Government at a Glance Latin America and the Caribbean 2020

OECD IDB

Government at a Glance: Latin America and the Caribbean 2020

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Foreword

This third edition of Government at a Glance: Latin America and the Caribbean, *a joint project of the OECD and the IDB, addresses the growing demand for quantitative and qualitative evidence on the workings of governments in the Latin America and Caribbean (LAC) region.*

The publication covers key aspects of public governance, allowing policy makers and citizens to analyse the performance of LAC governments and benchmark them against a broad range of other countries. This edition contains indicators on the entire production process of government, from inputs to processes to outcomes; and covers public finance and employment, budgeting practices and procedures, human resources management, regulatory governance, open government data, public procurement public integrity and core government results.

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Government at a Glance Latin America and the Caribbean 2020 was prepared by the OECD Directorate for Public Governance, under the leadership of Marcos Bonturi, Director and by the IDB Institutions for Development Department, under the leadership of Moises J. Schwartz, Manager. The work was led by Zsuzsanna Lonti (OECD), Carlos Pimenta (IDB) and Santiago González (OECD) under the direction of Monica Brezzi (OECD), Emilio Pineda (IDB) and Lea Giménez (IDB). The Publication was drafted by Barbara Baredes (OECD), Maria Veronica Cetrola (IDB), Santiago González (OECD) and Alessandro Lupi (OECD). Major drafting contributions were received from, Frederic Boehm (OECD), Monica Brezzi (OECD), Adam Ostry (OECD), Barbara Ubaldi (OECD), Edwin Lau (OECD) and Roberto de Michele (IDB) (Chapter 1 Good governance for Latin America representing the interests for all). Mariano Lafuente (IDB) and Edgardo Mosqueira (IDB) (Chapters 3 Public Employment and Chapter 4 Institutions); Andrew Blazey (OECD), Roberto García Lopez (IDB), Delphine Moretti (OECD), Anne Keller (OECD), Ana María Ruiz (OECD) and Lisa Von Trapp (OECD) (Chapter 5 Budget Practices and Procedures); Mariano Lafuente (IDB), Luciano Srazza(IDB), Daniel Gerson (OECD) (Chapter 6 Human resources management); Benjamin Gerloff (OECD), Anna Pietikainen (OECD), Cristiana Vitale (OECD), Alexis Durand (OECD), Renny Reyes (OECD), Pedro Farias (IDB), Delia Rodrigo (IDB), Gustavo Zanabria (IDB), Manuel Gerardo Flores Romero (OECD), Christiane Arndt-Bascle (OECD) and Paul Davidson (OECD) (Chapter 7 Regulatory Policy and Governance); Miguel Porrúa (IDB), Nicolas Dassen (IDB), Arturo Rivera Perez (OECD) (Chapter 8 Open Government Data); Roberto de Michele (IDB), Frederic Boehm (OECD), Mariana Pratts (OECD), Felicitas Neuhaus (OECD) (Chapter 9 Public Sector Integrity); Leslie Harper (IDB); Ana Cristina Calderon (IDB); Minjoo Son (OECD) (Chapter 10 Public Procurement); Carlotta Ballestra (OECD), Elena Tosetto (OECD) (Chapter 11 Core Government Results). We also thank Andrea Uhrhammer (OECD) and Roxana Glavanov (OECD) for editorial support as well as Jennifer Allain for their help in preparing the document for publication. We thank Julio Bacio Terracino (OECD), Sebastian Nieto Parra (OECD Development Center) and José Antonio Ardavin (OECD) for their comments. Translation in Spanish was made possible thanks to Evelyn Cermeno Vargas (IDB). Zoltan Mikolas was in charge of preparing the contextual annex. The cover is an original drawing from Jeffrey Fisher.

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Preface

Following strong economic growth in the 2000s, many countries in the Latin America and the Caribbean (LAC) region have experienced a slowdown in recent years. Economic growth has taken a hit from declining commodity prices, low productivity and persistently high inequality – affecting both incomes and opportunities. A wave of corruption scandals has further undermined trust in government and in the private sector. The threat of popular disenchantment and diminishing trust in public institutions is now more real than ever. As of 2018, only 34 percent of the population in the LAC region reported trusting their government, a level four percent lower than in 2007.

This publication analyses the workings of governments in the LAC region and the public governance challenges they face. Strengthening institutional quality is a necessary condition to increase trust in government and curtail citizens' discontent. Apart from being technically sound, public governance reforms require deep understanding of both the political economy and citizens´ expectations. Indeed, the incomplete implementation of past reforms, combined with an ineffective management of their political economy, remains an important challenge for some countries in the region. To address this gap, it is essential to rebuild capacity and overcome the resistance of powerful interests, which still have high stakes in the preservation of the status quo, including those who benefit from opacity and low accountability.

This third edition of *Government at a Glance: Latin America and the Caribbean 2020* includes the most comprehensive set of indicators for the LAC region on public governance, covering finances and employment, different government processes, as well as core government results. Indicators related to ensuring public sector integrity and social accountability in decision-making have also been included for the first time. In this respect, the data presented allows readers to gauge both the design of public governance reforms, and their effective and fair implementation through sound management.

Overall, the evidence laid out in this publication underlines how the region has made noticeable progress in several areas, including a greater commitment to engage stakeholders in the development of regulations, promoting transparency in the budgetary process, and enhancing access to government data. Nevertheless, many LAC countries still struggle to implement public policies effectively. For example, while on average the region's laws related to political financing and the right to access information are stronger than in OECD countries, their enactment and enforcement often lag behind.

Better policy implementation in key areas is therefore needed. This includes ensuring stronger policy co-ordination and strategic planning, prevention of conflicts of interest, general regulatory simplification, improved consultation with citizens and a streamlining of public procurement systems. This would help improve the delivery of public services and ultimately contribute to regaining citizens' trust in governments.

In addition, one of the most pressing challenges facing LAC countries today is improving the professionalisation of their civil services. Over the last decade, merit-based recruitment increased and around 80 percent of LAC countries introduced training programmes for public service workforces. However, more needs to be done to upgrade the skills of public officials and to avoid the politicisation of public employment. A large portion of the public service workforce is still not subject to merit-based hiring procedures. Moreover, executive leadership training and digital training have been introduced in only half of the region's countries.

In order to sustain inclusive growth, Latin American and Caribbean countries need to continue implementing public sector reforms that promote outcomes such as increased trust in government and fairness for all. This report, which is the result of a fruitful collaboration between the OECD and the IDB, aims to contribute to this endeavour. It provides rigorous, evidence-based research and indicators, and it brings together the OECD's methodology and expertise as an international platform for policy dialogue with the IDB's knowledge and understanding of the region. We very much hope that it provides a deeper understanding of the state of public governance in the LAC region, and that it can help governments develop more successful public sector reforms to promote greater transparency, integrity and effectiveness in public governance.

OECD Secretary-General Angel Gurría

IDB President Luis Alberto Moreno

Executive summary

Latin American and Caribbean countries continue to face challenges in designing and enforcing public policies that promote good governance and inclusive societies. Along with difficult economic conditions, such setbacks to previous progress have spurred declining levels of trust in public institutions. In order to sustain inclusive growth, Latin American and Caribbean countries need to continue implementing public sector reforms that promote fairness for all.

Government at a Glance 2020: Latin America and the Caribbean presents internationally comparable indicators of public governance practices and reforms, showing how these reforms are implemented and what results they achieve. The indicators allow the benchmarking of best practices in the LAC region and against OECD countries and indicate areas that need attention and improvement if countries are to achieve outcomes such as increased trust in government.

Key findings

LAC countries made significant improvements in public welfare in the past two decades, but these achievements are in jeopardy and trust in government has declined.

- As of 2018, 34% of the population in the LAC region reported having trust in government, 4 percentage points lower than in 2007.
- Income inequality (measured by the GINI coefficient) has decreased in most LAC countries in the period 2000-2017. However, in 2017 income inequality was still higher in all Latin American and Caribbean countries than in the five most unequal OECD countries.
- Confidence in the judiciary is low but increased from 31% to 34% in LAC countries on average between 2007 and 2017.
- Citizens' satisfaction with health care and education decreased from 55% to 49% and from 65% to 63%, on average, respectively. There have been sharp declines in some countries (e.g. satisfaction with education in Uruguay decreased by 12 percentage points, and in Brazil, Chile and Colombia by 7 percentage points).

The economic and fiscal outlooks in LAC countries have deteriorated due to sluggish economic growth; while public spending choices may not enhance inclusive growth.

- In 2018, LAC countries reported an average deficit of 4.3% of GDP, 3.4 percentage points higher than in 2007.
- Gross debt reached 65% of GDP in 2018 in LAC countries, an increase of 17.2 percentage points since 2007, reducing countries' room for manoeuvre.
- While the region needs substantial investment in infrastructure, public investment represented only 1.6% of GDP in Latin American and Caribbean countries in 2017, around half of what has been invested, on average, in OECD countries (3.1%) and 0.7 percentage points lower than in 2007.

- LAC countries spend proportionately less than OECD countries on social benefits, such as pensions and conditional cash transfers (30% of government expenditures compared to 41% in the OECD countries in 2017), and more on grants and other expenses, such as capital and current transfers to other actors of the economy (10% in the region compared to 6% in the OECD).

Many LAC countries have frameworks to promote accountability, transparency and integrity in public decision-making, but their implementation varies greatly.

- To address undue influence in elections, most LAC countries forbid anonymous political donations; however, 92 % of surveyed countries allow cash contributions, which make it difficult to track the sources of funds. Parties or candidates are allowed to give gifts to voters in 25% of the countries.
- Eight of the twelve surveyed LAC countries have mechanisms for merit-based recruitment, such as competitive entrance examinations for the civil service. Yet, a significant proportion of non-permanent staff in the public service workforce is not subject to such procedures (e.g. 57% of the civil service in Chile, 40% in Peru and 34% in Argentina in 2018).
- In 2019, all 10 surveyed LAC countries have a requirement to consult stakeholders during the development of some subordinate regulations. However, in practice, only three of them engage stakeholders systematically during the regulatory process.
- The OECD Open, Useful and Re-usable data (OURdata) Index measures government data availability, accessibility and government support for its re-use. On average, LAC countries scored 0.43 compared to an OECD average of 0.60 in 2018, with Colombia (0.88), Mexico (0.71), Brazil (0.63) and Uruguay (0.62) having higher scores than the OECD average.

Stronger policy co-ordination, public management and institutional capacity would enhance the efficacy of public policies and help regain citizens' trust.

- The centres of government (CoGs) – which support the cabinet of ministers and the head of state – in Latin American and Caribbean countries have a weak role in strategic planning: the majority of CoGs in OECD countries co-ordinate the design and implementation of strategic priorities, but only half of CoGs of Latin America and Caribbean countries do so.
- Several LAC countries have fiscal rules to improve the predictability of public finances. Ten out of thirteen surveyed countries have established expenditure ceilings or levels, and seven have debt ceilings or reduction targets. Yet, eight of the 13 surveyed countries have resorted to complementary budgets every year between 2010 and 2017, which may reflect poor planning or financial control.
- The public sector workforce is smaller in Latin America and Caribbean countries than across the OECD (12% of total employment in 2018 in LAC and 21% in the OECD). Women represent 51% of the public sector workforce in Latin America and Caribbean, and 60.2% among OECD countries. However, only 27.4% of ministers in LAC countries were women in 2019, compared to 31.2% in OECD countries.
- Public procurement in LAC countries accounts for, on average, 6% of GDP. Most LAC countries have policies and strategies to use public procurement to achieve complementary policy objectives, such as supporting SMEs. Yet, only two-thirds have electronic government procurement systems, which promote transparency, fairness and efficiency, whereas all OECD countries have them.

Reader's guide

In order to accurately interpret the data included in Government at a Glance Latin America and the Caribbean 2020, *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 a double page spread. The first page contains text that explains the relevance of the topic and highlights some of the major differences observed across Latin American and Caribbean (LAC) countries. Furthermore, when data are comparable, the OECD averages are considered as an additional benchmark. This is followed by a "Methodology and definitions" section, which describes the data sources and provides important information necessary for interpreting the data. Additional information regarding country data can be found in the specific figure notes. Closing the first page is the "Further reading" section, which lists useful background literature providing context for the data displayed. The second page showcases the data. The 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.*

Data sources and features

Most of the data used in *Government at a Glance: Latin America and the Caribbean 2020* are collected from government officials by the OECD/IDB via specifically designed 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 be entirely objective in their responses. In general, the direction of the bias is known, but not necessarily its extent. To try and minimise these biases, the OECD/IDB have cleaned and verified the collected data by following up with countries when there were potential inconsistencies or outliers. This has been done by benefiting from the OECD's knowledge acquired through previous work in the region, but is mainly based on the IDB's expertise and local presence in the countries under study. In addition, respondents were 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. public expenditure and financial accountability).

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's *World Economic Outlook (IMF WEO)* and the IMF's *Government Financial Statistics (IMF GFS)* databases. Data from the *IMF WEO* were extracted in late November 2019 corresponding to the October update. Data from the *GFS* database were extracted on *November 30*th *2019*. Moreover, data for tax revenues and fiscal revenues from non-renewable natural resources, which are also part of the public finance data, were extracted from the OECD *Revenue Statistics in Latin America and the Caribbean* database on *November 30th 2019*. Finally, for the OECD averages data were based on the *System of National Accounts* (SNA), and were extracted from the *Government at a Glance* online database representing the last available update: *14 January 2020* (financial government accounts: *21 January 2020*). In many cases, data on public finances are presented for 2007 and 2018, showcasing the year before the economic crisis as well as the latest actual year available.

The public employment data for LAC countries was extracted from the ILO dataset LABORSTA on *9 December 2019*.

Despite the significant accomplishments of international organisations in harmonising data among the different statistical systems, several differences exist in different instances, which impact some of the indicators analysed. As a consequence, the methodological sections contain specific notes whenever specific methodological considerations need to be taken into account. Although they are not official sources, data from the World Justice Project (WJP) were used for justice-related measures, since it presents one of the most systematic approaches to conceptualising and measuring the rule of law worldwide. Data from Gallup World Poll were used for citizen-perception measures, because it provides a long time series covering most countries in the world.

Country coverage

Government at a Glance Latin America and the Caribbean 2020 was intended to include data for 26 LAC countries: Argentina, the Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay and Venezuela. Based on data availability these are the countries for which data from external sources (e.g. ILO, IMF) were extracted. Other LAC countries were invited to respond to OECD/IDB surveys and hence, some chapters display information for an additional set of countries. 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. Due to the contemporariness and comparability between the OECD and the OECD/IDB data collections, data for some countries and for some surveys were sourced from the OECD round. The section on figure notes clarifies when the data refer to the OECD survey and the year in which the collection took place.

Figure 0.1. **Coverage of the different surveys sent to LAC countries**

Survey	Number of respondents	Countries
Centres of government	14	ARG, BHS, BRB, BRA*, CHL, COL, CRI*, DOM, GTM, HND, MEX*, PRY, PER, URY
Budget practices and procedures	13	ARG, BHS, BRA, CHL*, CRI, DOM, GTM, MEX*, PAN, PER, PRY, SLV, URY
Strategic Human Resources Management	12	ARG, BRA, CHL*, COL, CRI, DOM, GTM, JAM, MEX*, PER, SLV, URY
Regulatory governance	10	ARG, BRA, CHL, COL, CRI, DOM, ECU, MEX, PER, SLV
Open government data	16	ARG*, BHS, BRA, CHL*, COL*, CRI, DMA**, DOM, ECU, GTM, HND, MEX*, PAN, PRY, SLV, URY
Public Integrity	12	ARG, BRA, CHL, COL, CRI, ECU, GTM, HND, MEX, PER, PRY, URY
Public procurement	20	AIA***, BLZ, BRB, CHL, GRD***, GUY, HND, LCA***, SLV, TCA***, BRA, COL, CRI, DOM, ECU, GTM, MEX, NIC, PRY, URY

Note: (*) data for these countries were collected during the OECD round of surveys; (**) data for the country of Dominica (DMA) were collected only for the open government data survey; (***) data for the countries of Anguilla (AIA), Grenada (GRD), Saint Lucia (LCA) and Turks and Caicos Islands (TCA) were collected only for the public procurement survey.

Building on the successful experience that led to the 2017 edition, the joint OECD/IDB LAC Senior Budget Officials network was used as a vehicle to collect data for the survey on budget practices and procedures. The preliminary results of the survey were presented at the 2019 annual meeting of the network in Madrid, Spain (17-18 June).

In the course of the special meeting of the OECD-IDB LAC Public Integrity Network that took place in Lima on 18-19 October 2018, a workshop on the public sector integrity survey was conducted during the course special meeting of the Inter-American Network on Public Sector Integrity that took place in Lima on 18-19 October, 2018. The data were collected from and cleaned in close cooperation with delegates from the network.

The meeting of the Ibero-American and Caribbean Regulatory Improvement Network, which took place in Lima on 10-11 October 2019, was used to present and discuss the results of the regulatory governance survey. Shortly after, data cleaning was finalised in close co-operation with the respondents to the survey.

For the surveys on centres of government, open government data, strategic human resources management and public procurement the data were cleaned in close cooperation with the survey respondents, who were senior public officials responsible for each of those topics.

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. The following ISO codes are used for the geographical display of some figures:

Latin America and the Caribbean Countries			
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
Dominican Republic	DOM	Suriname	SUR
Ecuador	ECU	Trinidad and Tobago	TTO
El Salvador	SLV	Uruguay	URY
Guatemala	GTM	Venezuela	VEN

LAC and OECD averages and totals

Averages

In figures and text, the LAC and OECD averages are presented either as unweighted, arithmetic mean or weighted average of the OECD or LAC 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 2018 includes all current LAC countries with available information for that year. In the case of the OECD average, averages have been updated considering the latest available data (unless specified otherwise).

In the case of *National Accounts data,* LAC and OECD averages refer to the weighted average, unless otherwise indicated.

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. For OECD member countries, the totals are those published in *Government at a Glance, 2019* and/or in the Government at a Glance online data set.

Online supplements

Government at a Glance Latin America and the Caribbean 2020 also offers access to StatLinks, a service that allows readers to download the corresponding Excel files of the data. StatLinks are 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, supplementary materials are available online at *https://www.oecd-ilibrary.org/governance/government-at-a-glance-latin-america-and-the-caribbean-2020_13130fbb-en*.

Country factsheets that present key data by country compared with the LAC and OECD averages were prepared for the following 14 countries which have completed at least 4 surveys (equivalent to 4 chapters): Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Paraguay, Peru and Uruguay.

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 that are 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 gross domestic product 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 that used by the IMF World Economic Outlook. The International Comparisons Program is a global statistical initiative that produces internationally comparable PPP estimates. The PPP exchange rate estimates, maintained and published by the World Bank, the OECD and other international organisations, are used by the WEO to calculate its own PPP weight time series.

Composite indicators

This publication includes descriptive composite indices in narrowly defined areas: one on budgeting practices and procedures, four on open government data, one on stakeholder engagement for regulatory policies and two on public sector integrity. These composite indices 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* (OECD/European Union/JRC, 2008). The composite on Rule of Law by the World Justice Project is also featured in this publication.

The description of the methodology behind the indicator on budgeting practices and procedures (use of a medium-term perspective) can be found in Annex A. Details about the variables and weights used to construct the stakeholder engagement composite (iREG) are available in Annex C. Details about the composite indicator on open government data are available in Annex D. Annex E presents the components of the composites on public sector integrity. The composite indicators are based on theory and/or best practices, the variables composing the indices and their relative weights are based on expert judgements and, as a result, may change over time.

Acronyms

Sign/acronym	Meaning
. .	Missing values
x	Not applicable (unless otherwise stated)
CBA	Central budget authority
CPA	Central public administration
EUR	Euro (currency)
GDP	Gross domestic product
GFS	Government Financial Statistics
GFSM	Government Finance Statistics Manual
HR	Human resources
HRM	Human resources management
ICT	Information and communication technology
ILO	International Labour Organization
IMF	International Monetary Fund
ISO	International Organisation for Standardisation
IT	Information technology
LAC	Latin American and Caribbean
OGD	Open government data
p.p.	Percentage points
PPPs	Purchasing power parities / private-public partnerships
R&D	Research and development
SHRM	Strategic human resources management
SMEs	Small and medium-sized enterprises
SNA	System of National Accounts
USD	US dollars
VAT	Value-added tax
WEO	World Economic Outlook
WJP	World Justice Project

References

OECD/European Union/JRC (2008), *Handbook on Constructing Composite Indicators: Methodology and User Guide*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264043466-en*.

Introduction

The main objective of the *Government at a Glance* series is to provide reliable, internationally comparable data on government activities and their results. The indicators in *Government at a Glance* are becoming themselves a measuring standard in many fields of public governance and have extended beyond the OECD to cover countries in Latin America and Caribbean and Southeast Asia. The *Government at a Glance: Latin America and the Caribbean* is the result of the sustained cooperation between the OECD and the IDB. This third edition provides time series for a core set of indicators that have been published in the previous two editions, and expands to new topics and areas, as well as new countries. Beyond tracking the evolution of LAC countries over time, the publication allows them to compare their governments' performance within the region and to the OECD.

Government at a Glance: Latin America and the Caribbean 2020 recognises that governments are major actors in modern societies. Every citizen throughout his or her life interacts with governments from the issuance of a birth certificates to the provision of health, education and social benefits. Furthermore, as societies reach higher development levels, expectations of quality public services tend to increase, while their objectives become 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 in policy making and service delivery. At the same time, it permits public scrutiny, which is crucial for greater integrity and accountability of government authorities, managers, and other government officials. In turn, public procurement is conducive 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.

What's new in Government at a Glance: Latin America and the Caribbean 2020?

The 2020 edition of Government at a Glance Latin America and the Caribbean provides a mix of core chapters that remain stable in every edition, and new chapters and features.

The core chapters of Government at a Glance present the newest data on indicators on: Public finance and economics (Chapter 2); Public employment (Chapter 3); Budgeting practices and procedures Chapter 5); Human resources management (Chapter 6); Regulatory government (Chapter 7); Open government data (Chapter 8) and Public procurement (Chapter 10).

New chapters

This edition features two new chapters:

- Chapter 9 on public sector integrity includes composite indicators on the quality of regulations against undue influence and asset declarations, as well as data on mainstreaming integrity policies, risk management and internal audit, which have not been published in *Government at a Glance* before.
- Chapter 11 on core government results presents data on outputs and outcomes for the first time in the LAC edition of *Government at a Glance*. Country results on confidence of citizens in their national government and satisfaction with public services, the rule of law, income redistribution are displayed.

New indicators

Many of the core chapters of Government at a Glance: Latin America and the Caribbean 2020 present new indicators:

- New data on the functions of the Centre of Government and its role in open government and digital government and in improving the performance of the public administration are included in Chapter 4 on institutions.
- For the first time, chapter 6 on human resources management uses the OECD methodology, hence allowing for comparison of practices between LAC countries and with OECD members.
- Chapter 7 on regulatory governance includes the most recent update of the Indicators of Regulatory Policy and Governance (iREG) on stakeholder engagement for developing subordinate regulations. Given this new wave of measurement, it is possible to display time series.
- Chapter 8 includes the finalised methodology for the OURData Index, which is fully comparable to the latest OECD data. The total score as well as the individual pillars of data availability, data accessibility and government support for data re-use are presented.
- In addition to the core indicators on public procurement included in Chapter 10, new data are included on procurement and the delivery of infrastructure projects.

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 2020* 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 5) outcomes. The current edition includes data for the five components of the framework.

1) Contextual factors

The online Annex presents contextual information describing some key features of the political and administrative structure for 14 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 government data practices allows 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. 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.

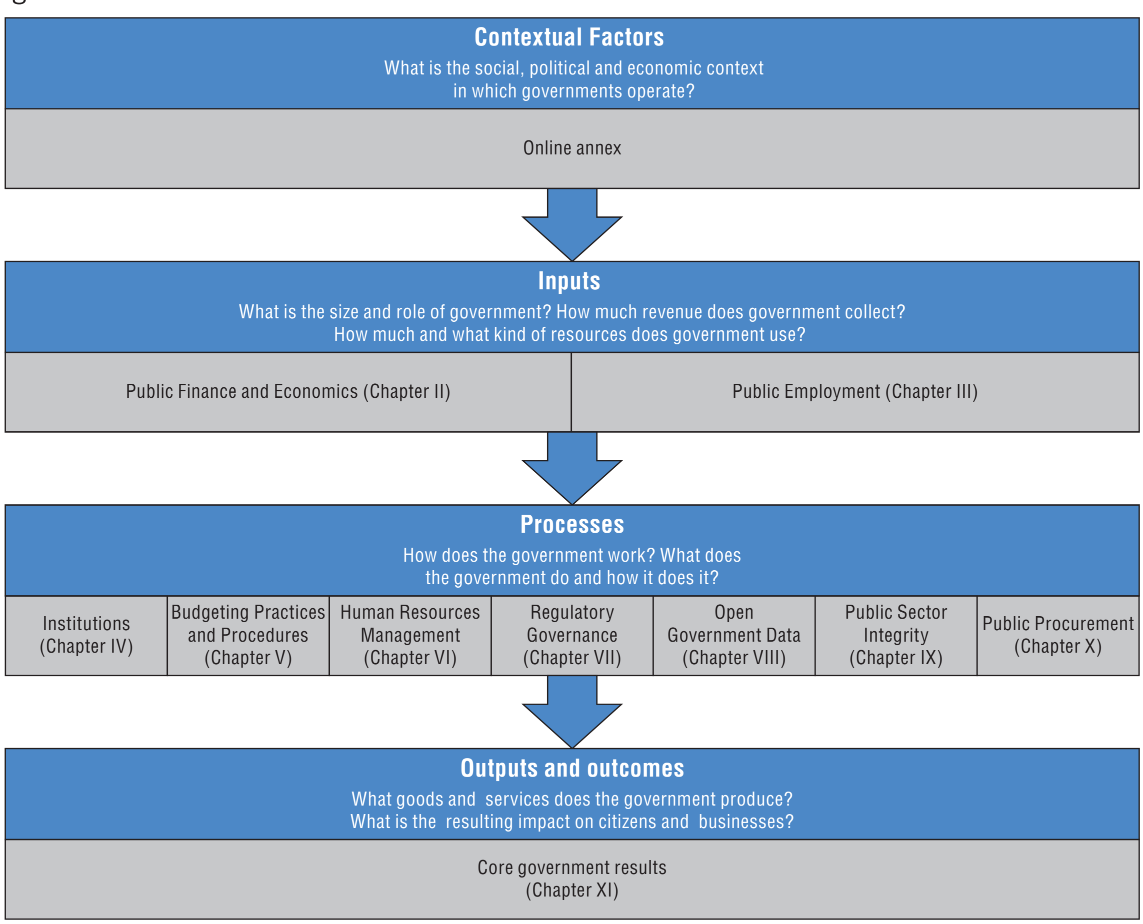
4) Indicators of outputs and outcomes

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 business. 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. Generally speaking, outcomes refer to the effects of public programmes and services on citizens, in terms of welfare gains, health gains, educational/learning gains, and so on. While these outcomes can certainly be affected by the quality of programmes and services provided, they can also be affected by other factors, such as the socio-economic background of the population and individual behavioural factors.

This edition of the *Government at a Glance: Latin America and the Caribbean* includes data on outputs and outcomes for the first time. Chapter 11 on core government results focuses on whole-of-government aspects, such as the confidence of citizens in their national government and satisfaction with public services, the perception of corruption, the rule of law, income redistribution.

Figure 2 below presents the conceptual framework for *Government at a Glance: Latin America and the Caribbean 2020*.

Figure 0.2. **Framework for Government at a Glance: Latin America and the Caribbean 2020**



Source: Author's elaboration.

Structure

Government at a Glance: Latin America and the Caribbean 2020 starts with a chapter analysing the current practices on public sector integrity in the LAC region and their relevance for good governance. Chapters 2-11 provide data on the following areas of public administration: Public Finance and Economics, Public Employment, Institutions, Budgeting Practices and Procedures, Human Resources Management, Regulatory Governance, Open Government Data, Public Sector Integrity, Public Procurement and Core Government Results

Chapter 1

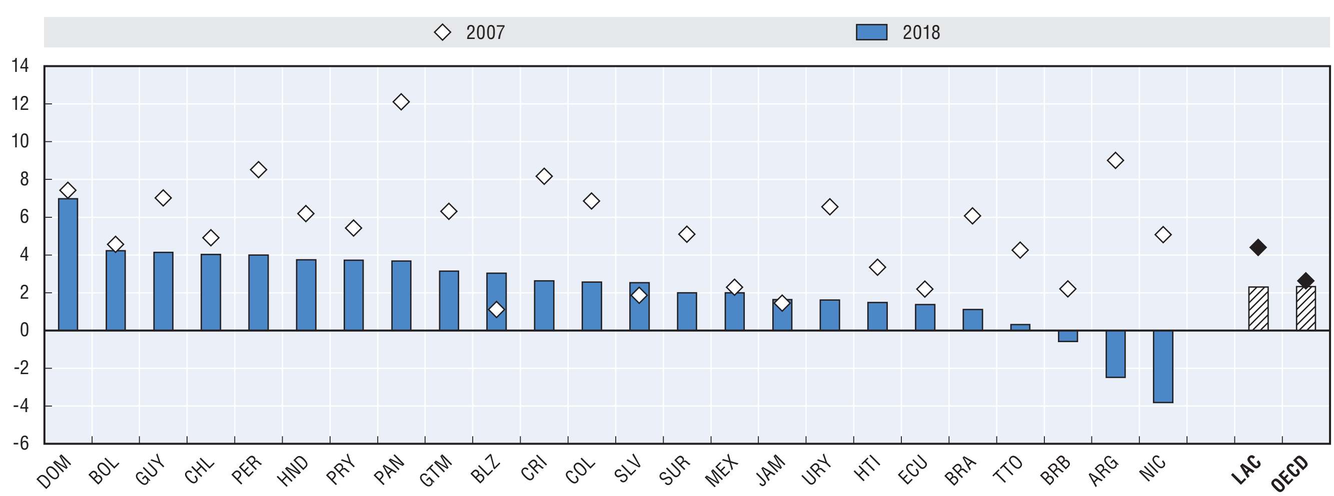
Good governance for Latin America and the Caribbean: Representing the interest of all

1.1. Introduction

The economic boom, mostly driven by commodity prices and trade growth over the past decades, has helped to reduce poverty and to make progress in reducing inequality in Latin America and the Caribbean (LAC) (OECD et al., 2019[1]; OECD, 2019[2]). The boom led to increases in public spending, improvements in social protection, education and health services and the initiation of structural reforms. In turn, economic growth has spurred the emergence of a growing and vibrant middle-class, which today represents more than a third of the region's population. For the first time, the middle class is more numerous than the population living in poverty (OECD/CAF/UN ECLAC, 2018[3]). This trend also has raised expectations with respect to government performance. The interconnectedness and higher availability of information have sped up this process as people have greater awareness of how governments work and can express their views more easily.

Over the last five years, however, economic growth in the region has slowed. While in 2007 the gross domestic product (GDP) growth rate was on average 4.4% in LAC and 2.6% in OECD countries, it decreased to 2.3% in 2018, virtually identical to the value in OECD countries in 2018, thus eliminating the gap in the rate of growth between the two regions (Figure 1.1). As of 2019, however, the growth prospect is lower than expected, with low productivity growth across many LAC countries (OECD, 2019[2]). In addition, the region is extremely vulnerable to natural disasters. Under the current scenario, there will be no convergence in GDP between the region and OECD countries. More worryingly, it may endanger gains in economic inclusion. Indeed, a large part of the new middle-class is vulnerable to a deterioration of the economic situation and faces the risk of falling back into poverty (OECD/CAF/UN ECLAC, 2018[3]). The threat of popular disenchantment is now more real than ever, with an associated danger of diminishing trust and further lower compliance with taxes and regulations.

Figure 1.1. **Real GDP growth rates in Latin America and the Caribbean have decreased between 2007 and 2018**



Note: Data for 2018 in some countries refer to forecasts. For more information on country-specific notes, please see: *https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx*

Source: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database).

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Governments in the region have largely failed to take advantage of the opportunities offered by the economic boom to ensure that growth becomes sustainable and truly inclusive. Productivity has not significantly improved while inequality, despite economic progress, remains very high, whether measured in income or other well-being outcomes. Citizens, despite growing expectations and aspirations, see that governments are not responding to their increasing demands and are mostly dissatisfied with public services (see Chapter 11). Public investment represented only 1.6% of GDP in the region in 2017, around half of what has been invested on average in OECD countries. Overall, the access to and quality of public services varies widely and those who can afford it often opt out in favour of private providers (OECD/CAF/UN ECLAC, 2018[3]). Consequently, citizens are less committed in fulfilling their social obligations, such as paying taxes (OECD et al., 2019[1]). Furthermore, according to a survey from Latinobarometer 2018, 80% of citizens in the region believe that a few powerful groups are governing for their own benefit and the perception of corruption and impunity is high (Engel et al., 2018[4]). Such perceptions contribute to low trust in government in general, weaken support for reforms and may polarise citizens.

In particular, institutional weaknesses in several dimensions of public governance may explain the vulnerability of many countries in the region to inefficiencies caused by waste, misuse and capture by interest groups as well as to exogenous economic shocks. Analysis of government spending in the region reveals widespread waste and inefficiencies that could be as large as 4.4% of the region's GDP (IDB, 2018[5]). Two underlying problems are particularly relevant. First, politics matter. Inequalities in the region may have entrenched policy-making behaviours in favour of vested interests over public interest (OECD, 2018[6]; Engel et al., 2018[4]; Scartascini, Spiller and Stein, 2011[7]). Second, even when the right policies are introduced, their implementation often remains superficial, falling short of translating policies into practice and bringing about change. Causes can be informal norms overriding formal institutions, weak administrative capacity, resistance to effective implementation, solutions copied from another country without addressing the context, or a lack of adequately skilled workforce or leadership.

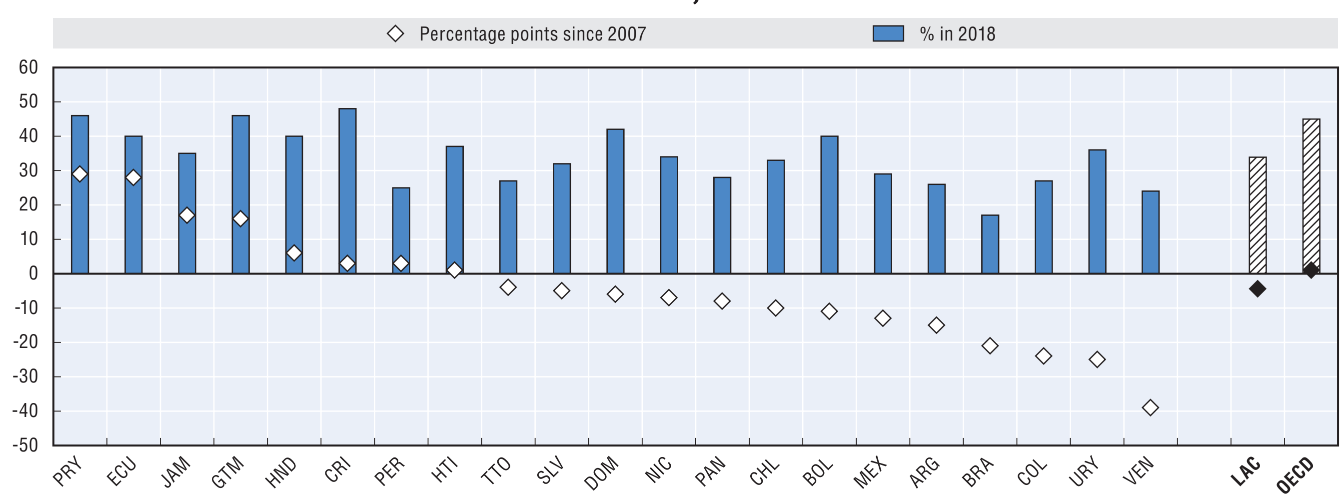
As an example, LAC countries face the pressing challenge to deepen the professionalisation of their civil service, both in the national and sub-national levels of government. Evidence portrayed in this publication shows that while the public sector in LAC countries tends to be comparatively small (12.3% of total employment compared to 21.2% in OECD countries), public employment in several LAC countries is not merit-based. In addition, public employment is usually comprised of low-skilled workers protected by strict contractual labour arrangements and managers appointed based on their political affinities. Many political leaders and parties in the region are using the public administration to build clientelist networks for electoral purposes (OECD, 2019[8]). As a result, while there is wide agreement on the necessity to reform the civil service, there are political interests in maintaining the status quo. For decision makers, the political costs may outweigh the political benefits of civil service reforms, thus impeding progress (Geddes, 1991[9]). This explains why reforms have proven difficult to implement while the problems are recognised and the policies to address them are broadly known.

This chapter provides evidence on the relevance of sound public governance in optimising positive economic and social outcomes, especially emphasising the negative effects of corruption (Section 1.2). It then argues on the one hand for the need of continued efforts to strengthen institutions in LAC to ensure that public policies are **designed** to address public interests and needs around the core principles of public governance: transparency, participation, accountability and integrity (Section 1.3). On the other hand, countries must warrant that policies are **implemented** effectively and fairly. To achieve this, data and guidance show the way for governments on how to strengthen core government functions such as fostering policy coordination, simplifying administrative processes in service delivery, strengthening administrative and skills capacity both at the national and subnational levels, reinforcing public procurement and investment, ensuring internal and external accountability and promoting a merit-based civil service with public sector values (Section 1.4). Improving the institutional design of policies and their implementation is of paramount relevance to provide better public services to citizens, build trust in government and enhance social inclusion in the region.

1.2. Why public governance, and in particular integrity, matters

Trust is one of the most important foundations upon which the legitimacy and sustainability of a democratic system is built. It is key for ensuring compliance with the law in general, and especially with regulations and the tax system (Rothstein, 2011[10]; Rose-Ackerman, n.d.[11]). Trust in government is essential for social cohesion and well-being, including reducing inequality, as it affects government's ability to implement reforms. According to the Gallup World Poll, on average trust levels in governments in LAC reached 33.9% in 2018, 4.4 p.p. lower than in 2007, and below the OECD average of 45% (Figure 1.2). On average, younger generations report lower trust in government than older ones (33.1% of those aged 15-29 compared to 40.1% of those aged 50 or more). Studies show that trust is influenced by many factors including approval of leadership, government openness, quality of services and perceived fairness (OECD, 2017[12]).

Figure 1.2. **Trust in national government in LAC countries remains lower than in OECD countries, 2007 and 2018**



Note: Percent of people reporting to have trust in national government. Unweighted averages for all variables for a sample of countries comprised of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela.

Source: Gallup World Poll (2018)

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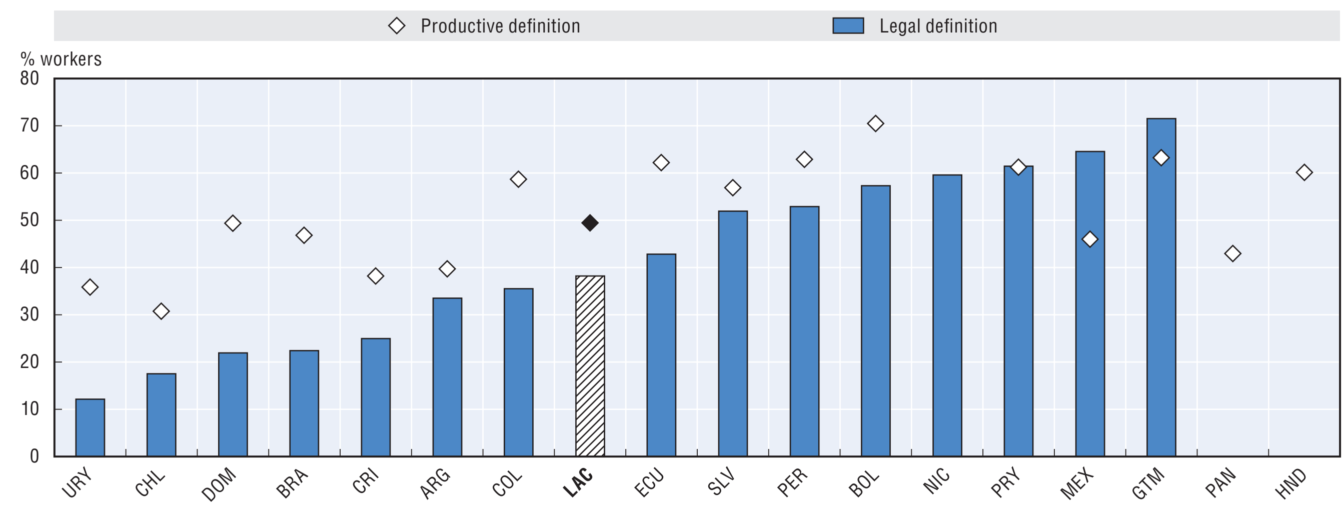
Evidence on the drivers of trust for OECD countries shows that public integrity and perception of corruption are the most crucial determinants of trust in government (Murtin, 2018[13]); (OECD, 2019[14]). Indeed, while corruption is a phenomenon that is not limited to LAC countries, achievements in government outcomes in the fight against poverty, inequality and other areas have been overshadowed in the region by high-profile corruption cases and allegations generating negative socio-economic outcomes and widespread discontent.

Corruption biases both public and private decisions and thus undermines productivity (OECD, 2019[2]). In LAC, productivity is mainly affected by a high degree of informality, and low competition and innovation.

- A symptom of widespread resource misallocation in the region includes the large size of the informal economy (OECD, 2016[15]) (Figure 1.3). The informal sector provides fewer opportunities for human capital accumulation and is less productive (La Porta and Shleifer, 2014[16]). In turn, indicators on corruption and informality correlate strongly, but causality is not one-sided. Corruption in the formal economy provides incentives for firms to remain informal, while informal firms often need to bribe inspectors to avoid fines (OECD, 2018[6]).

- Bribery significantly slows down operations, delays productive investments and distorts firm growth in Latin America and the Caribbean, especially affecting low-revenue-generating and young firms. Companies that had to pay bribes, e.g. for permits, electricity, or water connections, have 23 % lower annual sales growth than firms that do not face such solicitations. (Şeker and Yang, 2014[17]).
- Making Latin America's institutional framework and business climate more conducive to competition, trade and investment can help bridge the large gap in productivity levels in relation to advanced economies (OECD, 2016[15]). However, corruption and policy capture are tools used by companies to avoid competition in the first place; corruption is antithetical to competition (Emerson, 2006[18]).

Figure 1.3. **Informality in LAC countries is high (2017 or latest year available)**



Note: Legal definition: a worker is considered informal if (s) he does not have the right to a pension when retired, for cross country comparability rates are calculated for wage and salary workers only. Productive definition: a worker is considered informal if (s) he is a salaried worker in a small firm, a non-professional self-employed, or a zero-income worker. LAC is the average of the 17 countries included in the chart. Data of Argentina are only representative of urban areas and wage workers. Data from 2017 or latest year available, but not earlier than 2014.

Source: Calculated from CEDLAS tabulations, accessed on 9 July 2018.

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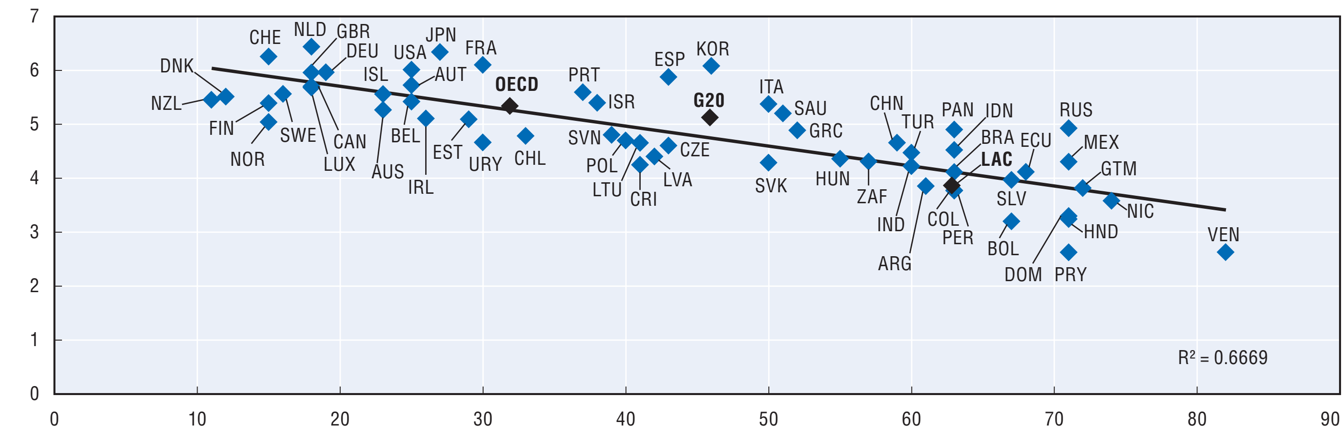
Evidence shows a strong connection between perceived corruption and low quality of human capital and infrastructure, as well as limited innovation capacity (Figure 1.4, Figure 1.5, Figure 1.6).

- Latin American countries invest less in research and development (R&D) than OECD countries. Brazil is the only Latin American country that spends more than 1 % of GDP on R&D, with about half of that coming from the business sector (OECD, 2016[16]). Costs of bureaucracy and the time it takes to obtain a patent, as well as the lack of guarantees that these patents will be protected and enforced, are barriers for investing in innovation. In addition, companies may prefer to gain rents by avoiding competition through legal protection rather than by gaining a competitive edge through innovations. Consequently, companies invest more in unproductive rent seeking activities and less into R&D.
- Despite improvements in education outcomes, many Latin American countries still lag behind the OECD.; On average, a 15-year-old student in LAC is 3 years behind in reading, mathematics, and science of a student in the OECD (OECD, 2019[19]). Corruption in education – but also in the health sector – can have indirect impacts on productivity, as they can affect workers' health and skills and thus the productivity of human capital (OECD, 2015[19]).
- Public investment as a share of GDP in LAC countries reached 1.6% in 2017 below the OECD average of 3.1%. Despite recent efforts in several countries to update their stock of infrastructure in quest of

economic development, infrastructure investment is still insufficient as the key driver of economic growth. Regulatory and financing issues, macroeconomic volatility and difficulties to implement infrastructure policies alongside high-level corruption scandals affecting key infrastructure projects are among the main causes explaining the infrastructure gap in LAC in terms of both quantity and quality (Locatelli et al., 2017[20]; Bitran, Nieto-Parra and Robledo, 2013[21])

Figure 1.4. **Perceived levels of corruption come with lower quality of infrastructure in OECD, LAC and G20 countries, 2017-18**



Note: Perceived level of corruption is measured by the Corruption Perception Index from Transparency International that has been inversed to facilitate interpretation of results as level of corruption (the higher the score, the higher the level of perceived corruption). Data on infrastructure are taken from the World Economic Forum's Global Competitiveness Report 2017-2018. "Infrastructure" is an index constructed based on the indicators "Quality of overall infrastructure", "Quality of roads", "Quality of railroad infrastructure", "Quality of port infrastructure" and "Quality of air transport infrastructure". Data for Bolivia are taken from the Global Competitiveness Report 2016-2017. In this analysis G20 countries are also included.

Source: Transparency International 2017 and World Economic Forum 2017-2018

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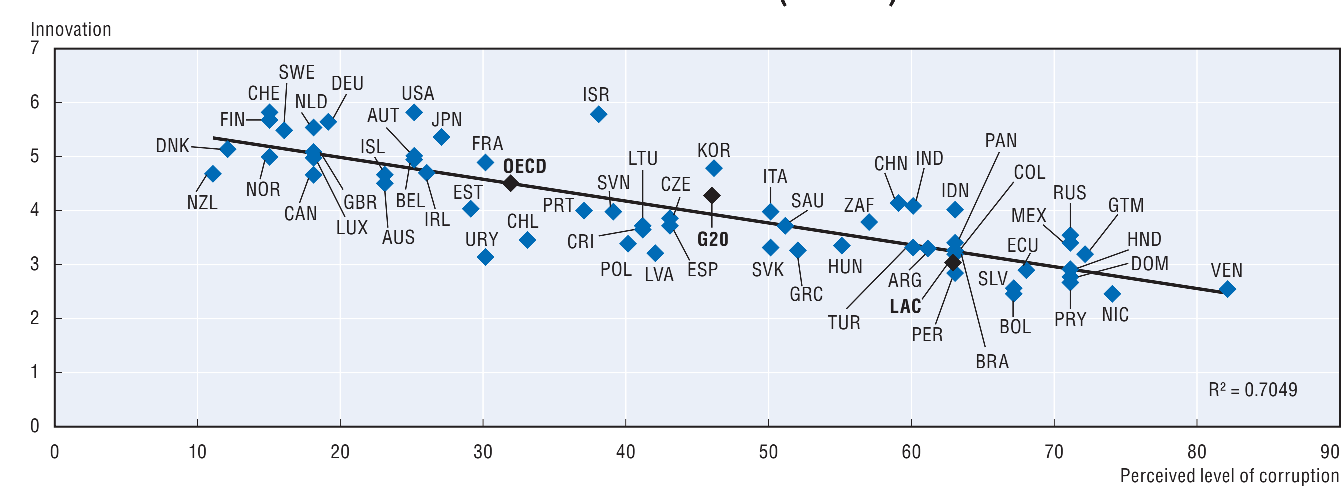
Figure 1.5. **Higher levels of corruption lower incentives to invest in innovation in OECD, LAC and G20 countries (2017-18)**



Note: Perceived level of corruption is measured by the Corruption Perception Index from Transparency International that has been inversed to facilitate interpretation of results as level of corruption (the higher the score, the higher the level of perceived corruption). Data on innovation are taken from the World Economic Forum's Global Competitiveness Report 2017-2018. In this analysis G20 countries are also included.

Source: Transparency International 2017 and WEF's Global Competitiveness Report 2017-2018.

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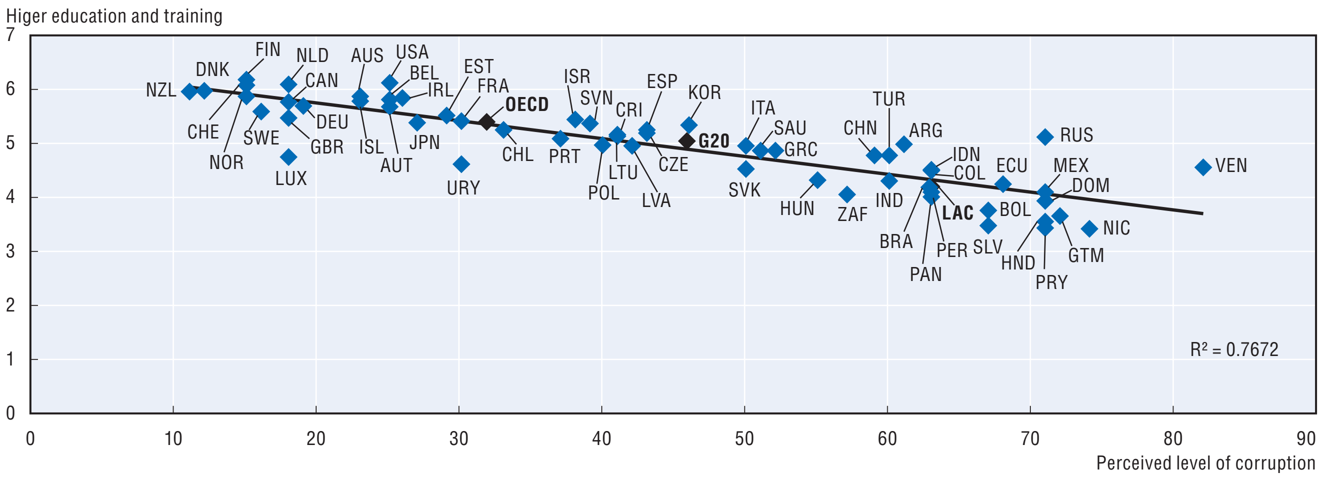
In addition, corrupt practices in public service delivery directly affect citizens. Figure 1.7 shows that the citizens in the region need to pay bribes to gain access to a wide variety of public services. Corruption at this level is not limited to money; a practice referred to as "sextortion", for example, refers to the abuse of power to obtain a sexual benefit or advantage. In the 18 countries surveyed by Transparency International's Global Corruption Barometer 2019, one in five people experienced sexual extortion or knows someone who has (Figure 1.8). Such extortion of sexual favours usually is linked to the access of public services, such as health and education, or in the process of seeking employment. Informal payments and sextortion to obtain public services are likely to affect the most vulnerable citizens, which contributes to the vicious cycle between weak governance and inequalities.

Figure 1.6. **Corruption affects productivity of human capital in OECD, LAC and G20 countries (2017-18)**



Note: Perceived level of corruption is measured by the Corruption Perception Index from Transparency International that has been inversed to facilitate interpretation of results as level of corruption (the higher the score, the higher the level of perceived corruption). Data on education and training are taken from the World Economic Forum's Global Competitiveness Report 2017-2018. In this analysis G20 countries are also included.

Source: Transparency International 2017 and WEF's Global Competitiveness Report 2017-2018.

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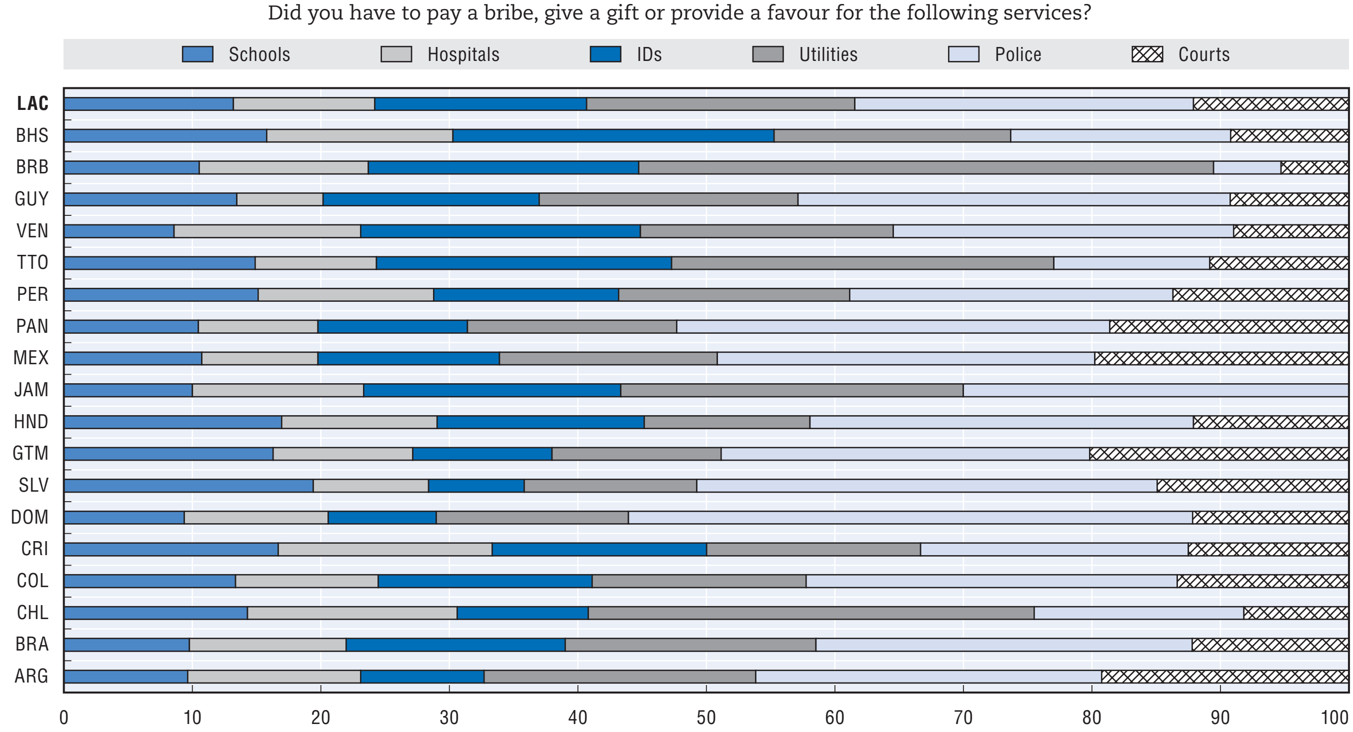
Figure 1.7. **Bribes paid by citizens in Latin America to obtain public services, 2019**

Did you have to pay a bribe, give a gift or provide a favour for the following services?



Source: Global Corruption Barometer Latin America 2019.

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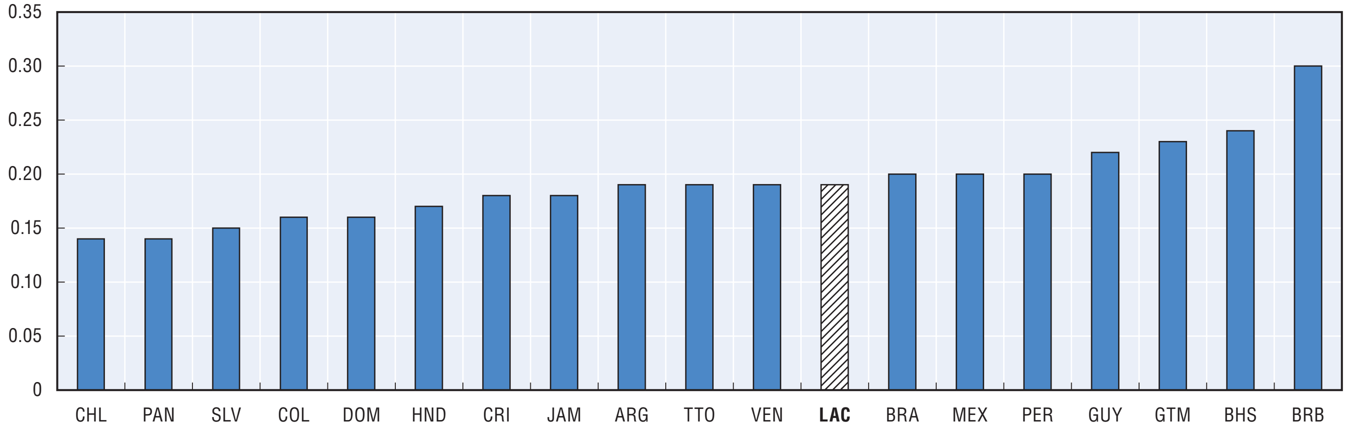
Figure 1.8. **Experiences with extortion of sexual favours in Latin America, 2019**



Source: Transparency International Global Corruption Barometer 2019.

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Finally, government expenditures in LAC countries represented on average 31.2% of GDP in 2018, considerably less than in OECD countries (40.4% of GDP on average). Moreover, the expenditure breakdown reveals several differences in how the money is spent. The most salient difference relates to expenditures on social benefits, defined as payments directly linked to the welfare function of governments. As a share of GDP, OECD governments spend 16.5% on social benefits, compared to 10.3% in LAC countries. A further breakdown of government expenditures shows that on average, 39% of expenditures in the LAC region are devoted to government consumption, which is the compensation of government employees plus the purchases of goods and services by the government, compared to 37% for OECD countries. These transactions present a high risk of being captured by vested interests, either through the establishment of clientelist networks or through the procurement process.

1.3. Ensuring integrity and social accountability of public decision-making

Trust in government and the protection of public interest are essential for citizens to engage and participate in the political process. The perception of undue influence can threaten the dynamics of incremental change (Bauhr and Grimes, 2014[22]).

Essential policies to ensure public decision-making in the public interest at all levels of the public administration include promoting integrity and transparency in political finance and election processes, regulating the legitimate participation and lobbying in policy-making, and promoting social accountability through transparency, openness and access to information as well as participation mechanisms for citizens.

