxes and transfers.**



Sources: For OECD member countries: Income Distribution Database. For LAC countries: Lustig (2016).

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The Gini coefficient is the most commonly used measure of income inequality. It is aimed at representing the income distribution of the population within a given country. Many of the results put forward in this chapter are based on a body of recent evidence[1] that investigates the impact of taxation and social spending on income redistribution and poverty. In many aspects this is a unique exercise given that it builds on the best internationally comparable dataset on the subject in the region. The methodology has been consistently applied in 13 LAC countries, which represented 91% of total GDP of the region in 2015, and is based on microdata from household surveys that are publicly available. The key working definitions used in this chapter are presented in Box 1.1.

By analysing the new empirical evidence, this chapter aims to understand why fiscal policy in LAC falls behind more advanced economies in reducing inequality. It will also assess the potential to make fiscal policy more equalising and inclusive. Based on the availability of data, LAC countries will be compared to OECD[2] member countries or to 27[3] members of the European Union. While a large

Box 1.1. **Different definitions of income used to calculate the Gini coefficient**

- Market income - sometimes called primary income - is total current income from market sources (*e.g.* wages, dividends, etc.) before taxes.
- Disposable income is equal to market income plus direct government transfers (mainly cash transfers, but this may include food transfers) less direct taxes and social security contributions.
- Discretionary or post-tax income is defined as disposable income plus indirect subsidies minus indirect taxes (*e.g.* value-added tax [VAT], sales tax, etc.).
- Final income is defined as discretionary income plus government transfers in kind in the form of free or subsidised services in health and education (Lustig and Higgins, 2013)[1, 2].

1. Notice that government expenditure in public housing and its associated urban development expenses, which are highly subsidised and are usually included as part of social expenditure, are not included in this approach.
2. See Appendix 1 for a graphical explanation of the different concepts of income used in this chapter, following Lustig and Higgins (2013) approach.

overlap between these groups exist, the OECD also includes major economies such as the United States, Canada, Japan, South Korea, Australia and New Zealand, etc. In many instances these countries have different governance models and smaller welfare states than most European countries.

Several channels exist through which fiscal policy could play a role in achieving equity. For instance, by creating equality in the access to opportunities that could generate social mobility and result in long term improvements of the income distribution. In turn, equality of opportunity could be promoted through social expenditure and investment on public infrastructure related to public services directed to all citizens or by promoting long-term growth and productive employment. By improving human capital, individuals could access more productive employment and earn higher salaries in the long term, particularly if economic policies in general and fiscal policies in particular create conditions for high and sustained growth.

Similarly, through social expenditure, fiscal policy could promote equality of opportunities by ensuring that all individuals can develop their potential without being limited or affected by factors that are beyond their control, like social, economic and family conditions. In this sense, easy access to high quality education and health, water and sanitation services is of essence for levelling the field, especially in the case of low-income groups that have to overcome a significant social gap or disadvantage.

In the following sections, this chapter will discuss differences between LAC and OECD or European countries that explain why through government intervention (i.e. fiscal policy) the latter manage to reduce inequality by half, while LAC countries by less than a fifth. In addition, it will also analyse the progressivity of the tax system, the size and composition of the budget and the allocation of social spending. Finally, it will explore the impact of fiscal policy on poverty, growth and productivity, and the possible trade-offs between these and equity.

How effective is fiscal policy in reducing inequality in LAC?

Fiscal policy can play an important role in increasing or reducing inequality through taxes (direct and indirect), direct government transfers, indirect subsidies and transfers in kind. In order to analyse their impact, the fiscal incidence method is used. It allocates the share of the tax burden, social spending and consumption subsidies to each individual in order to compare income and its distribution before and after fiscal policy. Further details about this method are presented in Box 1.2.

Figure 1.2 shows the Gini coefficients for different definitions of income, for LAC countries as compared to 27 European Union countries (EU-27). Although inequality before direct taxes, social

Box 1.2. **Methodological assumptions to estimate fiscal incidence**

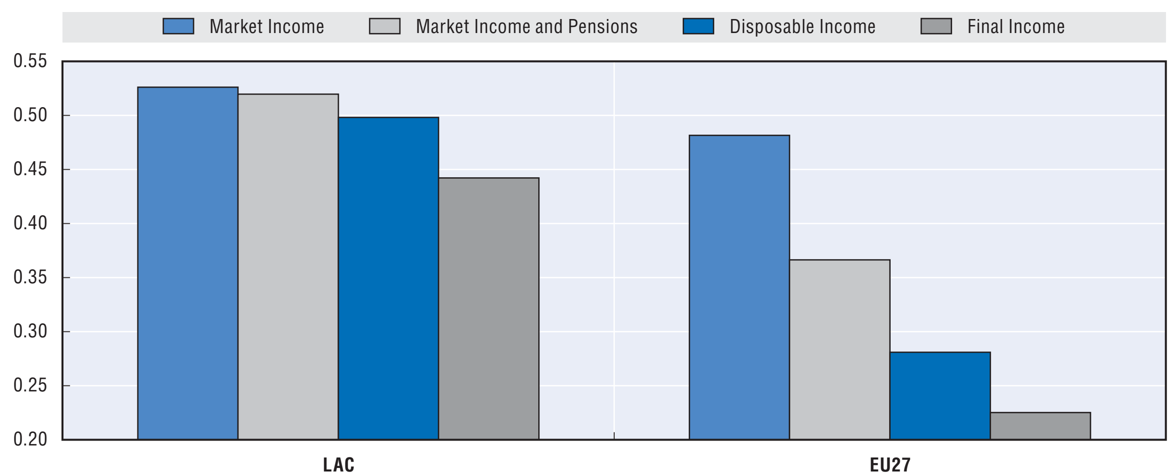
When estimating the impact of taxation and social spending on income redistribution and poverty, the following assumptions have been made:

- There are no behavioural responses or reactions by economic agents to changes in fiscal policies incorporated in the model that is used. Therefore, it is not a general equilibrium approach, which would require a much higher degree of complexity and entail greater difficulties.
- As it is usual in most analyses of impacts of fiscal policies, direct taxes are assumed to be entirely borne by those who receive the income; social security contributions paid by workers and by employers are borne by workers; and the VAT and excise taxes are entirely borne by final consumers. Despite these strong assumptions that imply that the demand curves for those factors and goods and services are perfectly inelastic, other studies with different and more laborious assumptions produce similar results (Lustig 2016, Martinez-Vazquez, 2008).
- It is based on data available for one specific year for each country and consequently there is no intergenerational tax incidence analysis or a life cycle approach, like the one conducted by Auerbach, Kotlikoff and Koehler (2016), which would also imply important methodological and data challenges.
- The population was distributed across deciles based on market income and it is assumed that there is no mobility of the population among the ten different deciles as a consequence of fiscal policies. In other words, what changes as a result of the different fiscal policy decisions and instruments is the distribution of income among the deciles of the population but not the distribution of the population among deciles defined by market income. Finally, there are important implicit indirect subsidies, mostly on energy consumption (electricity, gas and gasoline) with significant equity impacts that could not be quantified under this methodology. However, the studies presented in Lustig (2016) are the most complete, consistent and exhaustive fiscal impact analyses conducted under the same methodology for this group of countries.
- Estimations under two different scenarios were run, depending on how we treated contributory pensions paid by governments: 1) as deferred income (for which they were added to market income); 2) as direct transfers (added as part of disposable income). In the first case, when considered as deferred income, their impact on equity is ex ante the impact of fiscal policy (measured by the Gini coefficient of market income), whereas in the second case they are accounted for the first round of fiscal impact analysis measured by the Gini coefficient of disposable income.
- There are reasons to think that in most LAC countries pension benefits paid by governments could be treated as direct transfers, as most of these systems are based on pay-as-you-go schemes with important actuarial deficits, which are in part covered by general public revenues (and probably future worker and employer contributions, with important intergenerational equity impacts). However, the analysis in this chapter is presented in both ways and the difference between their equity impacts is discussed, although most conclusions are based on the assumption that contributory pensions are direct transfers. Moreover, it is also important to note that the difference between the two approaches is significant only for 3 of the 13 countries included in the study, but still the policy issues involved are very important for equity consideration and therefore will be discussed.

contributions and direct transfers is not very different between the two groups, with these fiscal instruments, LAC just manages to reduce it by 5% (drop in the Gini index from 0.53 to 0.50). In contrast, the EU countries reduce inequality by more than 40% (drop in the Gini coefficient from 0.50 to 0.29).

Concerning contributory pensions, the results are mixed across countries, with an equalising effect for some and increasing inequality for others. On average for LAC, although contributory pensions decrease inequality, the impact is small, with the Gini coefficient just dropping by 0.01 points (from 0.53 to 0.52). However, contributory pensions are largely equalising in the EU-27, with the Gini index dropping from 0.48 to 0.37. When the in-kind transfers in education and health, valued at government costs, are considered, the reduction in inequality is somewhat larger in LAC countries (compared to other fiscal policies) though still significantly smaller than in EU countries (0.53 to 0.44 in LAC compared with 0.48 to 0.22 in EU). Once in-kind transfers are considered, inequality in all countries is reduced considerably more than by cash transfers, reflecting their relative size. (Lustig, Pessino and Scott, 2014).

Figure 1.2. **Gini coefficients: effect of fiscal policy on average income distribution for selected countries in LAC and EU-27, for 2012 simple average**



Source: Authors' elaboration based on Lustig and Pessino (2014), Lustig (2016), EUROMOD version G2.0, and OECD's Income Distribution Database.

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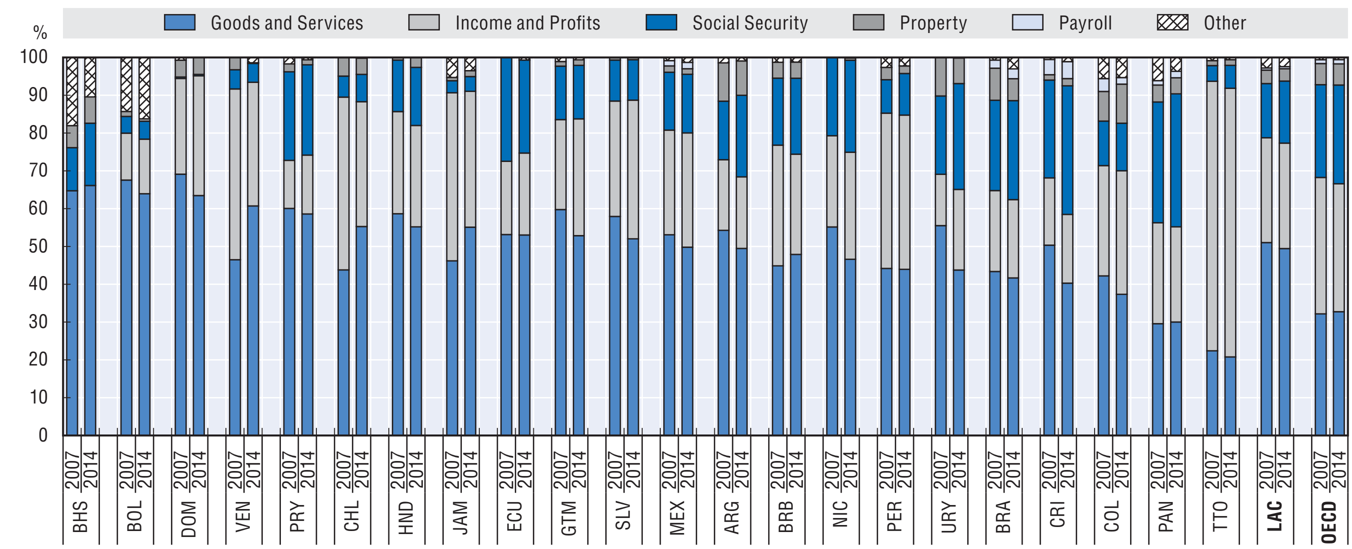
What is the incidence of taxes on equity?

The distributive effects of tax policies in LAC have been extensively evaluated. The first studies (Barreix *et al.*, 2006 and 2009 and IDB, EuroSocial and IEF, 2010) assessed the net impact of tax policy and public expenditures on incomes in LAC. These studies found that *income taxes* are highly progressive and paid by only a few taxpayers. In addition, they demonstrated that the *VAT* can be either progressive or regressive depending on the method used to estimate it. On one hand, it is regressive when estimated on the basis of declared income. Conversely, its regressivity disappears when the estimation is based on the relative consumption of the various income groups and when the combined revenue-expenditure effect is examined. More recently, Lustig *et al.* (2013) found that direct taxes in the region are progressive, but that their redistributive impact is insignificant since direct tax collection as a percentage of GDP is very low.

One of the main reasons why the distributional effects of tax policies in LAC are limited could be the low weight that *direct taxes* (taxes on properties and personal income tax) have in total revenues in the region (see two-pager on general government tax revenues). In most LAC countries, revenue from real estate taxes are just one quarter or less compared to the amount of revenue produced by them in most OECD countries (Bonet *et al.*, 2014). When total property taxes are compared among the two groups of countries, revenue from total property taxes accounts for 1.9% of GDP on average in the OECD countries, whereas in LAC countries they account for an average of just 0.3% of GDP.

In turn, the personal income tax (PIT) also plays a smaller role in LAC countries compared to OECD countries. In the first group, revenue collected from the PIT accounted on average for almost 2% of GDP, while in the second group it accounted for almost 9% of GDP by 2012. In fact, about 55% of the difference in average tax revenues collected between the two groups of countries (34% of GDP compared to 21%) is explained by the difference in revenues collected from the PIT. When the difference on property taxes collected is added to the difference on the PIT, two-thirds of the difference (67%) in total tax revenue collected between the two groups is explained. In other words, the relative importance of direct taxes play a significant role in explaining the limited effects of tax policy on equity[4], as can be seen in Figure 1.3.

Figure 1.3. **Breakdown of tax revenues as percentage of total taxation, 2007 and 2014**



Source: OECD (2016), Revenue Statistics in Latin America Database.

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In addition, tax systems in LAC are affected by high *tax expenditures*, which in general make the systems less efficient and more regressive. Tax expenditures are defined as the revenues forgone by the state when it grants incentives or benefits that reduce the tax burden for certain taxpayers (Villela, Lemgruber, and Jorrat, 2009 and Pecho, 2014). In the five-year period of 2008-2012, tax revenues forgone for this reason in Latin American countries averaged 4.3% of GDP. For a region that in 2014 collected on average 21.7% of GDP, the tax expenditures are high (23% of regional average tax collection), particularly considering extreme cases such as Guatemala, where forgone taxes total more than 50% of tax revenues.

Furthermore, on average, half of tax expenditure in LAC countries benefit private sector businesses through incentives supposedly aimed at promoting investment, protecting exports and develop "infant" industries. Beyond the horizontal inequities that those incentives might create with other private sector activities, the impact on income distribution and equity is extremely difficult to determine and quantify, going beyond the purpose of this chapter.

Likewise, on average another half of tax expenditures in the region are justified in terms of social benefits for the low-income groups, through tax exceptions and zero-rated goods and services under the VAT. However, given that those tax expenditures benefit all consumers regardless of their income level, many could end up benefiting the higher-income groups of the population (Pecho 2014 and FIEL 2015).

Furthermore, in LAC countries personal income tax deductions (approximately 1.6% of GDP) on mortgage interest payments, private education expenses for children of a certain age, medical expenses and other expenses only benefit higher-income population groups. This pattern results in a highly regressive form of tax expenditure thus affecting equity. Similarly, tax exemptions in the form of reduced or differential VAT rates aimed at enhancing the progressivity of this tax result in regressive tax expenditure because of targeting or inclusion errors (Barreix *et al.*, 2009).

In general, as a percentage of total expenditures by income groups, most tax expenditures on the VAT seem to be progressive, as the amount of VAT paid is smaller for poorer groups where there is greater consumption of excluded goods. However, the amount of resources in monetary terms saved by each income group is clearly regressive, as it increases with the level of income and relative capacity to consume excluded goods. Similar results were found for OECD countries (OECD and KIPF, 2014) and LAC countries (FIEL, 2015).

The results show that the impact on equity could be significantly improved by eliminating these types of tax expenditures such as tax exemptions or reduced tax rates for the VAT for certain type of products and services. The extra revenue that could be obtained from this policy change could be used to finance a well-targeted direct transfer to lower income groups to compensate them for the benefit lost. The average cost in the LAC region for tax expenditures in the VAT is about 2% of GDP (FIEL, 2010). Therefore, the impact on equity could be significant, as it would be argued below.

The equity impact of *indirect taxes (VAT and excise taxes*) tends to be regressive when the analysis is measured as a percentage of market income. In the LAC-13 group, excise taxes are regressive in almost all countries. The case of the VAT is much more debatable, as this tax accounts for about 30% of total revenue and many social expenditures that reduce inequality are financed with revenues produced by the VAT.

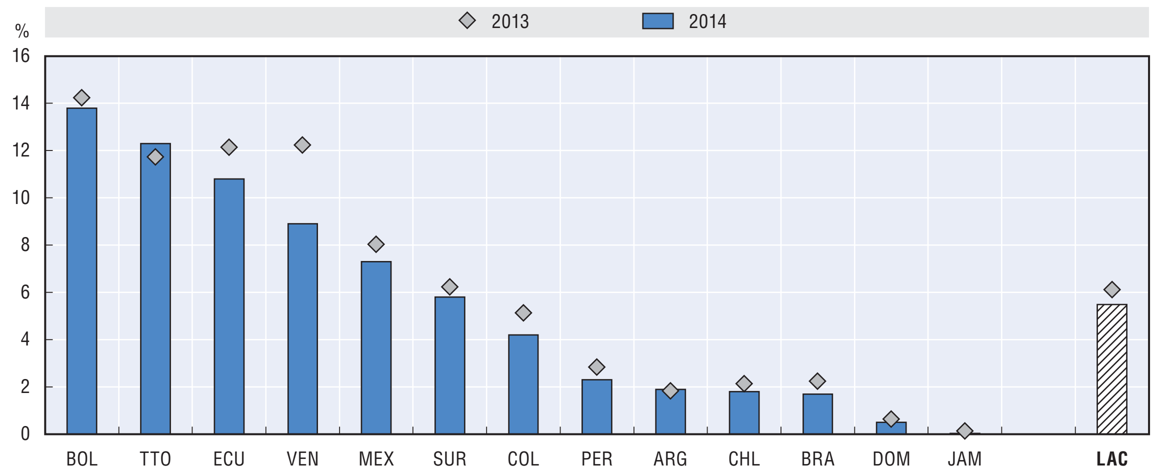
In addition, there are conceptual and methodological considerations. First, current revenue is not the best proxy for life cycle income, a reason why some authors suggest that consumption is a much better fit for permanent income. When the VAT collected is measured by deciles of the population distributed by consumption and not by current income, the degree of inequality is reduced significantly. In fact, the implicit tax rate against consumption becomes positive, neutral or even progressive. Another important approach is to measure the percentage contribution of each decile to the total amount of revenue collected from the VAT. In this case the tax would be progressive, as the size of the contribution increases, the higher the deciles.

As mentioned above, the positive distributive effect of the VAT (or any indirect tax for the matter) is much clearer when the aggregate effect is also taken into account, as revenues collected from it could finance expenses that are progressive or are final income equalisers. This equity effect is known as the Lambert's Conundrum. For an example about the conundrum please see Appendix 2 of this chapter.

For the LAC-13 group, the Lambert's Conundrum was detected only in Chile at the level of consumable income. However, when the expenses in education and health are added at the cost of producing them, the Lambert's Conundrum was clearly detected in Brazil, El Salvador, Uruguay and Bolivia, in addition to Chile. However, in almost all countries with the exception of Colombia, indirect taxes were found to be either equalising income or progressive when the income distribution changes from market income to disposable income or consumable income.[5]

Finally, *public revenues from non-renewable natural resources* (NRNR) play a significant role in several LAC countries, despite the high volatility that resulted in a price plunge in recent years. According to the latest available data, in 2014, they reached on average 5.5% of GDP (see Figure 1.4), mainly through the *corporate income tax* (CIT) and *royalty payments* (see two-pager on fiscal revenues from non-renewable natural resources). However, as those sources of revenues do not come from taxes on dividends and capital income of individuals or households (except for labour income of workers and managers who work in those sectors), their direct impact on equity is very limited.[6]

Figure 1.4. **Fiscal revenues from non-renewable natural resources as a percentage of GDP, 2013 and 2014**



Source: OECD/ECLAC/CIAT/IDB (2016) based on ECLAC data.

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In fact, revenue from the CIT as a percent of GDP is almost the same between the OECD countries and LAC countries. However, CIT revenue increased significantly between 2003 and 2013 in most LAC countries, in part because of the commodity price boom in those years, which explains in part why revenues collected from this tax are similar in both groups. However, CIT and royalty revenues from NRNR do not generate an equity impact in moving from market income to disposable income, except for direct transfers that could be financed from these sources of revenue. Therefore, revenues from NRNR have only a very small equity effect in reducing the Gini coefficient (except for direct transfers), as the sources of those revenues are mainly state-owned enterprises and rarely private companies with local or external stockholders. However, the impact on equity could be very important through social expenditure, which in turn is financed, among other sources, by revenues from NRNR.

In conclusion, the limited distributional impacts of direct taxes in LAC countries are explained by a combination of factors: the much lower tax burden on high-income groups through direct taxes (mainly the income tax and property taxes); the high level of tax benefits that are mostly beneficial to higher income groups; and the significant role play by NRNR, which have limited direct effects if any in reducing the Gini coefficient through direct taxation to individuals and households (although they are important as a source of revenue to cover social expenditure that mostly benefits lower-income groups). Finally, indirect taxes, although regressive when measured against market income, are progressive in almost all LAC-13 countries when taking into account the social programmes and the in-kind transfers financed by these taxes (*e.g.* when moving from market income to final income). This is more so for the VAT, as it is the most important tax that finances social expenditure in the region.

Is public expenditure policy the answer?

Due to the limited impact of tax policy on equity for the reasons explained in the previous paragraphs, as well as the bias of the tax systems against labour (due to a high tax wedge on labour), expenditure policies in LAC are more effective in reducing inequality than progressivity policies in the tax system. In fact, the limited effect of direct taxes on the Gini coefficient for disposable income (see Figure 1.1) shows that the nature of the tax system could induce changes in the taxpayer behaviour leading to an increase in the market income Gini and therefore offsetting the progressive effects of taxes on the Gini of disposable income (Poterba, 2007). However, once social spending is brought into the picture through in-kind transfer (*e.g.* education and health services), fiscal policy as a whole has a positive effect on income distribution.

These results support the findings of other studies in the literature, which suggest the existence of a stronger effect on redistribution through public spending policies when compared to increasing the progressivity of the tax system. This fact also partly explains the difference in inequality between European countries and the United States: while the latter has one of the world's most progressive income tax systems, it exerts little distributive power through expenditures. By contrast, European countries on average rely much more on spending policy to reduce inequality (Doerrenberg and Peichl, 2014).

There is a great deal of heterogeneity in the LAC region with regards to the redistribution potential. In some countries, governments' capacity to redistribute via expenditures is high, similar to the levels found in OECD countries, while in others it is lower. Nevertheless, most countries in the region have not exploited yet the full potential of expenditure policy, especially when compared to advanced economies. There are several reasons for explaining the difference in the effectiveness of expenditure policy in LAC countries as compared to OECD countries: on the one hand, the size and composition of the budget; on the other hand, the adequate allocation of equalising spending, such as subsidies and transfers, and in-kind spending on education and health.

The low level of social spending in the region does not explain it all

The distributive impact of expenditure size and composition is crucial, especially social spending, which includes direct transfers, contributory and non-contributory pensions, as well as expenditures on education and health. Social spending is just 15% of GDP in LAC countries, 60% lower than the OECD average. A composition analysis of social spending in Latin America and the Caribbean indicates that education spending accounts on average for 4.6% of GDP (5.3% in the OECD) and health spending for 4% of GDP (6.2% in the OECD), although with significant differences among the various countries in the region (see Figures 1.5 and 1.6). With regards to contributory pensions, the average spending is 3.8% of GDP, less than half of the average of the OECD, and with respect to direct transfers, just 1.7% of GDP, barely more than a third of the OECD average (Lustig *et al.*, 2013; Lustig, 2016).

The low spending level could partially explain the differences in the redistributive impact between LAC and more developed countries, but it is not the only relevant factor. It is true that those countries that achieve the highest reduction in inequality in the LAC region (between 9% and 14%) are those with the highest social spending, such as Brazil, Argentina, Uruguay and Costa Rica[7]. However, taxes and direct transfers decrease inequality in LAC countries, on average by only 5% compared to OECD countries where the average reduction is 40%.

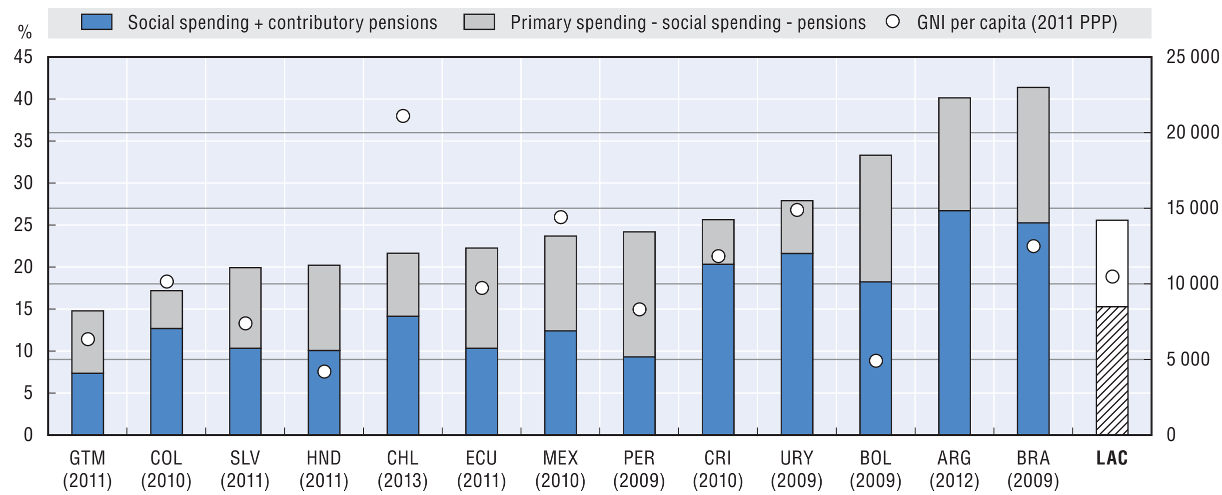
Although there are countries in LAC whose level of spending on pensions is similar to the average of OECD member countries as a percentage of GDP, their redistributive effect remains small. As such, while 19% of the difference in Gini coefficients between OECD and LAC countries could be explained by the redistributive effect of pensions, 81% of the difference is due to fiscal policy. This result has recently been recognised in the literature (Goni *et al.* (2011), IMF (2015), Lustig (2016) and Lustig *et al.* (2013) and (2014) also indicating that under the assumption that fiscal policy is carried out in a responsible way it is also highly inefficient and insufficient to equalise income in Latin America.

Figure 1.7 shows the total combined impact of fiscal policy on inequality, by moving from market income to final income. The first panel (Panel a) was calculated with contributory pensions considered as deferred income, while the second (Panel b) was calculated by including them as direct transfers.

The countries with the lowest reduction of inequality produced by fiscal policy are Honduras, El Salvador, Guatemala, Honduras and Peru, precisely the countries with the lowest level of social

Figure 1.5. **Social and primary expenditures in selected LAC countries**

(% of GDP)



Source: Lustig (2016).

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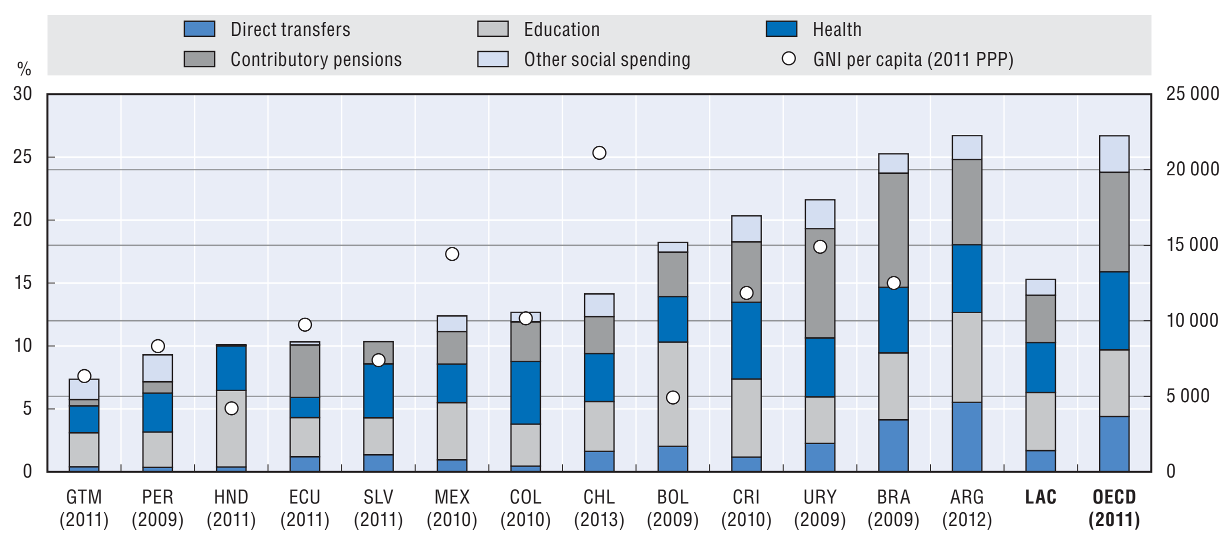
Figure 1.6. **Social expenditure composition, selected LAC countries and OECD average**

(% of GDP, 2010)



Source: Lustig (2016).

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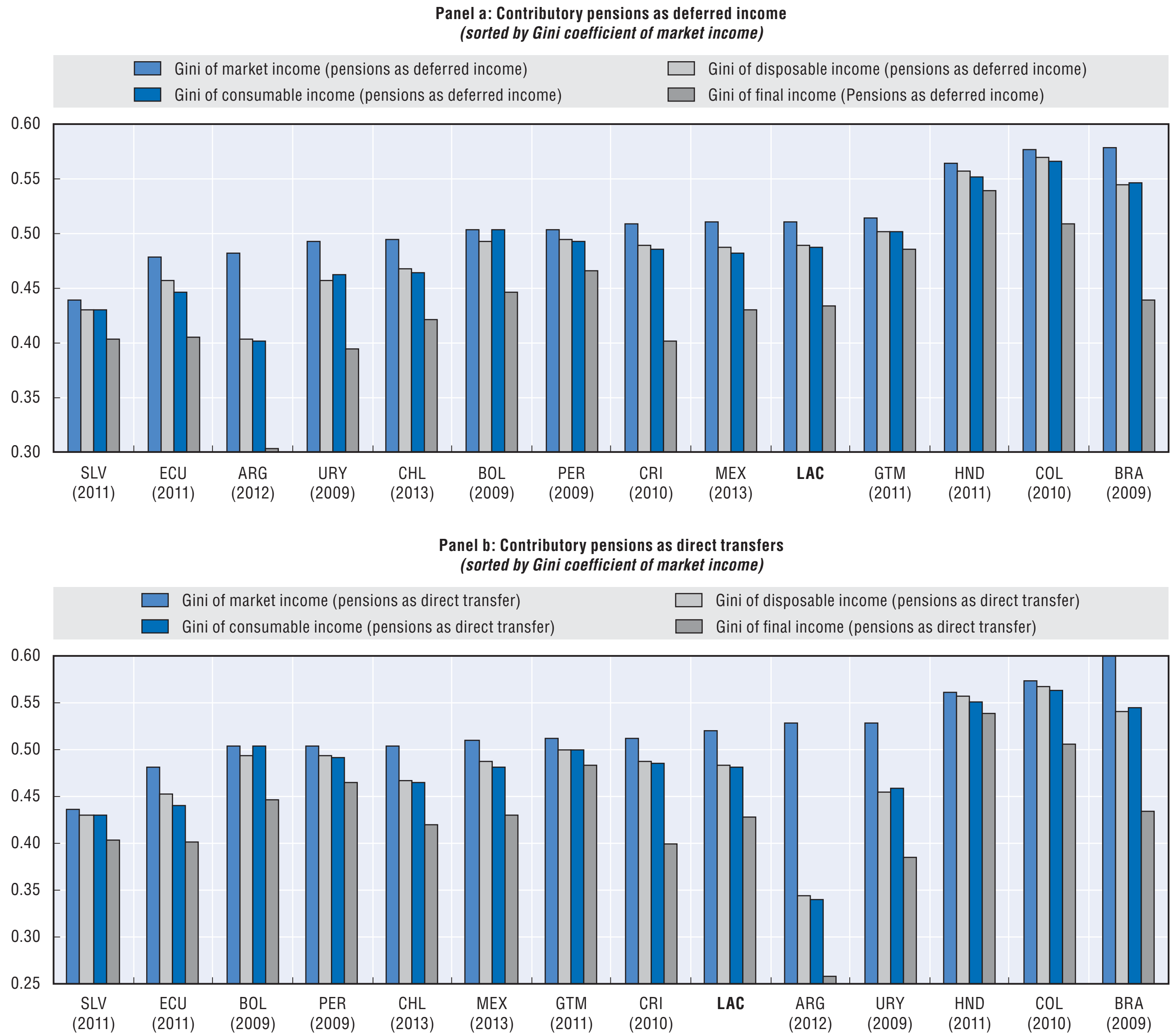
expenditure as percentage of GDP. However, Ecuador, which has a level of social expenditure very similar to Honduras, El Salvador and Peru, is more effective in reducing inequality.

As expected, inequality is lower at market income when contributory pensions are considered as deferred income and it worsens when they are included in disposable income as direct transfers. However, for the same reason fiscal policy is more progressive in the second case, because the impact is measured after a fiscal policy intervention. However, the impacts are relatively small and much less than the impact of contributory pensions in reducing inequality in OECD countries. One of the reasons is that labour informality is very high in most of the LAC region and those workers do not have access to the benefits of the social security system, including pensions.

The impact of fiscal policy interventions in moving from disposable to consumable income is almost neutral in most countries, with the exception of Bolivia and Uruguay to some extent. As

Figure 1.7. **Gini coefficient of market, disposable, consumable and final income, 2010**



Source: Lustig (2016).

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mentioned before, indirect taxes do not seem to have the expected regressive impacts as would have been predicted by the conventional wisdom, given the strong weight of the VAT in the fiscal revenue structure of LAC countries. In fact, in some countries inequality is reduced although for a small margin, confirming the previous comment on the Lambert's Conundrum. The largest impact of fiscal policy in reducing inequality in all countries of the region happens when the cost of producing in kind goods and services (e.g. social expenditure) is added to determine final income.

As mentioned before, despite the fact that fiscal policy reduces inequality in the region when all the interventions are taken into the analysis, the size of the impact is much lower than the average size of the impact obtained by OECD countries (see Figure 1.2). The following sections will explore the different kinds of social spending and why they fail to achieve a higher level of redistribution.

Transfers, subsidies and pension expenditure: missing the target

One of the key challenges of expenditure policy is guaranteeing that subsidies and transfers reach the poorest segments of the population. However, as will be argued below, in the LAC region there are deficiencies in subsidy and transfer targeting. Conditional cash transfers (CCTs) and non-contributory pensions (NCPs) are key initiatives to reduce poverty in the LAC region. Nevertheless, the number of beneficiaries from these programmes exceeds the number of extreme poor by an average of almost 2.5 times. More precisely, 39.2% of conditional cash transfers (CCTs) beneficiaries and 48.6% of non-contributory pensions (NCPs) beneficiaries are non-poor (Robles, Rubio and Stampini, 2015). Paradoxically, and according to 2013 data, coverage of CCTs and NCPs for the poor is only 50.6% and 53%, respectively. The potential savings from these leakages is estimated at 0.7% of GDP, which is almost half of the current level of spending devoted to these categories.

A particular case is implicit energy subsidies. In several countries, propane gas, diesel and electricity subsidies benefit the higher-income population segments, with decile 10 receiving one quarter of all the benefits and the poorest decile receiving only 5%. In other words, in these countries, the high-income population receives five times more subsidies than the poor (Llerena *et al.*, 2015; Paz-Arauco *et al.*, 2014). These subsidies are distortionary, since they are extended to the entire population through the final sales price of the subsidised products, regardless of the consumers' income level. Thus, price-based subsidies generate a high fiscal cost and result in a loss of economic efficiency. They are implicit as they are embedded in the price difference between the cost of producing those goods or services at the long-term marginal cost or the opportunity cost of exporting them, and the final sales price to consumers.

The amounts of these energy subsidies are not explicitly included in the budget, and consequently they have to be calculated outside the budgetary envelope of public expenditure. Reversing this double loss (the high fiscal cost of the subsidies and its significant regressive impact) requires substantially replacing this type of subsidy scheme for targeted transfers that benefit only the low-income population for loss of income; in turn this would reduce the subsidy's fiscal costs while also enhancing its impact on equity.

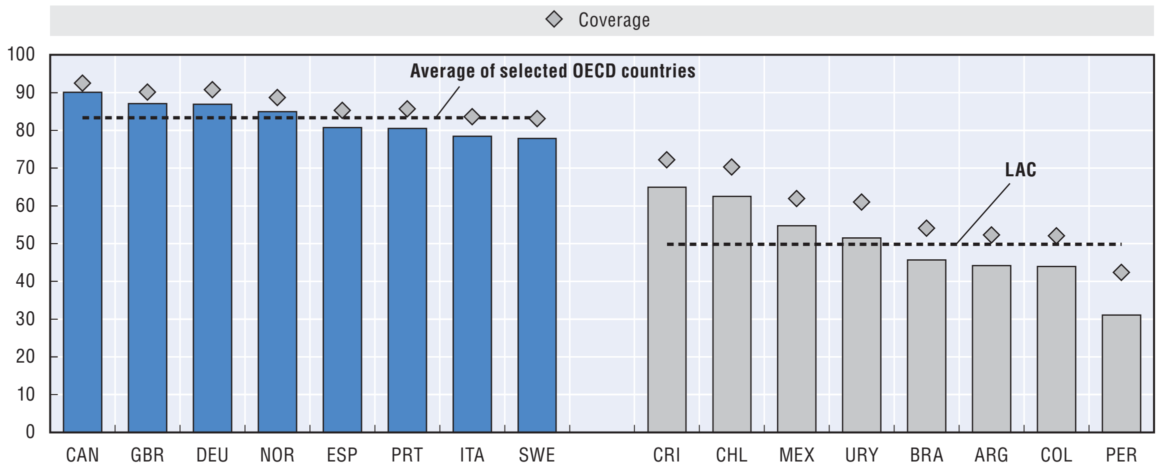
Some countries in LAC spend five to ten times more on regressive subsidies of this type than on CCTs, that are predominantly progressive and have positive impacts in reducing poverty. This means that it is possible to transfer part of the savings on subsidies to other, more progressive social programmes and even generate savings (Arze del Granado, *et al.*, 2012; IDB, 2014 and; IDB, 2015a and 2015b).

In-kind spending: room for improving efficiency and quality

Although spending on education and health is mostly progressive, the concern for Latin America and the Caribbean is that progressivity is being seriously undermined by the expenditures' inefficiencies. Commonly the middle-income and wealthy sectors of the population choose to use private health and education services, while the low-income sectors are serviced by the public sector. For example, 27% of the population in Brazil purchases voluntary private health insurance and 19% of the population in Chile buys compulsory private insurance (see two-pager on health financing systems and budget formulation for health). However, while spending on primary and secondary education, regardless of its perverse effects stemming from the quality of service, is aimed at or actually benefits the poorest sectors, spending on tertiary education does not similarly target these sectors since it is aimed at or benefits primarily the middle- and high-income population and therefore has negative impacts on redistribution (see Education and Early Childhood Development SFD; IDB, 2013; and Fiscal Policy and Management SFD; IDB, 2015).

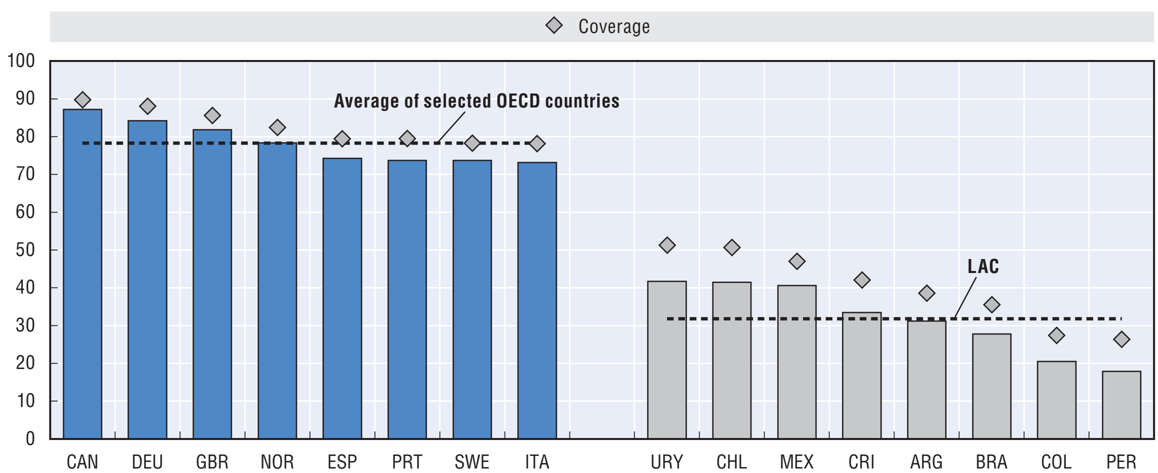
Figures 1.8 and 1.9 show the human opportunity index (HOI) calculated by the World Bank (2012) for a sample of eight OECD countries and eight LAC countries using the PISA test scores adjusted by

Figure 1.8. **Human Opportunity Index: Reading tests from PISA (2012)**



StatLink http://dx.doi.org/10.1787/888933430849

Figure 1.9. **Human Opportunity Index: Mathematics Tests from PISA (2012)**



Source: World Bank. Coverage reports percentage of students with score 2 or 3 on the PISA test. (A score of proficiency level 2 is considered the minimum to successfully apply the material). HOI adjusts coverage for equity.

StatLink http://dx.doi.org/10.1787/888933430855

personal circumstances (e.g. birthplace, wealth, race, gender) for reading and mathematics. A detailed explanation of the index and adjustment are provided in Box 1.3. According to the evidence the highest scores in the LAC region are far below the lowest scores in the OECD countries. The results also show the lower the income level of the population, the lower the scores. This raises concerns about the quality of public education, since most low-income families attend public schools. The percentage of students that achieve a proficiency level (coverage) is also much lower in LAC countries, mostly affecting the lowest-income families.

Finally, public expenditure on health in LAC countries is fragmented, in terms of both service delivery and financing. The population covered by each of the different schemes varies greatly across countries and therefore not all sectors of the population can have equal access to a common basket of health services. The most notorious difference is in terms of sources of financing and the basket of health services provided between the social security systems with compulsory contribution from workers and employers, which basically covers formal workers, and the public system funded through the budget, which is mostly directed to the general population, particularly in the informal

Box 1.3. **World Bank Human Opportunity Index (HOI)**

The HOI calculates how personal circumstances (like birthplace, wealth, race or gender) impact a child's probability of accessing the services that are necessary to succeed in life, like timely education, running water or connection to electricity. Therefore, HOI measures the coverage rate of an opportunity, discounted by inequality in its distribution across circumstances groups, in order to level the playing field so that personal characteristics that are beyond an individual's control are not considered.

HOI = (1-D)*C

where:

(1-D): effect of inequality on coverage

C: Overall coverage, therefore the percentage of citizens who have access to the opportunity.

To estimate the HOI for quality education is it possible to use data on educational achievement, in particular the OECD Programme for International Student Assessment (PISA).

PISA is a triennial survey of the knowledge and skills of 15-year-old students. Students are tested in reading, mathematics and science. Students are then positioned in different proficiency groups according to the difficulty of tasks that they can complete. There are six groups for reading, mathematics and science. Students who are below level 1 do not have the skills to enter the labour market. Level 2 is the threshold: PISA considers that the students at this level start demonstrating competencies necessary to participate effectively and productively in life as students. The levels 5 and 6 (and 7 in the case of mathematics and science) are the highest levels of proficiency, and the students who reach such levels are considered to be world-class.

sector. The fragmentation of the system creates difficulties for improving expenditure efficiency and equity in the basket of services provided (see two-pagers on health budgeting).

What about poverty reduction?

An aspect that should not be overlooked is the impact of fiscal policy on poverty. Sometimes the impact of a progressive system on inequality and poverty can go in the wrong direction. It would not be desirable to create a more progressive system that increases poverty (Lustig, 2016). For the purpose of the analysis, we consider contributory pensions as direct transfers.

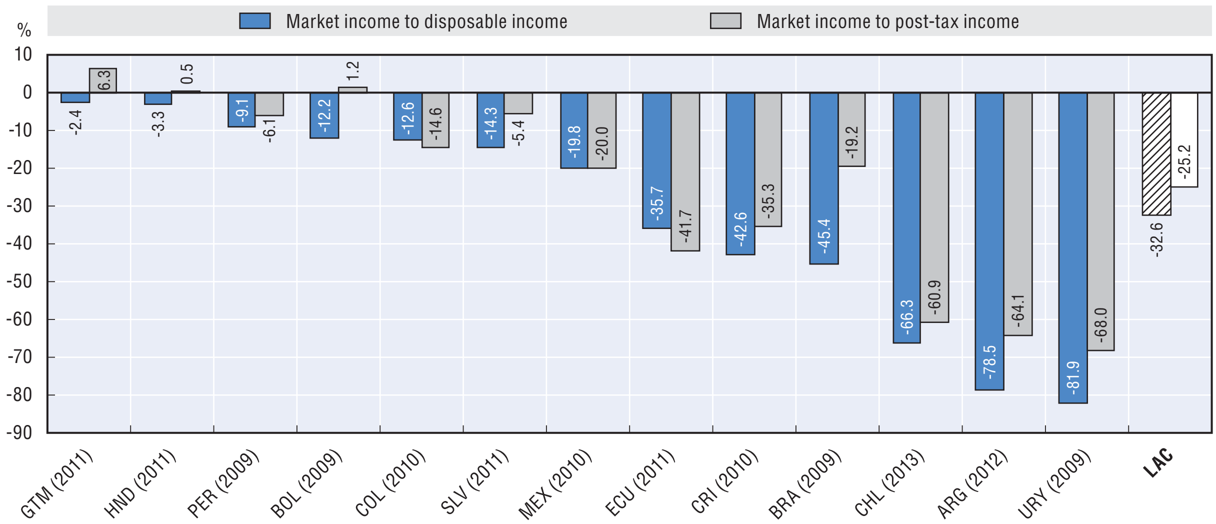
As depicted in Figure 1.10, although direct taxes, social contributions and cash transfers reduce poverty rates in the 13 countries analysed, it is not the case of indirect subsidies and indirect taxes. After accounting for these, poverty rates are reduced in ten countries, whereas increased in the other three.

Final income cannot be analysed, since it cannot be compared with the existing poverty lines: these do not account for the minimum income required to purchase basic health and education services at government costs (Lustig, 2016). Even though it is possible to argue that the poorest might be compensated by these services, which they receive for free, their level of consumption of food and other basic goods could still be below the minimum acceptable level (Lustig, 2016).

To assess the redistributive impact of the fiscal system, it is also illustrative to see whether the poor are net payers or net beneficiaries. As can be seen in Figure 1.11, in three (Peru, Guatemala, El Salvador) out of twelve countries they are net payers to the system starting from the second decile, and in an additional country (Bolivia) from the third decile.

According to the baseline scenario (contributory pensions treated as deferred income) Ecuador is the LAC country with the largest group of net beneficiaries (up to the sixth decile) followed by Mexico (up to the fourth decile) and Brazil (up to the third decile). In Peru, Guatemala, El Salvador, Costa Rica

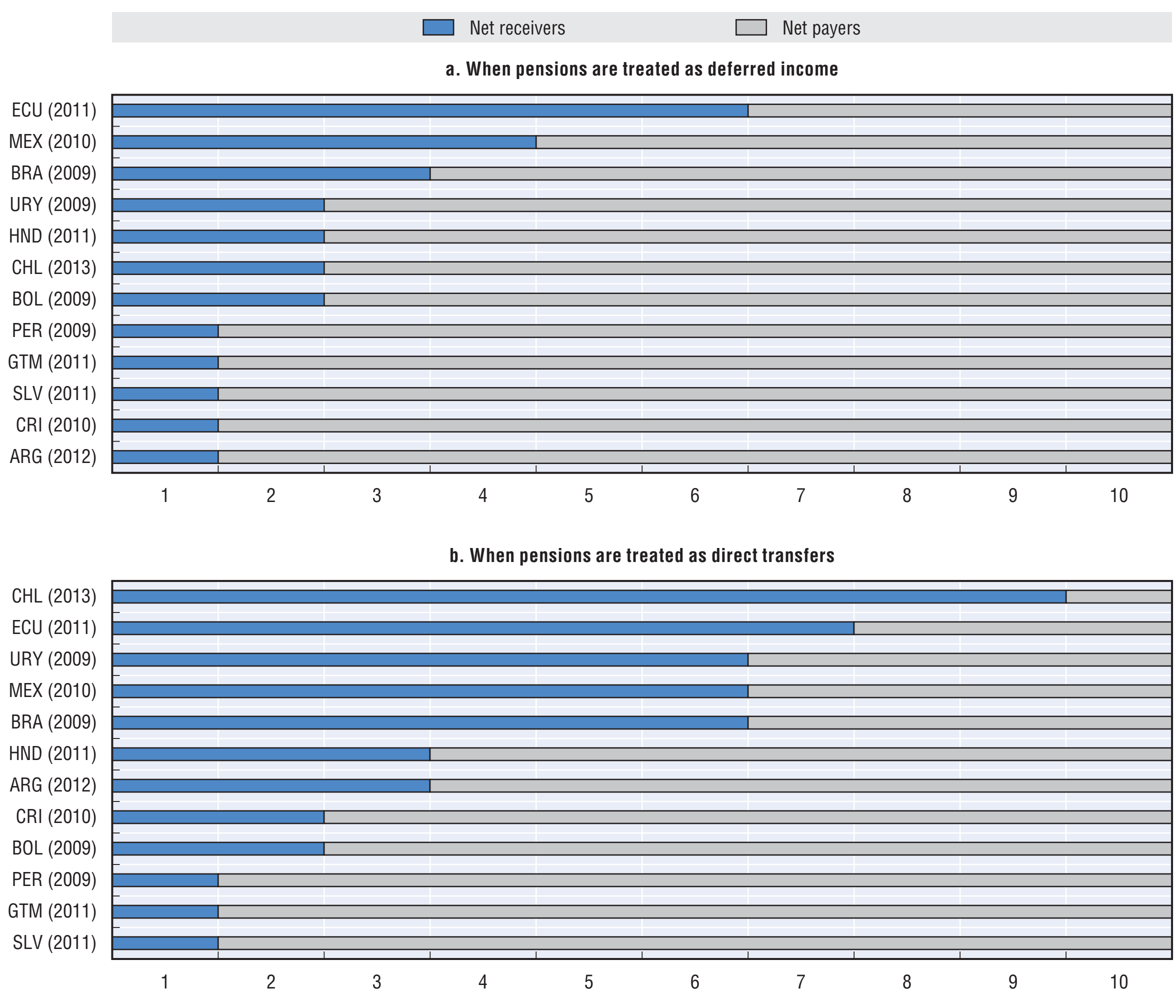
Figure 1.10. **Changes in poverty after direct taxes, social contributions and cash transfers**



Source: Lustig (2016).

StatLink http://dx.doi.org/10.1787/888933430866

Figure 1.11. **Net beneficiaries and net payers in the fiscal system (2010)**



Source: Lustig (2016).

StatLink http://dx.doi.org/10.1787/888933430875

and Argentina the poverty reduction impact is smaller as net payers to the system start on the second decile.

However, when contributory pensions are considered as direct transfers the picture changes substantially, in particular Chile (net payers from the ninth decile), Brazil (net payers from the sixth decile) Mexico (net payers from the sixth decile) and Argentina (net payers from the third decile) have a higher share of net beneficiaries. Contributory pension systems could have important redistributive effects for two reasons: most systems include tax-financed subsidies (including guarantee of minimum pension) and even in the absence of such subsidies, all contributive pensions systems inevitably entail redistribution among the pool of contributors-beneficiaries.

When looking at the distribution by income groups, for half of the countries in the sample, the group of so-called "vulnerable" (with an income of between USD4 and USD10 PPP) are net payers to the system. For an additional four countries, net payers start in the group of income between USD2.5 and USD4 PPP a day (moderate poor), and in one country in the income group receiving between USD1.25 and USD2.5 PPP a day. This data suggests there are many individuals with low and very low income, for which the transfers system is not generous enough, either because of the size of the transfer or the lack of coverage (Lustig 2016).

The trade-offs between equity and its relation to economic efficiency and productivity

Equity, efficiency and productivity are all desirable objectives of fiscal policy. Although it is possible to design policies that promote them all, this can be a challenging task, since sometimes there can be trade-offs between them. For instance, redistributive policies such as progressive taxes or cash transfers can reduce the incentives to work in the formal sector or to save and invest in physical and human capital. Also, although a change in taxes or expenditures is likely to have a direct (first-round) distributive effect, when the behavioural disincentive (second round) is taken into account, the result could be an opposite effect possibly counteracting the initial positive impact. Indeed, the dynamics among poverty, equity, efficiency and fiscal sustainability may constitute one of the most important challenges for the region's economic development.

For instance, the excessive tax burden on formal employment in LAC is not only unequalising but also distortionary. According to the latest available evidence, in 2013 the estimated amounts of tax and social contributions paid on labour by the average worker in LAC reached 21.7% (OECD/CIAT/IDB 2016). High costs of formal labour could create perverse incentive to operate in the informal sector. This not only damages tax collections but, given the low proportion of productive capital in the informal sector and the limited size of informal enterprises or firms, damages productivity as well.

Since these workers are excluded from the formal security systems in the region, inequality is exacerbated even more. Indeed, sometimes market income inequality is the product of possibly well-intentioned policies that nevertheless distort the allocation of resources while also preventing inclusiveness. For example, social security programmes, which provide health and pension coverage in old age, were originally implemented only for formal employees (Kaplan and Levy, 2013). The lack of social security coverage for workers in the informal sector and the high tax evasion rates have generated pressure for coverage through special or parallel social security regimes, competing with the contributory pillars and becoming de facto subsidies to the informal sector (Levy, 2015). Although these parallel programmes manage to reduce inequality to some extent, they are not fully inclusive either: their benefits are low in comparison to social security systems for formal workers and they do not include unemployment insurance, workplace accident or disability coverage.

The vicious circle between equality and productivity does not end there, since the existence of these parallel programmes also create incentives for businesses and workers to continue operating in the informal sector (IDB, 2010; Busso *et al.*, 2012), further decreasing productivity and enhancing inequality. In addition, and as discussed in section 4.2 this prevents more of the expected benefits of CCTs from being captured.

In sum, these circumstances limit the growth of productivity and real income of informal workers, unfairly discriminate against them in terms of social security coverage and quality, prevent breaking the vicious circle of informality and poverty for which CCTs were designed, and put significant pressure on fiscal sustainability (Levy, 2015).

Finally, it is also key to consider fiscal constraints and their possible effects on policies geared at achieving equity. For example, as mentioned above, of the four countries that register the highest levels of social expenditures (Argentina, Brazil and Uruguay) and the largest fiscal impact in reducing inequality, three of them are facing serious fiscal difficulties and sustainability problems which in the medium and long term could reverse partially or significantly those gains when fiscal consolidation efforts become unavoidable. Although not included in the LAC-13 group, a much difficult situation is faced by Venezuela, as the level of social expenditure and generalised subsidies, particularly for energy consumption, became unsustainable after the fall in the price of oil. Therefore, the fiscal impacts on reducing inequality require also a detailed consideration of fiscal sustainability that goes beyond the short term, as the gains that could be obtained during a few years under favourable economic circumstances could be fully or partially reversed under unfavourable conditions with more lasting negative impacts.

How to reduce inequality and poverty while sustaining efficiency

To reach a growth target with equity, countries can design inclusive fiscal policies that seek to balance the two objectives, since fiscal actions will only on limited occasions lead to simultaneous improvements in growth and equity. To meet the equity objective, beyond ensuring macroeconomic stability (a fundamental requirement for both growth and equity), governments could reduce the most critical poverty and inequality by means of transfers and taxes, and provide equality of opportunity through an improvement of human capital that would enable citizens to access more productive jobs, and therefore better remuneration by delivering quality services such as education, health, and water and sanitation. In this regard, governments could use the equity policy itself to balance two objectives that can conflict with one another or that frequently involve significant trade-offs.

The management of fiscal policy, as well as social and labour policies, should focus on: increasing the savings rate in order to achieve greater investment efforts and improve the quality and value for money of public infrastructure projects through cost-benefit analysis (see two-pager on cost-benefit analysis of investment projects); enhancing the efficiency of the public infrastructure investment process in order to create long-term economic growth and societal well-being (see two-pager on government investment spending); improving the quality of health and education services for the more disadvantaged sectors, creating a true equality of opportunity; and strengthening the systematic governance framework through procedures and institutions by which governments develop, implement and evaluate regulations (see two-pager on general trends and institutional setting).

Conclusions

This chapter presented comparative evidence on the redistributive effects of fiscal systems in the LAC region. To a certain extent this evidence goes against the common premise assuming that governments in the region have a very limited role on income redistribution. While this is certainly true for market, disposable and discretionary incomes the picture changes when final income (considering in-kind transfers) is considered. In particular, the inclusion of transfers in education and health, valued at government cost, within the income definition results in a higher reduction of income inequality through government intervention than the one achieved when only cash transfers are considered. This broader definition of income presents a more accurate picture of the redistributive effects achieved through fiscal policy in the region.

Despite improvements achieved when considering in-kind transfers, countries in the region are still highly unequal and the region stands as the most unequal of the world. Moreover, the redistributive impact achieved through fiscal policy lags behind the impact achieved by OECD member countries. Consequently, several challenges in terms of incentive design, quality and impact of spending, implementation and targeting of policies as well as appropriate evaluation lie ahead to improve the efficiency and effectiveness of fiscal policy.

In part, the objective of fiscal policy should be to pursue equality of opportunity, which means ensuring the development of individual capacities so that circumstances such as gender, ethnicity, place of birth, or socio-economic and family environment, which are beyond a person's control, have no influence on the opportunities available to an individual or the results of his or her efforts. Success should depend on personal choices, effort and talent rather than on the circumstances surrounding a person's birth (Roemer, 1998).

A major fiscal policy challenge for reducing inequality and poverty is appropriately selecting the tax instruments and expenditures that can help improve human capital in the poorest population sectors. This requires carefully designing interventions that avoid disincentives to formal employment, investment, and savings. Equally important is the need to consider the tax benefit system as a whole, so that the creation of entitlements and the associated increase in spending can be assessed against the costs arising from increasing reliance on distorting tax instruments.

A robust design of interventions and programmes is also of essence to guarantee that they achieve their intended results and create conditions to leave poverty behind. For instance, to ensure that CCTs do not become a permanent need, they should be directly contingent on investment by the beneficiary households in human capital, particularly health, nutrition and education, especially for children (Levy, 2015). In turn, the amounts should be limited and should not be permanent in order to avoid creating a disincentive for development and work.

As for government spending, there is much to gain from improving the incidence of targeted programmes through effective means-testing (or alternative mechanisms, such as self-selection, where means-testing is not possible), enforcement and evaluation. The implementation of impact evaluation is crucial not only to assess the effects of interventions but as an input to redesigning existing interventions and planning future ones. Instituting a culture of policy and programme evaluation could do much to improve policy design and implementation.

Additionally, as a mechanism to improve targeting of subsidies and transfers, an alternative already at place in some countries is the improvement of existing financial management information systems (FMIS). As discussed previously most of the countries in the region use statistical targeting (mean-tested) or geographical targeting, but these methods are only able to explain between 50% and 60% of the household socio-economic conditions and therefore, are an imperfect measure for identifying the population with fewer resources (Robles, Rubio and Stampini, 2015). The region can showcase some examples of good practices in improving targeting, such as are the FMIS implemented in Argentina in 1997 and in Brazil in 2001.

Another area of potential improvement is expenditure management. Strategic fiscal policy plans should indeed contemplate the importance of achieving growth with efficiency and equity. This requires considering the various issues involved in achieving equity, and the importance of maintaining fiscal sustainability. Policies that create trade-offs should be examined with greater care, evaluating and, if possible, quantifying the extent to which one of the objectives is being sacrificed to achieve the other, while taking the institutional, cultural, and social peculiarities of each country into account. Some of the appropriate expenditure management instruments for incentivising not only efficiency but also equity in expenditures could be gender-based budgeting, open budgeting, results-based budgeting, and medium-term fiscal and budget frameworks.

Notes

1. For this chapter the IDB commissioned a background research using the methodology framework of the Commitment to Equity (CEQ) project of the Economics Department of Tulane University.The research was led by Nora Lustig.
2. Data for Latvia is not considered as the country was not an OECD member country when the calculations were carried out.
3. Croatia is not considered as the information was not available.
4. IDB, OECD, CIAT and ECLAC (2015) and Corbacho *et al.* (2013).
5. Lustig 2016.
6. These revenues from NRNR could have important indirect progressive effects once a certain amount of them are used to finance some transfers and in-kind social spending with positive impact on income distribution.
7. There are here some considerations regarding the sustainability of fiscal policy and the reduction of inequality in the medium term, but those issues will be addressed below.

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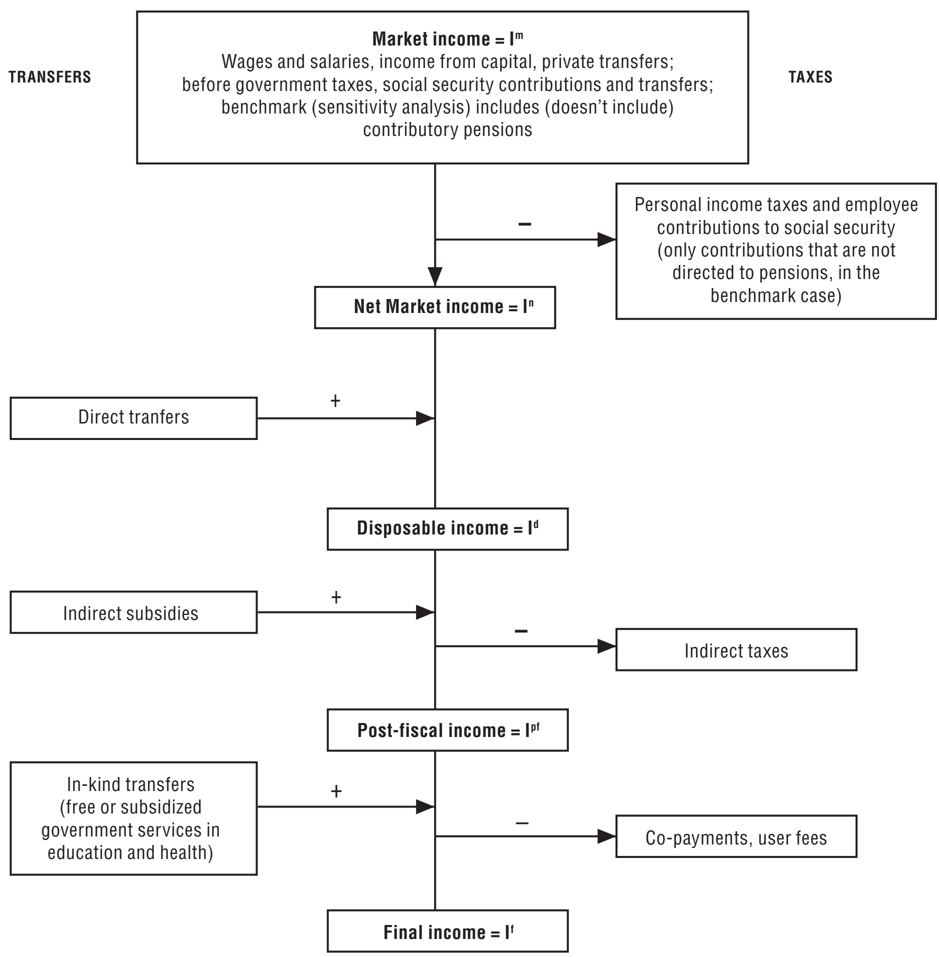
APPENDIX 1

Definitions of income concepts: a stylized presentation

Diagram 1. **A stylized presentation**



Note: In some cases we also present results for "final income*" which is defined as disposable income plus in-kind transfers minus co-payments and user fees.
Source: Lustig and Higgins (2013).

APPENDIX 2

Practical case of the Lambert's conundrum

For simplicity, let's assume that there is only one tax and one transfer as a fiscal policy intervention, as presented in Table 1, taken from Lambert (2001, p.278).

Table 1. **Lambert's Conundrum**

Individuals	1	2	3	4	Total
Income before taxes and transfers	10	20	30	40	**100**
Taxes	6	9	12	15	**42**
Transfers	21	14	7	0	**42**
Income after taxes and transfers	25	25	25	25	**100**

Source: Lambert (2001), Table 11.1, p. 278.

If the effective tax rate is measured as a percentage of market income (income before taxes and transfers), the tax is clearly regressive, as the tax rate is lower as income rises. However, if revenue from this tax is used to finance a progressive fiscal transfer (the amount of the transfer is higher, the lower the income level), the final effect is equalising thanks to the combination of the tax and the expense it finances, as final income (income after taxes and transfers) is equal for all groups. In this example, despite the fact that the tax is regressive when measured as a percentage of market income, the amount of revenue collected by quartile increases with the level of income and the transfer financed from this revenue is progressive, as the amount of it decreases as income rises. This can also be extended for the argument that it is much better to reduce as much as possible VAT exceptions and lower the tax rates, and use the extra revenue produced by this policy intervention to finance a direct well-targeted transfer scheme to compensate low-income groups.

Chapter 2

Public finance and economics

The fiscal balance is the difference between government revenues and spending. This balance could be negative, resulting in a deficit, or positive, resulting in a surplus. Consecutive large fiscal deficits are strongly detrimental to the sustainability of public finances. When the level of outstanding debt is high, the cost of servicing that debt (interest payments) can push a country further into deficit, thereby hindering fiscal sustainability. Conversely, improvements in the fiscal balance over time signal good fiscal health. Improvements result from a combination of the following factors: political commitment to fiscal discipline, sound institutional arrangements for budgeting and/or favourable performance of the economy.

In 2014, LAC countries reported deficits reaching on average 4.5% of GDP. The largest deficits occurred in Barbados (8.0%), Brazil (6.0%), Costa Rica (6.0%), Ecuador (5.3%), Mexico (4.6%) and Argentina (4.1%). No LAC country ran a fiscal surplus in 2014 reflecting, in many cases, the overall change in economic conditions that resulted from the volatility of commodities prices. For the same year, OECD countries experienced lower deficits, reaching on average 3.7% of GDP. Between 2007 and 2014, the most prominent change in the fiscal balance was observed in Chile: in 2007 Chile experienced a large surplus of 7.9% of GDP and in 2014 a deficit of 1.5%.

The structural balance aims to capture structural trends in order to assess fiscal performance. Eliminating fluctuations in the economy enables policy makers and the general public to identify the underlying trend of fiscal policies that are associated with the sustainability of public finances in the long run.

The structural fiscal balance for LAC countries reached an average deficit of 5.31% as a share of potential GDP in 2014 and increased to an average of 6.04% in 2015. Average deficits as a share of potential GDP have increased on average for the LAC region since 2007. This is different from OECD countries where the average deficit as a share of GDP was 6.3% in 2009 (post crisis), then it decreased to 2.8% in 2014 and became fairly stable in 2015 (2.6%). The fact that in 2014 the average structural fiscal deficit was on average higher than the current deficit signals a worrisome situation for the LAC region indicating that available recordings are still reflecting the positive phase of the business cycle. In this context, it is expected that many countries in the region will need to undertake additional efforts to increase revenues in the coming years.

The projections of the structural balance as a share of GDP in the LAC region indicate average deficits of 4.4% and 4.1% of potential GDP in 2017 and 2018 respectively. These projections are framed by the expectation of modest economic growth in the region for the coming years.

Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (April 2016), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several instances, which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. The GFSM and SNA frameworks have been recently revised and several statistical standards were implemented by the countries.

Fiscal balance signals if general government is either putting financial resources at the disposal of other sectors, or utilising the financial resources generated by other sectors. The structural fiscal balance represents the fiscal balance as reported in the SNA framework adjusted for: the state of the economic cycle (as measured by the output gap) and non-structural elements beyond the economic cycle (e.g. one-off fiscal operations). The output gap measures the difference between actual and potential GDP, the latter being an estimate of the level of GDP that would prevail if the economy was working at full capacity (potential GDP is not directly observable). For the OECD average, data are from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

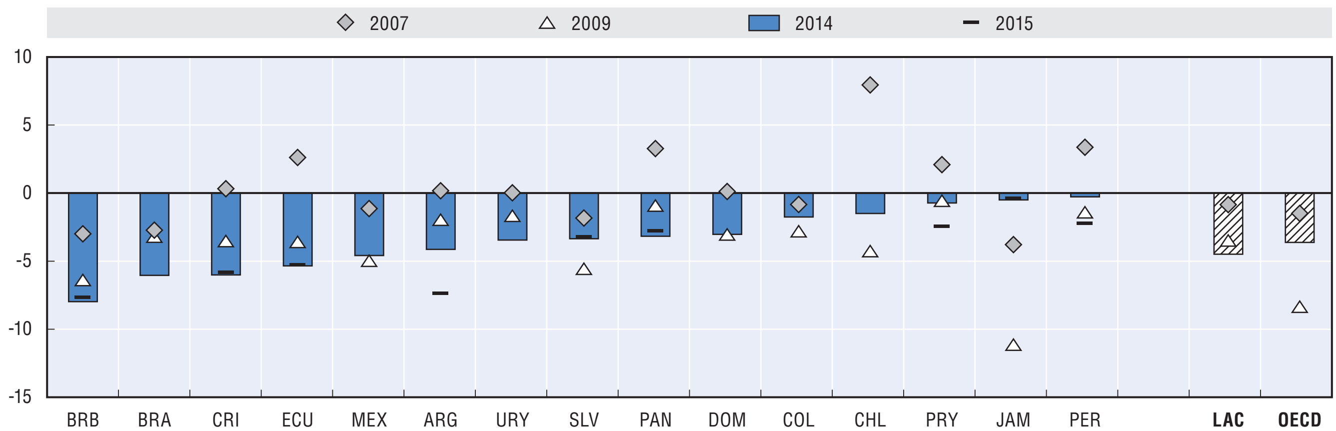
Ardanaz, M., et al. (2015), "Structural Fiscal Balances in Latin America and the Caribbean", *IDB Working Paper Series* No. IDB-WP-579, Washington, DC.

Klemm, A. (2014), "Fiscal Policy in Latin America over the Cycle", *IMF Working Paper* 14/59, Washington, DC.

Figure notes

2.2: Data for 2015 in some countries refer to forecasts.

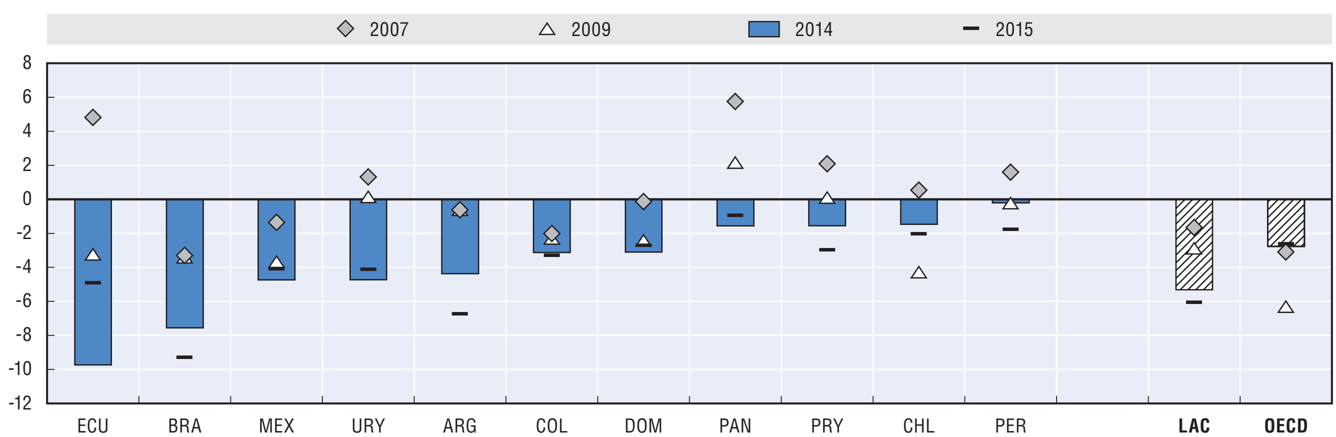
2.1. General government fiscal balance as a percentage of GDP, 2007, 2009, 2014 and 2015



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933430887

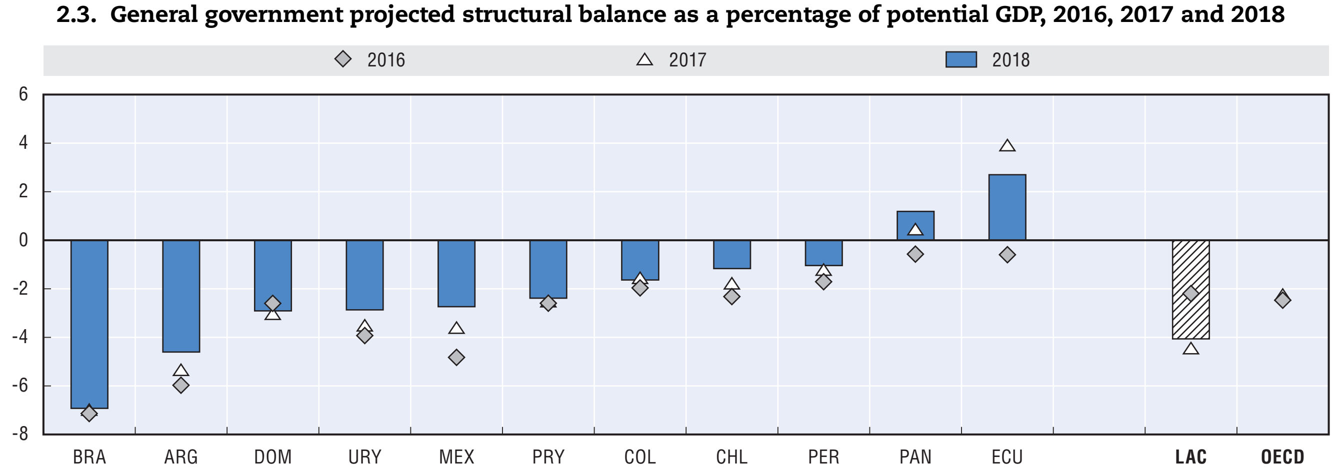
2.2. General government structural balance as a percentage of potential GDP, 2007, 2009, 2014 and 2015



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933430899

2.3. General government projected structural balance as a percentage of potential GDP, 2016, 2017 and 2018



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD Economic Outlook N. 98 (database).

StatLink http://dx.doi.org/10.1787/888933430905

Government debt represents governments' outstanding liabilities stemming from the need to finance deficits through borrowing. Fluctuations of the exchange and interest rates can have a strong effect on government debt when it has a relevant foreign currency component, creating external vulnerability. Historically, LAC countries have been sensitive to fluctuations in external conditions resulting in high volatility of public finances. Thus, many countries have experienced low credibility about their fiscal policy, affecting their ability to obtain long-term credit at low premiums. However, in recent years some countries such as Chile, Colombia and Mexico established fiscal rules and stabilisation funds, which together with a recomposition from external to internal debt and prudent fiscal policy resulted in enhanced conditions to access debt markets.

In 2014, the average debt level in LAC countries reached 50.4% of GDP. Between 2007 and 2014, debt increased on average by 4.1 p.p. across LAC countries. That is relatively low when compared to an increase of 36.8 p.p. in OECD countries. In Panama (12.9 p.p.), Peru (11.2 p.p.), Uruguay (6.82 p.p.) and Brazil (0.43 p.p.), debt levels decreased over the eight-year period. Conversely, the highest increases during that period occurred in Barbados (47.0 p.p.), Jamaica (21.1 p.p.), El Salvador (18.8 p.p.), the Dominican Republic (16.9 p.p.) and Chile (11.2 p.p.). The steep increase in Barbados' debt could be explained by the effects of the global crisis that diminished revenues from tourism, one of the main sources of revenue for the country. In response, the government resorted to debt for financing public expenditure and granted tax waivers to the population.

Between 2009 and 2014, the annual average growth rate of real government debt per capita in LAC countries was 3.0%, reaching an average of $8.204 PPP per capita in 2014. During the six-year period Chile strongly increased its debt per capita; however, it still remains among the three LAC countries with the lowest levels. On the other end of the spectrum, Jamaica is under an IMF programme for fiscal recovery and maintained debt per capita at relatively steady levels over the same period. It is expected that debt in the LAC region will continue to increase in the near future to partially compensate for fewer revenues resulting from, among others, slower economic growth.

Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (April 2016), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive framework suitable for analysing fiscal policy. It is harmonised with the other statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several instances, which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. The GFS and SNA frameworks have been recently revised and several statistical standards were implemented by the countries.

Debt is generally defined as all liabilities requiring payment(s) of interest or principal by the debtor to the creditor at a date(s) in the future. Thus all debt instruments are liabilities, but some liabilities (e.g. shares, equity and financial derivatives) are not debt. The treatment of government liabilities in respect of their employee pension plans varies across countries, making international comparability difficult. Under the GFSM framework, unfunded government sponsored retirement schemes are included in the debt components. In the 1993 SNA, only the funded component of the government employee pension plans reflected in its liabilities. However, the 2008 SNA recognises the importance of the liabilities of employers' pension schemes, regardless of whether they are funded or unfunded. For pensions provided by the government to their employees, some flexibility is allowed in the recording of unfunded liabilities in the core accounts. For information on the calculation of government debt per capita see the "Methodology and definitions" section of the "General government revenues". For the OECD average, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

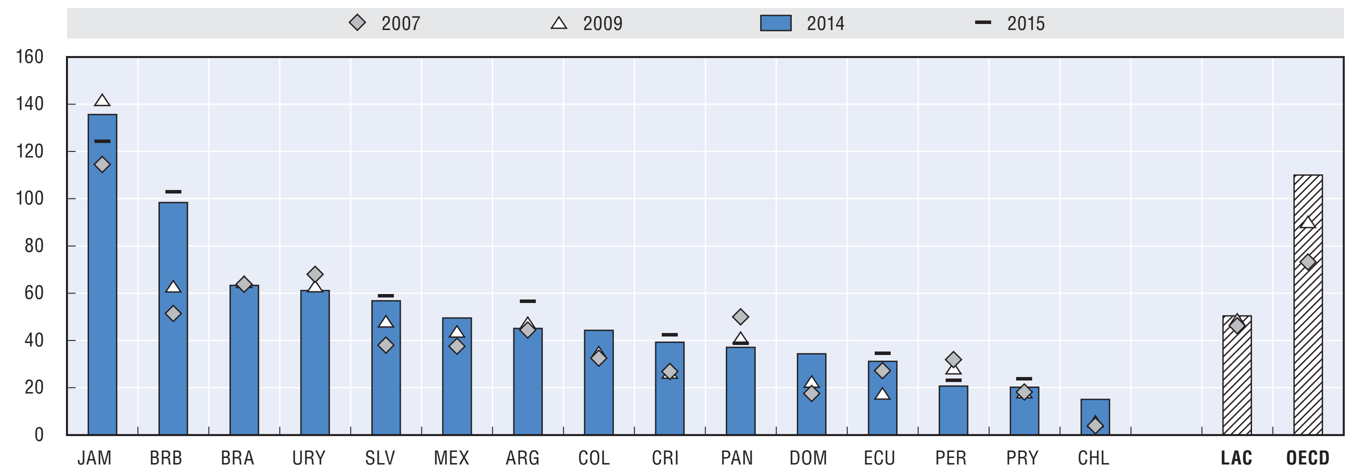
Further reading

ECLAC (2015), *Panorama Fiscal de América Latina y el Caribe 2015*, Dilemas y espacios de política, ECLAC Publishing, Santiago, Chile.

Adler, G. and S. Sosa (2013), "External Conditions and Debt Sustainability in Latin America", *IMF Working Paper* WP/13/27, International Monetary Fund, Washington, DC.

Cavallo, E. (2010), "Debt Management in Latin America: How Safe Is the New Debt Composition?", IDB Policy Brief 109, Inter-American Development Bank, Washington, DC.

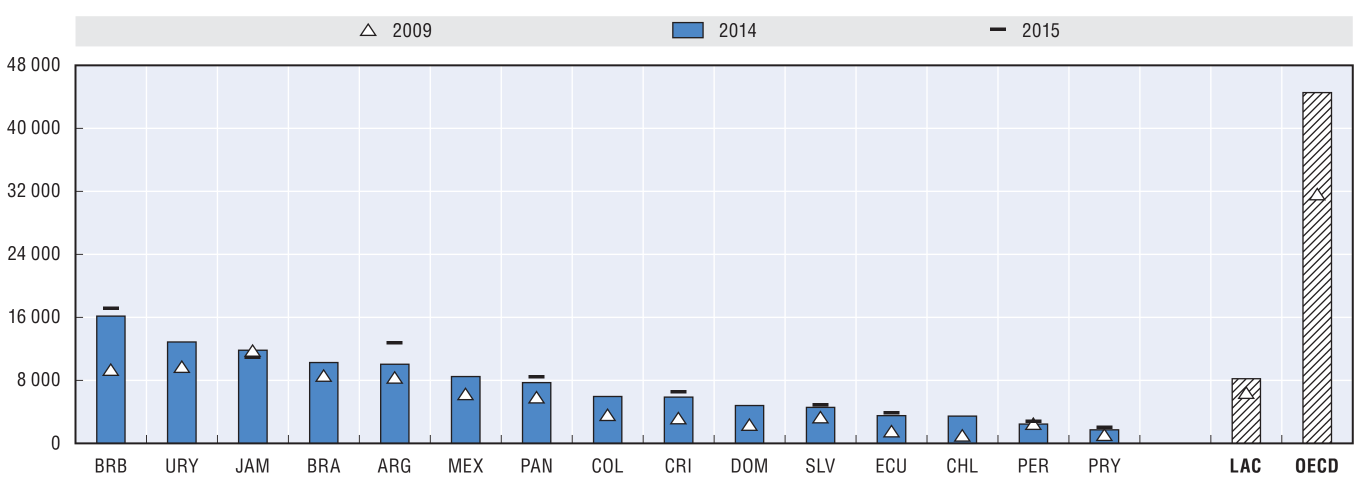
2.4. General government gross debt as a percentage of GDP, 2007, 2009, 2014 and 2015



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933430914

2.5. General government gross debt per capita, 2009, 2014 and 2015



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933430922

Revenues raised by governments are used to finance the provision of goods and services to citizens and businesses and carry out a redistributive role. The two main sources of government revenues are taxes and social contributions. The amount of revenues raised by governments is determined by multiple factors such as government policies, political institutions, the stage of economic and social development, the endowment of non-renewable natural resources, and macroeconomic conditions. While for a certain period of time, additional revenue requirements could be financed by acquiring debt, in the long run, revenues and expenditures should be balanced to guarantee the sustainability of public finances.

In 2014, general government revenues represented, on average, 28.6% of GDP across LAC countries. Ecuador reported the highest level of general government revenues as a share of GDP (38.7%), followed by Barbados, Argentina and Brazil (36.6%, 33.6% and 33.1% of GDP respectively). On the other end of the spectrum El Salvador, Dominican Republic and Costa Rica collected revenues representing less than 18% of GDP.

The LAC region experienced significant volatility in revenues during the last decade. Between 2007 and 2009, general government revenues as a share of GDP decreased by 0.2 percentage points due to the economic and financial crisis. However, as the majority of LAC countries experienced some recovery from the crisis and benefited from high commodities prices, revenues increased by a total of 0.8 p.p. between 2009 and 2014.The largest changes between 2007 and 2014 occurred in Ecuador, where the general government revenue increased by 11.9 p.p. and Panama where it decreased by 5.8 p.p.

An alternative way of comparing the size of government revenues is by looking at the revenues collected per capita. In 2014, LAC countries collected on average USD 4 654 PPP per capita. The countries with the highest collections were Argentina and Uruguay (USD 7 483 PPP and USD 6 047 PPP respectively). On average, revenues per capita in the LAC region increased by 3.2% over the last decade. Jamaica is a special case in the region, experiencing a negative average growth rate of 1.6% for the eight-year period between 2007 and 2014. However, it is expected that the recent elimination of discretionary tax waivers and the replacement of sector-specific tax incentives with a more standardised approach could help to create a broader and more reliable revenue base as a basis to reverse this pattern.

Compared to OECD countries (USD $15 448 PPP on average), the LAC region raises less revenue per capita. However, the average annual growth rate between 2009 and 2014 was higher in LAC countries than in OECD countries (3.2 p.p. and 2.2 p.p. respectively) signalling some convergence between both groups for the period under study.

Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (April 2016), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the overarching System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several instances which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. The GFSM and SNA frameworks have been recently revised and several statistical standards were implemented by the countries.

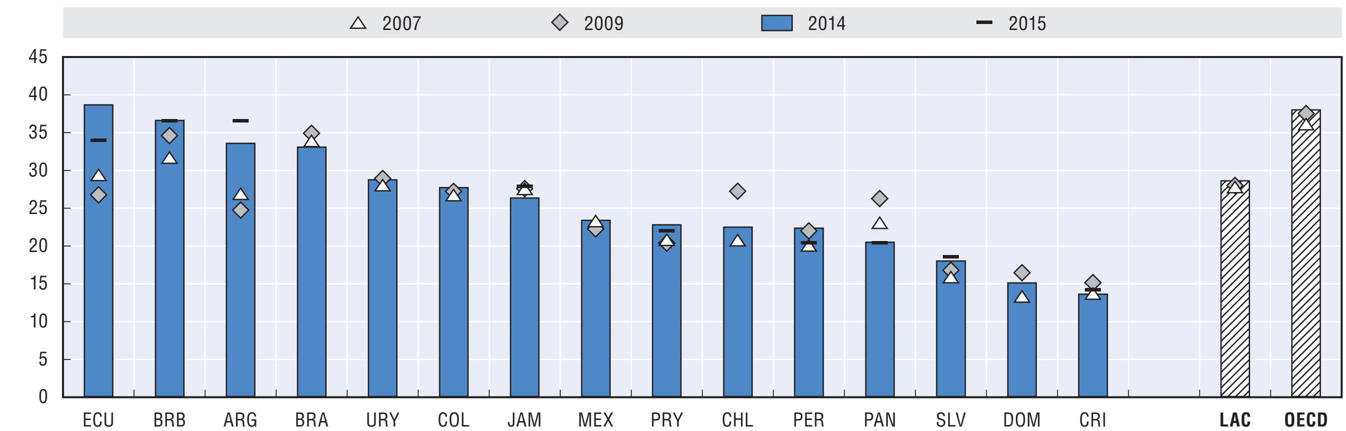
General government consists of central government, state government, local government and social security funds. Revenues encompass taxes, net social contributions, and grants and other revenues. Government revenues per capita were calculated by converting total revenues to USD using the implied IMF purchasing power parities (PPP) conversion rates and dividing it by population. PPP is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A. Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period. For the OECD average, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

IMF (2014), "2014 Article IV Consultation and fourth review under the Extended Fund Facility and request for modification of performance criteria – Staff Report", IMF Country Report No. 14/169, International Monetary Fund, Washington, DC.

Corbacho. A., V. Fretes Cibils and E. Lora (eds.) (2012), *More than Revenue: Taxation as a Development Tool*, Inter-American Development Bank, Washington, DC.

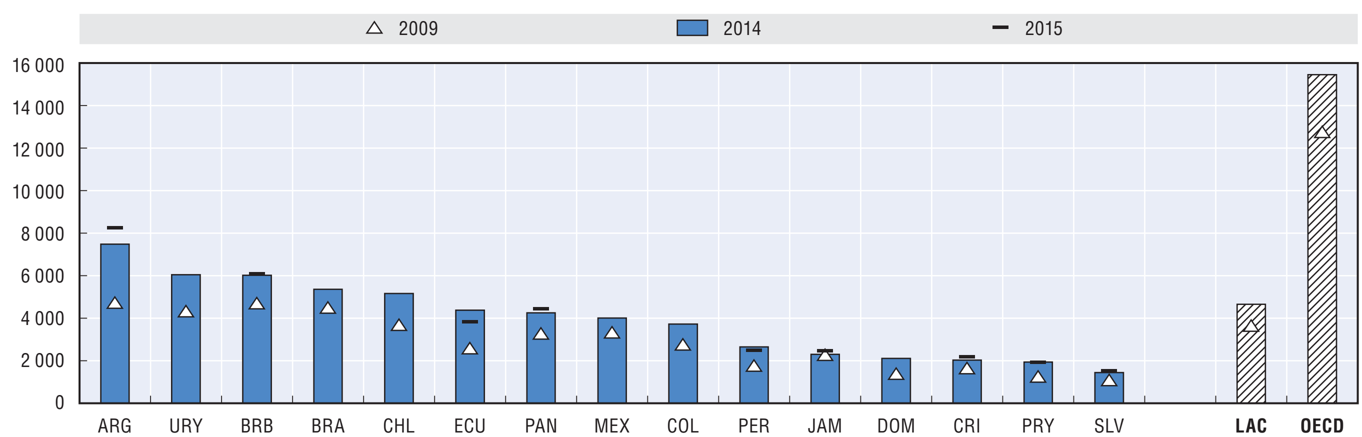
2.6. General government revenues as a percentage of GDP, 2007, 2009, 2014 and 2015



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933430932

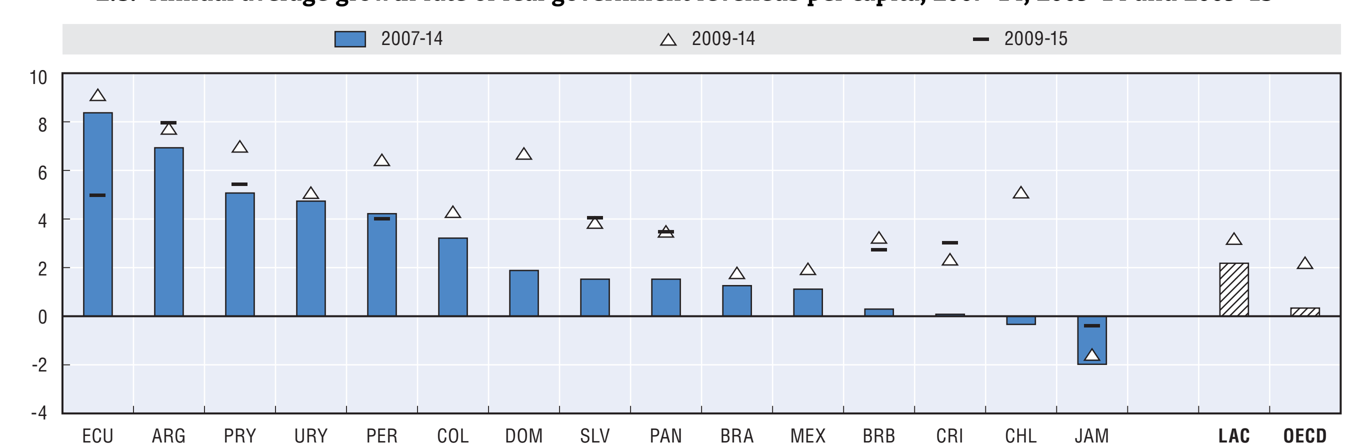
2.7. General government revenues per capita, 2009, 2014 and 2015



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933430943

2.8. Annual average growth rate of real government reveneus per capita, 2007-14, 2009-14 and 2009-15



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933430957

The capacity to tax their citizens is one of governments' core attributes. Revenues collected from taxes represent the most important source of public funds and are crucial to provide public goods and services, guarantee government operations, undertake public investments and a higher or lower degree of income redistribution. As a general trend, during the last two decades, LAC countries increased their tax collection, strengthened tax administrations and attempted to curb tax evasion (OECD/ECLAC/CIAT/IDB 2016).

Taxation in the LAC region is very uneven ranging from 33.4% of GDP in Brazil to 12.6% of GDP in Guatemala. Despite recent efforts to increase tax collection, LAC countries still collect considerably less revenue as a share of GDP than OECD countries, 21.7% and 34.4% respectively in 2014. As a result, governments from OECD countries generally play a more active role in the provision of public goods and services than LAC governments.

Between 2009 and 2014, general government tax revenues in LAC increased on average by 1.9 percentage points in terms of GDP. This increase is slightly higher than the one achieved by OECD countries (1.8 p.p.). However, there are large fluctuations across LAC countries. For instance, Jamaica experienced the strongest decrease (0.7 p.p.) in tax revenues since the crisis. During the same period Ecuador (4.1 p.p.) and Venezuela (4.0 p.p.) experienced the largest increases in tax revenues.

In LAC countries, taxes on goods and services represent on average 49.5% of total tax revenues. This is mainly due to the significant use of the value added tax (VAT) as a source of government revenues. Taxes on income and profits account for approximately 27.9% of total tax revenues, while social security contributions represent 16.4%. Revenues from property tax and taxes on the payroll account for 3.3% and 0.5% of total taxation respectively. In contrast, in OECD countries, goods and services, and income and profits contributed roughly around one third each to government tax revenue, whereas social security contributions represented about a quarter. Similarly, property and payroll taxes represent higher shares of revenues in OECD countries, amounting to 5.6% and 1.1% respectively.

The composition of tax revenues in the LAC region experienced some changes between 2007 and 2014. The largest reductions occurred in taxes on goods and services and taxes on property, decreasing by 1.6 and 0.7 p.p. respectively. Conversely, social security contributions and taxes on income and profits increased on average by 2.0 p.p. and 0.2 p.p. respectively.

Methodology and definitions

Data are drawn from the OECD Revenue Statistics in Latin America database, whose classification of tax revenue is almost equivalent to that of the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the overarching *System of National Accounts* (SNA). The GFS and SNA frameworks have been recently revised and several statistical standards were implemented by the countries. However, there are some differences between the definitions of tax revenues used in the OECD Revenue Statistics in Latin America database and the SNA. In the SNA, taxes are compulsory 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 that may be compulsory or voluntary. The OECD Revenue Statistics in Latin America database treats compulsory social security contributions as taxes, while the SNA considers them social contributions because the receipt of social security benefit depends, in most countries, upon appropriate contributions having been made.

Further reading

OECD/ECLAC/CIAT/IDB (2016), *Revenue Statistics in Latin America and the Caribbean 2016*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/rev_lat-2016-en-fr*.

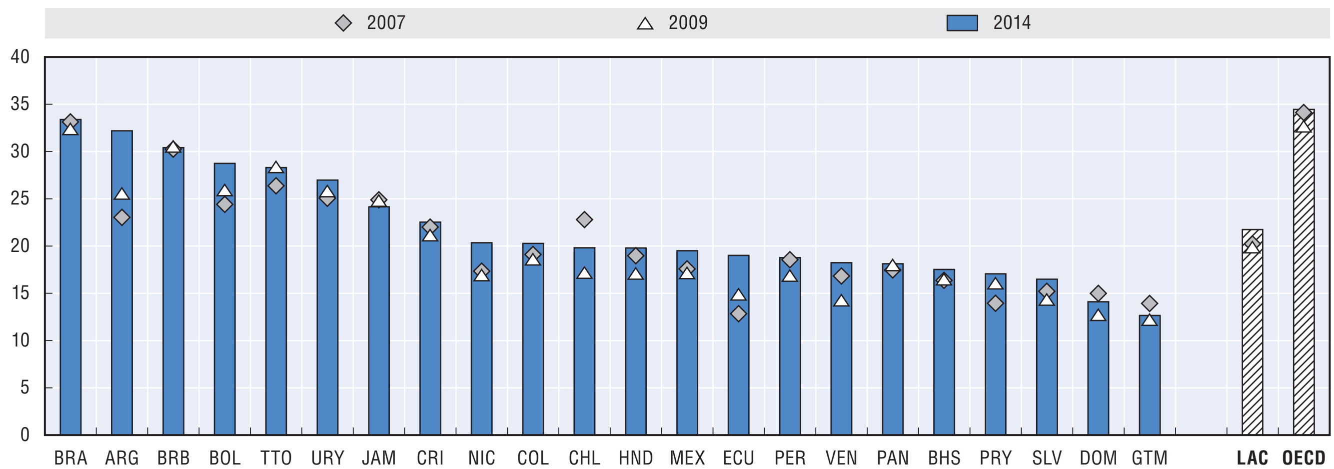
Stein, E. and L. Caro (2013), "Ideology and Taxation in Latin America", Working Paper Series No. IDB-WP-407, Inter-American Development Bank, Washington, DC.

Ter-Minassian, T. (2012), "More than Revenue: Main Challenges for Taxation in Latin America and the Caribbean", Policy Brief No. IDB-PB 175, Inter-American Development Bank, Washington, DC.

Figure notes

2.10: 2014 data for Barbados, Bolivia, Jamaica, Paraguay and Venezuela are estimated. The figures exclude local government revenues for Argentina (but include provincial revenues), Bahamas, Barbados, Dominican Republic, Ecuador, El Salvador, Honduras, Jamaica, Nicaragua, Paraguay and Venezuela. Data for Mexico are for 2013 for payroll, property, goods and services and others.

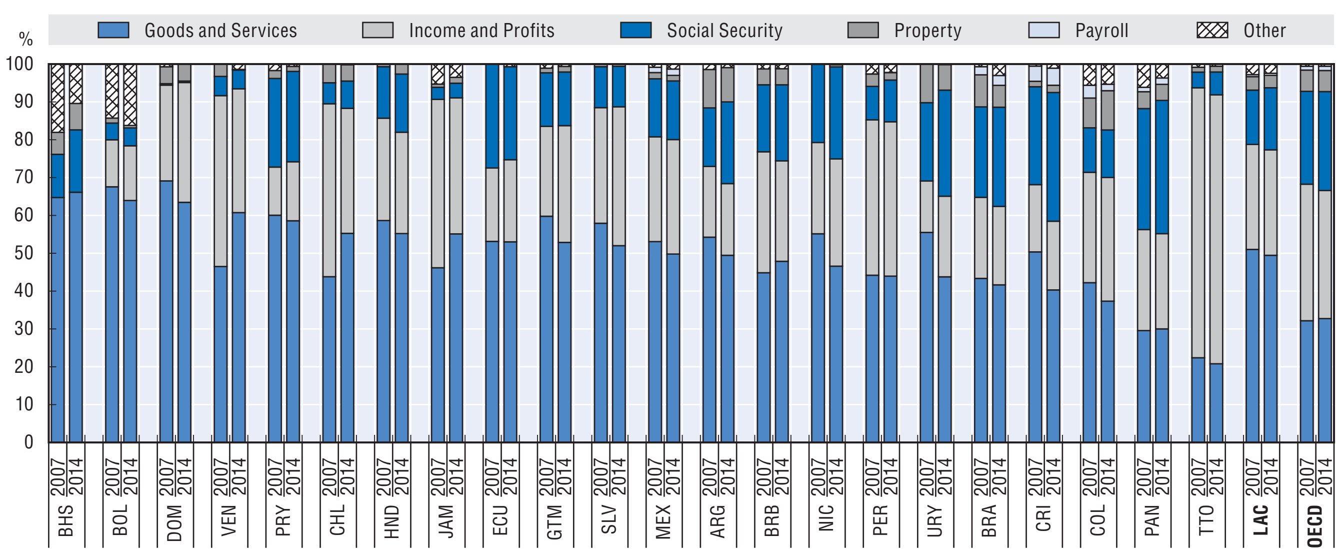
2.9. Tax revenues as a share of GDP, 2007, 2009, 2014



Source: OECD (2016), Revenue Statistics in Latin America (database).

StatLink http://dx.doi.org/10.1787/888933430964

2.10. Breakdown of tax revenues as percentage of total taxation, 2007 and 2014



Source: OECD (2016), Revenue Statistics in Latin America (database).

StatLink http://dx.doi.org/10.1787/888933430790

Revenues from non-renewable natural resources (NRNR) represent a key source of income for many LAC countries. Between 2000 and 2013, the region experienced a commodity boom that resulted from high international commodity prices, increasing significantly the fiscal resources available. During the boom period, a few countries had established reserve funds and put in place stabilisation mechanisms aimed at counterbalancing possible price plunges from commodities and guaranteeing inter-generational equity. However, in 2014 the trend reverted and a decline in tax and non-tax revenues from NRNR occurred in the region. The negative effects of declining commodity prices on government revenues across the majority of LAC countries have been acute, adding pressure on the sustainability of public finances.

In 2014, aggregated revenues from NRNR represented more that 10% of GDP in Bolivia (13.8%), Trinidad and Tobago (12.3%) and Ecuador (10.8%). On the other end, NRNR were below 2% of GDP in Chile (1.8%), Brazil (1.7%), Dominican Republic (0.6%) and Jamaica (0.04%). Between 2013 and 2014 aggregated revenues deriving from NRNR declined on average by 0.8 p.p. in the LAC region. The decline was steeper in Venezuela (3.3 p.p.) and Ecuador (1.3 p.p.). Meanwhile, Trinidad and Tobago (0.6%) and Argentina (0.1%) were the only LAC countries where resources from NRNR increased. In the case of Trinidad and Tobago, it is attributed to a one-off increase in corporate income tax receipts. For Argentina it was caused by an increase on the excise tax applied to fuels. It is projected that with diminishing prices, revenues in these two countries will be negatively affected.

Revenues from NRNR can be split into two categories: hydrocarbons and mining. For 10 out of 13 LAC countries with available information, hydrocarbons are relatively more important as a source of revenues than mining. Chile (copper and silver), the Dominican Republic (gold) and Jamaica (bauxite) are the only LAC countries that derive their NRNR revenues exclusively from mining. While prices for both categories of commodities diminished, the decrease was much steeper for hydrocarbons. As a result, between 2013 and 2014, the decrease in revenues that could be attributed to changes on the prices of hydrocarbons was 0.7 p.p. of GDP compared to an average decrease of 0.1 p.p. associated to changes on the prices of mining.

For some LAC countries, revenues from NRNR are a key source of funding. In Venezuela, Bolivia, Ecuador and Mexico these revenues accounted for over 30% of total revenues between 2010 and 2014. Compared to the period between 2005 and 2009 the relative importance of NRNR in total revenues decreased in Chile (10.9 p.p.), Venezuela (6.0 p.p.), Argentina (3.5 p.p.), Peru (2.9 p.p.), Mexico (2.8 p.p.) and Brazil (2.1 p.p.). Maintaining a steady or increasing level of public expenditures with diminishing revenues from NRNR entails finding alternative sources of revenues.

Methodology and definitions

Data are from the CEPALSTAT databases and publications by the Economic Commission for Latin America and the Caribbean (ECLAC). Non-renewable natural resources refer to mining and hydrocarbons. Fiscal revenues from hydrocarbons include revenues from upstream (exploration and production) and downstream (refining and commercialisation) activities. Revenues from non-renewable natural resources typically refer to government levies from corporations and are distributed along the categories of tax revenues, non-tax revenues and social contributions. Fiscal regimes for such revenues relate to royalties, income tax, other taxes on income and other levies. For example, royalty payments refer to the right to extract oil and gas or exploit other mineral resources and are normally regarded as non-tax revenues as they are property income from government-owned land or resources. General government and public corporations constitute the public sector. Public corporations in the case of non-renewal natural resources refer to non-financial enterprises.

Further reading

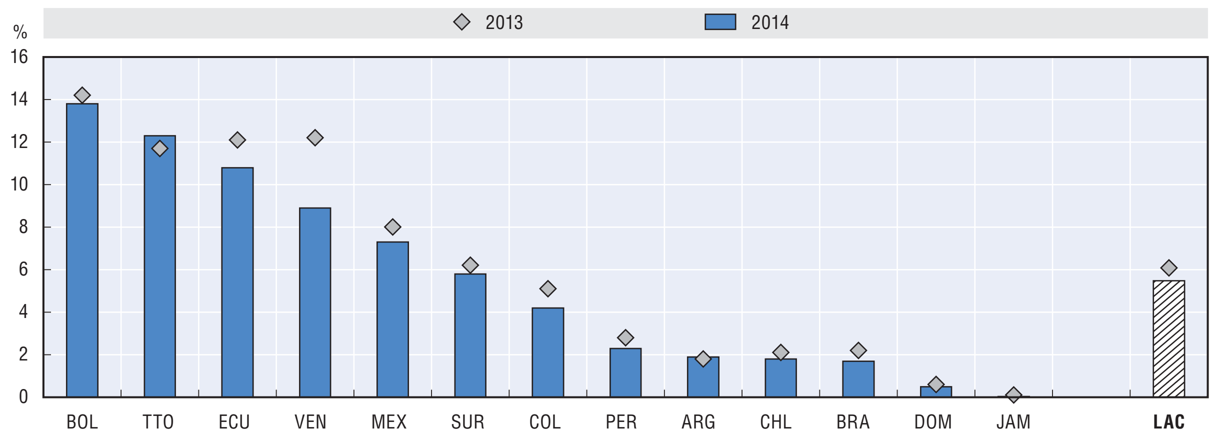
OECD (2016), Revenue Statistics in Latin America and the Caribbean 2016, OECD Publishing, Paris, *http://dx.doi.org/10.1787/rev_lat_car-2016-en-fr*.

Figure notes

2.11: Revenues include hydrocarbons and mining. Data for 2014 are preliminary. Data for 2013 are revised.

2.12: Regional averages of hydrocarbon and mining revenues do not add up to the regional average of total non-renewable natural resources revenues as each represents a simple average of the available data. Data for 2014 are preliminary. Data for 2013 are revised.

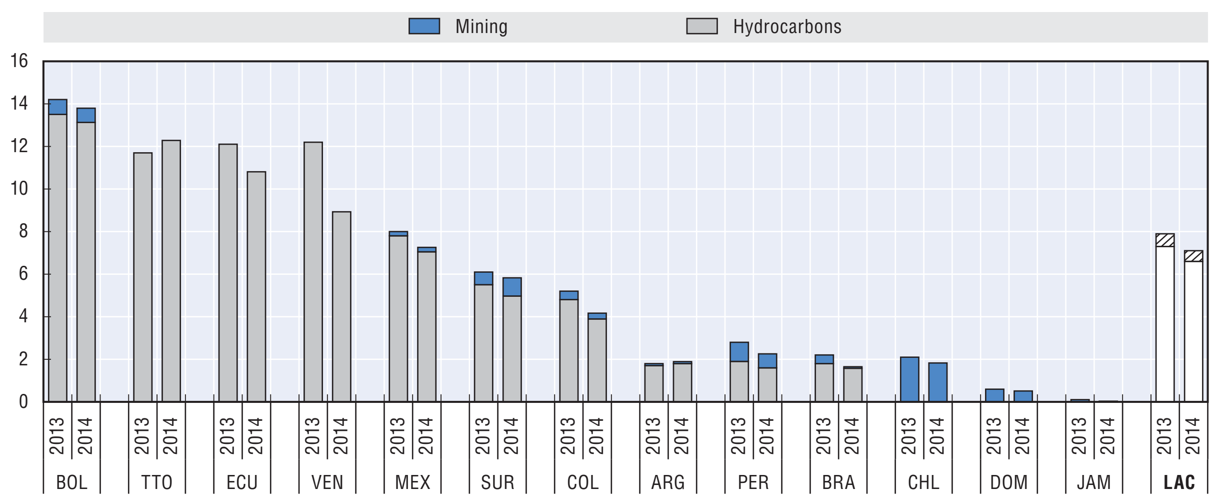
2.11. Fiscal revenues from non-renewable natural resources as a percentage of GDP, 2013 and 2014



Source: OECD/ECLAC/CIAT/IDB (2016) based on ECLAC data.

StatLink http://dx.doi.org/10.1787/888933430809

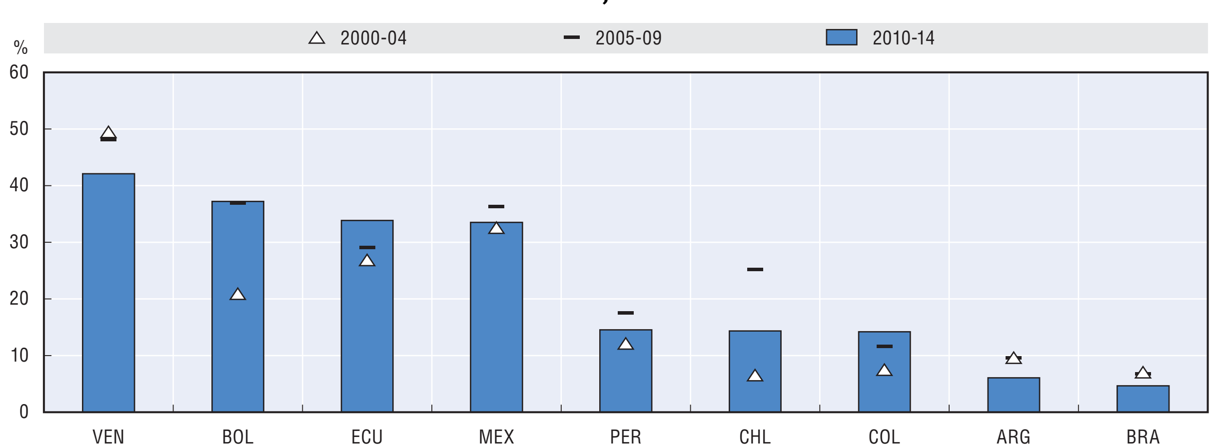
2.12. Fiscal revenues from non-renewable natural resources by country and commodity as percentage of GDP, 2013 and 2014



Source: OECD/ECLAC/CIAT (2016) based on ECLAC (2015).

StatLink http://dx.doi.org/10.1787/888933430978

2.13. Relative participation of revenues from non-renewable natural resources as a share of total revenues, 2000-04, 2005-09, 2010-14



Source: OECD/ECLAC/CIAT (2016) based on ECLAC (2015).

StatLink http://dx.doi.org/10.1787/888933430988

Governments spend money to provide goods and services, redistribute income and pursue economic development objectives. The amount of financial resources spent by governments provides an indication of the size of the public sector. Nevertheless, the size of government does not necessarily reflect its performance. Although government expenditures are usually less elastic than government revenues, they are also sensitive to economic developments associated with macroeconomic conditions and the business cycle. They also reflect past and current political decisions.

General government expenditures in LAC countries represented on average 33.1% of GDP in 2014. However, there is variation in government expenditures across LAC countries: Barbados and Ecuador reported levels above 40% of GDP, while in countries such as Costa Rica and Dominican Republic, government expenditure levels were below 20%. LAC governments spend markedly less in relation to their GDP than OECD countries. In 2014, for example, government expenditures in OECD countries accounted for 41.5% of GDP. However, as the region experienced an expansionary phase over recent years, government expenditures in LAC increased on average by 4.7 percentage points between 2007 and 2014, compared to an average increase of 2.5 p.p. in OECD countries. Ecuador (19.9 p.p.) and Argentina (13.2 p.p.) experienced the largest increases while government expenditures actually diminished in Jamaica (4.5 p.p.) during the eight-year period.

On average, across LAC countries government expenditures per capita represented USD 5 384.3 PPP per capita in 2014. This is around one third of the expenditure for OECD countries, where government expenditures per capita accounted for USD 16 876.0 PPP in the same year. Argentina (USD 8405.5 PPP), with the highest level of per capita expenditures, spent five times more per person than El Salvador (USD 1802.1 PPP), the lowest in 2014. In the case of Argentina, government expenditures per capita increased by 65.2% between 2009 and 2014; however, the largest share of this increase is associated with increasing current expenditures while investment increased at a slower pace.

Government expenditures per capita increased by an annual average rate of 3.9% in LAC countries between 2007 and 2014, much higher compared to the increase of 1.0% in OECD countries during the same period of time. Jamaica is the only country in the LAC region that experienced a contraction in the government spending (-3.5 p.p.), which could be explained by cuts in government spending required for lowering the pervasive fiscal deficit.

Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (April 2016), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several instances which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. The GFS and SNA frameworks have been recently revised and several statistical standards were implemented by the countries. General government consists of central government, state government, local government and social security funds.

Expenditures encompass intermediate consumption, compensation of employees, subsidies, property income (including interest spending), social benefits, grants and other expenses, and investments. Therefore, total expenditures consist of total expenses and the net acquisition of non-financial assets. Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period.

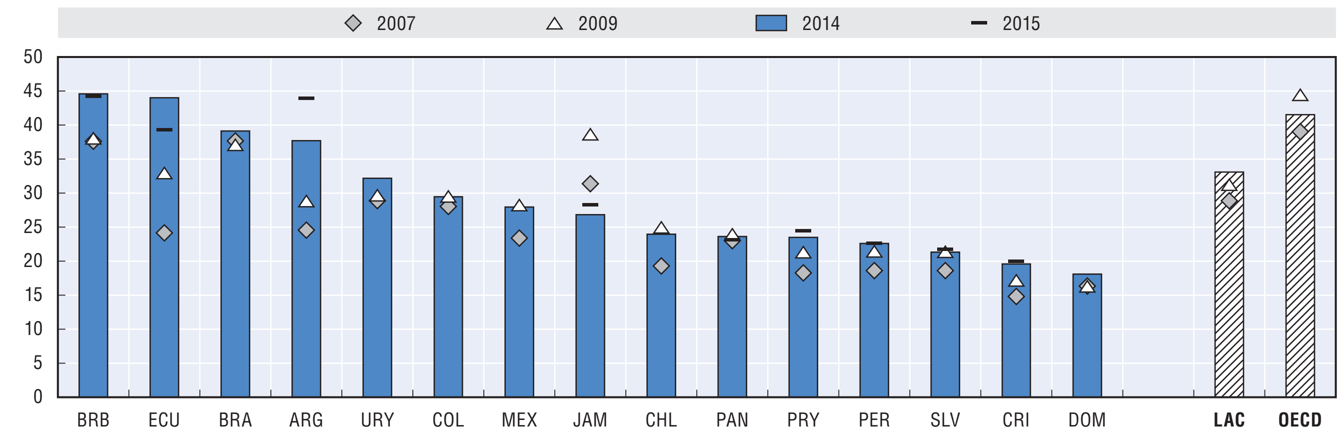
Purchasing power parity (PPP) is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A. For information on the calculation of government expenditures per capita see the "Methodology and definitions" section of "General government revenues". For the OECD average, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

ECLAC (2015), Preliminary Overview of the Economies of Latin America and the Caribbean 2015, Eclac Publishing, Santiago, Chile.

IDB (2015), *The Labyrinth: How Can Latin America and the Caribbean Navigate the Global Economy*, 2015 Latin American and the Caribbean Macroeconomic Report, Inter-American Development Bank, Washington, DC.