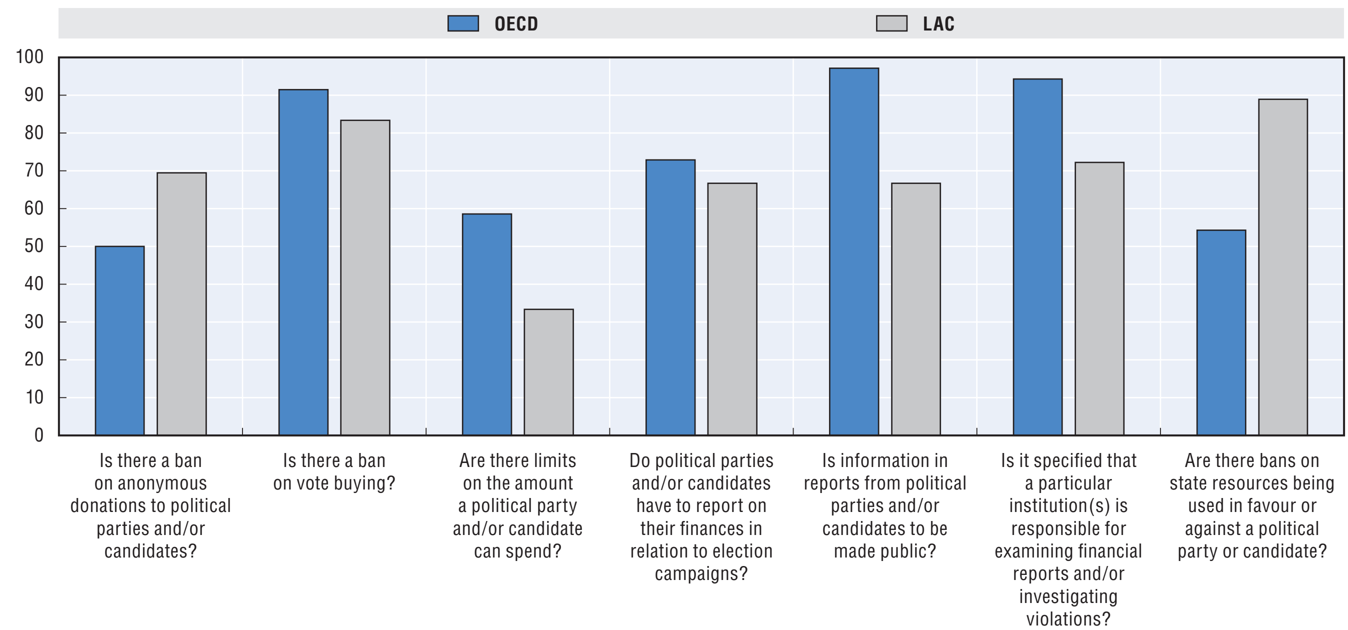
Integrity and transparency in political finance and elections

Often, undue influence starts with influencing the results of elections to ensure that the elected public officials, once they are in office, represent the interests of those who supported them (The Dialogue and IDB, 2019[23]; OECD, 2017[24]). For example, elected politicians may have to return favours to those who supported them through campaign contributions by providing them with public contracts, e.g. infrastructure projects, subsidies, or public employment, for example, through "bureaucratic quotas" in the public administration (OECD, 2016[25]).

Political finance is strongly regulated in the LAC region. In general, the *de jure* quality of political finance regulation has improved in Latin America; it is sometimes even stronger than in OECD countries (Figure 1.9).

Figure 1.9. **Selected relevant aspects of political finance regulations in OECD and LAC countries, 2016**

Answers show percentage of "yes" answers



Note: Questions asked for candidates and parties separately have been summed and averaged

Source: Based on data from the International Institute for Democracy and Electoral Assistance (International IDEA), *https://www.idea.int/*

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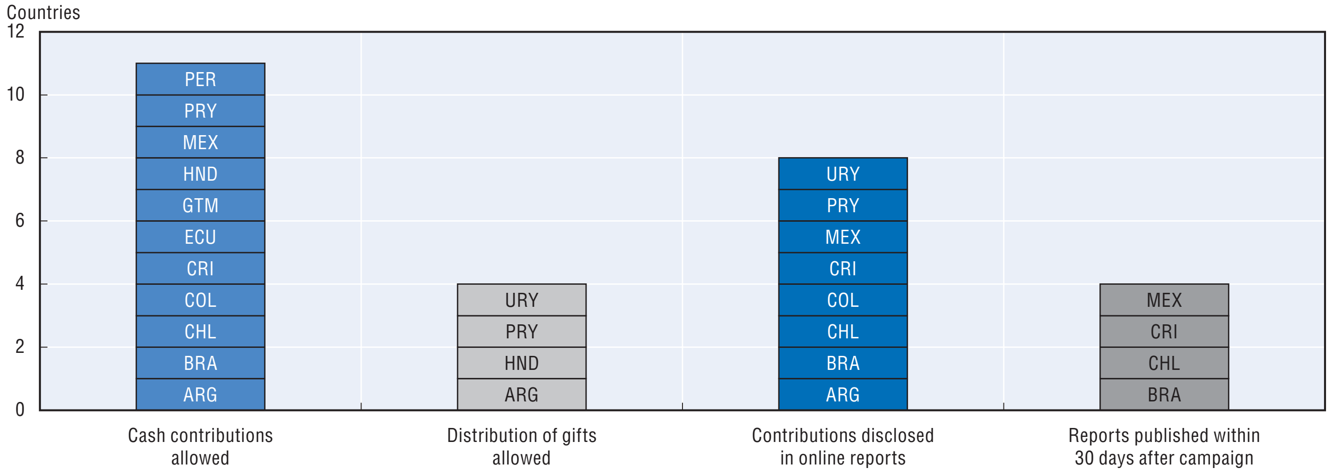
Overall, however, existing regulations often fail to be effectively enforced (The Dialogue and IDB, 2019[23]; OECD, 2018[26]; OECD, 2017[27]) and only one third of the population reported trusting the judiciary compared to 56% in OECD countries. An indication of this lack of effectiveness is that the *de jure* quality of political finance regulations only manages to impact on corruption if judicial independence is high and thus able to ensure the enforcement of these, and other, regulations (Lopez, Rodriguez and Valentini, 2017[28]). According to a study carried out by Global Integrity, in the region there is a gap of around 20 % regarding scores measuring the *de jure* regulatory framework (65) and its enforcement (45) (Global Integrity, Sunlight Foundation, 2015[29]).

OECD data show the wide use of informal practices that are not covered by current regulations, opening opportunities to unduly influence campaigns. For example, while most countries in the region forbid anonymous donations and political parties are required to reveal the identity of donors, contributions in cash are allowed in 92% and gifts in 25% of the countries. Cash contributions may be used to circumvent formal regulations, due to the complications associated with monitoring such transactions. In addition, in some countries, organised crime groups can prosper and operate with impunity by infiltrating and corrupting political institutions. On the one hand, they can launder money by financing parties or candidates in cash; on the other, they can make sure that elected officials are turning a blind eye on their activities or, in case of detection, ensure weak enforcement (Casas-Zamora, 2013[30]). Only 58% of the countries have requirements to disclose contributions online, and 33% require such data to be published within 30 days after the campaign (Figure 1.10).

Such practices are partly triggered by pressures to fund campaigns. Indeed, regulations on campaign spending by political parties or candidates are less widespread than in OECD countries. This lack of regulations with respect to spending can trigger a competition towards ever-higher expenses and thus pressure to obtain more and more funds – yielding the risk of being more inclined to accept funds from dubious sources.

Figure 1.10. **Most Latin American and the Caribbean countries allow cash contributions during electoral campaigns, 2018**



Source: OECD (2018) "OECD Questionnaire on Public Integrity in Latin America"

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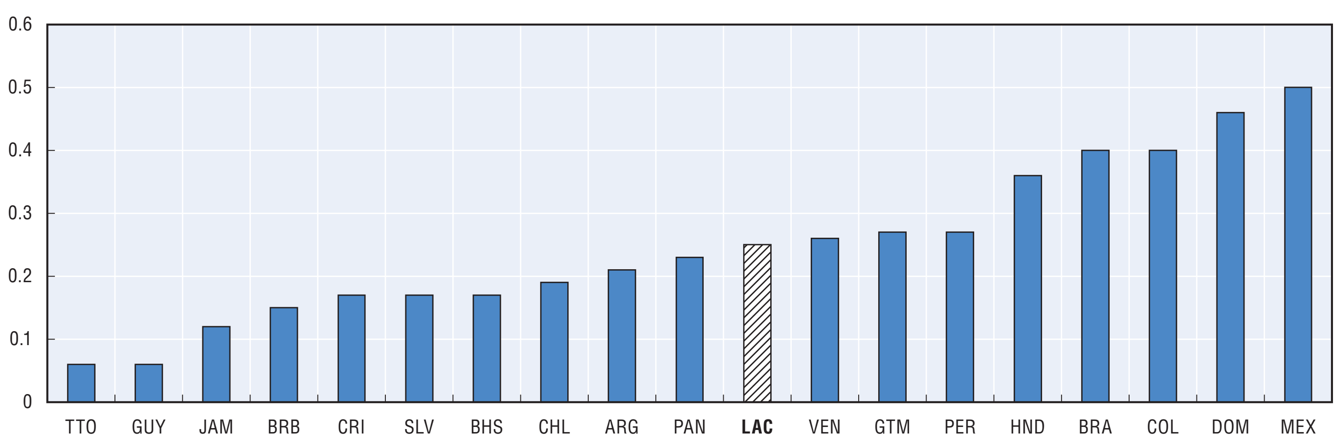
Electoral integrity is also threatened by straightforward vote-buying practices. According to Transparency International's Global Corruption Barometer 2019, 25% of Latin-Americans report having experienced attempts to buy their votes (Figure 1.11). Interviewed experts in the region think most major parties reward their constituents with goods, cash or jobs (V-DEM Project, 2017[31]). These practices are endemic in the region, but particularly high in Mexico, the Dominican Republic, Colombia, Brazil and Honduras. In these countries, vote-buying is actually prohibited, while Argentina, Guatemala and Venezuela currently do not explicitly prohibit vote-buying.

Figure 1.11. **On average, 25% of citizens in Latin America have experienced vote-buying practices, 2019**

In the past 5 years, how many times, if at all, has anyone tried to offer you a bribe or special favour to vote in a particular way at a national, regional or local election?



Source: Transparency International, Global Corruption Barometer, 2019

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Ensuring integrity and transparency in lobbying practices

A second way to influence policies is to target public decision-makers that are already in office, whether in the legislative or in the public administration. Influencing policymakers is a core part of a democratic system. Lobbyists and advocacy groups bring valuable information to the policy debate. In practice, however, small powerful groups can exert influence to further their own priorities, often at the expense of the public interest. This influence is not necessarily illegal, and can take many forms, including:

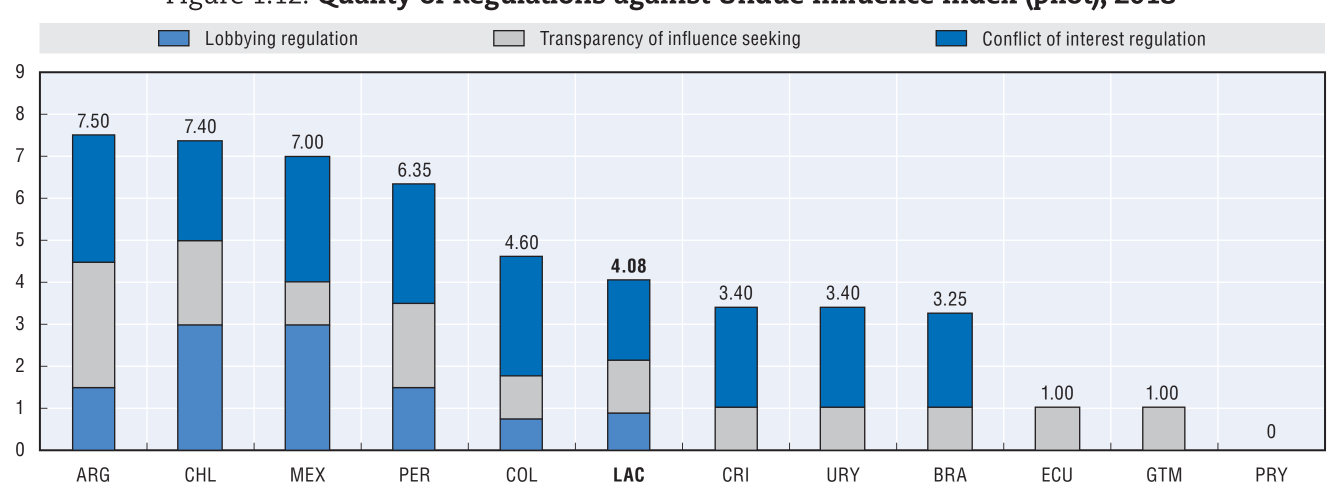
- uneven access to the decision-making process for example through lobbying public officials
- informal financing of political parties and candidates' electoral campaigns
- providing governments with manipulated or fraudulent data
- use of personal connections, leading to conflicts of interest
- foreign interests buying their way into a country's domestic policies.

When such uses of influence steer the decision-making process away from the public interest, societies suffer. As such, sound frameworks for transparency and integrity in lobbying, for the internal governance of interest representation institutions, and for stakeholder engagement are crucial to safeguarding the public interest and promoting a level playing field for different interests, promoting pluralism and thereby avoiding capture by powerful interest groups (OECD, 2007[32]; OECD, 2015[33]; OECD, 2017[34]).

Lobbying regulations are only emerging in most LAC countries. Peru was the pioneer of the region in developing legislation on lobbying in 2003. In addition to Peru, only Chile (2014), Mexico (2010) and Argentina (2003) have adopted laws or regulations on lobbying. In Mexico, the regulation only applies to the legislative branch, while in Argentina only the executive branch is covered but a draft law revising the regulation is under discussion in the congress (OECD, 2018[26]). Chile has been continuously drawing lessons learnt from its experience with the aim to improve their lobbying framework. In Brazil, Colombia and Costa Rica there are ongoing discussions and draft legislations have been prepared.

The OECD *Quality of Regulations Against Undue Influence Index* measures the existence and reach of such *lobbying regulations*, and goes further by taking into account the *transparency of influence seeking* and the *regulation on conflicts of interest*, which add to the overall resilience against undue influence (Figure 1.12). Argentina, Chile and Mexico show the strongest regulations against undue influence overall.

Figure 1.12. **Quality of Regulations against Undue Influence Index (pilot), 2018**



Source: OECD (2018) "OECD Questionnaire on Public Integrity in Latin America"

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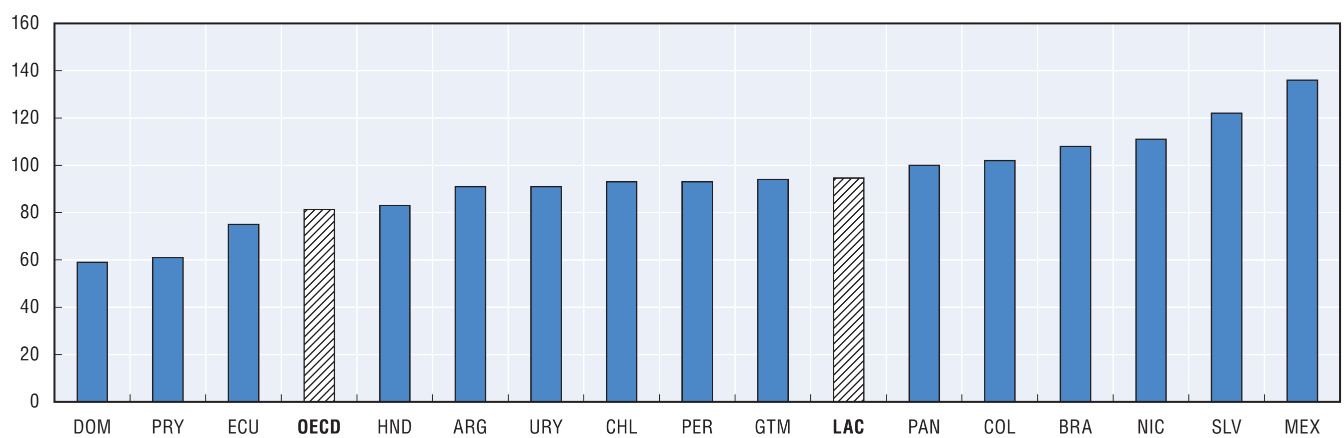
To further strengthen these frameworks, LAC countries may consider a number of potential ways to better embed their engagement with stakeholders in the rule-making process and make it more open, transparent and effective (OECD, 2018[6]). For instance, countries could evaluate whether the definition of lobbyists and lobbying are comprehensive enough to ensure that misinterpretations or loopholes are avoided. Countries could make information easily available, and in a re-usable way, on who is lobbying and is being lobbied, and on whose behalf, the issues involved in lobbying activities and the intended result of lobbying activities. In addition, the enforcement of the lobbying regulations needs to be strengthened and sanctions applied to public officials and lobbyists. Awareness-raising campaigns could initiate a change in culture and perception and create an environment in which formal lobbying regulations could start making sense and the widespread informal lobbying practices become an exception rather than the rule.

Enabling social accountability through transparency, openness and participation

Social accountability ensures that people's voices are being heard and that they can hold governments to account for their conduct and performance. It is a key ingredient for governments to restore citizens' trust. A first precondition for social accountability is the promotion of transparency and access to information. Transparency can, of course, also be useful in enhancing efficiency in the use and allocation of public resources in sectors, such as education, justice and the extractive industries, and in functions, such as public budget formulation, execution and monitoring, and political campaign financing, among other sectors (Molina and Vieyra, 2012[35]). Finally, available information and data can be used to promote dialogue, public engagement and consensus building or as an input to integrity risk management and detection, using new technologies such as artificial intelligence, machine learning, or big data (OECD, 2019[36]).

The link between transparency and corruption, however, is not direct and is empirically contested (Islam, 2006[37]; Escaleras, Lin and Register, 2010[38]). In Latin America, actually, the *de jure* quality of right to information laws is on average stronger than in OECD countries (Figure 1.13).

Figure 1.13. **The quality of right to information laws is, on average, better in LAC than in OECD countries, latest available year**



Note: The maximum achievable composite score is 150 and reflects a strong right to information legal framework. The global rating of right to information laws is composed of 61 indicators measuring 7 dimensions: right of access; scope; requesting procedures; exceptions and refusals; appeals; sanctions and protection; and promotional measures.

Source: Access Info Europe (AIE) and the Centre for Law and Democracy (CLD), Right to Information Rating, *https://www.rti-rating.org/*.

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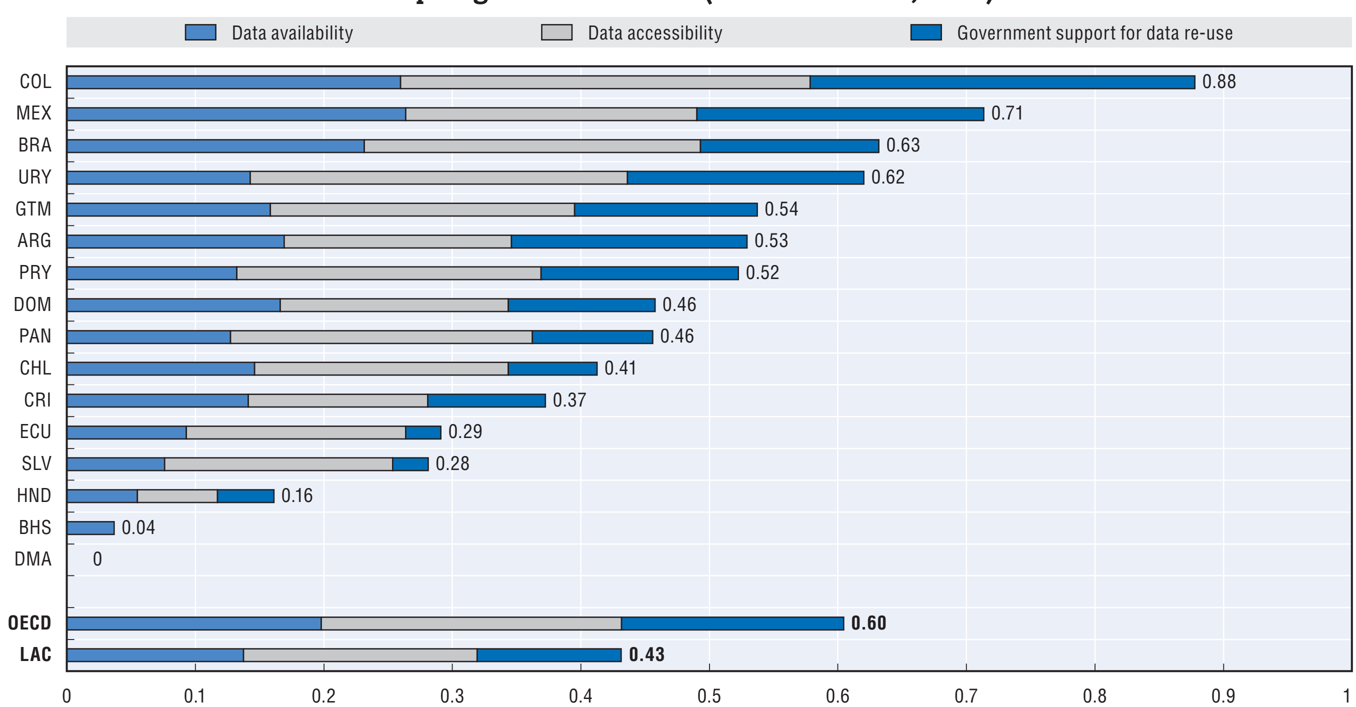
Yet, citizens in Latin America often do not trust or simply do not know how to engage and how to obtain relevant and credible information (OECD, 2018[26]). In addition, the information may fail to be comprehensible, being too complex or technical, and the receivers of the information may fail to act upon that information for various reasons (Molina and Vieyra, 2012[35]). Transparency is a necessary, yet not sufficient condition for ensuring good governance and preventing corruption. In addition, there needs to be an ability to process the information, and the ability and incentives to act on the processed information (Kolstad and Wiig, 2009[39]). Given the profound lack of trust in government, transparency may even backfire and lead to resignation instead of indignation (Bauhr and Grimes, 2014[22]).In part, this is also due to the high inequality in the region, which deepen the participation and engagement problem. As such, the effect of providing information per se seems to be limited at best and transparency needs to be complemented by other types of policies, such as those promoting open data (OECD, 2018[40]). It also requires the existence of interest and capacities across the whole set of actors, including civil society, to use available information and open data (Mungiu-Pippidi, 2013[41]).

As such, the second precondition for social accountability is to actively consult and engage civil society, for example by securing a release of data that meets users' demand. When government data are easily available and re-usable, they can generate greater interaction and enable co-creation opportunities between government institutions, citizens and other stakeholders such as academics or civil society organisations. Indeed, there is growing awareness of the need to ensure the effective re-use of open government data to secure long-term sustainability and continuity of open data initiatives and policies. The OECD Open, Useful and Re-usable data (OURdata) Index measures data availability, data accessibility and government support to the re-use. On average, LAC countries scored 0.43, in comparison to an OECD average of 0.60 in 2019; Colombia (0.88), Mexico (0.71) and Brazil (0.63) scored higher than the OECD average (0.60).

Figure 1.14. **Colombia, Mexico, Brazil and Uruguay are the most advanced LAC countries in open government data (OURData Index, 2019)**



Source: OECD – IDB (2019), "Open Government Data Survey", OECD (2018) "Open Government Data Survey"

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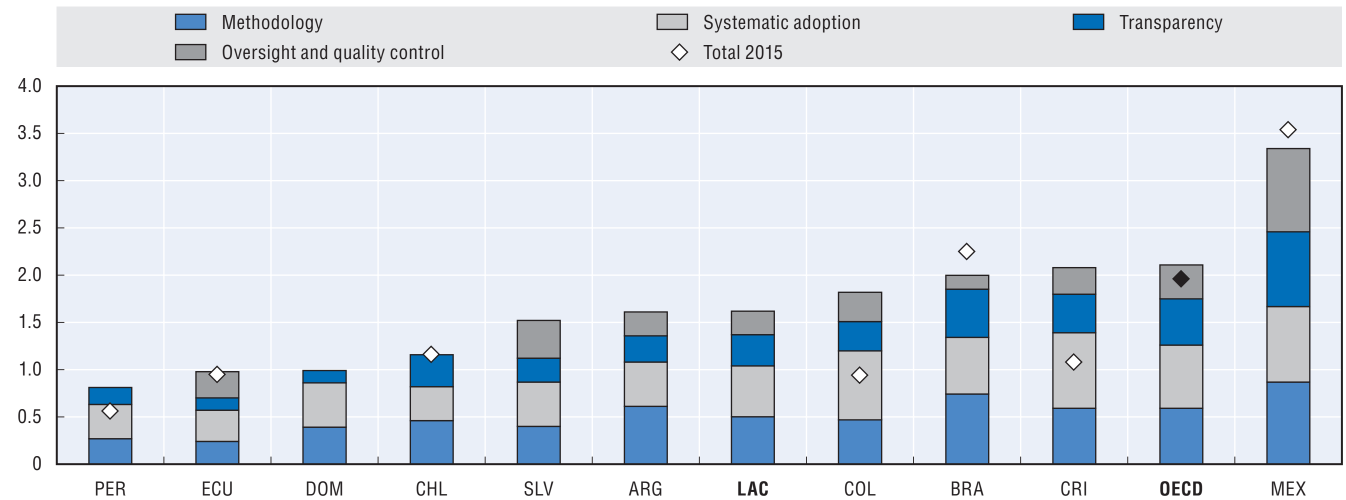
In particular, ensuring the inclusive and fair participation of different interests in public decision-making processes is a key tool against policy capture: an inclusive process involving different interests is more likely to be resistant to the risk of a single interest capturing the process (OECD, 2017[24]).

Countries in Latin America are at different stages of adopting good practices to engage with interested parties when developing regulations and lag behind the OECD average. Only Mexico has established advanced consultation systems and scores above or around the OECD average on the composite indicator on stakeholder engagement (Figure 1.15). However, all countries covered have taken some steps to integrate stakeholder engagement in their rule-making process. For example, they have adopted formal requirements to conduct consultation when developing subordinate regulations. Countries have also established, to varying degrees, methodologies to engage with stakeholders, including minimum periods and supporting documentation for consultation.

Figure 1.15. **Stakeholder engagement in developing subordinate regulations varies strongly across LAC countries (2015 and 2019)**



Sources: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 and 2019, OECD Indicators of Regulatory Policy and Governance (iREG) 2015 and 2018, *http://www.oecd.org/gov/regulatory-policy/ireg-lac.htm* and *http://oe.cd/ireg.*

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Nonetheless, consultation in LAC countries often takes place when the decision to regulate has been taken and/or a draft regulation has already been prepared. In some cases, consultation takes place only shortly before the planned entry into force, leaving very limited time to take stakeholders' views into consideration and to potentially revise the regulatory proposal (Querbach and Arndt, 2017[42]). In addition, the existing mechanisms for stakeholder participation sometimes are not well known by citizens or not trusted enough to generate a credible level playing field. Finally, deeper engagement requires an approach that recognises the gaps and difficulties posed by inequality, lack of trust and political apathy, as well as the challenge of involving citizens outside the capitals.

Box 1.1 provides an example of how transparency and stakeholder engagement processes together can contribute to increasing social accountability in budget process.

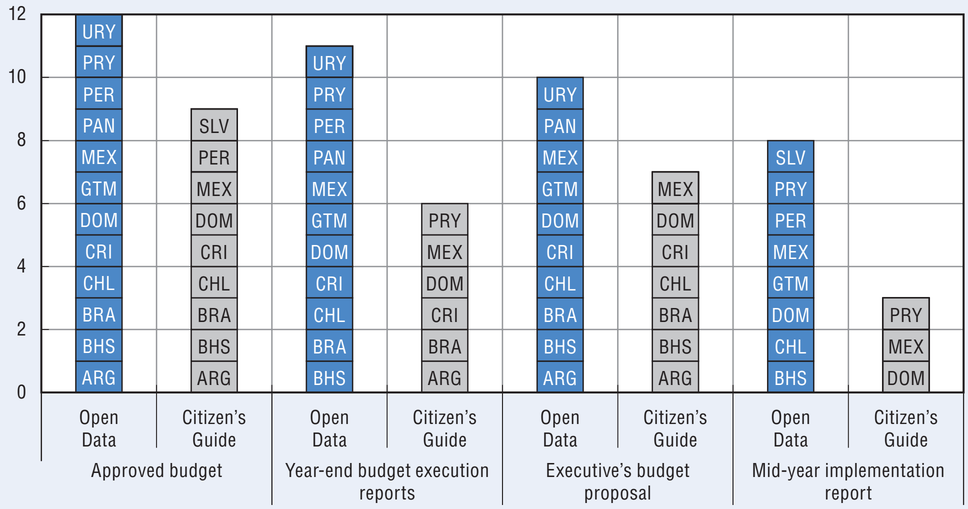
Box 1.1 **Budget transparency and stakeholder engagement**

Promoting budget transparency and providing spaces for direct citizen engagement in budget development is vital to ensure integrity and accountability in public governance. Budget transparency goes beyond having all relevant budgetary information disclosed in a timely and systematic manner. It is a multi-faceted concept that refers to the clarity, comprehensiveness, reliability, timeliness, accessibility and usability of public reporting on public finances (OECD, 2017[43]).

The information included in the executive budget is increasing among LAC countries. Releasing budgetary information in open data formats and publishing citizens' guides to the budget allow stakeholders to access and understand key fiscal information. However, according to survey results, the practice of releasing fiscal information as open data is more widespread in LAC than the production of citizens' guides.

Box 1.1 **Budget transparency and stakeholder engagement** *(cont.)*

Figure 1.16. **Means of availability and transparency of key budgetary information, 2018**



Source: OECD/IDB (2018) Survey of Budget Practices and Procedures

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In turn, 11 out of 13 surveyed LAC countries reported having consultations with stakeholders at some stage of the budgetary process (all except Argentina and Panama). All of them consult at the pre-budget proposal phase, and eight of them after the budget proposal (all except for Chile, Costa Rica and El Salvador). Participative budgeting, in turn, is more common at the local level and is implemented in several large cities in LAC. However, just as in OECD countries, at the central/federal level, participative budgeting initiatives are still rare. Only 5 out of 13 surveyed LAC countries have implemented such initiatives (OECD, 2017[43]).

1.4. Sound public management for effective implementation

Even in an environment where policy capture is endemic and vested interests dominate policy-making there are windows of opportunities and agents of change. Reforms that promote transparency and stakeholder engagement have allowed more inclusive policies in some areas and even small but visible progress can trigger an incremental path towards better governance (Banerjee and Duflo, 2012[44]).

Therefore, while countries must continue to make efforts to ensure that policies are designed according to the needs and interests of the citizens, they also must warrant that policies are effectively and fairly implemented. Sound public management is indeed a key ingredient to achieving an effective implementation and ultimately impact in achieving desired governance outcomes and better public service delivery.

As such, governments need to continue working on strengthening core government functions such as fostering policy coordination, strengthening administrative capacity and skills, notably in sub-national and local governments, simplifying administrative processes in service delivery, reinforcing public procurement and investment, ensuring internal and external accountability and promoting a merit-based civil service with values.

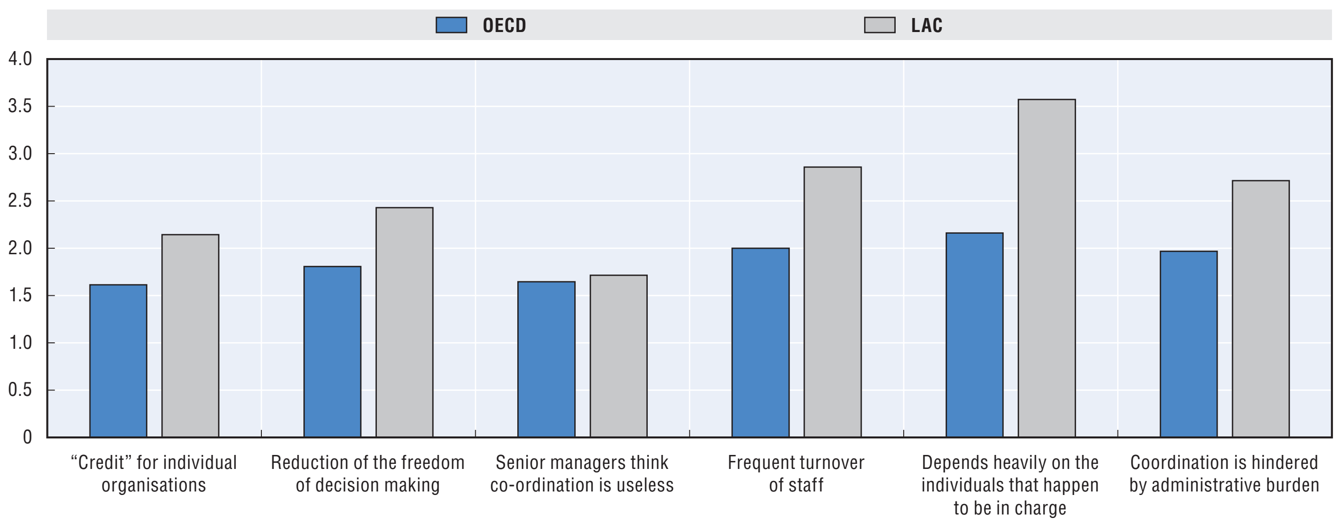
Implementing governance reforms: The challenge of co-ordination

The key governance principles of transparency, participation, accountability and integrity are crosscutting issues and contribute to ensure that other policy goals are achieved and that policies are inclusive and in the public interest. However, cross-cutting issues face challenges with respect to co-ordination and implementation.

First, challenges related to co-ordination arise because multiple actors are typically involved in the policy design and implementation of transparency, participation, accountability and integrity policies. Formal and/or informal mechanisms for co-operation and co-ordination between the actors help to avoid fragmentation, overlap and gaps and ultimately to ensure the coherence and the impact of these policies. Clear institutional responsibilities for designing, leading and implementing the elements of the policy are key to ensure an effective implementation of policies and normative requirements. The responsibilities should of course come along with the mandate, resources and capacities to fulfil them effectively.

Second, co-ordination weaknesses at the centre of government, and weak coordination capacity between levels of government, make the mainstreaming and effective implementation of integrity policies throughout all public entities difficult (OECD, 2017[45]). Figure 1.17 shows that compared to OECD countries, more LAC countries identify that the quality of co-ordination depends more on the individuals that happen to be in place. This reflects solutions to co-ordination that are less institutionalised, and thus less sustainable. In addition, co-ordination is hindered by administrative burden, that is, the need to seek approval from heads of the actors involved before being able to agree to inter-organisational goals. Finally, the frequent staff turn-over typical in most countries of the region threatens co-ordination as it undermines continuity, the building of trust and institutional memory.

Figure 1.17. **With respect to integrity policies, LAC countries perceive that the quality of co-ordination depends heavily on the individuals in place, 2017**



Notes: Responses to the question: "In your experience, what are the main challenges related to an effective coordination at the central level?". 1 = not a challenge, 2 = somewhat of a challenge, 3 = a moderate challenge, 4 = severe challenge. The LAC countries included in the OECD Integrity Survey are: Argentina, Brazil, Chile, Colombia, Mexico and Peru.

Source: OECD (2016[54]), *Government at a Glance: Latin America and the Caribbean 2017*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264265554-en*.

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As an answer to the co-ordination challenge, some countries, such as Chile, Colombia, Mexico and Peru, have established formal integrity systems or commissions where key actors meet regularly (OECD, 2017[46]; OECD, 2017[47]). Other countries implemented coordination units located at the centre of government, while Costa Rica have opted for a more informal approach (OECD, 2019[8]). Informal arrangements may have the advantage of allowing for more flexibility, but they are also more prone to disappear with changes in governments and depend to a higher degree on the individual motivations of the actors involved. Whatever the arrangement chosen, a dialogue is relevant for integrity policies and all key actors of the integrity system should be part of it.

In OECD and LAC countries, the centre of government (CoG), (also known as the office of the president, cabinet office, general secretariat of the government, among others), refers to the organisations and units that serve the chief executive and is expected to play a key role in ensuring consistent policy implementation across the government. While its tasks differ among countries, in

8 out of 14 Latin America and Caribbean countries the centre of government has responsibility for policy co-ordination (compared to 24 out of 34 OECD countries). At the same time, the centre of government in LAC countries is not generally responsible of strategic planning (only in 5 out of 14 countries, compared to 20 out of 34 in OECD), and transition planning and management for the change of governments (5 out of 13 in LAC compared to 21 out of 34 in OECD).

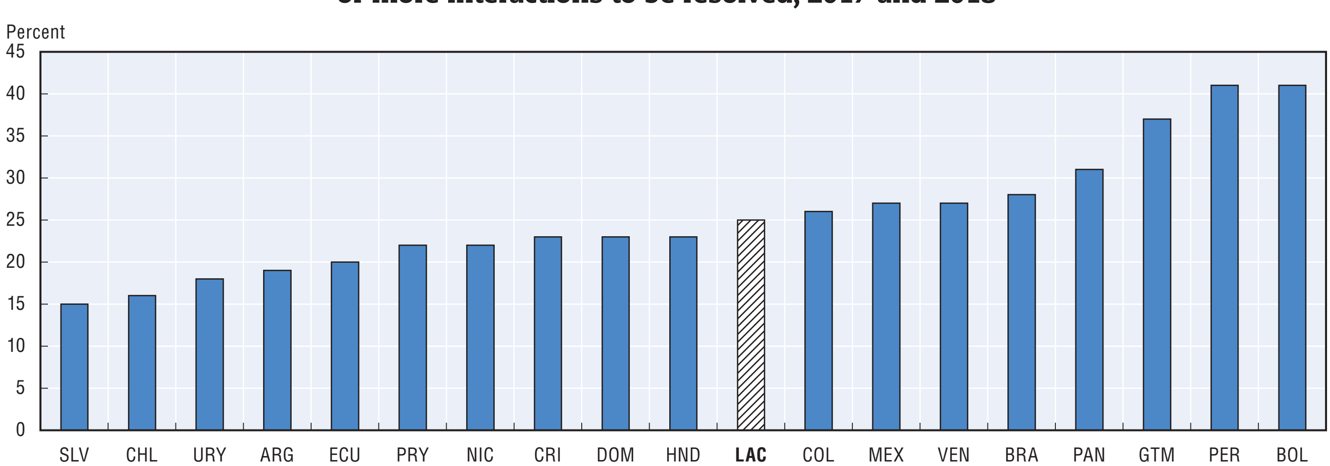
Finally, policy coordination should be ensured with all levels of government, although reaching the subnational level can be particularly daunting in many LAC countries. Sub-national administrative capacity is a common challenge, exacerbated in many LAC countries by acute regional disparities in sub-national capacity. Opportunities for certain types of corruption can be more pronounced at the subnational level where the interactions between government authorities and citizens and firms are more frequent and direct (OECD, 2019[8]; OECD, 2018[6]). In many countries in the region, subnational governments are responsible for the delivery of a large share of public services, such as education, health, security/justice, waste management, utilities, granting licences and permits. Policy coordination across levels of government is necessary to ensure alignment of policy objectives, adequate human and financial resources to lower levels of government also to upgrade skills, strengthening quality of local institutions and subsidiarity of processes.

As such, strengthening sub-national capacity to deliver services and manage relations with citizens effectively and with integrity is key to ensure the implementation of governance policies that ultimately could contribute to strengthening and sustaining trust in government and to bolstering support for democratic institutions. Indeed, local governments can be drivers for innovation, economic development and productivity and can also play a key role in promoting social capital. The subnational level may then set an example for (re-)building trust and fighting threats, such as corruption or organised crime.

Administrative processes for better service delivery

Administrative burden, also known as red tape or, in Latin America, *tramitología*, reduces the efficiency of public service delivery, and contributes to distrust from citizens and entrepreneurs Figure 1.18. It also provides incentives to both citizens and entrepreneurs to pay bribes to speed up administrative processes (Roseth, Reyes and Santiso, 2018[48]). These processes include many day-to-day activities, formalities and procedures that are vital to access the health and education systems (birth certificate, ID card, etc.), participate in the labour market (social security/fiscal numbers), and start-up or sustain business activity (clearing imports at customs, obtaining a driving licence, getting a construction permit/business licence). Many of these public services are delivered at the subnational level, where capacities can be limited and processes more vulnerable to corrupt practices.

Figure 1.18. **On average, 25% of administrative procedures in LAC countries require three or more interactions to be resolved, 2017 and 2018**



Source: (Roseth, Reyes and Santiso, 2018[48]) and Latinobarometro 2017.

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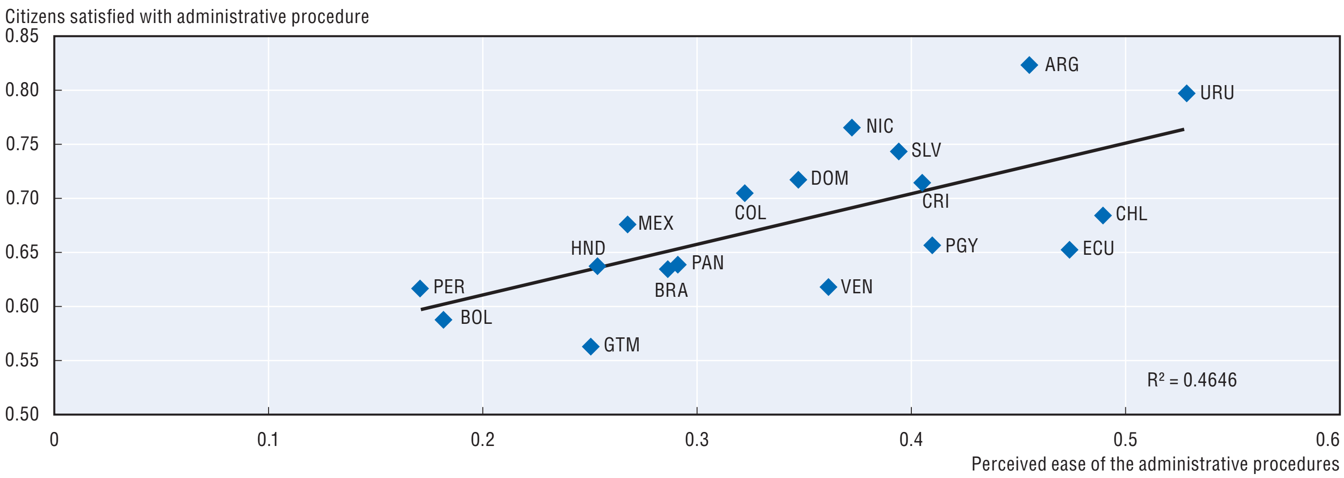
Both citizens and the private sector reward leaders who are able to reduce administrative and regulatory burdens. These visible results and political benefits can well be the incentive to bear the costs of reforms aimed at reducing red tape in the first place (Figure 1.19).

Figure 1.19. **The easier the administrative procedures, the more satisfied the citizens (2017 or 2018)**



Source: (Roseth, Reyes and Santiso, 2018[48]) and Latinobarometro 2017.

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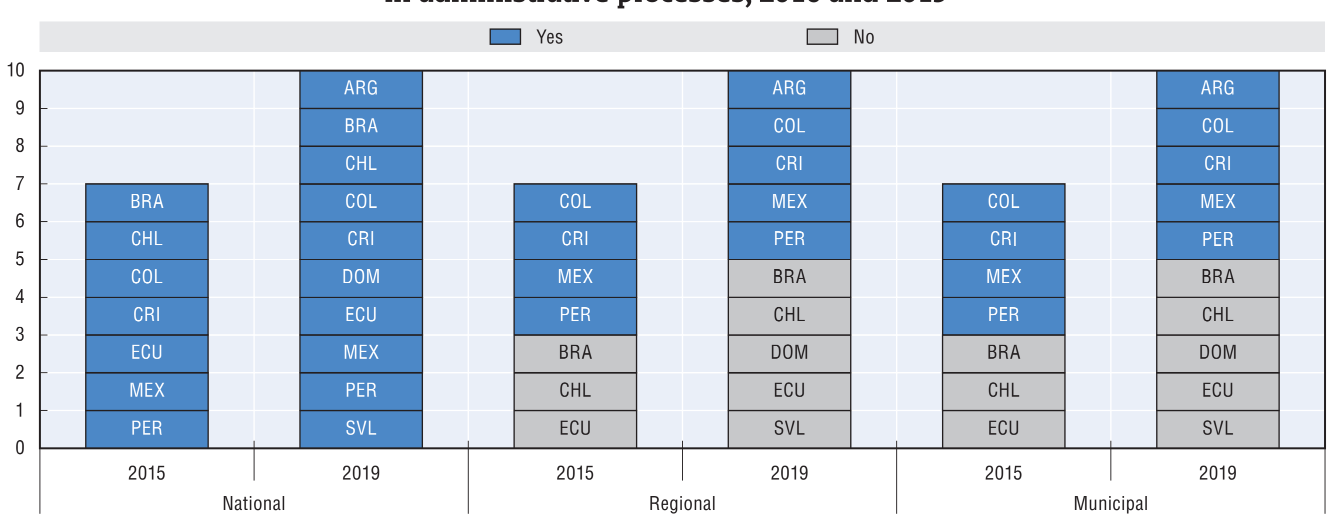
Most countries in the region have taken steps to simplify and improve their administrative processes, mostly at the national level, however (see Figure 1.20 and Chapter 7.). In Costa Rica, for instance, several institutions at different levels of government were involved in a process to simplify prioritised procedures to facilitate construction and operation permits. In 2014, the Chilean government set up the *Tu empresa en un día* ("Your Business in One Day") programme destined to facilitate the start-up of new businesses through an online platform. In addition, countries have also made efforts to harmonise all existing formalities and administrative procedures and make them easily accessible online, e.g. through the use of the Single Text of Administrative Procedure in Peru (*TUPA*). As part of the RD+ Simple initiative, the Dominican Republic launched a website for citizens and businesses to report on regulations or administrative processes that are burdensome and could be simplified. Argentina and Brazil have similar websites.

Figure 1.20. **Most Central governments in LAC countries have introduced simplification in administrative processes, 2016 and 2019**



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 and 2019, http://www.oecd.org/gov/regulatory-policy/ireg-lac.htm.

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Digital government efforts across LAC countries have played a key role in terms of reducing administrative burdens imposed on citizens and innovating the way services to citizens are designed. For instance, in Mexico, the Coordination of the National Digital Strategy (a body within the Office of the President), in co-ordination with authorities at the state level, developed the On-line Birth Certificate service (*Tu acta de nacimiento en línea*). This enabled citizens to access and download a copy of their birth certificate with legal validity from anywhere 24/7. Before the launch of this on-line service, Mexican citizens had to physically go to their birthplace (often not the state or municipality of their current residence) to request a copy of their original certificate and wait weeks for the copy to be issued by the respective authority. The service was launched in January 2018 and has led to roughly 1.53 million of downloads with a level of satisfaction of 93%, according to figures provided by the Mexican government (OECD, 2020[49]). This reduced the risk of petty corruption resulting from the direct interaction between citizens and public servants, and sped up formalities while bringing more convenient services to citizens.

However, administrative simplification programmes in the LAC region often do not systematically target the most burdensome areas of regulation. Methodological guidance on administrative simplification is available in some countries, but in many cases, administrative simplification is carried out on an ad hoc basis without clear target areas or prior engagement with stakeholders. One noticeable example of an administrative burden reduction programme is that of Ecuador where the Unit for Regulatory Improvement and Control is currently assisting the National Transport Agency in its efforts to measure administrative burdens in the transport sector, and to develop a simplification programme (Querbach and Arndt, 2017[42]).

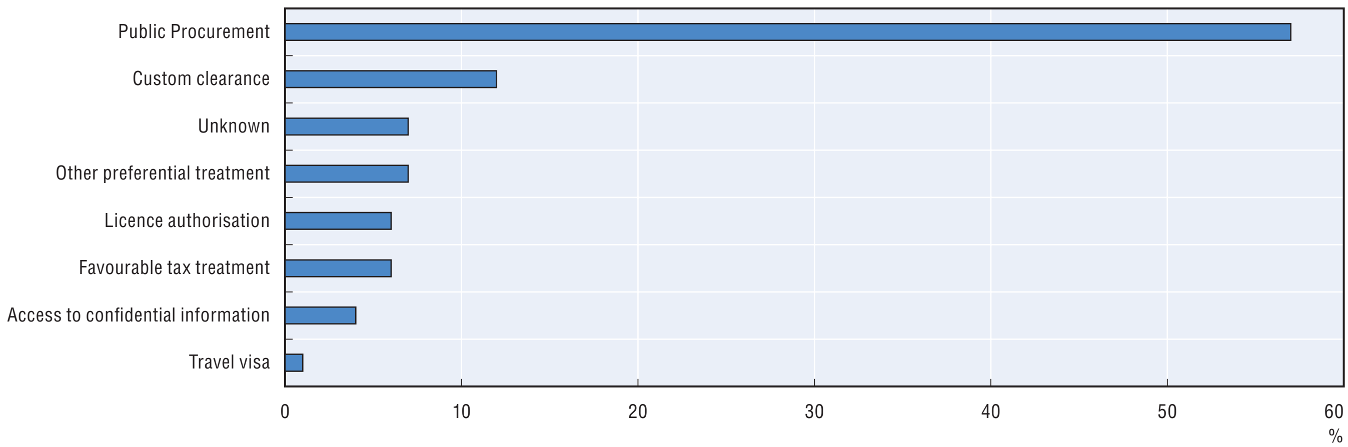
Also, digital technologies in Latin America are not fully capitalised by public sector institutions to transform how the administrations functions and interacts with the society, and efforts are focused on digitising existing formalities and internal processes rather than transforming them. The input of key partners such as citizens and civil society organisations is often limited to consultation efforts leaving behind the relevance of user engagement across the whole service design and delivery cycle. New technologies, such as open government data, are still driven by a strong focus on open data publication rather than emphasising its re-use of data for value creation (OECD, 2018[50]).

Public procurement and infrastructure

Public procurement, referring to the purchase by governments and state-owned enterprises of goods, services and/or works, represents an important economic activity of governments. A large sum of taxpayers' money is spent on public procurement in order to perform the tasks of government and deliver on their mandates. Public procurement must ensure the correct and timely delivery of goods and services while safeguarding the use of public resources against the risks of waste, misuse and corruption.

The economic significance is clear when looking at the size of public procurement in terms of GDP. In 2017, public procurement represented 6% of GDP in the LAC region, compared to 6.7% in 2007. At the country level, it ranged from 3.6% in Mexico to 9.9% in Peru. Considering its significant size, governments carry out public procurement reforms in order to achieve efficiency gains to respond to fiscal pressure, as well as to use this important function as a strategic governance tool to achieve policy objectives. At the same time, the large sum of money and close interaction between the public and private sectors make public procurement one of the government activities the most prone to risks of waste, misuse and corruption. Indeed, public procurement is by far the most common purpose of bribes in foreign bribery cases (Figure 1.21). Large, one-off infrastructure projects and public-private partnerships are particularly prone to capture and corruption due to their high degree of complexity (Locatelli et al., 2017[20]).

Figure 1.21. **The most common purpose of foreign bribery is influencing public procurement, 2014**



Source: OECD (2014[51]), *OECD Foreign Bribery Report: An Analysis of the Crime of Bribery of Foreign Public Officials*, OECD Publishing, Paris, *http://www.oecd.org/corruption/oecd-foreign-bribery-report-9789264226616-en.htm*.

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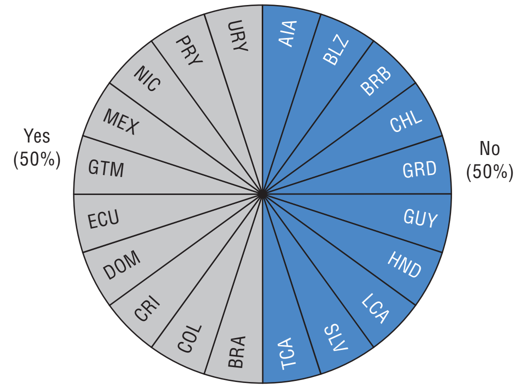
In Latin America, corruption in public procurement and infrastructure projects often has its root causes in the political sphere (The Dialogue and IDB, 2019[23]). Private companies typically finance candidates who then, once in office, return favours by rewarding their supporters with public contracts, e.g. through direct contracting. In fact, such awards might be perfectly legal in some countries. In this area, rewards may also include eluding or manipulating procurement procedures. As such, actions taken to promote integrity and transparency in political finance, campaigns and election processes directly contribute to mitigating corruption risks in public procurement and infrastructure projects (OECD, 2018[6]). The lack of registries or mechanisms to identify ultimate beneficial ownership in most countries in the region makes it very difficult to determine if the firms winning public contracts are not actually owned by government officials or their partners.

There has been significant progress in the region towards enabling better accountability and mitigating corruption risks in public procurement systems. In particular, some countries in Latin America have advanced in the implementation of e-procurement mechanisms that, amongst others, improves transparency and efficiency of public procurement and provide opportunities for mitigating corruption risks.

Examples include Compr.ar in Argentina, Compranet in Mexico, Mercado Público developed by ChileCompra in Chile, SECOP II managed by Colombia Compra Eficiente, or the Transparency Portal of the Federal Public Administration in Brazil, which beyond public procurement, provides real time access to information on budget execution. The platform run by ChileCompra has an online forum with questions and answers for each tender in advance of deadlines for submitting bids. The forum is particularly practical for providers who are geographically distant from the capital city, where ChileCompra's offices are located, and who need remote access to questions and answers. The forum ensures transparency and supports equitable treatment and fair competition.

The streamlining of public procurement into overall public financial management, budgeting and service delivery processes could lead to a better utilisation of public resources through improved information transmission, standardisation and automation. Eleven out of the 14 LAC countries that have established an e-procurement platform, have achieved some level of integration with other government systems, including: budgeting systems (8 countries), financial systems for payment (7 countries), tax registries (6 countries), social security databases (6 countries) and business registries (5 countries). Such an integration could also play an important role in promoting transparency and preventing corruption.

Figure 1.22. **E-procurement system(s) have been integrated with other e-government technologies in half of LAC countries, 2018**



Source: OECD-IDB (2018), Survey on Public Procurement

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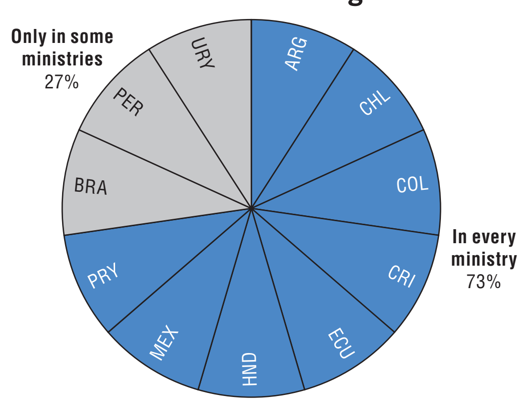
Internal and external accountability: Internal controls and external audit

Ensuring compliance with standards and regulations as well as achieving efficiently the results the government promised to deliver is the strategic role of the internal control system and external audit. As such, a solid internal and external control framework is the cornerstone of an organisation's defence against corruption and other unethical practices and key in achieving accountability and good governance.

On the one hand, an internal control and risk management framework can ensure a favourable control environment and a strategic approach to risk management that includes assessing integrity risks and addressing control weaknesses. All public officials should have a role within a functioning internal control system, which generally has three core elements: management, oversight and internal audit. Internal audit provides a professional, independent and objective appraisal function that uses a disciplined, evidence-based approach to assess and improve the effectiveness of risk management, control and governance processes. Internal audit may provide consulting, assurance, or a combination of both to inform key decisions and support good and accountable public governance. In Latin America, most surveyed countries have an internal audit function in place in every ministry (Figure 1.23) and all countries have regulations aimed at promoting an internal control framework.

Figure 1.23. **Existence of audit function in government ministries, 2018**



Source: OECD (2018) OECD Questionnaire on Public Integrity in Latin America

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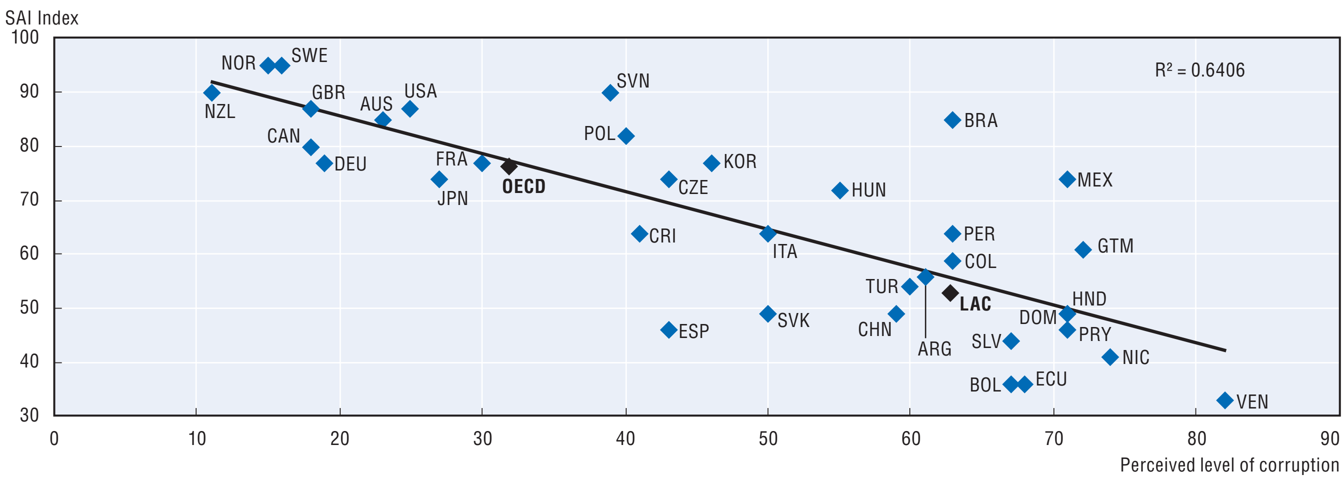
However, countries in the region face the challenge of overcoming the gap between the normative framework of internal control, which in Latin America is generally advanced and complies with international standards and its practical implementation in the daily management of the public entities. The independence and capacities of the internal audit function could be strengthened as well. In addition, for the effective implementation of risk management and internal audit policies, it is key that all public officials understand their own role and responsibility in identifying and managing integrity risks through adequate internal control (see Chapter 9.).

On the other hand, supreme audit institutions (SAI), regulators and other external bodies that reside outside the organisation's structure, can play an important role in the organisation's overall governance and control structure. External oversight and audit reinforce public governance by overseeing and holding the government to account for its use of public resources, facilitating organisational learning and ensuring the impartial enforcement of laws and regulations. Figure 1.24 shows, for a sample of OECD and LAC countries, that countries with stronger SAIs indeed also exhibit lower levels of perceived corruption.

Figure 1.24. **Countries with stronger supreme audit institutions tend to experience lower levels of perceived corruption, OECD and LAC countries, 2017**



Note: Perceived level of corruption is measured by the Corruption Perception Index from Transparency International that has been inversed to facilitate interpretation of results as level of corruption (the higher the score, the higher the level of perceived corruption). The SAI Index (0 to 100) has been constructed based on the simple average of questions no. 98-102 and 118-124 of the Open Budget Survey 2017; higher scores reflect stronger SAI.

Source: Transparency International 2017, International Budget Partnership, Open Budget Survey 2017.

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However, the impact of external audit reports, and thus accountability, is seriously limited if the executive branch does not follow up on the recommendations. Figure 1.25 shows that with the exception of Brazil, LAC countries usually do not require the executive branch to publicly report on the steps it has taken to address audit findings.

Figure 1.25. **In Latin America and the Caribbean, only Brazil reports on steps taken to address findings from supreme audit institution audit reports, 2017**

Does the executive make available to the public a report on what steps it has taken to address audit recommendations or findings that indicate a need for remedial action?

	The executive reports publicly on what steps it has taken to address audit findings.	The executive reports publicly on most audit findings.	The executive reports publicly on some audit findings.	The executive does not report on steps it has taken to address audit findings.
LAC	BRA	-	-	ARG, BOL, CHL, COL, CRI, DOM, ECU, SLV, GTM, HND, MEX, NIC, PRY, PER, VEN
OECD	GBR , NOR, SWE	CAN, NZL, SVN, USA	AUS, PRT	FRA, DEU, ITA, ESP, CZE, HUN, JPN, POL, SVK, KOR, TUR

Source: International Budget Partnership, Open Budget Survey 2017.