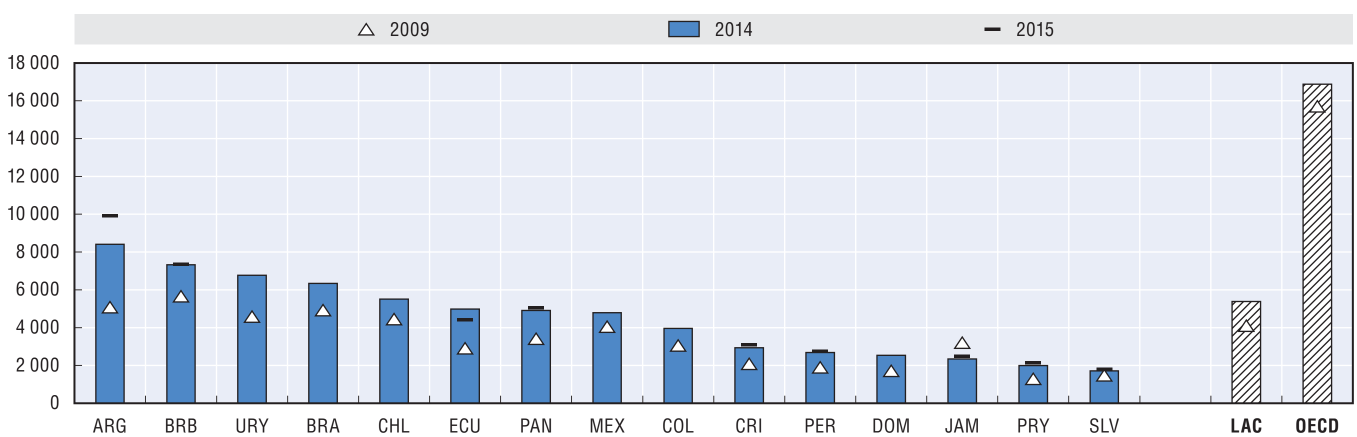
2.14. General government expenditures as a percentage of GDP, 2007, 2009, 2014 and 2015



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933430996

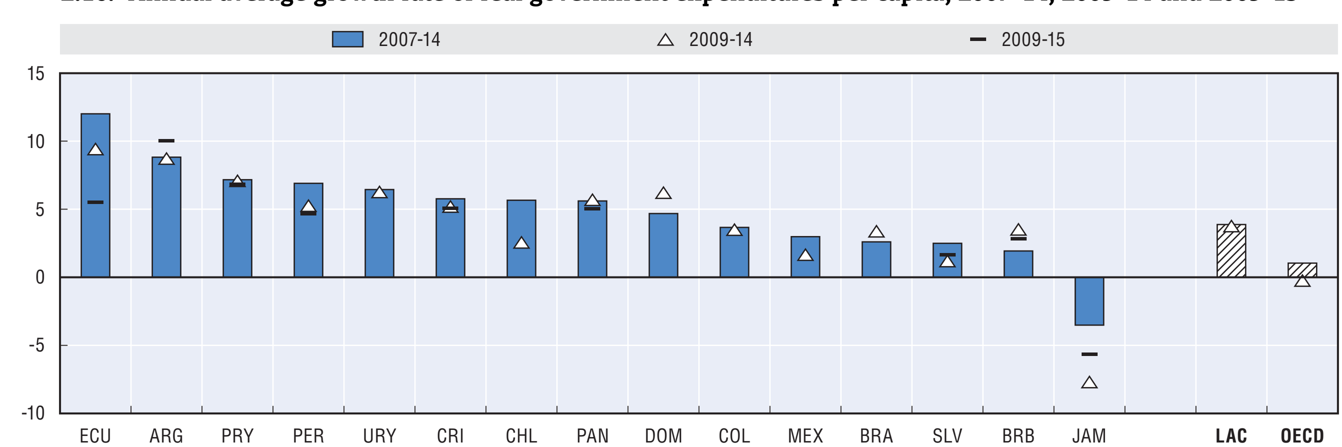
2.15. General government expenditures per capita, 2009, 2014 and 2015



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933431002

2.16. Annual average growth rate of real government expenditures per capita, 2007-14, 2009-14 and 2009-15



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933431012

Different levels of government share responsibility for providing public goods and services. Central and sub-central governments (state and local) also vary in terms of their ability to levy taxes and collect social contributions. These differences could be explained by historical, economic, institutional and political factors. Commonly, sub-central governments are responsible for the provision of services and could be considered better equipped than central governments to obtain information on local needs and better placed to tailor public services accordingly.

In 2014, LAC central governments collected on average 71.1% of total revenue, followed by state governments (18.1%) and local governments (12.2%), while the remainder was collected through social security funds. For the same year, on average 55.5% of general government expenditures in LAC were carried out by central government, while state governments, local governments and social security funds were responsible for 23.8%, 16.4% and 4.3% of expenditures respectively. A common trend in many LAC countries is that sub-central governments are highly dependent on transfers from the central government as their main source of revenue.

Several decentralisation efforts have occurred in LAC countries over the past years aimed at assigning expenditure responsibilities to sub-central governments, and to a lesser extent to increase revenue mobilisation. Between 2010 and 2014, the share of expenditures of local governments increased in Chile (2.1 p.p.), El Salvador (1.2 p.p.), Colombia (0.7 p.p.), Paraguay (0.5 p.p.), Costa Rica (0.2 p.p.) and Brazil (0.2. p.p.). Conversely, expenditures by the local level decreased in Mexico (0.8 p.p.) and Peru (0.9 p.p.). In the case of Mexico, several reforms to federalism have resulted in a strengthened role for the states that on average have seen their expenditures (1.4 p.p.) and revenues (1.2 p.p.) increase between 2010 and 2014.

According to 2014 figures, in LAC countries the central level of government collects on average 71.1% of total revenues and is responsible for 55.5% of total expenditures. These figures are higher than for OECD countries where the central level collects 52.4% of total revenues and is responsible for 40.8% of total expenditures. For both groups these figures remained fairly stable between 2010 and 2014. Social security funds in OECD countries are relatively more important, accounting for 20.6% of total expenditures, than in the LAC region where they represented 4.3% of total expenditures.

Methodology and definitions

Data are drawn from the IMF Government Finance Statistics (IMF GFS) database, which applies the concepts set out in the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFS and the SNA frameworks in several instances which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. The GFS and SNA frameworks have been recently revised and several statistical standards were implemented by the countries.

General government consists of central, state and local governments and social security funds. State government is applicable to the federal states of Brazil and Mexico and the highly decentralised countries of Colombia, Paraguay and Peru. For detailed information on the components of revenues and expenditures, see "Methodology and definitions" sections of "General government revenues" and "General government expenditures" respectively. Data across levels of government exclude transfers between levels of government in order to see the contribution of each sub-sector in general government total revenues/expenditures, which are at this level consolidated. For the OECD average and Mexico, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

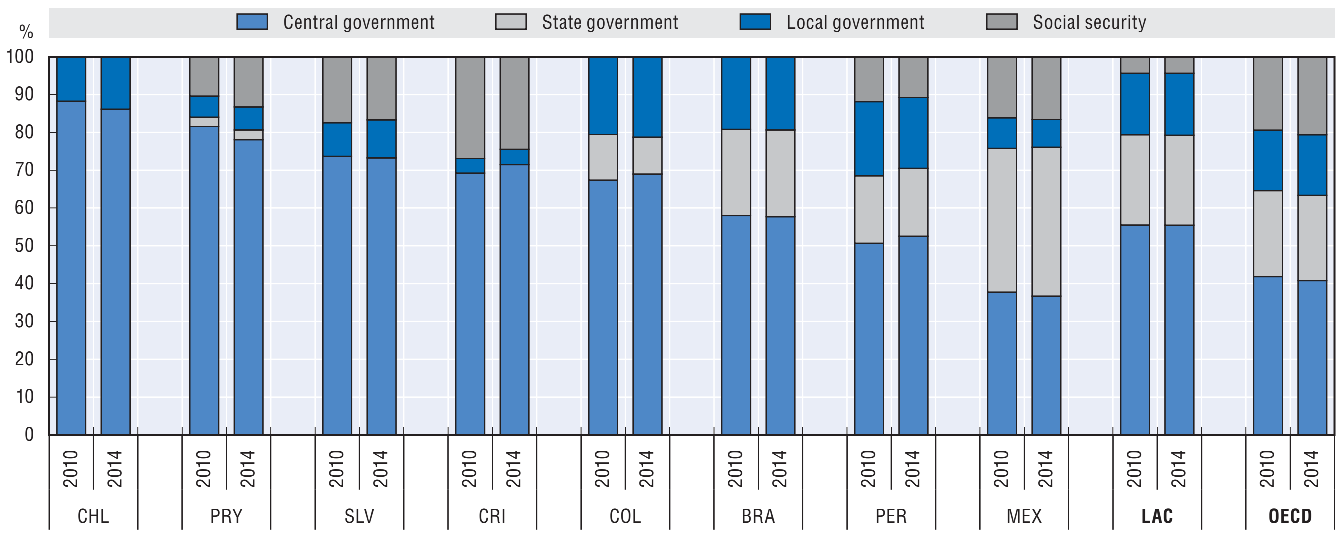
Fretes Cibils, V. and T. Ter-Minassian (2015), *Decentralizing Revenue in Latin America: Why and How*, Inter-American Development Bank, Washington, DC.

OECD (2013), *Fiscal Federalism 2014: Making Decentralisation Work*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264204577-en*.

Figure notes

2.17 and 2.18: Data for Peru and Paraguay are recorded on a cash basis. Transfers between levels of government are excluded. Data for Colombia, El Salvador and Mexico are for 2013 rather than 2014. Social security funds are included in central government for Brazil, Chile and Colombia.

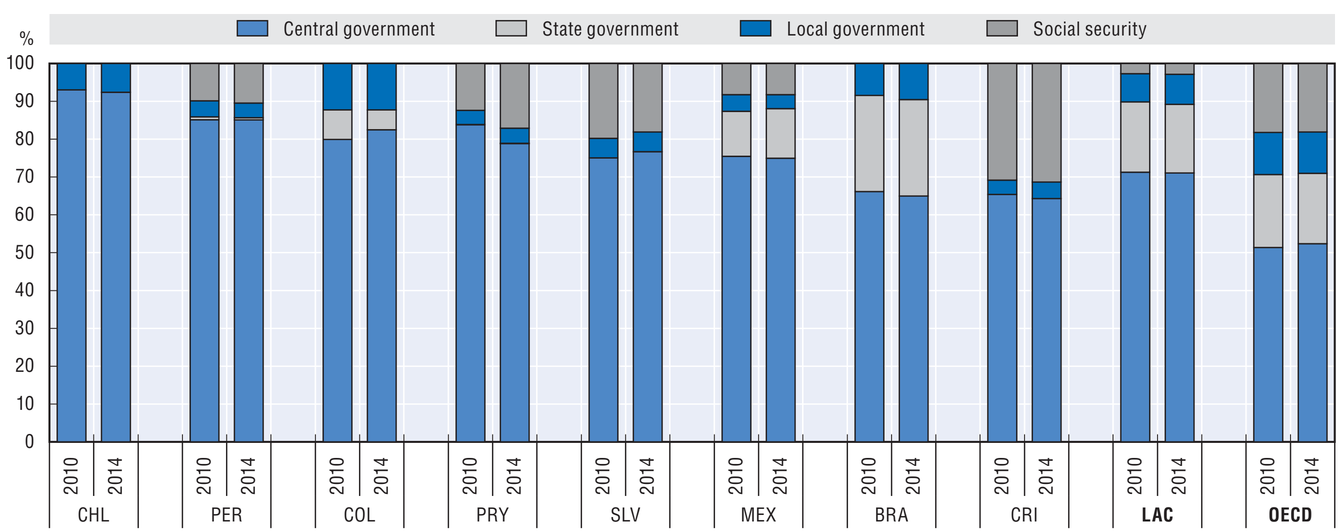
2.17. Distribution of general government expenditures across levels of government, 2010 and 2014



Source: IMF Government Finance Statistics (IMF GFS) database. Data for Mexico are based on the OECD National Accounts Statistics database.

StatLink http://dx.doi.org/10.1787/888933431025

2.18. Distribution of general government revenues across levels of government (2010 and 2014)



Source: IMF Government Finance Statistics (IMF GFS) database. Data for Mexico are based on the OECD National Accounts Statistics database.

StatLink http://dx.doi.org/10.1787/888933431036

The composition of government expenditures by transaction provides an indication of policy priorities, the type of service delivery model (e.g. focus on direct provision or focus on outsourcing) and the size of financial commitments resulting from public debt, among others. In addition, the expenditures breakdown reveals information on the importance of the government's role in redistributing income compared to simply guaranteeing that public services are provided.

In 2014, the compensation of government employees was the highest expenditure category across LAC countries reaching on average 29.1% of total government expenditures, compared to an OECD average of 23.1%. Paraguay (49.5%) and Costa Rica (44.2%) spent the most on compensation of employees, while Peru (27.3%) and Colombia (12.1%) spent the least. For the same year, the share of expenditures on intermediate consumption (purchase of goods and services) was similar in OECD (14.3%) and LAC (14.6%) countries. In terms of total expenditures, LAC countries devoted slightly less than OECD countries to investment, 7.3% and 7.7% respectively in 2014.

As a general trend LAC governments spend fewer resources on welfare, represented by social benefits, than OECD countries. In OECD countries, social benefits are the highest transaction, amounting to 40.5% of total expenditures; while in the LAC region they reach only 24.6%. Brazil is the LAC country with the highest expenditure on social benefits, reaching 31.3% of total expenditures. On the other end, El Salvador, Mexico, Peru and Jamaica devoted only around 9% of their budgets to social benefits.

Between 2007 and 2014, the LAC region experienced an increase in social expenditures of 3.8 p.p. that is similar to the increase that occurred in OECD countries (3.7 p.p.). In both groups, the increase is partially the result of counter-cyclical expenditure to balance the negative effects of the global financial crisis. The persistent difference between OECD and LAC countries regarding the amount of resources devoted to social benefits could be explained by the absence of certain universal programmes, such as unemployment insurance, in many LAC countries. Furthermore, because the informal sector is still relatively big in many LAC countries, important segments of the population do not have access to available benefits.

The breakdown of expenditures by transaction as a percentage of GDP provides an additional angle to understand the relative importance of spending categories. For LAC countries with available information, public expenditures represent on average 35.1% of GDP compared to 41.6% in OECD countries. However, within the LAC region there is significant variation. For instance, on average LAC countries spent 4.6% of GDP on property income including the public debt interests payments. Jamaica (8.3%) and Brazil (7.9%) reported the highest figures for this component, while on the other end Paraguay (0.4%) and Chile (0.5%) spent significantly less on this transaction.

Methodology and definitions

Data are drawn from the IMF Government Finance Statistics (IMF GFS) database, which applies the concepts set out in the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the System of National Accounts (SNA).

Expenditures encompass intermediate consumption, compensation of employees, subsidies, property income (including interest spending), social benefits (consisting of social benefits other than social transfers in kind and of social transfers in kind provided to households via market producers), grants and other expenses (mainly current and capital transfers but also other minor expenditures as other taxes on production, current taxes on income and wealth etc. and the adjustment for the change in pension entitlements) and investments. All these transactions at the level of general government are recorded on a consolidated basis (i.e. transactions between levels of government are netted out).

For the OECD average and Mexico, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

Marcel, M., M. Guzmán and M. Sanguinés (2014), "Presupuesto para el Desarrollo en América Latina", Inter-American Development Bank, Washington, DC.

Figure notes

2.19 and 2.20: Data for Peru and Paraguay are recorded on a cash basis. Data for Costa Rica and Jamaica for investment do not include consumption of fixed capital. Data for El Salvador and Mexico are for 2013 rather than 2014. Data for Colombia are for 2008 rather than 2007.

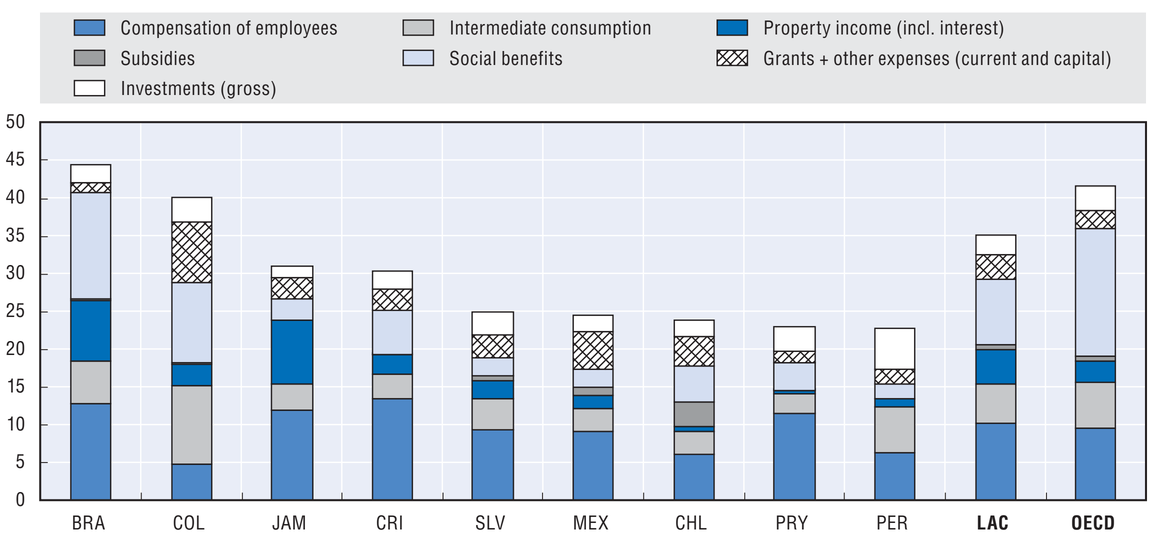
2.19. Structure of general government expenditures by economic transaction, 2014 and change 2007 to 2014

	Compensation of employees		Intermediate consumption		Subsidies		Property income (incl. interest)		Social benefits		Grants + Other expenses (current and capital)		Investments (gross)	
	2014	Change 200-14	2014	Change 2007-14	2014	Change 2007-14	2014	Change 2007-14	2014	Change 2007-14	2014	2007-14	2014	Change 2007-14
Brazil	28.9	-1.7	12.8	-3.5	0.8	-0.1	17.7	-0.6	31.3	4.8	3.1	1.2	5.4	0.0
Chile	25.8	1.8	12.8	-0.1	13.9	-8.3	2.3	-0.7	20.1	-0.4	15.7	9.8	9.5	-2.1
Colombia	12.1	-9.2	26.1	8.5	0.6	-0.6	6.6	-3.8	26.6	7.0	20.2	3.5	7.7	-5.5
Costa Rica	44.2	3.4	10.4	-1.9	0.0	-1.9	8.6	-4.9	19.4	-1.2	9.1	4.7	7.8	1.4
El Salvador	37.8	-0.4	16.5	0.7	3.0	0.2	9.3	-1.8	9.5	-1.0	11.8	1.5	12.0	0.8
Jamaica	38.4	..	11.6	4.4	0.0	0.0	26.7	-5.3	9.2	3.6	9.2	..	5.1	-2.5
Mexico	37.6	2.0	12.2	0.8	4.5	0.1	7.3	-2.6	9.3	-0.4	20.4	-1.9	8.8	2.0
Paraguay	49.5	-2.1	12.0	2.2	0.1	0.0	1.7	-5.2	15.9	-5.1	6.2	1.3	14.6	8.9
Peru	27.3	-1.4	26.7	0.0	0.0	0.7	4.6	-0.4	9.3	1.7	8.1	0.2	24.1	-0.8
LAC	**29.1**	**-2.5**	**14.6**	**-1.0**	**2.0**	**-0.3**	**13.0**	**-1.2**	**24.6**	**3.8**	**9.4**	**1.5**	**7.3**	**-0.3**
OECD	**23.1**	**-1.2**	**14.3**	**-0.6**	**2.0**	**0.1**	**6.7**	**-0.7**	**40.5**	**3.7**	**5.7**	**0.2**	**7.7**	**-1.4**

Sources: IMF Government Finance Statistics (IMF GFS) database. Data for Mexico and the OECD average are based on the OECD National Accounts Statistics database.

StatLink http://dx.doi.org/10.1787/888933431596

2.20. Government expenditures by economic transaction as a percentage of GDP, 2014



Sources: IMF Government Finance Statistics (IMF GFS) database. Data for Mexico and the OECD average are based on the OECD National Accounts Statistics database.

StatLink http://dx.doi.org/10.1787/888933431042

Government investment creates public infrastructure essential for long-term economic growth and societal well-being. For instance, public investment supports the provision of public services (e.g. schools). Further, governments invest in transport infrastructure, and other large-scale projects to improve productivity and competitiveness. Finally, governments can also invest in research and development to promote new technologies or products.

In 2014, government investment represented, on average, 7.3% of total government expenditures in LAC countries. This figure is slightly below the OECD average that reached 7.7% in the same year. Between 2007 and 2009 public investment in the LAC region increased by 2.2 p.p. driven mainly by investment expenditures to counterbalance the effects of the global financial and economic crisis. However, this increase was outpaced by the variation that occurred between 2009 and 2014 when public investment decreased by an average of 2.5 p.p.

Investment spending in the LAC region has been historically low, particularly for a region in development. For instance, in 2014 government investment as a percentage of GDP reached 3.2% in OECD countries compared to 2.6% in the LAC region. Peru (5.5%), Paraguay (3.4%) and Colombia (3.1%) are the only LAC countries where public investment was above 3% of GDP in 2014. Peru stands out as the country with the largest investment resulting from a sustained programme of public investment in infrastructure, initially implemented as counter-cyclical fiscal policy.

Regions with low levels of development can obtain comparatively high economic returns from public investment. Furthermore, investment in poorer regions can play a crucial role in reducing inequalities. On average, 29.1% of investment spending by LAC governments was carried out by the local level in 2014; similar to OECD countries where it reached 30.6%. Nonetheless, there is great variation across LAC countries. In Paraguay only 9.7% of total investment was carried out by the local level, whereas it reached 44% in Peru. For the same year, investment at the state level was highest in Mexico and Brazil, both federal countries, reaching 50.2% and 43.0% of total public investment, respectively. Between 2007 and 2014, the share of total investment carried out by the state level increased by 8.5 p.p. reflecting efforts in many LAC countries to further decentralise.

Methodology and definitions

Data are drawn from the IMF Government Finance Statistics database, which applies the concepts set out in the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFS and the SNA frameworks in several occurrences which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. The GFS and SNA frameworks have been recently revised and several statistical standards were implemented by the countries.

General government investment includes gross capital formation and acquisitions, less disposals of non-produced, non-financial assets. Gross fixed capital formation (also named fixed investment) is the main component of government investment, consisting mainly of transport infrastructure but also including infrastructure such as office buildings, housing, schools, hospitals, etc. Government investment is recorded on a gross basis (i.e. measured gross of consumption of fixed capital, unless otherwise stated). General government consists of central, state and local governments and social security funds. State government is applicable to the federal states of Brazil and Mexico and the highly decentralised countries of Colombia, Paraguay and Peru. For the OECD average and Mexico, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

OECD (2014), "Recommendation on Effective Public Investment Across Levels of Government", OECD, Paris, *www.oecd.org/ regional/regional-policy/Principles-Public-Investment.pdf*.

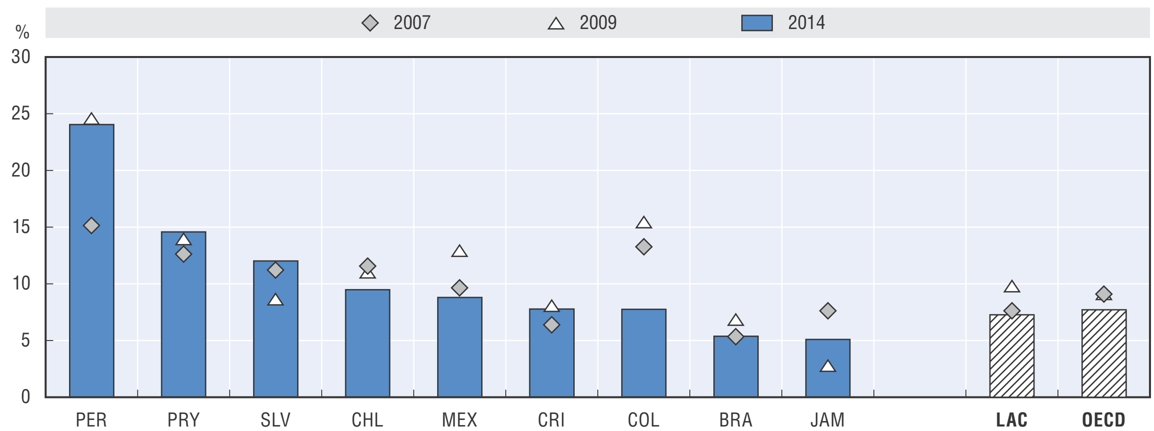
IMF (2015), "Making public investment more efficient", International Monetary Fund, Washington, DC., *www.imf.org/external/np/pp/eng/2015/061115.pdf*.

Figure notes

2.21, 2.22 and 2.23: Data for Peru and Paraguay are recorded on a cash basis. Data for Costa Rica, El Salvador and Mexico are for 2013 rather than 2014. Data for Colombia are for 2008 rather than 2007. Data for Costa Rica and Jamaica for investment do not include consumption of fixed capital.

2.23: Social security funds are included in central government for Brazil, Chile and Colombia.

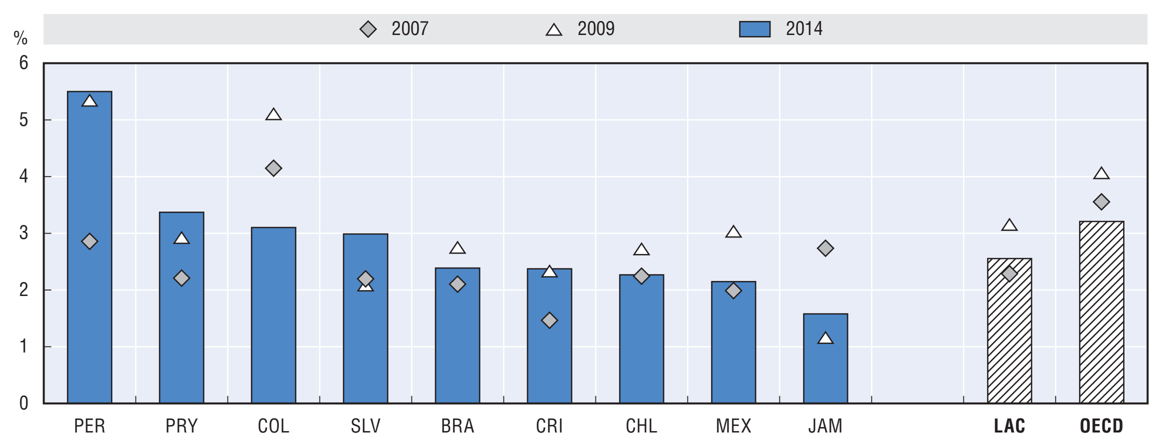
2.21. Government investment as a percentage of total government expenditures, 2007, 2009 and 2014



Sources: IMF Government Finance Statistics (IMF GFS) database. Data for Mexico and the OECD average are based on the OECD National Accounts Statistics database.

StatLink http://dx.doi.org/10.1787/888933431055

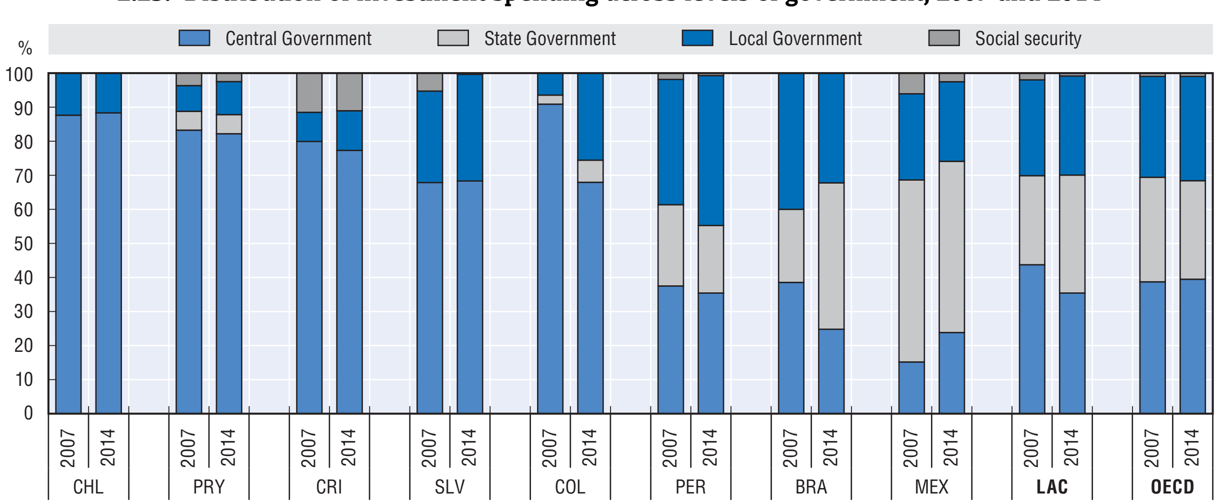
2.22. Government investment as a percentage of GDP, 2007, 2009 and 2014



Sources: IMF Government Finance Statistics (IMF GFS) database. Data for Mexico and the OECD average are based on the OECD National Accounts Statistics database.

StatLink http://dx.doi.org/10.1787/888933431065

2.23. Distribution of investment spending across levels of government, 2007 and 2014



Source: IMF Government Finance Statistics (IMF GFS) database. Data for Mexico and the OECD average are based on the OECD National Accounts Statistics database.

StatLink http://dx.doi.org/10.1787/888933431075

Cost-benefit analysis (CBA) aims to inform decision makers on the economic feasibility of projects, programmes, policies or regulatory initiatives. Its main purpose is to compare the costs associated with a policy or investment with the benefits of its implementation. The focus of this section is on CBA as a tool for the evaluation of investment projects. The content and methodology of CBA varies across countries. Nonetheless, a standard structure in the LAC region may consist of a description of the socio-economic and political context, definition of objectives, identification of the project, technical feasibility, environmental sustainability, financial analysis, economic analysis and risk assessment.

An outcome of CBA is the suggestion of the best project alternative among other options; consequently, the timing of the analysis may influence the efficiency of the decision-making process. The stage of the project in which CBA is carried out differs according to a country's methodology. The majority of LAC countries (58%) including Guatemala, Honduras and Paraguay, run this analysis during the pre-feasibility stage when several project alternatives are being assessed. A third of the countries prepare CBA at an earlier stage and update it during the whole preparation phase. Argentina is the only country in the region that prepares CBA in the feasibility phase, after the preferred alternative has already been chosen.

None of the 12 surveyed LAC countries run CBA that incorporates systematically the assessment of the direct effect of projects on regional development. Such effects would be relevant as part of the economic analysis. For instance, the improvement of a railroad can boost socio-economic conditions in a region by generating new jobs and changing the mix of skills required, developing local businesses, increasing community activity and boosting tourism; thereby having a direct impact on regional development by contributing to closing the socio-economic gap across regions. Only Argentina, Honduras, Paraguay, Peru and Dominican Republic reported measuring the effects of projects on regional development in some occasions.

Some of the elements included in CBA are often similar among different countries and regions. The net present value (NPV) and economic rate of return (ERR) are computed in all LAC countries with available information and in 85% of OECD countries. Similarly, economic analysis with the calculation of cost-benefit ratio and financial analysis to verify project sustainability and profitability are used in 92% of LAC countries and in over 80% of OECD countries. Additionally, sensitivity analysis is used in 75% of countries in both groups. Nonetheless, a few CBA components are not included in LAC countries. For example, 42% of countries, including Guatemala, Panama and Uruguay, do not include a scenario analysis or the quantification of environmental externalities in their CBA. Mexico is the only country in the LAC region that includes a fiscal impact analysis, regularly used by two-thirds of OECD countries.

Methodology and definitions

NPV is the present value of the cash flow at the rate of return of the project compared to the initial investment. ERR considers economic factors such as price controls, subsidies and tax rates to calculate the cost of a project.

The cost-benefit ratio is calculated by dividing the total present value of benefits by the total present value of costs of the project. If the ratio is greater than 1, there is a positive return on the investment project.

A sensitivity analysis determines the sensitivity of the outcomes to changes in parameters. If a small change in a parameter results in relatively large changes in the outcomes, the outcomes are said to be sensitive to that parameter.

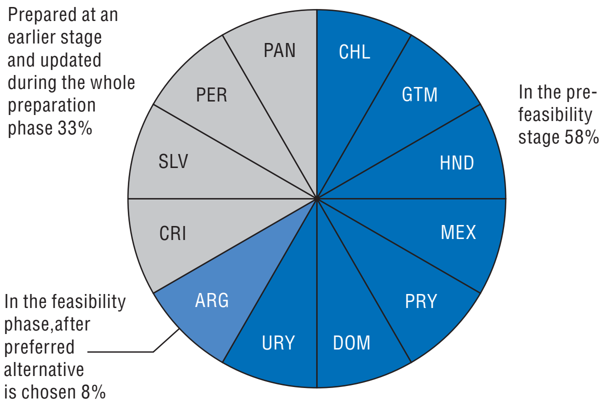
Data from the three figures come from the 2015 OECD-IDB Survey on Challenges and Applications of Cost-Benefit Analysis for the Preliminary Feasibility Study of Capital Investments. The survey collected responses from 12 LAC countries. Respondents were predominantly country representatives in charge of public investment units or departments, within ministries of finance or equivalent departments with investment assessment and decision-making roles.

Further reading

Florio, M. (2014), The Use of Cost-Benefit Analysis for Capital Investment Planning in OECD Countries, OECD Publishing, Paris.

European Commission (2014), Guide to Cost-Benefit Analysis of Investment Projects: Economic appraisal tool for Cohesion Policy 2014-20, Directorate General and Urban Policy, European Commission, Brussels.

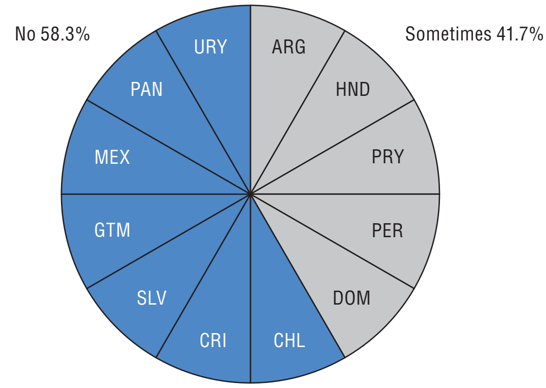
2.24. Stage of the project in which the CBA is prepared, 2015



Source: OECD (2015), Survey on Cost-Benefit Analysis.

StatLink http://dx.doi.org/10.1787/888933431082

2.25. Does CBA incorporates elements to assess regional development, 2015



Source: OECD (2015), Survey on Cost-Benefit Analysis.

StatLink http://dx.doi.org/10.1787/888933431099

2.26. Elements typically included in the CBA, 2015

Country	Demand analysis	Fiscal impact analysis	Financial analysis to verify project sustainability and profitability	Economic analysis with calculation of cost/benefit (C/B) ratio	Net present value (NPV)	Economic rate of return	Quantification of environmental externalities	Sensitivity analysis	Scenario analysis	Contingent valuation
Argentina	●	❍	●	●	●	●	❍	●	❍	●
Chile	●	❍	●	●	●	●	●	●	●	●
Costa Rica	●	❍	●	●	●	●	❍	●	●	❍
El Salvador	●	❍	❍	●	●	●	●	●	❍	❍
Guatemala	●	❍	●	❍	●	●	❍	❍	❍	❍
Honduras	❍	❍	●	●	●	●	❍	❍	❍	❍
Mexico	●	●	●	●	●	●	●	●	●	..
Panama	●	❍	●	●	●	●	❍	❍	❍	❍
Paraguay	●	❍	●	●	●	●	❍	●	●	❍
Peru	●	❍	●	●	●	●	●	●	❍	●
Dominican Republic	●	❍	●	●	●	●	●	●	●	❍
Uruguay	●	❍	●	●	●	●	❍	●	❍	●
Total LAC12										
● Yes	11	1	11	11	12	12	5	9	5	4
❍ No	1	11	1	1	0	0	7	3	7	7
.. Not available										1
Total OECD										
● Yes	13	13	16	17	17	17	10	15	10	
❍ No	7	7	4	3	3	3	10	5	10	
.. Not available										20

Source: OECD (2015), Survey on Cost-Benefit Analysis.

StatLink http://dx.doi.org/10.1787/888933431609

Cost-benefit analysis (CBA) is a methodology for calculating all social benefits and all social costs of an investment project. It determines the viability of an investment and can provide a basis for the comparison of alternative projects before spending public money. In essence, CBA consists of comparing the expected cost of a project against its expected benefits, in order to determine whether benefits exceed costs and hence decide if the investment is convenient for society and leads to an efficient allocation of resources. In CBA, benefits and costs are expressed in monetary terms, and are adjusted for the time value of money; therefore expressed in terms of their net present value (NPV). The most important application of cost-benefit analysis has been to decide upon public investment projects, thought it has also been used in other areas such as the evaluation of regulatory initiatives, called Regulatory Impact Assessment (RIA).

According to the 2015 OECD survey on CBA, it was found that there is generally a nationwide legal requirement or framework for CBA in the LAC region (75% of surveyed countries). However, at the state/local levels such requirement exists only for a quarter of surveyed LAC countries. In the majority of cases, such as Costa Rica, Honduras, Panama, Paraguay and Dominican Republic, it is firmly prescribed as a tool for project selection typically at the pre-feasibility stage or in any case at an early stage of the decision-making process. Additionally, 33% of LAC countries (Argentina, Guatemala, Mexico and Peru) have reported CBA to be increasing in role and importance.

When asked about the general objectives and main roles of CBA according to legislation, regulation or official documents, answers were relatively similar for both LAC and OECD countries. For instance, both groups of countries consider that the key objective of CBA is to provide justification for project selection, decision and financing in the feasibility phase (92% of LAC countries and 80% of OECD countries). To a lesser extent, it is considered an assessment to support the design of an investment project (83% of LAC countries and 50% of OECD countries). Moreover, CBA is considered to play the role of a decision-making tool (67% of LAC countries and 70% of OECD countries). In all surveyed LAC countries, CBA was reported as playing a critical role in decision-making, signaling the importance of CBA as key tool for assessing the convenience and viability of public investment projects.

In LAC countries, CBA is more commonly used in large investment projects to improve transportation systems such as roads, railroads, airports, ports and waterways, and urban transport. Furthermore, CBA is also generally used for water and energy-related developments. On the other hand, sectors such as culture and leisure, capacity improvement and scientific research seldom apply CBA. Guatemala is the only LAC country that reported performing CBA for all types of projects.

Methodology and definitions

The net present value (NPV) is the valuation in the present of a sum of money. It is obtained by discounting future flows of economic benefits to the present period.

Data from the two figures come from the 2015 OECD Survey on Challenges and Applications of Cost-Benefit Analysis for the Preliminary Feasibility Study of Capital Investments. The survey collected responses from 12 LAC countries. Respondents were predominantly country representatives in charge of public investment units or departments, within ministries of finance or equivalent departments with investment assessment and decision-making roles.

Further reading

Lomborg, B. (2009), *Latin American Development Priorities: Costs and Benefits*, Cambridge University Press, New York.

Musgrave, R. (1969), “Cost-Benefit Analysis and the Theory of Public Finance”, *Journal of Economic Literature*, Vol. 7, No. 3, pp. 797-806.

Figure notes

2.27 and 2.28: Chile updated their answers and therefore some changes related to the information published in *Government at a Glance 2015*.

2.27. The general objective of CBA in your country according to legislation, regulation or official documents

	Legal foundation of CBA	General Objective of CBA						Main Role of CBA				
		Tool for prioritysing investment	Justify project selection/ decision and financing	Accountability/ transparency tool	An assessment supporting project design	Tool for project monitoring	Tool for policy learning	Decision tool in allocating funding to agencies	Differs depending on actors	One among other decision making tools	Does not play a decisive in decision making	Is increasing in role and importance
Argentina	■	❍	▲	❍	▲	▲	❍	▲	❍	▲	❍	▲
Chile	●	▲	▲	❍	▲	❍	❍	❍	❍	▲	❍	❍
Costa Rica	❐	▲	▲	❍	▲	❍	❍	❍	❍	▲	❍	❍
El Salvador	✦	❍	❍	❍	▲	❍	❍	▲	❍	❍	❍	❍
Guatemala	❍	▲	▲	❍	▲	❍	❍	❍	❍	❍	❍	▲
Honduras	■	❍	▲	❍	❍	❍	❍	❍	❍	▲	❍	❍
Mexico	●	▲	▲	▲	❍	❍	❍	▲	❍	▲	❍	▲
Panama	●	▲	▲	❍	▲	❍	❍	▲	❍	▲	❍	❍
Paraguay	✦	❍	▲	▲	▲	❍	▲	❍	❍	▲	❍	❍
Peru	●	▲	▲	❍	▲	❍	❍	▲	❍	❍	❍	▲
Republica Dominicana	■	❍	▲	▲	▲	▲	▲	▲	❍	▲	❍	❍
Uruguay	■	❍	▲	❍	▲	❍	❍	❍	❍	❍	❍	❍
LAC total		**6**	**11**	**3**	**10**	**2**	**2**	**6**	**0**	**8**	**0**	**4**
OECD total		**10**	**16**	**11**	**10**	**8**	**3**	**6**	**13**	**14**	**2**	**10**

● Yes, CBA is mandatory nationwide by legislation for all capital investment projects above a certain financial threshold.
■ Yes, there is a legal requirement nationwide for CBA, but only for a specific category of projects.
❐ Yes, there are different legal frameworks depending on procuring /regulatory agencies at national levels.
✧ There is no nationwide legislation, but there is a legislation requiring CBA at state/regional/local government level.
❍ No
✦ There is no legal requirement, but CBA is recommended by government and used anyway.
▲ Yes.
× Not applicable.
Source: OECD (2015), Survey on Cost-Benefit Analysis.

StatLink http://dx.doi.org/10.1787/888933431611

2.28. Sectors in which CBA is usually performed, 2014

Sectors	Countries
Road	ARG,CHL,CRI,DOM,GTM,HND,MEX,PRY,SLV,URY
Rail	ARG,CHL,CRI,GTM,HND,MEX,PRY,URY
Airports, ports and waterways	ARG,CHL,CRI,GTM,HND,MEX,PRY,SLV,URY
Urban transport	CHL,CRI,DOM,GTM,HND,MEX,PRY,URY
Urban development	CRI,GTM,URY,SLV
Water supply and wastewater	ARG,CRI,DOM,GTM,HND, MEX,SLV,URY
Solid waste management	ARG,CRI,DOM,GTM,PAN
Housing	DOM,GTM,SLV
Other environmental projects (risk prevention and mitigation)	CRI,GTM,HND
Energy	ARG,CRI,DOM,GTM,HND,MEX, PRY,URY
Education	CRI,DOM,GTM,MEX,SLV
Health	CRI,DOM,SLV,GTM
ICT	CRI,GTM,HND,PRY
Culture and leisure	CRI,GTM
Scientific research	GTM
Technological development and innovation	CRI,DOM,GTM
Capacity improvement	CRI,GTM

Source: OECD (2015), Survey on Cost-Benefit Analysis.

Chapter 3

Public employment

Government cannot operate without employees. These employees might be policy advisers, health and safety officers, teachers, doctors, police officers or scientists, just to mention a few public sector occupations. Their wages and benefits have direct influence on public sector production costs and provide a proxy of the size of government in the economy. Furthermore, the share of people working for the public sector provides an indication of how public services are delivered in a given country (direct provision vs outsourcing).

In 2014, public sector employment reached 12% of total employment in the LAC countries under study, 9.3 p.p. below the OECD average of 21.4%. However, employment in the public sector varies greatly across LAC countries. On the one hand, public sector employment reached 23.4% of total employment in Barbados, a figure that is above OECD average. In stark contrast, only 4.0% of Colombia's total employment is in the public sector, signalling a relatively small public sector. Between 2009 and 2014, there has been on average a general increase in the size of public sector employment as a share of total employment in the region from 11.3% to 12.0%. The largest increase occurred in the Dominican Republic passing from 12.5% to 18.1%. Conversely, in Colombia and Mexico there was a slight drop of 0.5 p.p. and 0.6 p.p. respectively in public employment as a share of total employment.

When compared to the total labour force, public sector employment in 2014 accounted for the highest level in Barbados (17.2%), Argentina (16.5%) and Dominican Republic (15.5%), and the lowest in El Salvador (7.9%) and Colombia (3.7%). Trends of this figure, in 2009 and 2014, are similar to that of public employment as percentage of total employment. The only exception is Costa Rica, which experienced a slight increase between 2010 and 2013 in public sector employment as a percentage of total employment reaching 15.2% and a slight decrease as a percentage of labour force (from 14.1% to 13.9%). This different trend does not directly indicate a change in public sector employment, but it is a signal of a faster increase of the labour force as compared to total employment, which could indicate an increase in the unemployment component of the labour force.

Methodology and definitions

Data were extracted from the International Labour Organization (ILO) ILOSTAT Database. Public sector employment covers all employment of general government sector as defined in the System of National Accounts (SNA) plus employment of 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 controlled by public authorities. Public corporations are legal units producing goods or services for the market and that are controlled and/or owned by government units. Public corporations also include quasi corporations. Data represent the total number of persons employed directly by those institutions, without regard for the particular type of employment contract. The labour force, or active population, comprises all persons who fulfil the requirements for inclusion among the employed or the unemployed. The employed comprise all persons of working age who, during a specified brief period such as one week or one day, were in the following categories: paid employment or self-employment. For 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 supply labour for the production of goods and services during a specified time-reference period.

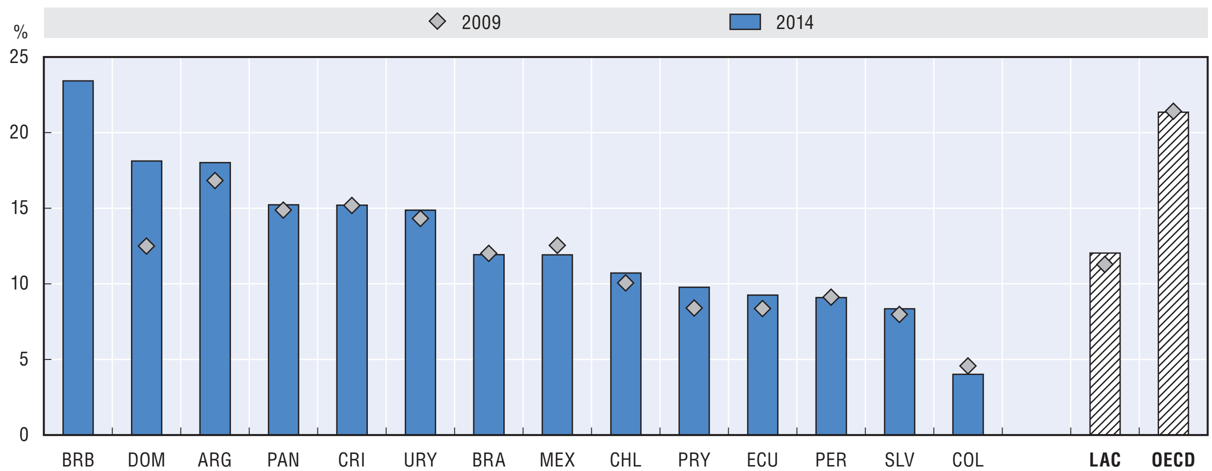
Further reading

OECD (2013), Colombia, *Implementing Good Governance*, OECD Public Governance Reviews, OECD publishing. *http://dx.doi.org/10.1787/9789264202177-en*.

Figure notes

3.1 and 3.2: The number of employees in the Colombian public sector is underestimated, since it is not possible to get an accurate figure for the number of off-payroll staff. Additionally, in Colombia public employment in the health sector is low by comparative standards as most healthcare workers are employed as private contractors. Data for Argentina are for 2010 rather than 2009. Data for Brazil are for 2011 rather than 2009. Data for Costa Rica are for 2010 and 2013, rather than 2009 and 2014. Data for Ecuador, El Salvador and Peru are 2013 rather than 2014. Data for Barbados are not included in the LAC average. OECD average: data for Austria, Czech Republic, Germany, Iceland, Israel, Luxembourg, the Netherlands, New Zealand, Turkey and the United States are not available. Data for Australia, Denmark, Finland, Korea, Latvia and Portugal are not included in the average due to missing time-series.

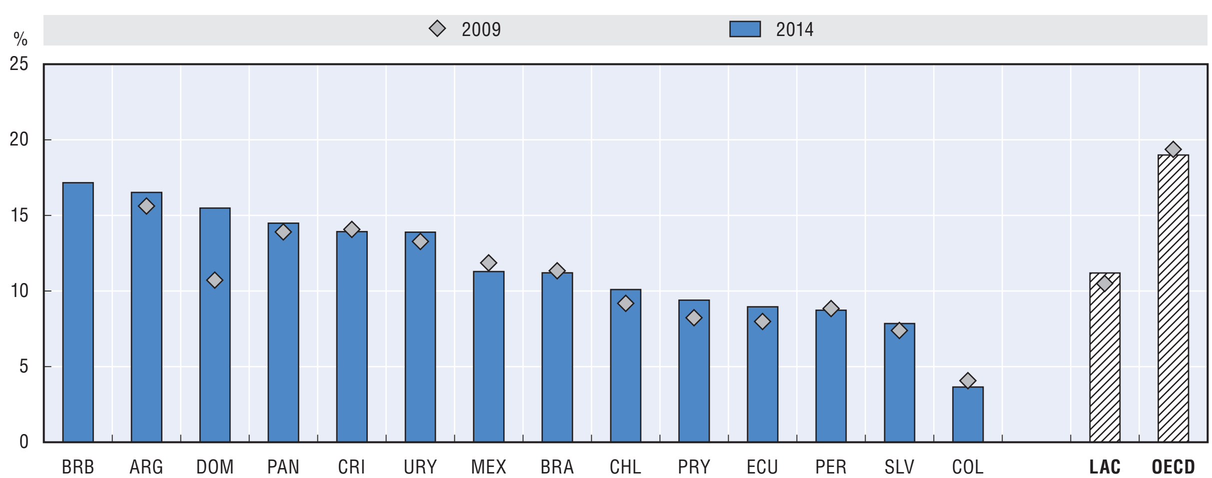
3.1. Public sector employment as a percentage of total employment, 2009 and 2014



Source: International Labour Organization (ILO), ILOSTAT Database 2015.

StatLink http://dx.doi.org/10.1787/888933431105

3.2. Public sector employment as a percentage of the labour force, 2009 and 2013



Source: International Labour Organization (ILO), ILOSTAT Database 2015.

StatLink http://dx.doi.org/10.1787/888933431115

Gender equality is increasingly considered as a key policy priority in the LAC region. As a result, many governments have put forward initiatives aimed at achieving gender equality in their workforce. Achieving gender equality in the public sector is not only an issue of fairness but a means of maximising the use of talent and ensuring that policies reflect the different perspectives existing in the society. In addition, striving for a numerical balance between men and women in the various occupations and by job levels, including managerial positions is also very important. A concrete example of a mechanism that could be used to improve gender balance within the public sector is gender diversity targets.

According to the latest available data, representing 2014, men and women in the LAC region are almost equally represented in public sector employment reaching 49.7% and 50.3% respectively. This is in stark contrast to OECD countries, where women represent on average 59.0% of employment in the public sector. However, there is significant variation on the representation of women in the public sector across LAC countries, ranging from 59.2% in Brazil to 43.8% in El Salvador. Specifically, 6 out of 12 LAC countries analysed below have a higher share of women working in the public sector. Between 2009 and 2014, on average, there has been a general increase (2.1 p.p.) in the level of representation of women in public sector employment. Conversely, in Ecuador and El Salvador, the level decreased by 2.1 p.p. and 0.5 p.p. respectively.

Historically, the public sector has attracted women due to the stability of working conditions, the existence of family-friendly policies and the peculiarity of professions such as teachers and nurses where women are over-represented and the public sector tends to be the main provider. When compared to the overall economy, public sector employment displays a different pattern. Even though in numerical terms women are properly represented in the public sector, true gender parity would require guaranteeing that women have access to high-level positions and that there is equal compensation between men and women. In 2014, in LAC countries, men represented 59.4% of total employment, outnumbering women who accounted for 40.6%. Furthermore, between 2004 and 2014 the increase of women employed in total employment (1.0 p.p.) has been slower than their increase over the same period in public sector employment (2.1 p.p.) Barbados is the only LAC country where women represent more than 50% of total employment. On the other end, the Dominican Republic is the country with the highest under-representation of women, with only 36.3% of them in total employment.

Methodology and definitions

Data were extracted from the International Labour Organization (ILO), ILOSTAT Database. Public sector employment covers all employment of the general government sector as defined in the System of National Accounts (SNA) plus employment of public corporations. The general government comprises all levels of government (central, state, local and social security funds) and includes core ministries, agencies, departments and non-profit institutions that are controlled by public authorities. Public corporations are legal units producing goods or services for the market and that are controlled and/or owned by government units. Public corporations also include quasi corporations. Data represent the total number of persons employed directly by those institutions, without regard for the particular type of employment contract. Total employment comprises all persons of working age who, during a specified brief period such as one week or one day, were in the following categories: paid employment or self-employment. 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. A gender diversity target is a numerical objective established by the government to promote gender balance and diversity in the workplace.

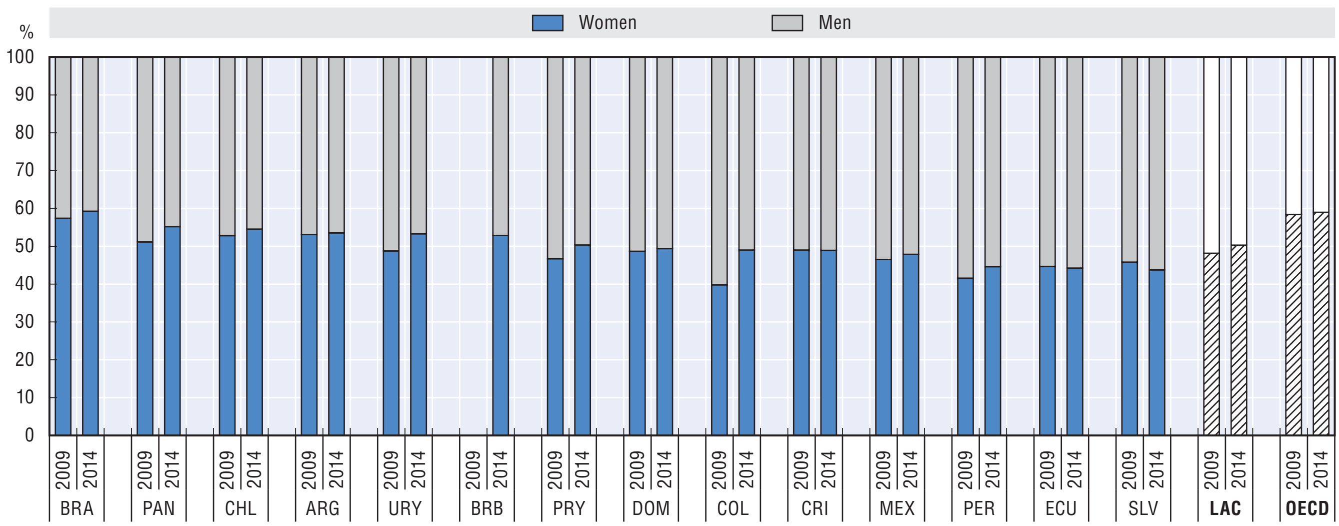
Further reading

OECD (2014), *Women, Government and Policy Making in OECD Countries: Fostering Diversity for Inclusive Growth*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264210745-en*.

Figure notes

3.3 and 3.4: Data for Argentina are for 2010 rather than 2009. Data for Brazil are for 2011 rather than 2009. Data for Costa Rica are for 2010 and 2013, rather than 2009 and 2014. Data for Ecuador, El Salvador and Peru are for 2013 rather than 2014. Data for Barbados are not included in the LAC average. Data for Argentina refer to urban areas only. OECD average: data for Austria, Czech Republic, Germany, Iceland, Ireland, Israel, Luxembourg, the Netherlands, New Zealand, Turkey and the United States are not available. Data for Australia, Denmark, Finland, Korea, Latvia and Portugal are also not included in the average due to missing time-series.

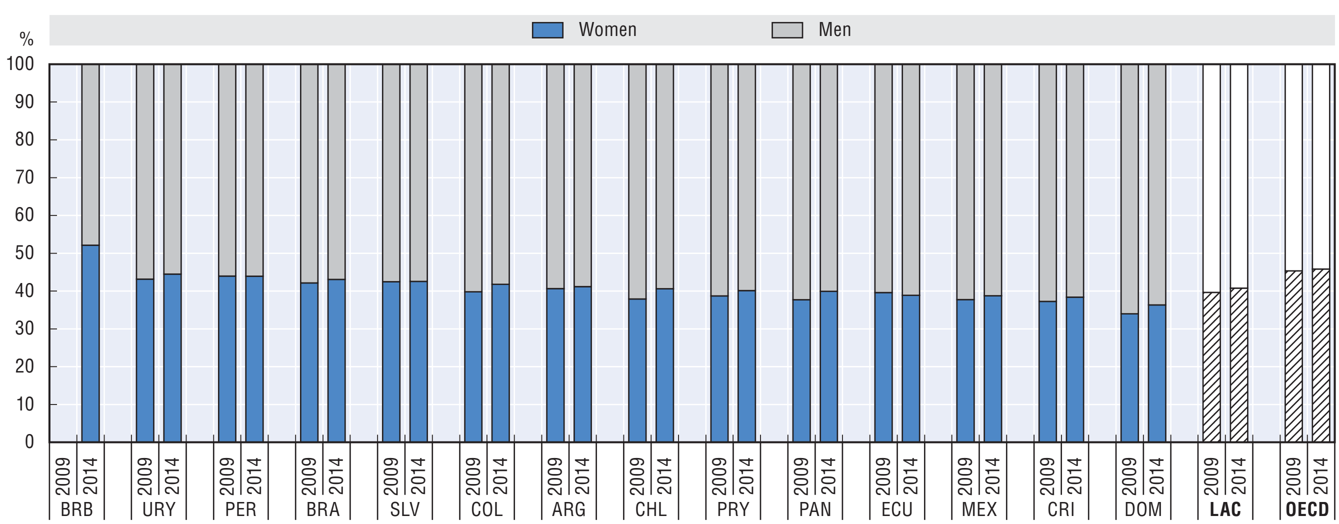
3.3. Share of public sector employment filled by women and men, 2009 and 2014



Source: International Labour Organization (ILO,) ILOSTAT Database 2015.

StatLink http://dx.doi.org/10.1787/888933431127

3.4. Share of employed women and men in total employment, 2009 and 2014



Source: International Labour Organization (ILO), ILOSTAT Database 2015.

StatLink http://dx.doi.org/10.1787/888933431139

Chapter 4

Institutions (Centres of government)

The centre of government (CoG) refers to the organisations and units that provide direct support to the head of government (president or prime minister) and perform certain key cross-cutting functions. These functions include the strategic management of the government's priority goals (working with the relevant policy sectors to define targets and the strategies to achieve them, as well as aligning the budget with the priorities), coordinating the ministries and agencies that contribute to those goals, monitoring the implementation of priority programmes and removing obstacles when performance is lagging; managing the politics to enable the approval and implementation of those programmes, and communicating results to the public. The relevance of the CoG has increased in recent years due to a number of factors, such as the rise of multidimensional issues (e.g. competitiveness, inequality, crime) that require whole-of-government responses, the growing demand of citizens for better results in service delivery, and the need to ensure coherent policies in governments that have expanded their scope of activities and operate in a frantic 24/7 news cycle.

CoGs are critical to organise and support the head of government's decision-making process for guaranteeing the delivery of government priorities. In a similar way to OECD countries, in 2015, most presidents and prime ministers in LAC relied on a multiplicity of channels for decision making. Cabinet meetings (93% of countries) and direct bilateral contacts with ministers (80%) are the main channels used for discussing policy issues. Groups of advisors are used in 46% of the countries. The role assigned to cabinet meetings in LAC is noteworthy for a region in which most countries operate under presidential systems; traditionally, collective cabinet discussions were considered unusual in these systems.

This variety of decision-making processes implies an important challenge for CoG units, especially in terms of ensuring that all relevant stakeholders can express their views and that the head of government receives the appropriate information before reaching a decision. According to the survey respondents, the CoG coordinates the discussion about agenda items of cabinet meetings in 73% of the countries (as compared to 88% in OECD countries). In a similar proportion of LAC countries, the CoG is responsible for reviewing the items submitted for cabinet discussion.

The capacity of CoGs to return items to ministries if the procedures for preparation and presentation were not followed is generally lower in LAC countries when compared to OECD countries. For instance, while in 60% of the LAC countries items could be returned if the procedures for preparation and presentation were not followed, this share is higher in OECD member countries, reaching 70%. The gap increases when it comes to returning items that are not in line with the government programme or when regulatory standards are not met (26.7% and 33.3% for LAC countries compared to 51.9% and 55.5% respectively in OECD countries).

In comparison to the OECD countries, the item reviews conducted by the CoGs in LAC countries are more focused on procedures than on policy content. Despite the relevant role of cabinet meetings for policy discussions in LAC countries, the comparison with OECD countries shows that the role of the CoG in the substantive review of agenda items is still limited in LAC countries.

Methodology and definitions

Data were collected through the 2015 IDB-OECD Survey on the Organisation and Functions of the Centre of Government in Latin America and the Caribbean. Fifteen countries participated in the survey. Respondents were senior officials who provide direct support and advice to heads of government and provided information for the year 2015. The OECD totals are as reflected in the Government at a Glance dataset and are based on 28 OECD countries that replied to the survey.

Typical units of the centre of government include the ministry or general secretariat of the presidency, the Office of the prime minister, and the cabinet office, but sometimes those functions may be performed by units based in other parts of the government (finance, planning, budget office, etc.). Some responses were re-coded to ensure that those units were considered part of the CoG.

Further reading

Alessandro, M., M. Lafuente and C. Santiso (2014), *Governing to Deliver: Reinventing the Center of Government in Latin America and the Caribbean,* Inter-American Development Bank, Washington, DC., *https://publications.iadb.org/handle/11319/6674*.

OECD (2015), "Centre Stage: Driving Better Policies from the Centre of Government", *GOV/PGC/MPM(2014)3*, OECD, Paris, *http://www2.oecd.org/oecdinfo/info.aspx?app=OLIScoteEN&Ref=GOV/PGC/MPm(2014)3*.

4.1. Channels through which the head of government discuss policy issues, 2015

	Bilateral contacts with ministers	Groups of advisors	Cabinet meetings
Argentina	●	❍	●
Chile	●	●	●
Colombia	●	●	●
Guyana	❍	❍	●
Costa Rica	●	●	●
Guatemala	●	❍	●
Haiti	●	●	❍
Honduras	●	❍	●
Mexico	❍	●	●
Panama	●	●	●
Paraguay	●	●	●
Peru	●	❍	●
Dominican Republic	●	❍	●
Trinidad and Tobago	❍	❍	●
Uruguay	●	❍	●
LAC total			
● Yes	12	7	14
❍ No	3	8	1
OECD total			
● Yes	19	17	23
❍ No	9	11	5

Source: OECD-IDB (2015), Survey on the Organisation and Functions of the Centre of Government.

StatLink http://dx.doi.org/10.1787/888933431621

4.2. Role of the CoG in reviewing agenda items for cabinet meetings, 2015

	Procedures have been followed	Legal conformity	Regulatory quality standards	Alignment with government plan	Consultation of stakeholders	Costing
Argentina	●	❐	●	●	●	●
Chile	❐	❍	❐	❍	❍	●
Colombia	❍	●	●	●	●	●
Costa Rica	❍	❐	❍	●	❍	❍
Dominican Republic	●	●	●	●	●	●
Guatemala	❍	❐	❍	●	●	●
Guyana	❍	❍	❍	❍	❍	❍
Haiti	❍	●	●	●	❍	❍
Honduras	❍	❍	❍	❍	❍	❍
Mexico	❍	❐	❍	❍	●	●
Panama	❍	●	❐	❐	●	❐
Paraguay	●	●	●	●	●	●
Peru	●	❐	❐	●	●	●
Trinidad and Tobago	❐	❐	❐	❐	❐	❐
Uruguay	❍	❍	❐	❐	❍	❐
LAC total						
● CoG reviews	4	5	5	8	8	8
❍ CoG has authority to return items to ministry for additional work if criterion is not satisfied	9	4	5	4	6	4
❐ Reviewed by another body	2	6	5	3	1	3
OECD total						
● CoG reviews	16	9	8	14	12	8
❍ CoG has authority to return items to ministry for additional work if criterion is not satisfied	19	14	15	14	17	12
❐ Reviewed by another body	4	14	12	5	6	17

Source: OECD-IDB (2015), Survey on the Organisation and Functions of the Centre of Government.

StatLink http://dx.doi.org/10.1787/888933431639

Inter-ministerial coordination is one of the key CoG functions. It is critical to ensure whole-of-government responses to cross-cutting issues, and to minimise unintended duplications or contradictions in government policy. The CoG can be an "honest broker" between line ministries that have their own sectoral agendas and bureaucratic cultures, aligning them behind a coherent government direction. Moreover, the rise of complex and multidimensional issues, which cannot be addressed solely by "vertical" ministerial responses, has highlighted the importance of central steering and co-ordination.

In consequence, coordination has become increasingly relevant. In recent years, 60% of LAC countries reported that the number of cross-ministerial initiatives increased, compared to 51% in OECD countries. Of the remaining LAC countries 33.3% reported that the number of cross-ministerial initiatives remained stable (44% in OECD) while 6.7% signalled that it decreased (4% in OECD member countries). In almost every LAC country the CoG's role in this regard is to facilitate or support the ministries that work on these initiatives, although in almost half of the countries, the CoG may take a leadership role as well.

In general, coordination is achieved through inter-ministerial committees. In 80% of LAC countries, the CoG is responsible for organising cross-governmental policy coordination groups or committees. These committees exist at a ministerial level in 80% of LAC countries (compared with 85.2% in the OECD), at a deputy ministerial level in 40% of LAC countries (70.3% in OECD) and at a director's level in 46.7% of LAC countries (74.1% in OECD). Therefore, compared to the practice in OECD countries, inter-ministerial committees in LAC tend to be composed of politically appointed officials rather than senior civil servants. This can lead to insufficient continuity or lack of institutional memory in inter-ministerial coordination, as political appointees have higher turnover rates than civil servants.

The CoG's influence to promote inter-ministerial collaboration varies across LAC countries. In 33.3% of the cases, the CoG is regarded as having a high level of influence over line ministries to encourage coordination (compared to 30% in OECD countries), meaning that it can potentially impose consequences or sanctions on them. In 20% it has low influence (11% in OECD countries), meaning that it can only express its views. The remaining 46.7% reported moderate influence (59% in OECD countries).

This influence can be expressed through different incentives for line ministries. Some 60% of CoGs in LAC countries use individual or collective performance targets (60% in OECD countries), while 13% use financial incentives to promote coordination (21% in OECD). Further, 20% of LAC countries indicated a lack of incentives for coordination.

Methodology and definitions

Data were collected through the 2015 IDB-OECD Survey on the Organisation and Functions of the Centre of Government in Latin America and the Caribbean. Fifteen countries participated in the survey. Respondents were senior officials who provide direct support and advice to heads of government and provided information for the year 2015. The OECD totals are as reflected in the Government at a Glance dataset and are based on answers from 27 countries.

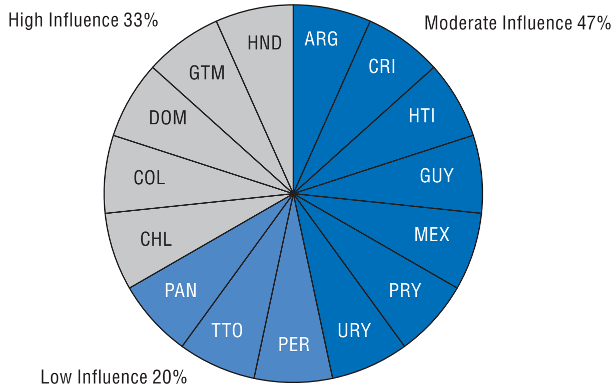
Centre of government (CoG) was defined as the organisation and units responsible for certain critical cross-cutting functions (strategic management, coordination, monitoring and improving performance, political management, communications and accountability) related to the management of the government's top priorities. Typical units include the ministry or general secretariat of the presidency, the office of the prime minister and the cabinet office, but sometimes those functions may be performed by units based in other parts of the government (finance, planning, budget office, etc.). Some responses were re-coded to ensure that those units were considered part of the CoG.

Further reading

Alessandro, M., M. Lafuente and C. Santiso (2014), *Governing to Deliver: Reinventing the Center of Government in Latin America and the Caribbean*, Inter-American Development Bank, Washington, DC., *https://publications.iadb.org/handle/11319/6674*.

OECD (2015), "Centre Stage: Driving Better Policies from the Centre of Government", *GOV/PGC/MPM(2014)3*, OECD, Paris, *http://www2.oecd.org/oecdinfo/info.aspx?app=OLIScoteEN&Ref=GOV/PGC/MPm(2014)3*.

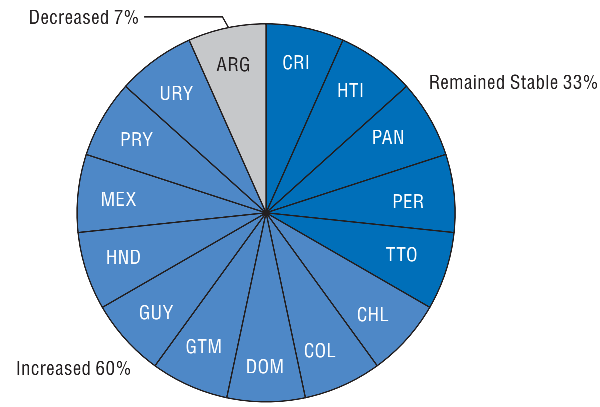
4.3. Level of influence of the CoG over line ministries to encourage coordination, 2015



Source: OECD-IDB (2015), Survey on the Organisation and Functions of the Centre of Government.

StatLink http://dx.doi.org/10.1787/888933431148

4.4. Variation in the number of cross-ministerial initiatives in recent years, 2015



Source: OECD-IDB (2015), Survey on the Organisation and Functions of the Centre of Government.

StatLink http://dx.doi.org/10.1787/888933431154

4.5. Responsibility of the CoG for organising cross-government policy coordination committees, 2015

	Minister level	Deputy minister level	Director level
Argentina	●	●	❍
Chile	●	❍	●
Colombia	●	❍	●
Costa Rica	●	❍	
Dominican Republic	●	❍	●
Guatemala	●	●	●
Guyana	●	●	❍
Haiti	●	❍	●
Honduras	●	●	●
Mexico	❍	●	❍
Panama	❍	❍	❍
Paraguay	❍	❍	❍
Peru	●	❍	❍
Trinidad and Tobago	●	❍	❍
Uruguay	●	●	●
Total LAC			
Yes ●	12	6	7
No ❍	3	9	7
Total OECD			
Yes ●	23	19	20
No ❍	4	8	7

Key:
● Yes
❍ No

Source: OECD-IDB (2015), Survey on the Organisation and Functions of the Centre of Government, OECD, Paris.

StatLink http://dx.doi.org/10.1787/888933431642

In addition to policy coordination, CoGs are also responsible for the strategic management and monitoring of the government's top priority goals. During the planning phase, this includes working with the relevant line ministries to set specific targets and actionable implementation strategies to achieve them, as well as aligning budget resources behind the strategies. During implementation, this includes monitoring progress and assisting the sectors in unblocking obstacles to enable effective performance. In recent years, a systematic approach to delivery (which some have conceptualised as "deliverology") has been adopted worldwide in several CoG institutions at both national and subnational levels of government. This emphasis on delivery has reportedly improved the achievement of priority goals in a number of cases, highlighting the valuable role that CoG units can play in this regard.

Planning is the first chronological function within strategic management. All but one of LAC countries participating in the survey have developed a document outlining a strategic vision for the country. In only one country this document is internal to the government; in all others it is made public. Two fifths of the surveyed LAC countries develop plans covering 10 or more years, and another 40% have plans covering up to five years. Long-term plans may provide useful in terms of strategic foresight and prospective analysis, but pose the challenge of remaining actual guides for action when governments change or when the context varies from the time of their formulation.

The CoG participates in the drafting of the strategic vision document in two-thirds of the countries in LAC. In the remaining cases, this work is left to sector ministries or agencies, outside consultants and/or international organisations. However, the CoG's participation is relevant to ensure that the plan truly reflects the priorities of the head of government, and that it is coherent with the government's overall orientation. Moreover, considering that cross-ministerial policy initiatives have become more common in a majority of countries (see two-pager on policy coordination), the CoG's involvement would be even more relevant.

In all of the surveyed countries, the CoG is involved in monitoring the implementation of government policies by line ministries, mainly through the establishment of performance targets. However, the use of work plans for implementation with specific deadlines is less frequent: 40% of the countries have put them in place, compared to 51.9% of OECD countries. The establishment of specific units based at the CoG to perform this task appears to be even less common, although there are exceptions such as Colombia's Presidential Delivery Unit, Paraguay's and Costa Rica's Centre of Government Units, the Dominican Republic's Deputy Ministry for Monitoring Priorities, and Honduras' Presidential Directorate for Performance Management. This suggests that there is opportunity to enhance the performance of the monitoring function by adopting some of the tools of the deliverology approach, tailored to the characteristics and the needs of each case.

Methodology and definitions

Data were collected through the 2015 IDB-OECD Survey on the Organisation and Functions of the Centre of Government in Latin America and the Caribbean. Fifteen countries participated in the survey. Respondents were senior officials who provide direct support and advice to heads of government and provided information for the year 2015. The OECD totals are as reflected in the Government at a Glance dataset and are based on answers from 27 countries. Centre of government (CoG) was defined as the organisations and units responsible for certain critical cross-cutting functions (strategic management, coordination, monitoring and improving performance, political management, communications and accountability) related to the government's top priorities.

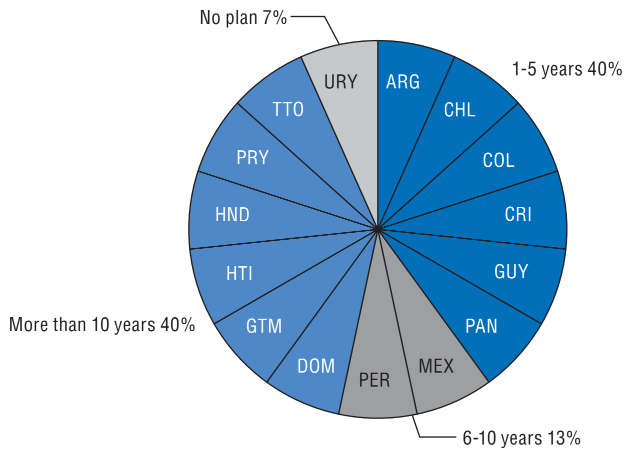
Further reading

Alessandro, M., M. Lafuente and C. Santiso (2014), *Governing to Deliver: Reinventing the Center of Government in Latin America and the Caribbean*, Inter-American Development Bank, Washington, DC., *https://publications.iadb.org/handle/11319/6674*.

Barber, M. (2015), *How to Run a Government: So that Citizens Benefit and Taxpayers Don't Go Crazy*, Penguin, London.

OECD (2015), "Centre Stage: Driving Better Policies from the Centre of Government", *GOV/PGC/MPM(2014)3*, OECD, Paris, *http://www2.oecd.org/oecdinfo/info.aspx?app=OLIScoteEN&Ref=GOV/PGC/MPm(2014)3*.

4.6. Time period covered by strategic vision documents, 2015



Source: OECD-IDB (2015), Survey on the Organisation and Functions of the Centre of Government, OECD, Paris.

StatLink http://dx.doi.org/10.1787/888933431165

4.7. Type of policy implementation monitoring conducted by the CoG, 2015

	Work plan with deadlines	Performance targets	Monitoring (general)
Argentina	●	❍	●
Chile	●	●	●
Colombia	●	●	●
Costa Rica	❍	●	●
Dominican Republic	●	●	●
Guatemala	❍	●	●
Guyana	●	●	●
Haiti	❍	❍	●
Honduras	❍	●	●
Mexico	●	●	●
Panama	❍	❍	●
Paraguay	❍	●	●
Peru	❍	❍	●
Trinidad and Tobago	❍	❍	●
Uruguay	❍	●	❍
LAC total	**6**	**10**	**14**
OECD total	**14**	**10**	**25**

Key:
● Yes
❍ No

Source: OECD-IDB (2015), Survey on the Organisation and Functions of the Centre of Government, OECD, Paris.

StatLink http://dx.doi.org/10.1787/888933431652

Chapter 5

Budget practices and procedures

The central budget authority (CBA) is the office in charge of leading the budget process and therefore has the capacity to influence institutional arrangements for budgeting. By steering the budget process, the CBA can contribute to achieve a well-structured budget that, in turn, can give strategic direction and cohesion to the public sector.

The location of the CBA affects the amount of co-ordination required to consolidate the budget and can lead to duplication of tasks or disputes between the different units involved. The majority of LAC (82.3%) and OECD (87.5%) countries have located the CBA within the ministry of finance and/or economics. The CBA is commonly located in one specific office or department of the ministry, usually the budget department as for example in Argentina, Barbados, Ecuador and Costa Rica. In Colombia and Dominican Republic the CBA functions are split between the ministry of finance and the national planning ministry/department. In both cases, the planning ministry/department is in charge of assessing and deciding on investment projects to be included in the budget. In the case of Brazil, the budget is entirely managed by a CBA located in the ministry of planning, budget and management that coordinates for some aspects (e.g. directives) with the ministry of Finance.

The head of the CBA is often the main person responsible for planning and preparing the government's budget. Moreover, he/she is responsible for conducting the interactions with other spending units and maintaining good relations with them. In most (63.6%) OECD and slightly more than half of LAC countries, the head of the CBA is a senior civil servant, understood as a government official who could expect to remain in the position when there is a change in government. In LAC countries, nearly half of the heads of the CBA are political appointees. For example, Costa Rica, Dominican Republic, Haiti, Paraguay and Peru have a CBA chief who generally does not remain in the position when there is a change in government.

The number and types of tasks under the responsibility of the CBA vary across countries. In more than half of LAC and OECD countries, the CBA has the exclusive responsibility of drafting budget circulars, determining expenditure ceilings, negotiating with line ministries, developing executive budget proposals, generating supplementary budgets and producing both mid-year and end-of-year reports. In LAC countries, over two thirds of the CBA have the role of testifying before legislature, while in OECD countries, it is less than one third. Some other tasks, such as monitoring performance of line ministries, defining methodology for both macroeconomic and fiscal projections, and communications with the public are generally a shared responsibility with other institutions or agencies (public or private). For example, in Honduras, Colombia, Jamaica and Dominican Republic the responsibility of producing macroeconomic estimates is shared between the CBA and the central bank.

Methodology and definitions

Data refer to 2013, drawing on country responses to the 2013 OECD Survey of Budget Practices and Procedures. Respondents were predominantly senior budget officials in LAC countries and OECD member countries. Responses represent the countries' self-assessments of current practices and procedures. Data refer only to central/federal governments and exclude the sub-national level. OECD totals are based on responses by 33 OECD member countries.

A 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 budget formulation and oversight. In many countries, the CBA is often part of a division or unit found within the ministry of finance/economy. Specific responsibilities vary by country, but generally, the CBA is responsible for formulating budget proposals, conducting budget negotiations with line ministries and agencies, allocating or reallocating funds, ensuring compliance with the budget laws and at times conducting performance evaluations and/or efficiency reviews. While this authority may monitor budget execution, it may 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.

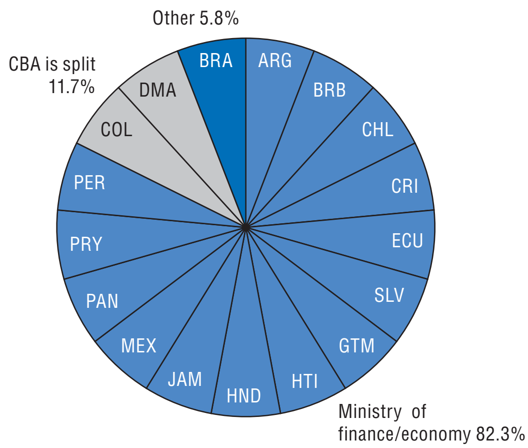
Further reading

IDB (2015), *Building Effective Governments*, Inter-American Development Bank, Washington, DC.

Guzmán, M., M. Marcel and M. Sanginés (2014), *Presupuestos para el desarrollo en América Latina*, Inter-American Development Bank, Washington, DC.

OECD (2014), *Budgeting Practices and Procedures in OECD Countries*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264059696-en*.

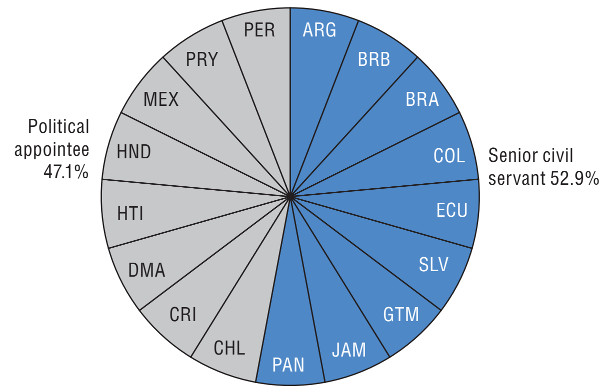
5.1. Location of the CBA, 2013



Source: OECD (2013), Survey of Budget Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888933431179

5.2. Head of the CBA, 2013



Source: OECD (2013), Survey of Budget Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888933431186

5.3. Responsibilities of the CBA, 2013

Country	Drafting budget circular	Methodology for macroeconomic projections	Methodology for fiscal projections	Determining ceilings for line ministries	Negotiating with line ministries	Developing executive budget roposal	Testifying before legislature	Monitoring performance of line ministries	Producing supplementary budgets	Producing end-of-year reports	Communication s with public
Argentina	●	⊗	◗	◗	◗	◗	⊗	●	◗	◗	⊗
Barbados	●	⊗	●	⊗	●	◗	⊗	●	●	●	◗
Brazil	●	◗	◗	●	●	●	●	◗	●	⊗	●
Chile	●	◗	●	◗	●	●	●	◗	●	●	●
Colombia	●	⊗	●	●	●	◗	●	◗	◗	●	◗
Costa Rica	●	●	●	●	●	●	●	●	●	●	●
Dominican Republic	●	◗	◗	●	●	●	●	●	●	●	◗
Ecuador	●	◗	◗	◗	◗	●	●	◗	●	◗	◗
El Salvador	●	◗	◗	●	◗	●	●	◗	●	●	◗
Guatemala	●	⊗	◗	●	●	●	◗	◗	●	◗	⊗
Haiti	◗	●	●	◗	◗	●	◗	⊗	●	●	●
Honduras	●	⊗	●	●	●	●	●	◗	❍	●	●
Jamaica	●	◗	●	◗	●	●	◗	◗	●	◗	◗
Mexico	●	◗	●	●	●	●	●	◗	●	●	●
Panama	⊗	●	⊗	●	●	●	●	●	●	●	⊗
Paraguay	●	⊗	⊗	●	◗	●	●	◗	◗	●	●
Peru	●	⊗	⊗	●	●	●	●	●	●	●	⊗
LAC total											
●	15	3	8	11	12	14	12	6	13	12	7
◗	1	7	6	5	5	3	3	10	3	4	6
⊗	1	7	3	1	0	0	2	1	0	1	4
❍	0	0	0	0	0	0	0	0	1	0	0
OECD total											
●	28	8	11	23	27	27	11	8	25	20	11
◗	3	12	18	5	5	6	10	18	6	11	15
⊗	1	13	4	4	1	0	8	5	1	2	7
❍	1	0	0	1	0	0	4	2	1	0	0

Key:
● Sole responsibility of CBA
◗ Shared responsibility between CBA and other institutions
⊗ Not a responsibility of CBA
❍ Not applicable

Note: In the case of Honduras no supplementary budgets are produced.

Source: OECD (2013), Survey of Budget Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888933431663

Formulating the budget implies consultation and negotiation with line ministries and other spending units. One of the main objectives of the central budget authority is to consolidate a budget proposal that reflects policy priorities and takes into account the spending trajectory and existing financial commitments. Commonly, as means of enforcing fiscal discipline and signalling policy priorities, expenditure ceilings are set on spending units' initial requests. In the course of the process to set the budgetary ceilings, disagreements between the CBA and line ministries about resource allocation can arise. Such controversies require resolution by a third party with the authority to decide on budgetary matters and the capacity to balance budgetary interests.

Setting expenditure ceilings for line ministries is a regular practice in 71% of LAC countries surveyed, which is slightly higher than in OECD member countries (64%). Countries such as Argentina, Barbados, Brazil, Chile and Ecuador set ceilings at the ministerial level. Colombia is the only LAC country that sets ceilings exclusively at the agency or other organisational level. In Honduras and Mexico, ceilings are determined at other aggregate levels (e.g. programme or sector). Panama reported that ceilings are not set on initial budget requests.

The resolution of disputes between ministries in the budget formulation is a responsibility of the minister of finance in half of LAC countries, as in Colombia, Costa Rica, El Salvador, Honduras and Paraguay. In the cases of Argentina, Chile and Guatemala disputes are settled by the president, while in Jamaica, Peru, Brazil and Dominican Republic disagreements are resolved by the cabinet or a ministerial committee.

Exceptionally, some accounts could be excluded from the budget proposal yet are expected to be referred within the budget documentation. Off-budget expenditures are likely to involve transactions such as the activities of public enterprises, credit provided or guaranteed by government or social security funds. In some occasions, off-budget expenditures cannot be effectively controlled through the budget process and over time may pose challenges to the sustainability of public finances.

Off-budget expenditures are not as common in LAC countries as they are in OECD member countries. Emergency or contingency funds exist in 29% of LAC countries, for example, in Chile, Costa Rica, Dominican Republic, Haiti and Panama. Only 18% of LAC countries report off-budget expenditures in the form of loan guarantees and 12% as social security or infrastructure capital funds. In the majority of the cases (57%) the information about these funds is included in the budget documentation. Meanwhile, 39% of OECD member countries report off-budget expenditures in the form of social security funds, 36% as loan guarantees, 21% as infrastructure capital funds and 15% as emergency or contingency funds. Information about these funds is included in the budget documentation for the majority of OECD member countries, reaching over 75% in social security funds and loan guarantees.

Methodology and definitions

Data refer to 2013, drawing on country responses to the 2013 OECD Survey of Budget Practices and Procedures. Respondents were predominantly senior budget officials in LAC countries and OECD member countries. Responses represent the countries' self-assessments of current practices and procedures. Data refer only to central/federal governments and exclude the sub-national level. OECD totals are based on responses by 33 OECD member countries.

An aggregate expenditure ceiling is a quantitative upper limit on all, or a large part of the government expenditure, which is set for a specific year, generally expressed in absolute numbers.

Off-budget expenditures correspond to financial transactions that are not accounted for in the budget.

Further reading

Robinson, M. (2016), "The coverage of aggregate expenditure ceilings", *OECD Journal on Budgeting*, Vol. 2015, No. 1, OECD, Paris.

IDB (2015), *Building Effective Governments*, Inter-American Development Bank, Washington, DC.

Guzmán, M., M. Marcel and M. Sanginés (2014), *Presupuestos para el desarrollo en América Latina*, Inter-American Development Bank, Washington, DC.

OECD (2014), Budgeting Practices and Procedures in OECD Countries, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264059696-en*.

Figure notes

5.6: In the case of the Dominican Republic, disputes are settled by the Finance Minister and the Minister of Economy, Planning and Development. In the case of Brazil, disputes are settled by the Federal Budget Secretariat that is composed by the Ministries of Planning and Economy. For more complicated cases, the Ministry of the Presidency (Casa Civil) intervenes. Data for Haiti are not available.

5.4. Ceilings on line ministries' initial requests and inclusion in the budget, 2013

Country	Ceilings on initial budget requests			
	Total/overall expenditure of the line ministry	Agency level or other organisational level	Other aggregate levels (e.g. programme or sector)	No such limits
Argentina	●	❍	❍	❍
Barbados	●	❍	❍	❍
Brazil	●	❍	❍	❍
Chile	●	❍	●	❍
Colombia	❍	●	❍	❍
Costa Rica	●	❍	❍	❍
Dominican Republic	●	❍	●	❍
Ecuador	●	❍	●	❍
El Salvador	●	❍	❍	❍
Guatemala	●	●	❍	❍
Haiti	●	❍	❍	❍
Honduras	❍	❍	●	❍
Jamaica	●	❍	❍	❍
Mexico	❍	❍	●	❍
Panama	❍	❍	❍	●
Paraguay	●	❍	❍	❍
Peru	❍	❍	●	❍
LAC total	**17**	**17**	**17**	**17**
●	12	2	6	1
❍	5	15	11	16
OECD total	**33**	**33**	**33**	**33**
●	21	4	12	5
❍	12	29	21	28

Key:
● Yes
❍ No

Source: 2013 OECD survey on Budget practices and procedures

StatLink http://dx.doi.org/10.1787/888933431679

5.5. Type of off-budget expenditures, 2013

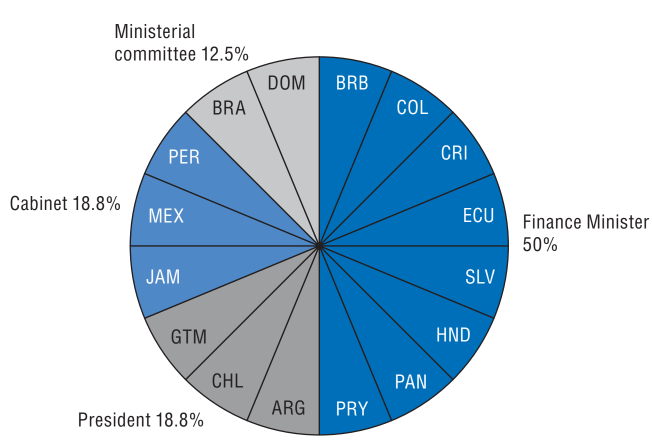
Country	Off budget expenditures				
	Social Security funds	Loan guarantees	Infrastructure Capital funds	Quasi fiscal activities of state owned enterprises	Emergency/ contingency funds
Argentina	❍	■	❍	❍	❍
Barbados	❍	❍	❍	❍	❍
Brazil	❍	❍	❍	❍	❍
Chile	❍	❍	❍	❍	■
Colombia	■	●	❍	❍	❍
Costa Rica	●	●	●	●	●
Dominican Republic	❍	❍	❍	❍	■
Ecuador	❍	❍	❍	❍	❍
El Salvador	❍	❍	❍	❍	❍
Guatemala	❍	❍	❍	❍	❍
Haiti	❍	❍	❍	❍	■
Honduras	❍	❍	❍	❍	❍
Jamaica	❍	❍	❍	❍	❍
Mexico	❍	❍	■	■	❍
Panama	❍	❍	❍	❍	■
Paraguay	❍	❍	❍	❍	❍
Peru	❍	❍	❍	❍	❍
LAC total	**17**	**17**	**17**	**17**	**17**
■	1	1	1	1	4
●	1	2	1	1	1
❍	15	14	15	15	12
OECD total	**33**	**33**	**33**	**33**	**33**
■	10	9	4	3	3
●	3	3	3	3	2
❍	20	21	26	27	28

Key:
■ Exist and included in the budget documentation
● Exist and not included in the budget documentation
❍ Do not exist

Source: 2013 OECD survey on Budget practices and procedures.

StatLink http://dx.doi.org/10.1787/888933431687

5.6. Actor in charge of the resolution of disputes between ministries in the budget formulation, 2013



Source: OECD (2013), Survey of Budget Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888933431199

The budget process generally consists of four stages. The first stage entails the formulation of the executive's budget proposal; the second stage involves the parliamentary discussion of the proposal and approval of the budget law. In the third stage, the proposal is implemented, and in the fourth stage, the execution of the budget is evaluated.

Budget approval is the responsibility of the national legislature. The active engagement of the parliament in the budget process is considered to be an essential part of democracy. However, amendments by the congress to the budget could have negative consequences on fiscal policy outcomes. Members of the legislature could have a short-term horizon when deciding on resources allocation. Also, the legislature's interests may be focused on maximising budget spending for constituencies. Misalignment of incentives between the executive and the legislature is often the biggest concern at the budget parliamentary approval stage.

LAC and OECD countries incorporate similar components in their budget submission to parliament. In the case of LAC countries, over 75% include medium-term fiscal policy objectives, medium-term perspectives on total revenue and expenditure, macroeconomic assumptions and budget priorities. The main difference between both groups of countries is how detailed the appropriations submitted for legislative approval are. In the case of OECD member countries 87.8% of them submit clearly defined budgetary appropriations to parliament compared to 68.7% in the LAC region. Mexico is the only LAC country that includes the long-term perspective (more than ten years) on total revenue and expenditure when submitting documents to the congress.

Budget system laws establish the formal powers of the legislature and the mechanisms for decision making throughout the budgetary process. Legal constraints and budgetary practices vary greatly across countries. In nearly half of LAC countries, the legislature has unrestrained budgetary amendment authority, meaning that the parliament can introduce changes that may increase spending or reduce revenues, thereby increasing the risk of worsening the fiscal situation and increasing public debt. In slightly more than one third of LAC countries, legislative power is restricted to cutting existing items. Colombia is the only country in the region where the parliament can modify the executive budget proposal if expenditures have corresponding revenue to justify it.

If the budget is not approved by the legislature before the start of the fiscal year, 35% of LAC countries, among them Argentina, Dominican Republic and Panama, apply the previous year's budget on an interim basis. For almost a third of LAC countries, including Costa Rica, Peru and Chile, the executive's budget proposal would take effect. In other specific cases, such as Guatemala, the previous year's budget applies but can be modified by the legislature; and in the case of Paraguay, the previous year's budget applies for the entire fiscal year.

Methodology and definitions

Data refer to 2013, drawing on country responses to the 2013 OECD Survey of Budget Practices and Procedures. Respondents were predominantly senior budget officials in LAC countries and OECD member countries. Responses represent the countries' self-assessments of current practices and procedures. OECD totals are based on responses by 33 OECD member countries. Data refer only to central/federal governments and exclude the sub-national level. An allocation is the designation of funds in the budget to a government programme or organisation.

The executive's budget proposal is developed by the CBA following negotiations and initial estimations provided by line ministries/agencies. The nature of the executive's budget proposal can vary from country to country. The budget proposal encompasses the main executive's budget proposal, as well as any supporting documents that are linked to it.

The terms "legislature", "parliament" and "congress" are used as synonyms to indicate a country's law-adopting body, even though the term "parliament" is more appropriate in parliamentary systems of governance, and "legislature" or "congress" is more often used in countries with presidential systems.

Further reading

Santiso, C. and M. Varea (2013), "Strengthening the Capacities of Parliaments in the Budget Process", Policy Brief No. IDB-PB-194, Inter-American Development Bank, Washington, DC.

Hallerberg, M., C. Scartascini and E. Stein (2009), *Who Decides the Budget? A Political Economy Analysis of the Budget Process in Latin America,* Inter-American Development Bank, Washington, DC.

Figure notes

5.8: According to Colombian law, the parliament can modify the executive budget proposal if an expenditure has a corresponding revenue to justify it.

5.7. Elements included in budget documents presented to the legislature, 2013

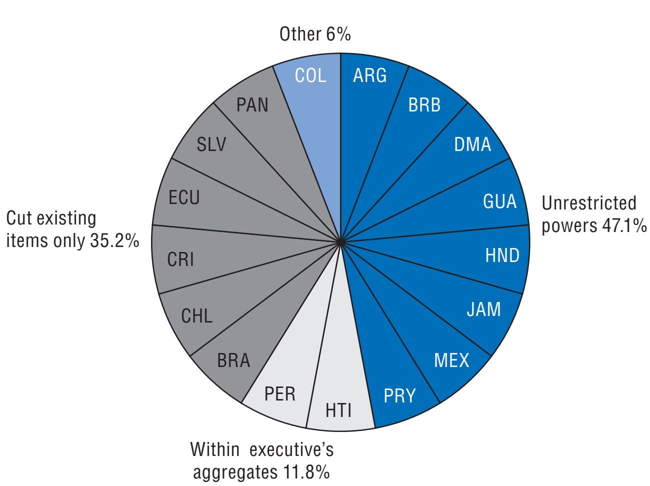
Country	Medium-term fiscal policy objectives	Macroeconomic assumptions	Budget priorities	Non-financial performance targets	Medium-term perspective on total revenue & expenditure	Long-term perspective on total revenue and expenditure (10+ years)	Clearly defined appropriations for legislature vote	Linkage of appropriations to administrative units	Text of legislation of policies proposed in budget
Argentina	●	●	●	●	●	❍	●	●	❍
Barbados	❍	❍	❍	❍	❍	❍	●	●	❍
Brazil	●	●	●	●	●	❍	●	●	●
Chile	●	●	●	●	●	❍	●	●	●
Colombia	●	●	●	❍	❍	❍	❍	●	●
Costa Rica	●	●	●	●	●	❍	●	●	●
Dominican Republic	●	●	●	❍	●	❍	●	●	●
Ecuador	❍	●	❍	❍	●	❍	●	❍	❍
El Salvador	●	●	●	❍	●	❍	❍	●	❍
Guatemala	●	●	●	●	●	❍	❍	●	●
Haiti	❍	●	●	●	●	❍	●	●	●
Honduras	●	●	●	●	●	❍	●	❍	●
Jamaica	●	●	●	❍	●	❍	●	●	❍
Mexico	●	●	●	●	●	●	●	●	●
Panama	❍	❍	●	❍	❍	❍	❍	❍	❍
Paraguay	●	●	●	●	●	❍	❍	❍	❍
Peru	●	●	●	❍	❍	❍	❍	❍	❍
LAC total									
●	13	15	15	9	13	1	11	12	9
❍	4	2	2	6	4	16	6	5	6
OECD total									
●	31	30	31	24	25	8	29	29	19
❍	2	3	2	9	8	25	4	4	14

Key:
● Yes
❍ No

Source: OECD (2013), Survey of Budget Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888933431693

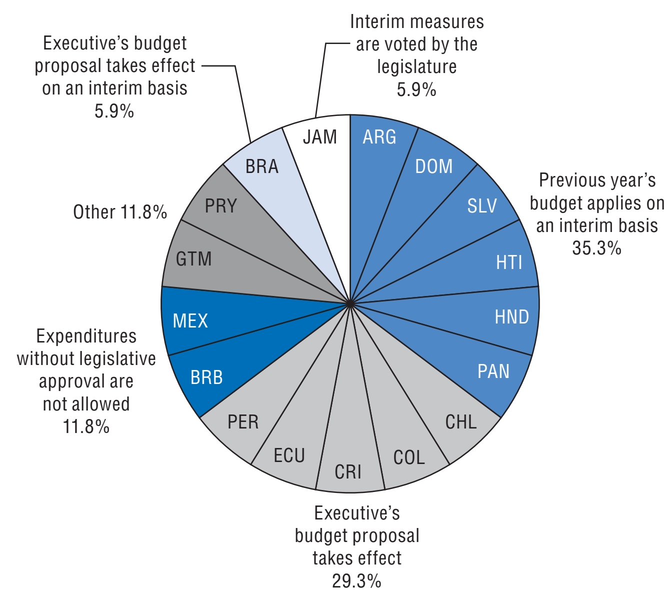
5.8. Formal powers of the legislature to amend the budget proposed by the executive, 2013



Source: OECD (2013), Survey of Budget Practices and Procedures

StatLink http://dx.doi.org/10.1787/888933431204

5.9. Consequences if the budget is not approved by the legislature, 2013



Source: OECD (2013), Survey of Budget Practices and Procedures

StatLink http://dx.doi.org/10.1787/888933431214

One of the main objectives of governments should be the sustainability of public finances. Policies and specific programmes have implications that transcend the budget year. When these aspects are not taken into account, public finances and the success of policies can be negatively affected (programmes are started but their long-term financing needs may not be secured). Additionally, societies are confronted with long term socio-economic challenges that could affect economic conditions in the future. Fiscal projections can help identify the probable future expenses in light of forecasted demographic and economic developments, and can contribute to the political discussion of a broader reform agenda.

Most OECD countries are confronted with a growing elderly population, higher longevity and increased demand for health services. The outlook is somewhat different in the LAC region where in most countries the population is still relatively young. However, different challenges exist in the LAC context, for example the increasing size of the middle class is expected to step up demand for social services in the upcoming years. According to the survey responses, long-term fiscal projections are uncommon in the LAC region. Over 75% of LAC countries produce estimates reaching a maximum of five years. Barbados, Colombia and Ecuador produce estimates between 6 and 10 years while Chile is the only LAC country that publishes estimates between 11 and 30 years. In contrast, eight OECD member countries produce estimates spanning between 31 and 50 years while Denmark prepares estimates covering more than 50 years. Such long-term projections encompass all assets and liabilities in full-accrual basis and also assets and liabilities associated with the government's projected future spending and revenue.

Entitlements and expenditure on social programmes constitute an important share of public expenditures. Most OECD countries (72%) and slightly more than a third of LAC countries, including Brazil, Costa Rica, Jamaica and Panama, reported taking into account in the budget the potential fiscal risks associated with entitlement spending (fiscal effects if entitlements expenditure were higher than projected in the budget). Colombia estimates the potential fiscal risks only for programmes above a certain threshold of spending.

Most fiscal projections in OECD and LAC countries include similar elements (e.g. expected growth rate, exchange rates and interest rates). However, the incidence of some components considered in the projections varies across groups. While 97% of OECD countries consider the trends in unemployment, the figure is lower for LAC countries, at 31%. Similarly, a higher share of OECD countries consider demographic changes (88%) and migration flows (58%) compared to 44% and 38% respectively in the LAC region. A similar share of OECD (73%) and LAC (75%) countries include civil servants' pension obligations in their projections.

Methodology and definitions

Data refer to 2013, drawing on country responses to the 2013 OECD Survey of Budget Practices and Procedures. Respondents were senior budget officials in LAC countries and OECD member countries. Responses represent the countries' self-assessments of current practices and procedures. Data refers to central/federal governments and exclude practices at state/local levels. OECD totals are based on responses by 33 OECD member countries.

An entitlement is a provision by law that establishes a legal right to public funds, sometimes considered as a privilege for a specific group that causes budget rigidity. The right might be accorded to an individual, a household, or other designated beneficiary or group of beneficiaries. The law usually sets forth eligibility requirements and a schedule of payments or a formula by which the payments are calculated. The law usually does not specify the total expenditure for the entitlement; the total of the spending could be for a specific sector or objective. For example, social security, unemployment compensation, education sector, family allowances and disability payments, in some cases, are entitlements as they accord particular classes of the population rights to money from the public treasury.

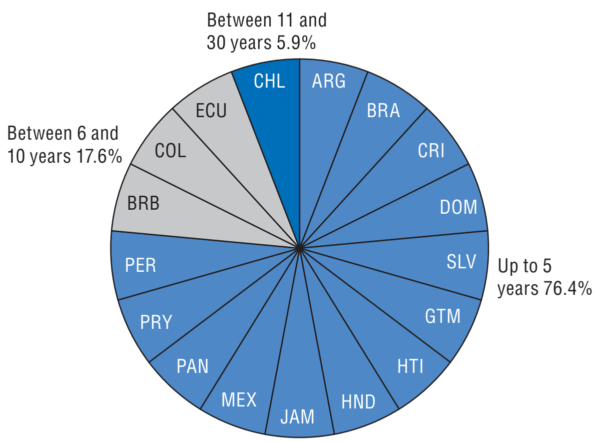
Accrual basis refers to transactions that are budgeted or recognised in the financial reports at the time at which the underlying economic event occurs, regardless of when the related cash is received or paid.

Further reading

Irwin, T. (2016), "The whole elephant", *OECD Journal on Budgeting*, Vol. 14, No. 3, OECD, Paris, *http://dx.doi.org/10.1787/budget-14-5jrw6591hns1*.

Filc, G. and C. Scartascini (2010), "Is Latin America on the Right Track? An Analysis of Medium-Term Frameworks and the Budget Process", Inter-American Development Bank, Washington, DC.

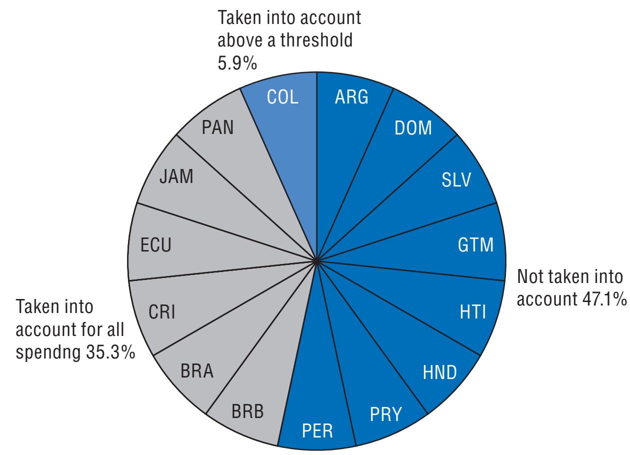
5.10. Time span of long-term fiscal projections, 2013



Source: OECD (2013), Survey of Budget Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888933431222

5.11. Extent to which the budget includes entitlement risks, 2013



Source: OECD (2013), Survey of Budget Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888933431231

5.12. Link between long-term projections and the annual budget, 2013

Country	Is it required that the budget be based on long-term fiscal projections?	Elements considered in the long term fiscal projections								
		Economic growth rate	Unemployment trends	long-term interest rates on government debt	Exchange rate	Migration flows	Demographic changes (excluding migration) ageing, population growth	Health care costs	Inter-generational accounting	Civil servants' pension obligations
Argentina	●	●	●	●	●	❍	❍	❍	❍	●
Barbados	●	●	❍	●	❍	❍	❍	●	❍	●
Brazil	●	●	●	●	●	●	●	●	●	●
Chile	●	●	●	●	●	❍	●	●	●	●
Colombia	●	●	❍	●	●	●	●	●	●	●
Costa Rica	●	●	❍	●	❍	❍	❍	●	❍	●
Dominican Republic	●	●	❍	●	●	●	●	●	●	●
Ecuador	●	●	❍	●	❍	❍	❍	●	❍	❍
El Salvador	●	●	❍	●	●	●	●	●	●	●
Guatemala	●	●	❍	❍	❍	❍	❍	❍	❍	●
Haiti	❍	●	❍	❍	●	❍	❍	❍	❍	❍
Honduras	❍	●	❍	●	❍	❍	❍	●	❍	●
Jamaica	●	●	●	●	●	●	●	●	●	●
Mexico	●	●	●	●	●	●	●	●	●	●
Panama	❍	●	❍	❍	❍	❍	❍	●	❍	❍
Paraguay	❍	..	..	..	..	..	..	..	..	..
Peru	❍	●	❍	❍	●	❍	❍	❍	❍	❍
LAC total										
●	12	16	5	12	10	6	7	12	7	12
❍	5	0	11	4	6	10	9	4	9	4
..	0	1	1	1	1	1	1	1	1	1
OECD total										
●	12	33	32	29	19	19	29	28	7	24
❍	17	0	1	4	14	14	4	5	26	9

Key:
● Yes
❍ No
.. Not available.

Source: OECD (2013), Survey of Budget Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888933431708

Several reasons exist for the adoption of complementary budgets. These include the implementation of new policies, unforeseen changes in the economic conditions, natural disasters, emergencies, unexpected legal obligations and reallocation of funds. However, frequent use of complementary budgets may reflect poor budget preparation procedures, inappropriate costing of programmes or governmental failure to adhere to announced budgetary policies.

According to the survey results, over 50% of LAC countries approved complementary budgets during the last three years under study, a similar figure to OECD member countries. The reasons for approving complementary budgets are diverse. A third of LAC countries attributed it to changing economic forecasts, and a quarter to emergency events, notable examples being the earthquake that occurred in Haiti in 2010 or the floods that occurred in 2011 in Colombia. Argentina, Brazil, Costa Rica, Dominican Republic, Jamaica and Peru approved complementary budgets in each of the 3 years spanning from 2010 to 2012. In the case of Peru, the main reason for approving complementary budgets was to carry over appropriations from one year to another. In Brazil, complementary budgets were used to transfer funds from one appropriation to another, while in Costa Rica they were used to incorporate new resources from loans approved by congress as well as from new tax resources.

Reserve funds are mainly established for granting budgetary flexibility to governments when faced with unforeseen expenditures such as natural disasters, external conflicts, economic crises and epidemics. Such reserves are commonly subject to regulations defining the size of the fund, the nature of spending and the rules to activate the reserve by spending governmental units. Reserve funds are established in about 75% of the OECD member countries and only half of LAC countries, including Dominican Republic, Honduras and Jamaica. The most common reason for establishing reserve funds in the LAC region is to meet unforeseen expenditures, followed by financing new policy initiatives. Six LAC countries (Argentina, Brazil, Dominican Republic, Honduras, Panama and Paraguay) reported that, to a lesser extent, reserve funds are also used to meet major forecasting errors in macroeconomic and other assumptions underlying the budget. In the case of Ecuador, no reserve funds exist, however the law stipulates that it is possible to modify the budget up to 15% without approval from the legislature.

Methodology and definitions

Data refer to 2013, drawing on country responses to the 2013 OECD Survey of Budget Practices and Procedures. Respondents were predominantly senior budget officials in LAC countries and OECD member countries. Responses represent the countries' self-assessments of current practices and procedures. Data refer only to central/federal governments and exclude the sub-national level. OECD totals are based on responses by 33 OECD member countries

A complementary or supplementary budget contains proposed amendments to the main annual budget. This is the mechanism with which the government seeks legislative approval for spending that differs from the original budget and appropriations. Supplementary budgets are given legal force through adjustment or supplementary appropriations.

A reserve fund, also called contingency reserve fund, is a separate fund or a budget provision set aside to meet unforeseen and unavoidable requirements that may arise during the budget year, like natural disasters or armed conflicts.

A budget appropriation is defined as an authorisation from a specific fund to a specific programme to acquire obligations for a purpose and period of time. Annual appropriations are made through annual budget laws. Supplementary budget appropriations are sometimes granted subsequent to the annual law if the annual appropriation is insufficient to meet the specified purpose.

Further reading

Lienert, I. (2010), "Role of the Legislature in Budget Processes", International Monetary Fund, Washington, DC.

Phaup, M. and C. Kirschner (2010), "Budgeting for Disasters: Focusing on the Good Times", *OECD Journal on Budgeting*, Vol. 2010, No. 1, OECD, Paris, *http://dx.doi.org/10.1787/budget-10-5kmh5h6tzrns*.

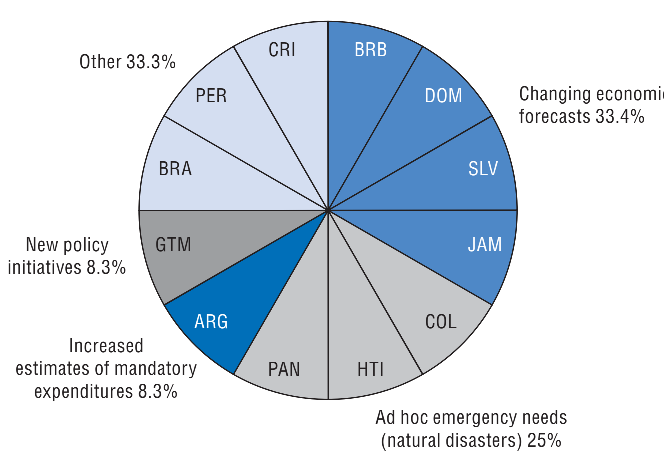
5.13. Countries that approved complementary budgets and have reserve funds, 2013

Country	Approval of complementary budgets			Existence of reserve funds
	2010	2011	2012	
Argentina	●	●	●	●
Barbados	●	●	❍	❍
Brazil	●	●	●	●
Chile	❍	❍	❍	●
Colombia	❍	●	●	●
Costa Rica	●	●	●	❍
Dominican Republic	●	●	●	●
Ecuador	❍	❍	❍	❍
El Salvador	●	●	●	❍
Guatemala	●	●	●	❍
Haiti	●	❍	❍	❍
Honduras	❍	❍	❍	●
Jamaica	●	●	●	●
Mexico	❍	❍	❍	❍
Panama	❍	❍	❍	❍
Paraguay	❍	❍	❍	❍
Peru	●	●	●	●
LAC total				
●	10	10	9	8
❍	7	7	7	9
OECD total				
●	22	22	x	25
❍	11	11	x	8

Key:
● Yes
❍ No
× Not available.
Source: OECD (2013), Survey of Budget Practices and Procedures, OECD, Paris.

StatLink http://dx.doi.org/10.1787/888933431710

5.14. main reason to approve complementary budget, 2013



Source: OECD (2013), Survey of Budget Practices and Procedures.

StatLink http://dx.doi.org/10.1787/888933431246

One of the key characteristics of health systems in LAC countries is their fragmentation, both in terms of service delivery, and in terms of financing. Most countries in LAC have at least two and up to four different health financing schemes. Some countries rely more on a public system funded through government budget revenues, while others depend on social or mandatory health insurance schemes with private or public administrators. Voluntary private insurers also have a strong presence in the region, but the population covered through this system is very small and generally has high income levels.

The population covered by each of these schemes varies greatly across countries. In some countries (Belize, Paraguay, Brazil), the public sector provides access to health care for the entire population; however, the coverage does not necessarily reflect the quality of the system, and some categories of people are also covered by other health financing schemes. The percentage of people not covered by any health system is relatively low in the countries surveyed. However, the package of goods and services covered differ from country to country, and is usually not as comprehensive as in OECD member countries.

Central government revenues are a key component for financing progress towards universal health coverage in the Latin American and the Caribbean region. Indeed, the large share of population in the informal economy reduces potential for relying on wage based contributions. While many countries in the region have increased their public spending for health, rigidities and subdivisions in public finance systems often constrain the efficient use of such revenues. Fragmentation of financial schemes also creates challenges to coordinate, monitor and enhance efficiency in health systems.

Health expenditure is not always fully included in the public budget. Furthermore, almost all countries have a separate budget for the health social insurance system. There tends to be very little information about expenditure of social health insurance companies. Their budget does not require a separate legislative approval, but some countries require the approval of a different public entity, such as the Comptroller General Office in Costa Rica or the National Fund for the Financing of State Business Activity (FONAFE) in Peru. Half of the surveyed countries include information of the health insurance system in the central budget process, making it difficult to have a cross-cutting policy to ensure fiscal sustainability of the health system as a whole.

Overcoming fragmentation and improving coordination is a key challenge to increase health expenditure efficiency in the LAC region. Some countries such as Uruguay and Colombia have made important efforts to have a more integrated health system, where all sectors of the population can have equal access to a common basket of health services.

Methodology and definitions

Most data presented comes from an OECD Survey of Budget Officials on Budgeting Practices for Health adapted specifically for Latin America and the Caribbean, carried out between November 2015 and February 2016. The survey was answered by 13 LAC countries (Argentina, Peru, Uruguay, Honduras, Colombia, Mexico, Guatemala, Ecuador, Paraguay, Chile, Belize, Costa Rica and Brazil). A follow up survey was answered between March and May 2016 gathering additional data on key issues for the region. The follow up survey was answered by all initial respondents, except for Honduras. The results were presented and discussed at the First OECD Health Systems Joint Network Meeting for LAC (Bogotá, Colombia in July 2016).

Government health care financing schemes have automatic entitlement for all citizens/residents, or for a specific group of the population (e.g. lower income), and are funded through government budget revenues (primarily taxes). Social health insurance schemes provide access to health care for specific population groups through mandatory participation and eligibility based on a payment of a non-risk related contribution (e.g. contributions paid by employers and or employees for health). Private insurance comprises insurance schemes financed through private health premiums.