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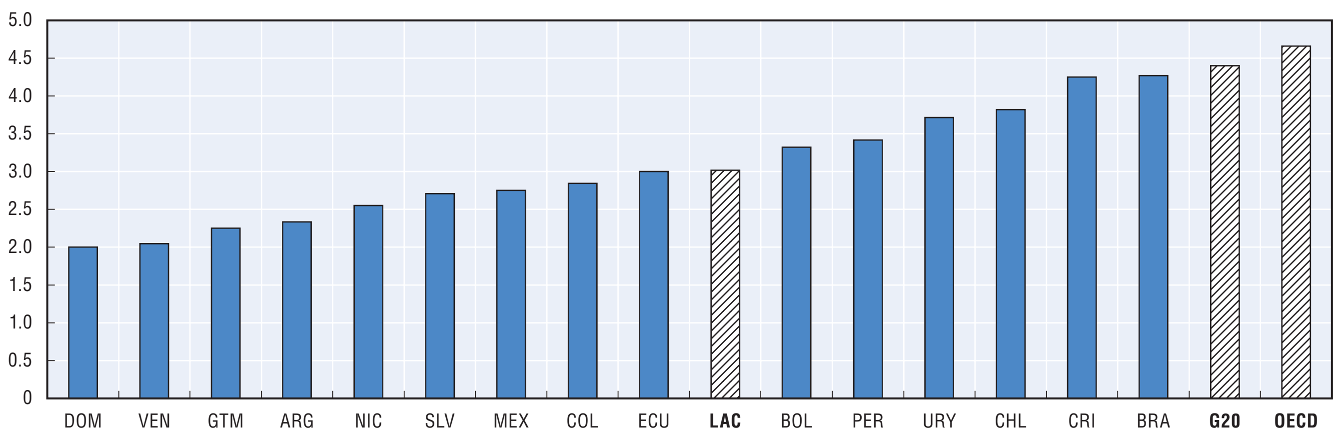
Public employment

The human dimension, that is, every single public official, is at the heart of public governance: it is public officials that eventually implement laws and procedures. As such, reinforcing the professionalism of public employees and the values that guide ethical behaviour are critical dimensions for a highly performing civil service (OECD, 2019[8]).

A merit-based civil service is a fundamental element of public governance. A professional civil service can reduce corruption risks and counterbalance clientelism (Dahlström, Lapuente and Teorell, 2012[52]). In most countries of the region, however, a high rotation in the civil service is the norm rather than the exception, favoured by its high dependency on political cycles. The Quality of Governance Expert Survey, a survey of experts on public administration, confirms the high degree of politicisation of the public administration in Latin America which is on average (3.0) perceived to be less professional than in the G20 (4.4) and OECD (4.6). Indeed, even the highest scoring countries, Brazil and Costa Rica, score below the G20 and OECD average (Figure 1.26).

Figure 1.26. **The civil service in LAC countries is considered less professional and more politicised on average than it is in the OECD and G20, 2015**



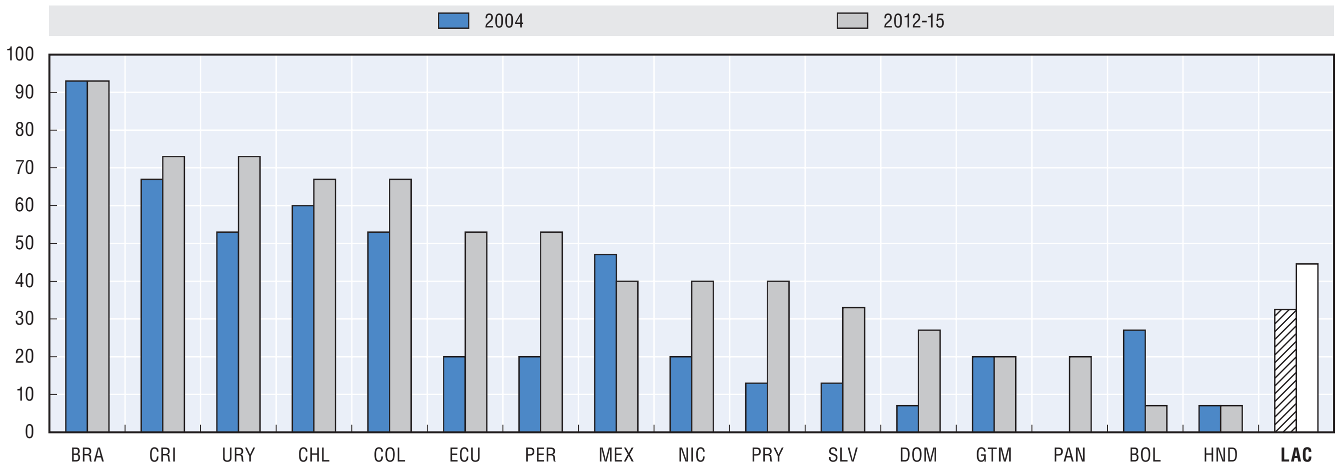
Note: The index measures to what extent the public administration is professional rather than politicised. Higher values indicate a more professionalised public administration. It is based on four questions from the survey: Thinking about the country you have chosen, how often would you say the following occurs today: When recruiting public sector employees, the skills and merits of the applicants decide who gets the job? When recruiting public sector employees, the political connections of the applicants decide who gets the job? The top political leadership hires and fires senior public officials? Senior public officials are recruited from within the ranks of the public sector? The scale for each question is 1-7 (from "hardly ever" to "almost always"). In this analysis G20 countries are also included.

Source: Dahlström, C. et al. (2015[53]), The QoG Expert Survey Dataset II, University of Gothenburg: The Quality of Government Institute, *https://qog.pol.gu.se/data/datadownloads/qogexpertsurveydata*.

StatLink https://doi.org/10.1787/888934091106

Nonetheless, most countries in the region have made progress on meritocratic recruitment for civil servants, with scores of the Civil Merit Index improving in almost all countries since 2004 (Figure 1.27). The merit index assesses 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. One of the main drivers for the improvement is the introduction of public employment web portals through which hiring competitions are more open and widely publicised, a stronger emphasis on selection tests and the strengthening of civil service agencies (OECD, 2016[54]). In 2013, Paraguay, for example, created the portal *Paraguay Concursa*, which covers admission and promotion for competitions, and establishes procedures to create and validate competitive examinations, advertise job positions, evaluate candidates and announce competition results (OECD, 2018[55]).

Figure 1.27. **Significant improvement of the Civil Merit Index, 2004 and 2012-15**



Notes: This index measures the guarantees of professionalism in the way that the civil service system works, and thus places a value on impartiality in decision making in each management subsystem. Specifically, the Civil Merit Index 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 scale is from 0 to 100, with 100 being the best possible score.

Source: OECD (2016[54]), *Government at a Glance: Latin America and the Caribbean 2017*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264265554-en*.

StatLink *https://doi.org/10.1787/888934091125*

1.5. Conclusion: Tying things together

Sound public governance is essential to the achievement of economic and social objectives. This chapter provides evidence on the need to design public policies around the principles of transparency, accountability, integrity and participation, as well as on the importance of implementing governance reforms fairly and effectively. This is essential if governments are to meet the demands of the citizens and restore trust in public institutions.

Both the OECD and the IDB have developed work streams and in-depth analysis, both country specific and at the regional level, that have provided the foundation for this chapter. This includes the *Action Plan on Integrity for Good Governance in Latin America and the Caribbean: From Commitments to Action*, which provides concrete recommendations in many of the areas that have been mentioned in this chapter (OECD, 2018[6]).

The relevance of the political economy of reforms is increasingly understood in the region, as it has been emphasised in this chapter. The fundamental question, however, is how to translate these insights into concrete recommendations for decision-makers. This includes how to set policy priorities and sequence reforms, enhance administrative and skills capacity in sub-national levels of government, strengthen coordination capacity within sub-national governments and between levels of government, and how to deal with political costs and compensate those who lose from a given reform.

In this context, and in conclusion, governments need to make additional efforts in the monitoring and evaluation of reforms. This requires the development of meaningful national and sub-national performance indicators that can provide policy-makers and stakeholders information concerning the gap between de jure quality of normative frameworks and the *de facto* implementation. Future *Government at a Glance* editions could aim at picking up this measurement challenge which could then support further global policy dialogue.

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Government at a Glance: Latin America and the Caribbean 2020

Chapter 2

Public finance and economics

The fiscal balance is the difference between government revenues and spending, indicating if governments raise enough resources to cover their expenditures. This balance could be negative, resulting in a deficit, or positive, resulting in a surplus. Consecutive large fiscal deficits may lead to debt accumulation. 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. Such improvements may result from a combination of the following factors: political commitment to fiscal discipline, sound institutional arrangements for budgeting and/or a favourable performance of the economy.

LAC countries reported an average deficit level of 4.3% of GDP in 2018, which was higher than in OECD countries where it reached on average 2.9% of GDP. Compared to 2007, when it was on average 0.9% of GDP the fiscal deficit in LAC countries increased by 3.4 p.p., portraying an overall deterioration of the fiscal and economic outlook in the region when comparing these two points in time. Such deterioration results from the combination, in recent years, of fewer resources from commodities and sluggish economic growth coupled with political uncertainty in many countries of the region. In 2018, Jamaica (1.2%) and Honduras (0.2%) were the only LAC countries that reported a fiscal surplus. Over the past two of years, Honduras has made important efforts to reduce macroeconomic imbalances and institutionalise macroeconomic prudence (IMF, 2019). In contrast, the general government fiscal deficits were the highest in Bolivia (8.1%), Brazil (7.2%) and Suriname (7.2%). Given the size of its economy, what happens in Brazil in economic terms has consequences in many countries of the LAC region. The recession that started in 2015 has demonstrated the existence of considerable imbalances in the fiscal accounts, triggered by increased public spending needed, among others, to cope with an ageing population as well as subsidies to companies that have been losing competitiveness (OECD, 2018).

The primary balance is the overall fiscal balance excluding net interest payments on public debt. It illustrates the extent to which governments can honour their debt obligations without the need for further indebtedness. All in all, the primary balance is an indicator of debt management and sustainability of public finances in the short run.

In 2018, of the 4.3% of GDP deficit on average in LAC countries, almost 3.8% of GDP represented net interest payments, which resulted in an average primary deficit of 0.5% of GDP. The largest primary deficit in 2018 was in Bolivia (7.0%), followed by Suriname (3.6%), and Trinidad and Tobago (3.0%), while the largest primary surpluses were in Caribbean countries such as Jamaica (7.5%), Barbados (3.5%) and Belize (2.1%). These three countries have implemented fiscal consolidation reforms in the past years, as they were highly indebted and experiencing low economic growth. In turn, net interest payments were the highest in Jamaica (6.3%), Brazil (5.6%), Mexico (3.8%) and Barbados (3.8%).

Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (October 2019), 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, also referred to as net lending (+) or net borrowing (-) of general government, is calculated as total government revenues minus total government expenditures. The fiscal balance signals whether a government is either putting financial resources at the disposal of other sectors, or using the financial resources generated by other sectors. The primary balance is the fiscal balance excluding net interest payments on general government liabilities (i.e. interest payments minus interest receipts). For the OECD average, data are from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

Barreix, A. and L. Corrales (2019), *Reglas fiscales resilientes en América Latina*, Inter-American Development Bank, Washington, DC, *http://dx.doi.org/10.18235/0002003*.

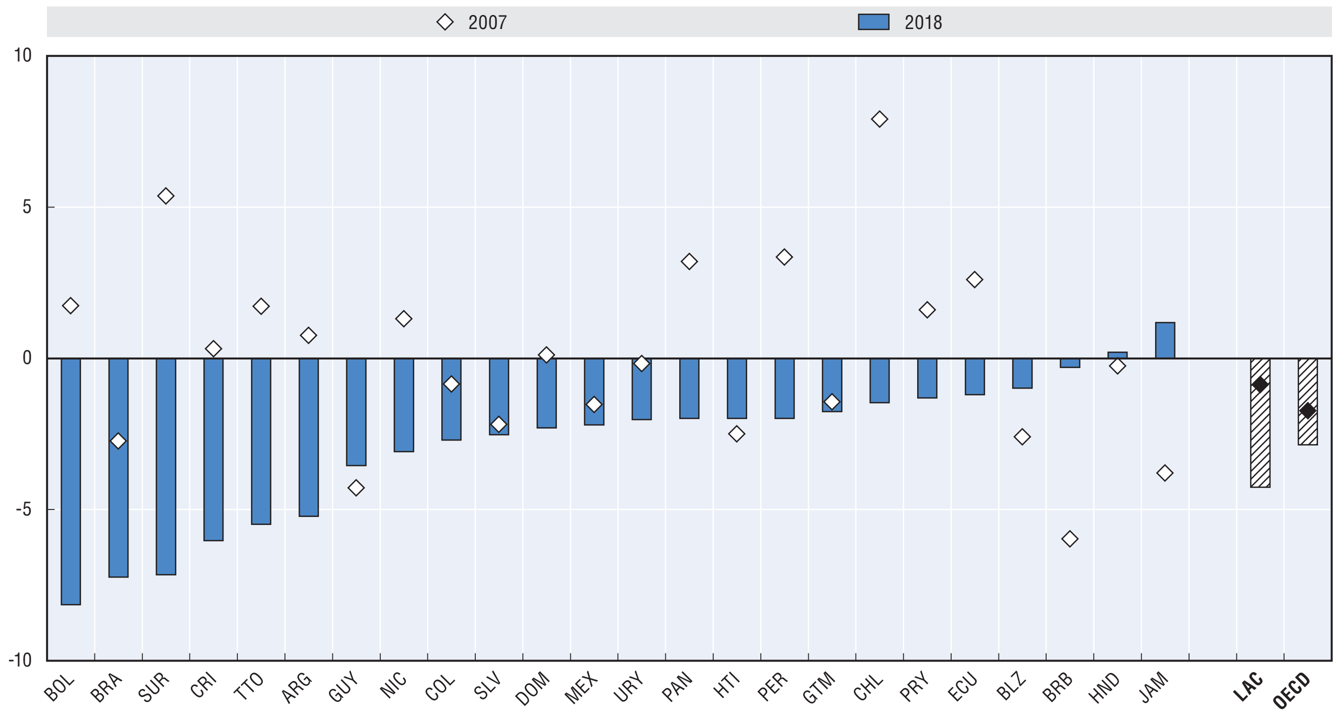
IMF (2019), "Staff report for the 2019 Article IV Honduras", *IMF Country Report*, No. 19/236, IMF Publishing, Washington, DC.

OECD (2018), *OECD Economic Surveys: Brazil 2018*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eco_surveys-bra-2018-e*.

Figure notes

Data for Bolivia and Suriname for 2018 refer to forecasts. LAC and OECD averages are weighted. For more information on country specific notes (e.g. coverage of general government) see: *https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx*

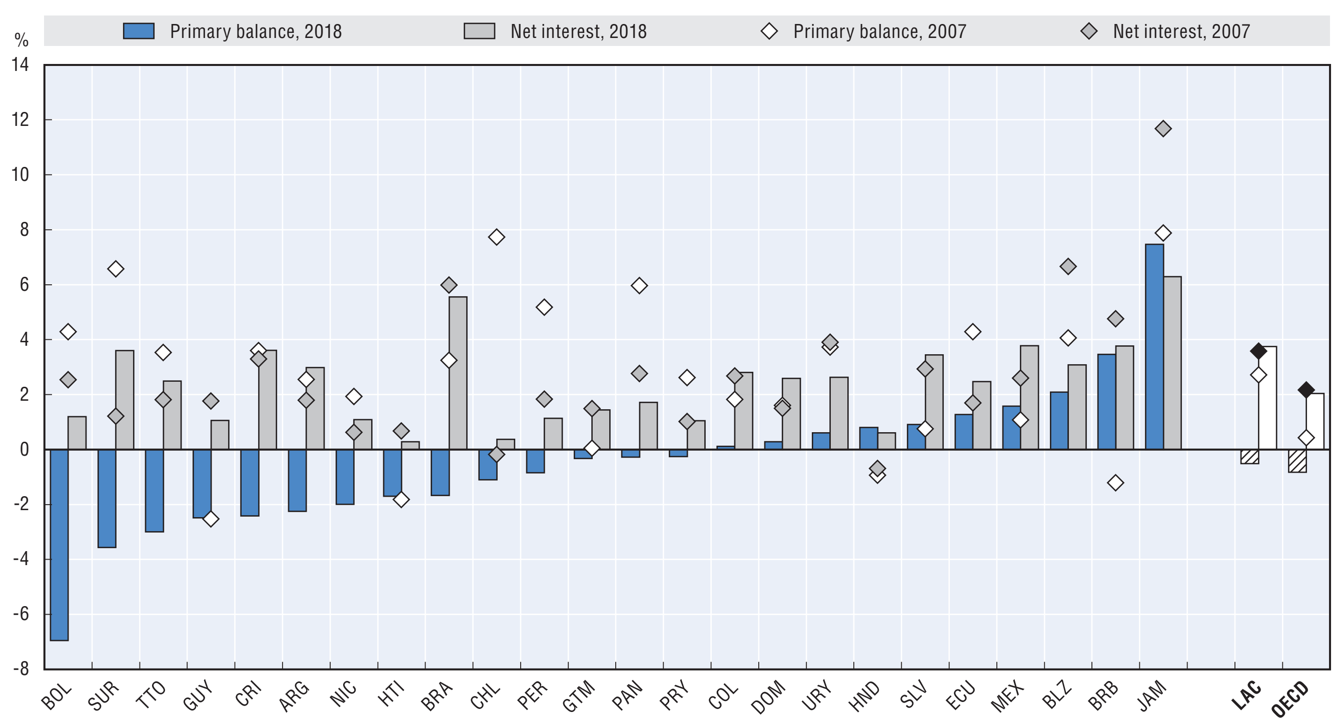
2.1. General government fiscal balance as a percentage of GDP, 2007 and 2018



Source: Data for the LAC countries, IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888934091144

2.2. General government primary balance and net interest spending as a percentage of GDP, 2007 and 2018



Source: Data for the LAC countries, IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888934091163

General government spending and revenues are highly sensitive to economic cycles and specific events (e.g. privatisations). In turn, government revenues (particularly tax revenues) tend to decline during economic downturns, at the same time as public spending may increase given that more people become unemployed and qualify for social assistance or unemployment benefits. On the other hand, during upturns, public accounts improve, as tax revenues rise and the number of those receiving social benefits usually declines. Analysing indicators that are not influenced by temporary fluctuations helps policy makers identify the underlying trend of fiscal policies associated with long-term public finance sustainability. The structural fiscal balance aims to capture these trends in order to assess fiscal performance. Estimating the structural balance requires calculating the structural and cyclical components of both the fiscal balance and output or potential GDP (i.e. the economy working at full capacity).

The structural fiscal balance for LAC countries reached an average deficit of 3.8% as a share of potential GDP in 2018, increasing by 2.3 p.p. since 2007 when the deficit was 1.5% of potential GDP. This differs from the trend in OECD countries where the average deficit as a share of GDP was 3.1% in 2007 (pre-crisis) and diminished by 0.4 p.p. to reach 2.7% in 2018. LAC countries with the largest structural deficits as a share of potential GDP in 2018 were Suriname (6.4%) and Brazil (6.1%) that are smaller than their overall deficits indicating on the one hand the need to increase revenues but also that general recordings are capturing negative cyclical effects. . On the other hand, and while in 2018 structural surpluses were not observed in any LAC country, Chile (1.5%), Paraguay (1.4%) and Barbados (0.3%) are the LAC countries with the smallest structural deficits.

The projections of the structural balance as a share of GDP in the LAC region indicate average deficits to decrease from a projected 3.7% in 2019 to 3.2% and 3.0% of potential GDP in 2020 and 2021 respectively. These projections are framed by the expectation of a recovery, albeit still at modest rates, of economic growth in the region throughout the coming years. On the contrary, for OECD countries the projections of the structural deficit is expected to increase from a projected 3.1% in 2019 to 3.2% of potential GDP in 2020 and 2021 reflecting the consequences of the trade war between developed economies and the uncertainty brought about, for example, by the economic effects of the Brexit.

However, projected changes in LAC for 2019 vary, from a drop of 9.1 p.p. and a 6.1 p.p. of potential GDP in Suriname and Brazil respectively, to a rise of 3.3 p.p. in Barbados. In the case of Suriname, it reflects government difficulties to contain its spending including subsidies to state owned enterprises as well as troubles to improve tax collection. For Brazil, it evidences further increases in public spending resulting from subsidies and social transfers. In the case of Barbados, it reflects the effects of a set of ambitious reforms, including a fiscal consolidation program and debt restructuring (Deyal, Alvarez, Waithe 2019)

Methodology and definitions

Data are from the IMF World Economic Outlook (WEO) database (October 2019), 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.

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, potential GDP 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 Economic Outlook No. 106* database, which is based on the SNA framework.

Further reading

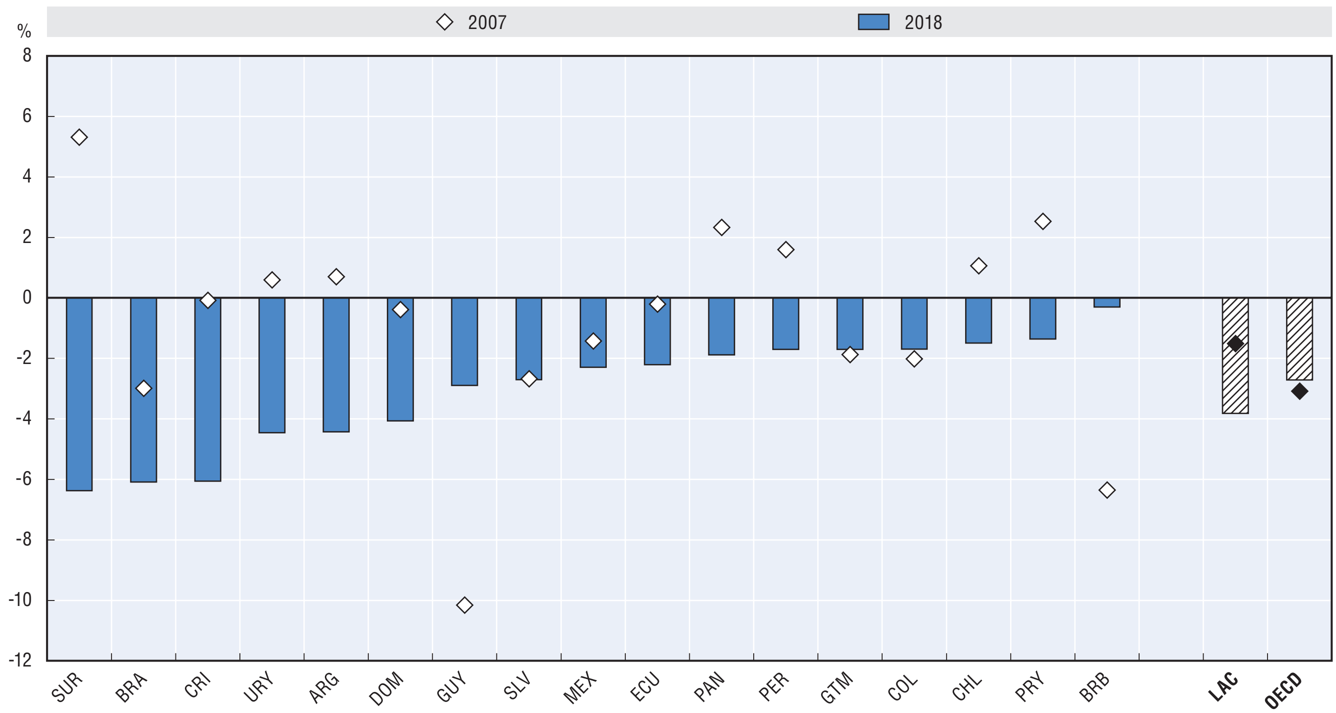
Ardanaz, M. et al. (2015), "Structural fiscal balances in Latin America and the Caribbean", *IDB Working Paper Series, No. IDB-WP-579*, Inter-American Development Bank, Washington, DC, *https://publications.iadb.org/en/structural-fiscal-balances-latin-america-and-caribbean-new-dataset-and-estimations*.

Deyal, Z., L. Álvarez and K Waithe (2019), "Economic growth, debt and fiscal adjustment: Barbados's tripartite challenge", *IDB Policy Brief, No. 310*, IDB Publishing, Washington, DC, *http://dx.doi.org/10.18235/0001563*

Figure notes

Data for 2018 for Bolivia and Suriname refer to forecasts. LAC and OECD averages are weighted. For more information on country specific notes (e.g. coverage of general government) please see: *https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx*

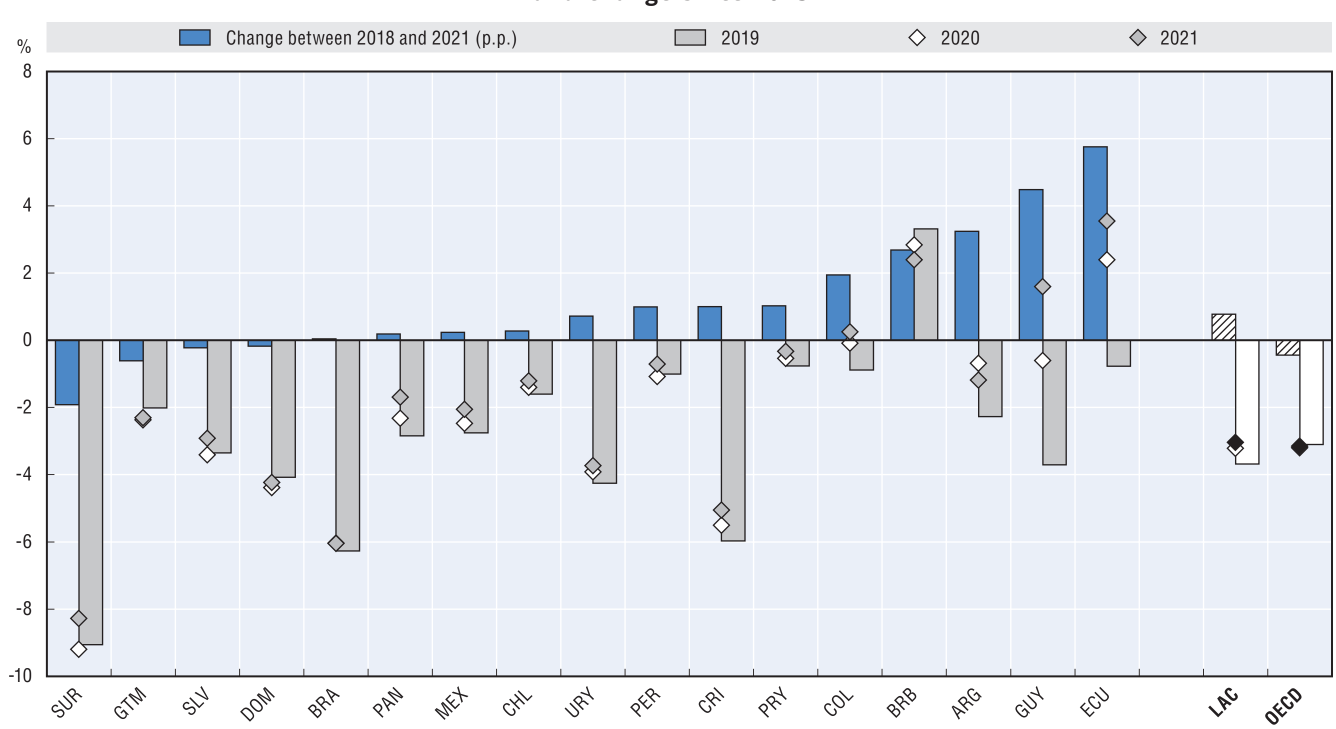
2.3. General government structural balance as a percentage of potential GDP, 2007 and 2018



Source: Data for LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD Economic Outlook N.106 (database).

StatLink https://doi.org/10.1787/888934091182

2.4. General government projected structural balance as a percentage of potential GDP in 2019, 2020 and 2021 and change since 2018



Source: Data for LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD Economic Outlook N.106 (database)

StatLink https://doi.org/10.1787/888934091201

General government gross debt represents governments' outstanding liabilities stemming from the need to finance deficits through borrowing. Governments accumulate debt to finance expenditures above their revenues. In the long run, debt can help for instance the development of infrastructure that could trigger economic growth. In turn, fluctuations of the exchange and interest rates can have a strong effect on government debt when it has a relevant foreign currency component (as it is the case in several LAC countries), creating vulnerability to external conditions.

In 2018, the average debt level in LAC countries reached 64.7% of GDP. Between 2007 and 2018, debt increased by 17.2 p.p. across LAC countries. That is relatively low when compared to an increase of 35.5 p.p. in OECD countries during the same time period. Despite still recording the third highest debt in the region (94.3% of GDP), Jamaica is the country were debt decreased the most (20.1 p.p.) over the 11-year period; helped by an IMF programme for fiscal recovery accompanying a set of fiscal reforms. The other LAC countries that managed to decrease their debt levels over the same period are Panama (9.7 p.p.), Guyana (8.0 p.p.) and Peru (5.7 p.p.).

Conversely, the highest increases during the 2007-2018 period occurred in Suriname (55.3 p.p.), Barbados (48.3 p.p.), Trinidad and Tobago (28.8 p.p.) and Costa Rica (26.5 p.p.). The steep increase in Suriname' debt could be explained by its dependency on the mining industry and its vulnerability to changes in mineral prices. The drop in international commodity prices and the cessation of alumina mining in Suriname significantly reduced government revenue and reduced GDP growth over the past few years. In response, the government only established a stabilization fund in 2017 and highly devalued the local currency and resorted to debt for financing public expenditure (IMF, 2018).

Between 2007 and 2018, the annual average growth rate of real government debt per capita in LAC countries was 3.9%, reaching an average of USD 10 656 PPP per capita in 2018. In turn, the average growth rate of real government debt per capita in OECD countries was higher (4.6%), reaching an average of USD 55 219 PPP per capita in 2018. During the 11-year period, Chile strongly increased its debt per capita (21 p.p.) and Jamaica was the only LAC country where it decreased it (-2.2 p.p.), see online graph. It is expected that debt in the LAC region will continue to grow in the near future to partially compensate for, among others, the stabilization of commodity prices at comparatively low levels, slower economic growth and increasing expectations and demands from the population for governments to provide more public goods and services.

Methodology and definitions

Data are from the IMF World Economic Outlook (WEO) database (October 2019), 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.

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 is 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 its employees, some flexibility is allowed in the recording of unfunded liabilities in the core accounts. See more on calculating government debt per capita in general government revenues in the methodology and definitions of Section 2.4. For the OECD average, data are from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

IMF (2018), "Suriname: 2018 Article IV Consultation – Staff report", *IMF Country Report*, No. 18/376, IMF Publishing, Washington, DC.

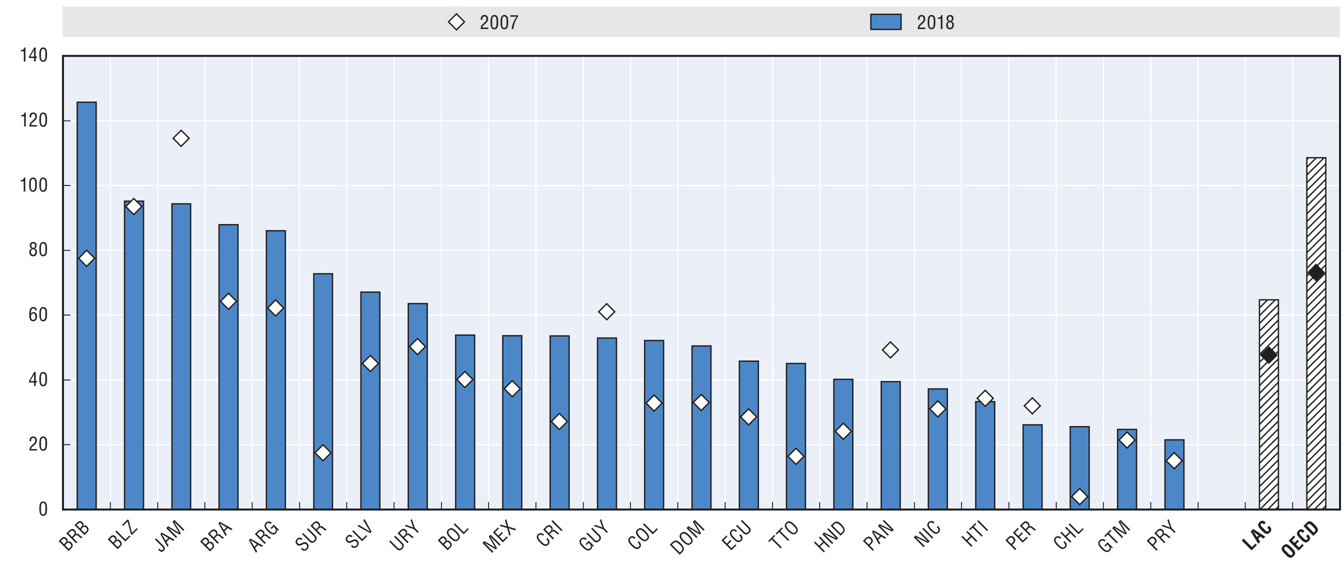
OECD et al. (2019), *Latin American Economic Outlook 2019: Development in Transition*, OECD Publishing, Paris, *https://doi.org/10.1787/g2g9ff18-en*.

Figure notes

Data for Bolivia and Suriname for 2018 refer to forecasts. LAC and OECD averages are weighted. For more information on country specific notes (e.g. coverage of general government) please refers to: *https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx*

2.7. (Annual average growth rate of real government gross debt per capita, 2007-18) is available online in Annex F.

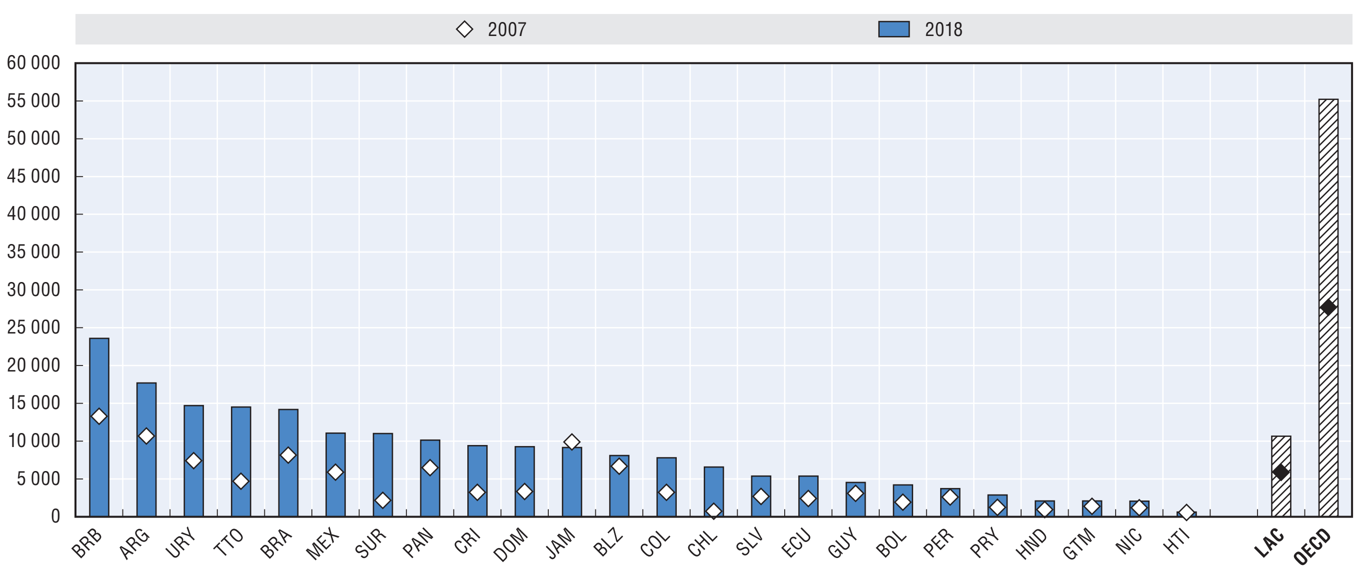
2.5. General government gross debt as percentage of GDP, 2007 and 2018



Source: Data for LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888934091220

2.6. General government gross debt per capita, 2007 and 2018



Source: Data for LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888934091239

Governments raise revenues (through taxes, royalties, custom duties, etc.) to finance the provision of goods and services and to redistribute income (e.g. social benefits and subsidies). The amount of revenues collected depends on multiple factors such as government fiscal policies and type of development model, the endowment of natural resources, political institutions, the stage of economic and social development, and internal and external macroeconomic conditions.

In LAC countries, general government revenues on average accounted for 26.9% of GDP in 2018 below by 1.3 p.p. the 2007 value. The GDP has increased at a faster pace than government revenues (which have increased in absolute and per-capita terms) explaining why the overall revenue to GDP ratio decreased for the period under study. This trend is in stark contrast to the OECD where general government revenues reached 37.5% of GDP in 2018 and increased by 0.2 p.p. since 2007. LAC countries with the highest percent of revenues per GDP are Ecuador (35.8%), Argentina (33.6%) and Brazil (31.2%). In the other end of the spectrum, the Dominican Republic (14.1%), Costa Rica (13.6%) and Guatemala (10.6 %) collect the least revenues.

Between 2007 and 2018 the largest increase, in general government revenues as a percentage of GDP occurred in Ecuador (9.13 p.p.). The explanation for this increase is manifold, including the effect of a recent rebound in the price of hydrocarbons but also structural factors such as reforms to the tax system, which included higher rates on income and inheritances in 2008 and the introduction of some new taxes (e.g. the exit currency tax). Efforts to modernise the tax administration and reduce evasion have also led to significant increase in the number of taxpayers in Ecuador. General government revenues decreased the most in Panama (6.1 p.p.) which may be explained by the existence of numerous tax exemptions and incentives, and underperformance in tax collection, which could reflect structural weaknesses in customs and the tax administration (IMF, 2019).

An alternative way of looking at the importance of the government in the economy in terms of financial resources is to measure government revenues per capita. On average revenue per capita in LAC countries reached USD 4 437 PPP in 2018 significantly below the OECD average of USD 17 865 PPP. Among the countries with the highest revenue per capita are English speaking Caribbean islands (Barbados and Trinidad and Tobago) alongside countries in the southern cone (Argentina, Chile and Uruguay). On average, revenues per capita increased at an annual rate of 0.6% in the LAC region compared to 0.8% in the OECD. Still, the GDP has increased at a faster pace than government revenues explaining why the overall revenue to GDP ratio decreased for the period under study. The highest negative annual average growth rate in government revenues (-1.9%) occurred in Trinidad and Tobago explained by several years of weak or negative growth and strong dependency on hydrocarbons and the consequent recent negative fluctuations in prices and production (OECD 2019).

Methodology and definitions

Data are from the IMF World Economic Outlook (WEO) database (October 2019), 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 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

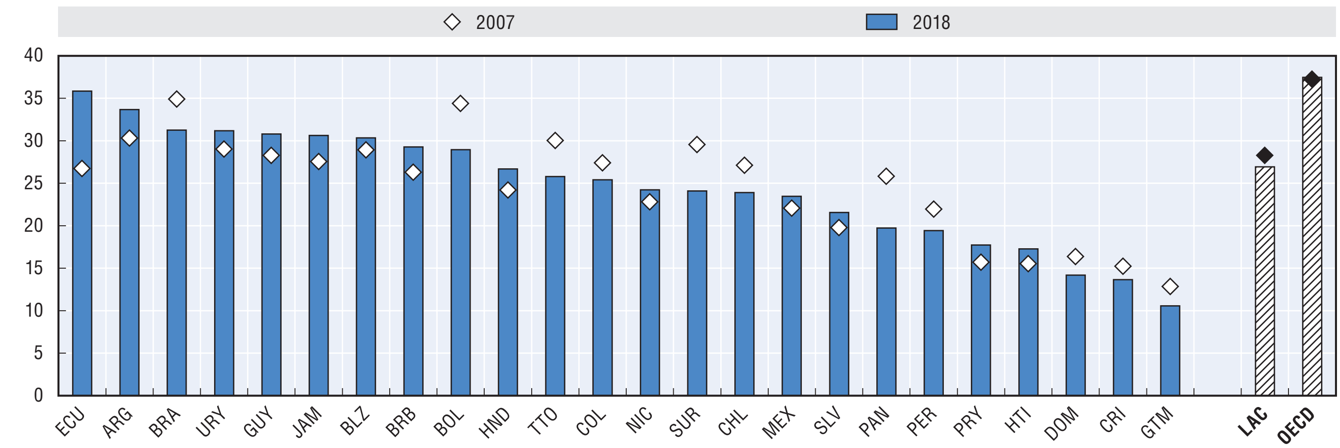
IMF (2019), "Staff report for the 2019 Article IV consultation", *IMF Country Report*, No. 19/11, IMF Publishing, Washington, DC, *https://www.imf.org/en/Publications/CR/Issues/2019/01/17/Panama-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-46528*.

OECD et al. (2019), *Revenue Statistics in Latin America and the Caribbean 2019*, OECD Publishing, Paris, *https://doi.org/10.1787/25666b8d-en-es*.

Figure notes

Data for 2018 for Bolivia and Suriname refer to forecasts. LAC and OECD averages are weighted. For more information on country specific notes (e.g. coverage of general government) see *https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index*.

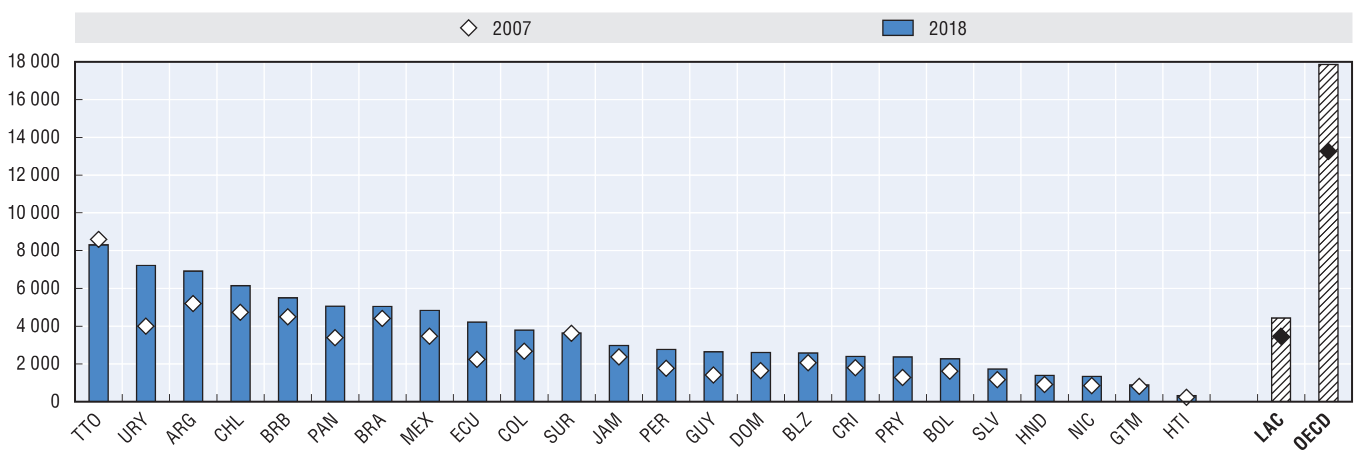
2.8. General government revenues as a percentage of GDP, 2007 and 2018



Source: Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: *OECD National Accounts Statistics Database*

StatLink https://doi.org/10.1787/888934091258

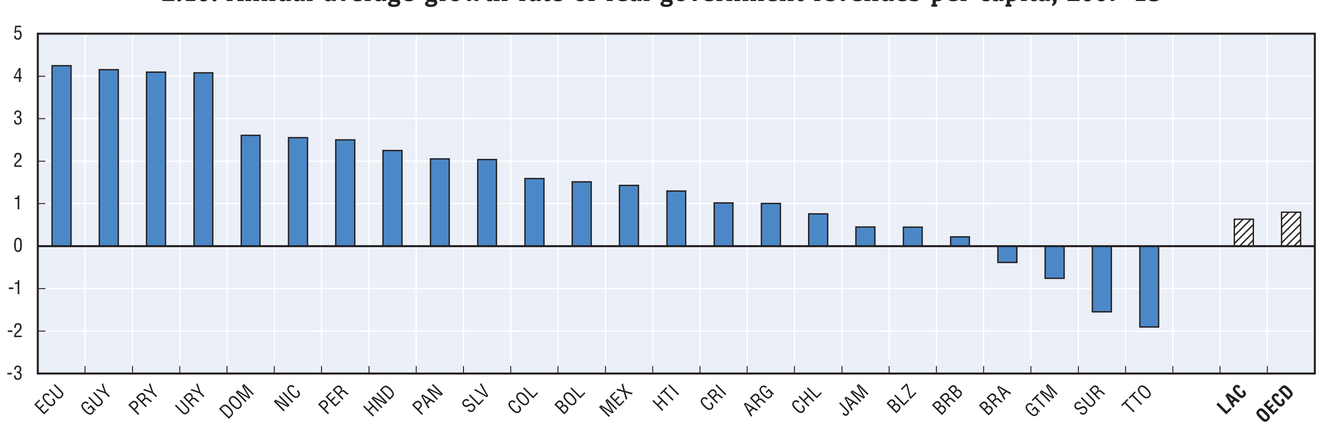
2.9. General government revenues per capita, 2007 and 2018



Source: Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: *OECD National Accounts Statistics Database*

StatLink https://doi.org/10.1787/888934091277

2.10. Annual average growth rate of real government revenues per capita, 2007-18



Source: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: *OECD National Accounts Statistics (database)*.

StatLink https://doi.org/10.1787/888934091296

The capacity to tax citizens is one of the foundational and fundamental attributes of governments. Revenues collected from taxes represent the most important source of public funds in almost all countries and are crucial to provide public goods and services, guarantee government operations, undertake public investment and embark on a higher or lower degree of income redistribution. As a general trend, in 2017 tax revenues as a share of GDP were on average 22% of GDP in LAC. This represents an increase of 1.8 p.p. since 2007, yet is still significantly below the OECD average of 34.1% in 2017. However, the increase in OECD countries for the same period was smaller than in LAC (0.5 p.p. on average), indicating that the gap between both groups of countries is slowly decreasing.

LAC countries where tax revenues as a share of GDP are highest are Brazil (32.3%), Barbados (31.8%) and Uruguay (30.8%) and Argentina (30.3%). At the other end of the spectrum, tax revenues as a share of GDP are the smallest in the Dominican Republic (13.8%), Paraguay (13.8%) and Guatemala (12.4%). The highest increases in tax revenues between 2007 and 2017 occurred in Ecuador (6.7 p.p.) and Uruguay (5.8 p.p.) permeated by the 2017 recovery in the overall economic environment in the region after a two-year recession.

Still, in Ecuador, this is the result of several reforms over the past decade leading to higher rates in several taxes (i.e. income, inheritances) as well as the modernization of the tax administration. In the case of Uruguay, in 2007 the government introduced a tax reform under the motto "those who have more shall pay more" that among others simplified the tax system and shifted from a universal to a progressive scheme for taxing wages while at the same time establishing the requirement of filling out personal income tax declaration. The reform, associated with the economic cycle, has resulted in an overall increase of tax revenues. On the other hand, tax revenues decreased the most in Peru (3 p.p.) between 2007 and 2017, largely explained by the sharp decrease in the price of minerals and corresponding fall in tax revenues since 2014.

The tax mix in LAC and OECD countries in 2017 was structurally different. In LAC countries, taxes on good and services (e.g. VAT), which tend to be regressive, represent about 50% of tax revenues compared to about one third in OECD countries. For the same year, on average in LAC countries, 44.3% of tax revenues came from taxes on income and profits and social security contributions, compared with 59.8% in OECD countries. In turn, within taxes on income and profits, the revenue share of corporate income tax was higher and taxes on persons were comparatively lower in LAC compared to the OECD (OECD 2019)

Between 2007 and 2017, on average, the most important change within the structure of tax revenues was the increase in the relative importance of social contributions (from 14.4% to 17%). Some countries such as Uruguay (reduction of 18 p.p. in the relative importance of taxes on goods and services) and Costa Rica (10.5 p.p.) have been successful in achieving a more balanced distribution between indirect (e.g. VAT) and direct taxes (e.g. income). However, on average, this reduction has been rather modest (1 p.p.) and the relative importance of indirect taxes has actually increased in nine LAC countries (Bahamas, Barbados, Belize, Chile, Guyana, Jamaica, Mexico, Peru and Trinidad and Tobago).

Methodology and definitions

Data are drawn from the OECD Revenue Statistics in Latin America database, whose classification of tax revenue is almost identical 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

ECLAC (2019), *Fiscal Panorama of Latin America and the Caribbean 2019*, Economic Commission for Latin America and the Caribbean, Santiago, *https://www.cepal.org/en/publications/44517-fiscal-panorama-latin-america-and-caribbean-2019-tax-policies-resource*.

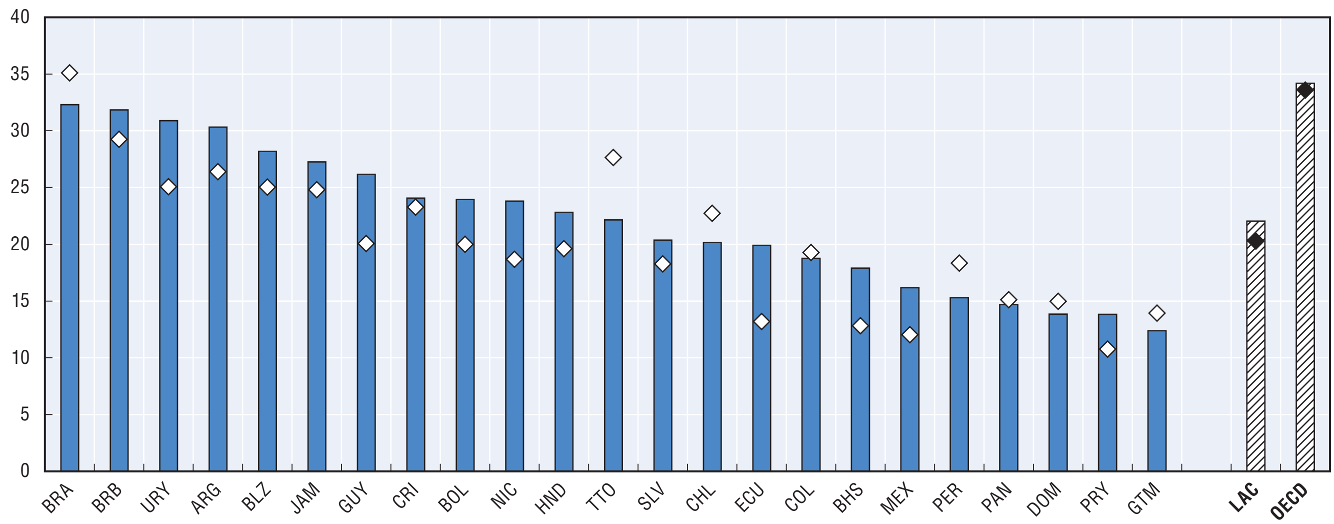
OECD et al. (2019), *Revenue Statistics in Latin America and the Caribbean 2019*, OECD Publishing, Paris, *https://doi.org/10.1787/25666b8d-en-es*.

Figure Notes

LAC and OECD averages are unweighted.

2.12 OECD average refer to 2016 rather than 2017.

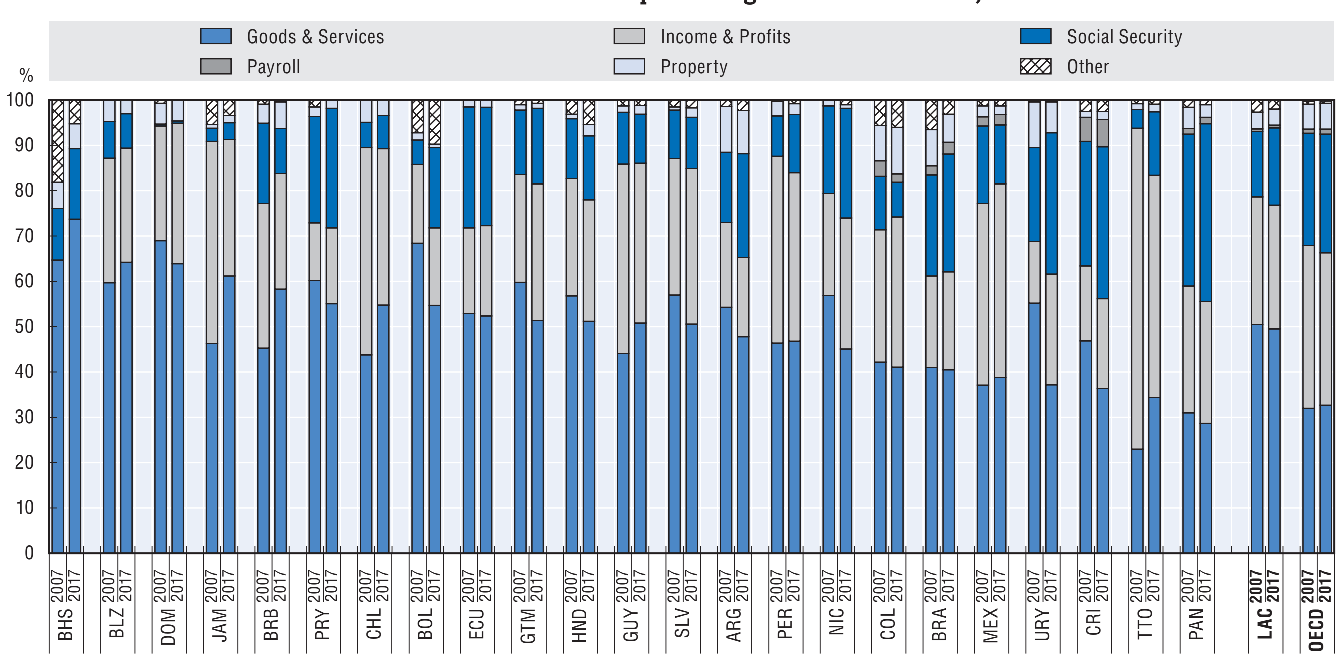
2.11. General government tax revenues as a share of GDP, 2007 and 2017



Source: OECD (2019) Revenue Statistics in Latin America and the Caribbean (database)

StatLink https://doi.org/10.1787/888934091315

2.12. Breakdown of tax revenues as a percentage of total taxation, 2007 and 2017



Source: OECD (2019) Revenue Statistics in Latin America and the Caribbean (database).

StatLink https://doi.org/10.1787/888934091334

Governments spend money in providing goods and services to the population, some of which are its exclusive competence (e.g. administering justice), and on redistributing income (e.g. via social benefits and subsidies). Government expenditures are usually less flexible than revenues as they are less sensitive to the business cycle and reflect past and current policy decisions guaranteeing entitlements and rights.

In 2018, on average in LAC, governments spent 31.2% of GDP, which represents an increase of 2 p.p. since 2007. Although LAC countries spent remarkably less than OECD countries -whose expenditures reached 40.3% of GDP, on average, in 2017-, they had a larger increase in the period under analysis (OECD countries spent 1.3 p.p. more than they did in 2007). This is driven by increased expenditures in the majority of the countries, some of them whose revenues decreased in the same period, such as Bolivia, Chile, Costa Rica and Peru (see Section 2.4). Several LAC countries established new welfare policies (e.g. conditional cash transfers, subsidies) in a period of comparatively high rates of economic growth and high commodity prices, whose continuity might be challenged in the current prospect of low economic growth.

There are large variations among countries in LAC in terms of expenditures. For instance, Argentina (38.9% of GDP), Brazil (38.5%), Bolivia and Ecuador (37.1% each) have the highest expenditures and are closer to the OECD average. On the contrary, Guatemala (12.3%) and Dominican Republic (16.5%) spend around half of the LAC average.

Compared with 2007, expenditures increased the most in Ecuador (12.9 p.p.), Argentina (9.4 p.p.) and Suriname (7.1 p.p.). In the case of Suriname, the increase is due to the size and growth of public employment, and the electricity and fuel subsidies, among others (Stone et al, 2016). By contrast, Barbados (-2.7 p.p.), Guatemala (-2.0 p.p.) and Jamaica (-1.9 p.p.) are the ones that decreased their expenditures the most, due to high levels of debt or slow economic growth.

Expenditures per capita provide an alternative way of interpreting government expenditures. In per capita terms, LAC countries spent, on average, USD 5 138 PPP in 2017. When comparing with OECD countries, whose expenditures amount to USD 19 227 PPP on average, LAC countries spend around a quarter in per capita terms. Trinidad and Tobago is the country that spends the most (USD 10 071 PPP), followed by Argentina (USD 7 993 PPP), whereas Guatemala (USD 1 041 PPP) and Haiti (USD 359 PPP) spent the least in the region.

Between 2007 and 2018, the annual average growth rate of real government spending per capita was 1.7% per year across LAC countries compared to an increase of 1.1% in OECD countries. Ecuador, Paraguay and Peru increased their real government expenditures per capita the most since 2007 (5% or above), whereas decreases of at least 1% per year where recorded for Jamaica and Barbados over the same period.

Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (October 2019), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and valuating 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 calculating government expenditures per capita see the methodology and definitions' paragraph of Section 2.4. For the OECD average, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

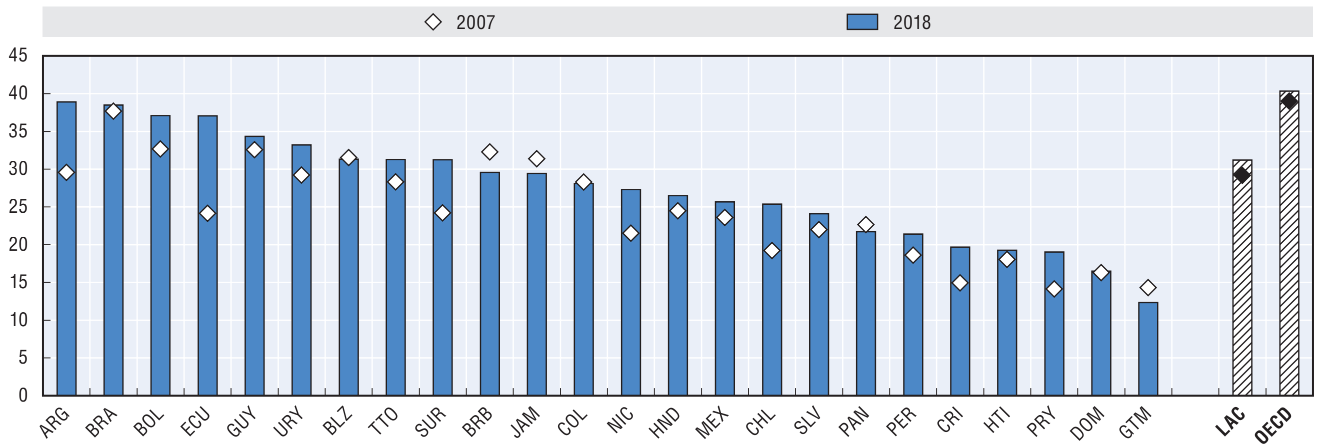
Cavallo, E. and A. Powell (2019), *Building Opportunities for Growth in a Challenging World*, Inter-American Development Bank, Washington, DC, *https://publications.iadb.org/publications/english/document/Country-Program-Evaluation-Suriname-2011-2015.pdf*.

Stone, L.F. et al. (2016), *Country Program Evaluation Suriname 2011-2015*, Office of Evaluation and Oversight, Inter-American Development Bank, Washington, DC.