Further reading

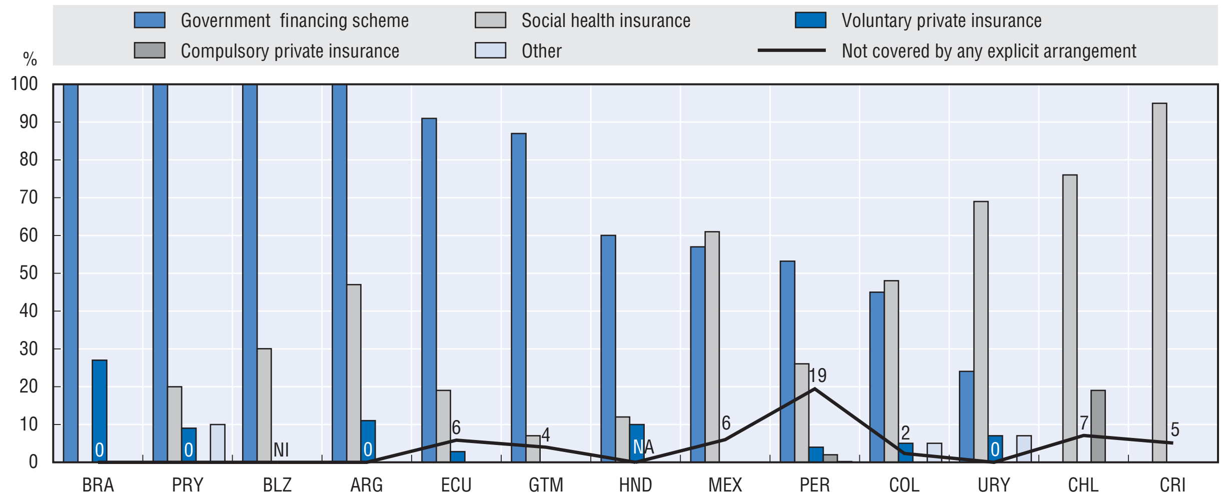
OECD (forthcoming 2016), "Health financing and budget practices for health in Peru", *OECD Journal on Budgeting*, OECD, Paris.

Figure notes

5.15: Belize, social health insurance only covers work-related accidents or diseases; no information on the population not covered by any explicit arrangement is available. Belize, Guatemala and Chile have voluntary private health insurance schemes, but coverage information is not available. Guatemala and Chile have other types of health financing schemes but coverage information is not available. Information on social health insurances coverage for Ecuador was obtained from the Ministry of Health.

5.16 and 5.17: Honduras did not answer this question.

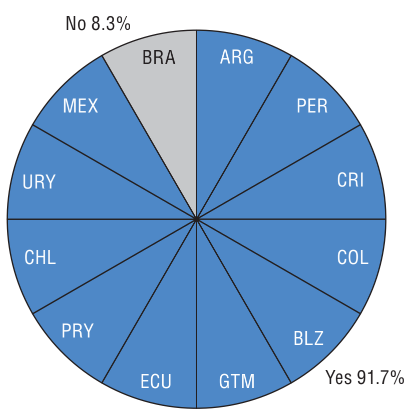
5.15. Health care financing schemes and percentage of population covered, 2015 or last year available



Source: OECD (2015), Survey of Budget Officials on Budgeting Practices for Health in LAC countries.

StatLink http://dx.doi.org/10.1787/888933431259

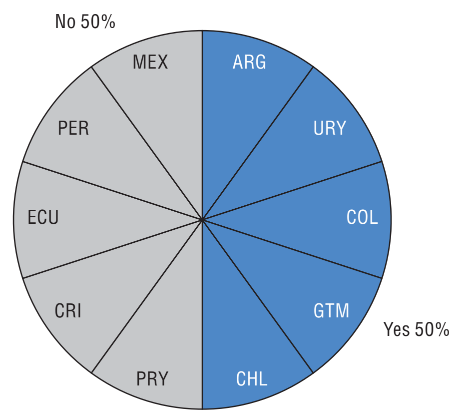
5.16. Separate budget for social insurance system, 2015



Source: OECD (2015), Survey of Budget Officials on Budgeting Practices for Health in LAC countries.

StatLink http://dx.doi.org/10.1787/888933431264

5.17. Information about the social security budget included in the general budget documentation, 2015



Source: OECD (2015), Survey of Budget Officials on Budgeting Practices for Health in LAC countries.

StatLink http://dx.doi.org/10.1787/888933431275

Improving the capacity of national health authorities to engage more effectively with national budgetary authorities is essential to make progress on critical issues about the level of funds to be provided, the quality and efficiency of health public spending and the flexibility with which such funds can be used – while concurrently ensuring accountability for the use of these funds. Efficiency in health expenditure requires good practices during the entire budget cycle: effective allocation mechanisms during budget formulation phase, good operational management practices, coordination mechanisms, measuring and evaluating results, and reporting and monitoring tools are essential to ensure that resources are spent in an efficient way, and following the lines mapped in the initial budget.

In OECD member countries, budget overruns in health remain common and often lead to unplanned savings requests to spending units at the end of the year. This panorama contrasts with the one of the LAC region, where countries tend to have lower expenditure levels than the ones initially programmed in the budget. More than half of countries reported under-spending in at least five of the last ten years. In Costa Rica and Paraguay, for example, the budget executed is often more than 20 per cent below the initial budget. Operational management issues in the health sector are one of the main reasons behind these levels of under execution. Additional possible causes are weak health budgeting planning, over-optimistic projections, funds being released late, deficiencies in the planning phase, complexities and duration of procurement processes, and low supply of qualified human resources in certain regions. Information of social security institutions and subnational government's expenditure levels is often not available for the Central Budget Authority which limits the quality of data on health spending.

There have been initiatives to introduce periodic reporting and monitoring systems in the LAC region (e.g. in Peru, budget programs are monitored and evaluated every three months, taking into account institutional targets, performance indicators and commitments to improve services). Many countries have introduced automatic reporting of central government health expenditure, allowing timely information to monitor and control health expenditure. Most LAC countries have information of central government health expenditure available with less than a month of delay, which is a remarkable achievement. In a similar way, most LAC countries have a monitoring system in place, through periodic reporting in the health sector. However, these practices tend to be applied only to health expenditure that is included in the central public budget. Health expenditure information from the social security systems tends to have larger delays to be reported and in some cases (e.g. Peru and Belize) is not available.

Improvements on the quality of information as well as monitoring and reporting are a key step to improve efficiency in health expenditure in the LAC region. Further research is needed to identify causes for under-spending and possible ways to overcome it.

Methodology and Definitions

Most data presented comes from an OECD Survey of Budget Officials on Budgeting Practices for Health adapted specifically for Latin America and the Caribbean, carried out between November 2015 and February 2016. The survey was answered by 13 LAC countries (Argentina, Peru, Uruguay, Honduras, Colombia, Mexico, Guatemala, Ecuador, Paraguay, Chile, Belize, Costa Rica and Brazil). A follow up survey was conducted between March and May 2016, gathering additional data on key issues for the region. The follow up survey was answered by all initial respondents, except for Honduras. The results were presented and discussed at the First OECD Health Systems Joint Network Meeting for Latin America and the Caribbean held in Bogota, Colombia in July 2016.

The Central Budget Authority is a public entity, or several co-ordinated entities, responsible for the custody and management of all (or the majority) of public funds. It is often the Central Government Ministry of Finance or Treasury, or a specific part of these. Over (under)-spending means that actual expenditure is higher (lower) than the initial budgeted expenditure. Variations below 5 per cent were not considered as over or under-spending.

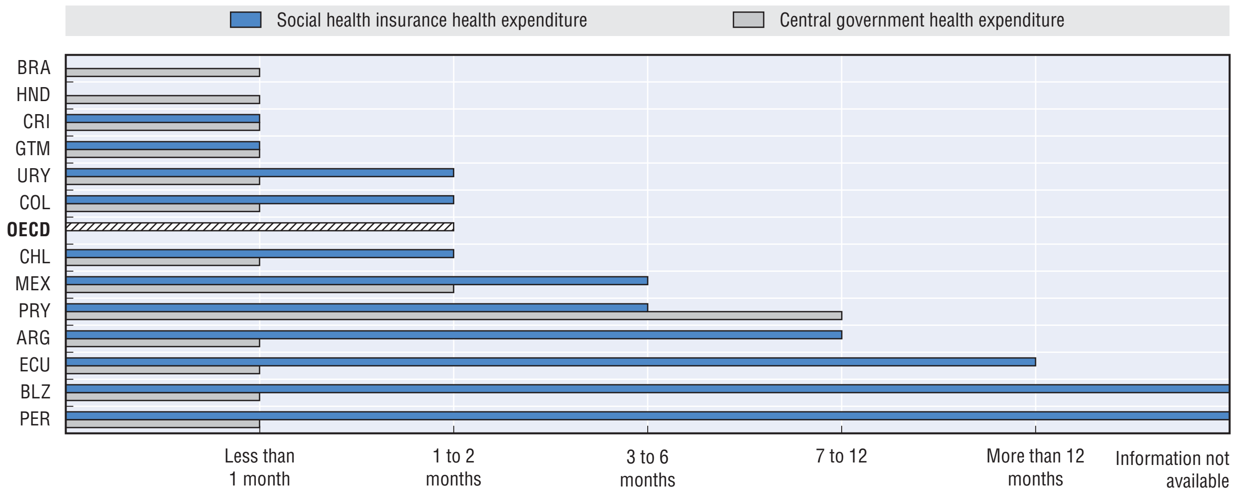
Further reading

OECD (2015), Fiscal Sustainability of Health Systems, Bridging Health and Finance Perspectives, OECD Publishing, Paris, *www.oecd.org/gov/budgeting/sbonetworkonhealthexpenditures.htm*.

Figure notes

5.18: Brazil does not have a social health insurance scheme. Honduras did not answer this question. OECD average refers to both social insurance and central government health expenditure

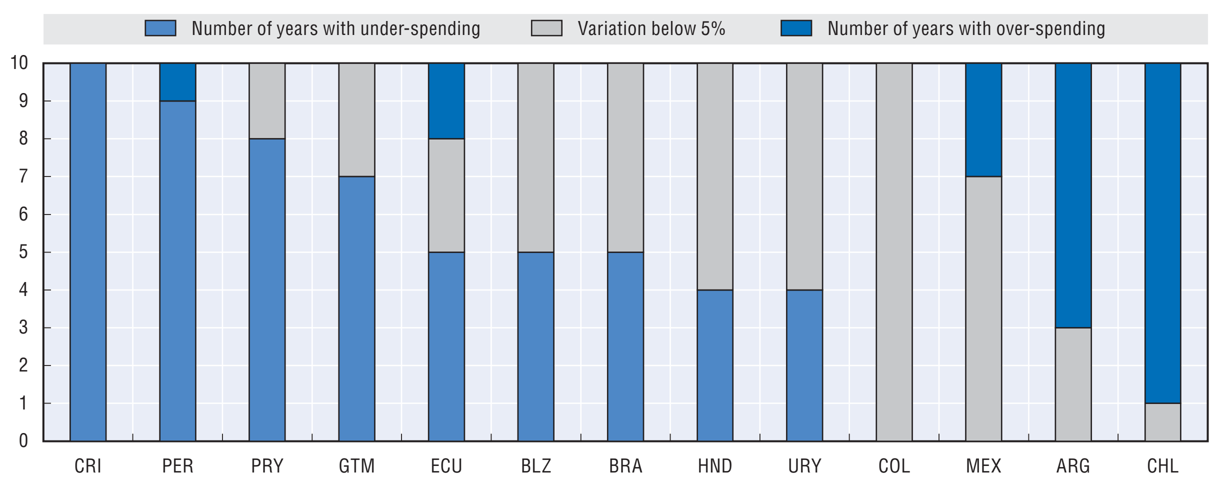
5.18. Reporting delay for health expenditures, 2015



Source: OECD (2015), Survey of Budget Officials on Budgeting Practices for Health in LAC Countries, OECD, Paris.

StatLink http://dx.doi.org/10.1787/888933431287

5.19. Number of years with over- or under-spending in health between 2004 and 2013



Source: OECD (2015), Survey of Budget Officials on Budgeting Practices for Health in LAC countries.

StatLink http://dx.doi.org/10.1787/888933431293

Government at a Glance: Latin America and the Caribbean 2017

Chapter 6

Human resources management

The quality of public policies and the services provided by any government are closely linked to the quality of its civil service. The ways in which the civil service is managed – in other words, crucial human resources management (HRM) functions such as planning, recruitment and selection, and professional development, and the incentives for professionalisation, among other factors – are critical factors to attracting, retaining, and motivating suitable staff.

Within the HRM agenda, workforce planning enables coherent policies to be defined in all of the HRM practices connected to it. Staffing levels, consolidated staff costs and skill requirements should ideally derive from a careful planning process.

A methodology developed by the IDB in 2003, following the Ibero-American Charter for the Public Service (ICPS), measures central government performance in HR planning through six factors: organisations' priorities and strategic orientation as a source to determine staffing needs; personnel information systems; degree of over/understaffing per institution; overall wage bill cost; personnel technical skills; and HRM policies and practices that are informed by the planning process.

Between 2004 and 2015, central governments in many Latin American countries improved their HR planning practices according to this methodology (see figure 6.1). However, the average score was still low, at 42 points out of 100.

While several Latin American governments have workforce planning manuals, most of the time these are merely formal documents. Offices responsible for HRM and governing bodies of the institutions often lack sufficient planning capacity and, to varying degrees, are subordinate to the decisions and criteria of the budgetary authorities (ministries of finance), which do not always consider it a priority to complement quantitative planning with qualitative planning (e.g. Mexico).

Brazil and Chile, whose civil service achieved a high score in planning, share two main characteristics: the practice of planning is institutionalised in the public agencies' routines; and planning combines quantitative aspects (staff numbers and budget) with qualitative ones (staff profiles that include competencies). The existence of technically strong budget and planning offices, strategic documents developed by institutions, solid personnel information systems and a civil service agency that coordinates with the HR units within the line ministries are the main factors that define government performance in this area.

Countries with lowest scores, such as Honduras and Paraguay, were characterized at the time of their assessments by the weakness or absence of basic planning instruments, with direct effects on workforce quality and balance.

Ecuador, El Salvador and Peru managed to improve scores substantially during the period, mainly through strengthening the use of HR planning tools, improving personnel information systems and increasing the percentage of staff with university degrees.

Methodology and definitions

In 2003, the governments in the LAC region signed the ICPS, which defines the basis of a professional and efficient civil service and provides a generic framework of guiding principles, policies, and management mechanisms needed to build it. After defining this common framework, the countries – with the support of the IDB – established a baseline to measure the extent to which their own civil service systems were aligned with these principles and practices, using a methodology with critical points linked to the civil service subsystems of the ICPS. Data for a second measurement were collected through individual country diagnostics between 2012 and 2015. Further details about the construction of the composite indicators can be found in Annex A.

Further reading

Iacoviello, M. and L. Strazza (2014), "Diagnostic of the Civil Service in Latin America", in JC Cortázar, J.C., M. Lafuente and M. Sanginés (eds). *Serving Citizens: A Decade of Civil Service Reforms in Latin America (2004-13)*, Inter-American Development Bank, Washington, DC, *http://publications.iadb.org/handle/11319/6636*.

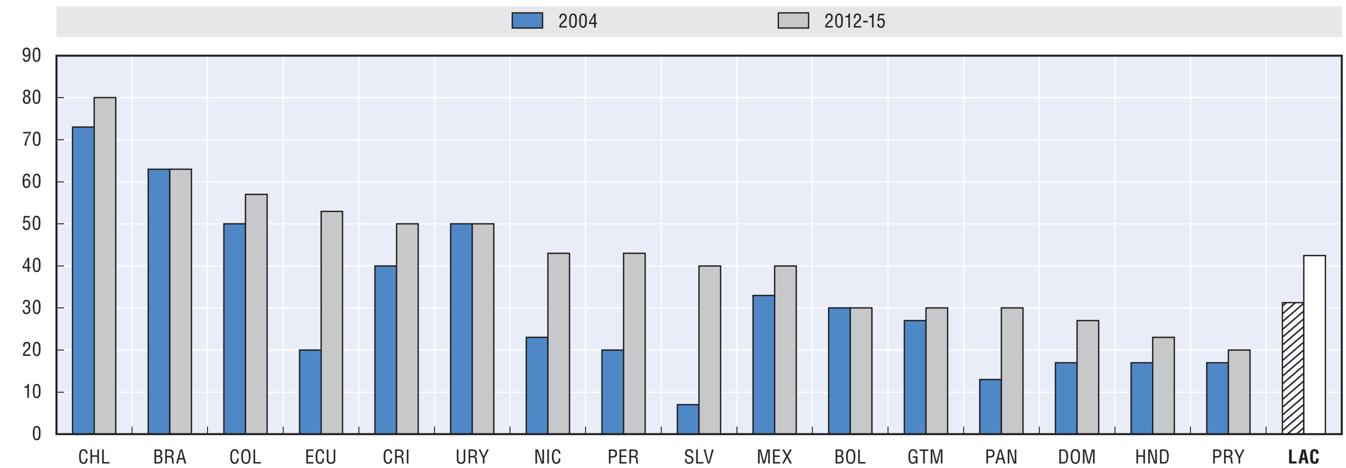
IDB (2017) Civil Service web pages, including the methodology and all country diagnostic reports, *http://descubre.iadb.org/civil-service* and *https://mydata.iadb.org/Reform-Modernization-of-the-State/Civil-Service-Development-Index/ddw5-db4y/about*.

Figure notes

6.1 and 6.2: Timing of the second assessment per country was the following: Ecuador and Peru (2015); Bolivia, Brazil, Chile, Colombia, Paraguay and Uruguay (2013); Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama (2012).

6.1. HR planning in the public sector (2004, 2012-15)

Scale 0 to 100, with 100 being the best possible score



Source: Inter-American Development Bank (IDB) (2014).

StatLink http://dx.doi.org/10.1787/888933431308

6.2. HR planning: Scores per factor over 2012 -15

Scale 0 to 5, with 5 being the best practice

	Organization's priorities and strategic orientation as a source to determine staffing needs	Personnel information systems	Degree of over/understaffing per institution	Overall wage bill costs	Personnel technical skills	HRM policies and practices are informed from planning process
Bolivia	1	2	1	3	1	1
Brazil	3	4	3	2	4	3
Chile	4	4	4	5	4	3
Colombia	2	3	3	3	4	2
Costa Rica	2	3	2	3	3	2
Dominican Republic	1	1	1	2	1	2
Ecuador	1	2	1	2	2	1
El Salvador	2	3	1	2	2	2
Guatemala	1	2	1	3	1	1
Honduras	1	3	0	1	1	1
Mexico	1	4	1	3	1	2
Nicaragua	2	3	2	2	2	2
Panama	2	2	1	2	1	1
Paraguay	1	2	1	0	2	0
Peru	2	2	1	3	3	2
Uruguay	2	3	2	2	4	2

Key:
0-1 Low
2-3 Medium
4-5 High
Source: Inter-American Development Bank (IDB) (2014).

StatLink http://dx.doi.org/10.1787/888933431724

The civil service merit index measures the guarantees of professionalism in the way that the civil service system operates. Specifically, it measures the degree of effective protection against arbitrariness, political capture or clientelism, and the different ways that interested groups or sectors engage in rent-seeking.

The merit index includes three critical practices, which assess the following factors: hiring is open to all candidates with required qualifications and is established according to technical considerations, adequate safeguard mechanisms against arbitrariness during the hiring process are in place and dismissals that affect professional positions are not motivated by political changes.

This is the area of HRM where the most significant progress has been achieved from 2004 to 2012/2015 in the LAC region. The average regional score for this index increased from 33 to 45 points out of 100 between 2004 and 2012/2015. Its growth reflects the high priority given to this area during this period.

The score rose in 11 countries out of the 16 analysed, remained constant in 3; and it fell in 2. Five systems are at a high level (over 60 points), five at the medium level (between 40 and 60 points) and the remaining six register a low level of development. The index's general evolution and the particular ups and downs in each country are explained by the gradual strengthening of the pillars of the meritocratic system: hiring competitions that are open, widely publicised, and based on selection tests.

Within the most advanced countries – Brazil, Costa Rica, Uruguay, Chile and Colombia – with some variation in each case, the use of competitive hiring is already widely institutionalised or has been reinforced over the last 10 years, mainly through the use of public employment web portals. These information systems are able to advertise job openings, receive online applications, and publish the bases and the results. In some cases, governments have been outsourcing part of the selection process to the private sector.

In the least developed systems – Bolivia, Honduras, Dominican Republic, Guatemala, Panama and El Salvador – competitions are much less frequent compared to non-competitive and/or discretionary mechanisms. In some cases, the main reason could be that meritocratic reform is very recent. In others, the explanation is that despite reform having been undertaken a decade ago, it has suffered setbacks that have hampered its consolidation. Regardless of the explanation, the effect is the same: meritocratic reform has failed to achieve the sufficient effectiveness and range needed to eliminate, or at least substantially reduce, non-competitive and/or discretionary selection motivated by political pressure. The consequence is a public administration that may lack the capacity to face multiple management challenges.

Three general challenges emerge in this context: to extend the use of competitive hiring processes and to extend coverage, particularly in the countries with the lowest scores; to apply competitive mechanisms to the contractual workforce, which is in permanent expansion (even in advanced countries, such as Chile); and to continue to introduce competencies into the selection processes.

Methodology and definitions

In 2003, the governments in the region signed the ICPS, which defines the basis of a professional and efficient civil service and provides a generic framework of guiding principles, policies, and management mechanisms needed to build it. After defining this common framework, the countries – with the support of the IDB – established a baseline to measure the extent to which their own civil service systems were aligned with these principles and practices, using a methodology with critical points linked to the civil service subsystems of the ICPS. Data for a second measurement were collected through individual country diagnostics between 2012/2015. Further details about the construction of the composite indicators can be found in Annex A.

Further reading

Iacoviello, M. and L. Strazza (2014), "Diagnostic of the Civil Service in Latin America", in J.C. Cortázar, M. Lafuente and M. Sanginés (eds), *Serving Citizens: A Decade of Civil Service Reforms in Latin America (2004-13)*, Inter-American Development Bank, Washington, DC., *http://publications.iadb.org/handle/11319/6636*.

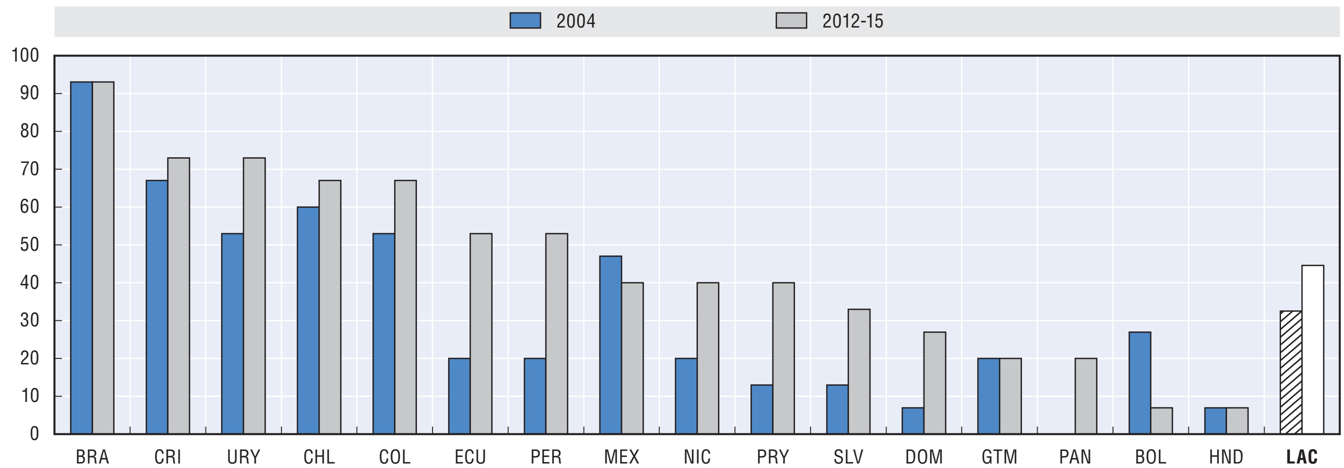
IDB (2017), Civil Service web pages, including the methodology and all country diagnostic reports, *http://descubre.iadb.org/civil-service*.

Figure notes

6.3 and 6.4: Timing of the second assessment per country was the following: Ecuador and Peru (2015); Bolivia, Brazil, Chile, Colombia, Paraguay and Uruguay (2013); Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama (2012).

6.3. Civil service Merit (2004, 2012-15)

Scale 0 to 100, with 100 being the best possible score



Source: Inter-American Development Bank (IDB) (2014).

StatLink http://dx.doi.org/10.1787/888933431315

6.4. Civil service merit: Scores per factor over 2012-15

Scale 0 to 5, with 5 being the best practice

	Hiring is open to all candidates with required qualifications and is established according to technical considerations	Adequate safeguard mechanisms against arbitrariness during the hiring process are in place	Dismissals that affect professional positions are not motivated by political changes
Bolivia	1	0	0
Brazil	5	4	5
Chile	4	3	3
Colombia	4	4	2
Costa Rica	4	4	3
Dominican Republic	1	2	1
Ecuador	3	3	1
El Salvador	2	1	2
Guatemala	1	1	1
Honduras	1	0	0
Mexico	2	1	3
Nicaragua	2	2	2
Panama	1	1	1
Paraguay	2	2	2
Peru	3	2	3
Uruguay	4	4	3

Key:
0-1 Low
2-3 Medium
4-5 High
Source: Inter-American Development Bank (IDB) (2014).

StatLink http://dx.doi.org/10.1787/888933431737

Performance appraisal involves planning, encouraging, and evaluating employees' contributions to the public sector's performance. It is a crucial tool for improving staff performance, identifying skills and performance gaps and motivating public servants. It is also a key component to install a performance-oriented administrative culture in public sector institutions.

The performance appraisal subsystem within IDB's methodology includes three critical points, which assess the following factors: definition of guidelines and standards of expected performance; monitoring of personnel performance throughout the management cycle; and completion of staff appraisals compared to standards of expected performance.

Although the average score for this subsystem rose from 25 to 31 points out of 100) between 2004 and 2012/2015, it remains the most underdeveloped area within the HRM agenda in Latin America. While most countries of the 16 countries assessed improved their performance since 2004, the majority of them started from a very low baseline.

Countries with relatively high performance such as Chile, Costa Rica and Brazil, apply complementary instruments that make full use of staff appraisal and help to decrease its costs. These instruments include: institutional or working group evaluation as a complement to individual evaluations, which tend to be less subject to distortionary practices; evaluation of senior executives, which are conducted on a small but strategic segment and based on performance agreements (mainly in Chile, but also in Peru); and a consolidated performance management framework, with policies and guidelines that provide greater systemic coherence and help consolidate the transition from a concentrated, bureaucratic, and low-value system to a more integrated and agile one.

In most of the remaining countries, performance appraisals that are conducted annually in accordance with the rules tend to have a formal or ritualistic character and fail to add any value. This fact makes them an inefficient instrument for decision making. According to the evidence of the assessment there are three common factors that negatively affect the effectiveness of performance appraisal in Latin American governments:

First, because the legal framework tends to establish the automatic dismissal of civil servants for poor performance and, in some cases, the loss of monetary bonuses for failing to reach targets, it provides incentives for benevolent bias by evaluators, as they tend to prioritise a good working environment – and a better relationship with the unions – over the generation of outputs.

Second, there are usually inconsistencies, deliberate or not, in establishing objectives, goals, and indicators at the individual level.

Third, due to the high transaction costs involved and because of the emphasis placed on other HR policies (for example, competitive hiring), performance appraisal is not always a priority for public sector managers.

Several countries such as Peru, Ecuador, Dominican Republic and Paraguay have started to strengthen performance appraisal gradually, by reviewing technical instruments, training HR units in line ministries and/or piloting experiences.

Methodology and definitions

In 2003, the governments in the region signed the ICPS, which defines the basis of a professional and efficient civil service and provides a generic framework of guiding principles, policies, and management mechanisms needed to build it. After defining this common framework, the countries – with the support of the IDB – established a baseline to measure the extent to which their own civil service systems were aligned with these principles and practices, using a methodology with critical points linked to the civil service subsystems of the ICPS. Data for a second measurement were collected through individual country diagnostics between 2012 and 2015. Further details about the construction of the composite indicators can be found in Annex A.

Further reading

Iacoviello, M. and L. Strazza (2014), "Diagnostic of the Civil Service in Latin America", in J.C. Cortázar, M. Lafuente and M. Sanginés (eds), *Serving Citizens: A Decade of Civil Service Reforms in Latin America (2004-13)*, Inter-American Development Bank, Washington, DC., *http://publications.iadb.org/handle/11319/6636*.

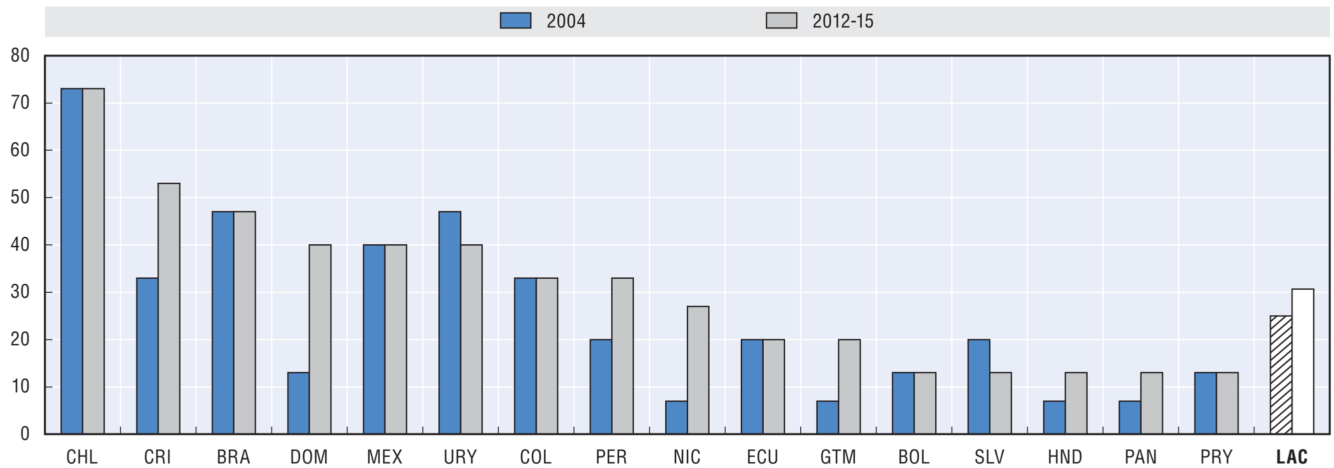
IDB (2016), database available at: *https://mydata.iadb.org/Reform-Modernization-of-the-State/Civil-Service-Development-Index/ddw5-db4y/about*.

Figure notes

6.5 and 6.6: Timing of the second assessment per country was the following: Ecuador and Peru (2015); Bolivia, Brazil, Chile, Colombia, Paraguay and Uruguay (2013); Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama (2012).

6.5. performance appraisals (2004, 2012-15)

Scale 0 to 100, with 100 being the best possible score



Source: Inter-American Development Bank (IDB) (2014).

StatLink http://dx.doi.org/10.1787/888933431323

6.6. Performance appraisal: Scores per Factor over 2012-15

Scale 0 to 5, with 5 being the best practice

	Definition of guidelines and standards of expected performance	Monitoring of personnel performance throughout the management cycle	Completion of staff appraisals compared to standards of expected performance
Bolivia	1	0	1
Brazil	2	3	2
Chile	4	3	4
Colombia	2	1	2
Costa Rica	3	3	2
Dominican Rep	2	2	2
Ecuador	1	1	1
El Salvador	1	0	1
Guatemala	1	1	1
Honduras	1	0	1
Mexico	2	2	2
Nicaragua	2	1	1
Panama	1	0	1
Paraguay	1	0	1
Peru	2	1	2
Uruguay	2	2	2

Key:
0-1 Low
2-3 Medium
4-5 High
Source: Inter-American Development Bank (IDB) (2014).

StatLink http://dx.doi.org/10.1787/888933431749

Adequate compensation management is a key aspect in building a high-performance organisation, as it impacts three of the main goals of public sector HRM: attracting and retaining suitable human capital, building a motivated workforce oriented toward improving institutional performance, and achieving a fiscally sustainable wage bill.

The compensation management index evaluates four critical practices, which assess the following factors: adequacy of pay structure to attract, motivate and retain suitable individuals with the competencies needed for each job; adequacy of pay levels compared to the wider labour market; degree to which the compensation mechanisms encourage civil servants to enhance their performance; and degree to which the pay policy is defined by pre-established criteria.

The regional average for this subsystem rose from 29 to 35 points out of 100 between 2004 and 2012/15, the smallest increase of all the areas analysed using the IDB methodology (see two pagers 6.1-6.5).

With the exception of Chile, Brazil and Uruguay, the starting point for all countries was relatively low, and not much has happened in the last decade. Perhaps the main exception was Costa Rica, which implemented an ambitious reform to enhance compensation for professionals to improve attraction and retention of staff (with negative fiscal consequences after teachers also received the same increase).

Most job classification and compensation systems in Latin America were designed several decades ago and have been subjected to *ad hoc* minor adjustments and modifications over time, mainly as a result of wage negotiations and taking into account political incentives rather than technical aspects to deliver the aforementioned objectives.

This has led to systems in which pay inequities – both horizontal (same responsibility, different pay) and vertical (hierarchically superior positions with lower pay) – abound and have worsened over time. It has also led to systems with inadequate wage compression (little difference between the positions with the most and the least responsibility, which acts as a disincentive to taking on a post with greater leadership), and to payroll management systems that are both complex and non-transparent, and therefore more difficult to administer.

In addition to pay inequities, the limited capacity to attract and retain highly qualified professionals at management and professional positions due to weak external pay competitiveness is one of the main problems. In contrast, lower grades saw their pay levels increase during the last 10 years, in particular in Central America. In some cases, such as Paraguay, the pay increase for lower grades allowed pay to go above the minimum wage levels for the private sector and, in others, it created a very clear wage premium for the public sector (El Salvador, Dominican Republic, Guatemala). Although the most solid systems such as Brazil or Chile (with all its flaws) are not immune to unfairness, low competitiveness and inefficiency, they tend to show better coordination and collaboration between the civil service agency and the budgetary authorities.

Methodology and definitions

In 2003, the governments in the region signed the ICPS, which defines the basis of a professional and efficient civil service and provides a generic framework of guiding principles, policies, and management mechanisms needed to build it. After defining this common framework, the countries – with the support of the IDB – established a baseline to measure the extent to which their own civil service systems were aligned with these principles and practices, using a methodology with critical points linked to the civil service subsystems of the ICPS. Data for a second measurement were collected through individual country diagnostics between 2012 and 2015.

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Iacoviello, M. and L. Strazza (2014), “Diagnostic of the Civil Service in Latin America”, in J.C. Cortázar, M. Lafuente and M. Sanginés (eds), *Serving Citizens: A Decade of Civil Service Reforms in Latin America (2004-13)*, Inter-American Development Bank, Washington, DC., *http://publications.iadb.org/handle/11319/6636*.

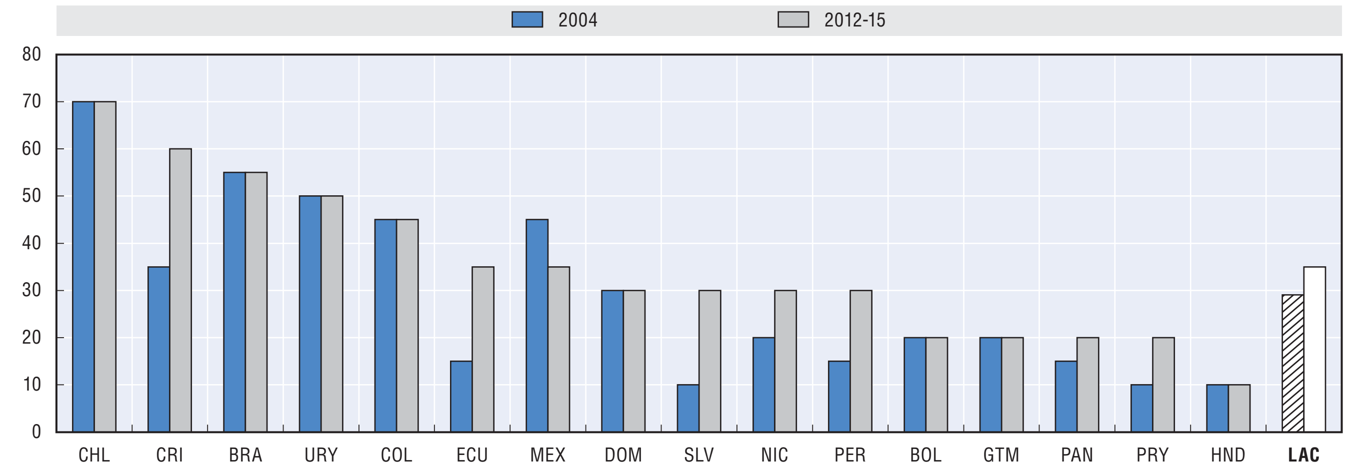
IDB (2017), Civil Service web pages, including the methodology and all country diagnostic reports, *http://descubre.iadb.org/civil-service* and *https://mydata.iadb.org/Reform-Modernization-of-the-State/Civil-Service-Development-Index/ddw5-db4y/about*.

Figure notes

6.7 and 6.8: Timing of the second assessment per country was the following: Ecuador and Peru (2015); Bolivia, Brazil, Chile, Colombia, Paraguay and Uruguay (2013); Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama (2012).

6.7. Compensation management (2004,-2012-15)

Scale 0 to 100, with 100 being the best possible score



Source: Inter-American Development Bank (IDB) (2014).

StatLink http://dx.doi.org/10.1787/888933431335

6.8. Compensation management: Scores per Factor over 2012-15

Scale 0 to 5, with 5 being the best practice

	Adequacy of pay structure to attract, motivate and retain suitable individuals with the competencies needed for each job	Adequacy of pay levels compared to the wider labour market	Degree to which the compensation mechanisms encourage civil servants to enhance their performance	Degree to which the pay policy is defined by pre-established criteria
Bolivia	0	2	0	2
Brazil	4	1	3	3
Chile	2	4	4	4
Colombia	2	2	2	3
Costa Rica	3	3	3	3
Dominican Rep	1	3	1	1
Ecuador	2	1	1	2
El Salvador	1	2	1	2
Guatemala	1	2	0	1
Honduras	1	0	0	1
Mexico	2	3	1	1
Nicaragua	1	2	1	2
Panama	1	2	0	1
Paraguay	1	1	1	1
Peru	1	2	1	2
Uruguay	3	3	2	2

Key:
0-1 Low
2-3 Medium
4-5 High
Source: Inter-American Development Bank (IDB) (2014).

StatLink http://dx.doi.org/10.1787/888933431759

The civil service agency or equivalent institution in charge of regulating how human resources are managed within the central government plays a crucial role in shaping HRM practices across the public sector. Public managers and HR units within line ministries or agencies matter as well, as they are in charge of the actual implementation of these practices.

The organisation of the HRM function measures the institutional capacity of the central civil service agency and the HRM units at the line ministries, as well as the degree to which managers effectively carry out their role as human talent managers. To do so, it assesses two factors: the degree to which public sector managers exercise their responsibilities as people managers; and the degree to which the civil service agency and HR units are seen as institutions that add value to the achievement of the institutional goals.

The average regional score rose from 33 to 43 points out of 100 between 2004 and 2012/15. The majority of the countries improved their performance in the last decade, and it is one of the strongest areas of public sector HRM in Latin America.

Some countries with high scores – such as Peru, Chile, Costa Rica and the Dominican Republic tend to have a stronger civil service agency at the central level, with legitimacy and prestige. They have more political influence to position the HRM agenda at a higher level, they have relatively more funding to have adequate staffing considering their institutional mandate, and they have the capacity to define a strategic framework and design and implement HRM policies across the administration. They are also more effective at exercising a coordination role with the HR units, developing arrangements for communication, receiving consultations and monitoring sector performance (although there is much room for improvement).

Systems with better performance also tend to have a more capable and professional line management across the administration, although this is not common. While strengthening the civil service agency has been a priority in the region in the last decade, having a more professional senior management has been inconsistent. Only Chile, Peru and, to some extent, Ecuador and Colombia have carried out effective policies to strengthen management, albeit to varying degrees and with different emphases. There is limited commitment to people management-related tasks by public sector managers. In this context, all HR units at line ministries, in general, tend to be weak, both politically and technically.

Methodology and definitions

In 2003, the governments in the region signed the ICPS, which defines the basis of a professional and efficient civil service and provides a generic framework of guiding principles, policies, and management mechanisms needed to build it. After defining this common framework, the countries – with the support of the IDB – established a baseline to measure the extent to which their own civil service systems were aligned with these principles and practices, using a methodology with critical points linked to the civil service subsystems of the ICPS. Data for a second measurement were collected through individual country diagnostics between 2012 and 2015. Further details about the construction of the composite indicators can be found in Annex A.

Further reading

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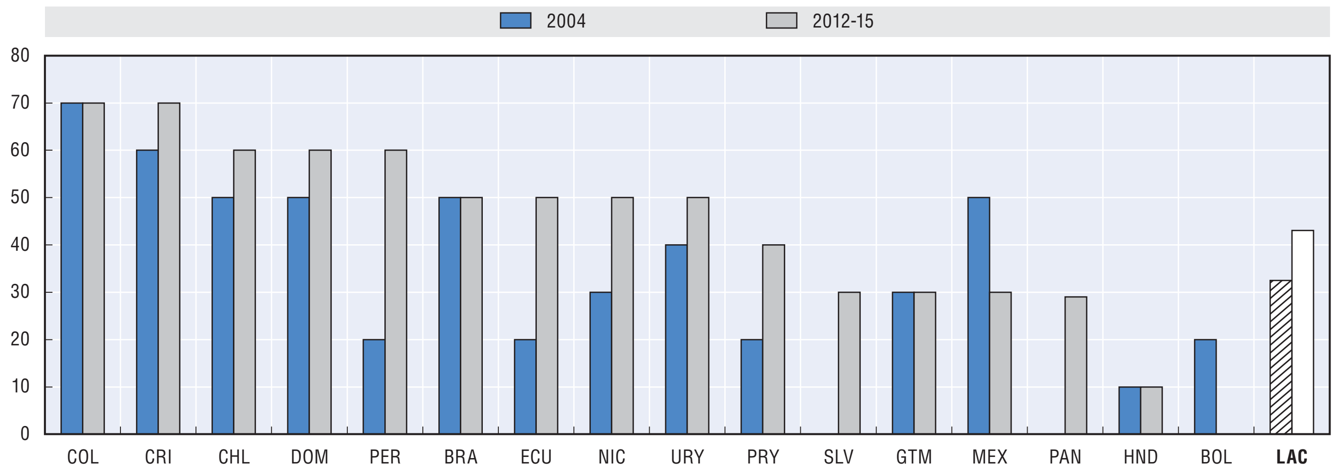
IDB (2017), Civil Service web pages, including the methodology and all country diagnostic reports, *http://descubre.iadb.org/civil-service* and *https://mydata.iadb.org/Reform-Modernization-of-the-State/Civil-Service-Development-Index/ddw5-db4y/about*.

Figure notes

6.9 and 6.10: Timing of the second assessment per country was the following: Ecuador and Peru (2015); Bolivia, Brazil, Chile, Colombia, Paraguay and Uruguay (2013); Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama (2012).

6.9. Organization of the HRM function (2004, 2012-15)

Scale 0 to 100, with 100 being the best possible score



Source: Inter-American Development Bank (IDB) (2014).

StatLink http://dx.doi.org/10.1787/888933431345

6.10. Institutional Capacity of Civil Service Agency: Scores per factor over 2012-15

Scale 0 to 5, with 5 being the best practice

	Degree to which public sector managers exercise their responsibilities as people managers	Degree to which the civil service agency and HR units are seen as institutions that add value to the achievement of the institutional goals
Bolivia	0	0
Brazil	3	2
Chile	3	3
Colombia	3	4
Costa Rica	3	4
Dominican Rep	2	4
Ecuador	1	3
El Salvador	1	2
Guatemala	1	2
Honduras	0	1
Mexico	2	1
Nicaragua	2	3
Panama	1	2
Paraguay	2	2
Peru	2	4
Uruguay	2	3

Key:
0-1 Low
2-3 Medium
4-5 High
Source: Inter-American Development Bank (IDB) (2014).

StatLink http://dx.doi.org/10.1787/888933431763

Chapter 7

Regulatory policy and governance

Regulations are the rules that govern the everyday life of businesses and citizens and one of the key levers by which governments act to promote economic prosperity, enhance welfare and pursue the public interest. To achieve these objectives and ensure regulations are of high quality and fit-for-purpose, a systemic governance framework is needed. In that sense, regulatory policy refers to the set of rules, procedures and institutions by which governments develop, implement and evaluate regulations. Recognising the critical importance of regulatory policy, OECD countries adopted in 2012 the *OECD Recommendation of the Council on Regulatory Policy and Governance*, which sets out the instruments and institutions that help governments prepare better new rules and improve existing rules.

LAC countries have made some efforts in adopting a whole-of-government approach on regulatory policy, but important challenges remain. Mexico and Costa Rica have been implementing regulatory policy for more than a decade, although with diverse depth and practices, while Brazil, Colombia and Ecuador have more recently embraced this trend. In the region, with the exception of Mexico, regulatory policy still lacks the comprehensiveness that several OECD member countries have achieved, in terms of ensuring that all regulators follow the same practices and coordination at different levels of government is promoted.

Most LAC countries covered in this analysis have set up a body (or bodies) responsible for promoting regulatory quality across the administration, but these bodies have different degrees of responsibility. In some countries, they are not yet able to implement the use of tools and support a common regulatory policy across the whole administration. COFEMER, the Mexican oversight body for regulatory improvement, is still a singular case in the region. Typically, the oversight bodies are located close to the centre of the government or the ministry of economy. While most countries have assigned responsibility for regulatory reform to a minister or high-level official, continued political support is required to ensure commitment to this type of reform agenda.

Regulatory policy covers various areas of responsibility in LAC countries, which reflects the variety of emerging systems. Legal quality and administrative simplification are the most common areas in which regulatory bodies operate, but initial efforts to introduce the use of Regulatory Impact Assessment (RIA) and *ex post* evaluation can be identified. Stakeholder engagement is an area that only few countries actively promote, indicating the need to strengthen the link between the state and the regulated community.

Methodology and definitions

The OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 draw upon responses to the OECD-IDB Survey on Regulatory Policy and Governance 2015 from selected LAC countries: Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru. Responses were provided by government officials and reflect the situation as of 31 December 2015. The scope of the data covers regulations initiated by the executive at the national level. Data for OECD countries are drawn from the OECD Indicators of Regulatory Policy and Governance (iREG) 2015.

Primary laws are regulations which must be approved by parliament or congress, while subordinate regulations can be approved by the head of government, by an individual minister or by the cabinet – that is, by an authority other than parliament/congress. Minister refers to the most senior political role within a portfolio. High-level official refers to a senior public official in the ministry, for example a permanent secretary, departmental secretary, state secretary, secretary-general or deputy minister. Regulatory Impact Analysis (RIA) is the systematic process of identification and quantification of benefits and costs likely to flow from regulatory or non-regulatory options for a policy under consideration.

Further reading

OECD (2015), *Regulatory Policy Outlook 2015*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264238770-en*.

OECD (2012), *Recommendation of the Council on Regulatory Policy and Governance*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264209022-en*.

OECD (2016), "OECD Indicators of Regulatory Policy and Governance", OECD, Paris, *www.oecd.org/gov/regulatory-policy/indicators-regulatory-policy-and-governance.htm*.

OECD (2016), "OECD work on regulatory policy", OECD, Paris, *www.oecd.org/gov/regulatory-policy/indicators-regulatory-policy-and-governance.htm*.

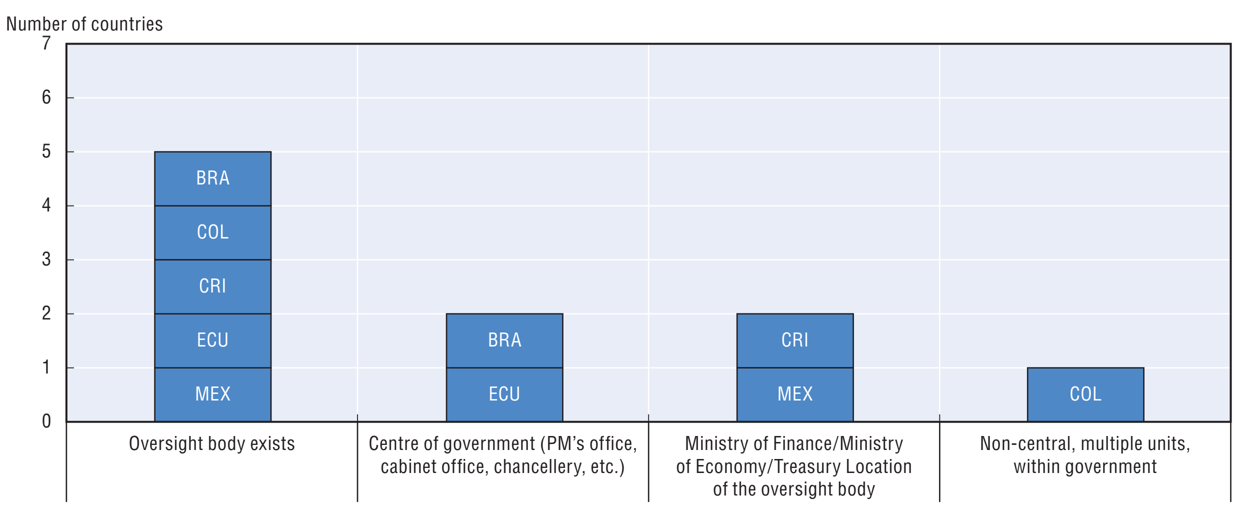
7.1. Whole-of-government approach to regulatory quality, 2015

	Explicit, published regulatory policy exists	Standard procedures adopted by which the administration develops…		Minister/ high-level official accountable for promoting regulatory reform	Body responsible for promoting regulatory policy and reporting on regulatory quality	Areas of responsibility of the regulatory oversight body				
		Primary laws	Subordinate regulations			Admin. Simplifycation or burden reduction	Consultation or stakeholder engagement	Regulatory Impact Assessment	Ex post evaluation	Legal quality
Brazil	●	●	●	❍	●	❍	●	●	❍	●
Chile	❍	●	●	❍	❍	❍	❍	❍	❍	❍
Colombia	●	●	●	●	●	●	❍	●	●	●
Costa Rica	●	●	●	●	●	●	❍	●	●	●
Ecuador	●	❍	❍	●	●	●	●	●	●	●
Mexico	●	●	●	●	●	●	●	●	●	❍
Peru	❍	●	●	❍	❍	❍	❍	❍	❍	❍
LAC total										
● Yes	5	6	6	4	5	4	3	5	4	4
❍ No	2	1	1	3	2	3	4	2	3	3
OECD total										
● Yes	32	32	33	28	32	29	28	26	26	25
❍ No	2	1	1	6	2	5	6	8	8	9
x Not applicable	0	1	0	0	0	0	0	0	0	0

Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016. OECD Indicators of Regulatory Policy and Governance (iREG) 2015. *www.oecd.org/gov/regulatory-policy/indicators-regulatory-policy-and-governance.htm.*

StatLink http://dx.doi.org/10.1787/888933431777

7.2. Oversight bodies, 2015



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016. *www.oecd.org/gov/regulatory-policy/indicators-regulatory-policy-and-governance.htm.*

StatLink http://dx.doi.org/10.1787/888933431355

Stakeholder engagement is a central and fundamental pillar of regulatory policy. The central objective of regulatory policy – ensuring that regulations are designed and implemented in the public interest – can only be achieved with help from those subject to regulations, be they citizens, business, civil society or other members of the community. Stakeholder engagement allows governments to collect better evidence as a basis for their decisions. It aims to improve the quality of the rule-making process by getting more diverse inputs and opinions from those who will be affected by government's decisions. Moreover, engaging affected parties in the process of developing new regulations has shown to increase the sense of ownership and to lead to better compliance with regulations. A transparent regulatory process increases credibility and trust in regulatory institutions.

Stakeholder engagement practices are common among LAC countries, but their scope and depth vary greatly. While Mexico and Brazil have already established fairly advanced consultation systems and perform around or above the OECD average, other countries are still building systematic procedures that ensure public participation in the regulatory process. Formal requirements are in place in all LAC countries covered, but practice lags behind in most cases and participating countries face important gaps in implementation. This contrasts with the trend observed in most OECD countries, to consult with stakeholders on a systematic basis on all or major regulatory proposals.

Stakeholder engagement at early stages of the regulatory process is not common in LAC countries. Similar to OECD countries, consultations normally focus on draft regulations, and not at an earlier stage to collect views on the nature of the problem and explore the best way to solve it. Some good consultation practices can be highlighted, such as the initial attempts to consult with the public on a Regulatory Impact Analysis (RIA) before a regulation has been drafted in some regulatory agencies in Brazil. Also some regulators in Costa Rica and Colombia are experimenting with this method, which can contribute to solicit stakeholders' views early enough in the process.

The way stakeholder engagement is conducted in the region shows that other tools, such as focus groups, interviews, questionnaires, etc., could be used to increase the participation of interested parties. Formal requirements and practice have to be in alignment and regulators need to provide timely information for stakeholders to better inform their participation. Building on existing initiatives in specific areas or institutions, LAC countries need to develop and strengthen proper mechanisms to ensure active stakeholder engagement and participation and greater transparency. Strengthening institutional oversight of the regulatory process is crucial in embedding regulatory policy in practice and would help address the existing implementation gap.

Methodology and definitions

The OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 draw upon responses to the OECD-IDB Survey on Regulatory Policy and Governance 2015 from selected LAC countries: Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru. Responses were provided by government officials and reflect the situation as of 31 December 2015. The scope of the data covers regulations initiated by the executive at the national level. Data for OECD countries are drawn from the OECD Indicators of Regulatory Policy and Governance (iREG) 2015. Figure 4.4 displays the aggregate score of the composite indicator on stakeholder engagement in developing subordinate regulations across four categories. The maximum score for each category is 1, and the maximum aggregate score for the composite indicator is 4. The more regulatory practices as advocated in the 2012 *OECD Recommendation on Regulatory Policy and Governance* a country has implemented, the higher its indicator score. Additional information on the methodology is included in Annex B. The full dataset underlying the composite indicator can be accessed on line at: *www.oecd.org/gov/regulatory-policy/ireg-lac.htm*.

Subordinate 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 parliament/congress. Public consultation refers to consultations where any member of the public has access to information on the consultation and is able to submit comments.

Further reading

OECD (2015), *Regulatory Policy Outlook 2015*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264238770-en*.

OECD (forthcoming), *OECD Best Practice Principles on Stakeholder Engagement in Regulatory Policy*, OECD Publishing, Paris.

OECD (2012), *Recommendation of the Council on Regulatory Policy and Governance*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264209022-en*.

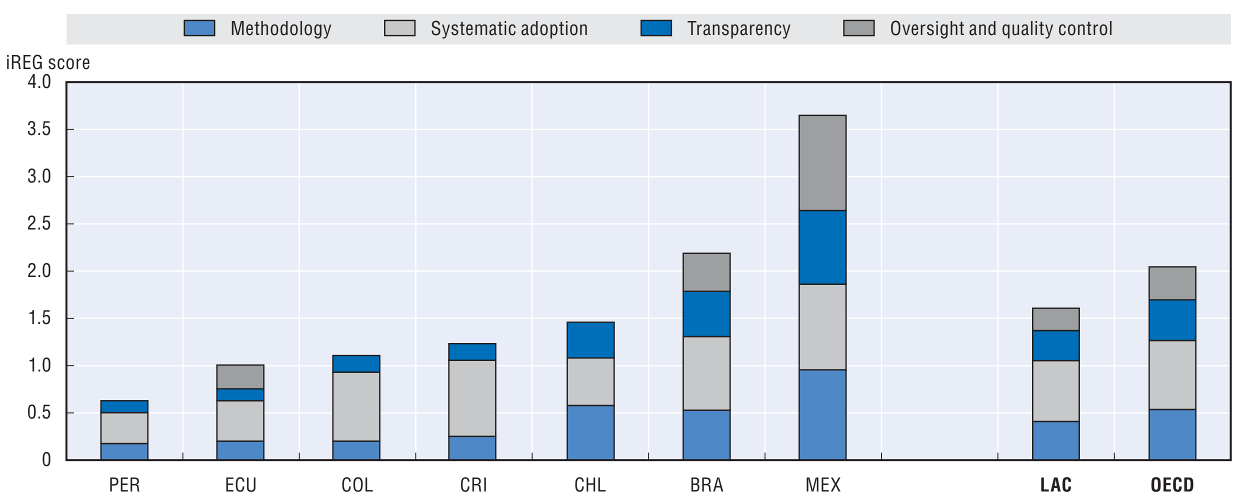
7.3. Requirements and types of stakeholder engagement, 2015

	Requirement to conduct stakeholder engagement	Practice of stakeholder engagement to inform officials about the nature of the problem and possible solutions	Practice of consultation on draft regulations or proposed rules	Can any member of the public choose to participate in a consultation?
Brazil	■	◗	◗	■
Chile	◗	◗	◗	◗
Colombia	■	◗	◗	◗
Costa Rica	■	◗	◗	◗
Ecuador	◗	❒	◗	◗
Mexico	■	◗	■	■
Peru	◗	❒	◗	◗
LAC total				
■ All subordinate regulations	4	0	1	2
▲ Major subordinate regulations	0	0	0	0
◗ Some subordinate regulations	3	5	6	5
❒ Never	0	2	0	0
OECD total				
■ All subordinate regulations	18	2	18	13
▲ Major subordinate regulations	7	3	7	4
◗ Some subordinate regulations	6	21	8	13
❒ Never	3	8	1	4

Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016. OECD Indicators of Regulatory Policy and Governance (iREG) 2015. *www.oecd.org/gov/regulatory-policy/indicators-regulatory-policy-and-governance.htm.*

StatLink http://dx.doi.org/10.1787/888933431780

7.4. Composite indicator: Stakeholder engagement in developing subordinate regulations, 2015



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016. OECD Indicators of Regulatory Policy and Governance (iREG) 2015. *www.oecd.org/gov/regulatory-policy/indicators-regulatory-policy-and-governance.htm.*

StatLink http://dx.doi.org/10.1787/888933431360

Regulatory Impact Assessment (RIA) is a key policy tool that provides decision makers with detailed information about the potential effects of regulatory measures on the economy, environment and social arrangements. It is therefore a core tool for evidence-based policy making. It is defined as the systematic process of identification and quantification of benefits and costs likely to flow from regulatory or non-regulatory options for a policy under consideration. By strengthening the transparency of regulatory decisions and their justification, RIA may also bolster the credibility of regulatory responses and increase public trust in regulatory institutions and policy makers. The use of RIA has expanded over the past 30 years to become universal across OECD member countries; however, there is no single model that is followed in implementing this regulatory policy tool. The design and evolution of RIA systems has taken into account the institutional, social, cultural and legal context of the relevant country or jurisdiction.

Apart from Mexico, and to a certain extent Costa Rica, the use of RIA is relatively recent among LAC countries. While the rest of the countries covered have taken steps to adopt this tool, it has not been systematically implemented yet. For instance, in Brazil, Ecuador and Colombia several pilot projects were conducted with a view to institutionalising the use of RIA. The gap in implementation still remains high, which shows the need to introduce a RIA system that is adequate for the administrative culture and institutional capacity of each country, while ensuring the comprehensive analysis of impacts, the consultation process, the training of regulators and well-functioning institutional settings.

One of the major challenges for the consistent implementation of RIA in practice is the lack of oversight observed in most LAC countries. Only Mexico and Costa Rica have a dedicated oversight body that controls the quality of RIAs prepared by the regulators, ensuring coherence and developing a culture among regulators to better define their regulatory interventions. RIA is a tool that might require intensive resources and capacities, in addition to strong leadership and political support.

Written guidance on the preparation of RIA has been developed in all LAC countries covered except Peru, but it does not mean that it is fully used by regulators. Those documents also show a lack of a clear methodological approach to be developed and promoted in most LAC countries.

Methodology and definitions

The OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 draw upon responses to the OECD-IDB Survey on Regulatory Policy and Governance 2015 from selected LAC countries: Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru. Responses were provided by government officials and reflect the situation as of 31 December 2015. The scope of the data covers only regulations initiated by the executive at the national level. Data for OECD countries are drawn from the OECD Indicators of Regulatory Policy and Governance (iREG) 2015.

Subordinate 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 parliament/congress.

Further reading

OECD (2015), *Regulatory Policy Outlook 2015*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264238770-en*.

OECD (2012), *Recommendation of the Council on Regulatory Policy and Governance*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264209022-en*.

OECD (2016), "OECD Indicators of Regulatory Policy and Governance", OECD, Paris, *www.oecd.org/gov/regulatory-policy/indicators-regulatory-policy-and-governance.htm*.

OECD (2016), "OECD work on Regulatory Impact Analysis", OECD, Paris, *www.oecd.org/gov/regulatory-policy/ria.htm*.

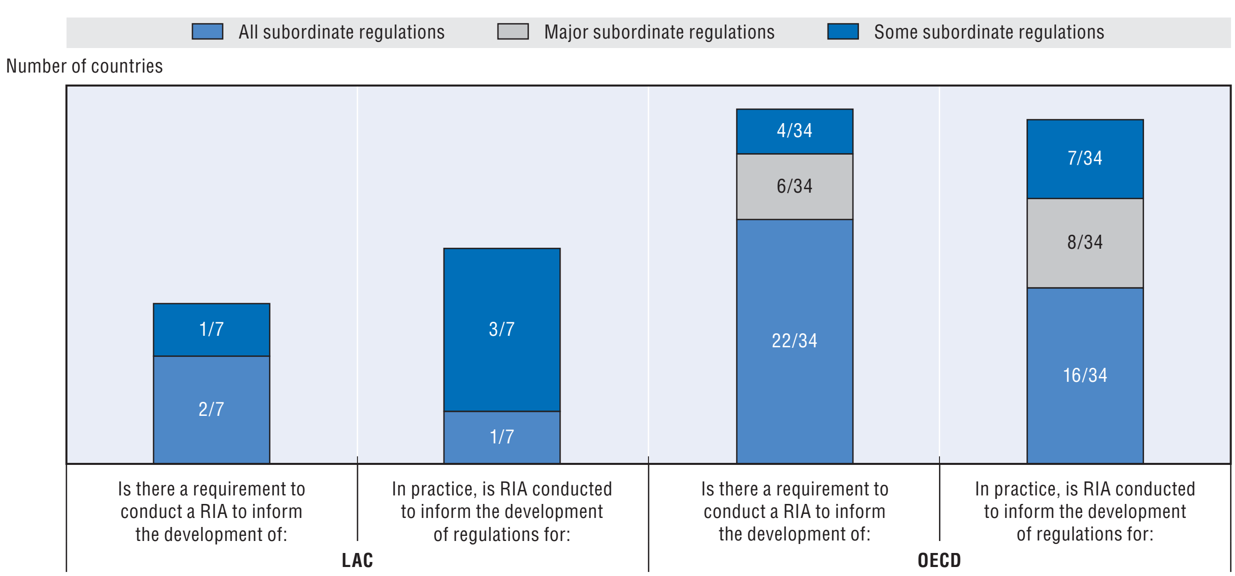
7.5. Regulatory Impact Assessment, 2015

	Requirement to conduct RIA to inform the development of:	RIA is conducted in practice to inform the development of:	RIA quality check by government body outside the ministry preparing the regulation	Is written guidance on the preparation of RIA provided?
Brazil	◗	◗	❍	●
Chile	❐	❐	❍	●
Colombia	❐	❐	❍	●
Costa Rica	■	◗	●	●
Ecuador	❐	❐	❍	●
Mexico	■	■	●	●
Peru	❐	◗	❍	❍
LAC total				
■ All subordinate regulations	2	1		
▲ Major subordinate regulations	0	0		
◗ Some subordinate regulations	1	3		
❐ Never	4	3		
● Yes			2	6
❍ No			5	1
OECD total				
■ All subordinate regulations	22	16		
▲ Major subordinate regulations	6	8		
◗ Some subordinate regulations	4	7		
❐ Never	2	3		
● Yes			25	33
❍ No			9	1

Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016. OECD Indicators of Regulatory Policy and Governance (iREG) 2015. *www.oecd.org/gov/regulatory-policy/indicators-regulatory-policy-and-governance.htm.*

StatLink http://dx.doi.org/10.1787/888933431799

7.6. Adoption of RIA: Formal requirements and practice, 2015



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016. OECD Indicators of Regulatory Policy and Governance (iREG) 2015. *www.oecd.org/gov/regulatory-policy/indicators-regulatory-policy-and-governance.htm.*

StatLink http://dx.doi.org/10.1787/888933431370

There is a fundamental value in assessing the effectiveness of regulation once it is in force. It is only after implementation that the effects and impacts of regulations can be fully assessed, including direct and indirect incidence and unintended consequences. Regulations may also become outdated as the result of a change in societal preferences or technological advancement. Consequently, regular reviews are needed to ensure that regulations are still necessary, relevant and fit for purpose. Evaluation of regulations is mainly carried out *ex ante* through the Regulatory Impact Assessment process while *ex post* evaluation remains the least developed of the regulatory tools. Administrative simplification, on the contrary, has been widely used both in OECD and LAC countries. It encompasses the reduction of administrative requirements to comply with regulation and moves from a simple review of norms to the quantification of the administrative burdens and better targeting of the simplification efforts.

Ex post evaluation to assess the effectiveness of laws and regulations in achieving their objectives is mostly unexplored in the LAC countries covered, a trend similar to OECD countries. Only very few countries present isolated cases in which regulators are required to conduct *ex post* evaluations. For instance, regulatory commissions in Colombia are obliged by law to conduct every three years an *ex post* evaluation of all regulations adopted over that period. In other countries, there are cases that also show the complexity of completing the exercise to understand if the intervention met its intended objectives. The case of Chile reveals an interesting example, as the Chamber of Deputies, through its Law Evaluation Department, plays a role in assessing the effectiveness of laws. The Department has conducted several *ex post* reviews of laws, making recommendations in each case for further improvement.

By contrast, LAC countries have invested substantially in administrative simplification programmes to ease the regulatory burden. These efforts have been widely spread across the whole region, including different levels of government, and are supported by guidance available to officials. LAC countries have extensive experience in the implementation of administrative simplification projects, which have made it easier to do business in the region. However, very few of them complete the systematic requirement to link these efforts to the systematic adoption of other tools, such as RIA and consultation to improve the quality of the regulations.

In terms of legal instruments, such as codification or consolidation, LAC countries have made use of a variety of approaches to review their stock of regulation. However, they appear to be mostly focussed on rationalising rather than reviewing the effectiveness of regulations, as sunsetting and review clauses are rarely used.

Methodology and definitions

The OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 draw upon responses to the OECD-IDB Survey on Regulatory Policy and Governance 2015 from selected LAC countries: Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru. Responses were provided by government officials and reflect the situation as of 31 December 2015. Unless explicitly stated, the scope of the data covers only regulations initiated at the national level.

Primary laws are regulations which must be approved by parliament or congress, while subordinate regulations can be approved by the head of government, by an individual minister or by the cabinet – that is, by an authority other than parliament/congress. Sunsetting clauses refer to the automatic repeal of regulations a certain number of years after they have come into force.

Further reading

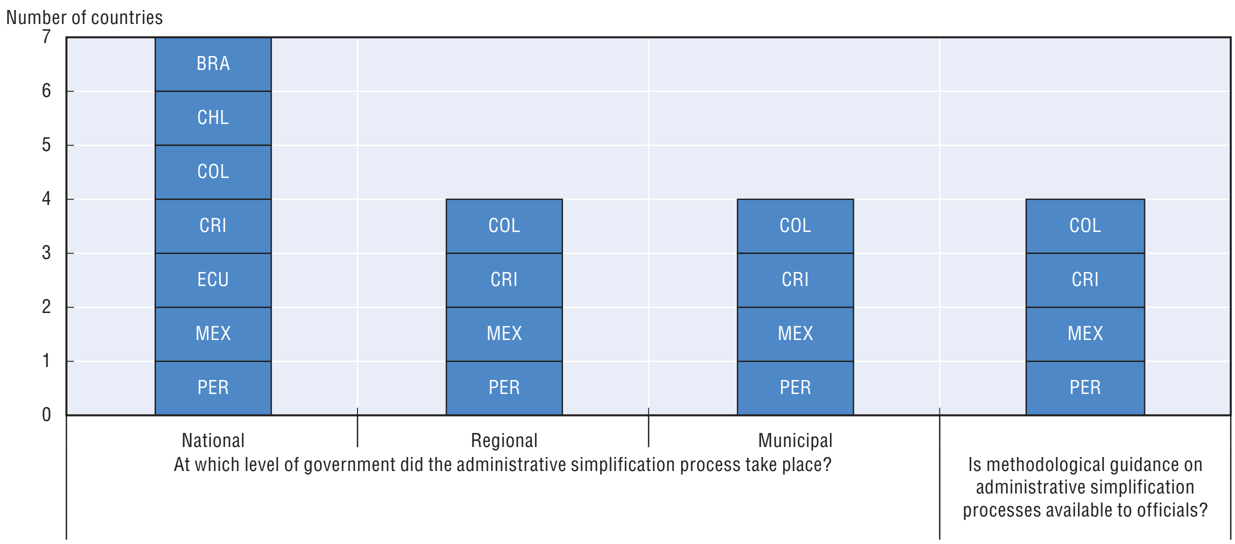
OECD (2015), *Regulatory Policy Outlook 2015*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264238770-en*.

OECD (2012), *Recommendation of the Council on Regulatory Policy and Governance*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264209022-en*.

OECD (2016), "OECD Indicators of Regulatory Policy and Governance", OECD, Paris, *www.oecd.org/gov/regulatory-policy/indicators-regulatory-policy-and-governance.htm*.

OECD (2012), "International Practices on *ex post* Evaluation", *Evaluating Laws and Regulations: The Case of the Chilean Chamber of Deputies*, pp. 9-46, OECD, Paris, *http://dx.doi.org/10.1787/9789264176263-3-en*.

7.7. Administrative simplification, 2015



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016. *www.oecd.org/gov/regulatory-policy/indicators-regulatory-policy-and-governance.htm.*

StatLink http://dx.doi.org/10.1787/888933431383

7.8. *Ex post* reviews of regulations, 2015

	Types of ex post reviews conducted								Did any of these reviews include an assessment of whether the objectives of the regulation have been achieved?	
	Codification		Legal consolidation		Sunsetting clauses		Review clauses			
	Primary laws	Subordinate regulations	Primary laws	Subordinate regulations	Primary laws	Subordinate regulations	Primary laws	Subordinate regulations	Primary laws	Subordinate regulations
Brazil	●	●	●	●	❍	❍	❍	❍	❍	❍
Chile	●	●	●	●	●	●	●	●	●	●
Colombia	❍	❍	❍	●	❍	❍	❍	●	❍	●
Costa Rica	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
Ecuador	●	●	●	●	❍	❍	❍	❍	❍	❍
Mexico	❍	●	❍	●	❍	●	❍	●	●	●
Peru	❍	❍	❍	❍	❍	❍	❍	❍	❍	❍
LAC total										
● Yes	3	4	3	5	1	2	1	3	2	3
❍ No	4	3	4	2	6	5	6	4	5	4

Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016. *www.oecd.org/gov/regulatory-policy/indicators-regulatory-policy-and-governance.htm.*

StatLink http://dx.doi.org/10.1787/888933431804

A competition-friendly regulatory environment can help raise living standards by stimulating investment, trade and employment. Competition provides the incentives for firms to allocate resources efficiently and contributes to diffusing innovation more rapidly, which may help bridge the persisting productivity gap between the LAC region and advanced economies. It also benefits consumers by facilitating a broader choice and better quality of products at a lower price. There are two important elements to a competition-friendly regulatory environment. First, regulations must be designed in a way that enhances competition and lowers entry barriers encouraging firms to innovate and improve efficiency without being too heavy a burden on companies. Second, these regulations must be complied with or enforced in a transparent and cost-effective way. The OECD Indicators of Product Market Regulation (PMR) are a comprehensive and internationally comparable set of indicators that measure the degree to which policies promote or inhibit competition in areas of the product market. The overall PMR indicator aggregates information in the areas of *state control*, *barriers to entrepreneurship* and *barriers to trade and investment*. A high score of the composite indicators signals that regulatory conditions are less favourable to competition.

Product Market Regulation tends to be more restrictive in Latin America than in OECD countries but performance varies across the region. While regulation is significantly more restrictive in countries like Venezuela and Bolivia, other countries such as Chile, Peru and Colombia have put in place regulatory frameworks that are more conducive to competition. Over the last decades, many OECD countries have consistently implemented policies that make it easier for entrepreneurs to create and expand firms and facilitate the entry of foreign products, investments and firms.

The reasons for restrictiveness of regulation are diverse and may vary across countries. Barriers to entrepreneurship and state control are strong impediments to a more competition-friendly environment in the LAC region. In particular, the high complexity of regulatory procedures and licence and permits systems hinders entrepreneurial activity and investment in all LAC countries. Similarly, the pervasiveness of public ownership in network industries (e.g. electricity, telecommunication, transport) also hampers competition. By contrast, some countries (e.g. Costa Rica, Guatemala and El Salvador) have reduced investment and tariff barriers, even though non-tariff barriers (e.g. divergence from international standards and the lack of regulatory transparency and recognition of foreign norms) remain an issue throughout the LAC region. There is also scope to foster competition by further improving the governance of state-owned firms and rationalising public ownership in sectors such as wholesale and retail trade or the manufacture of petroleum products.

Methodology and definitions

The OECD's PMR database contains information on regulatory structures and policies in all OECD and more than 20 non-OECD countries that is collected through a questionnaire sent to governments. It is updated every five years and currently covers the years 1998, 2003, 2008 and 2013. The indicators are based on "objective" data about laws and regulations as opposed to "subjective" assessments in opinion surveys, thus capturing the "de jure" policy settings. The economy-wide PMR indicator is constructed through a bottom-up approach by aggregating 18 low-level indicators. The aggregate PMR indicator is the simple average across three high-level indicators: (1) *state control* (2) *barriers to entrepreneurship*, and (3) *barriers to trade and investment*. A new set of indicators on Regulatory Management complements the PMR indicators by measures of the governance of the bodies that design, implement and enforce these regulations in six network sectors (electricity, gas, rail, transport, airports, telecommunications, and ports).

Further reading

OECD (2016), "OECD Indicators of Product Market Regulation Homepage", *www.oecd.org/eco/growth/indicatorsofproductmarketregulationhomepage.htm*.

Koske, I., Wanner, I., Bitetti, R. and Barbiero, O. (2015), "The 2013 update of the OECD's database on product market regulation: Policy insights for OECD and non-OECD countries", *OECD Economics Department Working Papers*, No. 1200, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5js3f5d3n2vl-en*.

Koske, I., Naru, F., Beiter, P. and Wanner, I. (2016), "Regulatory management practices in OECD countries", *OECD Economics Department Working Papers*, No. 1296, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5jm0qwm7825h-en*.

Figure notes

Figures 7.9 and 7.10 displays the score of the economy-wide PMR indicator on a scale of 0 to 6, with 6 being the most restrictive. The data on the OECD average does not include the United States, for which no data are available for 2013.

7.9. Indicators of Product Market Regulation

Scale of 0 to 6, with 6 being the most restrictive, 2013

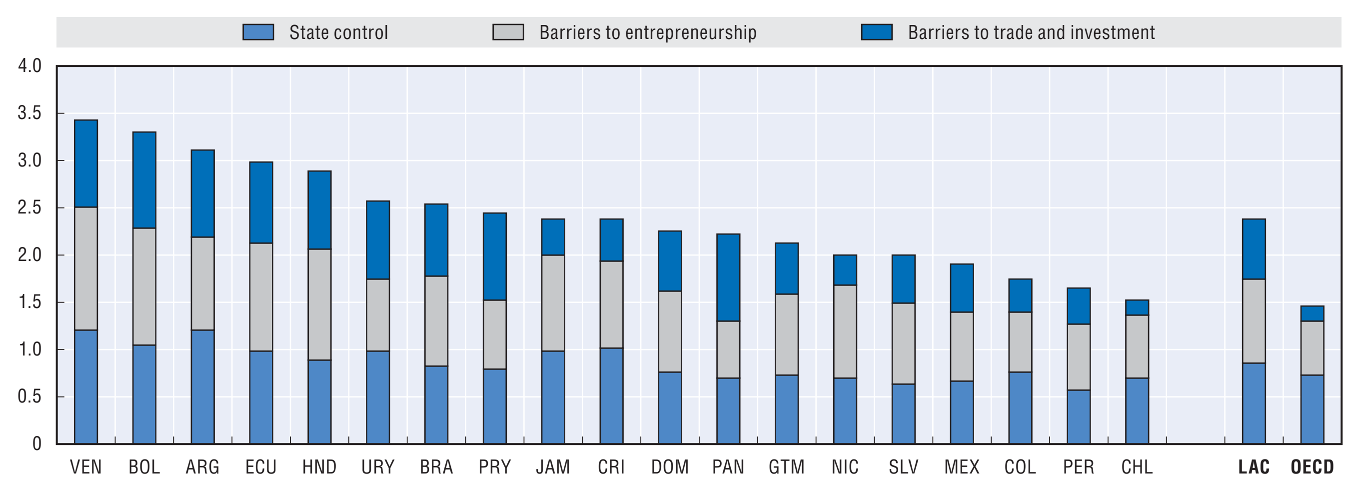
	State control		Barriers to entrepreneurship			Barriers to trade and investment	
	Public ownership	Involvement in business operations	Complexity of regulatory procedures	Administrative burdens on start-ups	Regulatory protection of incumbents	Explicit barriers to trade and investment	Other barriers to trade and investment
Chile	2.24	1.95	3.75	1.12	1.19	0.17	0.68
Mexico	2.59	1.44	1.41	2.43	2.72	1.37	1.66
Argentina	3.91	3.33	4.06	3.18	1.63	1.36	4.16
Bolivia	3.78	2.46	5.14	3.90	2.17	2.75	3.45
Brazil	2.68	2.35	3.79	3.01	1.84	2.30	2.17
Colombia	2.30	2.37	2.32	2.16	1.17	0.57	1.59
Costa Rica	3.40	2.82	2.90	2.47	2.67	0.65	2.02
Dominican Republic	3.06	1.54	3.89	2.30	1.60	1.35	2.39
Ecuador	4.03	1.95	4.18	3.12	3.07	2.25	2.75
El Salvador	1.99	1.81	3.71	2.34	1.86	0.25	2.62
Guatemala	2.63	1.79	3.60	2.80	1.44	0.25	2.94
Honduras	2.81	2.56	4.45	3.77	2.26	1.19	3.86
Jamaica	2.78	3.16	4.00	3.06	1.98	1.05	1.36
Nicaragua	2.13	2.06	4.34	2.66	1.86	0.47	1.45
Panama	2.57	1.66	2.40	1.39	1.69	2.43	3.09
Paraguay	2.92	1.87	2.09	2.97	1.39	2.50	3.09
Peru	2.11	1.38	2.59	2.31	1.27	0.67	1.70
Uruguay	3.31	2.63	3.62	1.73	1.65	2.00	2.79
Venezuela	4.23	3.06	4.80	3.77	3.19	2.50	2.93
LAC average	**2.92**	**2.22**	**3.53**	**2.66**	**1.93**	**1.37**	**2.46**
OECD average	**2.72**	**1.63**	**1.90**	**1.87**	**1.33**	**0.28**	**0.77**

Source: OECD Product Market Regulation Database for the OECD average; OECD-WBG Product Market Regulation Database.

StatLink http://dx.doi.org/10.1787/888933431812

7.10. Economy-wide Product Market Regulation

Scale of 0 to 6, with 6 being the most restrictive, 2013



Source: OECD Product Market Regulation Database for the OECD average; OECD-WBG Product Market Regulation Database.

StatLink http://dx.doi.org/10.1787/888933431399

Chapter 8

Digital and open government

Citizens around the world are increasingly demanding to interact with their governments through digital platforms. At the same time, fiscal constraints force governments to operate efficiently and to create a competitive environment where citizens and businesses can manage their relationship with the public sector in the most convenient way. Information and communication technologies (ICTs), when implemented appropriately, have proven to be great allies in government efforts to streamline processes, eliminate paper-based transactions and set up single points of access to the public administration. International experience shows that the governments that have taken greatest advantage of the opportunities offered by ICTs to modernise the public sector are those that have undertaken a planning exercise (i.e. a digital strategy). This is a detailed planning exercise that includes the scope, financing, monitoring, rights and obligations of the affected parties, roles of the different actors and a governance framework providing coordination mechanisms. The exercise should gather as much political support as possible.

In the LAC region, 73% of countries, including Brazil, Mexico, Argentina and Colombia, have developed a digital strategy. For those countries that reported not having a strategy in place, many have advanced preliminary steps in establishing it. In El Salvador, Suriname, Nicaragua or Haiti, there has been progress in strategic planning, but it has not yet gained enough stakeholder and political support to achieve the status of a formal national strategy for digital government. A smaller share of LAC countries, reaching 60%, reported using performance indicators to monitor progress in e-government. In the absence of performance indicators, some countries rely on international studies (e.g. UN e-government survey) to monitor their performance. However, as resources invested in ICT continue to grow, it can be expected that more countries will develop evaluation mechanisms to monitor their evolution in e-government.

In all LAC and OECD countries, digital strategies cover general public services (e.g. permits, licences, certificates) to their citizens. However, in some countries such as Chile, Uruguay or Colombia these strategies have a wider scope including other policy areas. For example, 88% of the digital strategies cover education and health. Three quarters of digital strategies in the LAC region cover public order and security and economic affairs. These figures are higher than for OECD countries where these areas are respectively covered by 52% and 60% of digital strategies. Financial resources are key for effectively implementing and guaranteeing the sustainability of digital strategies. In 70.6% of LAC countries the digital strategies receive funding from ministries other than the one in charge of coordinating it, reflecting shared responsibilities in the implementation and funding of digital government activities. This requires coordination mechanisms to keep alignment with strategic objectives.

Methodology and definitions

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 available to all, regardless of income. Even where public services are not publicly provided nor publicly financed, for social and political reasons they are usually subject to regulation going beyond that applying to most economic sectors.

An ICT project is an investment project where the use of ICT is an essential component for the successful accomplishment of the results planned. The ICT component can focus on the introduction of new technologies or the upgrade of existing ones.

Data are derived from the 2015 OECD-IDB Survey on Digital Government Performance. The survey collected responses from 22 LAC countries as well as Grenada. Respondents were predominantly chief information officers or their equivalent at central government.

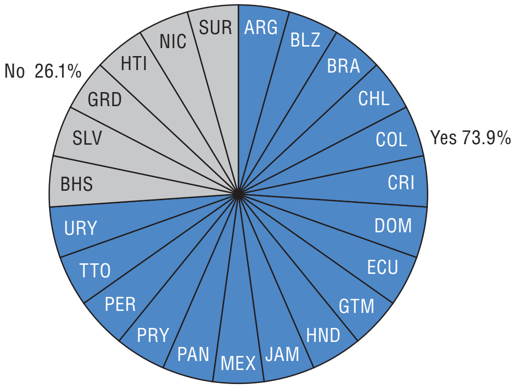
Further reading

Cabinet Office, Government of the UK (2013), Government Digital Strategy, reports and research *https://www.gov.uk/government/publications/government-digital-strategy*.

OECD (2016), Digital Government in Chile: Strengthening the Institutional and Governance Framework, OECD Digital Government Studies, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264258013-en*.

United Nations Department for Economic and Social Affairs (2014), UN e-Government Survey 2014. *https://publicadministration.un.org/egovkb/en-us/Reports/UN-E-Government-Survey-2014*.

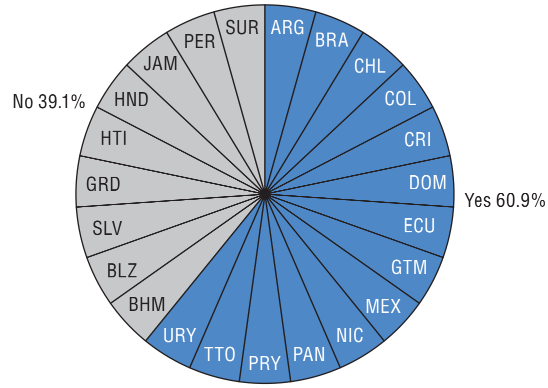
8.1. Existence of a national strategy for digital government or the use of ICT in the public sector, 2015



Source: OECD 2015 survey on digital government performance.

StatLink http://dx.doi.org/10.1787/888933431403

8.2. Use of performance indicators to monitor progress in digital or e-government, 2015



Source: OECD 2015 survey on digital government performance.

StatLink http://dx.doi.org/10.1787/888933431419

8.3. Main features of digital government strategies, 2015

Country	Most common policy areas covered by the strategy					Main funding sources		
	General public services	Education	Health	Public order and security	Economic affairs	Ministry charged with coordinating the strategy	Ministries and authorities covered by the strategy	Varying sources depending on the specific ICT projects in the strategy
Argentina	●	●	●	●	●	❍	❍	●
Belize	●	●	●	●	❍	●	❍	❍
Brazil	●	❍	❍	❍	❍	●	●	●
Chile	●	●	●	●	●	●	●	●
Colombia	●	●	●	●	●	●	●	❍
Costa Rica	●	●	●	●	●	❍	❍	❍
Dominican Republic	●	●	●	❍	●	❍	❍	●
Ecuador	●	●	●	●	●	●	●	❍
Guatemala	●	●	●	●	●	●	●	●
Honduras	●	●	●	●	●	●	●	●
Jamaica	●	●	●	●	●	●	●	❍
Mexico	●	●	●	●	●	❍	●	●
Panama	●	●	●	❍	●	❍	●	●
Paraguay	●	●	●	●	❍	●	●	❍
Peru	●	❍	❍	❍	❍	●	❍	❍
Trinidad and Tobago	●	●	●	●	●	●	●	●
Uruguay	●	●	●	●	●	●	●	❍
LAC total								
●	17	15	15	13	13	12	12	9
❍	0	2	2	4	4	5	5	8
OECD total								
●	25	16	13	13	15	14	9	8
❍	0	9	12	12	10	11	16	17

Key:
● Yes
❍ No
Source: OECD 2015 survey on digital government performance.

StatLink http://dx.doi.org/10.1787/888933431828

Measuring the effects of public policies allows policy makers and public sector managers to draw lessons and allocate limited financial resources where they can have the biggest impact, thereby increasing efficiency and effectiveness. In the case of ICTs this is particularly important since the business case to support digital government projects is usually based on the time and cost reduction that technology generates for governments, as well as the ease of access to services by businesses and citizens and the resulting level of satisfaction.

Slightly less than one third of LAC countries measure the direct financial benefits of ICT projects for the central government. Costa Rica, Ecuador, Mexico and Panama are the only LAC countries that reported consistently measuring such benefits. An even lower share of LAC countries, only 22%, reported measuring the benefits of ICT projects for citizens and businesses. Chile reported measuring the results for citizens and not for businesses, while Costa Rica reported doing the opposite. Argentina, Brazil, Colombia and Mexico reported measuring the benefits consistently for both groups.

Information technology spending in the central government includes the creation of new capabilities or the maintenance of existing ones. On average, LAC countries estimated spending 40% of their IT budget on the creation of new capabilities. This is slightly lower than in OECD countries where the average reported expenditure on the creation of new capabilities is 45% of the existing IT budget. Within the LAC region the situation varies significantly from country to country. While Trinidad and Tobago spends as much as 80% on the creation of new capabilities, Costa Rica only devotes about 10% and Chile and Jamaica less than 15%. Countries starting from a lower existing stock of IT infrastructure are expected to devote a higher share of resources to creation rather than maintenance of IT capabilities.

Methodology and definitions

Data are derived from the 2015 OECD-IDB Survey on Digital Government Performance. The survey collected responses from 22 LAC countries as well as Grenada. Respondents were predominantly chief information officers or their equivalent at central government.

Implementing productivity enhancing ICT projects can result in significant time savings. Time can be saved for example by the elimination, reduction or automation of service delivery or administrative processes. Time savings within the public administration are measured in full time equivalents (FTEs) annually and can be attributed a financial value. Time savings for citizens and businesses are measured in hours annually, and can equally be attributed a financial value.

Further reading

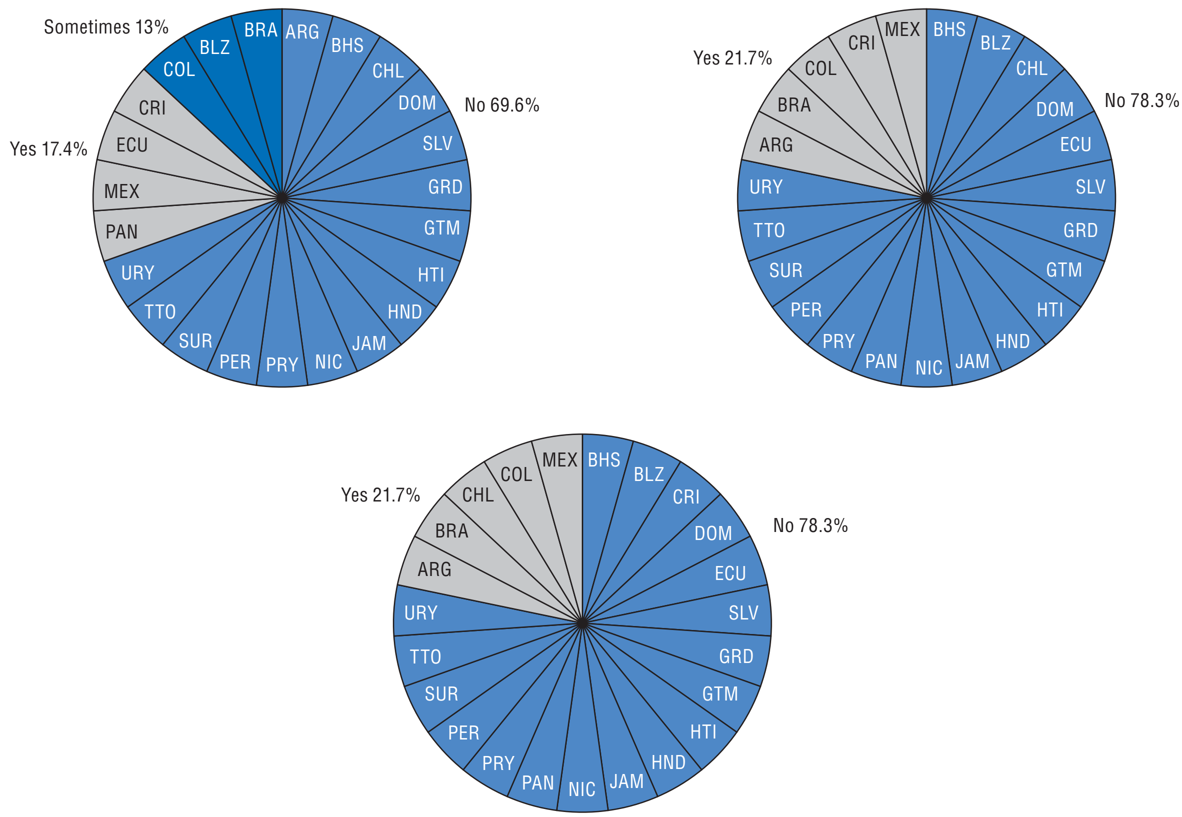
Cabinet Office, Government of the UK (2012), "Digital Efficiency Report", Government Digital Service, *https://www.gov.uk/government/publications/digital-efficiency-report*.

Cresswell, A., G. Burke and T. Pardo (2006), *Advancing Return on Investment. Analysis for Government IT*. A Public Value Framework, SUNY, Albany, NY.

Figure notes

8.4: For central government, Brazil measures financial benefits for selected projects. In Colombia, measures of financial benefits are produced within specific projects. In Suriname benefits are estimated for projects led by the ministry of finance. In the case of Costa Rica evaluations on the ICT benefits for government are carried out by the office of the comptroller general.

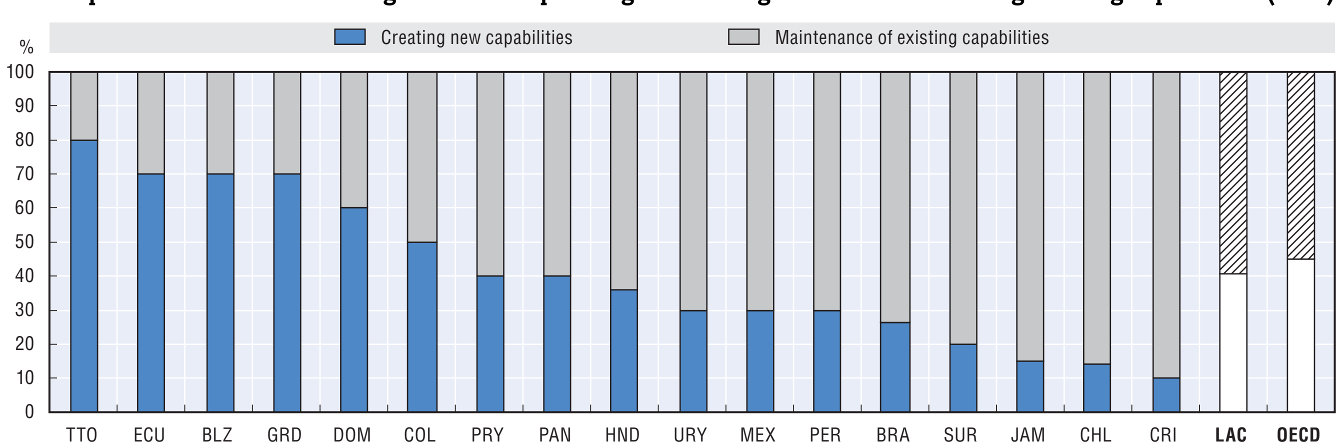
8.4. Measurement of ICT financial benefits in the central government, for businesses and citizens (2015)



Source: OECD 2015 Survey on Digital Government Performance.

StatLink http://dx.doi.org/10.1787/888933431421

8.5. Reported share of IT central government spending for creating new and maintaining existing capabilities (2015)



Source: OECD (2015) Survey on Digital Government Performance.

StatLink http://dx.doi.org/10.1787/888933431435

The procurement of ICTs has traditionally been a challenge within the public sector due to the ever changing nature of the products and services involved and the technical knowledge required to develop good terms of reference. The capacity to appropriately procure ICT-related products and services has a significant effect on the progress of e-government, making it of utmost importance for governments to have a strategic approach to the purchase of technology.

According to the survey responses, 61% of LAC countries have a clearly defined strategy for the procurement of ICTs, a slightly lower share than OECD countries where it reaches 68%. Some countries in the region, such as Chile or Brazil, have been pioneers in the area of public procurement and consequently grant strategic importance to the procurement of technology-related products and services. Other countries that recently modernised their government procurement legal and institutional framework such as Colombia or Uruguay have recognised the importance of ICTs procurement and established the conditions for its development. Less advanced countries in the adoption of ICTs, such as Guatemala or Nicaragua, have set up procurement strategies for ICTs in an attempt to close the gap with leading countries in the region. Chile is the only LAC country that reported that the ICTs procurement strategy covers sub-national levels of government. The share of countries where this is the case is also low in OECD countries, at 12%. Within the LAC region the most common pattern, found in 57% of countries with procurement strategies, is that those are applied across the central government. In the case of OECD countries, this figure reaches slightly more than 75%.

In addition to economic considerations a procurement process could incorporate secondary policy objectives (e.g. green procurement). This often entails finding the right balance between looking for economies of scale and keeping procurement opportunities open to as many potential competitors as possible, in particular small and medium enterprises. While costs can be reduced by aggregating as many purchases as possible, if the contract becomes too big the number of potential suppliers able to deliver will be significantly reduced. Consequently, governments looking at promoting competition and offering business opportunities to local companies could limit the size of their purchases. According to the survey answers, when procuring ICT products, 56% of LAC countries give priority to economies of scale while 44% prioritise competition. Not surprisingly, small countries (e.g. Honduras, Guatemala, El Salvador) tend to give priority to competition as means of providing opportunities to small firms that would otherwise find it hard to participate in the market.

In addition, the procurement of software can be a powerful policy tool. For instance, sometimes through legal mechanisms, or by operational means, procurement processes have been used to promote the use of open source software within the public administration. Brazil and Bolivia are examples of countries where legislation has significantly restricted the use of proprietary software by government organisations. However, the majority of countries in LAC maintain a more open view as 65% of them indicate that the purchase of software is prioritised over in-house development, while the remaining 35% prioritize the opposite.

Methodology and definitions

Data are derived from the 2015 OECD-IDB Survey on Digital Government Performance. The survey collected responses from 22 LAC countries as well as Grenada. Respondents were predominantly chief information officers or their equivalent at central government.

Public procurement is defined as the purchase of goods and services by governments and state-owned enterprises. It encompasses a sequence of related activities starting with the assessment of needs through awards to contract management and final payment.

Procurement savings are measured annually and indicate the difference in cost of acquiring ICT goods or services. Savings can be the result of strategies or programmes managed by entities responsible for ICT procurement in the public sector, including practices such as standardising, pooling purchasing power, increasing transparency, however, external factors can also play a significant role to the size of such savings.

Further reading

Government of Queensland (2016), "Buying and selling ICT", *www.qld.gov.au/dsiti/gov-ict/buying-selling-ict/*.

Hon, D. (2016), "How governments buy technology", Code for America, *https://www.codeforamerica.org/how-tos/government-technology-procurement*.

Figure notes

8.7 and 8.8: Each of the categories aggregates the answer choices completely and mainly.

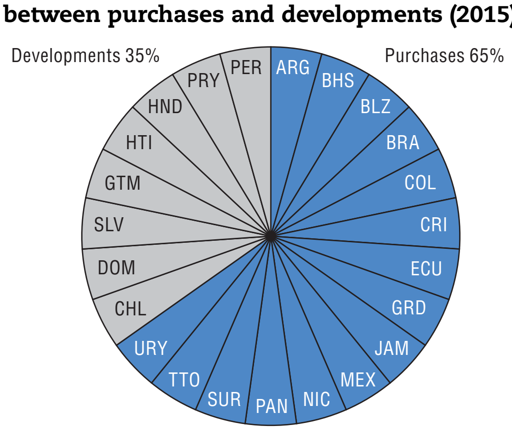
8.6. Existence and scope of a procurement strategy covering ICT, 2015

Country	Procurement strategy for ICT	Scope of the strategy		
		Within selected line ministries	Across the central government	Across different levels of government
Argentina	●	●	❍	❍
Bahamas	●	❍	❍	❍
Belize	❍	x	x	x
Brazil	●	●	●	❍
Chile	●	❍	❍	●
Colombia	●	●	●	❍
Costa Rica	❍	x	x	x
Dominican Republic	❍	x	x	x
Ecuador	●	●	●	❍
El Salvador	❍	x	x	x
Grenada	❍	x	x	x
Guatemala	●	❍	❍	❍
Haiti	●	●	●	❍
Honduras	❍	x	x	x
Jamaica	❍	x	x	x
Mexico	●	❍	●	❍
Nicaragua	●	●	❍	❍
Panama	●	❍	●	❍
Paraguay	●	●	❍	❍
Peru	❍	x	x	x
Suriname	❍	x	x	x
Trinidad and Tobago	●	❍	●	❍
Uruguay	●	❍	●	❍
LAC total				
●	14	7	8	1
❍	9	7	6	13
x	0	9	9	9
OECD total				
●	17	5	13	3
❍	8	12	4	14
x	0	8	8	8

Key:
● Yes
❍ No
× Non applicable.
Source: OECD (2015) survey on digital government performance.

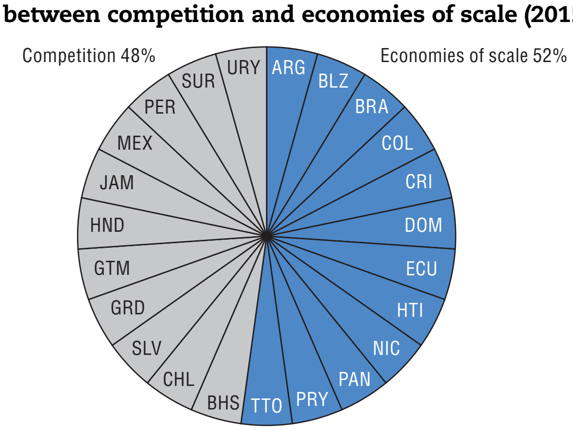
StatLink http://dx.doi.org/10.1787/888933431830

8.7. Reported priority of the ICT procurement approach between purchases and developments (2015)



Source: OECD (2015) survey on digital government performance.
StatLink http://dx.doi.org/10.1787/888933431441

8.8. Reported priority of the ICT procurement approach between competition and economies of scale (2015)



Source: OECD (2015) survey on digital government performance.
StatLink http://dx.doi.org/10.1787/888933431459

National online portals allow for a single point of access to government services, thereby facilitating the interaction of citizens with the public sector and the provision of a unified image of the public sector to the society. As technologies advance, these portals have evolved to become user friendly, interactive and multichannel allowing access via computer, smartphone, other mobile devices or even a regular phone. A relevant example of national online portals is the one established by the Government of the UK that has been a reference to many governments in the LAC region and beyond for its ease-of-use and accessibility.

According to the survey results, 61% of LAC countries have established online portals. In addition to countries usually at the forefront of e-government in the region such as Uruguay, Chile and Colombia, less advanced ones such as Bahamas, Honduras, Guatemala and Paraguay have also set up a national citizens' portal.

However, there is wide variation on the characteristics of national online portals. For example, 60% of portals give access to services provided by other government authorities in their own websites compared to 47.8% in OECD countries. Moreover, in LAC countries, 73% of the citizens' portals offer links to online services provided by other websites which is slightly below the figure for OECD countries at 78%. As a first step many LAC countries have established catalogues of all public services and published organised and searchable information. This stock of information constitutes the basis of initiatives to make available online all governments procedures, as for instance the plan recently announced by Uruguay.

Slightly more than half of LAC countries have legally recognised digital identification mechanisms, however, their implementation has proved challenging. For example countries such as Argentina, Costa Rica, Ecuador or Uruguay adopted a legal implementation framework for digital signature some years ago; however, its use by citizens and businesses has not been as widespread as expected. Government agencies have been using digital signature in countries such as Colombia, Panama, Uruguay and Mexico as means to reduce paper in public sector operations, but its use is still limited to certain functions. In addition, countries such as Peru, Uruguay or Bolivia, have added chips to their identification cards to allow them to become an identification tool in the digital space, however the need for updated software and hardware in the computers that want to use it significantly limits its uptake.

Methodology and definitions

Data are derived from the 2015 OECD-IDB Survey on Digital Government Performance. The survey collected responses from 22 LAC countries as well as Grenada. Respondents were predominantly chief information officers or their equivalent at central government.

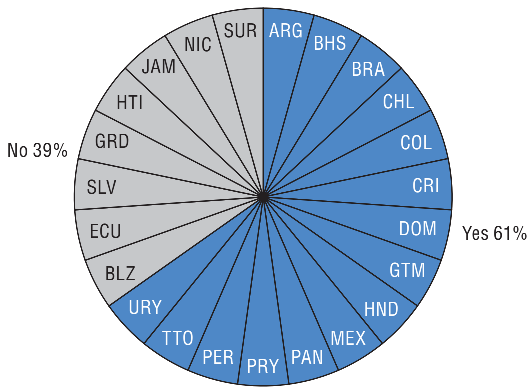
A government procedure is an action initiated by citizens in any public sector institution with the aim of exercising a right, receiving a benefit and generating a result in the form of a document (identification, registration, licence, permit, authorisation, etc.).

Further reading

Anthopoulos, L. (2013), "E-Government Portal Updates' Evaluation: A Comparative Analysis", TEI of Thessaly, Thesasaly.

Dieguez, G., et al. (2015), "Escenarios y perspectivas del gobierno electrónico en América Latina y el Caribe", CIPPEC, Buenos Aires.

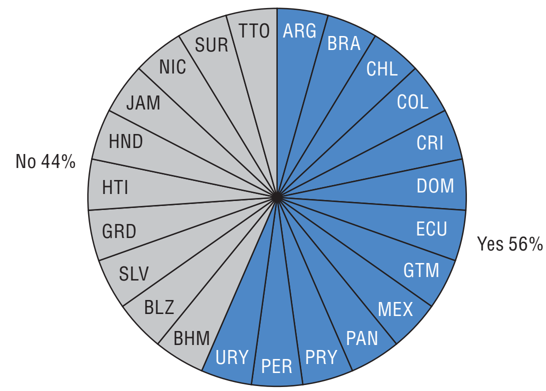
8.9. Existence of a main national citizens portal for government services (2015)



Source: OECD 2015 survey on digital government performance.

StatLink http://dx.doi.org/10.1787/888933431469

8.10. Existence of a legally recognised digital identification (e.g. digital signature) mechanism (2015)



Source: OECD 2015 survey on digital government performance.

StatLink http://dx.doi.org/10.1787/888933431470

8.11. Features of the government services portal and services covered by the recognised digital identification mechanism (2015)

Countries	Features of the citizen portal for government services				Services covered by the recognised digital identification mechanism (e.g. digital signature)		
	Access to services provided by the authority in charge of the portal	Provides unique services on behalf of responsible authorities	Gives access to services also provided through specific websites of the responsible authorities	links to online services provided elsewhere	Public services provided at the central/national government level	Public services provided by subnational levels of government	Private sector services
Argentina	●	❍	❍	❍	●	●	●
Bahamas	❍	●	●	●	x	x	x
Brazil	●	❍	●	●	●	❍	❍
Chile	❍	❍	●	●	●	●	❍
Colombia	❍	●	❍	●	●	●	●
Costa Rica	❍	❍	●	❍	●	●	●
Dominican Republic	❍	●	●	●	●	❍	●
Ecuador	x	x	x	x	●	●	●
Guatemala	❍	●	●	●	x	x	x
Honduras	❍	❍	❍	❍	x	x	x
Mexico	❍	●	●	●	●	●	❍
Panama	❍	●	●	●	●	❍	❍
Paraguay	●	●	●	●	●	❍	❍
Peru	●	❍	❍	❍	●	●	●
Trinidad and Tobago	●	❍	❍	●	x	x	x
Uruguay	❍	●	❍	●	●	❍	●
LAC total							
●	5	8	9	11	12	7	7
❍	10	7	6	4	0	5	5
x	8	8	8	8	11	11	11
OECD total							
●	6	8	11	18	23	21	16
❍	17	15	12	5	1	3	8
x	2	2	2	2	1	1	1

Key:
● Yes
❍ No
× Non applicable
Source: OECD survey on digital government performance.

StatLink http://dx.doi.org/10.1787/888933431849

An open government promotes a completely different relationship between the government and its citizens. It aims to build stronger democracies and improve the efficiency, effectiveness, and transparency of public services by relying on the use of new technologies. It is built on a citizen-centered approach to create public value by collaborative schemes to co-design and co-implement public policy. In parallel, it promotes public scrutiny so that there is greater integrity and accountability from government authorities, managers, and other officials.

Slightly more than three quarters of LAC countries that replied to the survey, including Brazil and Peru, have either elaborated their own definition of open government or adopted the country's definition from an external source (e.g. OECD or Open Government Partnership). Having a country-tailored definition at its disposal is essential to encompass and channel the various initiatives implemented by different institutions across government.

In the LAC context open government initiatives remain scattered and only in some countries are linked to broader national development plans (e.g. Costa Rica's national development plan 2015-18) or public administration reforms. Aligning these efforts has the potential to improve co-ordination within central government and facilitate collaboration across branches of government as well as with relevant stakeholders from civil society, academia and the private sector.

To strengthen and focus open government efforts many governments worldwide, including 62% of LAC countries, have adopted an open overarching government strategy that in many cases refers to the Open Government Partnership (OGP) action plans (e.g. Colombia, Panama and Paraguay). On the other end of the spectrum, 38% of LAC countries such as El Salvador and the Dominican Republic indicated that their government has not yet created an overarching strategy on open government. A common risk to be avoided when designing and implementing open government strategies is to favour short-term commitments rather than deeper changes needed for open government to become an effective mechanism.

Open government is not a goal in itself, but rather a channel to develop more effective policies, better targeted services, and stronger accountability. For 61.5% of LAC countries surveyed, the main objective of open government reforms is to improve transparency (compared to 85.7% of OECD countries for which transparency is the main priority). El Salvador and Dominican Republic indicated that the main priority is improving citizen participation in policy making while Mexico mentioned that open government reforms should solve public problems by improving quality of life and generating social benefits.

Methodology and definitions

The data presented was collected through the OECD Survey on Open Government and open data, conducted in 2015. The survey was answered by 13 countries from Latin America and the Caribbean; respondents were predominantly senior government officials in charge of open government reforms. Countries were asked to answer two parts of the survey: The first part aimed at detecting the approach of the main institution responsible for open government. A special survey module was sent to the ministries of finance and health and another ministry selected by each country. The answers from the ministries were used to complement the analysis.

The OECD (2014) defines open government as "the transparency of government actions, the accessibility of government services and information, and the responsiveness of governments to new ideas, demands and needs. A government is open when it is transparent, accountable, engaging and operates with integrity, which – through specific policy instruments and practices driving change and innovation processes-is likely to lead to better services and policies, higher trust in government, social well-being, quality of democracy".

Further reading

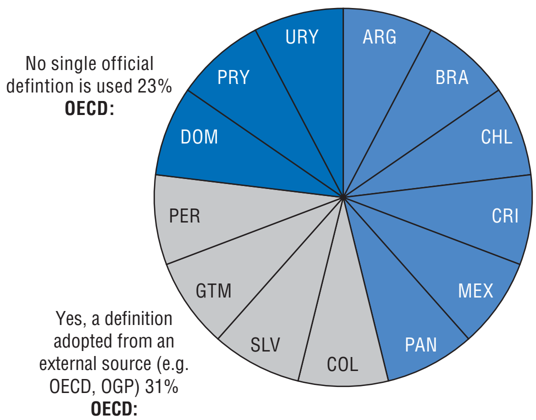
OECD (2014), *Open Government in Latin America*, OECD Public Governance Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264223639-en*.

OECD (forthcoming), *Open Government Review of Costa Rica: Towards an Open State*, OECD Publishing, Paris.

Ramírez-Alujas, A. and N. Dassen (2016), *Winds of Change II: Progress and Challenges in Open Government Policy in Latin America and the Caribbean*, Inter-American Development Bank, Washington, DC., *https://publications.iadb.org/handle/11319/7621*.

Santiso, C., et al. (2014), Improving Lives Through Better Government: Promoting Effective, Efficient, and Open Governments in Latin America and the Caribbean, Inter-American Development Bank, Washington, DC., *https://publications.iadb.org/handle/11319/6696*.

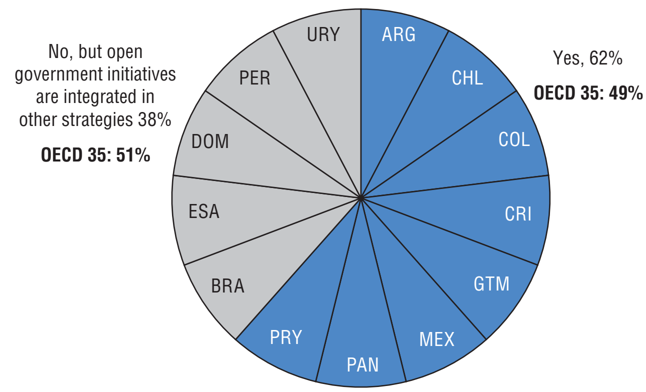
8.12. Existence of a single definition of open government, 2015



Source: OECD (2015), survey on Open Government and Open Data.

StatLink http://dx.doi.org/10.1787/888933431484

8.13. Existence of national open government strategy



Source: OECD (2015), survey on Open Government and Open Data.

StatLink http://dx.doi.org/10.1787/888933431491

8.14. Main objective that the government intends to achieve through open government initiatives, 2015

Countries	Main Objective
Argentina	❍
Brazil	●
Chile	●
Colombia	●
Costa Rica	●
El Salvador	❍
Guatemala	●
Mexico	×
Panama	✦
Paraguay	●
Peru	●
Dominican Republic	❍
Uruguay	●
OECD35	● (30)
LAC13	
●	8
❍	3
X	1
✦	1

Key:
✦ Improve the accountability of the public sector.
● Improve the transparency of the public sector.
❍ Improve citizen participation in policymaking.
× Other.
Source: OECD (2015), survey on Open Government and Open Data.

StatLink http://dx.doi.org/10.1787/888933431856

The effective and efficient implementation of open government reforms requires the appropriate institutional setting. Therefore, the role of the centre of government (CoG) in providing leadership and effectively and efficiently coordinating policy-making across the government is critical for ensuring a proper implementation of open government initiatives. With the exception of Panama, all surveyed LAC countries indicated that open government initiatives are coordinated by the centre of government. The structure and working dynamics of the centre of government could be different, in 54% of LAC countries, including among others Mexico, it functions directly in the office of the head of government. A different structure was reported by 38% of countries (e.g. Peru) where the CoG operates in the cabinet office/ chancellery/ council of ministers.

The responsibilities and tasks of these coordination units vary from country to country. While in all surveyed LAC countries, they are in charge of developing the open government strategy as well as coordinating and monitoring the implementation of open government initiatives, only in Uruguay is this unit in charge of allocating financial resources. By comparison, this task is carried out by 20% of OECD countries. In 69% of surveyed LAC countries, the coordination unit is also in charge of communicating the reforms, an almost identical figure to OECD countries where it reaches 73%.

Monitoring the implementation and evaluating the impact of open government initiatives is essential to ensure that open government initiatives are achieving their goals. Furthermore, developing robust monitoring and evaluation frameworks provide the necessary data for evidence-based decision making. All LAC countries surveyed reported that they monitor the implementation of open government initiatives. However, in most cases such monitoring is done through the self-assessment report for the Open Government Partnership. In other countries, such as Guatemala and Mexico, monitoring is done as well through independent evaluations by NGOs.

In contrast to policy monitoring that is carried out by all surveyed countries, fewer than half of the countries in the region evaluate the impact of open government initiatives. The six LAC countries that evaluated the impact of open government policies also reported communicating the results of the evaluations and use them as means of improving the design of future initiatives. Communicating the results of the evaluation constitutes a vital element of ensuring buy-in and support for open government initiatives among all stakeholders. For example, Guatemala used the findings from the Open Government Partnership's independent reporting mechanism to include the association of municipalities in subsequent open government initiatives.

Methodology and definitions

Centre of Government is defined as the organizations and units that provide direct support and advice to the head of government and the council of ministers. In general, the CoG has three core roles: supporting quality decision making by the head of government; policy co-ordination across government; and monitoring the implementation of government strategy. The Centre of Government's role is to lead the whole-of-government co-ordination in order to effectively allocate the state resources. It supports the heads of governments and states in the quest for a strategic vision in the country and the fulfilment of their mandate to implement this vision as given by the citizens through the democratic processes.