Figure notes

Data for 2018 for Bolivia and Suriname refer to forecasts. LAC and OECD averages are weighted. For more information on country specific notes (e.g. coverage of general government) please refer to *https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx*

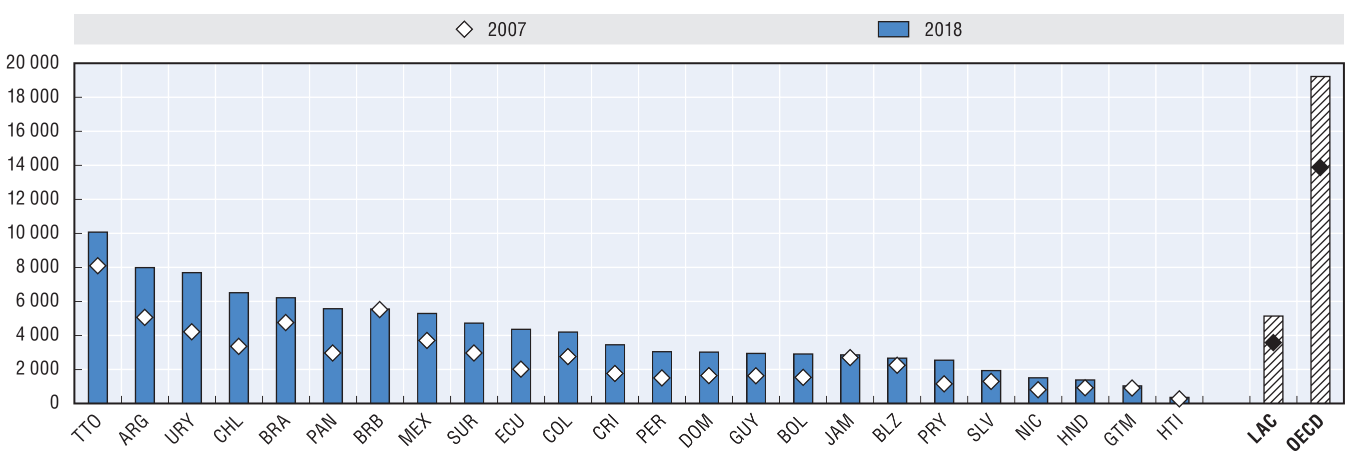
2.13. General government expenditures as a percentage of GDP, 2007 and 2018



Source: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database)

StatLink https://doi.org/10.1787/888934091353

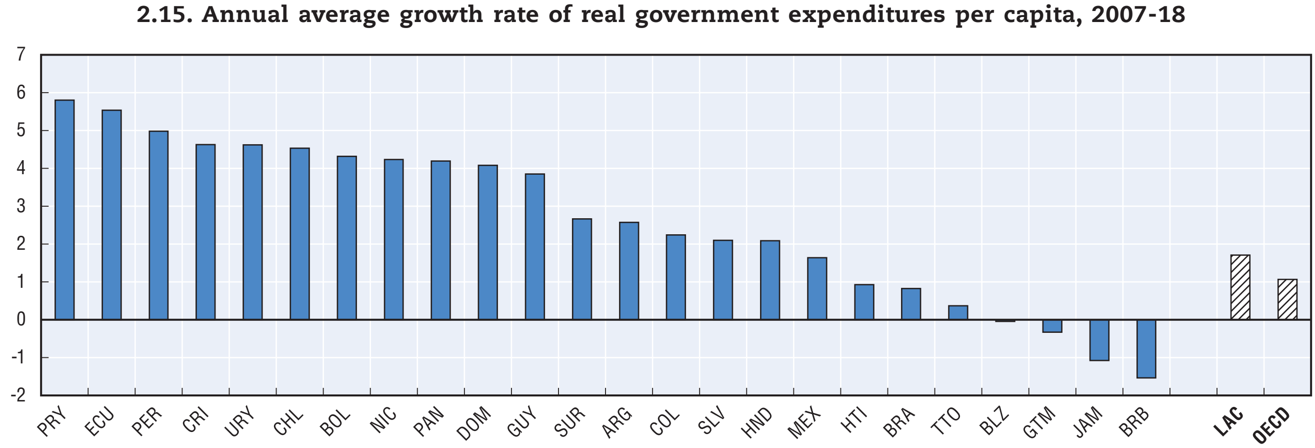
2.14. General government expenditures per capita, 2007 and 2018



Source: Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888934091372

2.15. Annual average growth rate of real government expenditures per capita, 2007-18



Source: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database)

StatLink https://doi.org/10.1787/888934091391

In general, sub-central governments are responsible for delivering services to the population. Their ability to collect revenues depends on the degree of fiscal federalism. In countries where sub-central levels have limited ability to collect taxes, their main source of revenues are central government transfers, which are mostly earmarked in the central budget.

Recent research has found that decentralising spending and revenue collection to the same extent contributes to economic growth and spending efficiency, especially in economies that are highly integrated to global markets (Kim and Dougherty, 2018). LAC countries, however, have traditionally suffered from an imbalance between resource-generation and spending at sub-central levels of government, rendering local and state levels dependent on transfers from the central government (Cibils and Ter-Minassian, 2015). As a result, these have limited autonomy in their public finances.

Among LAC countries with available data in 2017, the central level generated 69.7% of the revenues, the state level contributed 19.1% and the local government 10.4%. This shows a higher decentralisation than in 2007, when the central level collected 70.7% of the revenues, the state 21.2% and the local level 7.5%. Similarly, in OECD countries, the state level collected 19.2% of the revenues and the local level contributed 10.2% in 2017.

There are differences in decentralisation of revenue collection among LAC countries. In Chile, in 2017, the central government collected 91.9%, and the local government only 8.1%. Regional governments in Chile are "mixed entities" (both decentralised and deconcentrated) and the only self-governed entities are municipalities (which manage the communes). However, these are highly dependent on transfers. Hence, they serve mainly as public service providers (OECD, 2017). On the contrary, in Brazil, a federal country, the central government contributed 65.5%, the state level 24.0% and the local 10.4%.

In LAC, spending is more decentralised than revenue collection. In 2017, local levels spent, on average, 18% of total expenditures. By contrast, the central level spent 62.7% and the state level 18.5%. The imbalance is more apparent in Mexico, where the central government spent 38.6% and the state level 35.0%, although the former collected 80.5% of the revenues and the latter only 7.2%.

Similarly, in Peru, the central government collected 82.6% of the revenues, and spent 53.3% of the total expenditures. The state level collected 0.7% of the revenues and spent 19.1%, and the local level raised 4.5% and spent 15.9%. Such an imbalance is due to the dependence on extractive industries (whose revenues are shared), the lack of sources of revenue at the regional level (e.g. specific taxes) and the lack of autonomy in defining municipal taxes (Cibils and Ter-Minassian, 2015).

Methodology and definitions

Data are 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). 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' paragraphs of Sections 2.4 and 2.6 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, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

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

Kim, J. and S. Dougherty (eds.) (2018), *Fiscal Decentralisation and Inclusive Growth*, OECD Fiscal Federalism Studies, OECD publishing, Paris/KIPF, Seoul. *https://doi.org/10.1787/9789264302488-en.*

OECD (2017), *Making Decentralisation Work in Chile: Towards Stronger Municipalities*, OECD Multi-level Governance Studies, OECD Publishing, Paris. *http://dx.doi.org/10.1787/9789264279049-en*

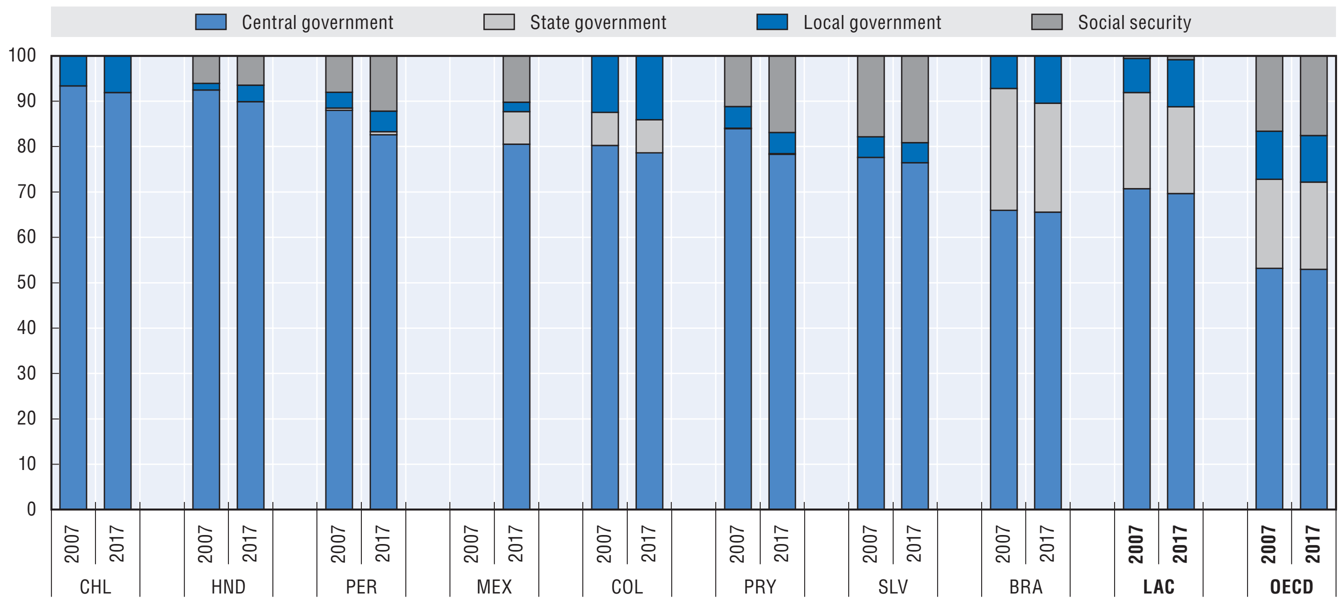
Figure notes

Data for Mexico, Peru and Paraguay are recorded on a cash basis. Transfers between levels of government are excluded. Data for Mexico are not included in the LAC average. LAC and OECD averages are weighted.

Data for Honduras refer to 2015 rather than 2017 and data for Paraguay refer to 2016 rather than 2017; and for Colombia refer to 2008 rather than 2007.

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

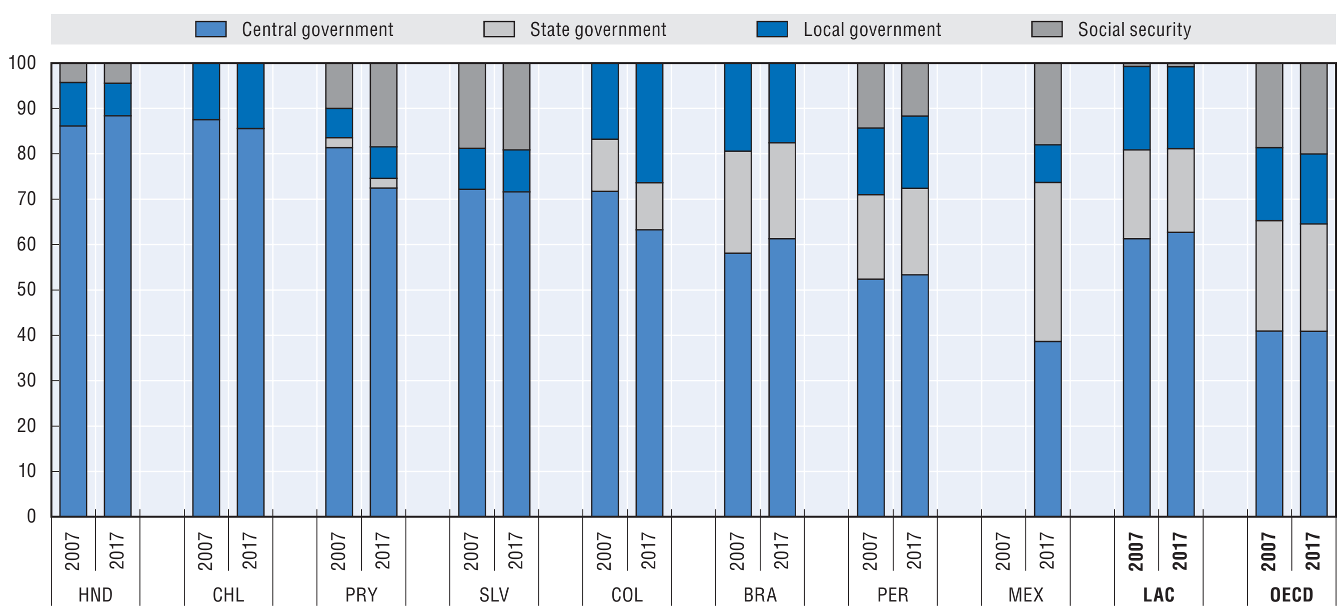
2.16. Distribution of general government revenues across levels of government, 2007 and 2017



Source: Data for the LAC countries: IMF Government Finance Statistics (IMF GFS) database. Data for the OECD average: OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888934091410

2.17. Distribution of general government expenditures across levels of government, 2007 and 2017



Source: Data for the LAC countries: IMF Government Finance Statistics (IMF GFS) database. Data for the OECD average: OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888934091429

In order to carry out their main functions (e.g. providing individual and collective goods and services to the population), governments spend their resources in various ways: by making transfers (e.g. subsidies and social benefits), by purchasing goods and services (e.g. vaccines for hospitals), by paying their employees, and by making investments, among others. Disaggregating expenditures by economic transaction allows disentangling government priorities and commitments, as well as its margin of manoeuvre for modifying the allocation of public funds.

In 2017, LAC countries for which data are available allocated 29.7% of their expenditures to social benefits (e.g. pensions, conditional cash transfers). This represents an increase of 9.2 p.p. since 2007. By comparison, OECD countries spent 40.9% on this transaction, a comparatively smaller increase (4.1 p.p.) from 2007. Compensation of employees is the second largest transaction both in LAC and OECD countries, although it represents a larger share in LAC (26%) than in the OECD (22.8%). However, the share of compensation has decreased 1.3 p.p. since 2007 in LAC. In LAC, property income (mainly debt interest payments) represented 15.3% of expenditures in 2017. OECD countries spent around half that share: 6.5% on average. The trends also diverge: in LAC they grew 0.8 p.p. from 2007 whereas in the OECD they decreased by -1.4 p.p in the same period. Hence, the share devoted to these expenditures continue to be significantly higher than the share spent by OECD countries, which have accumulated debt over the last decade.

There are large variations among countries. Brazil – the country with the largest expenditures among LAC countries with available data– spent 36.7% on social benefits and 18.7% on property income, well above the average. Paraguay (42.3%), El Salvador (40.4%) and Honduras (40.3%) spent more than the LAC average on compensation of employees. By contrast, social benefits in Honduras represented only 1.4% of government expenditures, property income represented 3.1% in Chile, and Colombia spent 18.7% on compensation of employees.

On average, in LAC, subsidies (e.g. on fuel, or electricity) amounted to 1.6% of expenditures in 2017, down from 3.4% in 2007. Therefore, it is now slightly lower than the share spent by OECD countries on this transaction (2.0%). Chile reduced the share spent on subsidies from 22.2% in 2007 to 4.9% in 2017 and increased the share on grants and other expenses from 5.9% to 25.7%. This reflects a change in the system of transfers that among others captures that since 2016 grants through the “free education” (*gratuidad*) make access to education more equal, favouring the admission of vulnerable students (OECD 2018).

In 2017, investment spending accounted for 4.6% of government expenditures in LAC, which entails a reduction of -2.7 p.p. since 2007. OECD countries spent 7.7% on this transaction. Peru spent four times the LAC average (18.5%) and Paraguay spent (15.8%). They were the only LAC countries to increase the share spent on investment (3.4 p.p. and 3.2 p.p. respectively). Brazil allocated half of the regional share, and the greatest reduction was observed in Colombia: -5.1 p.p. since 2007 (See Section 2.9).

When analysing government expenditures as a percentage of GDP, in 2017, LAC countries spent 10.2% on social benefits, compared to 16.5% by OECD countries. Brazil spent more than the OECD average (17.6% of GDP) on this transaction. Honduras spent only 0.4% of GDP on social benefits, the smallest share among LAC countries. Compensation of employees amounted, on average, to 8.9% of GDP in LAC, a similar proportion to the OECD (9.2%). Brazil (13.3%), Honduras (10.5%) and Paraguay (10.3%) spent the most in this category.

Methodology and definitions

Data are 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, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

OECD (2018), *OECD Economic Surveys: Chile 2018*, OECD Publishing, Paris. *http://dx.doi.org/10.1787/eco_surveys-chl-2018-en*

Figure notes

Data for Mexico, Peru and Paraguay are recorded on a cash basis. Data for Mexico and Colombia refer to 2008 rather than 2007. Data for Honduras refers to 2015 rather than 2017. LAC and OECD averages are weighted.

2.18. Structure of general government expenditures by economic transaction, 2007 and 2017

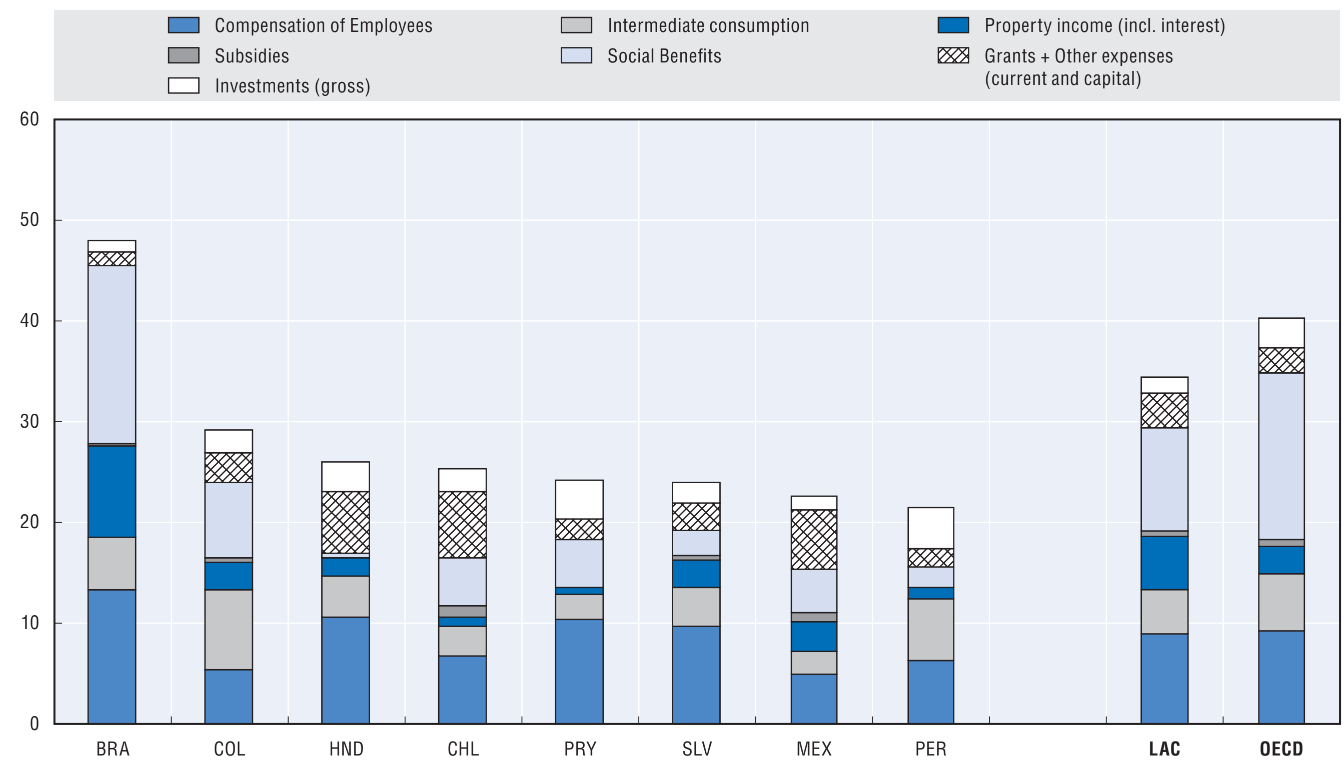
Percentage of total expenditures

	Compensation of employees		Intermediate consumption		Subsidies		Property income (incl. interest)		Social benefits		Grants + Other expenses (current and capital)		Investments (gross)	
	2007	2017	2007	2017	2007	2017	2007	2017	2007	2017	2007	2017	2007	2017
Brazil	30.6	27.6	16.4	11.0	0.9	0.8	18.3	18.7	26.5	36.7	1.9	2.9	5.3	2.3
Chile	24.0	26.8	12.9	11.9	22.2	4.9	3.0	3.1	20.5	18.8	5.9	25.7	11.6	8.9
Colombia	21.3	18.7	17.6	26.8	1.2	1.3	10.5	9.5	19.6	25.6	16.6	9.9	13.2	8.1
El Salvador	38.2	40.4	15.8	16.3	2.8	1.5	11.1	10.9	10.5	10.6	10.3	11.6	11.2	8.6
Honduras	44.2	40.3	15.4	15.9	5.2	0.2	2.5	7.0	1.1	1.4	17.2	23.2	14.4	12.0
Mexico	21.6	22.2	7.7	9.9	7.4	3.6	10.2	12.9	9.7	18.7	35.3	26.6	8.1	6.1
Paraguay	47.6	42.3	11.1	10.5	0.0	0.0	4.3	3.2	16.3	19.5	8.1	8.7	12.6	15.8
Peru	29.4	29.9	24.5	27.9	0.0	0.0	9.8	5.2	14.4	9.3	6.8	9.2	15.1	18.5
LAC	27.2	26.0	14.2	12.7	3.4	1.6	14.5	15.3	20.5	29.7	12.8	10.0	7.3	4.6
OECD	24.1	22.8	14.6	14.1	1.9	2.0	7.8	6.5	36.7	40.9	5.6	6.0	9.3	7.7

Source: Data for the LAC countries: IMF Government Finance Statistics (IMF GFS) database. Data for the OECD average: OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888934091448

2.19. Government expenditures by economic transaction as a percentage of GDP, 2017



Source: Data for the LAC countries: Government Finance Statistics (IMF GFS) database. Data for the OECD average: OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888934091467

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, which can contribute in spreading new tools and knowledge for increasing productivity and creating jobs in sectors adding high value to the economy.

In 2017, government investment represented, on average, 4.6% of total government expenditure in LAC countries with available data. This figure is smaller than in OECD countries where it was 7.7% in the same year. Government investment in the LAC region is extremely heterogeneous. On the high end, investment as a percentage of government spending is 18.5% in Peru and 15.8% in Paraguay. Between 2007 and 2017, these are the two countries where investment increased the most, 3.4 and 3.2 p.p. respectively. As part of its national development strategy (i.e. the "Bicentenary Plan: Peru 2021") issued in 2010 the Peruvian government set ambitious targets in terms of public investment, particularly in the transport sector as means of closing gaps with other countries in the region, improving people's well-being and fostering economic growth. Similarly, Paraguay began an accelerated process of infrastructure improvement in 2013, to update and improve its road network and to complete hydraulic installations that will improve water quality and sanitation.

Investment as a share of GDP in LAC countries reached 1.6% in 2017 below the OECD average of 3.1%. While investment decreased for both groups of countries, it did on average at a faster pace in LAC countries (-0.7 p.p.) compared to the OECD (-0.5 p.p.). Colombia (-1.8 p.p.) and Brazil (-1 p.p.) are the LAC countries where government investment spending decreased the most. In Colombia, this trend could be explained by the large oil price shock in 2015-16 that affected government revenues as well as by adjustments to the budget for complying with fiscal targets often taking place through reduced investment. In the case of Brazil, the rising public deficit has led to reductions in public investment.

Investment can have higher economic returns in regions with a relatively lower level of development. Investment spending across levels of government is crucial for securing long-term growth and reducing inequality. For LAC countries with available information, 35.2% of government investment spending took place at the local level in 2017 compared to 29% in OECD countries. For LAC countries, this represents an increase of 5.4 p.p. since 2007, notably in Colombia and Peru local governments carried out over 40% of total investment in 2017.

Methodology and definitions

Data are 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, 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. The GFS and SNA frameworks have been 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, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework. Data on these indicators are available for a limited set of LAC countries.

Further reading

IDB (2019), *Building Opportunities for Growth in a Challenging World*, Inter-American Development Bank, Washington, DC, *https://flagships.iadb.org/en/MacroReport2019/Building-Opportunities-to-Grow-in-a-Challenging-World*.

OECD (2019), *OECD Economic Surveys: Colombia 2019*, OECD Publishing, Paris, *https://doi.org/10.1787/e4c64889-en*.

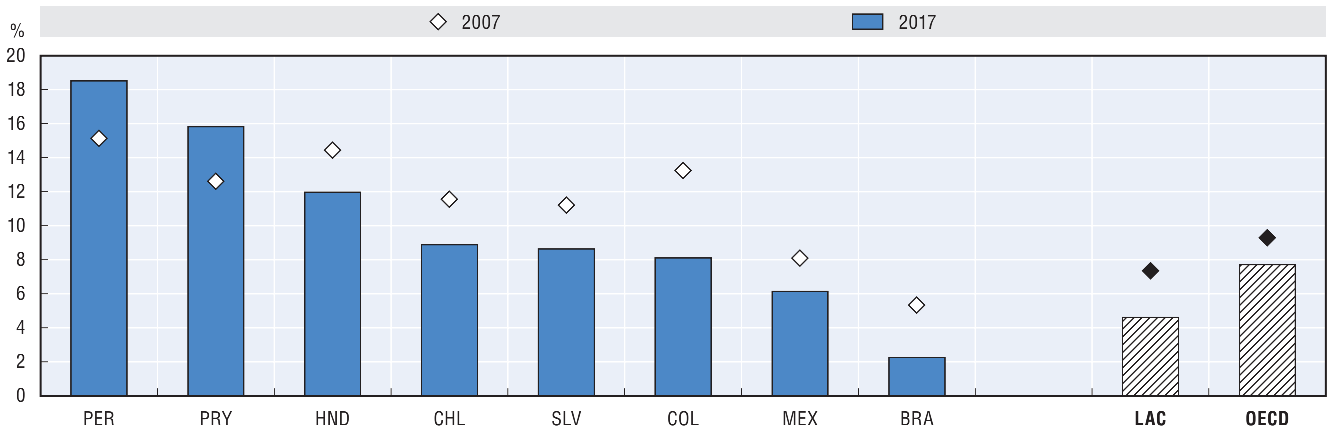
OECD (2016), *OECD Public Governance Reviews Peru: Integrated Governance for Inclusive Growth*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264265172-en*.

Figure notes

Data for Mexico, Peru and Paraguay are recorded on a cash basis. Data for Honduras refer to 2015 rather than 2017. Data for Colombia and Mexico refer to 2008 rather than 2007. LAC and OECD averages are weighted.

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

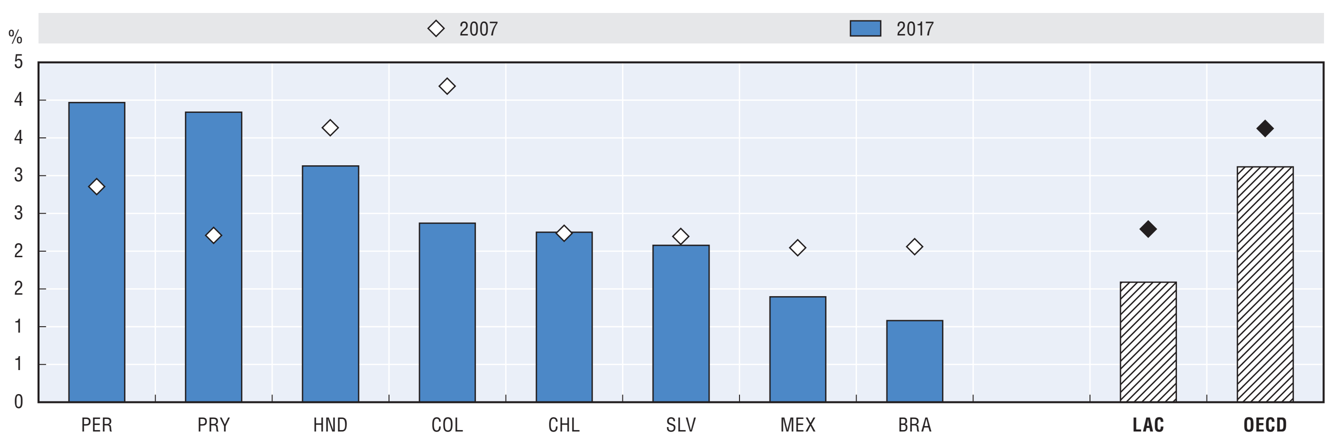
2.20. Government investment as a percentage of total government expenditures, 2007 and 2017



Source: Data for the LAC countries: IMF Government Finance Statistics (IMF GFS) database. Data for the OECD average: OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888934091486

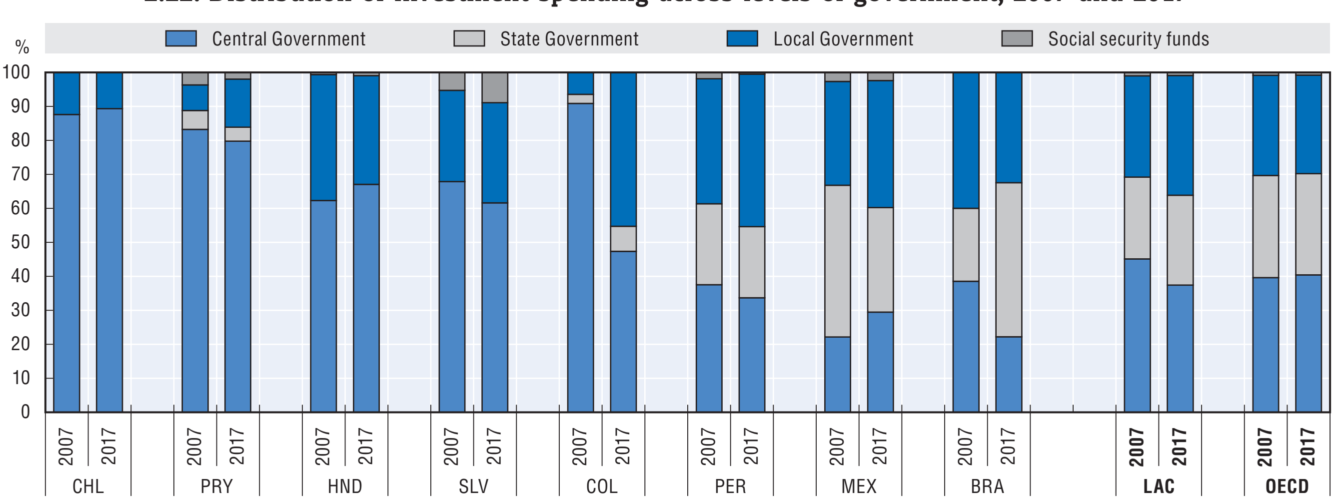
2.21. Government investment as a percentage of GDP, 2007 and 2017



Source: Data for the LAC countries: IMF Government Finance Statistics (IMF GFS) database. Data for the OECD average: OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888934091505

2.22. Distribution of investment spending across levels of government, 2007 and 2017



Source: Data for the LAC countries: IMF Government Finance Statistics (IMF GFS) database. Data for the OECD average: OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888934091524

Several countries in LAC are endowed with non-renewable natural resources (NRNR) mainly hydrocarbons and metals and minerals that constitute an important source of public revenues. These resources are, however, finite and the stream of revenues they generate is subject to high levels of volatility, as prices are set in international markets. Furthermore, the management of NRNR should also consider intergenerational equity ensuring that depletion of these natural resources would not compromise or restrict opportunities of future generations as well as the sustainability of the environment. As a whole, the LAC region has experienced two recent periods of high NRNR prices, between 2006 and 2008 and again between 2010 and 2014. However, only few countries (e.g. Colombia and Chile) have established reserve funds and put in place stabilisation mechanisms aimed at counterbalancing possible price volatility.

On average in LAC countries with available information, fiscal revenues from NRNR reached 2.9% of GDP in 2017 a sharp decline since 2007 when it was 6.9%. In 2017, as a percentage of GDP, Bolivia (5.9%) and Ecuador (5.6%) reported the highest values while Colombia (1.2%) and Chile (0.9%) the lowest. Between 2007 and 2017, revenues from NRNR decreased in all LAC countries with available information. This reflects the interplay of the evolution of prices and changes in the level of production as well as country specific one-off factors with effects on revenues. The largest reductions between 2007 and 2017 took place in Trinidad and Tobago (11.7 p.p.) and Chile (7.1 p.p.) In the case of the former, it relies heavily in oil and natural gas as the main activity of its economy, which on the one hand is shrinking, and, on the other hand, has been affected by diminishing prices. In the case of Chile and despite increases in production, copper prices are still below 2007 levels. Still, a solid macroeconomic policy framework has smoothed adjustment to the end of the commodity boom, contributing to low unemployment, resilient household consumption and a stable financial sector (OECD 2018).

Revenues from NRNR can be split into two categories: hydrocarbons and metals and minerals. Chile has no oil extraction and in Peru (e.g. copper, gold, lead and silver) mining is relatively more important than hydrocarbons as a source of revenue. Revenues from NRNR remains a key source of funding in several LAC countries, for example, it represents 32% and 28% of total revenues in Bolivia and Mexico respectively. In all countries with available information, however, the relative participation of NRNR as a source of revenues diminished between 2007 and 2017 thus increasing pressure on LAC governments for finding alternative sources of funding or to implementing adjustments.

Methodology and definitions

Dara are from the CEPALSTAT database. Fiscal revenues from non-renewable natural resources refer to tax payments and property rents that the public sector receives for the exploitation of these resources. These payments are classified by each NRNR considered and by the type of fiscal instrument, 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 used. Non-renewable natural resources refer to metals and minerals and hydrocarbons. Fiscal revenues from hydrocarbons include revenues from upstream (exploration and production) and downstream (refining and commercialization) activities. General government and public corporations constitute the public sector. Public corporations in the case of non-renewal natural resources refer to non-financial enterprises. For further information see *https://cepalstat-prod.cepal.org*.

Further reading

ECLAC (2019), *Fiscal Panorama of Latin America and the Caribbean 2019*, Economic Commission for Latin America and the Caribbean, Santiago, *https://www.cepal.org/en/publications/44517-fiscal-panorama-latin-america-and-caribbean-2019-tax-policies-resource*.

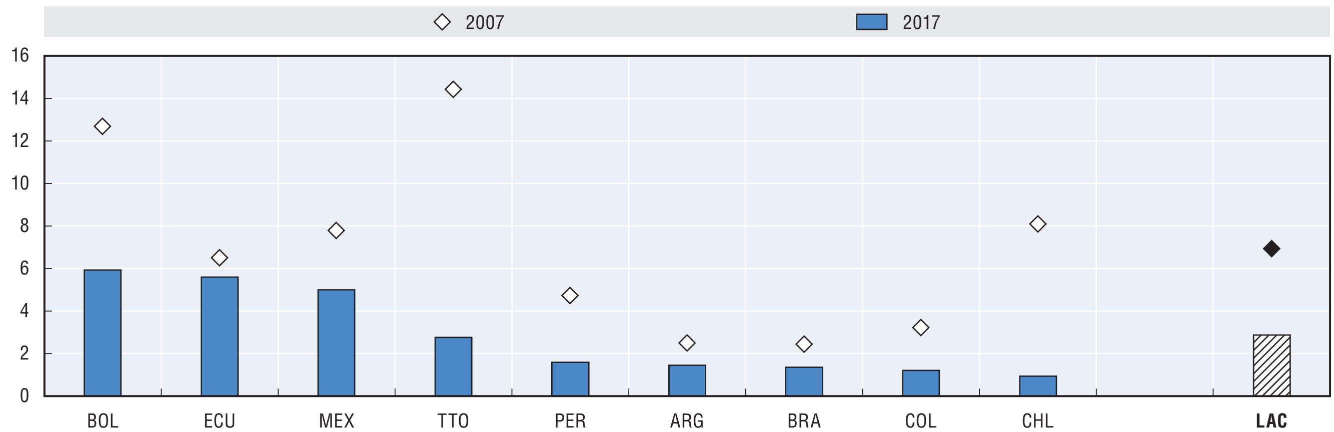
OECD et al. (2019), *Revenue Statistics in Latin America and the Caribbean 2019*, OECD Publishing, Paris, *https://doi.org/10.1787/25666b8d-en-es*.

OECD (2018), *OECD Economic Surveys: Chile 2018*, OECD Publishing, Paris, *https://doi.org/10.1787/eco_surveys-chl-2018-en*

Figure notes

2.25 Revenues from NRNR and total revenues are expressed in national currency at current prices.

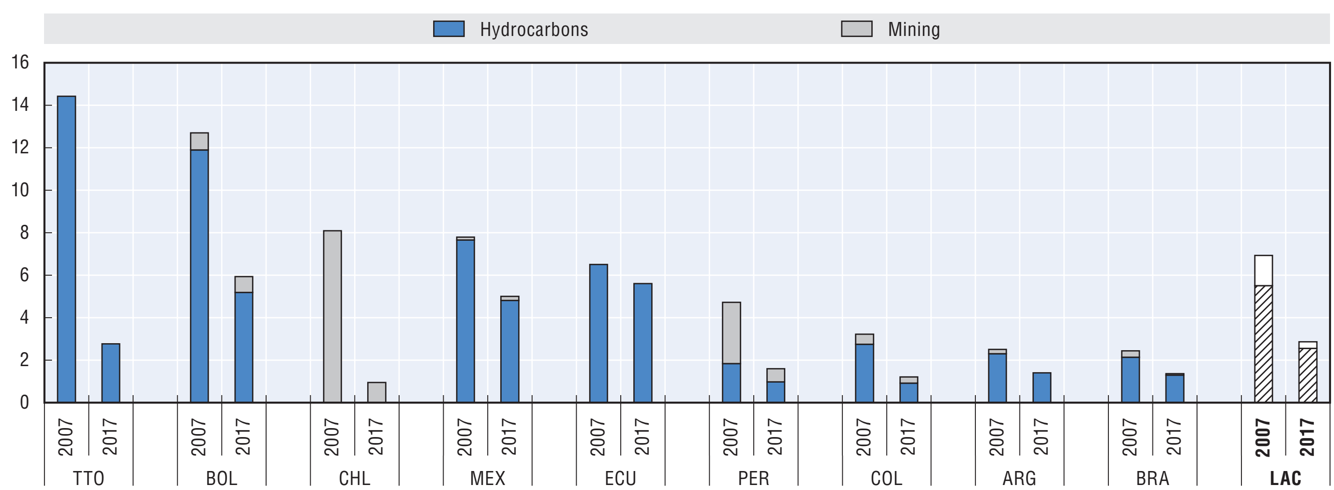
2.23. Fiscal revenues from non-renewable natural resources as a percentage of GDP, 2007 and 2017



Source: ECLAC, based on data from ECLAC's Fiscal Revenues from Non-Renewable Natural Resources in Latin America and the Caribbean Database.

StatLink https://doi.org/10.1787/888934091543

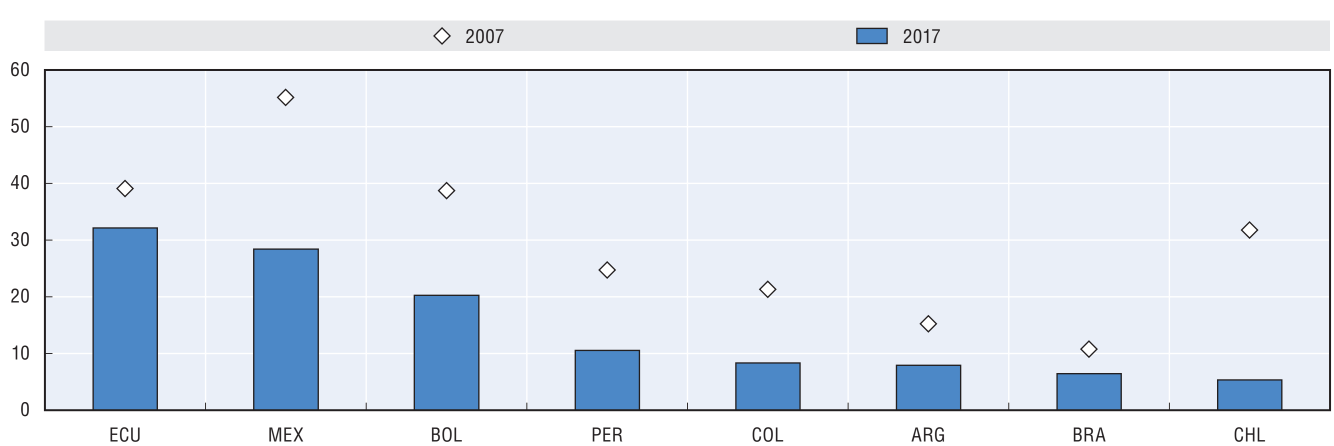
2.24. Fiscal revenues from non-renewable resources by country and commodity as percentage of GDP, 2007 and 2017



Source: ECLAC, based on data from ECLAC's Fiscal Revenues from Non-Renewable Natural Resources in Latin America and the Caribbean Database.

StatLink https://doi.org/10.1787/888934091562

2.25. Relative participation of revenues from non-renewable natural resources as a share of total revenues, 2007 and 2017



Source: ECLAC, based on data from ECLAC's Fiscal Revenues from Non-Renewable Natural Resources in Latin America and the Caribbean Database.

StatLink https://doi.org/10.1787/888934091581

Chapter 3

Public employment

Employment in the public sector is one of the key indicators of the size of the public sector. It reflects the societal agreement on the role of government in the economy and society, as well as the decision on how public services are delivered – by public employees or in partnership with the private or not-for-profit sectors.

Public sector employment as a percentage of total employment in the LAC region for countries with available data amounted to an average of 11.9% in 2018, slightly lower than in 2011 when it was 12.3%. It is also much smaller than in the OECD countries, where on average it reached 21.1 % in 2018.

There are also considerable differences in the share of public employment to total employment across countries in LAC. Countries with high share of public employment in 2018 include Caribbean countries such as Trinidad and Tobago (25.9%) Barbados (23.6%) and Guyana (22.1%). The share of public employment is low in 2018 in El Salvador (7.7%), Guatemala (6.4%), Honduras (6.0%) and in Colombia (3.7%). However, the number of public employees in Colombia are underestimated, as 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 very low compared to other countries, as most healthcare workers are employed as private contractors, although their tasks and responsibilities are very similar to people on employment contracts in other countries. Large countries in the region that additionally have a federal structure are operating their governments with various sized of workforces; Argentina's public sector employs 17.2% of the total workforce, while Brazil's employs 12.5%, and Mexico's 11.8%, in 2018.

Only in four countries in the region did public sector employment as a share of total employment increase from 2011 to 2018; in Argentina the one p.p. increase, from 16.2% to 17.2%, can explained primarily by an overall reduction of total employment. Public sector employment also increased in Uruguay from 14.4 % to 15%, the Dominican Republic from 13% to 14.8% and Chile from 10 % to 12%.

Regarding the annual growth rate of public sector employment, the LAC average amounted to 1.4% from 2011 to 2018 compared to the OECD countries' average of 0.6%. However, the comparison between the share of public employment and total employment in the LAC region between 2011 and 2018 shows on average a 0.4 p.p. decline with the annual growth rate of public sector employment, meaning that total employment in LAC grew faster than public sector employment. High levels of public sector growth rate from 2011 to 2018 were recorded in the Dominican Republic (5.1%); Guatemala (4.5%) and Chile (4.3%), while public sector employment declined in Trinidad and Tobago by 0.6% annually and in Costa Rica by 1.8% . In Costa Rica the decline was caused by both an absolute decrease of public sector employment coupled with an annual increase of total employment over the period 2011-2018

Methodology and definitions

Data were sourced from the International Labour Organization (ILO) ILOSTAT database. Data are based on the Labour Force Survey unless otherwise indicated. Public sector employment covers employment in the government sector plus employment in publicly owned resident enterprises and companies. Data represent the total number of persons employed directly by these institutions without regard for the particular type of employment contract. The employed comprises all persons of working age, who, during a specified period, were in the following categories: paid employment or self-employment.

Further reading

OECD (2017), *Skills for a High Performing Civil Service*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/9789264280724-en*.

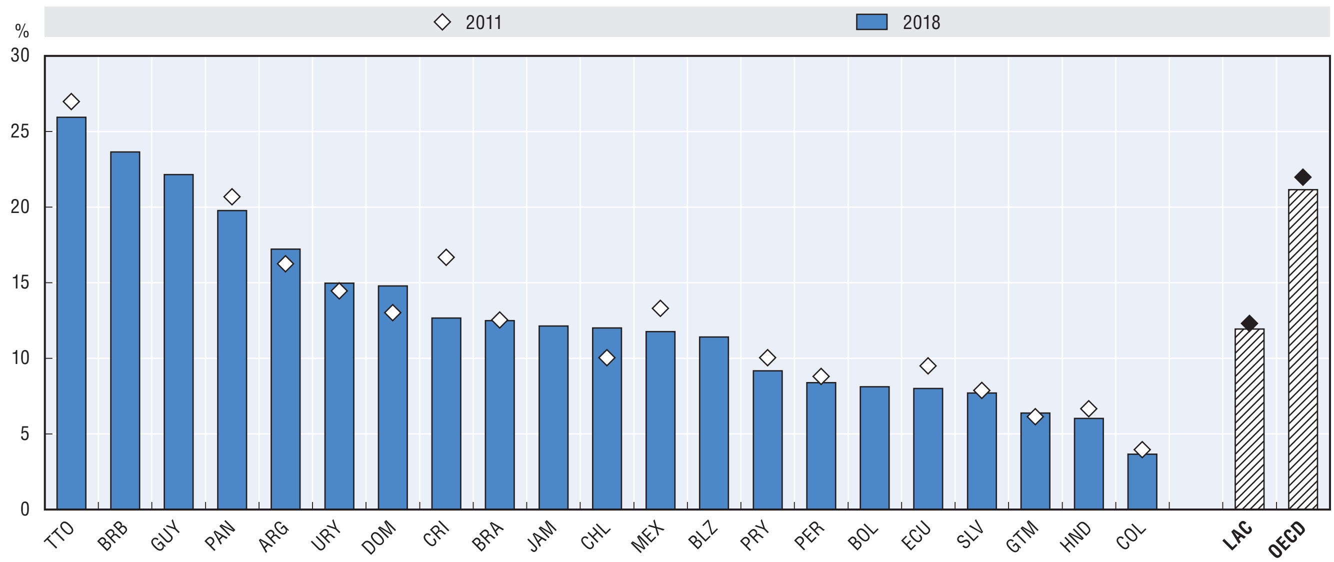
Figure notes

Data are based on the Labour Force Survey. Data for Brazil, El Salvador, Honduras, Paraguay and Peru are based on household surveys.

3.1: Data for Barbados, Belize, Bolivia, Guyana and Jamaica are not included in the LAC average. Data for Belize, Guatemala, Guyana, Jamaica , Paraguay and Peru are for 2017 rather than 2018. Data for Barbados, the Dominican Republic and Trinidad and Tobago are for 2016 rather than 2018.

3.2: Data for Argentina refer to urban areas only. Data for Guatemala, Paraguay and Peru are for 2-11-2017. Data for the Dominican Republic and Trinidad and Tobago are for 2011 to 2016. Data for Brazil are for 2012-2017.

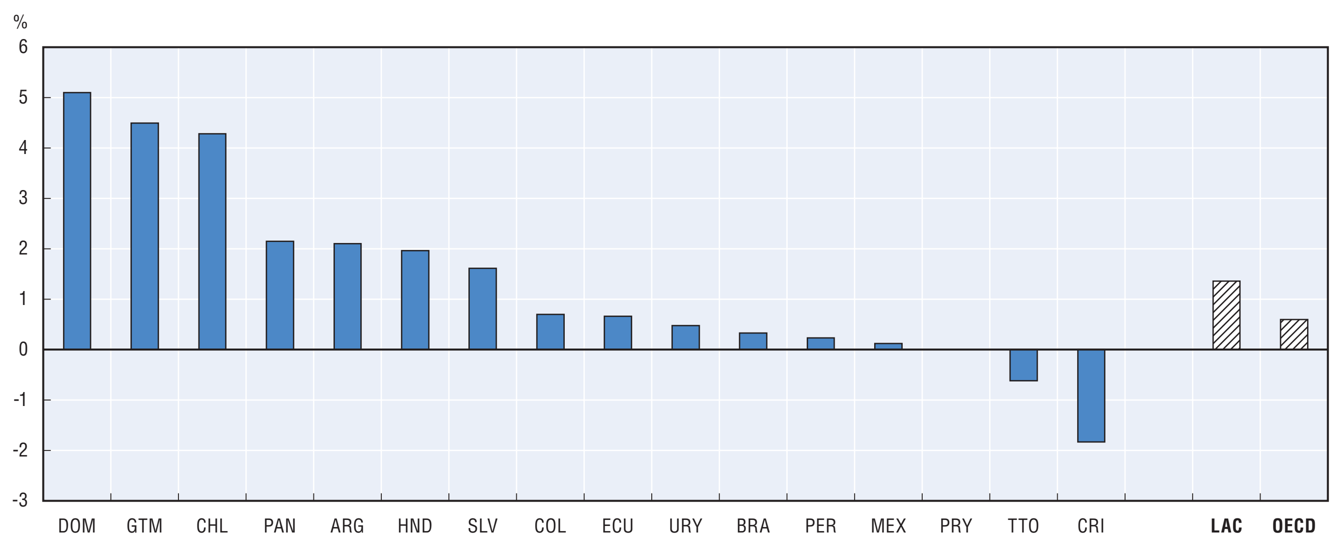
3.1. Public sector employment as a percentage of total employment, 2011 and 2018



Source: International Labour Organization (ILO) ILOSTAT (database), Employment by sex and institutional sector.

StatLink https://doi.org/10.1787/888934091600

3.2. Annual average growth rate of public sector employment, 2011-2018



Source: International Labour Organization (ILO) ILOSTAT (database), Employment by sex and institutional sector.

StatLink https://doi.org/10.1787/888934091619

Creating equal participation and opportunities for women contributes to a more representative and diverse workforce. In many countries, the public sector is expected to be a model employer, leading the way and setting standards for the implementation of gender equality, and promoting diversity. A public sector workforce that reflects the diversity of society would probably deliver better results, for example, a diverse workforce is better positioned to understand and serve the needs of the various segments of the population.

The public sector generally employs more women, especially in care positions (e.g. nursing, teaching) which are traditionally regarded as "female occupations", and could offer better conditions for those who need to combine work and family obligations than the private sector does. In 2018, on average 51.0% of public sector employees were women in LAC, compared to 60.2% in OECD countries. The share has remained stable over time: in 2011, the share of women in public employment was on average 50.7% in LAC and 59.2% in OECD countries. Jamaica, the country with the largest share of women in the public sector (60.3%), has a difference of 19 p.p. with Belize, the country with the smallest share in LAC (41.2%).

Recent evidence has shown that women in LAC work more hours than men, but are less likely to get paid because they spend more time producing goods and services for family consumption (e.g. food, care) (Bando, 2018). Hence, in 2018, women represented on average 41.0% of the total workforce in LAC, while the average across OECD countries was 45.8%. Again, there is a 20 p.p. gap between Barbados, the country with the highest (53.4%) and Guatemala (33.6%), the country with the lowest share of women in total employment.

While equal representation of women in public sector employment has been achieved (and even surpassed) in some LAC countries, this is not the case for leadership positions. Available data –referring to January 1, 2019 - show that most LAC countries are far from achieving gender equality in ministerial positions at the federal/central level of government. In 2019, on average in LAC, 27.4% of ministerial positions were filled by women, which is around 4 p.p. lower than the OECD average (31.2%). However, ministerial positions change frequently in LAC.

By 2019, Nicaragua (55.6%), Colombia (52.9%) and Costa Rica (51.9%) achieved gender parity in ministerial positions. On the other end of the spectrum, there are no female ministers in Belize. Many LAC countries have substantially increased the share of women ministers between 2012 and 2019, such as in Uruguay (35.8 p.p.), Costa Rica (23 p.p.), El Salvador (22 p.p.), Mexico (21 p.p.) and Colombia (20 p.p.). In other countries the representation of women in ministerial positions declined substantially, namely Bolivia (31 p.p.), Brazil and Ecuador (18 p.p. each). In order to fully grasp women's participation in all levels of public employment, data on women representation in senior positions would be required as evidence in OECD countries shows that they tend to be under-represented in senior positions.

Methodology and definitions

Data on public sector employment were collected by the International Labour Organization (ILO) ILOSTAT database. Data are based on the Labour Force Survey unless otherwise indicated. Public sector employment covers employment in the government sector plus employment in publicly owned resident enterprises and companies. Data represent the total number of persons employed directly by these institutions without regard for the particular type of employment contract. The employed comprises all persons of working age, who, during a specified brief period, were in the following categories: paid employment or self-employment.

Data for gender equality in ministerial positions in national government were obtained from the Interparliamentary Union's "Women in Politics" database. Data represent the percentage of appointed ministers as of 1 January of each year of reference. Data show women as a share of total ministers, including deputy prime ministers and ministers. Prime ministers/heads of Government were also included when they held ministerial portfolios. Vice Presidents and heads of governmental or public agencies have not been included in the total.

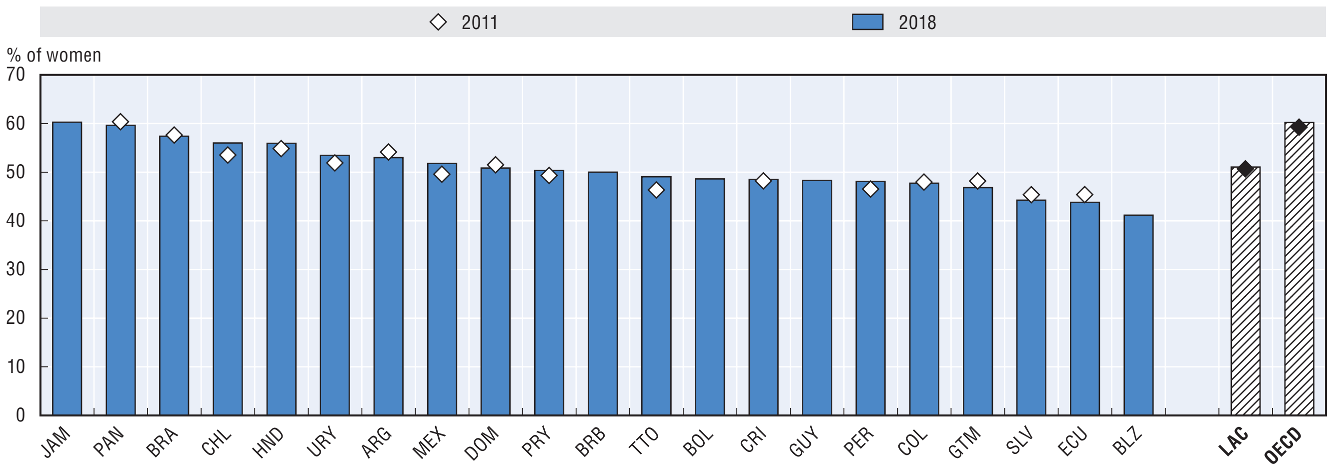
Further reading

Bando, R. (2018). *Evidence-Based Gender Equality Policy and Pay in Latin America and the Caribbean: Progress and Challenges*. Inter-American Development Bank, Washington DC. *http://dx.doi.org/10.18235/0001614*

Figure notes

3.3 and 3.4: Data are based on the Labour Force Survey (data for Brazil, El Salvador, Honduras, Paraguay and Peru are based on other household surveys). Data for Barbados, Belize, Bolivia, Guyana and Jamaica are not included in the LAC average. Data for Argentina refer to urban areas only. Data for Jamaica exclude own-use production workers. Data for Belize, Guatemala, Guyana, Jamaica, Paraguay and Peru are for 2017 rather than 2018. Data for Barbados, Dominican Republic and Trinidad and Tobago are for 2016 rather than 2018. Data for Brazil are for 2012 rather than 2011.

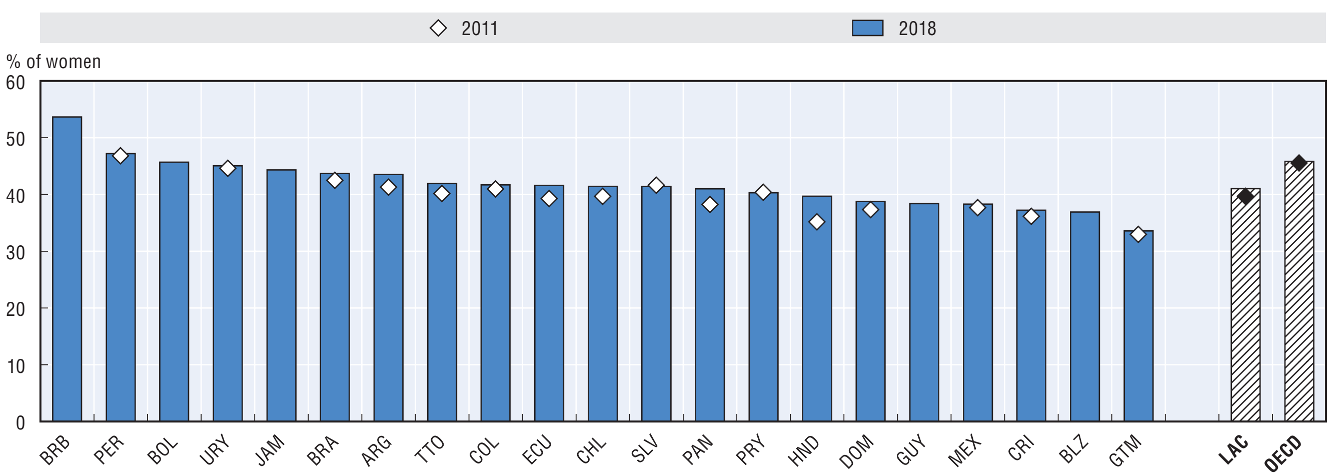
3.3. Gender equality in public sector employment, 2011 and 2018



Source: International Labour Organization (ILO) ILOSTAT (database), Employment by sex and institutional sector.

StatLink https://doi.org/10.1787/888934091638

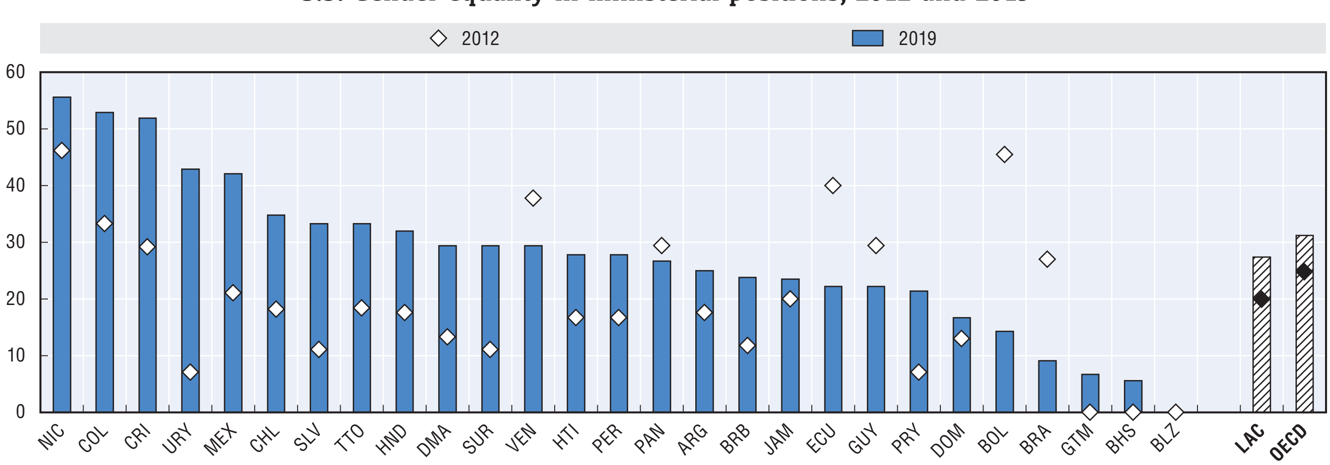
3.4. Gender equality in total employment, 2011 and 2018



Source: International Labour Organization (ILO) ILOSTAT (database), Employment by sex and institutional sector.

StatLink https://doi.org/10.1787/888934091657

3.5. Gender equality in ministerial positions, 2012 and 2019



Source: Inter-Parliamentary Union (IPU) "Women in Politics", 2012 and 2019.

StatLink https://doi.org/10.1787/888934091676

Chapter 4

Institutions (CoG)

The Centre of government (CoG), also known as the Office of the President, Cabinet Office, General Secretariat of the Government, among others, refers to the organisations and units that serve the Chief Executive (President or Prime Minister, and the Cabinet collectively). The CoG is expected to play a key role in ensuring evidence-based, strategic and consistent policy implementation by governments and are critical for organising and supporting the head of government's decision-making process for guaranteeing the delivery of government priorities

The CoG performs certain cross cutting functions (strategic management, policy coordination, monitoring and improving performance, manage the politics of policies, and communications and accountability). Other common tasks performed primarily by the CoG include policy coordination, taking care of the relations with parliament and communicating government messages within government and to the public

In 12 out of the 14 LAC countries surveyed including Argentina, Brazil, Chile, Colombia and Mexico, the CoG is exclusively responsible for organising cabinet meetings, as is the case in all OECD countries with available information. In Guatemala, this responsibility is shared with the Planning Secretary (SEGEPLAN), while in Paraguay it is done jointly with the Social Cabinet (i.e. an extended set of institutions coordinating public policies in the social area). In turn, the formulation and monitoring of policies tend to be a shared responsibility between the CoG and other government bodies, primarily line ministries (10 and 9 countries, respectively.). It is more common for the CoG in OECD countries than in LAC countries to be primarily responsible of transition planning and management for the change of governments (21 out of 34 in OECD countries vs 5 out of 13 LAC countries with available information) and strategic planning (20 out of 34 in OECD vs 5 out of 14 in LAC).

Open government is defined as a culture of governance that promotes the principles of transparency, integrity, accountability and stakeholder participation in support of democracy and inclusive growth (OECD, 2019). In 5 out of the 14 surveyed countries in LAC, the CoG is responsible for designing, communicating and monitoring open government policies. In Argentina, Costa Rica, Guatemala and Mexico, the CoG is also responsible for coordinating them. On the contrary, in Brazil, the CoG only designs open government strategies and initiatives. The only two countries that reported that the CoG plays a role in evaluating strategies and initiatives are Guatemala and Mexico. Overall, CoGs in LAC are less involved in the implementation, coordination and evaluation of open government strategies in LAC than in OECD countries (OECD, 2019)

Governments often rely in the CoG's coordination to put at place their digital government strategies and the implementation of ICT. In 9 out of the 14 surveyed LAC countries, the CoG is responsible for advising the development of the digital government strategies. Additionally in 10 out of the 14 respondent LAC countries the CoG also prioritises ICT projects and monitors the implementation of the digital government strategy. In turn, it is less common for the CoG to develop technical guidelines on ICT across government or coordinate with local levels, with 4 out of 14 countries in both cases (see online Table 4.3 in Annex F).