Monitoring refers to the continuous or frequent standardised measurement and observation of policies by the governments. Evaluation is the systematic determination of significance and progress of a policy, programme or projects in causing change. It is distinct from monitoring which is the process of collecting evidence for evaluation. Evaluation is a critical component of policy making, at all levels as it allows informed design and modifications of policies and programmes, aimed at increasing effectiveness and efficiency. Evaluation serves the dual function of providing a basis for improving the quality of policy and programming, and a means to verify achievements against intended results.

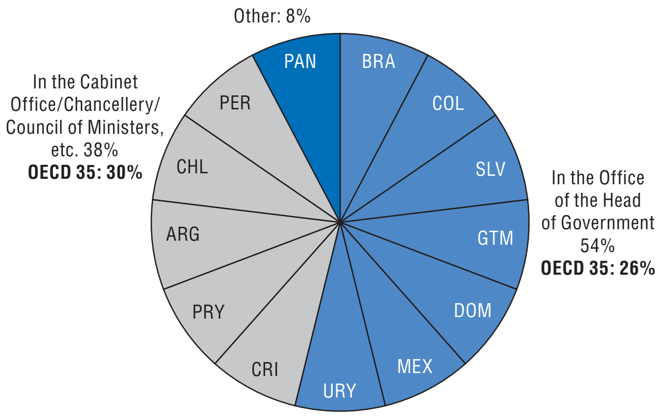
Further reading

Alessandro, M., M. Lafuente and C. Santiso (2014), *Governing to Deliver: Reinventing the Center of Government in Latin America and the Caribbean*, Inter-American Development Bank, Washington, DC., *https://publications.iadb.org/handle/11319/6674*.

OECD (2015), *Lithuania: Fostering Open and Inclusive Policy Making*, OECD Public Governance Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264235762-en*.

OECD (2016), *Open Government – the global context and the way foreward*, OECD Publishing, Paris.

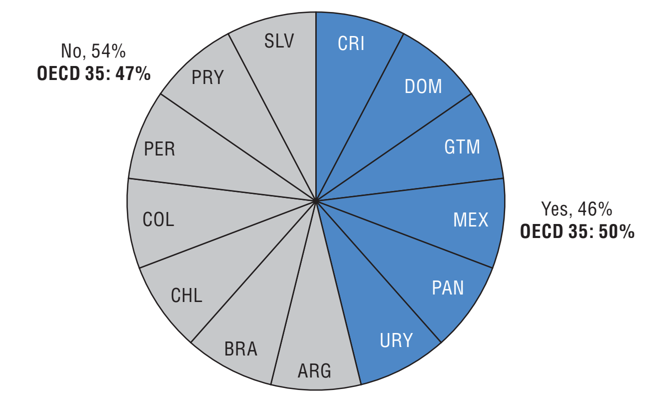
8.15. Location of the office responsible for the horizontal coordination of open government initiatives, 2015



Source: OECD 2015 survey on Open Government and Open Data

StatLink http://dx.doi.org/10.1787/888933431508

8.16. Evaluation of the impact of the open government initiatives, 2015



Source: OECD 2015 survey on Open Government and Open Data

StatLink http://dx.doi.org/10.1787/888933431515

8.17. Responsibilities of the office in charge of horizontal open government coordination, 2015

	Develop the open government strategy	Assign financial resources for its implementation	Coordinate the implementation of Open Government initiatives	Monitor implementtation	Evaluate impact	Communicate the reforms	Other
Argentina	●	❍	●	●	❍	❍	❍
Brazil	●	❍	●	●	❍	●	●
Chile	●	❍	●	●	❍	❍	❍
Colombia	●	❍	●	●	❍	●	❍
Costa Rica	●	●	●	●	❍	●	●
El Salvador	●	❍	●	●	❍	❍	❍
Guatemala	●	❍	●	●	●	●	●
México	●	❍	●	●	●	●	●
Panama	●	❍	●	●	●	●	❍
Paraguay	●	❍	●	●	❍	●	❍
Peru	●	❍	●	●	❍	❍	❍
Dominican Republic	●	❍	●	●	●	●	❍
Uruguay	●	●	●	●	●	●	❍
LAC13							
Yes ●	13	2	13	13	5	9	4
No ❍	0	11	0	0	8	4	9
Total Yes ●	**100%**	**15%**	**100%**	**100%**	**38%**	**69%**	**31%**
OECD 35 (●)	**70%**	**20%**	**89%**	**78%**	**48%**	**73%**	**20%**

Source: OECD (2015), survey on Open Government and Open Data.

StatLink http://dx.doi.org/10.1787/888933431865

The institutional and governance frameworks established to support policy implementation are key to secure results and impacts. Hence policy coordination is a crucial component of policy implementation. Effective coordination is hard to achieve and requires certain elements to be present in order to make it sustainable and suitable. However, while those elements may depend on each government's specific situation, co-ordination calls for three specific components: policy communication, stakeholder consultation and institutional co-operation. Countries in the LAC region were asked about the main challenges they faced concerning the implementation and more specifically the coordination the open government strategy and initiatives.

When asked about the main challenge to implement open government initiatives 30.8% of LAC countries reported insufficient financial resources. In turn, Argentina, Chile, Peru and Uruguay referred to insufficient communication of the benefits of open government reforms among civil servants as the main obstacle to overcome. Similarly, this option was identified by 65.7% OECD countries.

Around one third of LAC countries, including Panama and Paraguay, identified insufficient financial resources of the relevant unit as the main challenge to coordinate open government policies. A similar proportion, comprising Argentina, Brazil, El Salvador and Uruguay, signalled that the main coordination challenge was the absence of institutional mechanisms to collaborate with relevant stakeholders (e.g. NGOs, private sector). In contrast, 57.1% of OECD countries referred to insufficient incentives (e.g. career, financial) among government institutions, as the main challenge to coordinate the open government strategy and initiatives.

Implementing open government strategies entails changes in the way governments traditionally do things. Furthermore, government employees also need to be considered as stakeholders. Opening channels through Human Resources Management (HRM) practices will ensure the commitment of staff to change practices. Slightly more than half of LAC countries including Colombia and Guatemala indicated that until today, no concrete actions have been taken to promote open government initiatives through HRM practices. In 31% of LAC countries (e.g Brazil and Panama) civil servants are expected to report internally about the progress on the implementation of open government policies. Countries such as Argentina, Costa Rica and Peru promote the implementation of open government initiatives by including open government principles and practices in the government's overarching human Resources competency framework. Finally, a different approach is followed by Mexico, where open government principles and practices are included in public officials' performance agreements and/or evaluations and accountability frameworks.

Methodology and definitions

The data presented was collected through the OECD Survey on Open Government and Citizen Participation, conducted in 2015. The survey was answered by 13 countries from Latin America and the Caribbean. Respondents were predominantly senior government officers in charge of open government policies. Countries were asked to answer two parts of the Survey: The first part aimed at detecting the approach of the main institution responsible for open government. The second part was a special module sent to the ministries of finance and health and another ministry selected by each country. The answers from the ministries were used to complement the analysis.

Further reading

Cortázar, J.C., M. Lafuente and M., Sanginés (2014), *Serving Citizens: A Decade of Civil Service Reforms in Latin America (2004-13)*, Inter-American Development Bank, Washington, DC., *https://publications.iadb.org/handle/11319/6636*.

López Egaña, J. (2014), *Can States Continue to Govern the New Citizenry Using Old Paradigms? The Political Challenges of Open Government in Latin America and the Caribbean*, Inter-American Development Bank, Washington, DC., *https://publications.iadb.org/handle/11319/6439*.

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Ramírez-Alujas, A. and N. Dassen (2016), *Winds of Change II: Progress and Challenges in Open Government Policy in Latin America and the Caribbean*, Inter-American Development Bank, Washington, DC., *https://publications.iadb.org/handle/11319/7621*.

8.18. Main challenge in coordinating and implementing open government policies and initiatives, 2015

	Main Challenge implementing		Main Challenge coordinating
Argentina	◄		❐
Brazil	❍		❐
Chile	◄		◘
Colombia	●		◙
Costa Rica	◊		♣
El Salvador	✦		❐
Guatemala	◊		◘
Mexico	❍		■
Panamá	◊		♣
Paraguay	◊		♣
Peru	◄		♣
Dominican Republic	∆		❐
Uruguay	◄		❐
LAC13			
●	1	■	1
❍	2	❐	5
◄	4	◘	2
◊	4	◙	1
✦	1	♣	
∆	1		
OECD35	■(20)		◄ (23)

Key:
● Culture of secrecy, lack of open government culture in the public sector
❍ Lack of trust (between government and citizens / NGOs)
◄ Lack of or insufficient communication/awareness of the benefits of open government reforms among public officials
◊ Lack of or insufficient financial resources
✦ General resistance to change/reforms in the public sector
∆ Insufficient number of non-governmental stakeholders involved

Key:
■ Lack of or insufficient incentives among government institutions to coordinate
❐ Lack of or inadequate institutional mechanisms to collaborate with NGOs and private sector
◘ Lack of or insufficient human resources for the coordinating institution
◙ Lack of or insufficient political will / leadership
♣ Lack of or insufficient financial resources for the coordinating institution

Source: OECD (2015), survey on Open Government and Open Data.

StatLink http://dx.doi.org/10.1787/888933431875

8.19. How governments promote country's open government initiatives through HRM policies, 2015

	By including OG principles and practices in the HR competency framework	By including the implementation of OG principles and practices in public officials' performance agreements and/or evaluations, and accountability frameworks	By requiring officials to regularly report publicly on progress made in implementing open government principles and practices	By requiring officials to regularly report internally on progress made in implementing OG principles and initiatives	No specific actions have been taken so far
Argentina	●	❍	❍	❍	❍
Brazil	❍	❍	●	●	❍
Chile	❍	❍	●	❍	❍
Colombia	❍	❍	❍	❍	●
Costa Rica	●	❍	❍	❍	❍
Dominican Republic	❍	❍	❍	❍	●
El Salvador	❍	❍	❍	❍	●
Guatemala	❍	❍	❍	●	●
Mexico	❍	●	●	●	❍
Panama	❍	❍	❍	●	❍
Paraguay	❍	❍	❍	❍	●
Peru	●	❍	❍	❍	❍
Uruguay	❍	❍	❍	❍	●
LAC13					
Yes ●	3	1	3	4	6
No ❍	10	12	10	9	7
Tot Yes ●	**23%**	**8%**	**23%**	**31%**	**54%**
OECD35	**23%**	**23%**	**23%**	**20%**	**31%**

Source: OECD (2015), survey on Open Government and Open Data.

StatLink http://dx.doi.org/10.1787/888933431886

Governments and public organisations produce and collect a wide range of data when performing their day-to-day activities. By sharing these data in ways that are easily accessible, useable and understandable by citizens and businesses, governments cannot only improve access to valuable information about public programmes and services, but also foster innovation and support economic and social development through multiple uses of these data.

In a similar way to OECD countries, the proactive release of open government data (OGD) in LAC countries is transforming public services in health care, education, transport and other sectors at the national and sub-national levels and exposing governments to a higher public scrutiny. In 2013, G8 countries adopted the first international instrument to guide the implementation of OGD strategies. The G8 Open Data Charter defines five principles: open data by default, quality and quantity data, usable by all, releasing data for improved governance and releasing data for innovation, as well as three collective actions to guide their implementation. Based to a large extent on the G8 charter, an International Open Data Charter (IODC) was also adopted in 2015.

The OECD developed a framework and related set of indicators to monitor the implementation of the G8 Open data Charter and support OGD impact (Ubaldi, 2013). Out of the 13 LAC countries that responded to the 2015 OECD Survey on Open Government and Open Data, 8 have a dedicated comprehensive strategy on OGD at the Central/federal level and a majority (10) have developed a national OGD portal, with the exception of El Salvador, Guatemala and Panama.

The OECD pilot index on open government data assesses governments' efforts to implement open data in three areas: data availability on the national portal (based on principle 1 and collective action 2), data accessibility on the national portal (based on principle 3) and governments' support to innovative re-use of public data and stakeholder engagement (principle 5). The only principle not covered in this year's index is principle 4, releasing data for improved value of governance (e.g. transparency), as existing measurement efforts have focused primarily on socio economic value creation. In the future, the OECD will further extend this composite index to cover a larger set of principles from the IODC.

Bringing the three dimensions together in a composite index, government open data efforts in the LAC region in 2015 were the highest in Colombia, Uruguay, Mexico and Paraguay whereas they were lowest in the Dominican Republic. On average, LAC countries (0.44) perform slightly below the OECD countries (0.56) driven by relatively lower average scores in terms of data availability and government support to the reuse of data but also by the fact that a larger share of countries did not develop a central national portal for accessing and reusing OGD.

Methodology and definitions

The data come from the OECD Survey on open government and open data for LAC countries. Survey respondents were predominantly chief information officers. Data refer only to central/federal governments and exclude open government data practices at the state/local levels. The composite index is based on the G8 Open Data Charter principles and on the methodology described in OECD work (Ubaldi, 2013). The OECD pilot index on open government data contains 19 variables that cover information on three dimensions: data availability on the national portal; data accessibility on the national portal and government support to innovative re-use of public data and stakeholder engagement. The index does not aim to measure the overall quality of the open government data approach/strategy in each country. Countries with no central/federal open data portal were given a score of 0 in the index that was included in the OECD and LAC averages. Annex C contains a description of the methodology used to construct this index.

Further reading

Amar Flórez, D. (2016), *International Case Studies of Smart Cities: Medellin, Colombia*, Inter-American Development Bank, Washington, DC., *https://publications.iadb.org/handle/11319/7716*.

OECD (2016), *Open Government Data Review of Mexico: Data Reuse for Public Sector Impact and Innovation*, OECD Digital Government Studies, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264259270-en*.

Ubaldi, B. (2013), "Open Government Data: Towards Empirical Analysis of Open Government Data Initiatives", OECD Working Papers on Public Governance, No. 22, OECD, Paris, *http://dx.doi.org/10.1787/5k46bj4f03s7-en*.

Figure notes

Data for Chile and Mexico are for 2014 rather than 2015.

8.21 and 8.22: Guatemala, Panama and El Salvador do not have a one stop shop portal. This version of the OURdata index is a pilot version.

8.20. Central/federal government support to open government data, 2015

	Strategy/Infrastructure		Consultations	Data re-use support and promotion		Data accessibility on the national portal			
	Single Central/ federal OGD strategy	Existence of a national OGD portal	Regular consultation of users' needs for data release	Organization of co-creation type events (e.g. hackathons)	Training for civil servants to build capacities for data analysis and re-use	Data released in CSV format (machine readable)	Systematic provision of metadata	User feedback section	Possibility to receive notification when datasets are added
Argentina	●	●	●	■	✧	■	●	❍	❍
Brazil	❍	●	❍	■	✧	■	●	❍	❍
Chile	●	●	❍	■	✧	■	●	●	❍
Colombia	❍	●	●	■	✧	■	●	●	❍
Costa Rica	❍	●	●	✧	✧	■	●	●	❍
Dominican Republic	●	●	❍	✧	✧	■	●	❍	❍
El Salvador	❍	❍	❍	..	..	×	×	×	×
Guatemala	●	❍	❍	..	..	×	×	×	×
Mexico	●	●	●	■	■	■	●	●	❍
Panama	●	❍	❍	..	..	×	×	×	×
Paraguay	●	●	●	■	✧	■	●	❍	❍
Peru	❍	●	❍	✧	✧	■	●	❍	❍
Uruguay	●	●	❍	■	■	■	●	●	●
LAC tot 13									
Yes	8	10	7				10	5	1
No	5	3	6					7	11
OECD total									
Yes	25	29	24				20	21	10
No	5	1	6				8	7	18

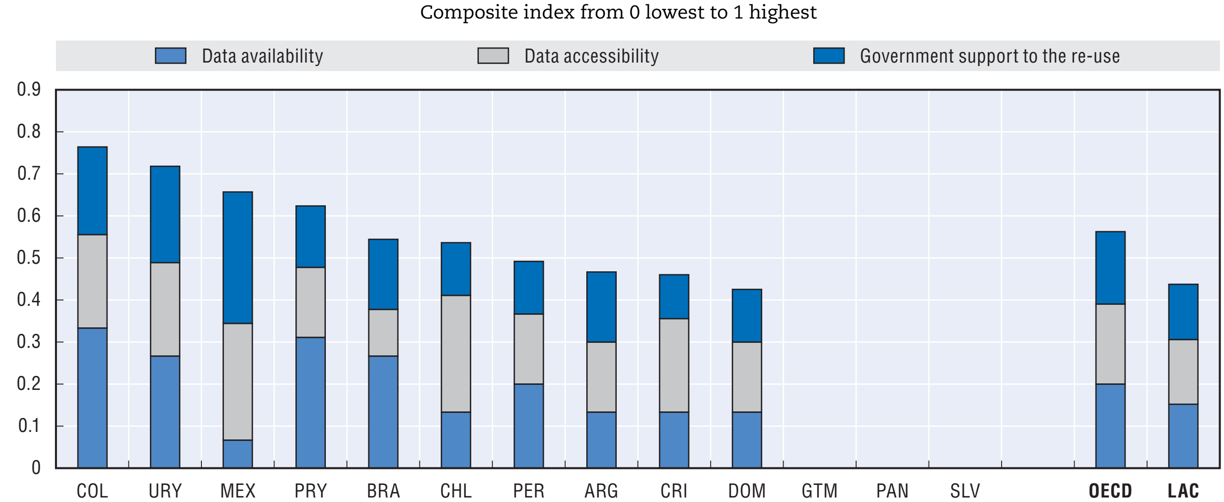
● Yes
❍ No
■ Often/Generally
✧ Sometimes
❒ Never
.. Missing data
× Not applicable

Source: OECD (2015), survey on Open Government and Open Data.

StatLink http://dx.doi.org/10.1787/888933431891

8.21. OURdata Index: Open, Useful, Reusable Government Data, 2015

Composite index from 0 lowest to 1 highest



Source: OECD (2015), survey on Open Government and Open Data.

StatLink http://dx.doi.org/10.1787/888933431522

Government at a Glance: Latin America and the Caribbean 2017

Chapter 9

Public procurement

Governments are key players in the economy, responsible for spending taxpayers' money. In order to carry out their tasks and deliver goods and services to citizens, governments establish economic relations with a large number of providers. Public procurement refers to the purchase by governments and state-owned enterprises of goods, services and works.

In 2014, governments in the LAC region spent, on average, 21.9% of total general government expenditure on public procurement compared to an average level of 25.2% in 2009 and 23.2% in 2007. However, the size of public procurement in terms of general government expenditures varies across LAC countries, ranging from 16.7% in Jamaica to more than 25% in countries such as Peru (50.7%), Colombia (32.9%), El Salvador (26.3%) and Paraguay (25.8%). Considering the amount of financial resources dedicated to government purchases, achieving efficiency gains is crucial to generate additional fiscal space for government policies.

Variations in public procurement spending reflect the size of government, its role in the economy and the existence of big spending projects (e.g. infrastructure investments). Starting from 7.0% as a percentage of GDP in 2007, procurement spending increased on average by 1.1 percentage points, reaching 8.1% in 2009. During this period, governments in the region undertook counter-cyclical policies to react to the global financial crisis. However, from 2009 to 2014 a partial correction of this trend occurred and procurement spending decreased on average by 0.4 p.p. in terms of GDP, reaching 7.7% in 2014. According to the latest available data, in terms of GDP Colombia (13.2%), Peru (11.6%) and Brazil (8.2%) are the countries that devote the largest share of spending to public procurement.

In 2014, government procurement spending at the central level accounted for 43.1% of total spending while the state level was responsible for 24.6% and the remaining 32.3% corresponded to the local level. The composition of procurement spending across levels of government remained fairly stable between 2007 and 2014; the most important change was an increase of 1.9 p.p. on the share of spending carried out by local governments, reflecting the initiatives to decentralise spending that occurred in many LAC countries (e.g. Mexico) over the past years.

Methodology and definitions

The size of general government procurement spending is estimated using data from the IMF Government Finance Statistics (IMF GFS) database which applies the concepts set out in the Government Finance Statistics Manual (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several occurrences which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems.

General government procurement includes intermediate consumption (goods and services purchased by governments for their own use, such as accounting or information technology services) and gross fixed capital formation (acquisition of capital excluding sales of fixed assets, such as building new roads). Costs of goods and services financed by general government, also part of government procurement, were not included in this indicator because they are not accounted separately in the IMF GFS database. Moreover, the part of government procurement related to gross fixed capital formation does not include the consumption of fixed capital.

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. See online Figure 9.4 on *http://dx.doi.org/10.1787/888933431561*.

Further reading

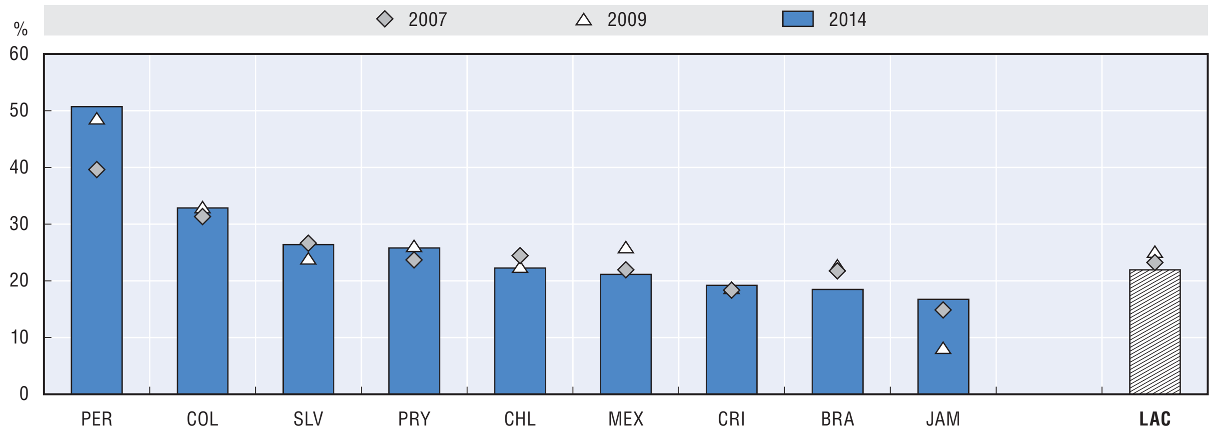
OECD (2015), "Recommendation of the Council on Public Procurement", OECD, Paris. *http://acts.oecd.org/Instruments/ShowInstrumentView.aspx?InstrumentID=320*.

OECD (2014), "Going Green: Best Practices for Green Procurement", OECD, Paris, *www.oecd.org/gov/ethics/Going_Green_Best_Practices_for_Sustainable_Procurement.pdf*.

Figure notes

9.1, 9.2 and 9.3: Data for Peru and Paraguay are recorded on a cash basis. For Costa Rica and Jamaica, the part of government procurement related to gross fixed capital formation does not include the consumption of fixed capital. Costs of goods and services financed by general government are not included in government procurement because they are not accounted separately in the IMF Government Finance Statistics database. Data for El Salvador and Mexico are for 2013 rather than 2014. Data for Colombia are for 2008 rather than 2007.

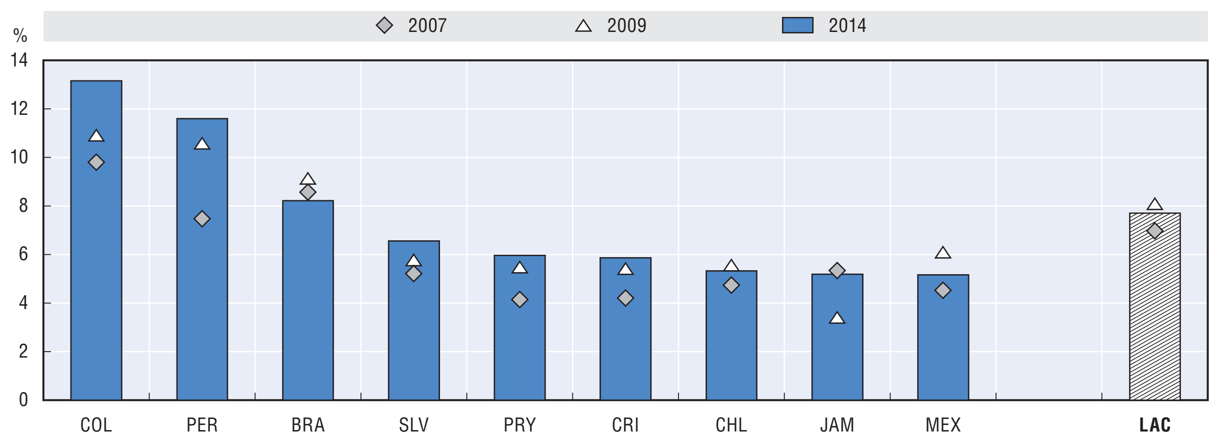
9.1. Government procurement as a share of total government expenditures, 2007, 2009 and 2014



Sources: IMF Government Finance Statistics (IMF GFS) database. Data for Mexico are based on the OECD National Accounts Statistics database.

StatLink http://dx.doi.org/10.1787/888933431536

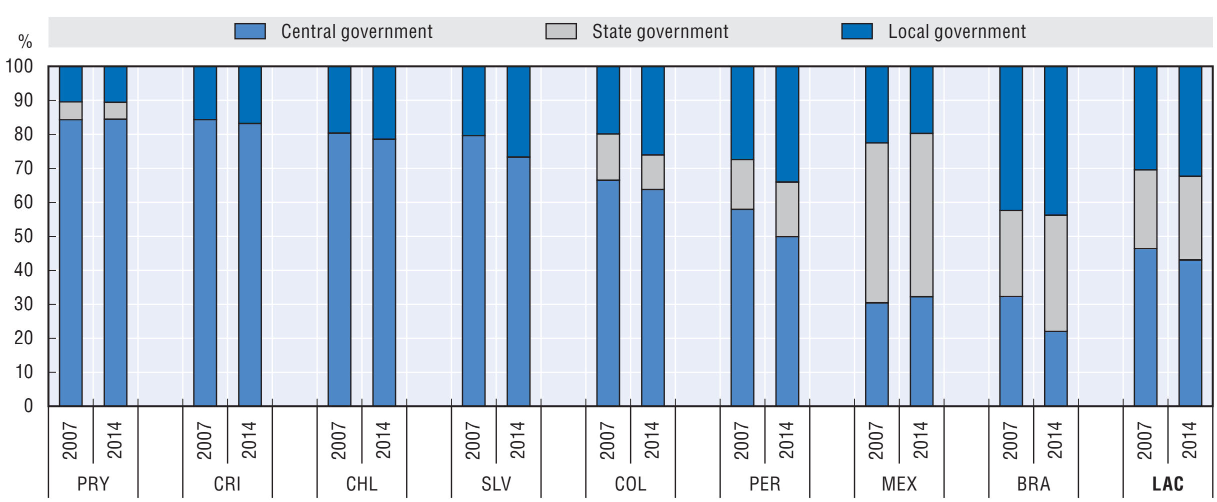
9.2. Government procurement as percentage of GDP, 2007, 2009 and 2014



Sources: IMF Government Finance Statistics (IMF GFS) database, IMF, Washington, DC. Data for Mexico are based on OECD National Accounts Statistics database.

StatLink http://dx.doi.org/10.1787/888933431543

9.3. Share of general government procurement by level of government, 2007 and 2014



Sources: IMF Government Finance Statistics (IMF GFS) database, IMF, Washington, DC. Data for Mexico are based on OECD National Accounts Statistics database.

StatLink http://dx.doi.org/10.1787/888933431554

Given the size of government spending on goods, works and services, public procurement can be an extremely useful policy tool to achieve economic growth and promote socio-economic transformation. While the primary objective of public procurement is to deliver the goods and services necessary to accomplish government objectives in a timely, transparent and efficient manner, in recent years, LAC countries have been using public procurement to pursue secondary policy objectives as well.

In fact, the design of procurement policies is no longer exclusively a technical matter in the region, but can also incorporate social, economic, and environmental objectives. In turn, this allows governments to align procurement with strategic policy objectives. In the case of economic policy, this works through fostering the participation of micro, small and medium-sized enterprises (MSMEs) in procurement contracts to increase their contribution to the economy and support employment generation. In the case of social policies, this can be achieved by encouraging the participation of women-owned businesses in tenders, thereby promoting gender equality in the access to economic opportunities. Finally, public procurement has been used to strengthen national policies that seek to protect and promote the environment.

Most of the LAC countries surveyed have been using or are starting to use public procurement as a tool to implement policies or strategies to foster secondary policy objectives. In fact, compared to 94% of OECD countries 72.7% of LAC countries, including Belize, Costa Rica, El Salvador and Peru, have developed strategies to promote environmental objectives. For instance, Belize now requires the procurement of refrigeration goods (air conditioning for cars and buildings) that do not harm the ozone layer, gas-efficient vehicles (with small engines), and low energy consumption florescent bulbs for lighting.

Regarding the development of strategies and policies to support MSMEs, 95% of LAC countries, including Argentina, Colombia, Jamaica and Uruguay, have developed one. Guatemala, Dominica, Dominican Republic and Ecuador created policies and strategies that specifically promote the procurement of goods, works and services from women-owned businesses.

The number of LAC countries that report measuring the results of those strategies or policies to promote environmental or socio-economic objectives is significantly low. The main reasons for not doing it include the lack of data, the lack of an appropriate methodology to measure the impact of their policies, non-existence of a legal mandate and insufficient resources. Among LAC countries surveyed that have a strategy or policy developed at the central level or by procuring entities (line ministries), only Brazil measures the results of its strategy or policy to support green public procurement. Six countries (28.6%), including Dominican Republic, Ecuador, Panama and El Salvador, measure the results of their strategy or policy to support MSMEs. Two of the four countries that have strategies to support women-owned enterprises reported measuring their results.

Methodology and definitions

Data were collected through 2015 OECD-IDB Survey on Public Procurement that focused on strategic public procurement, e-procurement, procurement regulatory bodies, and public procurement at regional levels. 22 LAC countries responded to the survey. Respondents to the survey were country heads of procurement, delegates to Inter-American Network on Government Procurement (INGP) responsible for procurement policies at the central government level, and senior officials in public procurement regulatory and monitoring agencies.

Secondary policy objectives refer to any of a variety of objectives such as sustainable green growth, the development of small and medium-sized enterprises, innovation, standards for responsible business conduct or broader industrial policy objectives, which governments increasingly pursue through use of procurement as a policy lever, in addition to the primary procurement objective.

Green public procurement refers to the 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

Pimenta, C. and N. Rezai (2015), “Public procurement in Latin America”, in C. Pimenta and M. Pessoa (eds.), Public Financial Management in Latin America: The Key to Efficiency and Transparency, Inter-American Development Bank, Washington, DC.

Kirton, R. (2013), *Gender, Trade and Public Procurement Policy*, Commonwealth Secretariat, London.

Figure notes

9.5: The OECD totals are as reflected in *Government at a Glance 2015*.

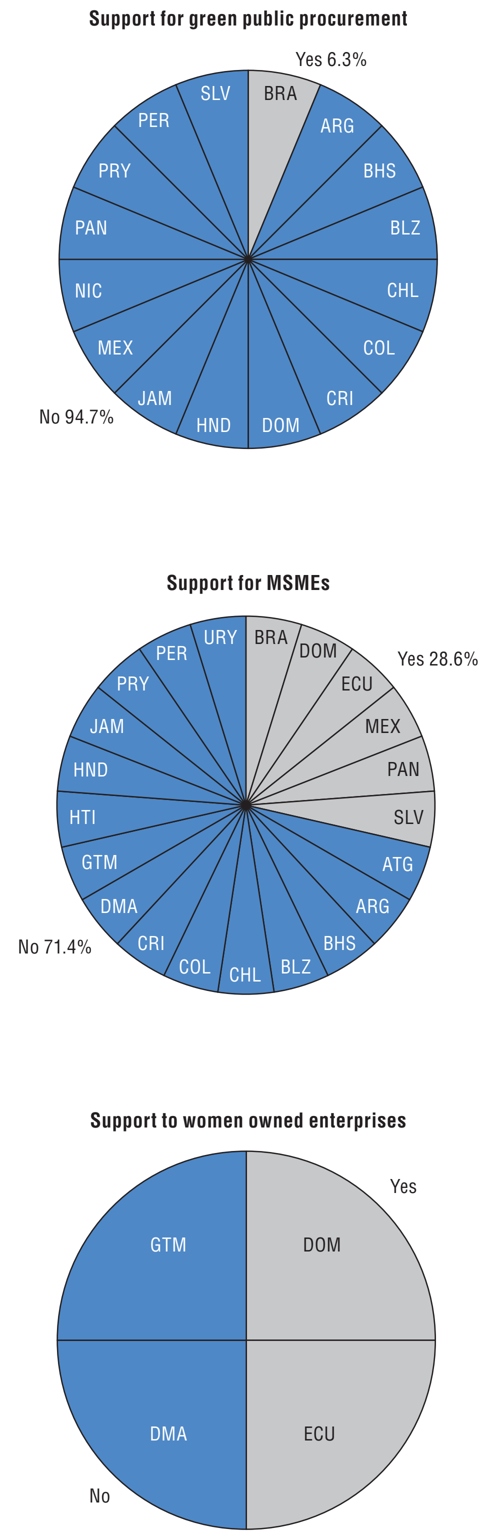
9.5. Development of strategic public procurement by objective, 2015

	Green public procurement	Support to MSMEs	Support to procure innovative goods and services	Support to women owned enterprises
Antigua and Barbuda	❍	●	●	❍
Argentina	●	●	●	❍
Bahamas	●	●	●	❍
Belize	●	●	●	❍
Brazil	✦●	✦●	●	❍
Chile	✦●	✦●	●	..
Colombia	✦	●	●	❍
Costa Rica	●	●	❍	..
Dominica	❍	●	●	●
Dominican Republic	✦●	●	✦	●
Ecuador	❍	●	●	●
Guatemala	❍	●	❍	✦
Haiti	❍	●	❍	❍
Honduras	✦	●	✦	❍
Jamaica	●	●	●	❍
Mexico	●	●	●	❍
Nicaragua	✦	❍	❍	❍
Panama	●	✦●	●	❍
Paraguay	✦●	✦●	❍	❍
Peru	●	●	❍	❍
El Salvador	●	●	❍	❍
Uruguay	❍	●	❍	❍
Total LAC countries				
✦ A strategy/policy has been developed by some procuring entities	6	4	2	1
● A strategy/policy has been developed at a central level	12	19	12	3
◘ A strategy/policy has been rescinded	0	0	0	0
❍ A strategy/policy has never been developed	6	1	8	16
.. Not available				2
Total OECD				
✦ A strategy/policy has been developed by some procuring entities	13	11	10	..
● A strategy/policy has been developed at a central level	27	25	23	..
◘ A strategy/policy has been rescinded	1	0	0	..
❍ A strategy/policy has never been developed	2	3	4	..
.. Not available				32

Source: OECD-IDB (2015), Survey on Public Procurement.

StatLink http://dx.doi.org/10.1787/888933431906

9.6. Measuring results of strategic public procurement's policies/strategies, 2015



Source: OECD-IDB (2015), Survey on Public Procurement.

StatLink http://dx.doi.org/10.1787/888933431571

E-government procurement (eGP) refers to the use of information technology (e.g. the Internet) by governments in conducting procurement relations with suppliers and contractors. eGP can be an effective channel to enhance transparency, accountability, and efficiency of the government purchasing function. Furthermore, eGP can induce economic development by stimulating markets, modernising the public sector and improving government performance. Finally, the simplification and/or elimination of repetitive tasks in the procurement process by automation can result in considerable time and cost savings.

Over the last 10 years, the majority of countries in LAC have made progress in introducing information and communications technology into their procurement systems. 19 out of 22 surveyed countries have a procurement portal and all of them announce procurement opportunities through their e-procurement systems.

Regarding the functionalities provided in the e-procurement system, 65% of those that have an e-procurement portal have a functionality that supports the electronic submission of bids. Such is the case in Ecuador, Jamaica and Uruguay. Some 53% of them carry out e-auctions while 74% have the capacity for notification of awarding. In contrast, functionalities related to the end of the procurement cycle are provided by a smaller number of LAC countries. Only 30%, including Brazil and Jamaica, indicated they are able to carry out electronic submission of invoices compared to 56% of OECD countries. There are only two countries, Peru, and the Dominican Republic, where ex post contract management is not only provided but is mandatory to be in their e-procurement portal.

A common challenge faced by both procuring entities (47%) and potential users of e-procurement systems (57%) are low knowledge and skills of ICT as mentioned by Argentina, Colombia and Honduras, among other LAC countries that responded to the survey. Lack of innovative culture (47%) and limited knowledge of the economic opportunities raised by e-procurement systems (38%) were identified as additional challenges for procuring entities as evidenced in countries including Costa Rica and Mexico. Regarding potential bidders and suppliers, 50% of LAC countries, including Brazil, Honduras and Guatemala, identified difficulties in understanding or applying the procedures and difficulties in using the functionalities.

Methodology and definitions

Data were collected through 2015 OECD-IDB Survey on Public Procurement that focused on strategic public procurement, e-procurement, procurement regulatory bodies, and public procurement at regional levels. 22 LAC countries responded to the survey. Respondents to the survey were country heads of procurement, delegates to Inter-American Network on Government Procurement (INGP) responsible for procurement policies at the central government level, and senior officials in public procurement regulatory and monitoring agencies.

E-tendering is designed to electronically enhance the processes of public tendering for the procurement of specialised works, goods, and consulting services that are of high value and low volume.

E-contract management is the electronic enhancement of the management of receivables, payments, contract settlements, contract variations, bid securities, and auditing and control activities.

A transactional portal is a system that provides information on everything related to the procurement cycle. It allows the complete trade of goods and services through it by the full interaction of suppliers and procuring entities.

Further reading

Asian Development Bank (2013), e-Government Procurement Handbook, Asian Development Bank, Manila, Philippines.

Concha, G., et al. (2010), "E-Government procurement observatory, maturity model and early measurements", Government Information Quarterly. Vol. 29, supplement 1, pp. S43 –S50.

World Bank (2009), "Electronic government procurement roadmap", Washington, DC.

OECD (2015), "Recommendation of the Council on Public Procurement", OECD, Paris.

Figure notes

9.7 and 9.8: Bahamas, Belize and Dominica do not have an e-procurement system.

9.7. Functionalities provided in e-procurement systems, 2015

	Mandatory and provided	Not mandatory but provided	Not provided
Announcing tenders	ATG, ARG, BRA, CHL, COL, CRI, DOM, ECU, GTM, HTI, HND, JAM, MEX, NIC, PAN, PRY, PER, SLV, URY		
Electronic submission of bids (excluding by emails)	BRA, CHL, CRI, ECU, GTM, JAM, MEX, PAN, PER, SLV, PRY	DOM,URY	ATG, ARG, COL, HTI, HND, NIC, PRY
e-auctions (in e-tendering)	BRA, CHL, CRI, DOM, ECU, MEX, PAN, PER, PRY	URY	ATG, ARG, COL, GTM, HTI, HND, JAM, NIC, SLV
Notification of award	ATG, ARG, BRA, CHL, CRI,DOM, ECU, GTM, JAM, MEX, NIC, PAN, PER, SLV		COL, HTI, HND, PRY, URY
Electronic submission of invoices (excluding by emails)	ATG, BRA, JAM	ARG,DOM, PAN	CHL, COL, CRI, ECU, GTM, HTI, HND, MEX, NIC, PAN, PRY, PER, SLV, URY
Ex-post contract management	DOM,PER	ATG, HND	ARG, BRA, CHL, COL, CRI, ECU, GTM, HTI, JAM, MEX, NIC, PRY, SLV, URY

Source: OECD-IDB (2015), Survey on Public Procurement.

9.8. Main challenges to the use of e-procurement systems, 2015

	Low knowledge/ ICT skills	Low knowledge of the economic opportunities raised by this tool	Low innovative organisational culture	Difficulties to understand or apply the procedure	Difficulties in the use of functionalities	It is not mandatory	Do not know
Antigua and Barbuda	✦	●✦	✦	●✦	●	x	x
Argentina	●	●	●✦	●✦	❍	x	x
Brazil	●	●	✦	●	●	x	x
Chile	❍	●	❍	●	●	x	✦
Colombia	●✦	●✦	●✦	❍	❍	x	x
Costa Rica	●✦	✦	●✦	●	❍	x	x
Dominican Republic	●	❍	❍	✦	❍	x	x
Ecuador	❍	❍	●	✦	❍	x	x
Guatemala	✦	●✦	✦	●✦	●	x	x
Haiti	●✦	●✦	●✦	●✦	●✦	x	x
Honduras	●✦	●✦	❍	●✦	●	x	x
Jamaica	❍	❍	●✦	●✦	❍	x	x
Mexico	✦	✦	✦	❍	❍	x	●
Nicaragua	●	●	❍	●	❍	✦	❍
Panama	●	●	✦	❍	❍	x	❍
Paraguay	●✦	●✦	●	●✦	●	●	x
Peru	✦	❍	❍	❍	●	x	❍
Salvador	●	❍	✦	❍	❍	x	❍
Uruguay	❍	●✦	❍	✦	❍	●	x
LAC total							
✦ Procuring entities	9	9	10	11	1	1	1
● Potential bidders/suppliers	11	12	7	10	8	2	1
❍ Not a major challenge	4	5	7	4	11	0	0
x Not applicable	0	0	0	0	0	16	13
OECD total							
✦ Procuring entities	14	11	13	x	x	x	10
● Potential bidders/suppliers	14	12	10	13	13	x	8
❍ Not a major challenge	8	11	10	12	12	x	x
x Not applicable	7	7	7	7	7	32	21

Source: OECD-IDB (2015), Survey on Public Procurement.

StatLink http://dx.doi.org/10.1787/888933431918

In the LAC region, public procurement agencies or public procurement regulatory and monitoring entities are central bodies in charge of the regulation and monitoring of a country's public procurement system. This is different from the model commonly found in OECD countries, where these bodies are often a contracting authority. In the LAC context, it is uncommon for procurement regulatory entities to purchase on behalf of public sector entities, with the exception of framework agreements and reverse auctions. The most common model found in the region is for countries to centralise policy and monitoring and decentralise operations. Experience from the region has shown that having an agency with a dedicated policy and monitoring role can drive change by ensuring that new rules and regulations, developed as part of the modernisation of legal frameworks, are implemented.

By developing better regulatory frameworks, institutional structures and control systems, procurement regulatory agencies can help to simplify regulations and procedures through the establishment of standard bidding procedures. For example, in Colombia the public procurement agency "Colombia Compra Eficiente" was created in 2012 and shortly after given a mandate to promote efficiency in the use of public funds (e.g. centralised procurement strategies), responsibility for centralisation and dissemination of public procurement information through the e-procurement system SECOP, as well as the development and dissemination of procurement policies and expertise.

According to the survey results, 95.5% of countries including Costa Rica and Honduras, have established a public procurement regulatory entity at the central level that is in charge of policy and monitoring. In addition, some countries, especially those with a federal system (e.g. Argentina, Brazil and Mexico) have public procurement agencies at the sub-national level. However, those agencies were not a focus of the survey.

In 36.4% of surveyed countries, agencies are reported to be independent. Such is the case in Chile, Ecuador and Paraguay. However, the most common structure found in 59.1% of LAC countries is that these agencies are public entities that operate within or under the supervision of a high-level government body, such as a ministry or presidency, as seen for example in Jamaica and Honduras. Belize is the only country in the region that does not have an office or unit specifically for the policy and monitoring of public procurement, however there are preliminary discussions in the country regarding the appropriate type of entity that will be developed.

The most common tasks of procurement regulatory agencies are establishing policies for contracting authorities (100%) and coordinating training for public officials in charge of public procurement (95.2%). In slightly over three-quarters of countries these agencies act as manager of the system for awarding framework agreements or other consolidated instruments, while in only one third of the countries these agencies undertake the role of purchasing on behalf of the government. The most common reasons reported for establishing these agencies were better prices of goods and services, lower transaction costs, and more efficiency in contract management.

Methodology and definitions

Data were collected through 2015 OECD-IDB Survey on Public Procurement that focused on strategic public procurement, e-procurement, procurement regulatory bodies, and public procurement at regional levels. 22 LAC countries responded to the survey. Respondents to the survey were country heads of procurement, delegates to Inter-American Network on Government Procurement (INGP) responsible for procurement policies at the central government level, and senior officials in public procurement regulatory and monitoring agencies.

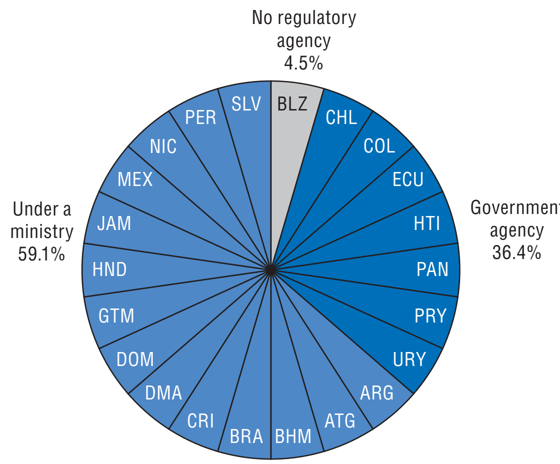
According to the United Nations Commission on International Trade Law (UNCITRAL), a framework agreement is a procedure conducted in two stages: a first stage to select a supplier or a contractor to be a party to a framework agreement with a procuring entity, and a second stage to award a procurement contract under the framework agreement to a supplier or contractor party to the framework agreement.

Further reading

Harper, L., A. Calderon and J. Muñoz (2016), "Elements of public procurement reform and their effect on the public sector in Latin America and the Caribbean." *Journal of Public Procurement*, Vol. 16, issue 3, 439 – Fall 2016.

OECD (2016), *Towards Efficient Public Procurement in Colombia: Making the Difference*, OECD Public Governance Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264252103-en*.

9.9. Legal status of procurement regulatory agencies, 2015



Source: OECD-IDB (2015), Survey on Public Procurement.

StatLink http://dx.doi.org/10.1787/888933431586

9.10. Role of procurement regulatory agencies, 2015

	Contracting authority aggregating demand and purchasing	Manager of the national system awarding framework agreements or other consolidated instruments	Coordinate training for public officials in charge of public procurement	Establish policies for contracting authorities
Antigua and Barbuda	❍	●	❍	●
Argentina	❍	●	●	●
Bahamas	●	●	●	●
Brazil	●	❍	●	●
Chile	❍	●	●	●
Colombia	❍	●	●	●
Costa Rica	❍	●	●	●
Dominica	❍	❍	●	●
Dominican Republic	❍	❍	●	●
Ecuador	❍	●	●	●
El Salvador	❍	❍	●	●
Guatemala	❍	●	●	●
Haiti	❍	●	●	●
Honduras	●	●	●	●
Jamaica	●	●	●	●
Mexico	●	●	●	●
Nicaragua	❍	❍	●	●
Panama	●	●	●	●
Paraguay	❍	●	●	●
Peru	●	●	●	●
Uruguay	❍	●	●	●
LAC total				
Yes ●	7	16	20	21
No ❍	14	5	1	0
OECD total				
Yes ●	22	22	10	8
No ❍	6	6	18	20

Source: OECD-IDB (2015), Survey on Public Procurement.

StatLink http://dx.doi.org/10.1787/888933431929

ANNEX A

HRM practices composite indexes

This edition of *Government at a Glance: Latin America and the Caribbean 2017*, includes five composite indexes on human resource management practices: HR planning, civil service merit, performance appraisal, compensation management and organisation of the HRM function. Data used for the construction of the composites are derived from civil service diagnostic reports by country, which are based on the practices established in the Ibero-American Charter for the Public Service (ICPS).

In 2003, Latin American governments signed the ICPS, which defines the basis of a professional and efficient civil service and provides a generic framework of guiding principles, policies and management mechanisms needed to build it. After defining this common framework, the countries – with the support of the IDB and the technical work led by Professor Francisco Longo (ESADE) – established a baseline to measure the extent to which their own civil service systems were aligned with these principles and practices, using a methodology with critical points linked to the civil service subsystems of the ICPS. Data for a second measurement were collected through individual country diagnostics between 2012 and 2015.

The narrowly defined composite indexes presented in *Government at a Glance: Latin America and the Caribbean 2017* represent the best way of summarising discrete, qualitative information on key aspects of HRM practices such as the use of merit in the civil service, HR planning or performance appraisal. “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 comprehend what they are actually measuring.

The analytical framework used on the HRM practices composite indexes proposes a series of benchmarks or factors for each area. Each factor describes a specific and desirable situation that refers to a certain key aspect of HRM. The benchmark is therefore a specific and substantial parameter that enables comparison with the situation empirically encountered in each country diagnostic. This comparison is given a numerical score on a scale of 0 to 5, where the maximum score reflects the greatest correspondence between the situation expressed in the benchmark and the country diagnostic. The range points are classified as: (i) low level (0-1 points); (ii) medium level (2-3 points); and (iii) high level (4-5 points). Descriptors were established for each level so the users could more easily manage and interpret them.

Table A.1. **Composite index and benchmarks**

Composite index	#	Benchmark
HR planning	1	The staff planning provisions usually result from the organisation's priorities and strategic orientations. The degree to which they are adjusted to one another tends to be high.
	2	The personnel information systems enable reasonable awareness of the quantitative and qualitative resources available now and in the future, in the different organisational areas and units.
	3	In general, there are neither significant staff shortages nor overstaffing.
	4	The overall cost of civil service staff is maintained within reasonable parameters that are compatible with the country's economic situation.
	5	The level of workforce technification is commensurate with the knowledge society environment. Skilled labour represents a significant proportion of the workforce.
	6	The staffing policies, decisions and practices in each area of HRM arise from intentions that are determined during the planning process.
Civil service merit	1	Recruitment to fill vacancies is open, in law and in fact, to all candidates possessing the required qualifications. These are established according to suitability for the post and technical considerations, not arbitrarily.
	2	The necessary safeguard mechanisms and procedures are in place against arbitrariness, politicisation, patronage and clientelism throughout the entire hiring process.
	3	Dismissals or terminations of employment that affect professional positions are not motivated by a change in the government's political leanings.
Performance appraisal	1	Management normally defines guidelines and standards regarding the expected personnel performance in accordance with the organisation's priorities and strategy. Consequently, employees are aware of the aspects of their performance for which they will be specifically evaluated.
	2	Throughout the management cycle, management monitors, observes and supports improvements in employee performance, providing resources and removing obstacles wherever necessary.
	3	Employee performance is evaluated by the organisation and compared to the expected performance standards.
Compensation management	1	The pay structure is adequate for attracting, motivating and retaining suitable people with the necessary competencies for the positions that the organisation requires.
	2	Pay levels are not excessive compared with labour market costs for any similar sector or grade.
	3	The compensation mechanisms encourage people to make more effort and stimulate individual or group performance, learning and competency development.
	4	Pay policy is set according to previously established criteria and consistent with the organisation's structural design parameters.
Organisation of the HRM function	1	Managers take responsibility and appropriately exercise their responsibilities as managers of the personnel within their sphere of formal authority.
	2	The central civil service agency responsible for the system is viewed by the rest of the organisation as a department that adds value to the achievement of the common goals.

Source: Longo, F. and M. Iacoviello (2010), "Evaluación del grado de implementación de la Carta Iberoamericana de la Función Pública en los países de América Latina", document prepared for the Interregional Conference for Ministers/Heads of Public Service, Latin American Center for Development Administration (CLAD), Buenos Aires, Argentina, July 1-2.

Each critical point is assigned a value following three criteria: (i) instrumental: evaluates the availability of rules and technical instruments that enable the management practice established in the respective critical point to be developed; (ii) coverage: reveals the level of coverage of this practice in public organisations at the national level; and (iii) implementation: evaluates the degree of effective implementation (and subsequent institutionalisation) of the practice. Thus, these three criteria defined the positioning of each critical point at either a high, low, or medium point of compliance.

It is therefore likely that a critical point's score rises insofar as: (i) there are HRM tools available; (ii) they are accessible to a growing number of government agencies; and (iii) they are actually applied. It is worth highlighting that the third criterion (implementation) is the one that enables achievement of a high score (4 and 5 points), as the mere presence of these tools, even if they enjoy wide institutional coverage, will fail to produce good results without effective application.

The country score for each critical point or benchmark within a same composite index is weighted equally, and then normalised to a scale of 0 to 100 to reach the composite index final score.

Table A.2. **escriptors for each of the benchmarks**

Composite index	Benchmark	LOW LEVEL Score 0-1 Instrumental: Non-existent or minimum Coverage: Very low Implementation: Non-existent or minimum	MEDIUM LEVEL Score 2-3 Instrumental: Basic Coverage: Low-medium Implementation: Medium	HIGH LEVEL Score 4-5 Instrumental: Sufficient Coverage: Medium-high Implementation: High
HR planning	The staff planning provisions usually result from the organisation's priorities and strategic orientations. The degree to which they are adjusted to one another tends to be high.	The government's strategic priorities and orientations have yet to be defined or, at most, are set out in formal documents without sufficient support or effective implementation in the institutions.	The planning process is relatively well coordinated and based on budgetary management, with the introduction of some strategic criteria.	Government plans enjoy wide consensus. Strategic planning mechanisms have influence in the day-to-day management of public organisations in defining the required quality and quantity of HR.
	The personnel information systems enable there to be reasonable awareness of the quantitative and qualitative resources available now and in the future, in the different organisational areas and units.	Limited availability of human resource information. Information systems in very early stages of development.	The information systems enable public institution staff numbers and costs to be determined. Qualitative profile yet to be developed, or available only in some institutions.	Adequate availability of information in both quantitative and qualitative terms.
	In general, there are neither significant staff shortages nor overstaffing.	Clear disproportion between the workforces in the different areas of government.	Measures to organise and redeploy public workforces were implemented, which reduced the disproportion between different areas, although these still do not respond to organisational needs.	Public workforce is distributed according to organisational needs.
	The overall cost of civil service staff is maintained within reasonable parameters that are compatible with the country's economic situation.	The wage bill absorbs a proportion of expenditure that is unsustainable over the medium term.	Implementation of measures to contain the wage bill, although with difficulties when it comes to striking the right balance.	The wage bill remains stable and is compatible with the country's economy.
	The level of workforce technification is commensurate with the knowledge society environment. Skilled labour represents a significant proportion of the workforce.	Low proportion of civil servants with higher education in relation to the reference labour market.	Proportion of civil servants with higher education is growing, although still below the reference labour market.	Significant proportion of civil servants with higher education in relation to the reference labour market.
	The staffing policies, decisions and practices in each area of HRM arise from intentions that are determined during the planning process.	The existing initiatives in the different areas of HRM are not coordinated.	Certain institutions manage to coordinate the areas of HRM according to a consistent policy based on strategic institutional planning.	Based on an HRM policy defined at the government level, most institutions manage to establish coordinated policies in the different areas within HRM.
Civil service merit	Recruitment to fill vacancies is open, in law and in fact, to all candidates possessing the required qualifications. These are established according to suitability for the post and technical considerations, not arbitrarily.	There are no rules or procedures for open recruitment of candidates to fill public sector vacancies.	There are rules and procedures for open recruitment of candidates, which are applied in certain areas of the state.	A significant proportion of the vacancies in public institutions are filled by widely publicised public job announcements.
	The necessary safeguard mechanisms and procedures are in place against arbitrariness, politicisation, patronage and clientelism throughout the entire hiring process.	Mechanisms and procedures that guarantee the transparency of the staff recruitment process do not exist.	There are rules, regulations and procedures for meritocratic staff recruitment, which are effectively applied in certain areas of the state.	A significant proportion of vacancies in public institutions are filled via procedures that are clearly protected against clientelistic interference.
	Dismissals or terminations of employment that affect professional positions are not motivated by a change in the government's political leanings.	There are mass dismissals of public employees whenever there is a change of government, either due to the absence of legal safeguards in this respect or because such safeguards are ignored by the incoming administration.	There are effective legal safeguards against arbitrary dismissals whenever there is a change of government, although these are not uniformly applied throughout the public sector.	The legal safeguards against arbitrary dismissals whenever there is a change of government are fully operational throughout all public sector employment.

Table A.2. **escriptors for each of the benchmarks** *(cont.)*

Composite index	Benchmark	LOW LEVEL Score 0-1 Instrumental: Non-existent or minimum Coverage: Very low Implementation: Non-existent or minimum	MEDIUM LEVEL Score 2-3 Instrumental: Basic Coverage: Low-medium Implementation: Medium	HIGH LEVEL Score 4-5 Instrumental: Sufficient Coverage: Medium-high Implementation: High
Performance appraisal	Management normally defines guidelines and standards regarding the expected personnel performance in accordance with the organisation's priorities and strategy. Consequently, employees are aware of the aspects of their performance for which they will be specifically evaluated.	There are no systematic rules and procedures for establishing objectives and performance standards.	There are rules and procedures for establishing objectives and performance standards, but they are applied only partially in public institutions.	The system for establishing objectives and performance standards is developed and applied in the majority of public institutions.
	Throughout the management cycle, management monitors, observes and supports improvements in employee performance, providing resources and removing obstacles wherever necessary.	The technical tools that enable managers to support their staff's performance are lacking.	Technical instruments exist for performance monitoring and improvement and are partially applied in public institutions.	A developed performance monitoring and improvement system exists and is applied in the majority of public institutions.
	Employee performance is evaluated by the organisation and compared to the expected performance standards.	There are no systematic rules and procedures for evaluating performance.	There are systematic rules and procedures for evaluating performance, which are applied partially in public institutions.	A developed performance appraisal system is used in most public institutions.
Compensation management	The pay structure is adequate for attracting, motivating and retaining suitable people with the necessary competencies for the positions that the organisation requires.	There are difficulties in attracting and retaining qualified staff in most areas of the state.	There are difficulties in attracting and retaining qualified staff in some levels or areas of the state.	The pay structure is such that competent personnel can be attracted, motivated and retained in a significant proportion of public sector employment.
	Pay levels are not excessive compared with labour market costs for any similar sector or grade.	Pay levels are excessive compared to the reference labour markets.	Pay levels are slightly above those paid in the reference labour markets.	Pay levels are reasonable in relation to those paid in the reference labour markets.
	The compensation mechanisms encourage people to make more effort and stimulate individual or group performance, learning and competency development.	The compensation mechanisms fail to consider either individual or group performance or the incorporation of competencies.	Introduction of individual or group performance criteria, and incorporation of competencies in compensation management, are applied in certain areas of the state.	Current compensation mechanisms are based on individual or group performance, and incorporation of competencies applied in a significant proportion of public sector employment.
	Pay policy is set according to previously established criteria and consistent with the organisation's structural design parameters.	Compensation management is not based on established criteria or on structural design.	Introduction of organisational criteria in compensation management, with partial application in public organisations.	Compensation is determined on the basis of established criteria based on rules and regulations, with effective application in a significant proportion of public sector employment.
Organisation of the HRM function	Managers take responsibility and appropriately exercise their responsibilities as managers of the personnel within their sphere of formal authority.	Weak development of the senior civil service in terms of HRM responsibilities as heads of working groups.	Measures taken to strengthen the senior civil service enable the HRM role to be developed in some areas of the state.	The senior civil service is institutionalised, with the tools and competencies needed to exercise their role as managers of working groups.
	The central civil service agency responsible for the system is viewed by the rest of the organisation as a department that adds value to the achievement of the common goals.	The central civil service agency fails to position itself in a leadership role to drive the state's human resource policies.	Measures to strengthen the central civil service agency reinforce its position and the perception of other institutions with regard to the value it contributes.	Generalised recognition of the value added by the central civil service agency.