Methodology and definitions

Data were collected via the 2018 OECD-IDB Survey on Organisation and Functions of the Centre of Government, to which 11 LAC countries responded, in addition Brazil, Costa Rica and Mexico and Costa Rica answered to the OECD questionnaire. Respondents were senior officials who provide direct support and advice to heads of government and the council of ministers or cabinet and provided information for the year 2018. Data for the OECD refer to 34 countries and are for 2016 as well as for Brazil and Costa Rica.

An open government strategy is a document that defines the open government agenda of the central government and/or of any sub-national level government, or of a single public institution or thematic area. Such a document includes key open government initiatives, together with short, medium and long-term goals and indicators.

Central digital government policy/strategy refers to the directives/principles that central governments define (e.g. through an Executive Directive or Decree, as result of other overarching central policies such as digital government, public sector modernisation or open government) to incorporate information and communication technologies as a priority for the public administration.

Further reading

Dassen, N. and A.V. Ramírez Alujas (2016), *Winds of Change II: Progress and Challenges in Open Government Policies in Latin America and the Caribbean*, Inter-American Development Bank, *https://publications.iadb.org/en/winds-change-ii-progress-and-challenges-open-government-policy-latin-america-and-caribbean.*

OECD (2019), *Government at a Glance 2019*, OECD Publishing, Paris, *https://doi.org/10.1787/8ccf5c38-en.*

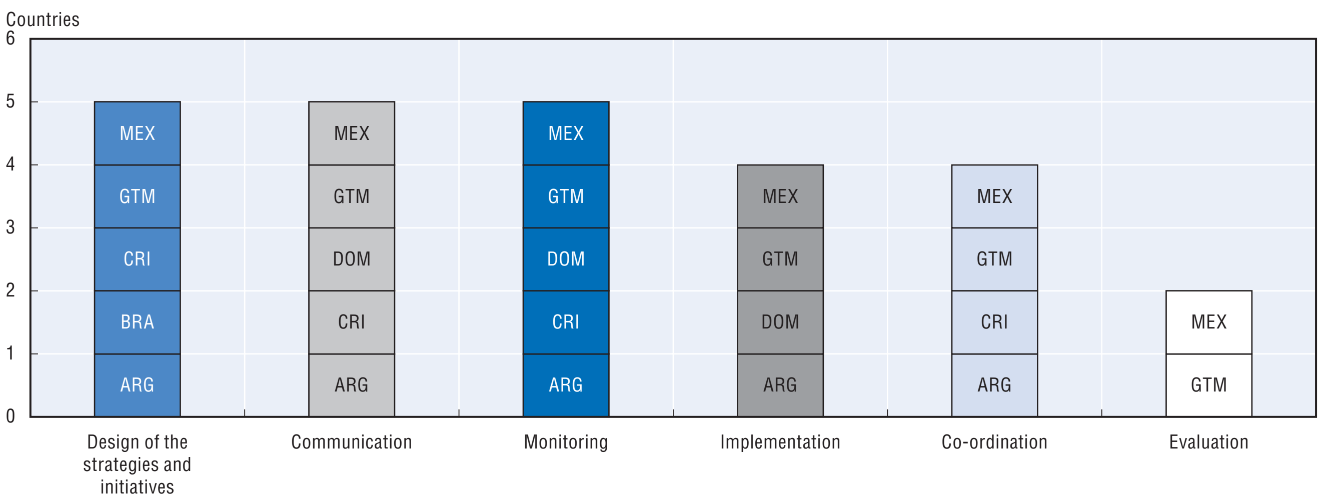
4.1. Responsibilities of the centre of government, 2018

	Preparation of Cabinet meetings	Policy co-ordination	Relations with parliament	Communication of government messages	Government programme	Monitoring of government policy	Transition planning and management	Policy formulation	Strategic planning	Deigning and implementing reform
Argentina	●	●	●	●	●	●	..	◖	●	●
Bahamas	●	◖	❍	❍	❍	◖	❍	..	❍	❍
Barbados	●	❍	●	❍	❍	◖	●	❍	❍	❍
Brazil	●	●	●	●	◖	◖	◖	◖	◖	◖
Chile	●	●	●	●	●	●	●	◖	●	❍
Colombia	●	◖	◖	●	◖	◖	◖	◖	❍	◖
Costa Rica	●	●	●	●	◖	●	●	◖	●	◖
Dominican Republic	●	●	●	●	●	◖	●	◖	●	●
Guatemala	◖	❍	❍	❍	◖	◖	◖	❍	❍	❍
Honduras	●	◖	◖	◖	❍	◖	❍	◖	❍	❍
Mexico	●	◖	◖	●	◖	◖	◖	◖	◖	◖
Paraguay	◖	●	❍	◖	●	●	❍	◖	◖	◖
Peru	●	●	●	●	●	●	●		●	●
Uruguay	●	●	●	◖	◖	◖	◖	◖	◖	❍
LAC total										
● CoG responsibility	12	8	8	8	5	5	5	0	5	3
◖ Shared responsibility	2	4	3	3	6	9	5	10	4	5
❍ Responsibility of another body	0	2	3	3	3	0	3	2	5	6
OECD total										
● CoG responsibility	34	24	16	12	18	16	21	3	20	7
◖ Shared responsibility	0	10	18	21	12	15	11	23	13	17
❍ Responsibility of another body	0	0	0	1	4	3	1	1	1	10

Source: OECD-IDB (2018) "Survey on Organisation and Functions of the Centre of Government"; OECD (2017) "Survey on Organisation and Functions of the Centre of Government".

StatLink https://doi.org/10.1787/888934091695

4.2. Role of the Centre of Government in open government strategies and initiatives, 2018



Source: OECD-IDB (2018) "Survey on Organisation and Functions of the Centre of Government"; OECD (2017) "Survey on Organisation and Functions of the Centre of Government".

StatLink https://doi.org/10.1787/888934091714

Centres of Government (CoGs) are taking a more active role in aligning multi-department workplans to government actions. This trend is driven by the rise of multidimensional issues (e.g. environmental sustainability, competitiveness, inequality, trust) which require whole of government responses, and by growing demands from people for better results in service delivery and better co-ordination in policy formulation and implementation (i.e. minimise duplication and contradiction). This more active role for the centre of government throughout the policy cycle suggests the need for adequate co-ordination and monitoring tools.

Ten out of 12 LAC countries with available information reported that the number of cross-ministerial initiatives has increased over the past years, in line with trends in OECD countries where the CoG is taking on more direct leadership over substantive policy and reform areas (OECD, 2018). Colombia is the only LAC country that reported that the number of such initiatives decreased while in Brazil they have remained stable. In LAC countries, the CoG plays primarily a role to facilitate and support coordination while in OECD countries the CoG often plays a leadership role. In turn, it is more common in OECD countries than in LAC countries that the CoG to participate in discussions about the substance or content of the policy issues at stake.

The most common instruments used by the CoG in LAC countries to promote coordination are the establishment of task forces (12 out of 14 countries) and *ad hoc* meetings of senior officials (11 out of 14 countries). In Chile, coordination takes place exclusively at regular cabinet meetings and *ad hoc* cabinet discussions. Regular Cabinet meetings are the main coordination channel in OECD countries with available information (29 out of 33), but less common in LAC (8 out of 14 countries). A similar proportion of LAC and OECD countries (about a quarter) indicated that the CoG uses performance management systems to promote co-ordination across government (co-ordination is set as an objective and staff are evaluated on it).

The degree of influence of CoGs have over line ministries to promote coordination is heterogeneous across LAC countries. Nine out of the 14 surveyed countries reported a high influence; which implies that the CoG can impose sanctions. Four countries reported moderate levels of influence. In Peru while the CoG can trigger cooperation, it is less successful in ensuring that it is maintained over time in cross governmental projects. The trend is somewhat different in OECD countries where about three quarters of countries consider they only have "moderate" influence, indicating that while the "proximity to power" authority of the centre, is important, it may not be sufficient to exert influence over other parts of the administration (OECD, 2018)

The Bahamas is the only country that, at the time of the survey, reported that the CoG has no influence over other government entities to coordinate policies meaning that it can only express its views. However, this is expected to change as a delivery unit was established in the Prime Ministers' office to coordinate policies in eight key priority areas (e.g. education, safety and security, infrastructure, modernisation, etc.).

Methodology and definitions

The data were collected via the 2018 OECD-IDB Survey on Organisation and Functions of the Centre of Government, to which 11 LAC countries responded. Brazil, Costa Rica and Mexico answered to the OECD questionnaire. Respondents were senior officials who provide direct support and advice to heads of government and the council of ministers. Data are for the year 2018. Data for the OECD refer to 33 countries (Italy did not complete the full questionnaire), are for are for 2016, and include Brazil and Costa Rica.

The term Centre of Government 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, manage the politics of policies, and communications and accountability). 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, although other parts of the government can perform these functions.

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, *https://publications.iadb.org/en/governing-deliver-reinventing-center-government-latin-america-and-caribbean*.

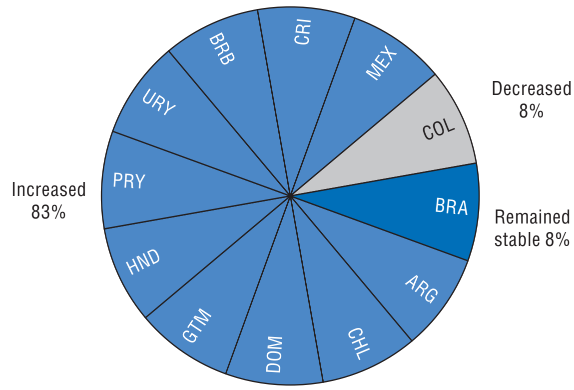
OECD (2018), *Centre Stage 2: The Organisation and Functions of the Centre of Government in OECD Countries,* OECD Publishing, Paris, *https://www.oecd.org/gov/centre-stage-2.pdf*

Figure notes

4.4. Bahamas and Peru did not answer to this question.

4.7 (Role of CoG in implementing of cross-governmental policy initiatives, 2018) is available online in Annex F.

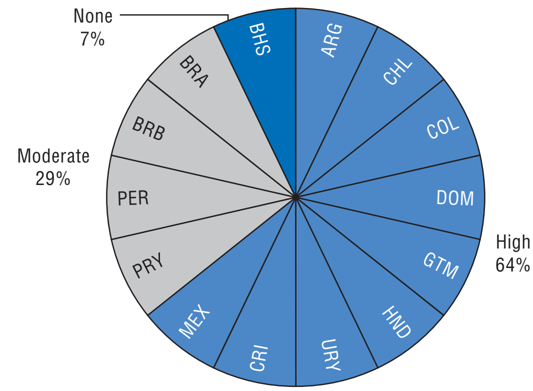
4.4. Variation in the number of cross-ministerial initiatives in recent years, 2018



Source: OECD-IDB (2018) "Survey on Organisation and Functions of the Centre of Government"; OECD (2017) "Survey on Organisation and Functions of the Centre of Government.

StatLink https://doi.org/10.1787/888934091733

4.5. Level of influence of the CoG over line ministries to encourage coordination, 2018



Source: OECD-IDB (2018) "Survey on Organisation and Functions of the Centre of Government"; OECD (2017) "Survey on Organisation and Functions of the Centre of Government".

StatLink https://doi.org/10.1787/888934091752

4.6. Institutional instruments or initiatives used by the CoG to ensure policy co-ordination, 2018

	Ad hoc meetings of senior officials	Task forces	Ad hoc Cabinet discussions	Regular Cabinet meetings	Written guidance	Performance management
Argentina	●	●	●	●	❍	●
Bahamas	❍	❍	❍	❍	●	❍
Barbados	●	●	❍	●	❍	❍
Brazil	●	●	●	❍	●	❍
Chile	❍	❍	●	●	❍	❍
Colombia	●	●	●	❍	●	●
Costa Rica	●	●	●	●	●	❍
Dominican Republic	●	●	❍	❍	❍	❍
Guatemala	●	●	●	●	❍	●
Honduras	●	●	❍	❍	❍	❍
Mexico	●	●	●	●	❍	❍
Paraguay	❍	●	●	❍	❍	❍
Peru	●	●	❍	●	●	❍
Uruguay	●	●	●	●	❍	❍
LAC total						
● Yes	11	12	9	8	5	3
❍ No	3	2	5	6	9	11
OECD total						
● Yes	27	26	23	29	18	9
❍ No	6	7	10	4	15	24

Source: OECD-IDB (2018) "Survey on Organisation and Functions of the Centre of Government"; OECD (2017) "Survey on Organisation and Functions of the Centre of Government".

StatLink https://doi.org/10.1787/888934091771

Centres of government (CoG) provide support to the head of Government (the president in most LAC countries) and the Cabinet of ministers. One of their main roles is to ensure that the policies proposed and implemented by line ministries are aligned with the government's priorities, which are usually laid out in the government programme. To such end, at the time of designing strategies and policies, the CoG works with line ministries to set targets and action plans to achieve them, and aligns budget resources with such plans. At the time of implementation, the CoG monitors progress towards such targets and provides assistance to improve the performance of line ministries.

At the time of designing national strategies, the CoG identifies and defines whole-of-government strategic priorities in 10 out of 14 LAC countries, compared to 18 out of 33 OECD countries. The CoG co-ordinates the design of long-term strategic planning with line ministries in another six LAC countries. By contrast, this was the most predominant role of CoGs in OECD countries (24 of them). A similar proportion of OECD and LAC countries reported that the CoG mandates line ministries to develop long-term strategic plans in cross-cutting areas (13 out of 33 and 5 out of 14 respectively).

When implementing whole-of-government strategic priorities, the CoG monitors implementation in all LAC countries (compared to 28 OECD countries), and collects reports and carries out evaluations, except in Barbados (compared to 23 OECD countries). A similar proportion of CoGs from LAC and OECD countries ensure that proposals are linked to government priorities (11 out of 14 and 25 out of 33 respectively). Half of the CoGs in LAC co-ordinate the implementation of strategic priorities, a smaller proportion than among OECD countries (20 out of 33). Re-allocating resources to meet strategic goals is less common (5 out of 14 in LAC), although more prevalent than among OECD countries (4 out of 33).

In LAC, the most widely used mechanism to ensure that government policies are implemented by line ministries is monitoring their implementation: all LAC countries did this in 2017, compared to 29 out of 33 in the OECD.

Chile, Costa Rica, Honduras and Uruguay reported having performance targets in 2015 but not in 2018, decreasing the proportion of countries using them from 9 out of 11 in 2015 to 8 out of 14 in 2018. Performance targets are less preeminent among OECD countries, only 13 out of 33 set them. On the contrary, more LAC countries are using work-plans for the implementation of the government programme, for instance Guatemala, Paraguay and Peru. In 2018, 9 out of 14 LAC countries had such work-plans in place, compared to 18 out of 33 OECD countries.

In order to carry out strategic management and monitoring tasks, 12 out of 14 LAC countries in the survey had a specific unit or team responsible for tracking progress (such as a delivery unit). These units have been established in countries like the Bahamas, Chile, Colombia and Peru since 2013 with the functions of defining priorities, detailing implementation planning, generating continuous and reliable data to measure performance and providing spaces and incentives to intervene when objectives are not being met. They contributed to reducing crime (homicides and theft), and time and costs of infrastructure projects, improving learning outcomes, and improving health services, among others. Their value added was perceived to be higher for multidimensional priorities and in low institutional capacity contexts (Lafuente and Gonzalez, 2018).

Methodology and definitions

The data were collected via the 2019 OECD-IDB Survey on Organisation and Functions of the Centre of Government, to which 11 LAC countries responded, in addition Brazil, Costa Rica and Mexico answered to the OECD questionnaire. Respondents were senior officials who provide direct support and advice to heads of government and the council of ministers or cabinet. Data are for the year 2018. Data for the OECD refer to 33 countries (since Italy did not complete the full questionnaire) and are for 2016 and include Brazil and Costa Rica.

Delivery units have the purpose of mainstreaming an evidence-based culture in government. They support line ministries to identify and plan the implementation of priorities, and then gather and analyse data on public sector performance with the purpose of understanding whether government priorities are being implemented and can propose corrective actions in order to ensure their achievement.

For the definition of Centre of Government (CoG) see Section 4.2.

Further reading

Lafuente, M. and S. Gonzalez (2018). *Do delivery units deliver? Assessing government innovations*. Washington, DC: Inter-American Development Bank *https://publications.iadb.org/en/do-delivery-units-deliver-assessing-government-innovations*

OECD (2018), *Centre Stage II: The Organisation and Functions of the Centre of Government in OECD countries*, *https://www. oecd.org/gov/centre-stage-2.pdf*

Figure notes

Data for Brazil, Costa Rica and Mexico were collected in 2017 at the same time of OECD member countries.

4.10. (Mechanisms the centre of government uses to ensure that government policies are implemented by line ministries, 2015 and 2018) is available online in Annex F.

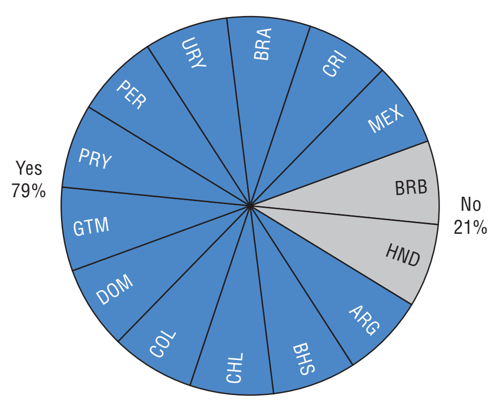
4.8. Responsibilities of the centre of government in strategic planning, 2018

	Defining and designing national strategies			Implementation of whole-of-government strategic priorities				
	Identifies and defines whole-of-government strategic priorities	Co-ordinates the design of long-term strategic planning with line departments	Mandates line departments to develop long-term strategic plans in different cross-cutting areas	Monitors implementation	Collects reports on implementation and carries out evaluations	Ensures that proposals are linked to government priorities	Co-ordinates the implementation	Reallocates resources to meet strategic goals
Argentina	❍	●	❍	●	●	●	●	●
Bahamas	●	❍	❍	●	●	●	●	❍
Barbados	●	❍	●	●	❍	❍	❍	❍
Brazil	●	❍	❍	●	●	●	❍	❍
Chile	●	●	❍	●	●	●	❍	●
Colombia	●	●	❍	●	●	●	●	❍
Costa Rica	●	●	●	●	●	●	●	●
Dominican Republic	●	●	●	●	●	●	●	●
Guatemala	❍	●	❍	●	●	●	❍	❍
Honduras	❍	❍	❍	●	●	●	❍	❍
Mexico	●	❍	●	●	●	●	❍	❍
Paraguay	●	❍	❍	●	●	❍	●	❍
Peru	●	❍	●	●	●	●	●	●
Uruguay	❍	❍	❍	●	●	❍	❍	❍
LAC total								
● Yes	10	6	5	14	13	11	7	5
❍ No	4	8	9	0	1	3	7	9
OECD total								
● Yes	18	24	13	28	23	25	20	4
❍ No	15	9	20	5	10	8	13	29

Source: OECD-IDB (2018) "Survey on Organisation and Functions of the Centre of Government"; OECD (2017) "Survey on Organisation and Functions of the Centre of Government".

StatLink https://doi.org/10.1787/888934091790

4.9. Existence of a unit or team in charge of tracking progress on the implementation of policy priorities, 2018



Source: OECD-IDB (2018) "Survey on Organisation and Functions of the Centre of Government"; OECD (2017) "Survey on Organisation and Functions of the Centre of Government"; OECD (2017) "Survey on Organisation and Functions of the Centre of Government".

StatLink https://doi.org/10.1787/888934091809

Chapter 5

Budgeting practices and procedures

By directing the budget process, the central budget authority (CBA) can contribute to achieving a well-structured budget that, in turn, can give strategic direction and cohesion to the public sector by funding the country's competing needs, from improving education to developing new infrastructure.

The location of the CBA affects the amount of co-ordination required to consolidate the budget. The majority of LAC (84%) countries have located the CBA within the Ministry of Finance and/or Economics. It is commonly located in one specific office or department of the ministry, usually the budget department as, for example, in Argentina, Bahamas, Costa Rica and Peru. In Uruguay, 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 2018, in the case of Brazil, the budget was 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 person responsible for preparing the government's budget and for interacting with other spending units. In most (62%) of LAC countries, the head of the CBA is a political appointee, understood as a government official who generally does not remain in the position when there is a change in government. Nonetheless, in Argentina, the Bahamas, Costa Rica, El Salvador and Paraguay, the head of the CBA is a civil servant who could expect to remain in the position when there is a change in government.

The responsibilities and authority of the CBA should be defined in a way that prevents duplication of tasks or disputes between the different units involved. The CBA has responsibilities at various stages of the budget cycle. In the majority of the countries, it is largely involved at the time of formulating the budget. In all of the surveyed LAC countries in 2018, the CBA had the exclusive responsibility of drafting budget circulars, including in Panama whose CBA was not responsible for this in 2013. Similarly, in all surveyed OECD countries, drafting the budget circular was the responsibility of the CBA. Developing the executive's budget proposal is the responsibility of CBA in most OECD and LAC countries. Determining budget ceilings for line ministries is also the exclusive responsibility of the CBA in the majority of both groups of countries. The CBA also conducts negotiations with line ministries in OECD and in LAC countries, although in the Dominican Republic, El Salvador and Guatemala this responsibility is shared (in the last two, with the Presidency).

At the time of executing the budget, the CBA had the exclusive competence over authorising outlays in ten LAC countries (including the Dominican Republic where it is shared). By contrast, only around half of OECD countries assign this responsibility to the CBA. Monitoring the performance of line ministries is the responsibility of CBA in 8 countries (out of 13), compared to a third of OECD countries. On the contrary, a larger proportion of OECD countries than of LAC countries are responsible for producing complementary budgets.

Methodology and definitions

Data come from the 2018 OECD/IDB Survey of Budget Practices and Procedures, to which 11 LAC countries responded. Respondents were predominantly senior budget officials in LAC 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.

A CBA is a public entity, or several coordinated 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 CBA is monitoring and maintaining aggregate/national fiscal discipline.

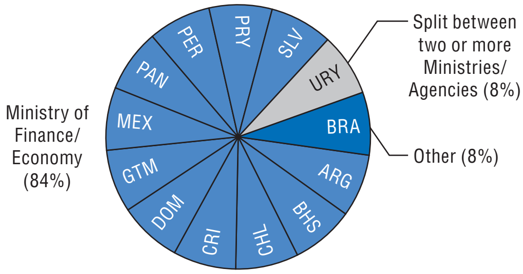
A budget circular is a document/memorandum issued by the CBA to guide line ministries/agencies in the preparations of their initial budget proposals/budget estimates. A budget circular, for instance, may contain information or guidance on automatic productivity cuts, medium-term or annual expenditure ceilings, etc.

Figure notes

5.1 In Brazil, from 2019 the budget is entirely managed by a CBA located within the Ministry of Economy, which merges the previous Ministries of Finance and Planning Development and Management

5.3 Data for Bahamas and for Uruguay for 2013 are not available. More categories are available online. In Brazil, the ceilings are discussed and approved by a collegial body: *Junta de Execução Orçamentária* (Execution Budget Committee), regulated by a 2019 decree, and primarily in charge of advising the president on fiscal policy matters.

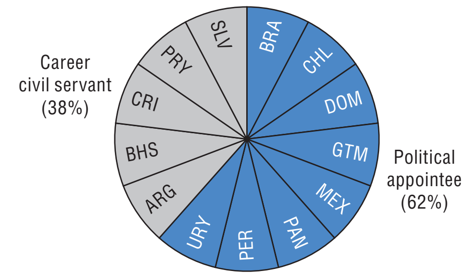
5.1. Location of the central budget authority function, 2018



Source: OECD/IDB (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934091828

5.2. Position of the head of the central budget authority, 2018



Source: OECD/IDB (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934091847

5.3. Responsibilities of the central budget authority, 2013 and 2018

Country	Drafting budget circular		Developing executive budget proposal		Determining ceilings for line ministries		Negotiating with line ministries		Authorisation of line ministries outlays		Monitoring performance of line ministries		Producing supplementary budgets	
	2018	2013	2018	2013	2018	2013	2018	2013	2018	2013	2018	2013	2018	2013
Argentina	●	●	●	◖	●	◖	●	◖	●	◖	●	●	◖	◖
Bahamas	●	…	●	…	●	…	●	…	●	…	●	…	●	…
Brazil	●	●	●	●	●	●	●	●	●	◖	◖	◖	●	●
Chile	●	●	●	●	●	◖	●	●	●	●	●	◖	●	●
Costa Rica	●	●	●	●	●	●	●	●	●	●	◖	●	●	●
Dominican Republic	●	●	◖	●	❍	●	◖	●	◖	●	●	●	◖	●
El Salvador	●	●	●	●	●	●	◖	◖	●	❍	◖	◖	●	●
Guatemala	●	●	●	●	●	●	◖	●	❍	◖	◖	◖	◖	●
Mexico	●	●	●	●	●	●	●	●	●	●	●	◖	●	●
Panama	●	❍	●	●	●	●	●	●	⊗	●	●	●	●	●
Paraguay	●	●	●	●	●	●	●	◖	●	●	●	◖	⊗	◖
Peru	●	●	●	●	●	●	●	●	●	❍	●	●	●	●
Uruguay	●	…	●	…	●	…	●	…	⊗	…	◖	…	⊗	…
LAC total														
● Sole responsibility of the CBA	13	10	12	10	12	9	10	8	9	6	8	5	8	9
◖ Shared responsibility between the CBA and other institutions	0	0	1	1	0	2	3	3	1	3	5	6	3	2
❍ Not a responsibility of the CBA	0	1	0	0	1	0	0	0	1	2	0	0	0	0
⊗ Not applicable	0	0	0	0	0	0	0	0	2	0	0	0	2	0
OECD total														
● Sole responsibility of the CBA	30		26		23		26		16		11		29	
◖ Shared responsibility between the CBA and other institutions	3		6		5		6		6		18		3	
❍ Not a responsibility of the CBA	0		0		3		2		10		4		1	
⊗ Not applicable	1		2		3		0		2		1		1	

Source: OECD/IDB (2013, 2018) Survey of Budget Practices and Procedures, OECD (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934091866

Fiscal rules set the passage for a country's responsible fiscal policy. Over the last years, LAC countries implemented fiscal responsibility laws in order to improve the sustainability and transparency of fiscal policy and to increase economic growth. Fiscal rules are meant to be observable and permanent, irrespective of changes in government; hence they can help prioritise a predictable track for government policy and keep public debt at healthy levels.

Fiscal rules act as a commitment mechanism to constrain excessive deficit accumulation arising from distorted political incentives; nonetheless, strict rules might reduce the scope for adjusting policy to unexpected shocks. Recent research (Ardanaz et. al., 2019) found that flexible fiscal rules can contribute to reduce procyclical biases against public investment, which is generally the most affected type of spending in periods of fiscal adjustment.

The vast majority of LAC countries have budget balance rules, which can be in terms of nominal and primary budget balance, structural balance and golden rule. More countries than in 2013 have such rules. Out of the surveyed countries, only the Bahamas and Uruguay do not have any type of fiscal rules for budget balance in place, and Argentina has a political commitment to have primary budget balance rules in place. While the headline/nominal balance rule is the most common in LAC, structural or cyclical balance is the most common one among OECD countries.

In LAC, debt rules are sanctioned in the majority of the countries, although only in 4 out of 13 are they sanctioned by law. By contrast a majority of OECD countries sanction them by law (i.e. debt ceiling in a level or as a percentage of GDP, debt target in level or as a percentage of GDP and debt reduction target). Debt rules have been sanctioned by law in El Salvador, Mexico, Panama and Peru. Paraguay, which did not have any debt rules in 2013, established debt ceilings.

A large proportion of LAC countries have established expenditure rules in order to limit the size of the government since 2013. Expenditure ceilings are more common than expenditure growth rates (the opposite of the OECD). Fiscal rules on revenue are less popular in LAC (as well as among OECD countries). Costa Rica, Mexico and Paraguay have rules, grounded in laws, for upper limits on revenue, and Brazil, Mexico and Paraguay also set constraints on allocation of higher than expected revenues. Brazil and Paraguay did not have such rules in place in 2013. Since 2016, Peru has a rule stating that current expenditures cannot exceed current revenues.

For compliance to take place, some countries have enforcement mechanisms defining the procedures to follow in the event of a deviation from the rule. El Salvador, Panama, Paraguay and Peru enforce corrective measures to be implemented by the entity responsible for the overrun. The Bahamas, Mexico and Panama set up a requirement to explain the reasons for non-compliance to the Legislature. The most common enforcement mechanism among OECD countries is proposing corrective measures to the Legislature. In LAC, this is also the case in the Bahamas and Panama. Brazil imposes automatic corrective measures once a fiscal rule has been violated. Currently, Argentina, Chile and Costa Rica reported not having enforcement mechanisms in place.

Methodology and definitions

Data come from the 2018 OECD/IDB Survey of Budget Practices and Procedures to which 11 LAC countries responded and 2018 OECD Survey of Budget Practices and Procedures, which collected data for Chile and Mexico. Data for the OECD refer to 34 respondent countries. 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.

A fiscal rule is a permanent, long-term restriction on fiscal policy aggregates. The majority of fiscal rules are based on international treaties, constitutional decrees, or primary legislation. In exceptional cases, fiscal rules can be based on political commitments. However, the commitment must be solid and involve all relevant actors in the long run. In sum, the fiscal rule is meant to be applied on a permanent basis by subsequent administrations. This is distinct from a "fiscal objective", which is a target that is not legally binding but mandated through political decision or established custom and practice.

A golden rule is a variation of a balance rule, in which the government is only allowed to borrow to finance investments. The rationale underlying the golden rule is that investments represent future and not current consumption and have the potential to generate future growth.

Further reading

Ardanaz, M., E. Cavallo, A. Izquierdo and J. Puig (2019), *Growth-Friendly Fiscal Rules?: Safeguarding Public Investment from Budget Cuts through Fiscal Rule Design*, Inter-American Development Bank *http://dx.doi.org/10.18235/0001804*

Fall, F., et al. (2015), "Prudent debt targets and fiscal frameworks", *OECD Economic Policy Papers*, No. 15, OECD Publishing, Paris, *https://doi.org/10.1787/5jrxtjmmt9f7-en*.

Figure notes

Data for Bahamas and for Uruguay for 2013 are not available.

5.6. (Types and legal foundation of fiscal rules, 2013 and 2018) is available on line in Annex F.

5.4. Types and legal foundation of fiscal rules by rule, 2018

Country	Budget balance (deficit/surplus)				Debt			Expenditure		Revenue	
	Headline/ nominal budget balance	Primary budget balance	Structural/ cyclical budget balance	“Golden rule”	Debt ceiling in a level or as a percentage of GDP	Debt target in a level or as a percentage of GDP	Debt reduction target	Expenditure level/ceiling	Expenditure growth rate	Upper limits on revenue	Constraints on allocation of higher than expected revenues
Argentina	x	❍	x	x	x	x	x	x	x	x	x
Bahamas	x	x	x	x	x	x	x	x	x	x	x
Brazil	⦿	⦿	⦿	⦿	❍	❍	❍	⦿	⦿	❍	⦿
Chile	x	x	✠	x	x	x	x	⦿	x	x	x
Costa Rica	⦿	x	x	x	✠	✠	❍	⦿	✠	⦿	x
Dominican Republic	⦿	⦿	x	x	x	x	x	⦿	x	x	x
El Salvador	⦿	⦿	⦿	x	⦿	⦿	⦿	⦿	✠	x	x
Guatemala	⦿	✠	x	x	✠	✠	x	❍	❍	❍	❍
Mexico	⦿	⦿	⦿	x	⦿	⦿	⦿	⦿	⦿	⦿	⦿
Panama	⦿	x	x	x	⦿	⦿	⦿	⦿	x	x	x
Paraguay	⦿	⦿	⦿	⦿	⦿	x	x	✠	x	⦿	⦿
Peru	⦿	x	x	x	✠	x	x	x	⦿	x	x
Uruguay	x	x	x	x	x	x	x	x	x	x	x
LAC total											
⦿ Legal Basis	9	5	4	2	4	3	3	7	3	3	3
✠ Internal rules/policy	0	1	1	0	3	2	0	1	2	0	0
❍ Political commitment	0	1	0	0	1	1	2	1	1	2	1
x Not applicable	4	6	8	11	5	7	8	4	7	8	9
OECD total											
⦿ Legal Basis	20	6	22	1	20	14	14	16	18	6	11
✠ Internal rules/policy	2	2	2	0	0	3	0	2	3	1	0
❍ Political commitment	6	0	3	1	0	6	3	3	2	2	1
Other basis	0	1	1	0	0	1	1	0	0	0	0
x Not applicable	7	25	6	32	14	11	16	13	11	25	22

Source: OECD/IDB (2018) Survey of Budget Practices and Procedures, OECD (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934091885

5.5. Enforcement mechanisms for fiscal rules, 2013 and 2018

Country	Corrective measures implemented by the entity responsible for the overrun	Requirement to propose corrective measures to the Legislature	Requirement to explain the reasons for non-compliance to the Legislature	Automatic corrective measures (e.g.sanctions)	No enforcement procedures defined ex ante
Argentina		X			○
Bahamas		○	○		
Brazil	X			○	
Chile		X			○
Costa Rica					○ X
El Salvador	○				
Mexico	X		○		
Panama	○ X	○	○		
Paraguay	○				
Peru	○	X			
LAC total					
○ 2018	4	2	3	1	3
X 2013	3	3	0	0	1
OECD total					
2018	9	18	14	5	7

Source: OECD/IDB (2018) Survey of Budget Practices and Procedures, OECD (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934091904

Maintaining economic and fiscal stability is a constant challenge for all countries in LAC, which requires strengthening the fiscal framework and budget institutions. Medium Term Expenditure Frameworks (MTEFs) are a tool for linking the budgetary process to broad fiscal policy goals beyond the annual budgetary cycle. MTEFs allow authorities to establish multi-year budget estimates or ceilings, and/or detailed expenditure plans, which could typically have a span of three to five years. Such framework supports governments in making good macroeconomic projections, setting spending limits -taking into account indebtedness and future income-, and in general, understanding the consequences of fiscal decisions.

A well designed MTEF would result in credible and predictable annual budgets, provide relatively accurate medium-term macroeconomic projections and allow understanding the source and size of fiscal challenges, the multi-year impact of new income and expenditure policy proposals before being adopted and provide early warnings about the sustainability of ongoing policies.

A major challenge for the implementation of MTEFs is ensuring that expenditure estimates and ceilings are based on high-quality projections. There must also be active coordination with line ministries and subnational governments, both of which account for large levels of government expenditure.

Eight out of 13 surveyed LAC countries have some form of multi-year budgetary framework. Only Paraguay and Peru have a law which stipulates both the existence of an MTEF and budget ceilings. Guatemala has a law stipulating that spending thresholds should not exceed medium term estimates; Brazil, Chile, Panama and Uruguay have a law stipulating that spending thresholds should not exceed medium term estimates, and the Bahamas has a strategy/policy stipulating the MTEF and/or budget ceilings. From 2013 to 2018, the Bahamas, Brazil, Panama and Peru have established MTEFs. By contrast, the majority of OECD countries have an MTEF in place.

The length of expenditure ceilings usually ranges from three to five years, except for Brazil, which is the only country in LAC that has a ceiling of six years or more; and the Bahamas, which has the shortest ceiling of only two years, covering different expenditure levels. Out of these countries, the Bahamas, Panama, Peru and Uruguay have targets of expenditure ceilings. Brazil, Paraguay and Uruguay have specific programme expenditures; and Guatemala and Uruguay have organizational expenditure purposes.

In LAC countries, having medium-term perspective in the budget process is becoming more and more widespread. For this reason, the average score increased from 0.50 in 2013 to 0.63 in 2019 (on a scale from 0 to 1, where 1 is the highest score). This change is attributed to the recognition that medium-term planning contributes to foresee the general direction of policy and increase the predictability of financial flows. Still, the mean is below the OECD average (0.75).

In 2017, Brazil, the country with the highest score in LAC (0.74), established a solid fiscal rule that limits the growth of government expenditures to the rate of inflation in order to restore fiscal balance after the recession. Since 2013, Panama and Paraguay have established medium-term rules.

Methodology and definitions

Data come from the 2018 OECD/IDB Survey of Budget Practices and Procedures to which 11 LAC countries responded and the 2018 OECD Survey of Budget Practices and Procedures, which collected data for Chile and Mexico. Data for the OECD refer to 34 respondent countries. 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.

An MTEF is defined as a framework for integrating fiscal policy and budgeting over the medium-term (typically over a three to five-year period). In general terms, this involves systematic linkages between (a) aggregate fiscal forecasting, (b) maintaining detailed medium-term budget estimates reflecting existing government policies, and (c) maintaining compliance with a normative fiscal framework. A key objective of an MTEF is to establish multi-year expenditure ceilings which are effective for the purposes of planning and prioritization.

The composite index contains ten variables that cover information on the existence of a medium-term perspective in the budget process, the number of years the estimate covers, the types of expenditures included in the frameworks, the possibility of carrying over unused funds from one year to the next year and how those funds are monitored. Annex A describes the methodology used to construct this index, including the specific weights assigned to each variable.

Further reading

IDB (2018), *Better spending for better lives*, Inter-American Development Bank, Washington, DC *http://dx.doi.org/10.18235/0001217-en*

Figure notes

Data for the Bahamas and for Uruguay for 2013 are not available.

5.8 Bahamas approved a fiscal responsibility bill in 2018 by which it created a medium-term fiscal framework. In Panama the fiscal law was sanctioned in 2008, but the MTEF was put into practice in 2014. A score of 0 means that the country does not have an MTEF.

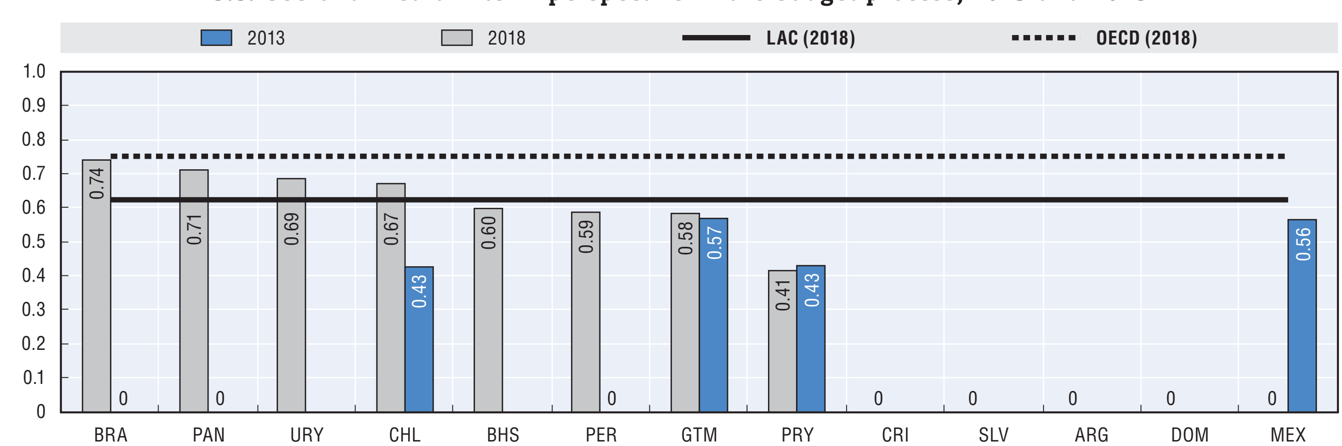
5.7. Medium Term perspective in the budget process at the central level of government, 2013 and 2018

Country	Existence and legal basis of MTEF		Length of ceilings (including upcoming fiscal year)		Targets of expenditure ceilings		Programme or sector expenditures		Organizational expenditures	
	2018	2013	2018	2013	2018	2013	2018	2013	2018	2013
Argentina	⊘	⊘	x	x		x		x		x
Bahamas	❍		2 years		✓					
Brazil	◉	⊘	6 years or more	x		x	✓	x		x
Chile	◉	❍	4 years	3 years		✓				
Costa Rica	⊘	⊘	x	x		x		x		x
Dominican Republic	⊘	⊘	x	x		x		x		x
El Salvador	⊘	⊘	x	x		x		x		x
Guatemala	○	○	5 years	3 years					✓	✓
Mexico	⊘	●	x	5 years		✓				
Panama	◉	⊘	5 years	x	✓	x		x		x
Paraguay	●	❍	3 years	2 years			✓			✓
Peru	●	⊘	4 years	x	✓	x		x	x	x
Uruguay	◉		5 years		✓		✓		✓	
LAC total										
● Yes, in a law which stipulates both the existence of a MTEF and budget ceilings	2	1								
○ Yes, in a law stipulating the creation of a MTEF which should be based on budget ceilings	2	1								
◉ Yes, in a law stipulating that spending thresholds should not exceed medium term estimates	3	0								
❍ Yes, in a strategy/policy stipulating the MTEF and/or budget ceilings	1	2								
⊘ No	5	7								
x Not applicable (e.g. No MTEF in place)										
OECD total										
● Yes, in a law which stipulates both the existence of a MTEF and budget ceilings	2									
○ Yes, in a law stipulating the creation of a MTEF which should be based on budget ceilings	12									
◉ Yes, in a law stipulating that spending thresholds should not exceed medium term estimates	10									
❍ Yes, in a strategy/policy stipulating the MTEF and/or budget ceilings	3									
⊘ No	4									
x Not applicable (e.g. No MTEF in place)	3									

Source: OECD/IDB (2013, 2018) Survey of Budget Practices and Procedures, OECD (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934091923

5.8. Use of a medium-term perspective in the budget process, 2013 and 2018



Source: OECD/IDB (2013, 2018) Survey of Budget Practices and Procedures, OECD (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934091942

The budget provides the financial framework that dictates the limits within the management of operations of public institutions. Delegating authority to managers on their fund allocations within their own budgets could lead to more effective spending as local heads may be in the best position to choose the most important mix of inputs to carry out institutional objectives.

On the other hand, excessive budget flexibility could lead to a misuse of public resources and is against a budget for results approach. Specially in low and middle-income countries, sub-limits on lump sum appropriations serve to align expenditures and revenues while making sure that resources are not disproportionately allocated to one type of expenditure. In 2018, among countries with available data, Brazil, the Dominican Republic, Panama and Peru imposed sub-limits to lump sum appropriations. Such sub-limits can be on wages or capital spending, among others. In Brazil, the number of limits decreased from three or more in 2013 to one in 2018; similarly, in Panama they were reduced from two to one and in Paraguay they were eliminated. On the contrary, Peru increased the sub-limits.

A budget carry-over is the ability of line ministries to transfer unused funds or appropriations from one fiscal year to the next. This form of spending allows ministries to use previous budget appropriations for their undertakings the following fiscal year. Carry-overs are not common in LAC. Only four out of thirteen countries (Bahamas, Brazil, Chile and Peru) allowed them. Brazil allowed carry-overs without thresholds in 2013, but in 2018 it imposed thresholds. Additionally, in 2019, Mexico sanctioned an austerity law by which all savings should be allocated to priority federal government programmes. By contrast, in 2018, around half of OECD countries allowed for carry-overs without a threshold for operating expenditure and/or investment expenditure, and around another third allowed them up to a certain threshold.

Most LAC countries do not allow line ministries to borrow against future appropriations in 2018; with the exception of Peru for investment expenditures up to a certain threshold. Similarly, very few OECD member countries allow line ministries to do so. In 2018, this practice took place in three countries for operational spending and four countries for investment spending both up to a certain threshold.

LAC countries are allowing more flexibility than before for the Executive to cut spending or redistribute resources once the budget is approved by the Legislature. For operational spending, in 2018, all LAC countries except Mexico and Panama allowed the executive to perform such cuts. Ten countries allowed the executive to redistribute spending without a threshold. The majority of these did not allow such flexibility in 2013: Guatemala and Paraguay did not allow any cuts by the Executive, Argentina allowed them only up to a certain threshold requiring approval, and Costa Rica and the Dominican Republic allowed them without a threshold but requiring approval. All of these now allow cuts without a threshold and without approval. Additionally, El Salvador did not allow for any cuts in 2013 and now allows them up to a certain threshold with approval. Only Chile and Mexico became stricter, since they allowed cuts without a threshold nor approval in 2013. Among OECD countries, 18 out of 34 allow for cuts without a threshold and without requiring approval and only 6 do not allow any cuts.

For investment spending, a similar picture can be observed for both OECD and LAC countries: only three LAC countries (El Salvador, Mexico and Panama) do not allow for cuts, while the rest allow the same flexibility as for operational spending. Only seven OECD countries do not allow them, while the rest allow the same flexibility. In 2013, fewer LAC countries allowed for cuts on investment spending than cuts on operational spending, probably due to the bias against investment spending in times of fiscal adjustment.

Methodology and definitions

Data come from the 2018 OECD/IDB Survey of Budget Practices and Procedures to which 11 LAC countries responded and 2018 OECD Survey of Budget Practices and Procedures, which collected data for Chile and Mexico. Data for the OECD refer to 34 respondent countries. 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.

Budget flexibility refers to the possibility to carry over funds to the use of an unspent appropriation beyond the time period of which it was originally granted. This allows for spending agencies to transfer unspent resources of the previous fiscal year to the current year's budget allocation.

Further reading

Marcel M., M. Guzman and M. Sangines (2014), *Presupuestos para el desarrollo en América Latina*, Interamerican Development Bank, Washington, DC.

Figure notes

Data for Bahamas and for Uruguay for 2013 are not available.

5.9: Bahamas and Uruguay assign detailed operating expenditures to line ministries.

5.10: Countries with an asterisk (*) responded to only one round of the survey. In Brazil, from 2019, parliamentary approval is required for making transfers between categories of spending.

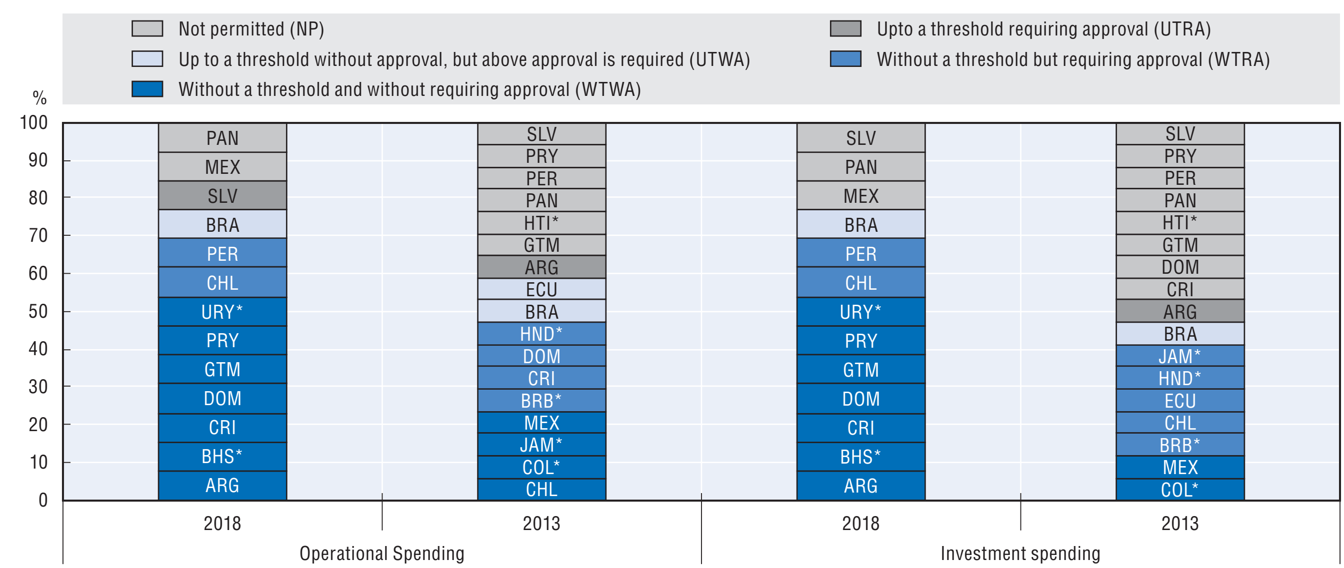
5.9. Ability of line ministries to carry over unused funds and borrow against future appropriations, 2013 and 2018

Country	Number of sub-limits on line ministries' lump sum appropriations		Ability of line ministries to carry over unused funds or appropriations from one year to the next				Ability of line ministries to borrow against future appropriations			
			Operating expenditure		Investment expenditure		Operating expenditure		Investment expenditure	
	2018	2013	2018	2013	2018	2013	2018	2013	2018	2013
Argentina		2	○	○	○	○	○	○	○	○
Bahamas	NA		**○**		**○**		○		○	○
Brazil	1	3 or more	**○**	●	**○**	●	○	○	○	○
Chile		3 or more	●	○	●	○	○	○	○	○
Costa Rica	0	2	○	○	○	○	○	○	○	○
Dominican Republic	2	0	○	○	○	○	○	○	○	○
El Salvador	0	0	○	**○**	○	○	○	○	○	○
Guatemala	0	0	○	**○**	○	○	○	○	○	○
Mexico		3 or more	○	○	○	○	○	○	○	○
Panama	1	2	○	○	○	○	○	○	○	○
Paraguay	0	1	○	○	○	○	○	○	○	○
Peru	3	1	**○**	**○**	**○**	**○**	○	○	**○**	○
Uruguay	NA		○	○	○	○	○	○	○	○
LAC total										
● Yes, without threshold			1	1	1	1	0	0	0	0
○ Yes, up to certain threshold			3	3	3	1	0	0	1	0
○ No, not permitted			9	7	9	9	13	11	12	11
OECD total										
● Yes, without threshold			16		19		0		0	
○ Yes, up to certain threshold			11		9		3		4	
○ No, not permitted			7		6		31		30	

Source: OECD/IDB (2013, 2018) Survey of Budget Practices and Procedures, OECD (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934091961

5.10. Authority of the Executive to cut/cancel/rescind spending once the budget has been approved by the Legislature, 2013 and 2018



Source: OECD/IDB (2013, 2018) Survey of Budget Practices and Procedures, OECD (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934091980

Formulating the budget implies consultation and negotiation with line ministries and other spending units as well as obtaining parliamentary approval. The central budget authority consolidates a budget proposal that reflects policy priorities and existing financial commitments. Unanticipated circumstances (e.g. natural disasters, unexpected legal obligations) can alter the planned budget.

An instrument to react to unanticipated circumstances are complementary budgets and reserve funds. The frequent approval of complementary budgets may reflect poor budget preparation procedures, inappropriate costing of programmes, macroeconomics shocks, wrong forecast or governmental failure to adhere to announced budgetary policies. Yet, the opposite case does not necessarily imply strict adherence to budgetary discipline as it could result from a process that is too flexible or from upwardly biased budget allocations that allow circumventing the limits.

Between 2010 and 2017, Argentina, Brazil, Costa Rica, Dominican Republic, El Salvador, Paraguay and Peru approved complementary budgets every fiscal year. Guatemala approved complementary budgets every year, except 2013; and in Panama, complementary budgets were approved in 2012, 2014, 2016 and 2017. The main reason for approving complementary budgets between 2014 and 2017 in Argentina and El Salvador were changing economic circumstances; in Brazil, modifications were made to transfer funds between appropriations; in the Dominican Republic and Paraguay, emergency needs were the main drivers; while in Panama the increase in estimates of mandatory spending was the main reason.

No complementary budgets were approved in the Bahamas, Chile, Mexico and Uruguay. In the Bahamas, improper planning processes (such as budgeting for salaries of personnel that went into retirement due to having outdated registers) lead to over-budgeting and under-spending. In the case of Mexico, there could be overspending (for instance, in 2013 there was an overspending of 6.3% in comparison to the approved budget). However, it could take place without resorting to complementary budgets, as current regulations only require the approval by the Ministry of Finance in specific cases, such as when they affect the primary and financial balance of the spending entity or when funds for investment are used for current expenditures.

Uruguay is a special case as it has a five-year budget. Every time a new government takes office after the elections, a budget has to be approved for the whole term. Modifications can only occur once a year at the time of reporting (generally increasing the ceilings).

Reserve funds grant budgetary flexibility to governments to resolve contingency expenditures. Results show that, according to the survey responses, 83% of LAC countries have established such funds, slightly less than in the OECD (91% of countries). Argentina, Brazil, Costa Rica, El Salvador, Guatemala, Panama, Peru and Uruguay have contingency reserves for unforeseen expenditures (such as natural disasters). Additionally, Argentina, Peru and Uruguay have contingency reserves for foreseen expenditures (such as new policies) and Argentina, Brazil Chile and Mexico have counter-cyclical stabilisation funds. Chile is the only country that has long-term reserve funds. The Bahamas does not have a reserve fund, but since 2018, the government has at its disposal a contingent credit line from multilateral banking in case of natural disasters.

Methodology and definitions

Data come from the 2018 OECD/IDB Survey of Budget Practices and Procedures to which 11 LAC countries responded and the 2018 OECD Survey of Budget Practices and Procedures, which collected data for Chile and Mexico. Data for the OECD refer to 34 respondent countries. 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.

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.

Further reading

Vammalle, C. and A. Ruiz Rivadeneira (2019), "Budgeting in Uruguay: Towards modern budgeting practices in Uruguay", *OECD Journal on Budgeting*, Vol. 19/1, OECD Publishing, Paris, *https://doi.org/10.1787/4ff4bfce-en*

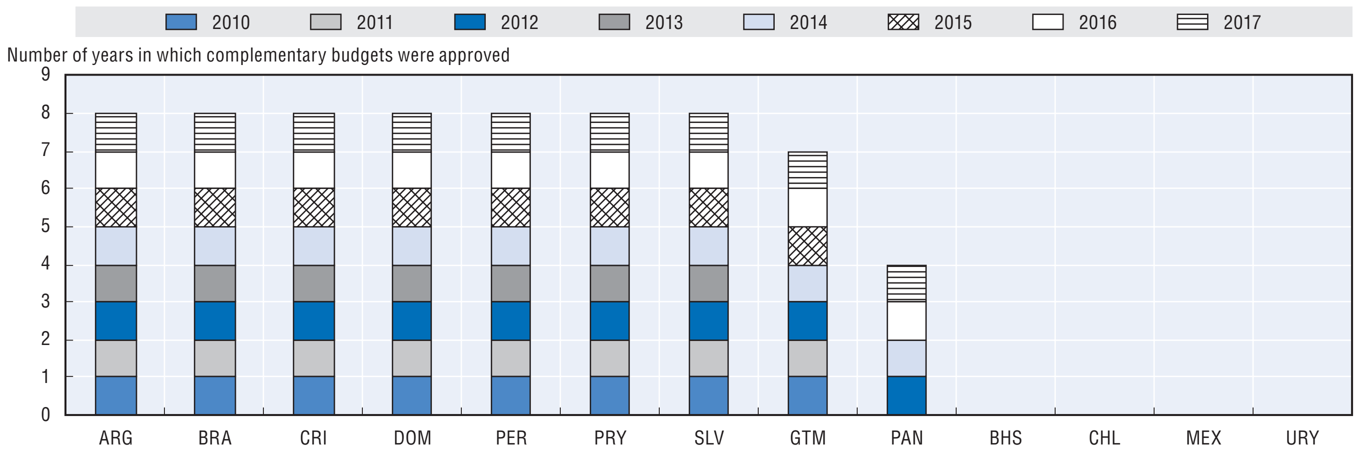
Figure notes

5.11. Data were corrected since the *Government at a Glance: Latin America and Caribbean 2017* for Panama for 2012, and for Paraguay for 2010, 2011 and 2012, new evidence showed that the countries had approved complementary budgets for such years. Bahamas and Uruguay responded only to one round of the survey.

5.12 Data for Chile, Guatemala and Mexico are not available.

5.13 Data for the Dominican Republic are not available. The Brazilian Sovereign Fund (Fundo Soberano) ceased existing in 2019.

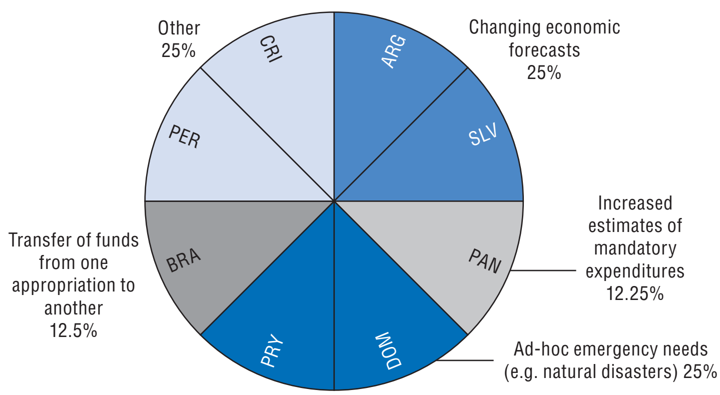
5.11. Approval of complementary budgets, fiscal years 2010 through 2017



Source: OECD/IDB (2018, 2013) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934091999

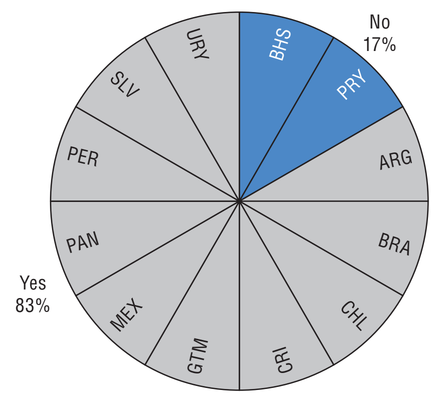
5.12. Main reason to approve complementary budget between 2014 and 2017, 2018



Source: OECD/IDB (2018, 2013) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934092018

5.13. Existence of reserve funds, 2018



Source: OECD/IDB (2018) Survey of Budget Practices and Procedures, OECD (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934092037

Budget earmarks set aside a percentage of government funds for specific sectors, which can be estimated as a share of GDP; and are established by the constitution, or by primary or secondary legislation.

Earmarks cause budget rigidities because of the inability to fund programmes that are in line with new policy priorities, as opposed to pre-existing ones. This, in turn, can contribute to lack of accountability and inefficient use of resources by perpetuating programmes or initiatives that are no longer necessary or that do not perform as expected, which, in turn, may be captured by interest groups and hamper the development of new and strategic initiatives. In cases of sudden macroeconomic shocks, excessive earmarks compromise macroeconomic stability by reducing the room for manoeuvre to adjust fiscal aggregates to changing macroeconomic perspectives, leading to further indebtedness. Finally, when calculated as a share of GDP, earmarks contribute to pro-cyclical spending by increasing expenditures when the overall economy is growing, and decreasing them in times of crisis.

From the point of view of line ministries, budget earmarks increase the predictability of resources in the medium- and long-term, giving them greater flexibility to plan annual and multi-annual operations. Earmarks also protect important social programmes from short-term fluctuations in funding that may hinder long-term national objectives.

In 2018, all surveyed Latin American and Caribbean countries had earmarked funds. In Brazil and the Dominican Republic they represent 61-80% of all expenditures; in Argentina, Costa Rica, Guatemala and Uruguay they represent between 41-60%; in El Salvador and Paraguay 21-40% are earmarked; and in the Bahamas only 0-20%.

In terms of sectors, in 2018, seven countries (Argentina, Brazil, Costa Rica, Dominican Republic, Panama, Paraguay and Peru) have earmarked budget for education. In the Dominican Republic several laws allocate resources to specific sectors. For example, the Education Law indicates that expenditure to education should be the highest between 16% of total expenditure or 4% of GDP. Another law allocates 5% of total expenditure to tertiary education. In Peru, the National Agreement establishes that investment in education should reach 6% of GDP; however, in practice and despite recent increases, it is still below this level and funding varies depending on macroeconomic conditions and resources available. Five countries (Argentina, Brazil, Costa Rica, El Salvador and Uruguay) had earmarks for health. In El Salvador, the "Fondo Solidario para la Salud", established in 2004 and modified in 2019, earmarks all resources collected from taxes on harmful products (e.g. tobacco) for funding the health system.

Six countries also have earmarked transfers to subnational governments, including Argentina, Brazil, Costa Rica, the Dominican Republic, El Salvador and Peru. In Costa Rica, the law on transfer of competencies to the regions has earmarked resources for the regions since 2016. For instance, subnational governments are entitled to at least 1.5% of government budget for building and maintaining the road network that connects the cantons.

In 2018, seven countries (Brazil, Costa Rica, El Salvador, Panama, Paraguay, Peru and Uruguay) reported having earmarked funds set in the constitution. For example, in Costa Rica, the constitution mandates that the budget for education must be at least 8% of GDP and that at least 10% of tax revenues must be transferred to subnational governments. Primary legislation was the legal basis in seven countries, including Argentina, Brazil, Costa Rica, the Dominican Republic, El Salvador, Peru and Uruguay. Secondary legislation provides the basis for earmarks in Dominican Republic and Panama.

Methodology and definitions

Data come from the 2018 OECD/IDB Survey of Budget Practices and Procedures, to which 11 LAC countries responded. Respondents were predominantly senior budget officials in LAC 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.

A budget earmark is defined as a pre-assigned fund. It is a line item established by law, decree or constitutional mandate, and is independent of the executive. It corresponds to revenues from a specific source or other transfers. Earmarks do not correspond to those expenditures stemming from operational concepts such as payroll value or debt service.

Further Reading

Pessino, C., Izquierdo, A. and Vuletin, G. (2018) *Better Spending for Better Lives: How Latin America and the Caribbean Can Do More with Less.* IDB Publications, Inter-American Development Bank, Washington D.C.

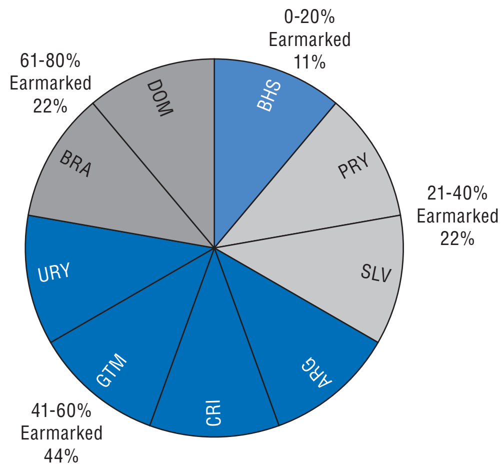
Figure notes

Data for Chile and Mexico for 2018 are not available.

5.14. Data for Panama are not available. Peru has earmarked funds that vary depending on the performance of macroeconomic variables, hence not included in the graph.

5.15 and 5.16. Data for Bahamas are not available. Data for Guatemala for 2018 are not available. Data for Dominican Republic and Uruguay for 2013 are not available.

5.14. Percentage of total expenditure that is pre-assigned, 2018



Source: OECD/IDB (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934092056

5.15. Earmarked sectors, 2013 and 2018

Country	Education	Transfers to sub-national governments	Health	Justice	Security	Defence
Argentina	○ X	○ X	○ X	○ X		
Bahamas						
Brazil	○ X	○ X	○ X		X	
Chile		X				X
Costa Rica	○ X	○ X	○ X	X	○ X	
Dominican Republic	○	○				
El Salvador		○ X	○ X	○ X		
Guatemala	X	X	X	X	X	X
Mexico		X				
Panama	○			○		
Paraguay	○ X			○ X		
Peru	○	○				
Uruguay			○			
LAC total						
○ 2019	7	6	5	4	1	0
X 2013	5	7	5	5	3	2

Source: OECD/IDB (2013, 2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934092075

5.16. Legal basis of budget earmark, 2013 and 2018

Country	Constitution	Primary legislation	Secondary legislation
Argentina		○ X	
Bahamas			
Brazil	○ X	○ X	
Chile		X	
Costa Rica	○ X	○ X	
Dominican Republic		○	○
El Salvador	○ X	○ X	
Guatemala	X	X	X
Mexico		X	
Panama	○		○
Paraguay	○ X	X	
Peru	○	○	
Uruguay	○	○	
LAC total			
○ 2018	7	7	2
X 2013	5	8	1

Source: OECD/IDB (2013, 2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934092094

Budget transparency goes beyond having all relevant budgetary information disclosed in a timely and systematic manner. It is a multi-faceted concept that refers to the clarity, comprehensiveness, reliability, timeliness, accessibility and usability of public reporting on public finances. Levels of budgetary transparency are influenced by the existence of legal requirements and governments' disposition towards sharing information, among other aspects.

Budget transparency enhances accountability, legitimacy, integrity, inclusiveness and quality of budget decisions, which contribute to improving trust between governments and citizens.

Releasing budgetary information in open data formats and publishing citizens' guides to the budget contribute to enhancing budget transparency by allowing stakeholders to access and understand key fiscal information. According to survey results, the practice of releasing fiscal information as open data is more widespread in LAC than the production of citizens' guides. For instance, while 12 countries out of 13 release the approved budget in open data formats (except El Salvador), only nine (Argentina, Bahamas, Brazil, Chile, Costa Rica, Dominican Republic, Mexico, Peru and El Salvador) have a citizens' guide to the budget including key information on the approved budget. Eleven LAC countries also release in open data format the year-end execution reports (except Argentina and El Salvador) while slightly less than half of surveyed countries include them as part of the citizens' guides to the budget (Argentina, Brazil, Costa Rica, the Dominican Republic, Mexico and Paraguay). Only the Dominican Republic, Mexico and Paraguay publish citizens' guides for mid-year implementation reports.

New technologies are improving the interaction between people and budget authorities, and could lead to increased budgetary transparency in the future. For example, Paraguay introduced a mobile application called "PresupuestApp" in October 2019. This App allows people to perform queries on the approved budget and spending of any public institution, to obtain historical data on spending by category and sources of financing since 2011, as well as report budget irregularities to the Ministry of Finance. Such data are also available on the national open data portal.

Legislatures represent citizens' priorities and hold government to account as part of the budget process. The presentation of the budget and related documentation in the legislature is normally the first opportunity for public scrutiny of government's priorities – an essential component for transparency and public financial accountability. In such presentation, twelve out of thirteen LAC countries, except Panama, include budget priorities, either included in the narrative or as a separate document, and the text of proposed legislations. Only 59% of OECD countries include the text of proposed legislations.

Eleven countries also share the macroeconomic assumptions (except Panama and Peru), while this is done by all OECD countries. Another 11 LAC countries (except Panama and Paraguay) disclose the medium-term perspective on total revenue and expenditure and clearly defined appropriations (except Panama and Paraguay). Among OECD countries, 94% share clearly defined appropriations and 82% include the medium-term perspective. Only five LAC countries present an annual financial plan including off-budget expenditures and extra budgetary funds, compared to more than half of OECD countries.

On average, LAC countries present 9 items out of the 13 enquired about in the survey to the legislature, the same as the average for OECD countries. The LAC country that presents the largest list of items (13 in total) is Brazil, including a comprehensive annual financial plan with off budget expenditures and extra budgetary funds.

Methodology and definitions

Data come from the 2018 OECD/IDB Survey of Budget Practices and Procedures to which 11 LAC countries responded and 2018 OECD Survey of Budget Practices and Procedures, which collected data for Chile and Mexico. Data for the OECD refer to 34 respondent countries. 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.

Open data refers to digital data that are made available with the technical and legal characteristics necessary for it to be freely used, re-used and redistributed by anyone, anytime, anywhere.

A citizens' guide is an easy-to-understand summary of the main features of the annual budget or other budget-related documents. It is a user-friendly summary that helps the general reader to make sense of the technical information and avoids technical language.

Further reading

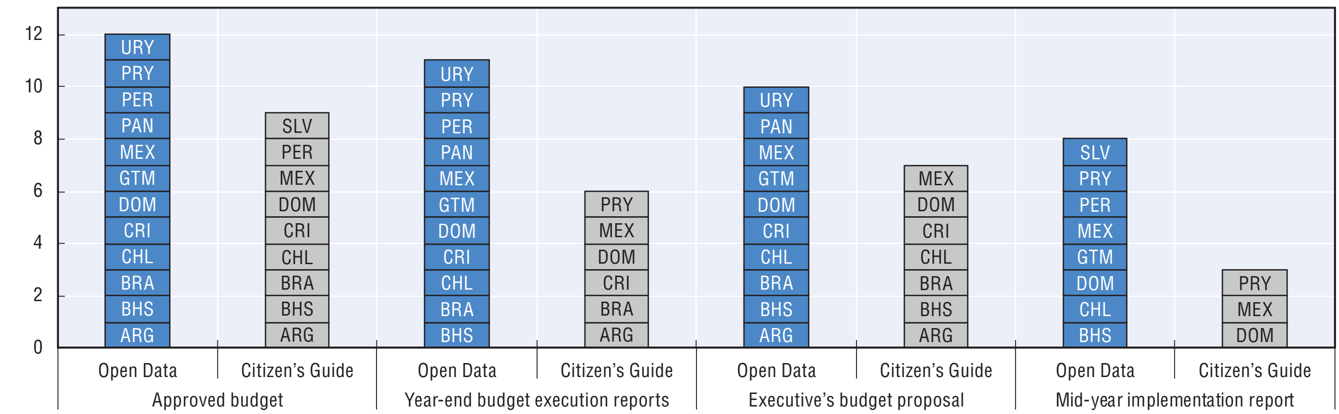
OECD (2017), *OECD Budget Transparency Toolkit: Practical Steps for Supporting Openness, Integrity and Accountability in Public Financial Management*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264282070-en*.

Pimenta, C. y M. Pessoa, eds. (2015) *Public Financial Management in Latin America : The Key to Efficiency and Transparency*, Inter-American Development Bank, Washington, DC.

Figure notes

5.18 A larger list of elements is presented in the online version.

5.17. Means of availability and transparency of key budgetary information, 2018



Source: OECD/IDB (2018) Survey of Budget Practices and Procedures, OECD (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934092113

5.18. Elements included in budget presentation to legislature, 2018

Country	Budget priorities	Macroeconomic assumptions	Medium-term perspective	Clearly defined appropriations	Linkage of appropriations to administrative units	Medium-term fiscal policy objectives	Legislation text for proposed policies	Comprehensive table of tax expenditures
Argentina	●	●	●	●	●	●	●	●
Bahamas	●	●	●	●	●	●	●	●
Brazil	●	●	●	●	●	●	●	●
Chile	●	●	●	●	●	●	●	●
Costa Rica	●	●	●	●	●	●	●	❍
Dominican Republic	●	●	●	●	●	❍	●	●
El Salvador	●	●	●	●	❍	●	●	❍
Guatemala	●	●	●	●	●	●	●	●
Mexico	●	●	●	●	●	●	●	●
Panama	❍	❍	❍	❍	❍	❍	❍	❍
Paraguay	●	●	❍	❍	●	●	●	●
Peru	●	❍	●	●	●	❍	●	❍
Uruguay	●	●	●	●	●	●	●	❍
LAC total								
● Yes	12	11	11	11	11	10	12	8
❍ No	1	2	2	2	2	3	1	5
OECD total								
● Yes	33	34	28	32	34	28	20	25
❍ No	1	0	6	2	0	6	14	9

Source: OECD/IDB (2018) Survey of Budget Practices and Procedures, OECD (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934092132

Open government is defined as a culture of governance that promotes the principles of transparency, integrity, accountability and stakeholder participation in support of democracy and inclusive growth (OECD, 2017). Through enhanced transparency and inclusiveness in policy-making, open government seeks to strengthen trust between civil society and the government. In addition to the core objective of achieving sound fiscal outcomes, the institutional arrangements of the budget process can foster transparency and promote meaningful engagement of people, hence leading to better alignment between the budget and political and social priorities.

Public consultation can take place at various stages of the budgetary process, take different forms and involve diverse institutions within the government and from interested stakeholders. Nine out of 13 LAC countries that responded to the survey reported having consultations with stakeholders at some stage of the budgetary process (except Argentina, Chile, Mexico and Panama). All of them consult at the pre-budget proposal phase, and eight of them do so after the budget proposal (except for Costa Rica and El Salvador).

During the pre-budget phase, consultations are led by the central budget authority in two countries (the Bahamas and Brazil) and exclusively by line ministries in Costa Rica. In El Salvador, consultations are led by the Council of Ministers, while in Peru local governments carry them out. Consultations that take place during the post-budget proposal phase are led by the Centre of Government in the Bahamas, Paraguay and Uruguay; by the legislature in the Dominican Republic and by line ministries in Brazil and Guatemala. In the OECD, the legislature and the government as a whole (i.e. centre of government) were the most mentioned actors that carry out consultations throughout the budget process.

Regarding forms of consultation, at the pre-budget proposal phase, seven countries (the Bahamas, Brazil, Costa Rica, the Dominican Republic, Guatemala, Paraguay and Uruguay) hold private consultation with key stakeholders. Four countries (including the Bahamas, Brazil, Costa Rica and Uruguay) have formal hearings with key stakeholders. Private consultations are also the most widely used form of consultation at the post-budget proposal phase: five countries (the Bahamas, the Dominican Republic, Guatemala, Paraguay and Uruguay) reported holding them. Private consultations are also the most used form of consultation both at the pre and post budget proposal phase in the OECD.

Typically, participative budgeting involves setting aside a limited proportion of the overall budget and inviting the public to express their view about the best use of these resources. In addition to informing the allocation of resources, it can contribute to promote budget literacy and foster meaningful engagement by people. Participative budgeting is more common at the local level and is currently implemented in several large cities in LAC (such as Buenos Aires in Argentina, Sao Paulo and Rio de Janeiro in Brazil, Santiago in Chile, and Lima in Peru). A recent study of the practice in LAC has shown that it increases public participation in decision making, increases local tax revenues collection, channels larger fractions of public budgets to services stated as top priorities by citizens, and increases satisfaction with public services (Beuermann and Amelina, 2014).

The majority of respondents from LAC indicated that they do not currently have participative budgeting initiatives at the central/federal level. Brazil, Dominican Republic, El Salvador, Guatemala and Peru reported having such initiatives in place. Brazil had the inter-council forum in place until 2018, which brought together representatives from national councils and civil society representatives to discuss the elaboration of plurennial plans. Among OECD countries, the practice of participative budgeting at the central level is not widespread.

Methodology and definitions

Data come from the 2018 OECD/IDB Survey of Budget Practices and Procedures to which 11 LAC countries responded and the 2018 OECD Survey of Budget Practices and for Chile and Mexico. Data for the OECD refer to 34 respondent countries. 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. Consultation refers to stakeholders providing feedback to the executive budget proposal and vice-versa. It is based on the prior definition of the issue on which views are being sought and requires the provision of relevant information, in addition to feedback on the outcomes of the process.

Further reading

Beuermann, D.W., and M. Amelina (2014), "Does participatory budgeting improve decentralized public service delivery?", *IDB Working Paper Series*, No. IDB-WP-547, Inter-American Development Bank, Washington, DC.

OECD (2017), *Recommendation of the Council on Open Government*, OECD, Paris, *https://legalinstruments.oecd.org/en/ instruments/OECD-LEGAL-0438*.

Figure notes

5.19. The totals are by country, rather than by form of consultation or phase at which stakeholders are involved.

5.19. Forms of public consultation and engagement used by public institutions in the budgetary process, 2018

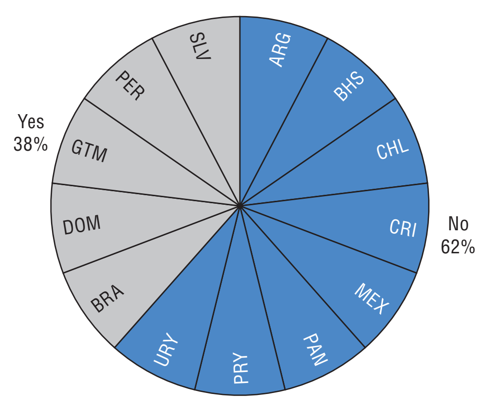
Forms of consultation	ARG	BHS	BRA	CHL	CRI	DOM	GTM	MEX	PAN	PER	PRY	SLV	URY
1) Pre-budget proposal phase													
Public call for proposals	…	…	…	…	…	…	◆	…	…	□	…	◆□	…
Public meetings	…	…	…	…	…	❖	◆	…	…	□	…	…	❖
Focus groups	…	●	●	…	…	❖	…	…	…	…	…	…	❖
Private consultation with key stakeholders	…	●	●	…	◆	◆	❖	…	…	…	❖	…	❖
Formal hearings with key stakeholders	…	●	●	…	◆	…	…	…	…	…	…	…	■
Public forum involving key stakeholders	…	●	…	…	…	…	◆	…	…	…	❖	□	❖
2) Post-budget proposal phase													
Public meetings	…	❖	…	…	…	…	…	…	…	□	❖	…	❖
Private consultation with key stakeholders	…	❖	…	…	…	■□	●	…	…	…	❖	…	❖
Formal hearings with key stakeholders	…	❖	●	…	…	■	…	…	…	…	❖	…	…
Public forum involving key stakeholders	…	❖	…	…	…	□	…	…	…	…	❖	…	❖
Countries that involve institution in public consultation													

LAC total			OECD	
❖	Government as a whole	5	❖	10
●	CBA	3	●	9
◆	Line ministries	4	◆	3
■	Legislature	2	■	10
□	Other	3	□	5
…	No consultation	2	…	10
Countries		13	Countries	34

Source: OECD/IDB (2018) Survey of Budget Practices and Procedures, OECD (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934092151

5.20. Existence of participative budgeting at the central/federal level, 2018



Source: OECD/IDB (2018) Survey of Budget Practices and Procedures, OECD (2018) Survey of Budget Practices and Procedures.

StatLink https://doi.org/10.1787/888934092170

Chapter 6

Human resources management

Human resources management (HRM) consists of the design and implementation of tasks such as the recruitment and selection of personnel, compensation, performance management and training. In central government public administrations there are two main organisational models to carry out these tasks: centralised or decentralised ones. Broadly speaking, more centralised models help to gain strategic coherence throughout the system, but they usually generate implementation challenges (especially in high volume or cumbersome processes). In contrast, models of greater delegation can be more efficient and can be easily adapted to the organizations individually; however, they imply a risk of generating asymmetries in the implementation of rules and require adequate capabilities across the public sector.

There are three main variables to assess HRM organisation and delegation levels. The first is the concentration or dispersion of the HRM responsibility. Both in LAC countries included in the survey (67%) and in OECD member countries (64%), there is a central HRM agency responsible for HRM at the central/federal government level, that in practice, delegates responsibilities for design and implementation to the different ministries or agencies. This entails that the governments of both regions consider it valuable to have a center that designs and executes HRM policies in coordination with other public agencies.

The second variable is the location of the HRM governing body. In LAC countries, it is common to find them under the Ministry of the Presidency or equivalent (50% of cases: Argentina, Costa Rica, El Salvador, Guatemala, Peru, and Uruguay). Other countries locate the HRM governing body under the Ministry of Finance (25%: Chile, Jamaica and, recently, Brazil), place it under a ministry or agency specific to the subject (17%: Colombia and Dominican Republic) or under another ministry (8%: Mexico). Meanwhile, OECD countries show an even greater diversity of organisational arrangements, being the three mostly used options to have a specific agency in charge of HRM (26%), to place the governing body under the Ministry of Finance (20% of the cases) or to do so under the President/Prime Minister's Office (14%).

Finally, the third variable is the concentration of responsibilities in the central HRM agency. Survey results show that both in LAC and OECD countries central HRM agencies have a similar range of responsibilities. On average, in LAC, the HRM agency is responsible for 11 areas, while in the OECD it is responsible for 9.

In all LAC countries, the central HRM agency is responsible for providing leadership and guidance on HRM in general and designing an HR strategy, in comparison with 94% and 75% of OECD countries respectively. Additionally, in 94% of OECD countries, the central HRM agency is responsible for providing advice on the legal framework; this is also the responsibility of the central HRM agency in most LAC countries, except for Jamaica.

Brazil is the LAC country where the agency has the most responsibilities (14 areas), including dealing with retirement and pensions. Among OECD countries, this is the case in the Czech Republic and Japan. The central HRM agency has the fewest responsibilities in Costa Rica, Guatemala, Jamaica and Mexico, where it is in charge of 9 areas. The OECD country where the central HRM agency has the fewest responsibilities is Portugal, where it is responsible for only two areas (leadership and guidance on HRM in general and providing advice on the legal system).

Methodology and definitions

LAC data refer to 2018 and were collected through the 2018 IDB-OED Survey on Strategic Human Resources Management. The survey was completed by 11 LAC countries (Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Jamaica, Mexico, Peru and Uruguay). Data for OECD countries are for 36 respondent countries, refer to 2016 and were collected through the 2016 Survey on Strategic Human Resources Management. Respondents were predominately senior officials from ministries/agencies with responsibilities for public employment/management of the civil service. Their main focus was HRM practice and institutions in central public administration at the federal/national government level.

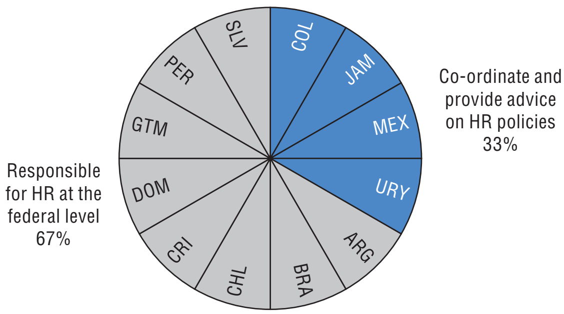
Civil servants are considered those public employees covered under a specific public legal framework or other specific provisions. For the purposes of this survey, it is assumed that civil servants are the dominant public employee profile.

Further reading

IDB (2014), *Serving Citizens: A Decade of Civil Service Reforms in Latin America* (2004-2013) *https://publications.iadb.org/en/serving-citizens-decade-civil-service-reforms-latin-america-2004-13*

OECD (2017), *Government at a Glance 2017*, OECD Publishing, Paris. *http://dx.doi.org/10.1787/gov_glance-2017-en*

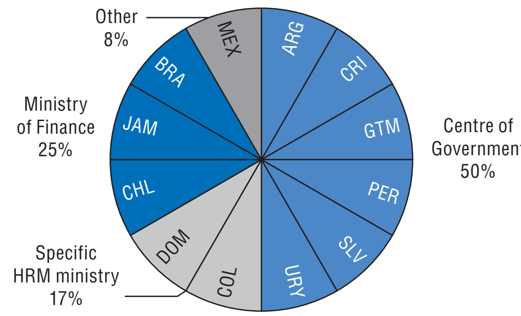
6.1. Central HRM agency function, 2018



Source: OECD/IDB (2018) Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries.

StatLink https://doi.org/10.1787/888934092189

6.2. Location of Central HRM agency, 2018



Source: OECD/IDB (2018) Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries.

StatLink https://doi.org/10.1787/888934092208

6.3. Responsibilities of the central HRM agency, 2018

Country	Providing leadership and guidance on human resource management in general	Designing an HR strategy	Coordination and supervision in the implementation of the HR policy/strategy	Providing advice on the legal framework	Designing the pay system	Transmitting public service values	Standardising recruitment and defining skills profiles
Argentina	●	●	●	●	●	●	●
Brazil	●	●	●	●	●	●	●
Chile	●	●	●	●	●	●	●
Colombia	●	●	●	●	●	●	●
Costa Rica	●	●	●	●	●	●	❍
Dominican Republic	●	●	●	●	●	●	●
El Salvador	●	●	●	●	●	●	●
Guatemala	●	●	❍	●	●	❍	●
Jamaica	●	●	●	❍	●	●	●
Mexico	●	●	●	●	●	●	●
Peru	●	●	●	●	❍	●	●
Uruguay	●	●	●	●	●	●	●
LAC total							
● Yes	12	12	11	11	11	11	11
❍ No	0	0	1	1	1	1	1
OECD total							
● Yes	34	27	26	34	26	27	28
❍ No	2	9	10	2	10	9	8

Source: OECD/IDB (2018) Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries, OECD (2016) Survey on Strategic Human Resources Management.

StatLink https://doi.org/10.1787/888934092227

Merit-based recruitment and selection –i.e. positions open to all candidates with required qualifications, and with safeguard mechanisms in place against arbitrariness during the hiring process – are critical to guarantee an adequate delivery of public services. When merit becomes systemic, administrations are more likely to achieve better results. While there are several ways to promote merit in different HRM processes, doing so during recruitment and selection is essential because it is the safest way of systematically hiring people with skills and competencies consistent with the positions to be filled.

In 66% of LAC countries, competitive examination is used. In some of them (Argentina, Chile, Colombia, Costa Rica), recruitment and selection are managed centrally by the HRM governing body, and in others (Brazil, Mexico, Peru and also in Chile), it is delegated to the ministries/ agencies. This practice is most common in the OECD (only 22% of OECD countries manage recruitment and selection centrally including Belgium, France, Israel and Spain). In El Salvador, Jamaica and Uruguay, candidates apply directly to a specific post.

In LAC countries, merit-based recruitment at the entry-level is mainly guaranteed through publishing all vacancies (100% of respondent countries), structured interviews (83%) and standardized exams (83%). Only Colombia, Jamaica and Mexico reported using assessment center methodologies (27%), and Brazil, Chile, Colombia, Dominican Republic, Jamaica and Mexico reported using private sector firms (45%). OECD countries, meanwhile, also tend to publish all vacancies (86%) and use standardized exams (69%) and structured interviews (64%) as their main recruitment practices. Assessment center methodologies are more widespread than in LAC though (44%), but the use of private sector firms is less common (28%). Recruitment practices have been gaining more importance in the last few years, to attract and promote applications from more and better candidates. In 66% of the countries, most or all vacancies are open to external recruitment. Additionally, 73% reported that recruitment was included in the HRM strategic planning (Argentina, Brazil, Chile, Colombia, El Salvador, Jamaica, Mexico, Uruguay). Among OECD countries, 72% include recruitment as part of strategic planning.

Finally, while the previous analysis focused on permanent civil servants, there are other groups of employees in the central public administration with different HRM rules. Some LAC countries tend to have a relatively high share of non-permanent staff. For example, in Chile they represent 57% of the civil service, in Peru 40% and in Argentina 34%. In OECD countries, in Israel and Slovenia non-permanent staff represent a higher share of public employment compared to permanent civil servants (in most OECD countries they do not exceed 10%). This data signals the importance for governments to focus on the effective implementation of merit-based rules for recruitment and selection of non-permanent staff as well.

Methodology and definitions

LAC data refer to 2018 and were collected through the 2018 IDB-OED Survey on Strategic Human Resources Management. The survey was completed by 11 LAC countries (Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Jamaica, Mexico, Peru and Uruguay). Data for OECD countries are for 36 respondent countries, refer to 2016 and were collected through the 2016 Survey on Strategic Human Resources Management. Respondents were predominately senior officials from ministries/ agencies with responsibilities for public employment/ management of the civil service. Their main focus was HRM practice and institutions in central public administration at the federal/national government level.

Civil servants are considered those public employees covered under a specific public legal framework or other specific provisions. For the purposes of this survey, it is assumed that civil servants are the dominant public employee profile.

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 (2004-2013), Inter-American Development Bank, Washington, DC. *https://publications.iadb.org/en/serving-citizens-decade-civil-service-reforms-latin-america-2004-13*

OECD (2016), *Engaging Public Employees for a High-Performing Civil Service*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/9789264267190-en*.

Figure notes

6.5. Through law 1960 of 2019 Colombia reformed the public employment regime allowing the participation of career civil servants in closed employment competitions for promotion. The new law also allows horizontal mobility on the basis of performance evaluation results and skills development.

6.6. (Merit-based recruitment at the entry level, 2018), 6.7 (Recruitment linked to strategic human resource planning, 2018), 6.8 (Distribution of employees according to contract duration, 2018) can be found online in Annex F.

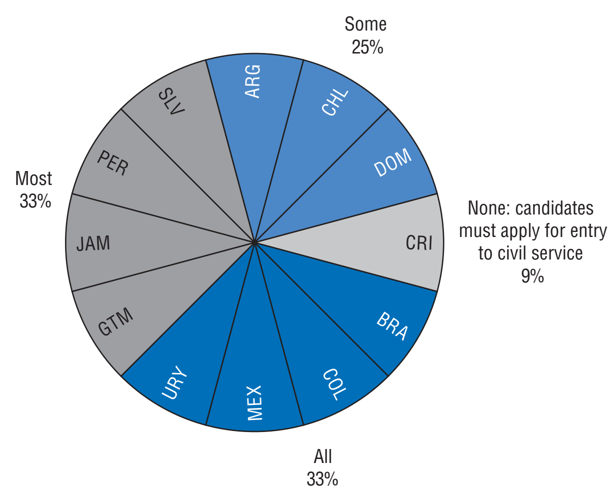
6.4. Type of recruitment process for civil service, 2018

Country	Type of application			Institution that manages the competitive entrance examination	
	Competitive entrance examination	Direct application to a specific post	Depending on the post	Centrally	Delegated to each ministry/ organization
Argentina	●	❍	❍	●	❍
Brazil	●	❍	❍	❍	●
Chile	●	●	●	●	●
Colombia	●	❍	❍	●	❍
Costa Rica	●	●	❍	●	❍
Dominican Republic	●	❍	❍	❍	●
El Salvador	❍	●	❍	❍	❍
Guatemala	❍	❍	●	❍	❍
Jamaica	❍	●	❍	❍	❍
Mexico	●	❍	❍	❍	●
Peru	●	❍	❍	❍	●
Uruguay	❍	●	❍	❍	❍
LAC total					
● Yes	8	5	2	4	5
❍ No	4	7	10	8	7
OECD total					
● Yes	21	15	9	13	13
❍ No	15	21	27	23	23

Source: OECD/IDB (2018) Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries, OECD (2016) Survey on Strategic Human Resources Management.

StatLink https://doi.org/10.1787/888934092246

6.5. Proportion of vacancies that are published and open to external recruitment, 2018



StatLink https://doi.org/10.1787/888934092265

Due to the ever-changing environment in which governments operate, challenges that require new policy responses arise constantly, which require a flexible public administration that is able to adapt. Therefore, the public sector as an employer, and public sector managers in individual institutions, should be able to make changes to the composition and size of the workforce when needed (i.e. due to poor performance, a fiscal crisis, etc.). Having mechanisms that enable such flexibility – based on reasonable justifications – and effectively using them when needed, are key to ensure the effectiveness of policies and the efficient use of public resources. In the context of Latin American and Caribbean (LAC) countries, such flexibility needs to be balanced with safeguards against workforce decisions based on political considerations.

Survey results for LAC countries indicate that most countries have regulations for the dismissal of permanent employees in certain cases. In 83% of respondent countries, the legal framework allows for termination of employment due to restructuring and in 100% due to poor performance (although rarely used). In Brazil and Uruguay, the law prohibits dismissal due to restructuring, and in Argentina, dismissing an employee is only feasible if the function and the associated job posts are eliminated within the organisational structure and the public servant chooses not to be reallocated. Legal frameworks allow employees to be made redundant due to restructuring in 86% of OECD countries and due to bad performance in 97% of them.

Dismissing public employees is not a common practice, despite legal provisions to do so. According to survey results, only 33% of the countries that allow employees to be dismissed due to restructuring do so regularly. Another 33% of the countries rarely do so and only one does so from time to time. In the OECD, only 19% of countries reported very infrequent dismissals due to management reasons (36% do so from time to time and the remaining 22% reported doing so regularly). In the case of dismissals due to poor performance, 15% of OECD countries reported using this mechanism frequently.

Probably due to the rigidities in practice explained above, LAC countries have opted for alternative mechanisms for restructuring their public workforce. One of them is recruiting employees on fixed-term contracts (as opposed to permanent staff), which presents fewer legal and procedural restrictions to terminate a contract. These currently constitute 24% of employees in LAC countries. There are large differences among countries: while in El Salvador there are no fixed-term employees, the proportion reaches 92% in the Dominican Republic (see two-pager on recruitment).

Another strategy has been to offer voluntary termination packages; 67% of the countries reported using such initiatives in recent years (early retirement programmes in Argentina, Chile, El Salvador and Jamaica and voluntary separation programmes in Colombia, Costa Rica, Guatemala and Mexico). Only Brazil, Peru and Uruguay have not applied these schemes.

By comparison, 31% of OECD countries reported having regularly devised plans to encourage voluntary departures. However, during the last economic and financial crisis, OECD countries implemented a variety of measures (income freezes, cross-cutting employment cuts, outsourcing, voluntary termination) that allowed them to manage employment levels with greater speed and impact.

Methodology and definitions

LAC data refer to 2018 and were collected through the 2018 IDB-OECD Survey on Strategic Human Resources Management. The survey was completed by 11 LAC countries (Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Jamaica, Mexico, Peru and Uruguay). Data for OECD countries are for 36 respondent countries, refer to 2016 and were collected through the 2016 Survey on Strategic Human Resources Management. Respondents were predominately senior officials from ministries/agencies with responsibilities for public employment/management of the civil service. Their main focus was HRM practices and institutions in the central public administration at the federal/national government level.

Civil servants are considered those public employees covered under a specific public legal framework or other specific provisions. For the purposes of this survey, it is assumed that civil servants are the dominant public employee profile.

Further reading

Cortázar, J. et al. (2014), “The future agenda: Strategies and key tasks for enhancing the civil service in Latin America”, in: J. Cortázar, M. Lafuente and M. Sangines, *Serving Citizens: A Decade of Civil Service Reform in Latin America and the Caribbean (2004-2013)*, Inter-American Development Bank, Washington, DC.

OECD (2015), *Government at a Glance 2015*, OECD Publishing, Paris, *https://doi.org/10.1787/gov_glance-2015-en*.

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

Figure notes

6.9 Brazil, Peru and Uruguay did not answer the question regarding early retirement packages.

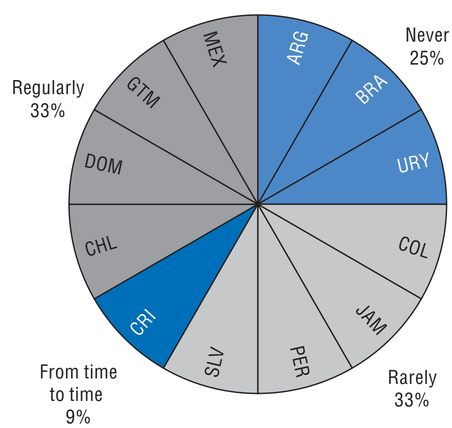
6.9. Feasibility to restructure the public workforce, 2018

Country	Possibility to dismiss employees due to restructuring			Existence of early retirement packages		
	The employee gets a leave allowance	The government is required to propose reallocation possibilities to staff beforehand	Not possible	With attractive leave allowances	With attractive early retirement packages	Do not exist
Argentina	❍	❍	●	❍	●	❍
Brazil	❍	❍	●	..	..	..
Chile	●	❍	❍	❍	●	❍
Colombia	●	❍	❍	❍	●	❍
Costa Rica	●	●	❍	●	❍	❍
Dominican Republic	●	❍	❍	❍	❍	●
El Salvador	●	❍	❍	❍	●	❍
Guatemala	●	❍	❍	●	❍	❍
Jamaica	❍	●	❍	❍	●	❍
Mexico	❍	❍	❍	●	❍	❍
Peru	●	❍	❍	..	..	..
Uruguay	❍	❍	●	..	..	..
LAC total						
● Yes	7	2	3	3	4	1
❍ No	5	10	9	9	7	11
OECD total						
● Yes	17	18	5	6	5	23
❍ No	19	18	31	30	31	13

Source: OECD/IDB (2018), Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries; OECD (2016), Survey on Strategic Human Resources Management.

StatLink https://doi.org/10.1787/888934092284

6.10. Frequency of dismissals in the central administration due to restructuring, 2018



Source: OECD/IDB (2018), Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries.

StatLink https://doi.org/10.1787/888934092303

Training is an important human resources management (HRM) function, especially for skills that quickly become outdated for public organisations aiming to keep a stable workforce. Most Latin American and Caribbean (LAC) countries tend to give training a prominent role. However, due to complexity and scale, its design and execution are challenging and depend on several aspects, such as the co-ordination and execution of training, the design of training supply and the training curricula.

In LAC, there are two main management models for the co-ordination, and execution of training activities. In 67% of the cases there is a single institution whose function is to co-ordinate, promote and administer training for the entire central administration. In the remaining 33%, these responsibilities are delegated to ministries/departments. Among OECD countries, 31% centralise training responsibilities in one institution; in 69% they are shared.

In addition, 83% of LAC countries formulate a government-wide training strategy (only in Chile and Guatemala are there more differentiated strategies per ministry or agency), compared to 64% of OECD countries (as reported in 2019).

LAC and OECD countries use similar instruments to design the training supply. The detection of training needs is based on an assessment of government programmes and priorities (75% of LAC countries and 67% of OECD), and performance appraisal (67% of LAC and 69% of OECD). This reflects an intention to connect training, the capacities of civil servants and the productivity of the public sector. Both in LAC and OECD countries, the preferences and self-perception of the civil servants are considered as inputs to structure the supply of training. Most of the LAC countries use employee surveys (53%). In OECD countries, 39% use self-assessments when deciding on training needs. In Guatemala, managers report on the training needs of their employees.

There is an increasing interest in LAC countries in developing online training (92%) to extend coverage and reduce direct costs. Having a whole-of-government training strategy was highlighted by 58% of the respondents. In terms of areas, 58% expressed that executive leadership training is a priority, while 50% are interested in IT/digital skills. Among OECD countries, a larger proportion prioritises developing executive leadership (68%), thus targeting a very specific employee segment. Developing online training is also an area of focus (58%).

In terms of training new employees, 67% of LAC countries (Argentina, Chile, Colombia, Costa Rica, Guatemala, Mexico, Peru and Uruguay) have standardised plans for them (although in the case of Mexico and Peru they vary among ministries). Additionally, 33% of LAC countries (Argentina, Chile, Colombia and the Dominican Republic) differentiate training by seniority level, and in 17% (Brazil and Jamaica), only some employees receive an initial training. Only El Salvador does not offer any standardised training to new employees. In the OECD, 28% of countries offer a standardised training for all employees, 25% offer differentiated training and 31% only train some employees. Additionally, in France, Germany, Italy and Spain, civil servants must attend a specific training school before being employed as such. No LAC country reported having such a type of initial training.

Finally, training in LAC countries is mainly relevant for the professional development of civil servants. In 67% of LAC countries (Argentina, Brazil, Chile, Costa Rica, the Dominican Republic, Jamaica, Mexico and Uruguay), training is a requirement to be eligible for promotions, while it has almost no impact on other incentives such as pay increases while remaining in the same post (17%) or benefit allocations (0%). This trend is similar to the OECD, but much more attenuated, since training only impacts on promotions in 31% of the countries.

Methodology and definitions

LAC data refer to 2018 and were collected through the 2018 IDB-OED Survey on Strategic Human Resources Management. The survey was completed by 12 LAC countries (Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Jamaica, Mexico, Peru and Uruguay). Data for OECD countries are for 36 respondent countries, refer to 2016 and were collected through the 2016 Survey on Strategic Human Resources Management, except the question on having a civil service-wide training strategy, which was updated in 2019. Respondents were predominately senior officials from ministries/agencies with responsibilities for public employment/management of the civil service. Their main focus was HRM practice and institutions in the central public administration at the federal/national government level.

Civil servants are considered those public employees covered under a specific public legal framework or other specific provisions. For the purposes of this survey, it is assumed that civil servants are the dominant public employee profile.

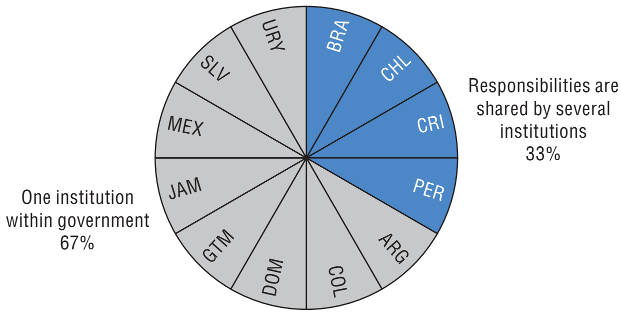
Further reading

OECD (2019), *Innovation Skills and Leadership in Brazil's Public Sector: Towards a Senior Civil Service System*, OECD Publishing, Paris, *https://doi.org/10.1787/ef660e75-en*.

Figure notes

6.14 (Relationship between training and career development, 2018) is available online in Annex F.

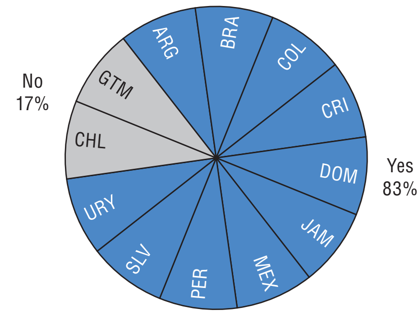
6.11. Institution responsible for co-ordinating, promoting and administering learning for the central public administration, 2018



Source: OECD/IDB (2018), Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries.

StatLink https://doi.org/10.1787/888934092322

6.12. Existence of a civil service-wide training strategy and/or action plan, 2018



Source: OECD/IDB (2018), Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries.

StatLink https://doi.org/10.1787/888934092341

6.13. Identification of training needs and current training priorities, 2018

	Identification of training needs through…					Training priorities				
Country	Assessments of government programmes and priorities	Performance evaluations	Employee surveys	Strategic workforce planning process	In-depth studies of skill gaps	Online course development	A "whole-of-government" training strategy	Executive leadership training and coaching	IT/digital skills training	Co-ordination mechanisms for civil service training
Argentina	❍	❍	❍	❍	❍	●	❍	❍	❍	●
Brazil	●	❍	❍	❍	❍	❍	●	●	❍	❍
Chile	●	●	●	●	●	●	●	●	❍	❍
Colombia	●	●	●	●	❍	●	●	●	●	❍
Costa Rica	●	●	●	❍	❍	●	❍	●	●	❍
Dominican Republic	●	●	●	●	●	●	●	●	❍	●
El Salvador	●	●	●	❍	●	●	●	●	❍	❍
Guatemala	❍	❍	❍	❍	❍	●	❍	❍	●	❍
Jamaica	●	●	❍	●	❍	●	❍	●	❍	●
Mexico	●	●	●	●	●	●	●	❍	●	●
Peru	❍	●	❍	❍	❍	●	❍	❍	●	●
Uruguay	●	❍	●	❍	❍	●	●	❍	●	❍
LAC total										
● Yes	9	8	7	5	4	11	7	7	6	5
❍ No	3	4	5	7	8	1	5	5	6	7
OECD total										
● Yes	24	25	14	14	11	21	15	24	11	12
❍ No	12	11	22	22	25	15	21	12	25	24

Source: OECD/IDB (2018), Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries; OECD (2016), Survey on Strategic Human Resources Management.

StatLink https://doi.org/10.1787/888934092360

Performance appraisal involves planning, encouraging and evaluating employees' contributions to the public sector's performance. It can be one of the most powerful tools to generate a more responsive civil service. But it is usually difficult to implement, as it needs to be implemented objectively. Analysing performance appraisal requires not only considering its coverage across the civil service, but also the instruments used, what gets measured, the use of specific rules to evaluate staff and the impact of the appraisal's results in other areas of human resources management (HRM), such as professional development.

In terms of coverage, 92% of Latin American and Caribbean (LAC) countries included in the survey reported having some type of performance evaluation for all or almost all civil servants (the exception is in Peru, where the evaluation is in the pilot phase). These high levels of coverage, however, in many cases reflect a legal mandate implemented for compliance purposes, lacking a robust appraisal methodology and meaningful use of the results. In addition, 75% of the LAC countries included in the survey reported that they also evaluate performance at the team level (all but Argentina, Costa Rica and El Salvador). This widespread use of performance appraisal for civil servants is very similar to OECD countries, where 89% reported widespread implementation of performance appraisal at the individual level and an additional 5.5% reported that only some organisations conduct such evaluations. However, only 28% of the OECD countries evaluate performance at the team level, including France, Germany, Korea and Sweden.

Both in LAC and OECD countries, quotas (or ceilings to the number of staff who can be appraised under each category, for instance excellent, very good, good, etc.) are not usually used for assessing employees. According to the results, 75% of LAC countries in the sample do not use quotas. Only Brazil uses them in some institutions, while in Colombia and the Dominican Republic the majority of the institutions use them. Similarly, 72% of OECD countries do not use a quota system. The only countries which use it for all or almost all employees are: the Czech Republic, Germany, Hungary, Israel, Italy, Korea and Portugal. The use of this rule, which is common in the private sector, could be important to mitigate the challenge of rating all employees at the top of the scale. However, its implementation is not free from challenges; for example, in small units, or in contexts where managers simply rotate employees among the different levels to avoid conflict.

Three-quarters of LAC countries reported that performance appraisal has a medium or high importance in defining career advancement, similar to the OECD (72%). Another 75% of LAC countries consider performance relevant for continuation in the civil service (versus 53% of OECD countries). More OECD countries reported that performance is important to define remuneration (75% versus 58% of LAC countries).

Performance appraisal can, in theory, have a high impact on defining termination due to poor performance. All LAC countries reported that this happens only very rarely. Only Chile (average of 22 cases per year between 2013 and 2017) and Costa Rica (0.5 cases per year between 2013 and 2018) reported data. In both cases, this was about 1 in every 10 000 civil servants. Among OECD countries, while it is possible in 97% of the countries (all but Turkey), 86% reported this happens very rarely. Only four countries do so regularly (Hungary, Norway, Switzerland and the United Kingdom). Australia (average of 84 cases per year during 2011-15), Canada (60) and France (82) were the only countries that provided data. Still, in these countries the share of these terminations with respect to the size of the civil service is negligible.

Methodology and definitions

LAC data refer to 2018 and were collected through the 2018 IDB-OED Survey on Strategic Human Resources Management. The survey was completed by 11 LAC countries (Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Jamaica, Mexico, Peru and Uruguay). Data for OECD countries are for 36 respondent countries, refer to 2016 and were collected through the 2016 Survey on Strategic Human Resources Management. Respondents were predominately senior officials from ministries/agencies with responsibilities for public employment/management of the civil service. Their main focus was HRM practices and institutions in the central public administration at the federal/national government level.

Civil servants are considered those public employees covered under a specific public legal framework or other specific provisions. For the purposes of this survey, it is assumed that civil servants are the dominant public employee profile.

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 (2004-2013)*, Inter-American Development Bank, Washington, DC. *https://publications.iadb.org/en/serving-citizens-decade-civil-service-reforms-latin-america-2004-13*.

OECD (2016), *Engaging Public Employees for a High-Performing Civil Service*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/9789264267190-en*.

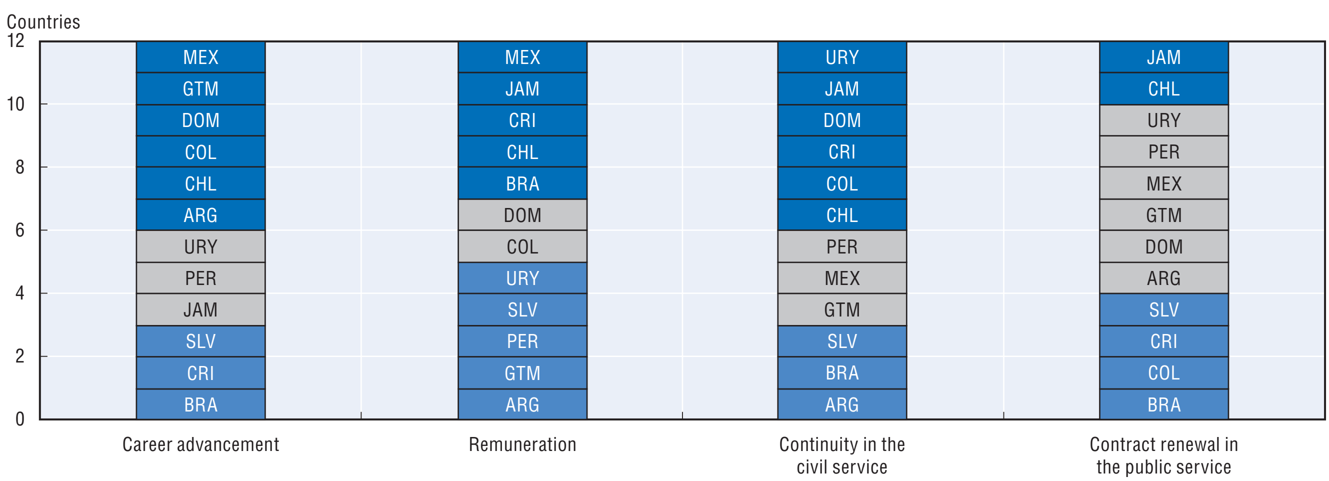
6.15. Performance assessment in the central administration, 2018

Country	Formalised performance assessment mandatory for government employees	Institutions' use of quota systems when assessing employees	Move towards the formal assessment of "team performance"
Argentina	●	❍	❍
Brazil	●	◖	●
Chile	●	❍	●
Colombia	●	●	●
Costa Rica	●	❍	❍
Dominican Republic	●	●	●
El Salvador	●	❍	❍
Guatemala	●	❍	●
Jamaica	●	❍	●
Mexico	●	❍	●
Peru	❍	❍	●
Uruguay	●	❍	●
LAC total			
● All or almost all	11	2	9
◖ Only some	0	1	0
❍ No	1	9	3
OECD total			
● All or almost all	32	7	10
◖ Only some	2	3	
❍ No	2	26	26

Source: OECD/IDB (2018), Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries; OECD (2016), Survey on Strategic Human Resources Management.

StatLink https://doi.org/10.1787/888934092379

6.16. Level of relevance of good performance for career development, 2018



	Career advancement LAC	Career advancement OECD	Remuneration LAC	Remuneration OECD	Continuity in the civil service LAC	Continuity in the civil service OECD	Contract renewal in the public service LAC	Contract renewal in the public service OECD
High	6	17	5	17	6	4	2	4
Medium	3	9	2	10	3	15	6	12
Low	3	10	5	9	3	17	4	20

Source: OECD/IDB (2018), Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries; OECD (2016), Survey on Strategic Human Resources Management.

StatLink https://doi.org/10.1787/888934092398

Compensation is a critical element of human resources management (HRM). For civil servants, it is probably the most important reward for their work. For governments, especially in Latin America and the Caribbean (LAC), wage management is a critical function that regulates incentives and impacts on a country's fiscal sustainability. Balanced remunerative systems contribute to attracting, motivating and retaining staff without compromising fiscal health. On the contrary, distorted remunerative systems have a negative impact on HRM. Therefore, it is key to consider the rules that impact on the pay system, such as the negotiation scheme and criteria used for pay setting.

In LAC countries with available data, like in most OECD countries, compensation tends to be negotiated centrally between the government and the unions. This means that only one negotiation defines pay adjustments for all civil servants. Centralisation makes it possible to negotiate looking at the overall health of public expenditure, while delegation allows ministries to agree according to their own margin of action, but with the risk of big differences among them and higher overall expenditures.

Close to three-quarters of LAC countries reported using a centralised scheme for pay negotiation. However, there are differences. While Chile, Colombia and Costa Rica, are more centralised, in other countries such as Argentina, Brazil, El Salvador, Guatemala, Mexico and Uruguay there are adjustments at the decentralised level or by department/sector; although always within the rules and limits of the payroll defined by the budgetary authority. Peru reported a decentralised negotiation scheme, although since November 2018, collective bargaining is forbidden by law. In Jamaica wages are set following a recommendation of the executive.

In 69% of OECD countries, negotiation is also centralised between governments and unions. However, an interesting feature in some OECD countries, which is absent in LAC, is the existence of an independent examining committee that provides evidence and objective parameters aligned with the economic and institutional context and makes recommendations.

In terms of criteria for defining base pay in the different hierarchical levels, the most common practice is to use functional parameters – such as the actual content of each job and the specific experience needed to hold it – over personal characteristics such as age and seniority. This is repeated in all job segments from senior managers to administrative support. Regarding performance, for 33% of LAC countries, it is a priority in the calculation of compensation for managers and in 25% for professionals, technical support and administrative support. In 67% of OECD countries, performance is highly relevant for determining the compensation of technical support staff; for the other categories, a proportion similar to that of LAC countries consider it to be highly important.

In terms of criteria for defining bonuses, seniority still has more weight than performance in LAC countries. Although 67% assign bonuses for seniority on the job (only Brazil, the Dominican Republic, Peru and Uruguay do not), some countries have been decreasing their importance. In the OECD, 69% still include a bonus for seniority (although 31% have reduced their share in overall compensation).

Regarding performance pay, 42% of the countries in the LAC sample reported using this mechanism. While its implementation is mostly decentralised to individual institutions, Brazil, Chile and Uruguay tend to link their performance pay schemes to institutional or team performance, while Costa Rica and Jamaica tend to apply it at the individual level (IDB, 2014). In OECD countries, 83% have some type of performance pay, which is implemented through an annual bonus and/or salary increases.

Methodology and definitions

LAC data refer to 2018 and were collected through the 2018 IDB-OECD Survey on Strategic Human Resources Management. The survey was completed by 11 LAC countries (Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Jamaica, Mexico, Peru and Uruguay). Data for OECD countries are for 36 respondent countries, refer to 2016 and were collected through the 2016 Survey on Strategic Human Resources Management. Respondents were predominately senior officials from ministries/agencies with responsibilities for public employment/management of the civil service. Their main focus was HRM practice and institutions in the central public administration at the federal/national government level.

Civil servants are considered those public employees covered under a specific public legal framework or other specific provisions. For the purposes of this survey, it is assumed that civil servants are the dominant public employee profile.

Further reading

IDB (2014), *Serving Citizens: A Decade of Civil Service Reforms in Latin America (2004-2013)*, Inter-American Development Bank, Washington, DC, *https://publications.iadb.org/en/serving-citizens-decade-civil-service-reforms-latin-america-2004-13*.

OECD (2017), *Skills for a High Performing Civil Service*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/9789264280724-en*.

Figure notes

6.19 (Most important factors to determine base pay by function, 2018) is available online in Annex F.

6.17. Determination of base pay and use of performance-related pay, 2018

Country	Determination of base pay: A single, comprehensive negotiation for the entire central/national/federal government sector	Negotiation at the central level, with possibilities of adjustments at the decentralised level	Remuneration based on recommendations of the executive	Negotiations at the central level, with adjustments by department/sector	Performance-related pay in use
Argentina	❍	●	❍	❍	❍
Brazil	❍	●	❍	❍	●
Chile	●	❍	❍	❍	●
Colombia	●	❍	❍	❍	❍
Costa Rica	●	❍	❍	❍	●
Dominican Republic	❍	❍	●	❍	❍
El Salvador	❍	❍	❍	●	❍
Guatemala	❍	❍	❍	●	❍
Jamaica	❍	❍	●	❍	●
Mexico	●	●	●	❍	❍
Peru	❍	❍	❍	❍	❍
Uruguay	❍	●	❍	●	●
LAC total					
● Yes	4	4	3	3	5
❍ No	8	8	9	9	7
OECD total					
● Yes	21	5	6	6	30
❍ No	15	31	30	30	6

Source: OECD/IDB (2018), Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries; OECD (2016), Survey on Strategic Human Resources Management.

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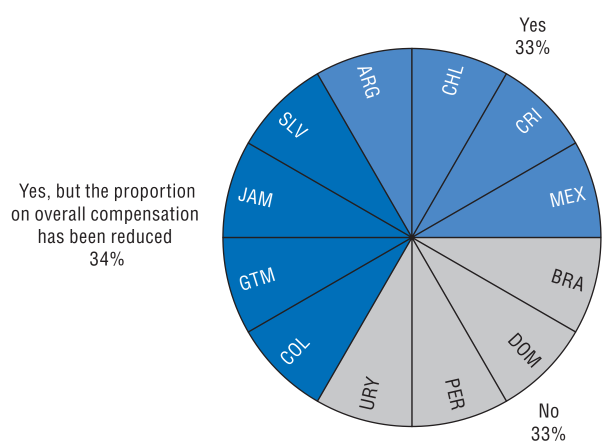
6.18. Use of seniority-based bonuses, 2018



Source: OECD/IDB (2018), Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries.

StatLink https://doi.org/10.1787/888934092436

Government at a Glance: Latin America and the Caribbean 2020

Chapter 7

Regulatory governance

The daily effects of regulations can be felt everywhere: providing a safe working place for citizens, helping to protect the environment and setting requirements for businesses. However, ill-designed or badly administered regulations can present risks to citizens, exacerbate environmental outcomes and reduce business investment. Worse still, inappropriately designed rules may not achieve their objectives and lead to a lack of trust in institutions and in governments more generally.

Governments across the OECD have widely adopted regulatory policies to ensure the quality of their regulations (OECD 2018). Regulatory policy refers to the set of rules, procedures and institutions introduced by governments for the express purpose of developing, administering and reviewing regulations. Central elements of regulatory policy are the use of evidence and stakeholder engagement to improve these three stages.

Countries in Latin America and the Caribbean (LAC) are increasingly paying attention to the quality of their regulations. Since 2015, a number of OECD and non-OECD LAC countries have introduced or reformed their legal bases so as to better promote regulatory quality. Argentina, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador and Peru all have adopted new policy documents that spell out the principles of their regulatory policy. Chile introduced new measures to improve regulatory quality while Mexico strengthened its existing legal framework for regulatory policy by adopting a new General Law of Better Regulation and by establishing the obligation for public authorities at all levels of government to adopt regulatory improvement policies. Furthermore, all surveyed OECD and non-OECD countries in the region except Brazil, Chile and Peru have assigned responsibility for regulatory reform to a specific minister or high-level official to ensure continued political support.

The scope of regulatory policies is, however, still limited in many LAC countries. The reduction of administrative burdens and the simplification of regulations have been strong rationales for governments to adopt regulatory policies and to invest in capacities to improve the quality of regulations. This can be observed for example in Argentina, the Dominican Republic and Peru. Few countries have gone beyond this focus and adopted a broader approach to regulatory quality, covering how regulations are developed, enforced, and evaluated. Mexico remains an exception in the region concerning the depth and extent of requirements to use regulatory policy tools.

The institutional framework for regulatory policy in LAC countries, despite recent reforms, requires further development. Investing in appropriate functions and sufficient capacity for regulatory oversight is essential to ensure the consistent application of regulatory policy in practice. Along with recent regulatory reform efforts, countries such as Argentina, Ecuador and El Salvador reformed their institutional settings or established new bodies responsible for the promotion of regulatory policies. The functions of these bodies vary from the coordination of regulatory policy across the administration, to overseeing administrative simplification programmes or ensuring the legal quality of regulations. Nevertheless, effective oversight mechanisms, such as the possibility to scrutinise the quality of regulatory impact assessment (RIA) or to review whether consultation comments are taken into account by regulators, exist less frequently in LAC countries compared to OECD countries in general. Their establishment remains a key challenge across the region.

Methodology and definitions

The iREG indicator for Latin America 2019 draws on responses to the OECD-IDB Surveys on Regulatory Policy and Governance 2015-2016 and 2019. The countries surveyed in 2015-16 were Brazil, Colombia, Chile, Costa Rica, Ecuador, Mexico and Peru. The 2019 survey updates those countries and additionally draws on data from Argentina, the Dominican Republic and El Salvador, surveyed for the first time in 2019. Responses were provided by government officials and reflect the situation as of 31 March 2019. The data cover regulations initiated by the executive at the national level, with a focus on subordinate regulations.

Regulation refers to the diverse set of instruments by which governments establish requirements on enterprises and citizens. 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.

Further reading

OECD (2018), *OECD Regulatory Policy Outlook 2018*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264303072-en*.

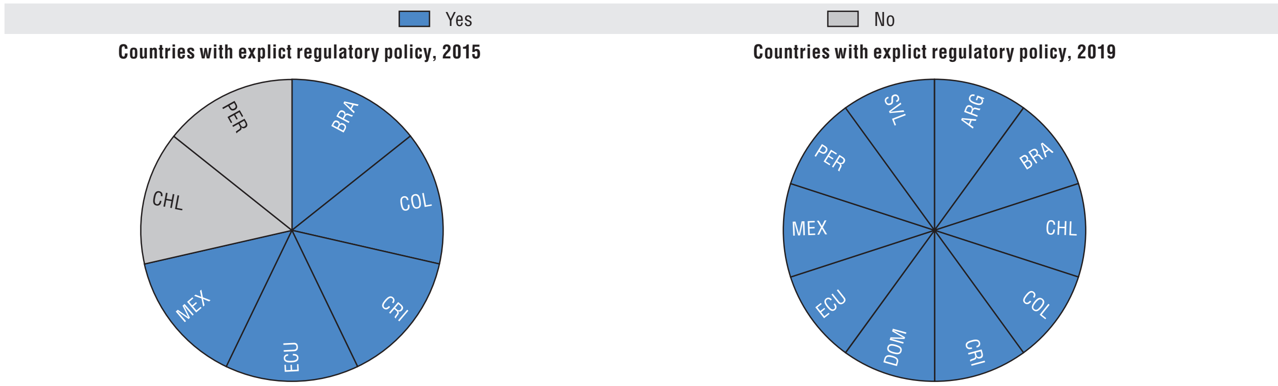
OECD (2012), *Recommendation of the Council on Regulatory Policy and Governance*, OECD, Paris, *https://www.oecd.org/gov/regulatory-policy/2012-recommendation.htm*.