Source: Cortázar, J.C., M. Lafuente and M. Sanginés (eds.) (2014), *Serving Citizens: A Decade of Civil Service Reform in Latin America (2004-13)*, Inter-American Development Bank, Washington, DC. Annex 1, pp. 139-162.

ANNEX B

OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016

The Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 provide an up-to-date overview of regulatory systems in selected Latin American countries, by which they develop, implement and evaluate regulations. They cover three principles of the 2012 *OECD Recommendation on Regulatory Policy and Governance*: stakeholder engagement, Regulatory Impact Assessment (RIA) as well as *ex post* evaluation and administrative simplification.

iREG for Latin America 2016 draws upon responses to the OECD-IDB Survey on Regulatory Policy and Governance 2015 from Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru. Responses to the survey were provided by government officials from the respective institutions responsible for regulatory policy in each country. Unless explicitly stated differently, survey answers refer to national regulations only i.e. regulation enacted at the central or federal level of government. Survey answers on stakeholder engagement and Regulatory Impact Assessment only cover subordinate regulations, which are defined as “regulations that can be approved by the head of government, by the cabinet or by an individual minister or high level official, i.e. by an authority other than parliament/congress”. The information collected through the survey reflects the situation as of 31 December 2015.

The OECD-IDB Survey on Regulatory Policy and Governance 2015 is an adapted version of the 2014 OECD Regulatory Indicators Survey with a particular focus on stakeholder engagement. Direct comparison between survey results, notably in the form of a composite indicator on stakeholder engagement in developing subordinate regulations, has only been made based on identical questions.

The survey is based on an ambitious and forward-looking regulatory policy agenda and is designed to track progress in the implementation of regulatory policy over time. It captures progress in countries that already have advanced regulatory practices, whilst recognising the efforts of countries that are just starting to develop their regulatory policy. In addition to collecting information on formal requirements, the survey gathers evidence on the implementation of these formal requirements and the uptake of regulatory management practices.

Survey answers underwent a thorough data cleaning process carried out jointly by the OECD and IDB in close cooperation with the participating countries, which involved notably ensuring consistency between survey answers and the verification of examples provided by countries to support individual survey questions.

The composite indicator

Following the established methodology of the OECD Indicators of Regulatory Policy and Governance, a composite indicator on stakeholder engagement in developing subordinate regulations, was developed based on information collected through the survey.

The composite indicator on stakeholder engagement in developing subordinate regulations measures the adoption of good practices to engage with interested parties when developing new regulations, including different methods and openness of consultations as well as transparency and response to comments received. It consolidates information in four equally weighted categories (Figure B.1):

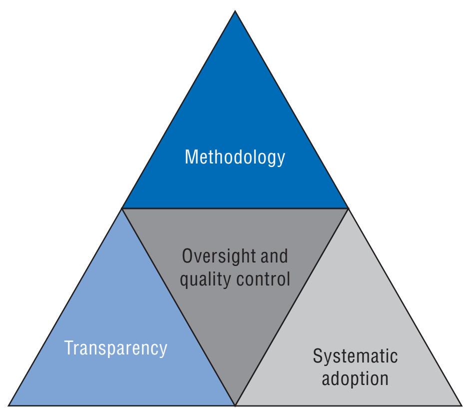
Systematic adoption records formal requirements and how often and at what stage in the rule-making process these requirements are conducted in practice.

Methodology gathers information on the methods used to engage with stakeholders, e.g. forms of consultation and documents to support them.

Oversight and quality control records the role of oversight bodies and publicly available evaluations of the consultation system.

Transparency records information from the questions that relate to the principles of open government, e.g. whether consultations are open to the general public and if comments and responses by authorities are published.

Figure B.1. **Structure of the composite indicator**



The maximum score for each category is 1, and the maximum aggregate score for the composite indicator is 4. The more regulatory practices as advocated in the 2012 *OECD Recommendation of the Council on Regulatory Policy and Governance* a country has implemented, the higher its indicator score. Each category is composed of several equally weighted sub-categories built around specific questions in the OECD-IDB Survey on Regulatory Policy and Governance 2015. The separate sub-categories are listed in Table B.2.

The full dataset underlying the composite indicator can be accessed on the website dedicated to the OECD Indicators of Regulatory Policy and Governance for Latin America (*www.oecd.org/gov/regulatory-policy/ireg-lac.htm*). The complete methodology, including all underlying questions, can be found in "2015 Indicators of Regulatory Policy and Governance: Design, Methodology and Key Results" (Arndt, C., Custance Baker, A., Querbach, T., Schultz, R., 2015), *http://dx.doi.org/10.1787/5jrnwqm3zp43-en*.

Table B.2. **Categories and sub-categories of the composite indicator**

Categories	Sub-categories	Number of questions included
Methodology	– Consultation open to the general public: during early stages of developing regulations – Consultation open to the general public: during later stages of developing regulations – Guidance – Methods of stakeholder engagement adopted in early stages of developing regulations – Methods of stakeholder engagement adopted in later stages of developing regulations – Minimum periods – Use of interactive websites during early stages of developing regulations – Use of interactive websites during later stages of developing regulations	12
Systematic adoption	– Formal requirements – Stakeholder engagement conducted in practice in early stages of developing regulations – Stakeholder engagement conducted in practice in later stages of developing regulations	7
Transparency	– Transparency of process – Consultations are made open to general public – Consideration of and response to stakeholder comments – Availability of information	8
Oversight and quality control	– Oversight and quality control function – Publicly available evaluation of stakeholder engagement	10

ANNEX C

The OECD index on open government data

This annex provides data for each responding country on the efforts made by government to proactively disclose and support re-use of open government data. These data are the source for the composite indicator presented in Chapter 8.

Data used for the construction of the composite are derived from the 2016 OECD-IDB Survey on Open Government Data. Survey respondents were predominantly chief data officers (CIO) in the central/federal government.

The narrowly defined composite indexes presented in *Government at a Glance: Latin America and the Caribbean 2017* represent the best way of summarising ordinal, qualitative information on key aspects of open government data. "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. For this index, the only international agreement available – the G8 Open data Charter – was used as the main theoretical source, along with working papers produced by the secretariat and approved by country delegates from the Public Governance Committee. The variables composing the indexes were selected based on their relevance to the concept by a group of experts within the OECD. Further consultations with country delegates and relevant working parties will allow further expanding and improving the relevance of the index in future years.

In addition:

Various statistical tools, such as factor analysis, were employed to ensure that the variables composing 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. As this index is a pilot version, equal weighting was provided for each of the variables and pillars.

The composite indexes presented in *Government at a Glance: Latin America and the Caribbean 2017* 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.

The Open Government Data (OGD) index does not purport to measure the overall quality of open government data results in each country (to do so would require a much stronger conceptual foundation and normative assumptions) but rather the level of government efforts to implement some of the good principles internationally agreed in terms of data availability, accessibility and re-use support. For instance, the impact dimension is for instance not captured at all in the index.

While the composite index was based on best practices and/or theory developed in co-operation with OECD member countries, the variables integrating the composites and their weights are offered for debate and, consequently, may evolve over time.

The composites were built according to the following methodology: From the G8 Open Data Charter and OECD Working Paper on Open Government Data (Ubaldi, 2013), three core dimensions of good Open Data practices were identified:

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

To narrow the field the focus for the two first pillars (availability and accessibility) is only on the central/federal open data portal. Equal weights were given to the three dimensions, as well as to the underlying variables. Principal component factor analysis was carried out to examine how a set of underlying variables (survey questions) are associated and whether they are correlated with each other in order to select those that capture the most of the underlying concept . Some variables were also kept based on experts' judgement. All variables constructing the sub-dimensions are equally weighted. Mexico and Chile data are taken from OECD 2014 Survey on Open Government Data.

Table C.1. **Data availability on the national portal**

	ARG	BRA	CHL	COL	CRI	DOM	MEX	PER	PRY	URY
National elections results	●	●	❍	●	❍	❍	❍	❍	●	❍
National public expenditures	❍	●	●	●	●	●	●	●	●	●
Local public expenditures	❍	❍	❍	●	❍	❍	❍	●	●	●
The most recent national census	●	●	●	●	●	❍	❍	❍	…	●
Applications re-using public data	❍	●	❍	●	❍	●	❍	●	●	●

● Yes
❍ No
… Missing data

Note: Mexico and Chile data are taken from OECD 2014 Survey on Open Government Data.
Source: OECD (2016), Survey on Open Government Data.

StatLink http://dx.doi.org/10.1787/888933431933

Table C.2. **Data accessibility on the national portal**

	ARG	BRA	CHL	COL	CRI	DOM	MEX	PER	PRY	URY
Use of CSV format (machine readable)	●	●	●	●	●	●	●	●	●	●
Systematic provision of metadata	●	●	●	●	●	●	●	●	●	●
Features available: Geospatial tools	❍	❍	●	❍	●	❍	●	●	●	●
Ranking of most popular datasets	●	❍	●	●	●	●	●	❍	❍	❍
Voting button for visitors	❍	❍	●	●	❍	❍	●	❍	❍	❍
Receive notifications when datasets are added	❍	❍	❍	❍	❍	❍	❍	❍	❍	●

● Yes
❍ No
Note: Mexico and Chile data are taken from OECD 2014 Survey on Open Government Data.
Source: OECD (2016), Survey on Open Government Data.

StatLink http://dx.doi.org/10.1787/888933431948

Table C.3. **Government support to the reuse of data and stakeholders' engagement**

	ARG	BRA	CHL	COL	CRI	DOM	MEX	PER	PRY	URY
Regular consultations for the types of data released	●	❍	❍	●	●	❍	●	●	●	❍
Software development contests/prize (e.g. for apps, widgets etc.)	❍	✧	✧	●	❍	✧	●	❍	❍	✧
Info sessions for citizens and businesses	❍	✧	✧	✧	❍	❍	●	✧	❍	●
Release of data and implementation of OGD policies considered part of performance indicators of organisations	✧	✧	❍	❍	❍	●	●	✧	❍	❍
Organisation of co-creation type events (e.g. hackathons)	●	●	●	●	✧	✧	●	✧	●	●
Data promotion to journalists	✧	✧	✧	✧	✧	❍	✧	❍	✧	●
Data analytics teams in government	✧	✧	❍	✧	❍	✧	●	❍	✧	●
Training for civil servants to build capacities	✧	✧	✧	✧	✧	✧	●	✧	✧	●

● Often
✧ Sometimes
❍ Never
.. Missing answer
Note: Mexico and Chile data are taken from OECD 2014 Survey on Open Government Data.
Source: OECD (2016), Survey on Open Government Data.

StatLink http://dx.doi.org/10.1787/888933431951

ANNEX D

Contextual factors

This section provides data on administrative and institutional features of each country, including: the composition and electoral system of the legislature, the structure of the executive branch, the division of power between one central and several regional or local governments, and key characteristics of the judicial system. It also provides basic data on population and GDP for 2015 and data on the number of municipalities, provinces, states and/or regions.

Political and institutional frameworks influence those who formulate and implement policy responses to the challenges faced by governments. For example, the type of electoral system employed has a number of potential consequences on the nature and tenure of government, including the diversity of views represented and the ability of the legislature to create and amend laws. Major differences in legislative institutions can affect the way a country's bureaucratic system works. The extent that power is shared between the legislative and executive branches, exemplified by the system of executive power (parliamentary, presidential or dual executive), the frequency of elections and term limits, the ease of constitutional amendments, and the ability of the judiciary to review the constitutionality of laws and actions, set the constraints within which policies and reforms can be enacted and implemented. The way that governments are structured, including the division of responsibilities vertically (across levels of governments) and horizontally (between Departments or Ministries), is a key factor underlying the organisational capacity of government. Different structures and responsibilities require different sets of competencies, including oversight, monitoring and evaluation and co-ordination.

While many contextual factors are products of a country's historical development and cannot be easily changed by policy makers, they can be used to identify countries with similar political and administrative structures for comparison and benchmarking purposes. In addition, for countries considering different policies and reforms, the indicators can illustrate structural differences that may affect their passage and implementation.

Methodology and definitions

With the exception of data on population and GDP, all information is from member country constitutions and websites. GDP data are from the *IMF World Economic Outlook* Database, April 2015 except for data for Mexico and Chile which are from OECD National Accounts Statistics (SNA).

Federal states have a constitutionally delineated division of political authority between one central and several regional or state autonomous governments. While unitary states often include multiple levels of government (such as local and provincial or regional), these administrative divisions are not constitutionally defined.

Under the parliamentary form of executive power, the executive is usually the head of the dominant party in the legislature and appoints members of that party or coalition parties to serve as

Ministers. The executive is accountable to Parliament, who can end the executive's term through a vote of no confidence. Several countries with parliamentary systems also have a president, whose powers are predominately ceremonial in nature. Under the presidential system, the executive and members of the legislature seek election independently of one another. Ministers are not elected members of the legislature but are nominated by the president and may be approved by the legislature. The dual executive system combines a powerful president with an executive responsible to the legislature, both responsible for the day-to-day activities of the state. It differs from the presidential system in that the cabinet (although named by the president) is responsible to the legislature, which may force the cabinet to resign through a motion of no confidence.

Data on the frequency of governments cover the period between 1 January 1995 and 31 December 2015. A coalition government is defined as the joint rule of executive functions by two or more political parties. The number of governments is determined by the number of terms served by the head of the executive branch (where a term is either defined by a change in the executive or an election that renewed support for the current government). Data on the frequency of coalition governments are only applicable for countries that have a parliamentary or dual executive.

A Ministry is an organisation in the executive branch that is responsible for a sector of public administration. Common examples include the Ministries of Health, Education and Finance. While sub-national governments may also be organised into Ministries, the data only refer to central government. Ministers advise the executive and are in charge of either one or more Ministries, or a portfolio of government duties. In most parliamentary systems, Ministers are drawn from the legislature and keep their seats. In most presidential systems, Ministers are not elected officials and are appointed by the president. The data refer to the number of Ministers that comprise the cabinet at the central level of government and exclude Deputy Ministers.

Bicameral legislatures have two chambers (usually an Upper House and a Lower House), whereas unicameral legislatures are composed of only a Lower House. Electoral systems are usually characterised as single member (First Past the Post or Preferential and Two-Round) or multi member (Proportional Representation or Semi-Proportional Representation). The types of electoral systems are defined as follows:

Under First Past the Post, the winner is the candidate with the most votes but not necessarily an absolute majority of votes.

Under Preferential and Two-Round, the winner is the candidate who receives an absolute majority (i.e. over 50%) of votes. If no candidate receives over 50% of votes during the first round of voting, the Preferential system makes use of voters' second preferences while the Two-Round system uses a second round of voting to produce a winner.

Proportional Representation (PR) systems allocate parliamentary seats based on a party's share of national votes.

Semi-proportional systems feature attributes of both single-member and PR systems. They allow two votes per person: one for a candidate running in the voter's district and one for a party. As in PR, party seats are allocated proportional to the party's share of national votes.

Data on the frequency of elections reflect statutory requirements. In reality, elections may be held more frequently in parliamentary systems if governments collapse. Judicial review refers to the ability of the courts or a separate body to review the constitutionality of laws and actions. It is usually enshrined in the constitution. In countries with limited judicial review, the courts only have the ability to review the constitutionality of specific types of laws or actions or under specific circumstances.

Argentina

Population mid-2015 estimate (in millions)	43.1
GDP in 2015 (PPP in USD billion at current prices)	964.3
Member of the OECD	No
State structure	Federal
Number of tiers of government	
State/regional	Not applicable
Provincial	24
Local	2065
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	8
Governments at the central level between 1995 and 2015	
Total number of governments	11
Number of coalition governments	Not applicable
Number of executives serving non-consecutive terms	9
Number of Ministers at the central level of government (2015)	20
Number of Ministries or Departments at the central level of government (2015)	20
Upper House (central government)	
Existence	Yes
Membership based on regional considerations?	Yes
Frequency of elections (in years)	6
Size – Number of seats	72
Lower House (central government)	
Electoral system	Multi Member – Proportional
Frequency of elections (in years)	4
Size – number of seats	257
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Bahamas

Population mid-2015 estimate (in millions)	0.4
GDP in 2015 (PPP in USD billion at current prices)	9.2
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	Not applicable
Provincial	Not applicable
Local	32
System of executive power	Parliamentary
Head of state	Monarch
Head of government	Prime Minister
Existence of term limits for presidents	
Is there a president?	No
Term limit (years)	Not applicable
Governments at the central level between 1995 and 2015	
Total number of governments	4
Number of coalition governments	Not applicable
Number of executives serving non-consecutive terms	4
Number of Ministers at the central level of government (2015)	21
Number of Ministries or Departments at the central level of government (2015)	12
Upper House (central government)	
Existence	Yes
Membership based on regional considerations?	No
Frequency of elections (in years)	5
Size – Number of seats	16
Lower House (central government)	
Electoral system	Single – First Past the Post
Frequency of elections (in years)	5
Size – number of seats	38
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Belize

Population mid-2015 estimate (in millions)	0.4
GDP in 2015 (PPP in USD billion at current prices)	3.1
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	Not applicable
Provincial	6
Local	201
System of executive power	Parliamentary
Head of state	Monarch
Head of government	Prime Minister
Existence of term limits for presidents	
Is there a president?	No
Term limit (years)	Not applicable
Governments at the central level between 1995 and 2015	
Total number of governments	5
Number of coalition governments	0
Number of executives serving non-consecutive terms	3
Number of Ministers at the central level of government (2015)	14
Number of Ministries or Departments at the central level of government (2015)	14
Upper House (central government)	
Existence	Yes
Membership based on regional considerations?	No
Frequency of elections (in years)	Not applicable
Size – Number of seats	13
Lower House (central government)	
Electoral system	Single – First Past the Post
Frequency of elections (in years)	5
Size – number of seats	29
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Brazil

Population mid-2015 estimate (in millions)	204.5
GDP in 2015 (PPP in USD billion at current prices)	3.207.9
Member of the OECD	No
State structure	Federal
Number of tiers of government	
State/regional	27
Provincial	Not applicable
Local	5.570
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	8
Governments at the central level between 1995 and 2015	
Total number of governments	6
Number of coalition governments	2
Number of executives serving non-consecutive terms	3
Number of Ministers at the central level of government (2015)	23
Number of Ministries or Departments at the central level of government (2015)	23
Upper House (central government)	
Existence	Yes
Membership based on regional considerations?	Yes
Frequency of elections (in years)	8
Size – Number of seats	81
Lower House (central government)	
Electoral system	Multi Member – Proportional
Frequency of elections (in years)	4
Size – number of seats	512
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Chile

Population mid-2015 estimate (in millions)	18.0
GDP in 2015 (PPP in USD billion at current prices)	424.3
Member of the OECD	Yes
State structure	Unitary
Number of tiers of government	
State/regional	15
Provincial	54
Local	346
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	4
Governments at the central level between 1995 and 2015	
Total number of governments	5
Number of coalition governments	Not applicable
Number of executives serving non-consecutive terms	5
Number of Ministers at the central level of government (2015)	23
Number of Ministries or Departments at the central level of government (2015)	23
Upper House (central government)	
Existence	Yes
Membership based on regional considerations?	No
Frequency of elections (in years)	8
Size – Number of seats	38
Lower House (central government)	
Electoral system	Multi Member – Proportional
Frequency of elections (in years)	4
Size – number of seats	120
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Colombia

Population mid-2015 estimate (in millions)	48.2
GDP in 2015 (PPP in USD billion at current prices)	665.0
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	5
Provincial	24
Local	1122
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	4
Governments at the central level between 1995 and 2015	
Total number of governments	6
Number of coalition governments	Not applicable
Number of executives serving non-consecutive terms	4
Number of Ministers at the central level of government (2015)	16
Number of Ministries or Departments at the central level of government (2015)	16
Upper House (central government)	
Existence	Yes
Membership based on regional considerations?	Yes
Frequency of elections (in years)	4
Size – Number of seats	102
Lower House (central government)	
Electoral system	Multi Member – Proportional
Frequency of elections (in years)	4
Size – number of seats	166
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Costa Rica

Population mid-2015 estimate (in millions)	4.8
GDP in 2015 (PPP in USD billion at current prices)	74.1
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	Not applicable
Provincial	7
Local	81
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	4
Governments at the central level between 1995 and 2015	
Total number of governments	6
Number of coalition governments	Not applicable
Number of executives serving non-consecutive terms	6
Number of Ministers at the central level of government (2015)	21
Number of Ministries or Departments at the central level of government (2015)	17
Upper House (central government)	
Existence	No
Membership based on regional considerations?	Not applicable
Frequency of elections (in years)	Not applicable
Size – Number of seats	Not applicable
Lower House (central government)	
Electoral system	Multi Member – Proportional
Frequency of elections (in years)	4
Size – number of seats	57
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Dominican Republic

Population mid-2015 estimate (in millions)	10.0
GDP in 2015 (PPP in USD billion at current prices)	147.6
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	Not applicable
Provincial	32
Local	155
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	8
Governments at the central level between 1995 and 2015	
Total number of governments	6
Number of coalition governments	Not applicable
Number of executives serving non-consecutive terms	5
Number of Ministers at the central level of government (2015)	22
Number of Ministries or Departments at the central level of government (2015)	22
Upper House (central government)	
Existence	Yes
Membership based on regional considerations?	Yes
Frequency of elections (in years)	4
Size – Number of seats	32
Lower House (central government)	
Electoral system	Multi Member – Proportional
Frequency of elections (in years)	4
Size – number of seats	195
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Ecuador

Population mid-2015 estimate (in millions)	16.3
GDP in 2015 (PPP in USD billion at current prices)	181.8
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	Not applicable
Provincial	24
Local	221
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	8
Governments at the central level between 1995 and 2015	
Total number of governments	10
Number of coalition governments	Not applicable
Number of executives serving non-consecutive terms	10
Number of Ministers at the central level of government (2015)	28
Number of Ministries or Departments at the central level of government (2015)	28
Upper House (central government)	
Existence	No
Membership based on regional considerations?	Not applicable
Frequency of elections (in years)	Not applicable
Size – Number of seats	Not applicable
Lower House (central government)	
Electoral system	Single – First Past the Post
Frequency of elections (in years)	4
Size – number of seats	137
Existence of system of judicial review of the constitutionality of laws and actions	Limited judicial review

El Salvador

Population mid-2015 estimate (in millions)	6.4
GDP in 2015 (PPP in USD billion at current prices)	52.9
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	Not applicable
Provincial	14
Local	262
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	5
Governments at the central level between 1995 and 2015	
Total number of governments	5
Number of coalition governments	Not applicable
Number of executives serving non-consecutive terms	5
Number of Ministers at the central level of government (2015)	14
Number of Ministries or Departments at the central level of government (2015)	14
Upper House (central government)	
Existence	No
Membership based on regional considerations?	Not applicable
Frequency of elections (in years)	Not applicable
Size – Number of seats	Not applicable
Lower House (central government)	
Electoral system	Multi Member – Proportional
Frequency of elections (in years)	3
Size – number of seats	84
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Guatemala

Population mid-2015 estimate (in millions)	16.3
GDP in 2015 (PPP in USD billion at current prices)	125.6
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	Not applicable
Provincial	22
Local	335
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	4
Governments at the central level between 1995 and 2015	
Total number of governments	7
Number of coalition governments	Not applicable
Number of executives serving non-consecutive terms	7
Number of Ministers at the central level of government (2015)	14
Number of Ministries or Departments at the central level of government (2015)	14
Upper House (central government)	
Existence	No
Membership based on regional considerations?	Not applicable
Frequency of elections (in years)	Not applicable
Size – Number of seats	Not applicable
Lower House (central government)	
Electoral system	Multi Member – Semi-Proportional
Frequency of elections (in years)	4
Size – number of seats	158
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Haiti

Population mid-2015 estimate (in millions)	10.6
GDP in 2015 (PPP in USD billion at current prices)	19.0
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	Not applicable
Provincial	10
Local	145
System of executive power	Dual executive
Head of state	President
Head of government	Prime Minister
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	5
Governments at the central level between 1995 and 2015	
Total number of governments	14
Number of coalition governments	2
Number of executives serving non-consecutive terms	14
Number of Ministers at the central level of government (2015)	18
Number of Ministries or Departments at the central level of government (2015)	18
Upper House (central government)	
Existence	Yes
Membership based on regional considerations?	Yes
Frequency of elections (in years)	6
Size – Number of seats	30
Lower House (central government)	
Electoral system	Single – Two rounds
Frequency of elections (in years)	4
Size – number of seats	119
Existence of system of judicial review of the constitutionality of laws and actions	Limited judicial review

Honduras

Population mid-2015 estimate (in millions)	8.4
GDP in 2015 (PPP in USD billion at current prices)	41.0
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	Not applicable
Provincial	18
Local	298
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	4
Governments at the central level between 1995 and 2015	
Total number of governments	7
Number of coalition governments	Not applicable
Number of executives serving non-consecutive terms	7
Number of Ministers at the central level of government (2015)	9
Number of Ministries or Departments at the central level of government (2015)	7
Upper House (central government)	
Existence	No
Membership based on regional considerations?	Not applicable
Frequency of elections (in years)	Not applicable
Size – Number of seats	Not applicable
Lower House (central government)	
Electoral system	Multi Member – Proportional
Frequency of elections (in years)	4
Size – number of seats	128
Existence of system of judicial review of the constitutionality of laws and actions	Limited judicial review

Jamaica

Population mid-2015 estimate (in millions)	2.8
GDP in 2015 (PPP in USD billion at current prices)	24.6
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	Not applicable
Provincial	Not applicable
Local	14
System of executive power	Parliamentary
Head of state	Monarch
Head of government	Prime Minister
Existence of term limits for presidents	
Is there a president?	No
Term limit (years)	Not applicable
Governments at the central level between 1995 and 2015	
Total number of governments	7
Number of coalition governments	0
Number of executives serving non-consecutive terms	5
Number of Ministers at the central level of government (2015)	19
Number of Ministries or Departments at the central level of government (2015)	19
Upper House (central government)	
Existence	Yes
Membership based on regional considerations?	No
Frequency of elections (in years)	Not applicable
Size – Number of seats	21
Lower House (central government)	
Electoral system	Single – First Past the Post
Frequency of elections (in years)	5
Size – number of seats	63
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Mexico

Population mid-2015 estimate (in millions)	121.1
GDP in 2015 (PPP in USD billion at current prices)	2.220.1
Member of the OECD	Yes
State structure	Federal
Number of tiers of government	
State/regional	32
Provincial	Not applicable
Local	2445
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	6
Governments at the central level between 1995 and 2015	
Total number of governments	4
Number of coalition governments	Not applicable
Number of executives serving non-consecutive terms	4
Number of Ministers at the central level of government (2015)	20
Number of Ministries or Departments at the central level of government (2015)	20
Upper House (central government)	
Existence	Yes
Membership based on regional considerations?	Yes
Frequency of elections (in years)	6
Size – Number of seats	128
Lower House (central government)	
Electoral system	Multi Member – Semi-Proportional
Frequency of elections (in years)	3
Size – number of seats	500
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Panama

Population mid-2015 estimate (in millions)	4.0
GDP in 2015 (PPP in USD billion at current prices)	82.2
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	Not applicable
Provincial	12
Local	77
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	5
Governments at the central level between 1995 and 2015	
Total number of governments	5
Number of coalition governments	Not applicable
Number of executives serving non-consecutive terms	5
Number of Ministers at the central level of government (2015)	15
Number of Ministries or Departments at the central level of government (2015)	14
Upper House (central government)	
Existence	No
Membership based on regional considerations?	Not applicable
Frequency of elections (in years)	Not applicable
Size – Number of seats	Not applicable
Lower House (central government)	
Electoral system	Multi Member – Semi-Proportional
Frequency of elections (in years)	5
Size – number of seats	71
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Paraguay

Population mid-2015 estimate (in millions)	7.0
GDP in 2015 (PPP in USD billion at current prices)	60.8
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	Not applicable
Provincial	18
Local	238
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	5
Governments at the central level between 1995 and 2015	
Total number of governments	7
Number of coalition governments	3
Number of executives serving non-consecutive terms	7
Number of Ministers at the central level of government (2015)	11
Number of Ministries or Departments at the central level of government (2015)	11
Upper House (central government)	
Existence	Yes
Membership based on regional considerations?	No
Frequency of elections (in years)	5
Size – Number of seats	45
Lower House (central government)	
Electoral system	Multi Member – Proportional
Frequency of elections (in years)	5
Size – number of seats	80
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Peru

Population mid-2015 estimate (in millions)	31.9
GDP in 2015 (PPP in USD billion at current prices)	385.4
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	26
Provincial	196
Local	1831
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	5
Governments at the central level between 1995 and 2015	
Total number of governments	7
Number of coalition governments	1
Number of executives serving non-consecutive terms	5
Number of Ministers at the central level of government (2015)	18
Number of Ministries or Departments at the central level of government (2015)	18
Upper House (central government)	
Existence	No
Membership based on regional considerations?	Not applicable
Frequency of elections (in years)	Not applicable
Size – Number of seats	Not applicable
Lower House (central government)	
Electoral system	Multi Member – Proportional
Frequency of elections (in years)	5
Size – number of seats	130
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Suriname

Population mid-2015 estimate (in millions)	0.6
GDP in 2015 (PPP in USD billion at current prices)	9.2
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	Not applicable
Provincial	10
Local	62
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	No
Governments at the central level between 1995 and 2015	
Total number of governments	4
Number of coalition governments	2012 – 1
Number of executives serving non-consecutive terms	4
Number of Ministers at the central level of government (2015)	17
Number of Ministries or Departments at the central level of government (2015)	17
Upper House (central government)	
Existence	No
Membership based on regional considerations?	Not applicable
Frequency of elections (in years)	Not applicable
Size – Number of seats	Not applicable
Lower House (central government)	
Electoral system	Single – Preferential
Frequency of elections (in years)	5
Size – number of seats	51
Existence of system of judicial review of the constitutionality of laws and actions	Limited judicial review

Trinidad and Tobago

Population mid-2015 estimate (in millions)	1.4
GDP in 2015 (PPP in USD billion at current prices)	44.3
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	9
Provincial	Not applicable
Local	5
System of executive power	Parliamentary
Head of state	President
Head of government	Prime Minister
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	10
Governments at the central level between 1995 and 2015	
Total number of governments	5
Number of coalition governments	1
Number of executives serving non-consecutive terms	5
Number of Ministers at the central level of government (2015)	21
Number of Ministries or Departments at the central level of government (2015)	20
Upper House (central government)	
Existence	Yes
Membership based on regional considerations?	No
Frequency of elections (in years)	5
Size – Number of seats	31
Lower House (central government)	
Electoral system	Single – Preferential
Frequency of elections (in years)	5
Size – number of seats	42
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Uruguay

Population mid-2015 estimate (in millions)	3.4
GDP in 2015 (PPP in USD billion at current prices)	74.2
Member of the OECD	No
State structure	Unitary
Number of tiers of government	
State/regional	Not applicable
Provincial	19
Local	89
System of executive power	Presidential
Head of state	President
Head of government	President
Existence of term limits for presidents	
Is there a president?	Yes
Term limit (years)	5
Governments at the central level between 1995 and 2015	
Total number of governments	6
Number of coalition governments	2
Number of executives serving non-consecutive terms	6
Number of Ministers at the central level of government (2015)	13
Number of Ministries or Departments at the central level of government (2015)	13
Upper House (central government)	
Existence	Yes
Membership based on regional considerations?	No
Frequency of elections (in years)	5
Size – Number of seats	31
Lower House (central government)	
Electoral system	Multi Member – Proportional
Frequency of elections (in years)	5
Size – number of seats	99
Existence of system of judicial review of the constitutionality of laws and actions	Judicial review

Glossary

Accountability The existence of an obligation to demonstrate that work has been conducted in compliance with agreed rules and standards or to report fairly and accurately on performance results vis-à-vis mandated roles and/or plans.

Costs incurred by government in administering and enforcing the regulatory requirements. These costs include the costs of publicising the existence of the new regulations, developing and implementing new licensing or registration systems, assessing and approving applications and processing renewals. They will also include devising and implementing inspection and/or auditing systems and developing and implementing systems of regulatory sanctions to respond to non-compliance.

Administrative burdens The costs involved in obtaining, reading and understanding regulations, developing compliance strategies and meeting mandated reporting requirements, including data collection, processing, reporting and storage, but NOT including the capital costs of measures taken to comply with the regulations, nor the costs to the public sector of administering the regulations.

Selected experts and/or interested parties (e.g. social partners, environmental groups) are brought together to form a consultative body, either on an ad hoc or a standing basis. This is a formalised group, i.e. there is a formal written statute, or members are appointed through a formal method.

Agency Semi-autonomous public organisation that operates at arm's length from the government, usually reporting to a ministry and mandated to carry out public tasks (e.g. regulation, service delivery, policy implementation) in a relatively autonomous manner (i.e. with less hierarchy and political influence in daily operations and with more managerial freedom).

Allocation The designation of funds in the Budget to a government programme or organisation.

Interfaces used by information systems to communicate with each other. These interfaces allow automated access to and exchange of data within the limits established by the information system operator.

Apps Applications specifically designed for mobile devices, e.g. smartphones, tablets.

Award criterion The criterion by which the successful tender is to be selected.

Award of a procurement contract A final stage of the procurement resulting in the conclusion and entry into force of a procurement between the procuring entity and selected supplier(s).

Awarding procedures Are the procedures carried out by Contracting Authorities in order to award a public contract for goods, works or services

Consultation materials, and request for comments, are sent to a selected group of stakeholders, rather than being openly advertised to the general public (Adapted from OECD, 2008).

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. Authorization issued by a governmental institution to conduct business within the jurisdiction of that government.
Cabinet	This term is used to refer to the collective meeting of Ministers. In some countries it is called the Council of Ministers.
Capital expenditure	Investments in physical assets such as buildings and equipment that can be used for a number of years.
Capitation payment	Is a health care provider payment method in which all providers in the payment system are paid a predetermined fixed rate for each individual registered or enrolled with the provider for a fixed period to provide a defined set of services.
Case-based payment	Is a hospital payment method that pays hospitals a fixed amount per admission or discharge depending on the patient and clinical characteristics.
Central Budget Authority (CBA)	Is a public entity, or several co-ordinated entities, responsible for the custody and management of all (or the majority) of public funds. It is often the Central Government Ministry of Finance or Treasury, or a specific part of these. The CBA is responsible for putting together the budget and dispensing resources to line ministries. The CBA has the leading role in maintaining aggregate fiscal discipline, ensuring compliance with the budget laws and enforcing effective control of budgetary expenditure. This Authority regulates budget execution but does not necessarily undertake the treasury function of disbursing public funds.
Central Government	Central government is often called federal or national government, depending on the country. For purposes of this questionnaire, the central government consists of the institutional units controlled and financed at the central level plus those NPIs (non-profit institutions) that are controlled and mainly financed by central government. The political authority of central government extends over the entire national territory and the national economy, and central government has therefore the authority to impose taxes on all residents and non-resident units engaged in economic activities within the country. According to EU: is a contracting authority that: (i) acquires goods or services intended for one or more contracting authorities; (ii) awards public contracts for works, goods or services intended for one or more contracting authorities; or, (iii) concludes framework agreements for works, goods or services intended for one or more contracting authorities.
Central/federal government	According to the System of National Accounts (SNA), "central government" consists of the institutional units making up the central government (including line ministries and affiliated agencies), plus those non-profit institutions that are controlled and mainly financed by central government.

Centre of Government (CoG)	The term Centre of Government (CoG) refers to the organisations and units that serve the Chief Executive (President or Prime Minister, and the Cabinet collectively) and perform certain cross-cutting functions (strategic management, policy coordination, monitoring and improving performance, managing the politics of policies, and communications and accountability). Unlike line ministries and agencies, the CoG usually does not deliver services directly to the public, and does not focus on specific policy areas. The Centre of Government includes a great variety of units across countries, such as General Secretariat, Cabinet Office, Office/Ministry of the Presidency, Council of Ministers Office, etc. In many countries the CoG is made up of more than one unit, fulfilling different functions. Sometimes, units within other ministries (such as Finance or Planning) are regarded as part of the CoG, as they are responsible for some of the functions mentioned before.
	By "policy cycle" it is intended: 1) the identification of policy priorities 2) the drafting of the actual policy document, 3) the policy implementation, and 4) the evaluation of its impacts. By "Citizens' Participation in the Policy Cycle" (CPPC) it is intended any activity that foresees the involvement of citizens (including civil society organisations and organisations representing the private sector) in the 4 above mentioned building blocks of the policy cycle.
Civil servant	An employee of the state, either permanent or on a long-term contract, who would remain a state employee if the government changes.
Compulsory private insurance	Is a financing arrangement under which all residents (or a large group of the population) are obliged to take out health insurance with a health insurance company or health insurance fund, meaning that the purchase of private coverage is mandatory. The insurance is established by an insurance contract between the individual and the insurer.
	A contract which differs from a public contract in that the source of revenue for the economic operator consists either solely in the right of exploitation or in this right together with payment.
	All work associated with the construction, reconstruction, demolition, repair or renovation of a building, structure or works, such as site preparation, excavation, erection, building, installation of equipment or materials, decoration and finishing, as well as services incidental to construction such as drilling, mapping, satellite photography, seismic investigations and similar services provided pursuant to the procurement contract, if the value of those services does not exceed that of the construction itself.
Cost-benefit analysis	Cost-benefit analysis is a systematic process for calculating and comparing benefits and costs of a government policy. It has two purposes: a) to determine if it is a sound investment/decision (justification/feasibility); b) to provide a basis for comparing different government policies. It involves comparing the total expected cost of each option against the total expected benefits, to see whether the benefits outweigh the costs, and by how much. Cost-benefit analysis is related to, but distinct from cost-effectiveness analysis. In cost-benefit analysis, benefits and costs are expressed in monetary terms, and are adjusted for the time value of money, so that all flows of benefits and costs over time are expressed on a common basis in terms of their "net present value".

Cost-effectiveness analysis Cost-effectiveness analysis is a form of economic analysis that compares the relative costs and outcomes (effects) of two or more courses of action. Cost-effectiveness analysis is often used in the field of health services, where it may be inappropriate to monetize health effect. Common measures include "quality-adjusted life years".

Data A value or set of values representing a specific concept or concepts. Data become "information" when analysed and possibly combined with other data in order to extract meaning, and to provide context.

Datasets (or data sets) Collection of data, usually presented in tabular form.

Flows of official financing earmarked for health from donor government agencies or multi-lateral institutions to recipient countries that are costary in nature and may include a grant element.

Data processed by a computer of any type.

Award of procurement contract directly to one supplier.

On a one stop shop portal, direct data provision means that data is provided directly on the portal (users are not redirected to other government's websites).

Discretionary spending Public expenditure that is governed by annual or other periodic appropriations, rather than by formulas or criteria set forth in authorising legislation.

The documents that contain the information considered by the legislature prior to reaching its decision to enact a law; for example memoranda from government agencies and legislators, and comments or reports from legislative committees, commissions, legal associations, and lobbying groups.

A framework agreement to which a supplier (or suppliers) or a contractor (or contractors) in addition to the initial parties may subsequently become a party or parties.

Effectiveness The extent to which a policy, programme and/or organisation's previously stated objectives or targets have been met.

Efficiency Measuring efficiency aims to examine whether policies, programmes, and/or organisations are achieving the maximum output from a given level of resources (inputs). Determining whether greater "value for money" or efficiency has been achieved however, requires an assessment against a standard of what optimal efficiency is/should be.

Ex post evaluation Evaluation carried out after the implementation of a regulation to ensure it is effective and efficient.

Executive Central/federal government organisations located in the Executive branch of government. This includes the Prime Minister/President, the Cabinet, line ministries and their agencies.

Extra-budgetary funds 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 revenue fund. *See also Off-Budget Expenditure*

	Is a health care provider payment method that pays providers for each individual service provided. Fees are fixed in advance for each service or group of services.
	Are institutional units that manage one or more financing schemes: they collect revenues and/or purchase services under the rule of the given health care financing scheme.
	Exchanges with selected interested parties where the proceedings are formally recorded.
Framework Agreement	Agreement between the procuring entity and the selected supplier (or suppliers) or contractor (or contractors) concluded upon completion of the first stage of the framework agreement procedure, in which certain terms and conditions of the procurement that cannot be established with sufficient precision when the framework agreement is concluded are to be established or refined through a second-stage competition.
General government revenues	Refer to all compulsory funding sources (central government, sub-national governments and social security funds together).
General Government	The institutional sector that consists of central, regional, state and local government units together with social security funds imposed and controlled by those units. It includes non-profit institutions engaged in non-market production that are controlled and mainly financed by government units or social security funds. General government differs from the "public sector" in that the latter also includes public enterprises.
Geospatial data	Data that consists of or contains information of geographic or spatial nature. For example data held in geographic information systems, topographical information, three-dimensional territorial imagery.
Geospatial tools (or Geographic Information Systems)	In a general sense, geospatial tools are information systems that integrate store, edit, analyse, share and display geographic information for decision making. GIS applications allow users to access geo-spatial information and, depending on the GIS and its interfaces, re-use it.
Goods	Objects of every kind and description including raw materials, products and equipment and objects in solid, liquid or gaseous form, and electricity, as well as services incidental to the supply of the goods if the value of those incidental services does not exceed that of the goods themselves.
Government entities	Unit within a ministry with a certain degree of autonomy and independence from line ministries to which they are accountable. They may be subject to completely or partially different series of administrative and financial rules. The term "government entities" in the questionnaire excludes public enterprises.
Government health care financing scheme	Is a financing arrangement with automatic entitlement for all citizens/residents, or for a specific group of the population (e.g. lower income) defined by law/government regulation. This scheme is funded through government budget revenues (primarily taxes).
Government Plan or Programme	The government plan or programme is typically developed on the basis of an incoming government's policy manifesto (or in the case of coalition

governments, the coalition manifesto). The programme covers policies and legislation that the government intends to implement during its period in office. It may be updated and refined on annual basis.

An action initiated by citizens in any public sector institution with the aim of exercising a right, receiving a benefit and generating a result in the form of a document (identification, registration, lincense, permit, authorization, etc.).

Grants/transfers Refer to payments from a government level to another, whether they are earmarked or general purpose, discretionary or mandatory.

Green (good/service or works) Refers to 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.

A consultation document designed to stimulate discussion on a particular topic. Green papers invite interested parties (bodies or individuals) to participate in a consultation process and debate a subject and provide feedback on possible solutions. Green papers are intended to provide information for discussion and do not imply any commitment to any specific action.

Green public procurement Is defined in the EU 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".

Hackathon An event that gathers a wide range of people to collaborate on developing a service, a product or a solution to a given challenge. The aim of hackathons is typically to arrive at prototypes or "minimally viable products". Hackathons are often attended by software and apps developers, user interface designers, data analysts as well as experts in a given area (e.g. a policy domain) and other interested parties.

Head of Government (HG) or Chief Executive This term is used to refer to the Prime Minister or President – or both – depending on the political system of the country.

Health budget overrun When annual health expenditures exceed the initially budgeted health allocation, and thus requires voting supplementary budgets.

Health budget under-spending When annual health expenditures fail to meet the initially budgeted health allocation.

Health care financing schemes Are the main types of financing arrangements through which people obtain health services and goods.

Health debt The accumulation of financial obligations by government for the specific purpose of financing health deficits (see below).

Health deficit When annual health expenditures exceed annual revenues dedicated to health and recourse is sought to the government budget or other financing mechanisms for supplementary funding. This is generally only observed in countries with social insurance based financing.

The definition of 'health expenditure (or spending)' used in this document is consistent with that in the OECD's System of Health Accounts and can be found here: *http://stats.oecd.org/Index.aspx?DataSetCode=SHA*

"Purchasers" refer to "purchasing agents" as defined in the System of Health Accounts (Table 7.7, p.184), i.e. the "institutional units" that operate "financing schemes".

an approach used to determine the inclusion of medical procedures, medicines, medical devices and high cost equipment in entitlements and benefits packages. HTAs normally incorporate the medical, social, ethical and economic implications of funding such items.

High level official A senior public official in the ministry. For example Permanent Secretary, Departmental Secretary, State Secretary, Secretary-General, Deputy Minister, etc.

ICT project An investment project where the use of ICT is an essential component without which the project would not be implemented. The ICT component can reflect new development or considerable adjustment of existing solutions.

Implementation The processes and actions that need to be taken, once a new policy and/or law has been adopted, in order to ensure that the policy or law is given concrete effect. Can also be called operationalisation, reflecting the fact that policies have no effect unless and until they are made operational.

By "inclusive and participative" it is intended that the Strategy/document/policy was not developed by the institution in charge of Open Government alone but by involving relevant central government institutions and a representative number of non-governmental organisations.

On a one stop shop portal, indirect data provision means that data is provided through links which redirect users to the sources of data (e.g.: line ministry's website, regional government website).

Informal consultation with selected groups Ad hoc meetings with selected interested parties, held at the discretion of regulators.

Are those characterized by a new or significantly improved product, process. For an innovation to be considered as such, it needs to have been implemented, which is interpreted as having been introduced on the market.

Inter-Ministerial Committee Committees of ministers, usually set up to deal with specific sectors of government activity and policy such as economic affairs or social affairs in order to confirm a course of action and to resolve disagreements. They are usually chaired by a relevant senior minister. A key objective is to minimise the number of issues that need to be put to the Cabinet, and to identify the priority issues that merit Cabinet attention. Ministerial committees are often "shadowed" by committees of officials, with the equivalent aim of preparing the ministerial committees, identifying priority issues for ministerial attention, and resolving disagreements.

Life Cycle Cost is the sum of all recurring and one-time (non-recurring) costs over the full life span or a specified period of a good, service, structure, or system. In includes purchase price, installation cost, operating costs, maintenance and upgrade costs, environmental and remaining (residual or salvage) value at the end of ownership or its useful life.

The entity contacts suppliers individually, only under specified conditions

Line-item budget Is the allocation of a fixed amount to a health care provider for a specified period to cover specific input costs (e.g. personnel, medicines, utilities).

A term coined by Tim Berners-Lee that describes a method of publishing structured data so that it can be interlinked and become more useful. It builds upon standard Web technologies such as HTTP and URIs, but rather than using them to serve web pages for human readers, it extends them to share information in a way that can be read automatically by computers. This enables data from different sources to be connected and queried.

Machine-Readable (format, file) Information or data that is in a structured format that can be processed by a computer without (or with minimal) human intervention and without loss of semantic meaning. Digital formats are not automatically machine-readable too, e.g. text documents in PDF or WORD formats are not machine readable.

Public expenditure that is governed by formulas or criteria set forth in authorising legislation, rather than by periodic appropriations.

Metadata/User's guide Metadata/User's guide attributes structuring information to content. They describe the contents of data, e.g. periods covered by the data, as well as information about right holders and conditions for use. Harmonisation of metadata is important to facilitate access, use and re-use of data.

Minister Political head of a ministry (in certain countries, the head of a ministry may be called Secretary or Secretary of State, and minister may be more junior in rank). Ministers are generally in charge of one or more ministries, and have a portfolio of responsibilities derived from the areas of responsibility covered by the ministry or ministries. Some ministers do not head up a ministry, but are in charge of specific issues supported by an office ("minister without portfolio"). In most parliamentary systems, ministers are drawn from the legislature but keep their parliamentary seats. In most presidential systems, ministers are not elected officials and are appointed by the President.

Ministry or line ministry An organisation which forms part of the central core of the executive branch of government. A ministry is responsible for the design and implementation of an area or sector of public policy and administration (e.g. agriculture, education, economy, foreign affairs), in line with the government plan and strategy. A ministry is also responsible for the direction of agencies under its authority. In some countries, ministries are called "departments." Sub-national governments may also be organised into ministries. A ministry has a delegated budget to exercise its responsibilities, under the authority and direction of the finance ministry or equivalent organisation responsible for the budget in central government. The term line ministry designates the majority of ministries, which exercise delegated, sectoral powers. The finance ministry is not a line ministry.

Is an evaluation criterion according to which the winner where there are non-price award/evaluation criteria.

National government The national, central, or federal government that exercises authority over the entire economic territory of a country, as opposed to local and regional governments.

Products developed based on the re-use of public data made available as open data.

Set of public data made available as open data.

The set of skills and capacities needed to use and understand open data.

In many OECD countries, the governance arrangements of open government reforms include the creation of an ad hoc open government committee (or similar coordination and outreach mechanism) that supports the work of the office in charge of open government, by ensuring that all relevant stakeholders (from the public sector as well as civil society and private sector) contribute to the development and implementation of open government policies and initiatives.

Open Government Strategy By "Open Government Strategy" it is intended a single national document highlighting the principles, instruments, and objectives of your county's open government reform agenda, including key open government policies and initiatives. For OGP members, this could be the OGP Action Plan. If your country has an Open Government Strategy and an Open Government Implementation Plan, please submit both of them or provide the URL link.

It refers to a paradigm that assumes that the boundaries between the public administration and its environment have become more permeable; and that governments can and should use external talent and ideas, as well as internal ones, to spot innovative solutions to problems.

Open licenses grant permission to access, re-use, and redistribute a work without payment of licence fees.

Any service provider may submit a tender.

Open science commonly refers to efforts to make the outputs of publicly funded research results more widely accessible in digital format to the scientific community, the business sector or society more generally.

It includes interactions at the local, regional, and national level. Interactions via e-mail are excluded.

Regulations that impose obligations stated in terms of outcomes to be achieved or avoided, giving regulated entities flexibility to determine the means to achieve the mandated or prohibited outcomes. Also referred to as outcome-based regulation.

A meeting where members of the general public are invited to attend and to provide comments. A physical public meeting is a public meeting where members of the public must attend in person. Please note that for the purposes of this questionnaire parliamentary debates should not be considered as public meetings even when members of the public are allowed to witness them.

A committee of interested parties/experts who are formally responsible for helping find solutions to the problem and draft the regulations. Also referred to as "preparatory commission".

Primary legislation Regulations which must be approved by the parliament or congress. Also referred to as "principal legislation" or "primary law".

Procurement (public)	Public procurement is the purchase of goods and services by governments and state-owned enterprises. It encompasses a sequence of related activities starting with the assessment of needs through awards to contract management and final payment.
Procurement savings	Procurement savings are here measured annually and indicate the difference in cost of acquiring ICT goods or services. Savings can be the result of strategies or programmes managed by ICT procurement responsible in the public sector, such as standardising, pooling purchasing power, increasing transparency, among others; however, external factors can also play a significant role to the size of such savings.
	All actions necessary to register a property by a citizen or business.
Public authorities	Refer to both public services and administration activities (e.g. tax, customs, business registration and social security).
	Consultation open to any member of the public, inviting them to comment with a clear indication how comments can be provided. The public should be able to either submit comments online and/or send them to an e-mail address that is clearly indicated on the website. This excludes simply posting regulatory proposals on the internet without provision for comment.
Public Policy	A public policy defines a consistent course of action designed to meet a goal or objective, respond to an issue or problem identified by the government as requiring action or reform. It is implemented by a public body (ministry, agency, etc.), although elements may be delegated to other bodies. Examples include a public policy to tackle climate change, educational reform, support for entrepreneurship. A public policy is, or should be, linked to the government plan and its strategic planning. It is often given a formal framework through legislation and/or secondary regulations, especially in countries with a system of civil law. It is given practical effect through a defined course of action, programmes and activities. It is, as necessary, funded from the state budget. A priority policy is a policy which matters more than others for the achievement of the government's strategic objectives. The responsibility for taking forward a public policy may rest with the relevant line ministry, or, in the case of policies that cut across ministerial boundaries, may be shared by relevant ministries.
	Information generated by governments as part of their public task, including weather, map, statistical or legal data, and information held and maintained by governments in galleries, libraries, archives and museums.
	A public service has a single service outcome, a single service ownership, and a primary end user group. Rate of Return (RR): The rate of return reflects the value of money at the time of the ICT project, including payback time covered in the initial business case of the project.
Regulation	The diverse set of instruments by which governments set requirements on enterprises and citizens. Regulation include all laws, formal and informal orders, subordinate rules, administrative formalities and rules issued by non-governmental or self-regulatory bodies to whom governments have delegated regulatory powers.

Regulators	Administrators in government departments and other agencies responsible for making and enforcing regulation.
Regulatory agency	A regulatory agency is an institution or body that is authorised by law to exercise regulatory powers over a sector/policy area or market.
Regulatory Impact Analysis (RIA)	Systematic process of identification and quantification of benefits and costs likely to flow from regulatory or non-regulatory options for a policy under consideration. May be based on benefit/cost analysis, cost-effectiveness analysis, business impact analysis etc.
Regulatory policy	The set of rules, procedures and institutions introduced by government for the express purpose of developing, administering and reviewing regulation.
Regulatory reform	Changes that improve regulatory quality, that is, enhance the performance, cost-effectiveness, or legal quality of regulation and formalities. “Deregulation” is a subset of regulatory reform.
	those suppliers invited to do so by the entity may submit a tender.
Review clause	The automatic review of a regulation a certain period of time after its entry into force.
	A search function that searches a Website/portal offers users a way to find content/data. Users can locate content by searching for specific words or phrases, without needing to understand or navigate through the structure of the Web site/portal.
Services	Any objective of procurement other than goods or construction.
	By “single and national” it is intended one document that applies to all central government institutions (i.e. the Centre of Government, all line ministries, and all executive agencies).
Social health insurance scheme	Is a financing arrangement to ensure access to health care for specific population groups through mandatory participation and eligibility based on a payment of a non-risk related contribution by or on behalf of the eligible person.
Social security funds	Are social insurance programmes imposed and controlled by a government unit and covering the community as a whole, or large sections of the community. They generally involve compulsory contributions by employees or employers or both, and the terms on which benefits are paid to recipients are determined by a government unit.
Stakeholder engagement	Refers to the process by which the government informs all interested parties of proposed changes in regulation and receives feedback.
	Storage (or memory) is in this context the capacity to save digital data. A recent trend in storage is the increasing use of virtualisation and cloud computing, allowing for optimisation of usage through remote storage solutions purchased as scalable services.
Strategic planning	A tool for identifying short-, medium-, and long-term priorities and goals (e.g. “improve education” or “achieve energy security”) and laying out a set of present and future (collective) actions for achieving them.

Sub-national government	Refers to all levels of government below the central government level (i.e includes both regional/state and local governments).
Subordinate regulation	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 parliament/ congress. Please note that many subordinate regulations are subject to disallowance by the parliament/congress. Subordinate regulations are also referred to as "secondary legislation" or "subordinate legislation" or "delegated legislation".
	The automatic repeal of regulations a certain number of years after they have come into force.
	Data presented in rows and columns, as opposed to imagery, documents, XML.
	For "technical level" it is intended public officials with expertise relevant to the task but with a position not at senior management level.
	Time savings can be the result implementing productivity enhancing ICT projects. Time can be saved for example by the elimination, reduction or automation of service delivery or administrative processes. Time savings within the public administration is measured in full time equivalents (FTEs) annually and can be attributed a financial value. Time savings for citizens and businesses are measured in hours annually, and can equally be attributed a financial value.
Transaction costs	The specific costs of delivering a specific service per service transaction. Studies show that transaction costs vary across channels which explains why governments seek to prioritise the most cost-effective service delivery channels.
Unit	We use this generic term to refer to Departments, Directorates, Sections, or any other organizational segment that can be identified within the CoG.
Virtual public meeting	A meeting where members of the general public can attend and make comments via internet or phone.
	Include voluntary private health insurance (commercial or non-for-profit) and other voluntary insurance schemes (e.g. organized by members or "communities", non-government organisations, etc.)
	A government report which sets out a detailed policy or regulatory proposal. A white paper allows for the opportunity to gather feedback before the policy/ regulation is formally presented.

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The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

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Established in 1959, the IDB is the main source of multilateral financing and expertise for sustainable economic, social and institutional development in Latin America and the Caribbean. To help the region achieve greater economic and social progress, the IDB supports clients in the design of projects, and provides financing, technical assistance and knowledge services to support development interventions. In addition, the IDB draws on the expertise of specialists in a wide range of fields in order to conduct research and seminars addressing key challenges for the region and evidence of successful interventions.

The IDB has developed strategies for four sector priorities: Social policy for equity and productivity; institutions for growth and social welfare; competitive regional and global international integration; and climate change adaptation and mitigation and sustainable and renewable energy.

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Government at a Glance: Latin America and the Caribbean 2017

This second edition of Government at a Glance: Latin America and the Caribbean provides the latest available data on public administrations in the LAC region and compares it to OECD countries. It contains new indicators on public finances, centres of government, regulatory governance, open government, digital government and public procurement. This edition also includes a special feature on health budgeting.

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