Querbach, T. and C. Arndt (2017), "Regulatory policy in Latin America: An analysis of the state of play", *OECD Regulatory Policy Working Papers*, No. 7, OECD Publishing, Paris, *https://doi.org/10.1787/2cb29d8c-en*.

Figure notes

Data for 2015 cover Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru. Data for 2019 additionally cover Argentina, the Dominican Republic and El Salvador.

7.1. Explicit policy for regulatory quality, 2015 and 2019



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 and 2019, *www.oecd.org/gov/regulatory-policy/ireg-lac.htm*

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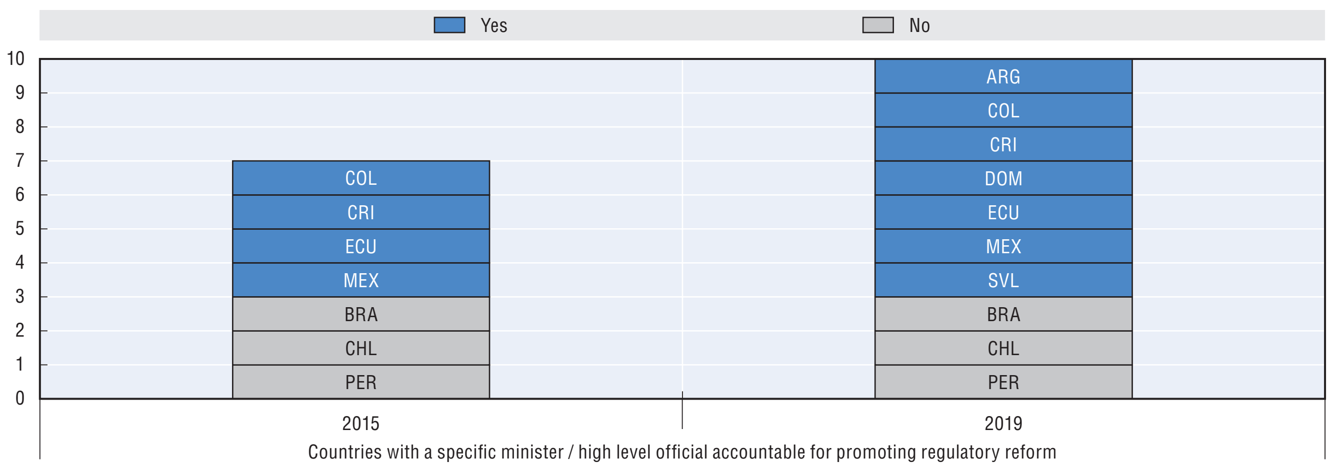
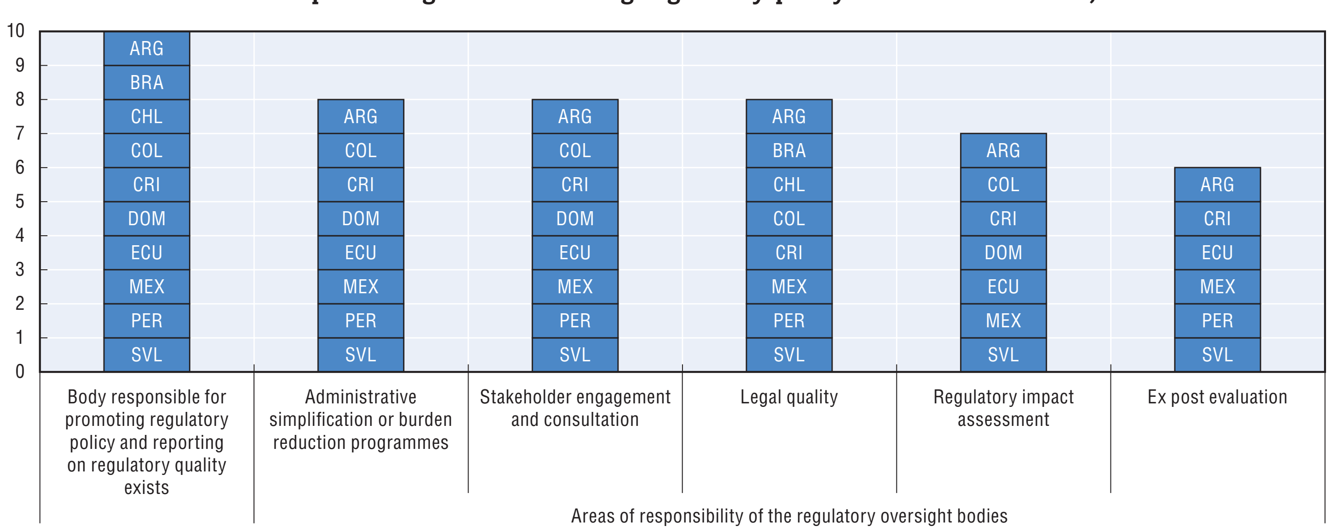
7.2. High-level responsibility for regulatory quality, 2015 and 2019



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 and 2019, *www.oecd.org/gov/regulatory-policy/ireg-lac.htm*

StatLink https://doi.org/10.1787/888934092474

7.3. Bodies promoting and monitoring regulatory policy and their functions, 2019



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 and 2019, *www.oecd.org/gov/regulatory-policy/ireg-lac.htm*

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By engaging with those that bear the costs or enjoy the benefits of regulations, such as businesses, consumers and other stakeholders, regulators can gain information from those "on the ground", broadening the evidence base and thus improving the quality of regulations.

Latin American and Caribbean (LAC) countries are committed to involving stakeholders in developing subordinate regulations. However, results from the OECD Indicators of Regulatory Policy and Governance (iREG) show that the development of effective systems to consult stakeholders lacks behind OECD countries. For instance, all LAC countries have legal requirements for stakeholder engagement for subordinate regulations. However, although improvements have been made, these requirements are often not systematically reflected in practice.

It is important to engage with stakeholders at various stages of the rulemaking process, including before a decision to regulate is taken, when their input serves to identify the magnitude of policy problems and possible solutions. This also strengthens their sense of ownership, as they know the purpose of regulations and are more likely to comply. Most LAC countries conduct early consultations only for some regulations, showing, this is not yet a common practice in the region.

Conversely, all LAC countries consult on draft regulations, which is key to identify unintended effects and practical problems, and to provide quality checks on these proposals. Yet, contrary to the majority of OECD countries, in most LAC countries this is limited to sectorial or ad-hoc consultations or stakeholder engagement on regulations that affect specific groups of the population. Exceptionally, Colombia, Costa Rica and Mexico have more systematic consultation systems in place.

The effectiveness of these consultations depends in part on the availability of the means to provide feedback. LAC countries increasingly consult on line, and in all countries at least some regulators have websites to receive feedback on draft regulations.

LAC countries would benefit from further improving the transparency of their consultation processes. Received comments should be considered to identify better policy options and improve regulations. Stakeholders should also be informed how their contributions are used, for the process to be perceived as fair. This increases trust in the rulemaking process and acceptance of regulations (Lind and Arndt, 2016). LAC countries still lack effective mechanisms to incorporate and take advantage of these contributions. Only in four countries are regulators required to consider them for final regulations. Likewise, only in Brazil and Colombia are regulators required to respond to these comments. Nevertheless, in Costa Rica, Mexico and Peru, even when there is no legal requirement to do so, some regulators respond to comments.

Finally, LAC countries can ensure systematic stakeholder engagement by improving co-ordination and oversight mechanisms. They could also benefit from assessing the performance of their stakeholder engagement processes to identify areas of improvement, a practice that is very rare in the region.

Methodology and definitions

The *iREG* indicator for stakeholder engagement is based on the practices described in the *2012 OECD Recommendation on Regulatory Policy and Governance*. The more of these practices a country has adopted, the higher its indicator score. The composite indicator has four equally weighted categories: methodology; oversight and quality control; systematic adoption; and transparency. The maximum score for each category is 1; the total score for the composite indicator ranges from 0 to 4. See Annex C for additional information on the methodology. The dataset underlying the indicators can be accessed at *www.oecd.org/gov/regulatory-policy/ireg-lac.htm*.

The iREG indicator for Latin America 2019 draws on responses to the OECD-IDB Surveys on Regulatory Policy and Governance 2015-2016 and 2019. The countries surveyed in 2015-16 were Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru. The 2019 survey updates those countries and additionally draws on data from Argentina, the Dominican Republic and El Salvador, surveyed for the first time in 2019. Responses were provided by government officials and reflect the situation as of 31 March 2019. The data cover regulations initiated by the executive at the national level, with a focus on subordinate regulations.

Regulation refers to the diverse set of instruments by which governments establish requirements on enterprises and citizens. Subordinate regulations are created by the executive and are generally approved by the head of government, a minister or the cabinet.

Further reading

Lind, E. and C. Arndt (2016), "Perceived fairness and regulatory policy: A behavioural science perspective on government-citizen interactions", OECD Regulatory Policy Working Papers, No. 6, OECD Publishing, Paris, *https://doi.org/10.1787/1629d397-en*.

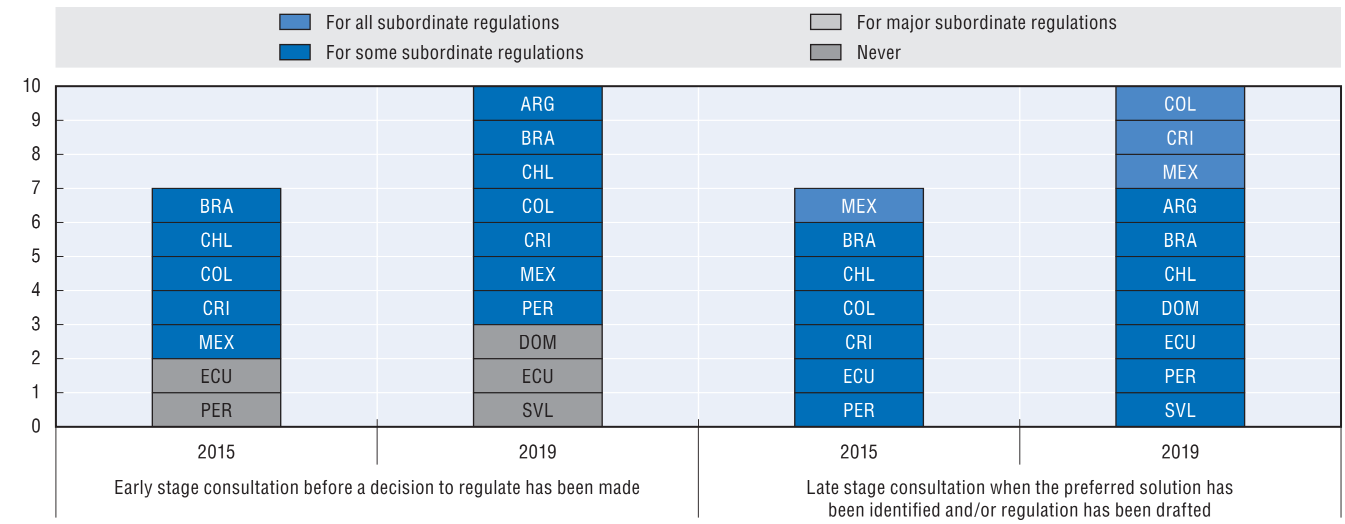
OECD (2018), *OECD Regulatory Policy Outlook 2018*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264303072-en*.

Figure notes

Data for 2015 cover Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru. Data for 2019 additionally cover Argentina, the Dominican Republic and El Salvador.

7.6 Data for OECD countries are drawn from the OECD iREG indicators 2015 and 2018.

7.4. Stakeholder engagement at different stages of rule-making, 2015 and 2019



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 and 2019, *http://www.oecd.org/gov/regulatory-policy/ireg-lac.htm.*

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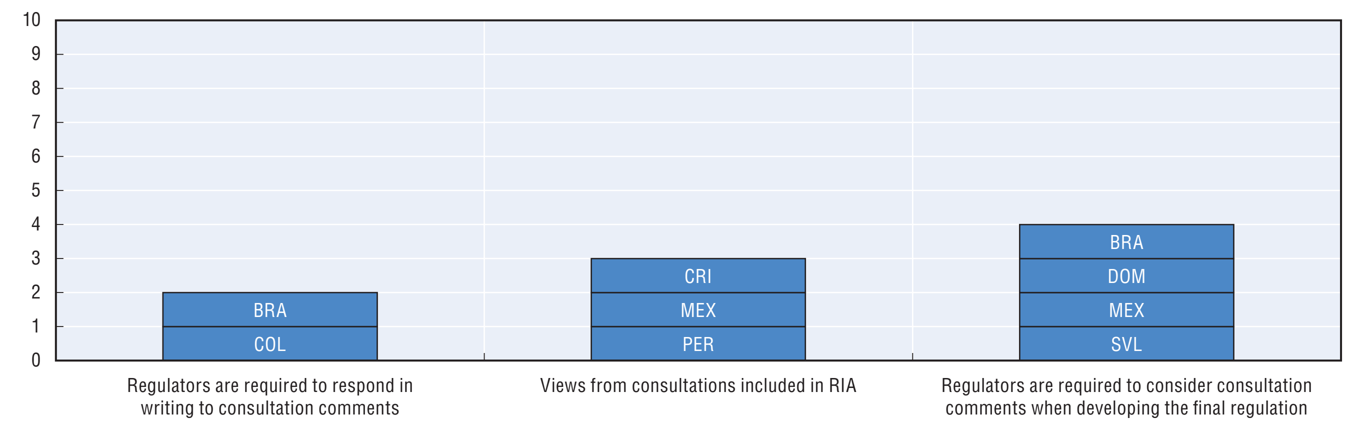
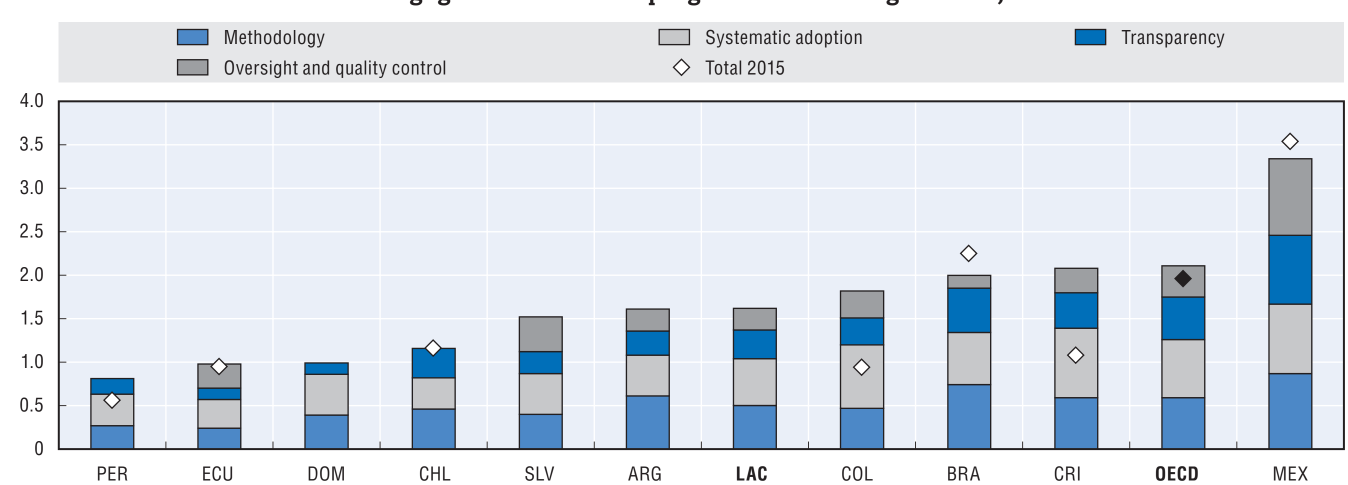
7.5. Consideration of consultation comments received, 2019



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2019, *http://www.oecd.org/gov/regulatory-policy/ireg-lac.htm.*

StatLink https://doi.org/10.1787/888934092531

7.6. Stakeholder engagement in developing subordinate regulations, 2015 and 2019



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 and 2019, OECD Indicators of Regulatory Policy and Governance (iREG) 2015 and 2018, *http://www.oecd.org/gov/regulatory-policy/ireg-lac.htm* and *http://oe.cd/ireg.*

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Regulatory impact assessment (RIA) is a critical tool to improve the quality of government decision-making. It is a way of identifying and assessing the potential positive and negative effects that prospective regulations may have on the environment, society, and the economy overall. It should compare alternative ways of addressing public policy problems and should highlight the option that is expected to deliver the greatest net benefit to society. In addition to improving the evidence-base for government interventions, RIA provides the opportunity to enhance accountability and transparency in the policymaking and decision-making processes. The use of RIA continues to develop across OECD countries, and some form of RIA has now been adopted by all OECD countries.

While still at the early stages, countries in Latin America and the Caribbean (LAC) are making progress towards adopting RIA. Since 2015, a number of economies in the region have taken important steps towards implementing RIA. Chile, Colombia, Ecuador and El Salvador have all established their first-ever obligations to conduct RIA for at least some subordinate regulations. Brazil and Costa Rica have updated existing methodological guidance about conducting RIA and in Peru, new guidance material for undertaking RIA by individual regulatory agencies has been developed.

With the exception of Mexico, countries' efforts in implementing RIA are, however, still limited to specific sectors or specific types of subordinate regulations. For instance, Colombia made RIA a mandatory component for the development of technical rules through Presidential Decree 1595. Since 2018, government officials in Ecuador are required to conduct RIA for new administrative procedures, according to Executive Decree No. 372. In other countries, such as Brazil and Peru, RIA is conducted to support regulatory-making by specific regulatory agencies, but is not yet a consistent practice across the whole administration. Moving forward, it will be important to further expand the adoption of RIA in many countries in the region.

While some improvements have been made, the quality control of RIA remains weak across the region. Simply mandating that administrations produce high quality RIA's is not enough to ensure that this will happen in practice. Establishing quality control mechanisms places incentives on civil servants to better and more consistently use RIA. Some countries have, as part of introducing a RIA requirement, established a body responsible for reviewing their quality. In El Salvador for instance, the Law of Better Regulation assigned the Regulatory Improvement Agency the responsibility to scrutinise the quality of RIA's according to the standards established in the Law. Still, only a minority of LAC countries have established such a quality control function. Where a RIA oversight body exists, it is usually located close to the centre of government or in the ministry of economy, as advocated in the OECD Recommendation of the Council on Regulatory Policy and Governance.

Along with good regulatory practices in some OECD countries, RIA's are published online in most LAC countries that conduct them, although not always systematically. Where RIA's are made available for consultation, this is usually at a later stage of the regulatory process, once a regulation has been drafted. In Mexico for instance, the National Commission for Regulatory Improvement (CONAMER, previously COFEMER) publishes all draft regulations and RIAs online for public consultations. Consultations as part of RIA at an earlier stage, before a decision about whether to regulate is taken, are far less common across LAC countries.

Methodology and definitions

The iREG indicator for Latin America 2019 draws on responses to the OECD-IDB Surveys on Regulatory Policy and Governance 2015-2016 and 2019. The countries surveyed in 2015-16 were Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru. The 2019 survey presents an update of these countries and additionally draws on data from Argentina, the Dominican Republic and El Salvador, surveyed for the first time in 2019. Responses were provided by government officials and reflect the situation as of 31 March 2019. The data cover regulations initiated by the executive at the national level, with a focus on subordinate regulations.

Regulation refers to the diverse set of instruments by which governments establish requirements on enterprises and citizens. Subordinate regulations are created by the executive and are generally approved by the head of government, a minister or the cabinet. 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 (forthcoming), OECD Best Practice Principles for Regulatory Policy: Regulatory Impact Assessment, OECD Publishing, Paris, forthcoming.

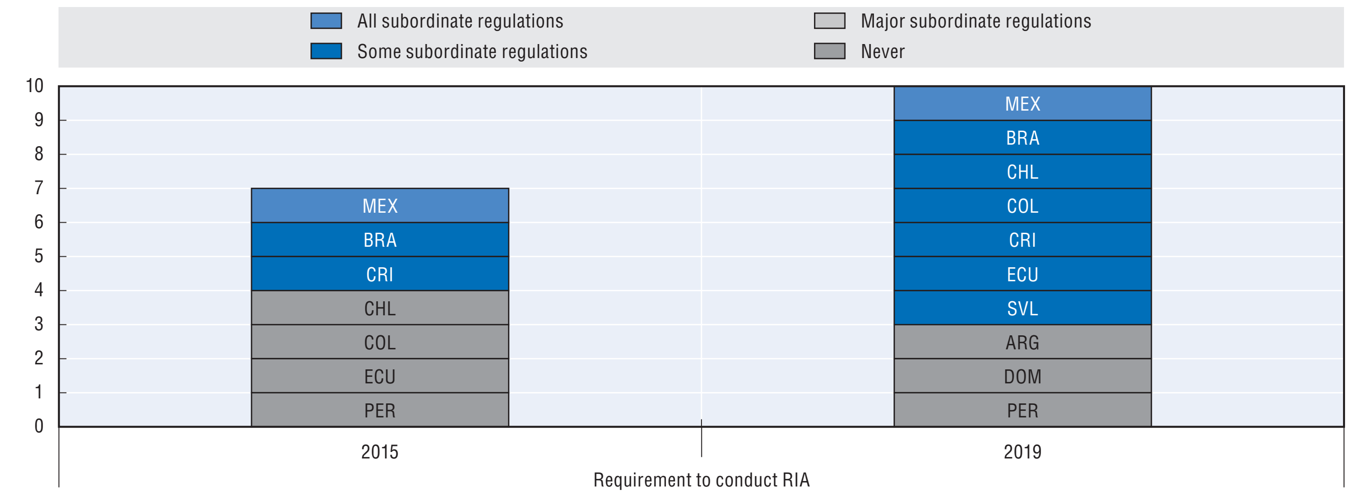
OECD (2018), OECD Regulatory Policy Outlook 2018, OECD Publishing, Paris, *https://doi.org/10.1787/9789264303072-en*.

OECD (2012), Recommendation of the Council on Regulatory Policy and Governance, OECD, Paris, *https://www.oecd.org/gov/regulatory-policy/2012-recommendation.htm*.

Figure notes

Data for 2015 cover Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru. Data for 2019 additionally cover Argentina, the Dominican Republic and El Salvador.

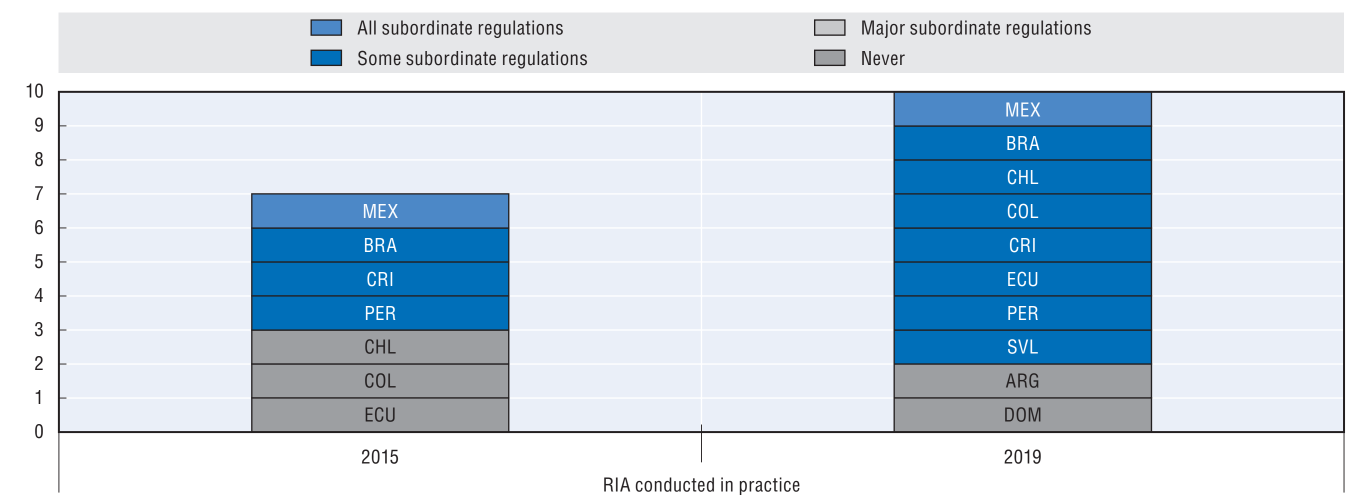
7.7. Requirements to conduct regulatory impact assessment, 2015 and 2019



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 and 2019, *www.oecd.org/gov/regulatory-policy/ireg-lac.htm*.

StatLink https://doi.org/10.1787/888934092569

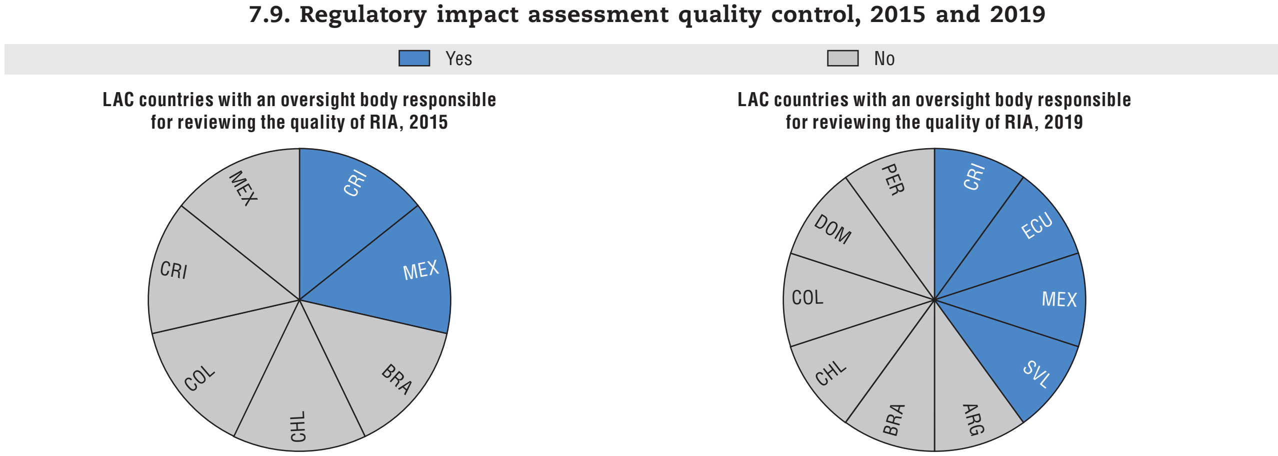
7.8. Regulatory impact assessment conducted in practice, 2015 and 2019



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 and 2019, *www.oecd.org/gov/regulatory-policy/ireg-lac.htm*.

StatLink https://doi.org/10.1787/888934092588

7.9. Regulatory impact assessment quality control, 2015 and 2019



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 and 2019, *http://www.oecd.org/gov/regulatory-policy/ireg-lac.htm*.

StatLink https://doi.org/10.1787/888934092607

Countries enact regulations to achieve specific objectives. However, even when regulations are carefully assessed, their effects cannot always be accurately predicted, as preferences, society and technology rapidly change. Thus, it is necessary to verify whether existing regulations achieve their objectives; assess whether the objectives remain relevant; whether any adverse or unintended consequences have occurred; and whether there are ways to better address the problems that the regulation was set to tackle. In Latin America and the Caribbean (LAC), however, the review of existing regulations mainly focuses on identifying administrative burdens, not on whether objectives are being met.

Only Brazil, Chile, Colombia and Mexico have conducted reviews to evaluate if regulations have achieved their objectives, albeit not systematically. Additionally, Mexico requires the evaluation of all subordinate regulations that create compliance costs every five years, to see if they are still achieving their objectives. El Salvador requires the evaluation of all subordinate regulations at least ten years after their enactment and of all regulations that were more than even years old by 2018, to assess if they remain fit for purpose. El Salvador legally mandates ex post evaluation of regulations. Considering the importance of ex post evaluations and their underuse, LAC countries could invest in implementing further-reaching systematic and consistent ex post evaluations that go beyond assessing administrative burdens, and evaluate whether a regulation's objectives are being achieved.

A variety of approaches exist to assess if regulations still serve their intended purpose, including programmed or ad hoc reviews, and reviews that are part of ongoing management processes. The majority of OECD countries use these approaches for evaluating primary laws or subordinate regulations, the most common of which are revision and sunset clauses. Conversely, only a few LAC countries use these approaches, and in those countries, the most common approaches are legal consolidation, codification and revision clauses. Despite these examples, there has been little improvement and these approaches remain underused.

LAC countries have focused their efforts on administrative simplification and in the last four years have undertaken reforms to improve their administrative processes. They assess whether regulations that create administrative procedures and/or compliance costs can be simplified or eliminated. For example, Mexico established the Simplifica program to measure economic costs of administrative procedures in order to reduce administrative burden at the national level. As part of the RD+ Simple initiative, the Dominican Republic launched a website for citizens and businesses to report on regulations or administrative processes that are burdensome and could be simplified. The Dominican Republic launched RD+ Simple, a website to report on regulations or administrative processes that were burdensome and could be simplified. Argentina has a similar website, where citizens can report burdensome processes; and has also digitalised a considerable number of administrative processes through "Trámites a Distancia" (Remote Processes), where citizens can receive and submit online personal information to government authorities, avoiding duplicity of requirements and processes.

Only half of the surveyed countries had undertaken administrative simplification processes at the regional or municipal level, with little progress since the last survey. Regulations interact with each other, and divergent levels of quality between regulations can create adverse effects. It is not sufficient to evaluate regulations in isolation or at a single level of government. LAC countries should support evaluation programmes at the subnational level and improve on the coordination of *ex post* evaluations between national, regional and municipal levels.

Methodology and definitions

The iREG indicator for Latin America 2019 draws on responses to the OECD-IDB Surveys on Regulatory Policy and Governance 2015-2016 and 2019. The countries surveyed in 2015-16 were Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru. The 2019 survey updates those countries and additionally draws on data from Argentina, the Dominican Republic and El Salvador, surveyed for the first time in 2019. Responses were provided by government officials and reflect the situation as of 31 March 2019. Data cover regulations initiated by the executive at the national level, with a focus on subordinate regulations.

Revision clauses establish a time by which there is an automatic review of the regulation. Sunset clauses set a date for the automatic repeal of regulations. A codification consolidates all amendments made during a period of time to a given law. A legal consolidation brings together multiple laws or subordinate regulations that regulate a particular area into a single document. Primary laws must be approved by the legislature. Subordinate regulations are created by the executive and are generally approved by the head of government, a minister or the cabinet.

Further reading

OECD (forthcoming), OECD Best Practice Principles: Reviewing the Stock of Regulation, OECD Publishing, Paris

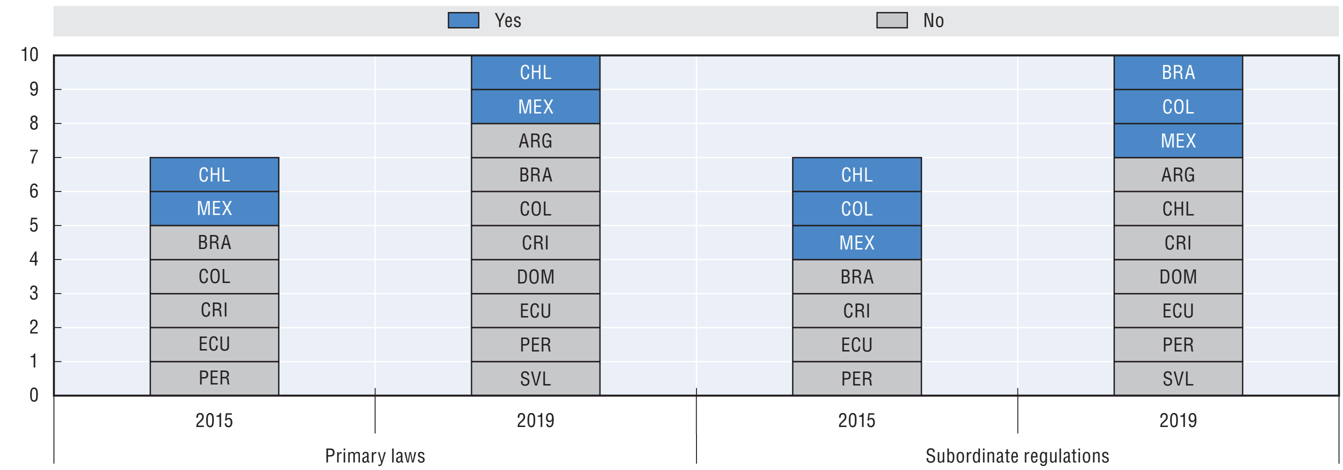
OECD (2018), OECD Regulatory Policy Outlook 2018, OECD Publishing, Paris, *https://doi.org/10.1787/9789264303072-en*.

OECD (2012), Recommendation of the Council on Regulatory Policy and Governance, OECD, Paris, *https://www.oecd.org/gov/regulatory-policy/2012-recommendation.htm*.

Figure notes

Data for 2015 cover Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru. Data for 2019 additionally cover Argentina, the Dominican Republic and El Salvador.

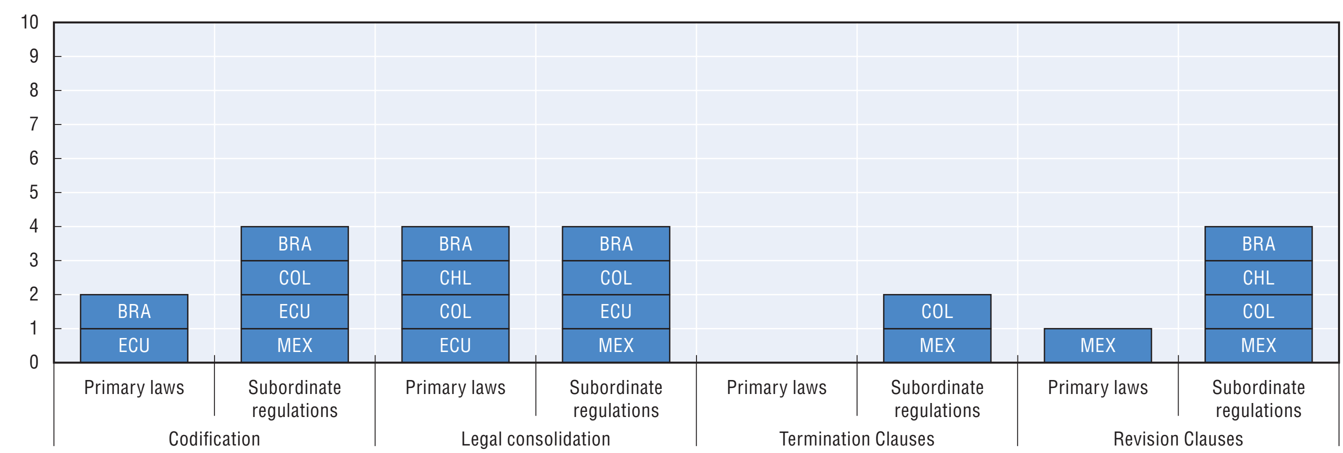
7.10. LAC countries conducting ex post evaluations that analysed whether a regulation has achieved its objectives, 2015 and 2019



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 and 2019, *http://www.oecd.org/gov/regulatory-policy/ireg-lac.htm*.

StatLink *https://doi.org/10.1787/888934092626*

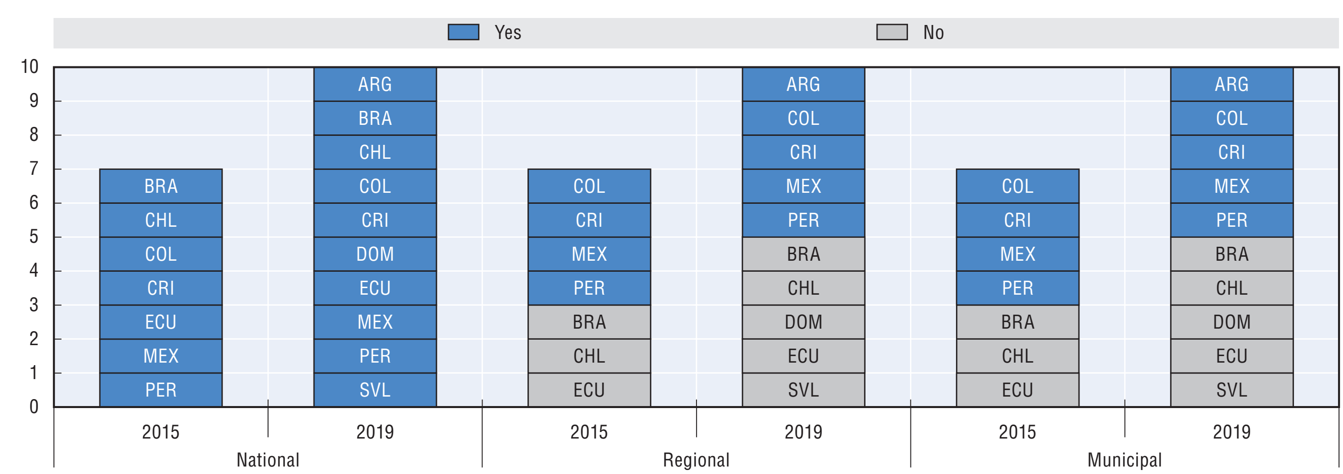
7.11. Approaches to review of primary laws and subordinate regulations in LAC countries, 2019



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2019, *http://www.oecd.org/gov/regulatory-policy/ireg-lac.htm*.

StatLink *https://doi.org/10.1787/888934092645*

7.12. Level of government at which administrative simplification processes have taken place in LAC countries, 2015 and 2019



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 and 2019, *http://www.oecd.org/gov/regulatory-policy/ireg-lac.htm*.

StatLink *https://doi.org/10.1787/888934092664*

A competition-friendly regulatory environment in goods and service markets can help boost living standards. Competition can raise output per capita by encouraging companies to be more innovative and efficient, thereby lifting productivity, and by increasing investment and fostering entry by new firms. Pro-competition regulatory reforms may also help to reduce income inequality. In order to achieve such results, regulations must be designed in a way that enhances competition and lowers barriers to entry.

To have a quantitative measure of the degree to which an individual country's "*de jure*" policy settings promote or inhibit competition, in 1998 the OECD developed a set of indicators of product market regulation (PMR). This set includes an economy-wide PMR indicator and a group of sectors PMR indicators.

This section will focus on the results of the PMR economy-wide Indicator for LAC countries, which assesses the distortions to competition that can be induced by the involvement of the state in the economy, and the barriers to entry and expansion faced by domestic and foreign firms. A high score signals that regulatory conditions are less favourable to competition.

The OECD updates the PMR indicators every five years. The latest update took place in 2018 and is based on a revised methodology; therefore, the 2018 values cannot be compared with previous vintages.

For 2018, the PMR indicators are available for six Latin American countries: Argentina, Brazil, Chile, Colombia, Costa Rica, and Mexico. Their values show that PMR tends to be more restrictive in Latin America than among OECD countries: in all the regulatory domains covered in the economy-wide PMR Indicator the LAC average is above the OECD average. However, performance varies across the region. The two OECD countries in the region, Chile and Mexico, have a regulatory framework that is more conducive to competition and better aligned to international regulatory best practice in the areas examined. Colombia and Costa Rica, OECD accession countries, are more distant from international bests practice, while the two non-members, Argentina and Brazil, lag considerably behind.

The barriers to entry faced by firms in many sectors and the distortions caused by the state's presence in the economy highlighted by the 2018 PMR indicators show that more efforts could be made by governments to create a competition-friendly environment in the LAC region. In particular, the economies in the region, with the exception of Chile and Mexico, would clearly benefit from reducing administrative burdens on start-ups, by facilitating entry in the service and network sectors, and by lowering barriers to foreign trade and investments. In addition, public ownership of firms across the economy is quite widespread in LAC countries, both in terms of the number of sectors in which governments control at least one firm and of the amount of shares they own in the largest firms in key network sectors. The only exception is Chile. While it might be justified for governments to retain a certain level of participation in specific sectors, there may be room for further reducing their presence in others.

Methodology and definitions

The PMR indicators are based on an extensive database on laws and regulations, which is compiled by the OECD relying on answers to a questionnaire that is sent to national authorities. This information captures the "*de jure*" policy framework, but not its implementation.

To calculate the indicators, the qualitative information collected through the questionnaire is transformed into quantitative information by assigning a numerical value to each answer. This coding is based on accepted international best practice (*http://oe.cd/pmr*). To build the economy-wide PMR indicator, the individual scores are aggregated into 18 low-level indicators, and then, following a pyramidal structure, into two high-level indicators: 1) distortions induced by state involvement; and 2) barriers to domestic and foreign entry. The aggregation is done using equal weights. The economy-wide PMR indicator is complemented by a set of sector PMR indicators. For further information about the methodology of the indicators, please see *http://oe.cd/pmr*.

The OECD updates the PMR indicators every five years. They currently cover the years 1998, 2003, 2008, 2013 and 2018.

In 2018, the OECD considerably changed the methodology. These changes have affected the sectors and regulatory area covered, the information collected on each of them, the structure of the indicators, and, in some cases, the best practices against which the information is benchmarked. Hence, the 2018 PMR indicators cannot be compared with previous vintages.

Further reading

OECD Indicators of Product Market Regulation Homepage, *http://oe.cd/pmr*.

Vitale, C. et al. (forthcoming), "2018 update of the OECD PMR indicators and database: Policy insights for OECD and some non-OECD countries", *OECD Economics Department Working Papers*, OECD Publishing, Paris, forthcoming.

Figure notes

The score of the economy-wide PMR indicator is displayed on a scale of 0-6, with 6 being the least competition-friendly regulatory set-up. The OECD average includes all OECD countries, apart from the United States. The LAC average comprises Argentina, Brazil, Chile, Colombia, Costa Rica and Mexico.

7.13. Economy-wide PMR indicator: a breakdown by major components, 2018

Index scale 0-6 from most to least competition-friendly regulatory set-ups

	Economy wide PMR	Distortions induced by state involvement			Barriers to domestic and foreign entry		
		Public ownership	Involvement in business operations	Simplification and evaluation of regulations	Admin. burden on start-ups	Barriers in service and network sectors	Barriers to trade and investment
Argentina	2.77	3.20	2.34	2.58	2.75	3.26	1.75
Brazil	2.27	2.36	2.18	3.84	2.88	2.25	1.98
Chile	1.21	1.30	1.13	2.22	1.02	1.59	1.20
Colombia	1.56	1.90	1.23	3.43	2.75	1.96	0.98
Costa Rica	2.46	3.10	1.81	2.70	2.56	2.84	0.89
Mexico	1.94	2.19	1.69	1.37	0.67	1.77	1.96
OECD	**1.38**	**2.15**	**1.15**	**1.50**	**1.07**	**1.73**	**0.67**
LAC	**2.10**	**2.34**	**1.73**	**2.69**	**2.10**	**2.28**	**1.46**

Source: OECD 2018 Product Market Regulation Database, *http://oe.cd/pmr*.

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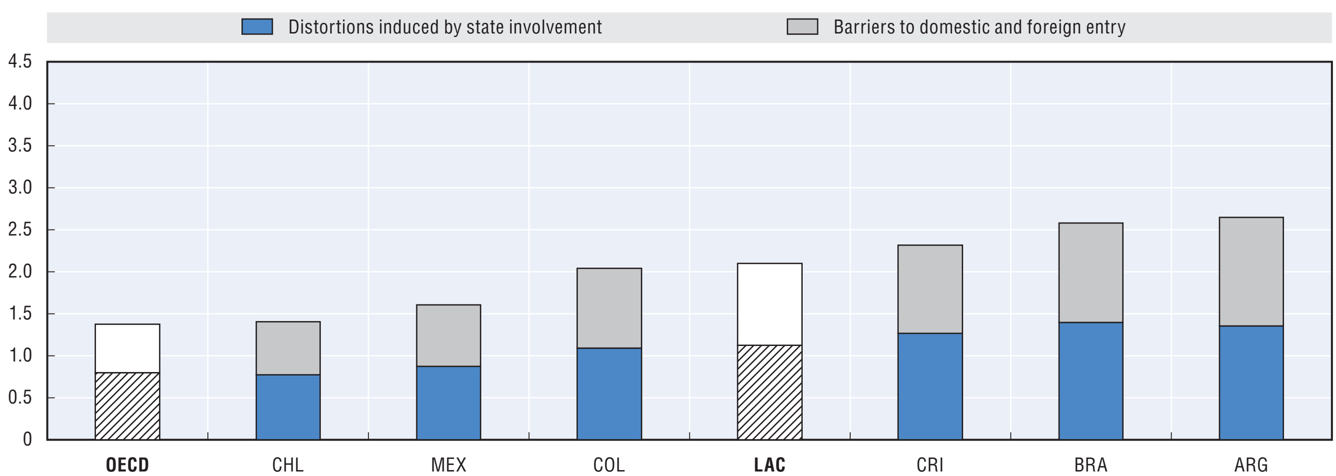
7.14. Economy-wide PMR indicator, 2018

Index scale 0-6 from most to least competition-friendly regulation



Source: OECD 2018 Product Market Regulation Database, *http://oe.cd/pmr*.

StatLink https://doi.org/10.1787/888934092702

Little is known about comparative governance arrangements of economic regulatory authorities for network sectors such as energy, e-communications, rail, air and water, despite the key role that these institutions play in ensuring delivery of essential services. Economic regulators are broadly defined as institutions or bodies authorised by law to exercise regulatory powers over a sector for the purpose of setting prices and/or improving the operation of the market. They seek to ensure that consumers have access to safe and quality services and that network operators and service providers receive a reasonable rate of return on investment. Governance arrangements provide various degrees of independence and accountability for sector regulators in OECD countries, designed to allow regulators to carry out these tasks in a predictable and trustworthy manner.

Complementing the Product Market Regulation survey, the Indicators on the Governance of Sector Regulators map the governance arrangements of economic regulators in 46 countries and five network sectors (energy, e-communications, rail and air transport, and water). The Indicators are calculated by averaging equally-weighted questions and sub-questions on a standard questionnaire (for illustrative purposes, the composite indicator pictured below sums the three re-scaled components to equal the overall indicator instead of averaging components). The PMR methodology scores answers on a scale from zero (most effective governance arrangement) to six (least effective governance arrangement).

The Indicators show that the governance arrangements in Latin American regulators surveyed tend to be robust relative to the OECD average. The arrangements in place to preserve independence of the energy regulators and the accountability of air transport regulators are particularly strong in the Latin American countries. However, there is scope for improvement in the independence of rail, air and water regulators and the accountability of water regulators. Scope of action scores show that Latin American regulators engage in a similar number of activities as OECD regulators in e-communications, rail transport and water. However, they have a narrower scope in the energy sector and a broader scope in the air transport sector.

Governance structures vary considerably across countries and sectors within the sample of Latin American regulators. Independent regulators are common in energy and water sectors, but ministerial regulators are more common in the e-communications and transport sectors, setting Latin America apart from practice in OECD countries. Some countries have embraced independent regulators (such as Brazil and Costa Rica, whose economic regulators in all five sectors are independent) while some have maintained economic regulatory powers within ministries (such as Colombia, whose energy, e-communications, air and water regulators are all ministerial). The strongest-performing regulators in each sector (Brazil's electricity regulator, Mexico's e-communication regulator, Costa Rica's rail regulator, Brazil's air regulator and Costa Rica's water regulator) are all independent, indicating that legal independence is accompanied by a range of arrangements to preserve independence related to staffing, budgeting and relationships with the executive. Most regulators are accountable to government or representatives of the regulated industry, with a relatively smaller proportion of regulators accountable to parliament than in the OECD sample. At least one regulator is accountable to government in each country except for Costa Rica, where all five regulators are accountable to Parliament. Beyond these high-level categorizations, regulators show distinct constellations of formal and informal arrangements to preserve independence and maintain accountability.

Methodology and definitions

LAC data covers regulators in seven countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico and Peru. OECD average includes regulators from all OECD countries except for the United States. The questionnaire was answered by high level officials in regulatory agencies and/or relevant ministries in 2018 and 2019 as part of the 2018 Indicators on the Governance of Sector Regulators.

The indicators are structured along three components. The **independence** component maps the degree to which a regulator operates independently and with no undue influence from political power and regulated sectors. The **accountability** component covers the accountability of the regulator vis-à-vis various stakeholders, including government, parliament, regulated industry and the general public. Finally, the **scope of action** component sheds light on the range of activities that the regulator performs, including tariff-setting, issuing standards, enforcement activities and sanctioning powers.

Further reading

Casullo, L., A. Durand and F. Cavassini (2019), "The 2018 Indicators on the Governance of Sector Regulators", OECD Economics Department Working Papers, No. 1564, OECD Publishing, Paris, *https://doi.org/10.1787/a0a28908-en*.

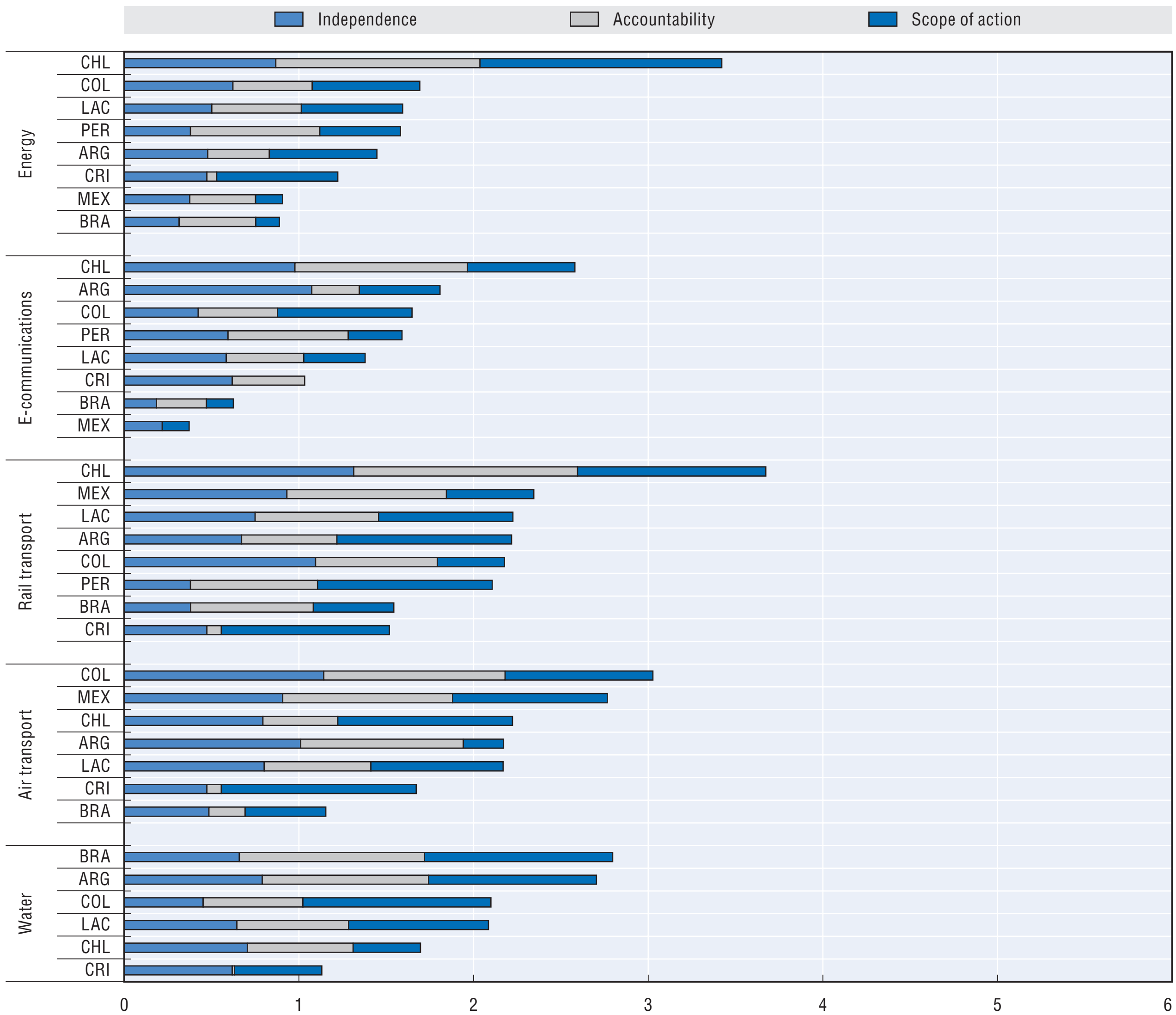
Figure notes

The composite indicator is generally calculated as an average of component scores, varying from zero (the least) to six (the most) effective governance arrangements.

In Argentina and Brazil, the figure reflects the average of the scores of two energy regulators.

7.17 (Status of regulators in Latin American and OECD countries, 2018) is available online in Annex F.

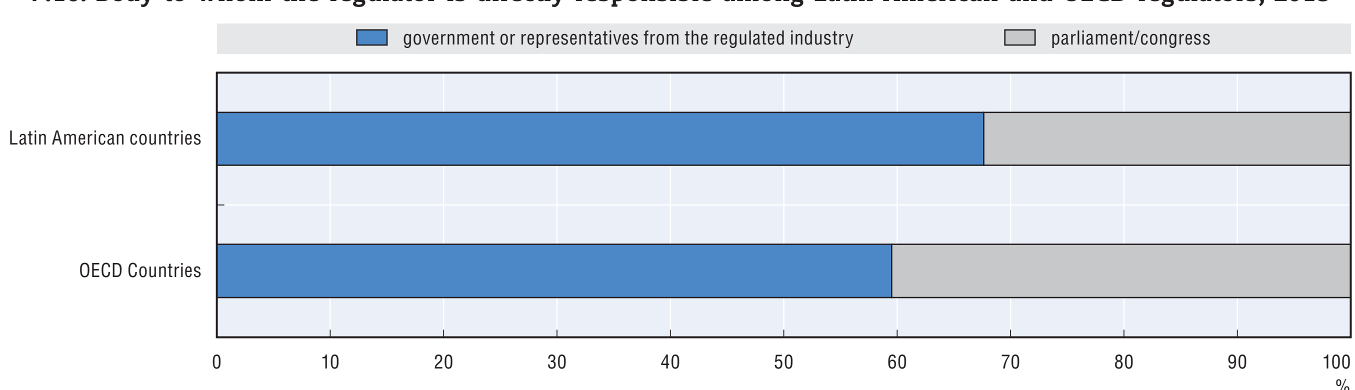
7.15. Indicator scores by sector and component among Latin American regulators, 2018



Source: OECD 2018 Database on the Governance of Sector Regulators.

StatLink https://doi.org/10.1787/888934092721

7.16. Body to whom the regulator is directly responsible among Latin American and OECD regulators, 2018



Source: OECD 2018 Database on the Governance of Sector Regulators.

StatLink https://doi.org/10.1787/888934092740

Government at a Glance: Latin America and the Caribbean 2020

Chapter 8

Open Government Data

Governments across the globe have a great opportunity to generate public value by enabling the publication, sharing of and access to public sector data. Latin American and Caribbean (LAC) countries are highly committed to the open data agenda. The LAC region has the largest number of countries (11 in total) adopting the International Open Data Charter. In addition, 81% of LAC countries already have an appropriate medium-term strategy on open government data (OGD), compared to 84% of OECD countries, and 75% have a national OGD action plan that includes implementation of open data portals and the release of data.

More than half of the LAC countries that responded to the survey have a steering committee responsible for monitoring the implementation of the OGD policy at the central or federal level. In the vast majority of cases, such a committee involves stakeholders from public sector organisations, civil society and academia.

The Open, Useful and Re-usable data (OURdata) Index supports the development, implementation and impact of sound open data policies for OECD countries. For the first time, data from both LAC and OECD member countries can be compared using the final version of OURdata. The Index benchmarks the design and implementation of open government data policies. It ranges from 0 to 1, 0 being the lowest score and 1 the highest. It is composed of three indicators, which have an equal weight of 0.33: *data availability, data accessibility* and *government support to the re-use*. Each indicator ranges from 0 to 0.33.

On average, LAC countries scored 0.43, in comparison to an OECD average of 0.60 in 2019. There is a stark contrast on development levels of the LAC region in OGD. Colombia (0.88), Mexico (0.71) and Brazil (0.63) lead in the region having higher scores than the OECD average (0.60). However, Caribbean countries such as the Bahamas (0.04) and Dominica (0.00) are not yet implementing OGD policies as measured by OURdata.

Data availability refers to the policy frameworks that regulate the release of government data. Both Colombia and Mexico rank first on this dimension (0.26), followed by Brazil (0.23), Argentina and Dominican Republic (0.17). *Data accessibility* measures how OGD are released (e.g. in machine-readable formats). It is the component of the OURdata index where LAC countries score the highest. For instance, the regional average for *data availability* is 0.14 (compared to an OECD average of 0.20) while that of *data accessibility* is 0.18 (compared to 0.23). Additionally, while Ecuador and El Salvador score below average on data availability (0.09 and 0.08 respectively), they score in line with the LAC average on data accessibility (0.17 and 0.18 respectively).

Government support for data re-use measures the efforts to encourage stakeholders from the government and the civil society to use OGD. LAC countries scored an average of 0.11, compared to 0.17 for the OECD. In this aspect, the region needs to intensify its efforts to *support the re-use* of OGD.

Methodology and definitions

OGD are government data released without any technical and legal barriers and, if possible, free of charge. This allow them to be freely used, reused and redistributed by anyone, anytime and anywhere. Government data include, but are not limited to, those held by national, regional, local and city governments.

Data for the ***OURdata Index*** were collected through the OECD Open Government Data Survey, with the support of the IDB. Sixteen LAC member countries responded to the 2019 survey. Respondents where predominantly senior government department officials in charge of digital and open government policies. Data refer only to central/federal governments and exclude practices at the state/local level.

The composite ***OURdata Index*** is based on the OECD analytical methodology described by Lafortune and Ubaldi (2018), which also maps the principles of the International Open Data Charter. It consists of three indicators: *Data availability*, *Data accessibility* and *Government support for data re-use*. The score for each indicator corresponds to an unweighted simple average of each sub-indicator The Index does not measure the impact of open government data on socio-economic outcomes, but rather the work governments do to provide sufficient conditions to enable and stimulate their re-use.

For more information on the methodology and underlying data, see Annex D.

Further reading

Lafortune, G. and B. Ubaldi (2018), “OECD 2017 OURdata Index: Methodology and results”, *OECD Working Papers on Public Governance*, No. 30, OECD Publishing, Paris, *http://doi.org/10.1787/2807d3c8-en*

Muente, A. and F. Serale (2018), *Los datos abiertos en América Latina y el Caribe*, Inter-American Development Bank, Washington, DC, *http://dx.doi.org/10.18235/0001202]*

Figure notes

Data for Argentina, Chile, Colombia and Mexico were collected through the 2018 OECD Open Government Data Survey. Honduras established a central OGD portal in mid-2019, after the survey was conducted. In Brazil, since July 2019, the office of the comptroller general is responsible for OGD policies, and therefore, there have been some changes in implementation.

8.1. For explanations of the acronyms, please see StatLink. In 2019, when drafting its 4th Open government plan, public sector organisations of Mexico had an active role in the steering group.

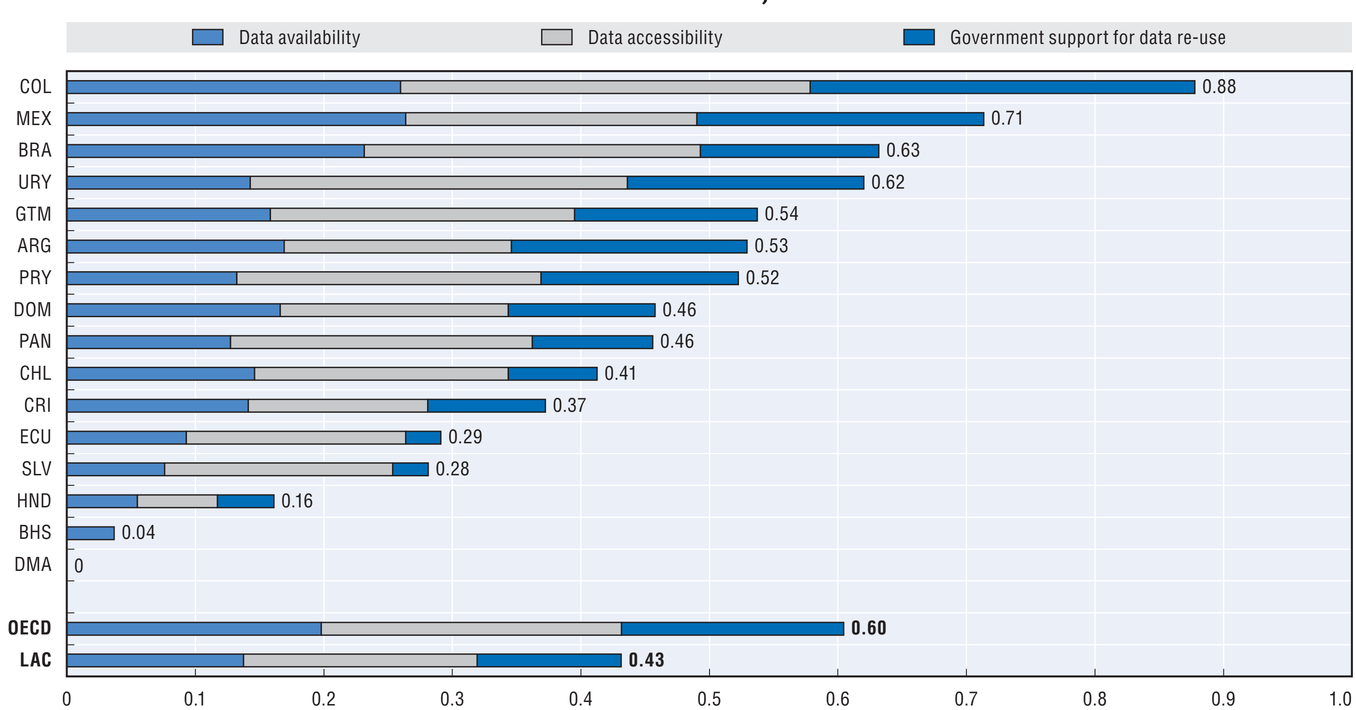
8.1. National strategy on Open Government Data and implementation, 2019

Country	Medium-term strategy on OGD	National OGD plan with activities	Institution responsible for formulating OGD policy	Existence of steering committee	Members of the steering group: Public sector organisations	Private sector	Civil society organisations	Local governments	Academia
Argentina	●	●	Chief of Cabinet Office & Government Secretary of Modernisation	❍	❍	❍	❍	❍	❍
Bahamas	❍	❍		❍	❍	❍	❍	❍	❍
Brazil	●	●	Ministry of Planning	●	●	❍	●	❍	●
Chile	●	●	General Secretariat of the Presidency	●	●	❍	●	❍	●
Colombia	●	●	Ministry of Information and Communication Technologies	●	●	●	●	❍	❍
Costa Rica	●	●	Ministry of Communication	●	●	●	●	❍	●
Dominica	❍	❍		❍	❍	❍	❍	❍	❍
Dominican Republic	●	●	DIGEIG	●	❍	❍	❍	❍	❍
Ecuador	●	❍	Presidency of the Republic	❍	❍	❍	❍	❍	❍
El Salvador	❍	❍	Technical and Planning Secretariat of the Presidency	❍	❍	❍	❍	❍	❍
Guatemala	●	●	SENACYT	●	●	●	●	●	●
Honduras	●	●	Secretariat of General Government Coordination	❍	❍	❍	❍	❍	❍
Mexico	●	●	Ministry of Public Administration	●	❍	●	●	❍	●
Panama	●	●	ANTAI	●	●	●	●	❍	●
Paraguay	●	●	Ministry of Information and Communication Technologies	❍	❍	❍	❍	❍	❍
Uruguay	●	●	AGESIC	●	●	❍	●	●	●
LAC total									
● Yes	13	12		9	7	5	8	2	7
❍ No	3	4		7	9	11	8	14	9
OECD total									
● Yes	26			24	24	9	11	10	9
❍ No	5			7	7	22	20	21	22

Source: OECD –IDB (2019), Open Government Data Survey, OECD (2018) Open Government Data Survey

StatLink https://doi.org/10.1787/888934092759

8.2. OURData Index, 2019



Source: OECD – IDB (2019), Open Government Data Survey, OECD (2018) Open Government Data Survey.

StatLink https://doi.org/10.1787/888934092778

When government data are available, they increase interaction between governments and citizens and enable co-creation opportunities with other stakeholders such as academics, civil society organisations and government institutions. Strong policy frameworks are key to ensure data availability and the integration on the delivery models of the public, private and social sectors.

Principle 1 of the International Open Data Charter is open by default: government data should be public unless their release comes into conflict with other principles. Three quarters of LAC countries assessed in the OURdata Index have a list of legitimate reasons that restrict publicly releasing government data by default. For example, in Chile, data should not be released if their disclosure affects the rights of individuals (e.g. their privacy) or their publicity poses a threat to national security or public interest, among others. Also, most countries have formal requirements to ensure that information published owing to transparency/anticorruption laws is released as open data.

Principle 2 (timely and comprehensive) refers to the involvement of citizens in the development of open data plans. The most common forms of consultations in LAC countries are physical public meetings (56%) and formal consultations (50%); virtual public meetings are less popular (25% of countries). Regarding stakeholders, 31% of LAC countries have consulted civil society organisations five times or more since 2017 (compared to 34% of OECD countries), the same proportion as civil servants. By comparison, 53% of OECD countries consulted civil servants 5 or more times. Academia, citizens, journalists and private sector organisations have been consulted five times or more since 2017 by 19% of LAC countries each. Around a third of OECD countries consulted the private sector five times or more.

To implement the commitments subscribed under these two principles, data must be released in formats that users can easily analyse. The vast majority of LAC countries (81%) release their data in tabular format, while half also publish maps.

Pillar 1 of the OURdata Index (Data availability) measures countries' performance on the abovementioned policy issues. LAC countries score on average 0.41 in this pillar, compared to 0.59 for OECD countries. Mexico (0.79), Colombia (0.78), Brazil (0.69) and Argentina (0.51) have the highest scores in the region, as a result of their progressive open data agendas.

On average, LAC countries perform better in *content of the open by default policy* (0.17) than in *stakeholder engagement* (0.14) and *implementation* (0.10), a similar trend to the OECD. This is also the case for some countries, for instance Colombia obtained the maximum score in *content of the open by default policy* (0.33), and scored 0.21 in *stakeholder engagement*. The Bahamas scored 0.11 on *content*, which shows some efforts to set up an open by default policy, although they have not yet been implemented (it scored 0.00 in the other two sub-indicators). This evidence points to the need for investing further resources on user engagement from earlier stages of the policy process. For instance, to identify data demand which can lead to greater re-use in latter stages.

Some countries (Brazil and Mexico) had a higher score on stakeholder engagement. Guatemala had one of the highest scores in such sub-indicator, which is around double its score on *content* and more than three times that of *implementation* (0.07).

Methodology and definitions

Pillar 1 on data availability measures the extent to which governments have adopted and implemented formal requirements to promote open government data at the central/federal level. This pillar covers policy elements relevant to principles 1 "Open by default" and 2 "Timely and comprehensive" of the International Open Data Charter. It consists of three sub-pillars: *content of the open by default policy*; *stakeholder engagement for data release*; and *implementation*. The three sub-pillars have an equal weight and each ranges from 0 to 0.33. Hence, the indicator ranges from 0 (minimum) to 1 (maximum). When aggregating to the final OURData Index, the *data availability* score is transformed to the range from 0 to 0.33 and with this, it is assigned an equal weight as the other two dimensions. The composite OURdata Index is based on the OECD analytical methodology described by Lafortune and Ubaldi (2018), which also maps the principles of the International Open Data Charter.

For more information on how data were collected, see previous section (Open Government Data).

For more information on the methodology and underlying data, see Annex D.

Further reading

Muente, A. and F. Serale (2018), *Los datos abiertos en América Latina y el Caribe*, Inter-American Development Bank, Washington, DC, *http://dx.doi.org/10.18235/0001202*

OECD (2018), *Open Government Data Report: Enhancing Policy Maturity for Sustainable Impact*, OECD Digital Government Studies, OECD Publishing, Paris, *https://doi.org/10.1787/9789264305847-en*.

Figure notes

Data for Argentina, Chile, Colombia and Mexico were collected through the 2018 OECD Open Government Data Survey. Honduras established a central OGD portal in mid-2019, after the survey was conducted. In Brazil, since July 2019, the office of the comptroller general is responsible for OGD policies, and therefore, there have been some changes in implementation.

8.5. (Frequency of stakeholder consultation since 2017, 2019) is available online in Annex F.

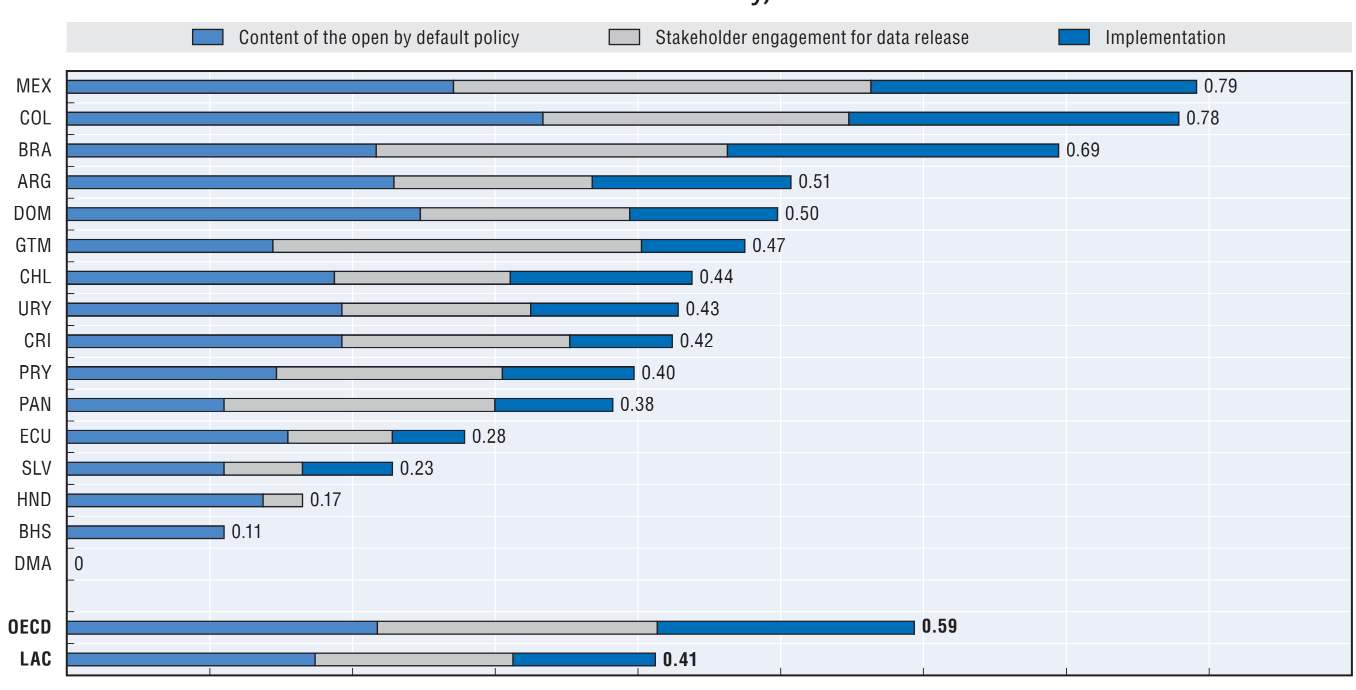
8.3. Governments' efforts to ensure data availability, 2019

Sub-pillar	1.1 Content of Open by Default Policy		1.2 Stakeholder engagement					1.3 Implementation	
			User consultation forms to develop open data plans					Data released as…	
Country	Common list of legitimate justifications not to release data as "open by default"	Common formal requirements to ensure transparency data is published	Physical public meetings	Virtual public meetings	Formal consultations	Advisory group	Informal consultation	Tables	Maps
Argentina	●	●	❍	❍	❍	❍	●	●	●
Bahamas	❍	❍	❍	❍	❍	❍	❍	❍	❍
Brazil	●	●	❍	❍	❍	❍	❍	●	●
Chile	●	●	●	●	●	●	❍	●	●
Colombia	●	●	●	●	●	●	●	●	●
Costa Rica	◖	◖	❍	❍	●	●	❍	❍	❍
Dominica	❍	❍	❍	❍	❍	❍	❍	●	●
Dominican Republic	●	◖	●	❍	❍	❍	❍	●	❍
Ecuador	◖	●	❍	❍	❍	❍	❍	●	❍
El Salvador	●	❍	❍	❍	❍	❍	❍	●	❍
Guatemala	●	●	●	●	●	❍	❍	●	❍
Honduras	◖	❍	●	❍	❍	❍	❍	❍	❍
Mexico	●	●	●	●	●	●	●	●	●
Panama	❍	●	●	❍	●	●	●	●	❍
Paraguay	❍	●	●	❍	●	❍	●	●	●
Uruguay	●	●	●	❍	●	●	●	●	●
LAC total									
● Yes	9	10	9	4	8	6	6	13	8
◖ Varies between organisations	3	2							
❍ No	4	4	7	12	8	10	10	3	8
OECD total									
● Yes	30	20	22	10	23	24	28	28	26
◖ Varies between organisations	1	4							
❍ No	1	8	10	22	9	8	4	4	6

Source: IDB-OECD (2019), "Open Government Data Survey", OECD (2018) "Open Government Data Survey".

StatLink https://doi.org/10.1787/888934092797

8.4. Data availabilty, 2019



Source: IDB-OECD (2019), "Open Government Data Survey", OECD (2018) "Open Government Data Survey".

StatLink https://doi.org/10.1787/888934092816

For government data to be accessible, they must be made available free of charge and without any barriers that may restrict their access and re-use. Governments can create frameworks with standards on data formats and publication procedures for greater accessibility and quality. Open licenses allow the reuse and redistribution of government data, but to benefit from them, data must be easy to process and use by both humans and machines. Furthermore, creating channels to access open government data (OGD) and interact with government institutions enhances data accessibility by allowing citizens to report issues or provide suggestions, and promote collaboration, thus enabling the government as a platform.

Central open data portals can help in providing a single point of access to open government data (e.g. through data federation or harvesting), thus reducing fragmentation. According to the survey results, with the exception of the Bahamas, Dominica and Honduras, all LAC countries have established central OGD portals. Around half of the governments with accessible portals include a user feedback section but only three countries (Colombia, Paraguay and Uruguay) display users' comments. By contrast, 47% of OECD countries display such comments.

In terms of the format in which data can be accessed, 62% of countries including Costa Rica, Dominican Republic and Guatemala always provide data in machine-readable format; another 62% including Argentina, Brazil and Chile provide the associated metadata. Fewer countries (six out of 16 LAC countries) always include visualisation tools, while only one out of 32 OECD countries do so. The most popular datasets in Mexico include census data and surveys on housing and agriculture, and economic indicators; while in Uruguay, the most downloaded dataset are bus timetables. This shows the wide range of purposes for OGD, which range from making informed decisions to conducting academic research.

Pillar 2 of the OURdata Index on Accessibility of government data has three sub-pillars: content of unrestricted access to data policy, stakeholder engagement for data quality and completeness, and implementation, each scoring a maximum of 0.33 points. The LAC average for 2019 is 0.55, compared to 0.70 for the OECD. These results signal that countries could share more high-value datasets and enhance their accessibility. LAC countries need to make more effort in stakeholder engagement where they averaged 0.08, compared to an OECD average of 0.14.

Colombia is the LAC country with the highest overall score, obtaining the highest score (0.33) in content of the access to data policy. It also obtained a high score in implementation (0.32) and in stakeholder engagement (0.30). Colombia's success is driven by the Ministry of Information Technologies and Communications' strong efforts to plan and implement a digital strategy nationwide.

Uruguay scored 0.33 in implementation, and 0.32 in content of the access to data policy. It performs better than the LAC average in stakeholder engagement (0.23), yet more efforts could be made to collect and publish usage statistics, and to foster the interaction among users through the portal. Chile and Mexico obtained 0.33 in content of the access to data policy, and performed well on implementation (0.26 and 0.28 respectively), but fared poorly in stakeholder engagement.

Methodology and definitions

Data accessibility measures the extent to which government data are provided in open and re-usable formats, with their associated metadata. The indicator covers primarily principles 3 "Accessible and usable" and 4 "Comparable and interoperable" of the International Open Data Charter. It consists of the three sub-indicators: *content of the free and open access to data policy*; *stakeholder engagement for data quality and completeness*; and *implementation*. The three sub-pillars have an equal weight and each ranges from 0 to 0.33. Hence, the indicator ranges from 0 (minimum) to 1 (maximum). When aggregating to the final OURData Index, the *data accessibility* score is transformed to a range from 0 to 0.33 and with this, it is assigned an equal weight as the other two indicators. The composite OURdata Index is based on the OECD analytical methodology described by Lafortune and Ubaldi (2018), which also maps the principles of the International Open Data Charter.

Data for the OURdata Index and for the data accessibility indicator for the region were collected from the OECD Open Government Data Survey in collaboration with the IDB. Survey respondents were predominantly senior government department officials in charge of digital or open government policies. Responses represent countries' own assessment of current practices and procedures regarding data availability. Data refer only to central/federal governments and exclude practices at the state/local level.

For more information on the methodology and underlying data, see Annex D.

Further reading

Muente, A. and F. Serale (2018), *Los datos abiertos en América Latina y el Caribe*, Inter-American Development Bank, Washington, DC, *http://dx.doi.org/10.18235/0001202*

Figure notes

Data for Argentina, Chile, Colombia and Mexico were collected through the 2018 OECD Open Government Data Survey. Honduras established a central OGD portal in mid-2019, after the survey was conducted. In Brazil, since July 2019, the office of the comptroller general is responsible for OGD policies, and therefore, there have been some changes in implementation.

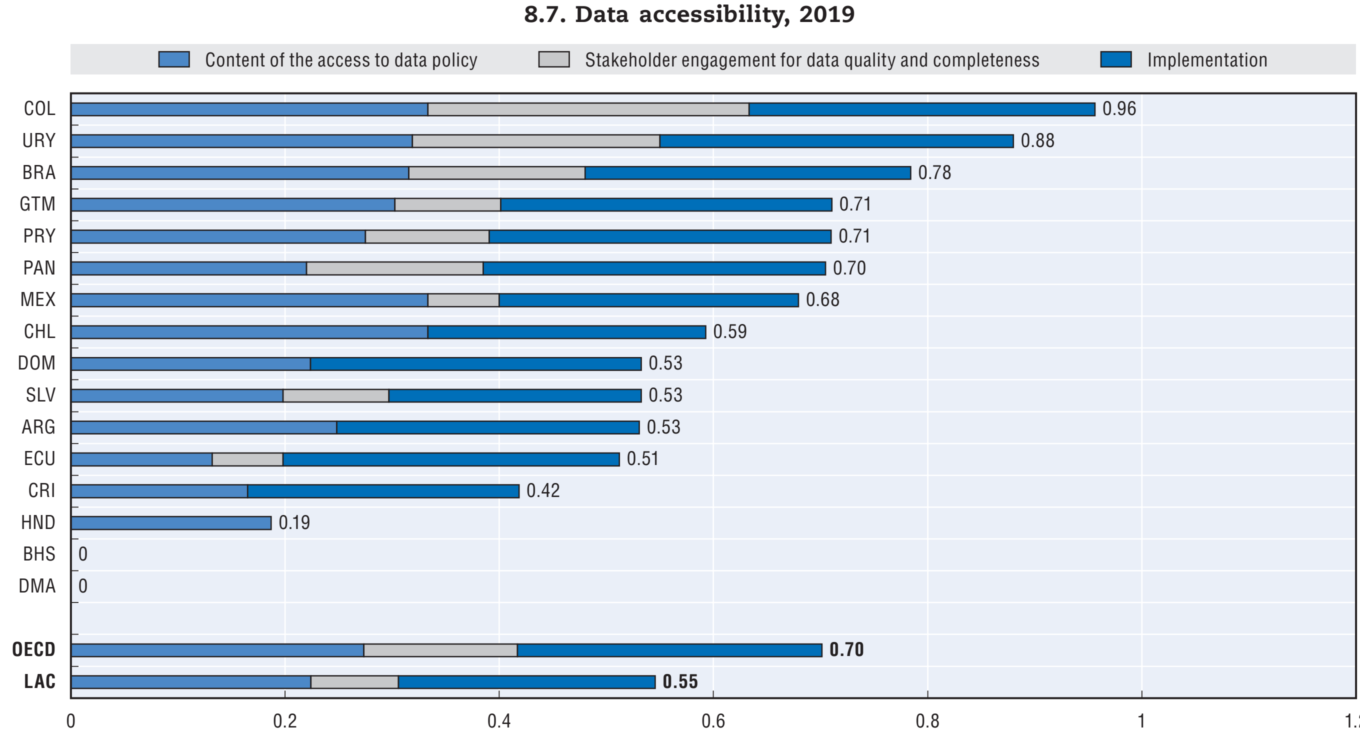
8.6. Central data portals, 2019

Country	Existence of central one-stop shop portal	Features… User feedback section	Features… User feedback visible	Data are provided… In machine readable format	Data are provided… With data visualisation tool	Data are provided… With associated metadata
Argentina	●	❍	❍	▣	⊡	■
Bahamas	❍	…	…	…	…	…
Brazil	●	●	❍	▣	⊡	■
Chile	●	❍	❍	■	■	■
Colombia	●	●	●	■	■	■
Costa Rica	●	❍	…	■	⊡	⊡
Dominica	❍	…	…	…	…	…
Dominican Republic	●	❍	…	■	■	■
Ecuador	●	●	❍	■	⊡	■
El Salvador	●	❍	…	■	■	▣
Guatemala	●	❍	…	■	□	▣
Honduras	❍	…	…	…	…	…
Mexico	●	●	❍	▣	⊡	■
Panama	●	●	❍	▣	□	▣
Paraguay	●	●	●	▣	■	▣
Uruguay	●	●	●	■	■	■
LAC total						
● Yes / ■ All	13	7	3	8	6	8
▣ Most				5	0	4
⊡ Some				0	5	1
❍ No/ □ None	3	6	6	0	2	0
OECD total						
● Yes / ■ All	32	29	15	8	1	21
▣ Most				21	2	7
⊡ Some				3	22	4
❍ No / □ None	0	3	17	0	7	0

Source: OECD -IDB (2019), "Open Government Data Survey", OECD (2018) "Open Government Data Survey.

StatLink https://doi.org/10.1787/888934092835

8.7. Data accessibility, 2019



Source: OECD - IDB (2019), "Open Government Data Survey", OECD (2018) "Open Government Data Survey".

StatLink https://doi.org/10.1787/888934092854

There is growing awareness of the need to ensure the effective reuse of open government data (OGD) to secure long-term sustainability and continuity of open data initiatives and policies. When the government shares and promotes the reuse of data that benefits citizens' social and economic well-being, it fosters their trust in government. Moving from a focus on data publication to a collaborative, problem-solving and focused approach is a necessary step towards the achievement of value co-creation.

Governments can enable collaborative platforms and models such as datatons, competitions, funding programmes and multi-stakeholder partnerships to bring actors together and stimulate the data re-use inside and outside the public sector. For example, in Argentina, Panama and Paraguay the governments often organise conferences with civil society to promote the reuse of OGD. In Brazil, Guatemala and Honduras, the government often makes presentations on data reuse in events that are organised by third parties. Honduras and Paraguay are the only LAC countries whose governments often conduct focus groups and information sessions with civil society to understand their data needs and, along with Argentina, present the benefits of OGD reuse. Slightly over half of LAC countries have government programmes to support OGD literacy among civil society organisations. This is lower than in OECD countries, were 75% of governments have these programmes in place.

Examples of OGD can be given on the national data portal. Five countries display data visualisations and smartphone applications. These two ways of re-using data are also the most popular among OECD countries. Monitoring the uses and impact of data helps to understand which datasets have more value from the users' perspective.

Pillar 3 of the OURdata Index on *government support for data reuse* has three sub-pillars: *data promotion initiatives and partnerships*; *data literacy programmes in government;* and *monitoring impact,* each one scoring maximum of 0.33 points. The LAC average is below the OECD average (0.52), showing that more could be done to promote data reuse. In particular, countries could make more efforts to monitor the impact of OGD, since the LAC average score in this area is half that of the OECD.

Colombia, which has the highest score of the LAC region (0.90), has a successful project "Emprende con datos" that supports entrepreneurs who use OGD to solve public policy issues. The project offers mentoring and advice to develop sustainable business models and applications that address public policy issues.

Argentina, Colombia, the Dominican Republic and Guatemala perform relatively well in promoting *data literacy* among government employees. However, when it comes to *monitoring impact*, several countries that perform relatively well in the other two sub-indicators, obtain a score of 0, including the Dominican Republic, Guatemala and Paraguay. Brazil, however, *scores better on monitoring impact (0.26) than on data promotion initiatives (0.09) and data literacy programmes (0.07)*.

Methodology and definitions

Government support for data re-use measures the extent to which governments play a proactive role in promoting the re-use of government data inside and outside government. It covers primarily principles 5 "Improved governance and citizen engagement" and 6 "Inclusive development and innovation" of the International Open Data Charter. It consists of three sub-indicators: *data promotion initiatives and partnerships; data literacy programmes in government;* and *monitoring impact*. The three sub-indicators have an equal weight of 0.33, as a result, each ranging from 0 to 0.33. The indicator ranges from 0 (minimum) to 1 (maximum). When aggregating to the final ***OURData Index***, the score of *government support for data re-use* is transformed to range from 0 to 0.33 and with this it is assigned an equal weight as the other two indicators.

Data for the *OURdata Index* and for the indicator on *government support for data re-use* in the region is collected through the OECD Open Government Data Survey carried out in collaboration with the IDB. Survey respondents were predominantly senior government officials in charge of digital or open government policies. Responses represent countries' own assessments of current practices and procedures regarding OGD. Data refer only to central/federal governments and exclude practices at the state/local level. The composite OURdata Index is based on the OECD analytical methodology described by Lafortune and Ubaldi (2018), which also maps the principles of the International Open Data Charter.

For more information on the methodology and underlying data, see Annex D.

Further reading

OECD (2019), *Digital Government Review of Argentina: Accelerating the Digitalisation of the Public Sector*, OECD Digital Government Studies, OECD Publishing, Paris, *https://doi.org/10.1787/354732cc-en*.

OECD (2018), *Open Government Data Report: Enhancing Policy Maturity for Sustainable Impact*, OECD Digital Government Studies, OECD Publishing, Paris, *https://doi.org/10.1787/9789264305847-en*.

Figure notes

Data for Argentina, Chile, Colombia and Mexico were collected through the 2018 OECD Open Government Data Survey. Honduras established a central OGD portal in mid-2019, after the survey was conducted. In Brazil, since July 2019, the office of the comptroller general is responsible for OGD policies, and therefore, there have been some changes in implementation.

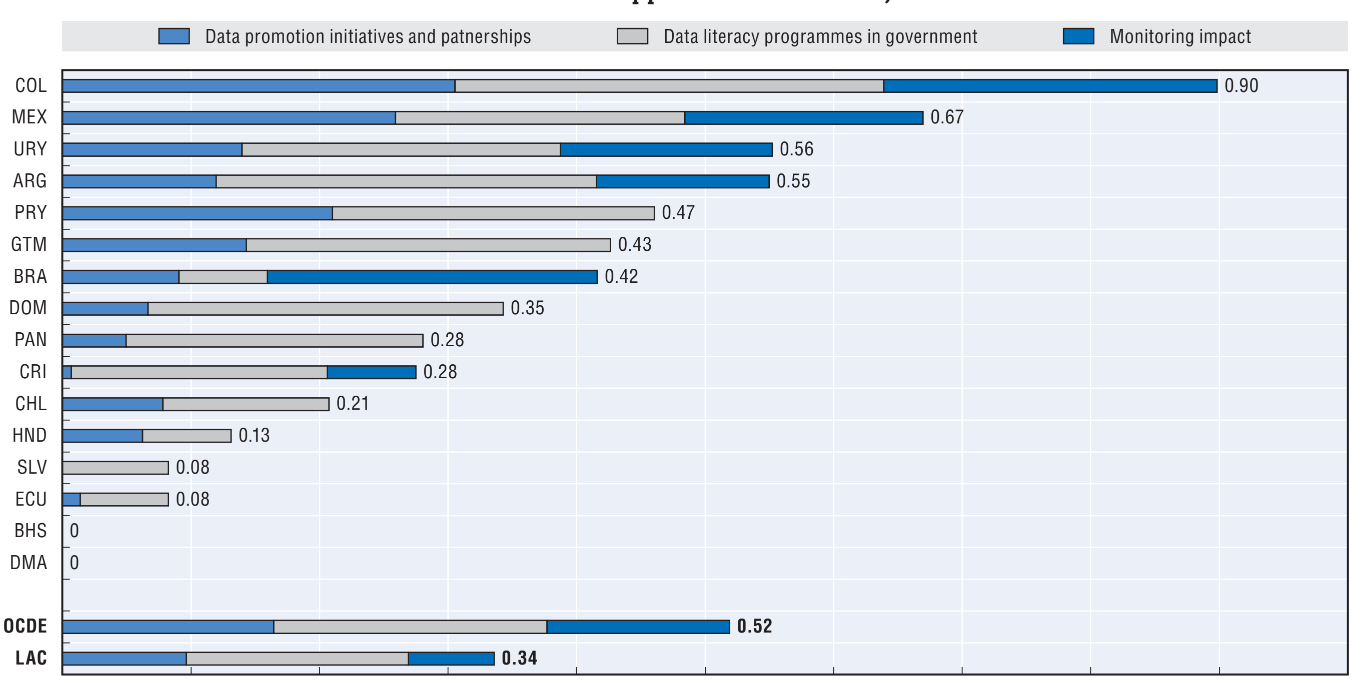
8.8. Efforts to promote re-use of OGD since 2017, 2019

Country	Conferences with civil society to promote reuse of OGD...		Government conducts focus groups/information sessions with civil society to…		Government programme to support OGD literacy among civil society organisations	Examples of re-use of OGD displayed on central/federal data portal…			
	Government organises	Government presents in events organised by third parties	Understand data needs	Present benefits/ opportunities of OGD re-use		Data visualisations	Applications (“apps”)	Press articles	Academic papers
Argentina	■	⊡	⊡	■	◖	●	●	❍	❍
Bahamas	□	□	□	□	❍	…	…	…	…
Brazil	□	■	⊡	⊡	❍	●	●	●	●
Chile	▣	□	□	□	❍	❍	❍	❍	❍
Colombia	▣	▣	▣	▣	●	●	●	●	●
Costa Rica	⊡	⊡	⊡	□	●	❍	❍	❍	❍
Dominica	□	□	□	□	❍	…	…	…	…
Dominican Republic	⊡	⊡	⊡	⊡	◖	…	…	…	…
Ecuador	⊡	⊡	⊡	⊡	❍	…	…	…	…
El Salvador	□	□	□	□	❍	…	…	…	…
Guatemala	⊡	■	□	⊡	●	…	…	…	…
Honduras	⊡	■	■	■	❍	…	…	…	…
Mexico	⊡	⊡	⊡	⊡	●	●	●	❍	❍
Panama	■	▣	□	⊡	●	…	…	…	…
Paraguay	■	■	■	■	●	…	…	…	…
Uruguay	▣	▣	▣	▣	●	●	●	●	❍
LAC total									
■ Often / ● Yes	3	4	2	3	7	5	5	3	2
▣ Sometimes / ◖ Some public sector organisations	3	3	2	2	2				
⊡ Rarely	6	5	6	6					
□ Never/❍ No	4	4	6	5	7	2	2	4	5
OECD total									
■ Often / ● Yes	8	13	6	8	20	21	24	11	6
▣ Sometimes / ◖ Some public sector organisations	3	5	7	4	4				
⊡ Rarely	11	11	10	11					
□ Never / ❍ No	10	3	9	9	8	11	8	21	26

Source: OECD – IDB (2019), “Open Government Data Survey”, OECD (2018) “Open Government Data Survey”.

StatLink https://doi.org/10.1787/888934092873

8.9. Government support for data re-use, 2019



Source: OECD - IDB (2019), “Open Government Data Survey”, OECD (2018) “Open Government Data Survey”.

StatLink https://doi.org/10.1787/888934092892

Government at a Glance: Latin America and the Caribbean 2020

Chapter 9

Public Sector Integrity

While public integrity laws and regulations are often well drafted, many countries in Latin America and the Caribbean (LAC), as in other regions, suffer from an implementation gap. An implementation gap is a difference between *de jure* policy requirements and *de facto* compliance with these regulations and translating them into practices. However, impact is only achieved if the regulations on paper are leading to an actual change in practices and behaviour.

Many factors can explain such an implementation gap. Identifying and understanding these factors is key to overcoming the challenges. Among those, two are crucial. First, an effective implementation may be thwarted due to a lack of a clear institutional responsibility for public integrity within public organisations. Similarly, reaching the subnational level may be difficult if local governments do not have entities or units dedicated to integrity policies. Second, the implementation of integrity policies can be hampered because of a lack of incentives to include public integrity objectives into the strategic and operational plans of public organisations at the central level or into the public policies of subnational governments.

Although integrity is ultimately the responsibility of all individuals within an organisation, dedicated "integrity actors" in public entities can play a key role in overcoming the implementation gap. International experience suggests the value of having a dedicated and specialised officer or unit that is responsible and accountable for the internal implementation, coordination and promotion of integrity regulations and policies. Nonetheless, while having the potential to become drivers of implementation, the mere existence of such dedicated integrity actors does not guarantee bridging the implementation gap, as their impact depends crucially on their mandate, responsibilities and available resources. According to the OECD Questionnaire on Public Integrity in Latin America 2018, 78% of the surveyed LAC countries are already opting for the implementation of dedicated integrity units or persons at ministry levels in central government. At the time of the data collection, Argentina and Chile were in the process of moving towards having such dedicated units or persons as well.

While integrity is a concern at all levels of government, opportunities for certain types of corruption can be more pronounced at subnational level. Subnational governments' responsibilities for the delivery of a large share of public services, such as education, health, security/justice, waste management, utilities, granting licences and permits, increase the frequency and directness of interactions between government authorities and citizens and firms, and thus increases the risks of corruption. At the same time, reaching effectively the sub-national level and ensuring implementation of national policies at all levels of government is a challenge. In LAC, dedicated integrity actors that could promote the local implementation of integrity policies exist currently in only slightly less than half of the surveyed countries.

Finally, moving from an ad hoc and reactive "culture of cases" to a more proactive "culture of integrity" focusing on systemic prevention requires vision, insight and foresight, and as such both strategic and operational planning. Strategies that commit the government to concrete, ambitious but feasible outcomes can be a message to the citizens and public officials alike emphasising that the promotion of public integrity is a serious endeavour. The existence of plans is also essential to enable an effective monitoring and evaluation of the implementation of integrity policies. The OECD Questionnaire on Public Integrity in Latin America 2018 shows that eight LAC countries had a strategy at national level, Argentina was in the process of developing one that has been adopted since the data collection. Such strategies are more likely to be effective when they have to be operationalised at organisational levels and reach all levels of government. Out of the 8 countries with a strategy, 6 countries require this strategy has to be mainstreamed into organisational planning processes, while only 5 countries require an application at subnational levels.

Methodology and definitions

Data were collected through the 2018 OECD Questionnaire on Public Integrity in Latin America and cover 12 countries. Respondents were predominantly senior officials in central government, supreme audit institutions and electoral commissions.

Further reading

OECD (2019), *La Integridad Pública en América Latina y el Caribe 2018-2019*, OECD Publishing, Paris.

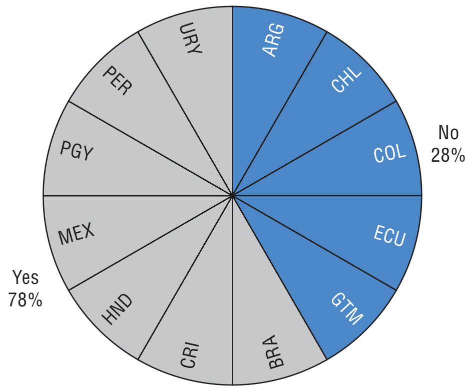
OECD (2019), *Offices of Institutional Integrity in Peru: Implementing the Integrity System*. OECD Publishing, Paris, *https://www.oecd.org/gov/ethics/offices-of-institutional-integrity-peru.pdf*

OECD (2018), *Integrity for Good Governance in Latin America and the Caribbean: From Commitments to Action*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264201866-en*

Figure notes

9.3 at the time of data collection, Argentina did not have a strategy.

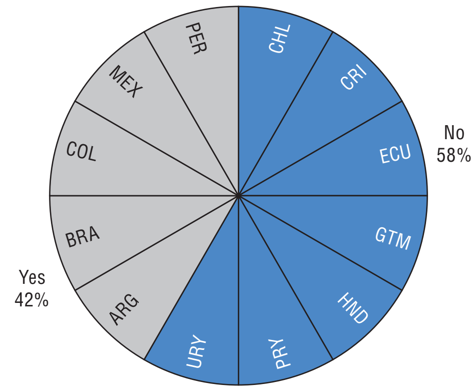
9.1. Existence of officers or units responsible for the implementation of integrity policies in every ministry, 2018



Source: OECD (2018) OECD Questionnaire on Public Integrity in Latin America.

StatLink https://doi.org/10.1787/888934092911

9.2. Existence of entities or units dedicated to integrity policies at the sub-national level, 2018



Source: OECD (2018) OECD Questionnaire on Public Integrity in Latin America.

StatLink https://doi.org/10.1787/888934092930

9.3. Existence and mainstreaming of national strategy to promote integrity, 2018

Country	National strategy to promote public integrity	Ministries mainstream national strategy in their own planning	Sub-national entities apply national strategy
Argentina	❍	❍	❍
Brazil	●	●	❍
Chile	●	●	●
Colombia	●	●	❍
Costa Rica	❍	❍	❍
Ecuador	●	❍	●
Guatemala	●	❍	●
Honduras	❍	❍	❍
Mexico	●	●	●
Paraguay	●	●	❍
Peru	●	●	●
Uruguay	❍	❍	❍
LAC total			
● Yes	8	6	5
❍ No	4	6	7

Source: OECD (2018) OECD Questionnaire on Public Integrity in Latin America.

StatLink https://doi.org/10.1787/888934092949

Influencing policymaking is a core part of a sound democratic system. Interest groups, including lobbyists, can bring much needed information to the policy debate. However, in the absence of regulations, they can also capture policy making. In fact, powerful interests can use their wealth, power or advantages to tip the scale in their favour at the expense of the public interest. In LAC, on average almost 75% of citizens perceive that a few powerful groups are governing their countries for their own benefit (Latinobarometro, 2017).

Lobbying public officials or financing political parties and candidates' electoral campaigns are the most common ways of exercising uneven access to decision-making process. In LAC, although there is an increasing awareness and efforts to address the distorted effects of these practices, challenges and gaps persist.

The Index of *Quality of Regulations Against Undue Influence*, based on the 2018 OECD Questionnaire on Public Integrity in Latin America, measures the existence and reach of *lobbying regulations*, enforcing *transparency of influence seeking* and the *regulation on conflicts of interest*. The regional average for 2018 is 4.08 out of a maximum of 9.00 points, with 0 being the lowest possible quality of regulations and 9 the highest. Argentina (7.50), Chile (7.40) and Mexico (7.00) have the highest scores, while Paraguay currently scores 0.00.

Seven countries do not have a specific regulation on the influence of interest groups, such as companies. Only Chile, Colombia and Mexico have a lobbyist register, and out of these, Colombia does not impose sanctions for non-compliance. The average score on *lobbying regulations* is 0.89 out of 3 points, with six countries (Brazil, Costa Rica, Ecuador, Guatemala, Paraguay and Uruguay) obtaining a score of 0.00.

Regarding *transparency of influence seeking,* LAC countries score an average of 1.27 out of 3. Only four countries (Argentina, Chile, Mexico and Peru) require public officials' agendas to be public, and five countries (Argentina, Colombia, Costa Rica, Mexico and Peru) require disclosing the names of members of permanent advisory bodies. Argentina is the only country obtaining the maximum score (3.00) on this indicator.

Regulation on conflicts of interest is the indicator where LAC countries score the highest, 1.92 out of 3. Argentina and Mexico obtained the highest score followed by Colombia and Peru. Ecuador, Guatemala and Paraguay do not have any regulations for political positions (e.g. members of cabinet or of legislative bodies) and don't establish cooling-off periods.

With respect to political finance, the general trend is towards introducing more regulations on political finance and the region is actually strongly regulated. However, data from the Questionnaire show the wide use of informal practices that are not covered by current regulations. For example, while most countries in the region forbid anonymous donations and political parties are required to reveal the identity of donors, contributions in cash are allowed in 92% and gifts in 33% of the countries. Sometimes, cash contributions are used to circumvent formal regulations, due to the complications associated with monitoring such transactions. Only 67% of the countries have requirements to disclose contributions online, and 33% require such data to be published within 30 days after the campaign.

Methodology and definitions

Data are drawn from the 2018 OECD Questionnaire on Public Integrity in Latin America responded by 12 countries. Respondents were predominantly senior officials in central government, supreme audit institutions and electoral commissions.

The *Index of quality of regulations against undue influence* is based on the OECD theoretical framework on undue influence. It consists of three sub-indicators, *lobbying regulations*, *transparency of influence seeking,* and *conflict of interest regulations*, each one ranging from 0 (lowest) to 3 (highest). The total score corresponds to the unweighted aggregation of the three indicators, thus from 0 to 9.

Lobbying regulations covers the existence of such regulations and existence of register of lobbyists. *Transparency of influence-seeking* considers whether the agendas of senior officials are made public, the existence of a legislative footprint and the disclosure of members of permanent advisory bodies. *Conflict of interest regulations* considers the existence of such regulations and cooling-off periods for elected representatives.

Scores reflect the existence and scope of regulations on influence in a country. They do not indicate if these regulations are effectively implemented nor if the mechanisms put in place are achieving the desired impact.

Legislative footprint refers to being able to re-construct, based on publicly available information, who have influenced a regulatory process (e.g. contributed to the draft of a law) and with what interest.

A cooling off period is a period during which public officials are barred from engaging in lobbying and employment that could constitute a conflict of interest

For information on the methodology see Annex E.

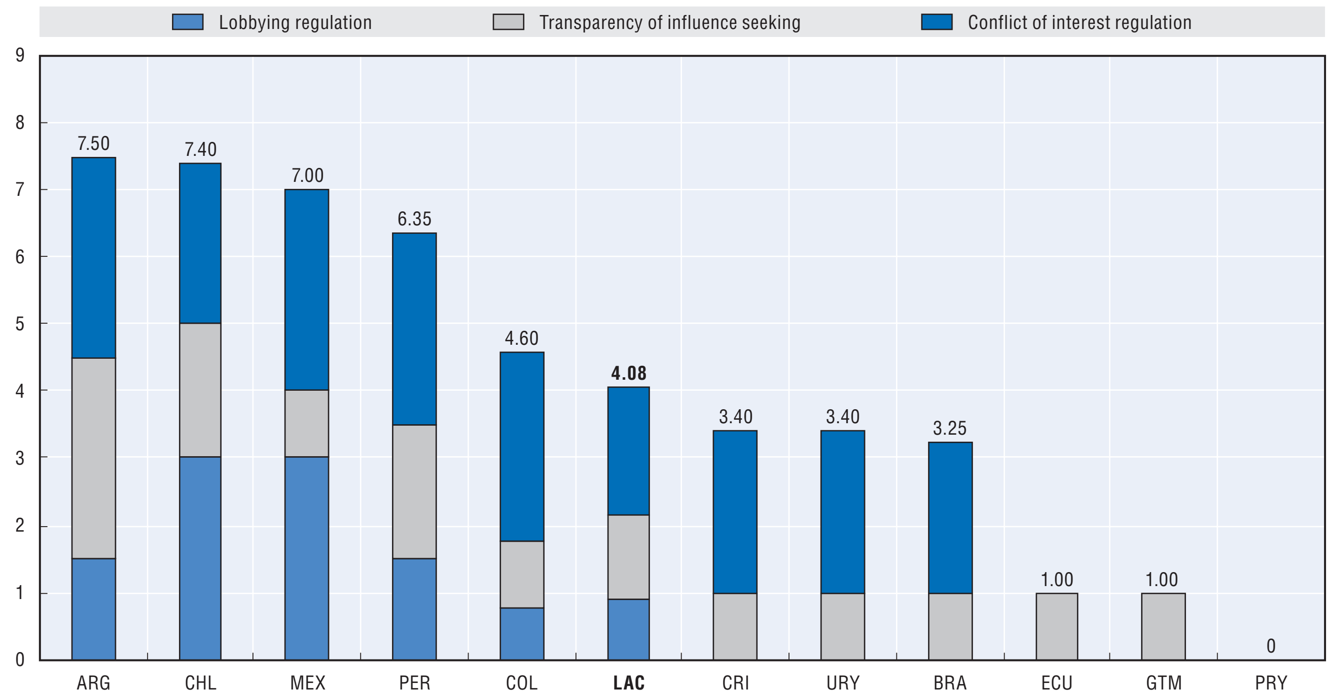
Further reading

OECD (2018), *Integrity for Good Governance in Latin America and the Caribbean: From Commitments to Action*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264201866-en*

Figure notes

9.4 Data for Honduras are not available.

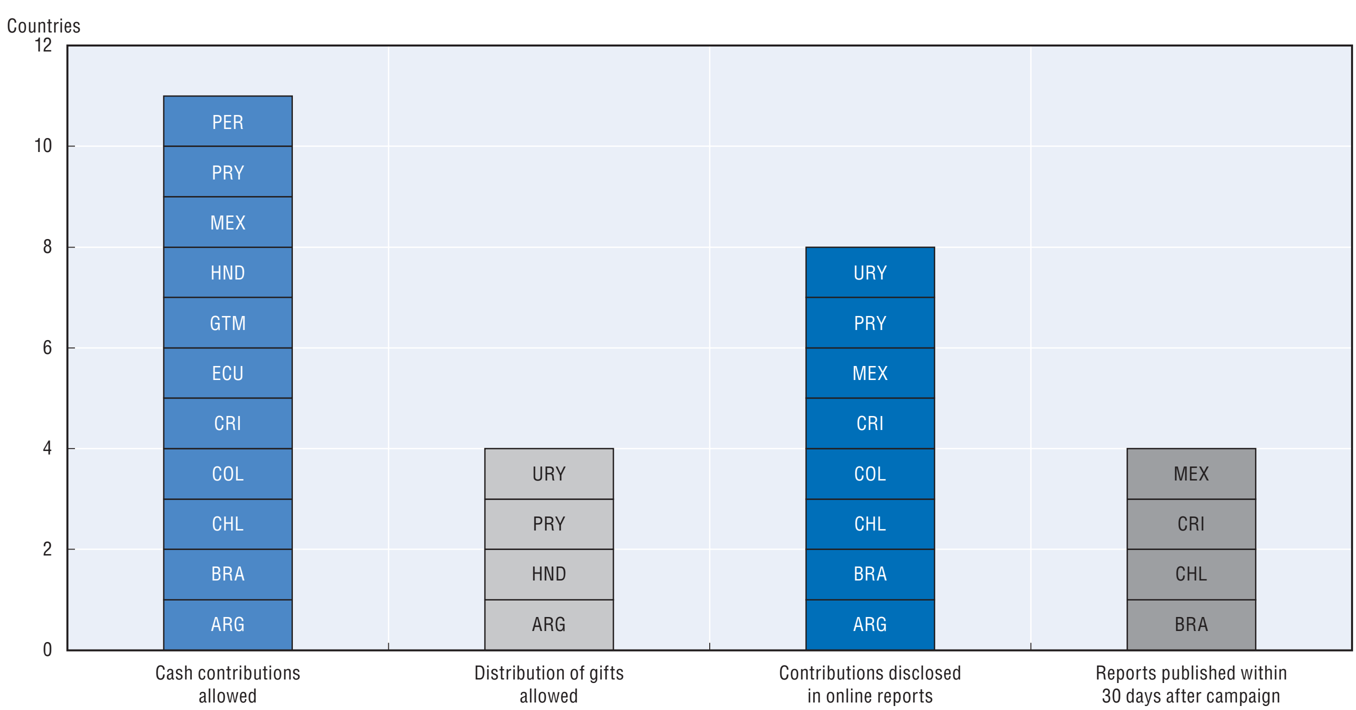
9.4. Index Quality of Regulations Against Undue Influence (pilot), 2018



Source: OECD (2018) "OECD Questionnaire on Public Integrity in Latin America".

StatLink https://doi.org/10.1787/888934092968

9.5. Political finance regulations during electoral campaigns, 2018



Source: OECD (2018) "OECD Questionnaire on Public Integrity in Latin America".

StatLink https://doi.org/10.1787/888934092987

An effective asset and interest disclosure system can support integrity, transparency and accountability. Depending on their design, declaration forms can be used either to identify, manage and sanction a conflict of interest by determining, for example, whether a public servant's decision has been compromised by a private interest. They may also be designed to detect illicit enrichment. Information can be collected for both purposes (de Michele and Dassen, 2018). In addition, by making the asset and interest declarations public, the government shows its commitment to transparency and enables accountability by allowing public scrutiny. Comparative empirical evidence has demonstrated the positive effect that a system of declarations can have on a country's ability to control corruption (Vargas and Schlutz, 2016).

Verifying the accuracy of public officials' declarations is necessary to ensure that declarations are a useful tool to detect conflict of interest and/or illicit enrichment. If public officials perceive that declarations are not verified, the disclosure system will likely end up as a "tick the box" activity, which undermines confidence in the government's commitment to the integrity system (OECD, 2017).

All LAC countries, with the exception of Uruguay, cross-check data from the declarations with other databases. Business registers, vehicle registers, previous asset declarations and land registers are the most used ones. Six countries also cross-check with civil registers and another six compare declarations with data from bank accounts. Other sources, such as tax declarations, public foreign databases and data from financial intelligence units are less common. Triangulating data automatically strengthens the verification process as a higher number of declarations can be scrutinised. However, only Argentina, Chile and Peru perform some automatic checks, and among these, only Chile does so for more than one database.

The robustness of the asset and interest disclosure system depends on specifically defining who must disclose and the type of information required, both based on an at-risk approach and taking into account the system's overall objective. This robustness also depends on making as much data as possible public (except for confidential data, such as bank account information), on ensuring effective verification and sanction mechanisms and on having follow-up mechanisms and guidance in place to manage conflicts of interest (if that is the objective of the system), among others.

Following the results of the *Index of Robustness of the Asset and Interest Disclosure System*, Latin American countries score on average 0.60 out of 1.00 points, with 1.00 being a highly robust system. There are large variations, with Argentina (0.81), Mexico (0.78) and Chile (0.77) obtaining high scores and Honduras and Paraguay obtaining 0.42 and 0.43 respectively. In the first three, declarations are made public, checked for internal inconsistencies, and triangulated with other databases. There is also guidance on how to manage conflict-of-interest situations. On the contrary, in Honduras, declarations are not public and information is only submitted in paper format, which inhibits their processing and verification. Similarly, in Paraguay declarations are not public and are submitted only at the beginning and at the end of the appointment. This hinders the detection of illicit changes in wealth or conflict of interest.

Methodology and definitions

Data are drawn from the 2018 OECD Questionnaire on Public Integrity in Latin America and cover 12 countries. Respondents were predominantly senior officials in central government, supreme audit institutions and electoral commissions.

The *Index of Robustness of the Asset and Interest Disclosure System* measures the scope of regulations on asset declarations and disclosure of conflicts of interests. It ranges from 0 (lowest) to 1 (highest). The total score is the weighted (based on expert assessments) aggregation of five components: *verification and enforcement* (37%), *reach* (20%), *system design* (16%), *transparency* (15%), and *prevention of conflicts of interest* (12%).

Verification and enforcement gauges whether the information in declarations is verified and how, and the existence of sanctions. *Reach* considers the categories of public officials that are required to submit asset and interest declarations, when and what information must be disclosed. *System design* includes the degree of digitalisation of the system, among others. *Transparency* captures whether the declarations are made publically available and *prevention of conflicts of interest* considers the efforts to detect conflicts of interest and how these are handled.

For information on the methodology see Annex E.

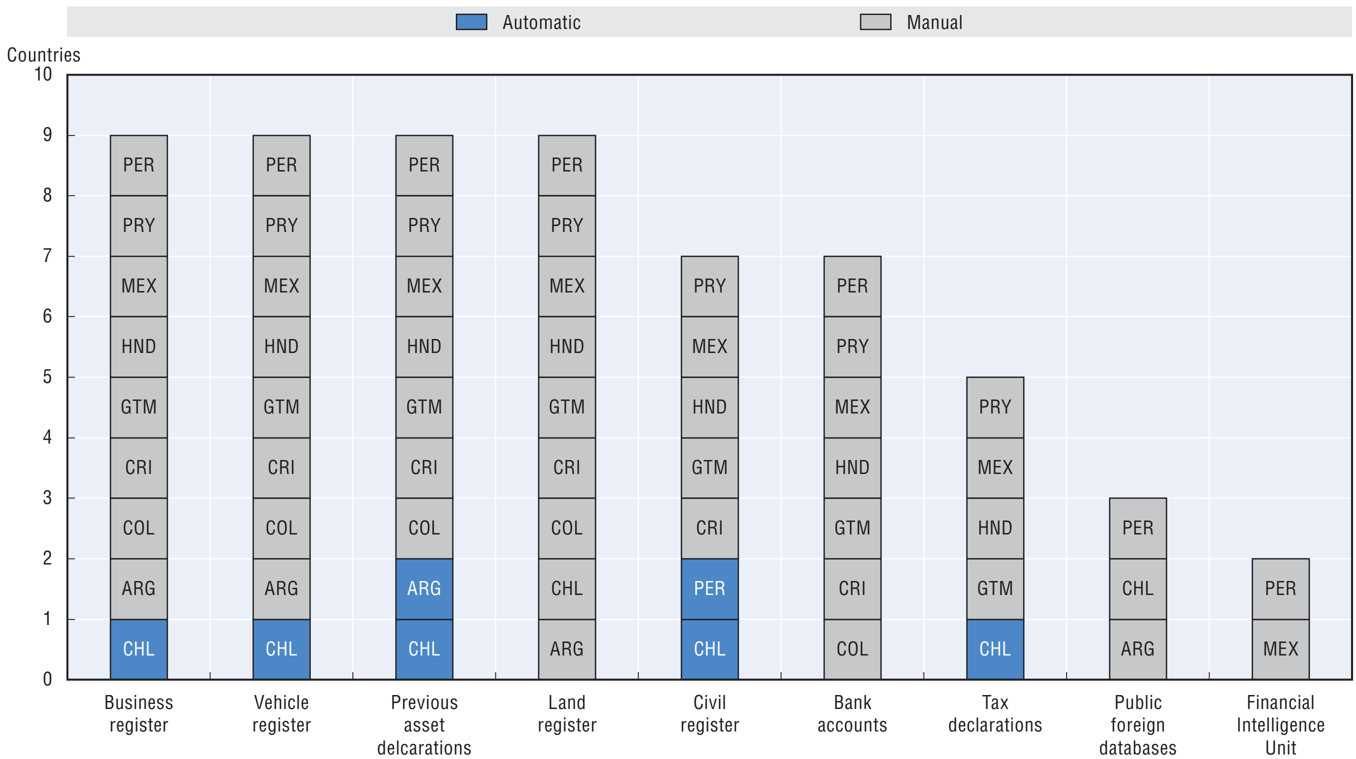
Further reading

De Michele, R. and N. Dassen (2018), "Conflicto de intereses: Desafios y oportunidades para implementar un sistema efectivo de prevención y control", *Discussion Paper No. IDB-DP-626*, *http://dx.doi.org/10.18235/0001362*.

OECD (2017), *OECD Integrity Review of Mexico: Taking a Stronger Stance Against Corruption*, OECD Publishing, Paris, *https://dx.doi.org/10.1787/9789264273207-en*.

Vargas, G and D. Schultz (2016), *Opening Public Officials' Coffers: A Quantitative Analysis of the Impact of the Financial Disclosure Regulation on National Corruption Levels*, Hertie School of Governance, Berlin.

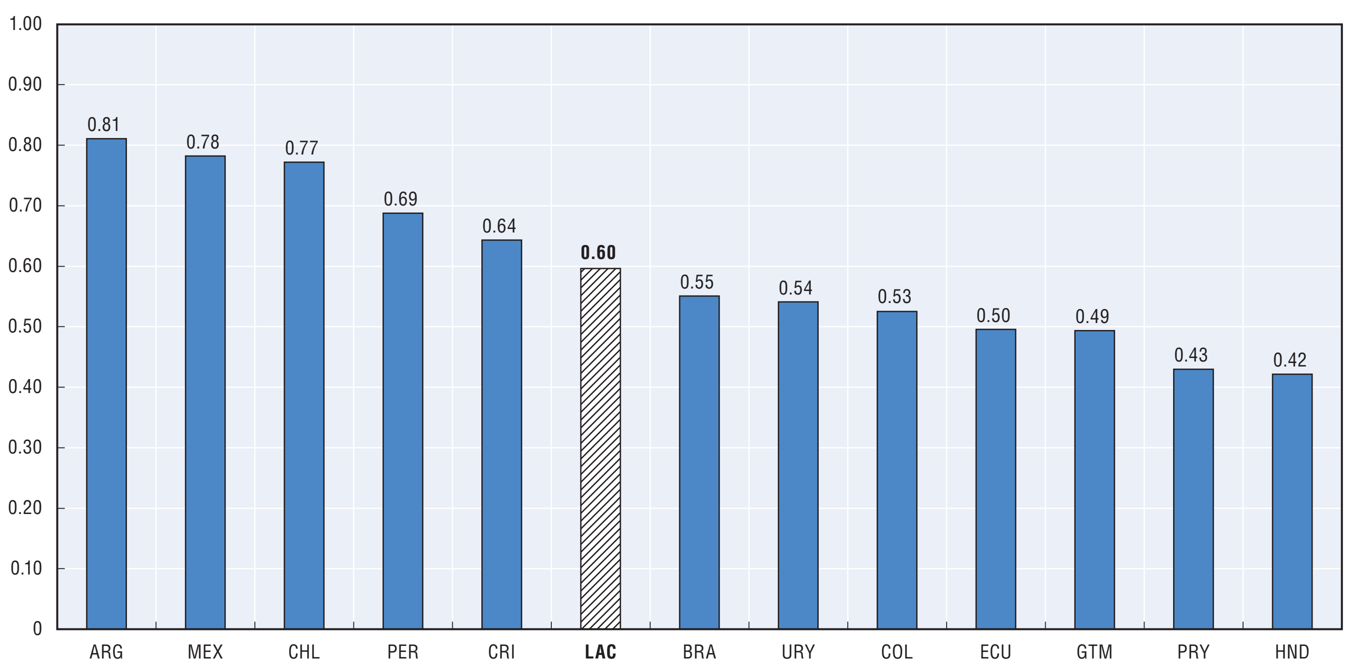
9.6. Cross-checks of asset declarations with other databases, 2018



Source: OECD (2018) OECD Questionnaire on Public Integrity in Latin America

StatLink https://doi.org/10.1787/888934093006

9.7. Robustness of the Asset and Interest Disclosure System, 2018



Source: ECD (2018) OECD Questionnaire on Public Integrity in Latin America.

StatLink https://doi.org/10.1787/888934093025

Risk management and internal audit are critical functions for better governance and are the cornerstone of an organisation's defence against corruption and other unethical practices. Effective risk management and internal audit policies and processes reduce the vulnerability of public sector organisations to fraud and corruption while ensuring that governments are operating optimally to deliver programmes that benefit citizens, thereby also increasing trust in government. Furthermore, such activities help to ensure value for money and facilitate decision-making. Mature internal control and risk management policies and procedures help governments to balance an enforcement-focused model with more preventive, risk-based approaches

Risk management is the starting point for proportionate, efficient and effective control measures to mitigate the identified risks. Over the last decade, with an increased focus in international integrity standards on managing and assessing risks, countries have adopted policies, practices and tools to identify and assess risks. Nonetheless, more can be done to integrate a fraud and corruption perspective into risk management and risk assessments. According to the results of the 2018 Questionnaire on Public Integrity in Latin America, 36% of the countries had explicitly outlined specific principles and practices to manage the risks of fraud and corruption. Another 45% only had general references to fraud and/or corruption in a broader context of risk management activities. Ecuador and Peru reported not having any principles nor practices to manage risks of corruption.

In turn, internal auditors in public sector organisations play an important role by providing independent, objective assessments of whether public resources are being managed effectively to achieve the intended results. Their objective, value-based insights and evidence can support senior management in public sector organisations to better manage and assess integrity risks. In addition to their contributions to the evaluation of integrity risk factors, internal auditors can play a critical role by assessing whether internal controls to manage integrity risks are operating effectively and efficiently and by flagging high-risk areas for integrity breaches such as third-party relationships, outsourced activities or procurement. According to the survey results, 73% of countries have an internal audit unit in every ministry, and 27% only have such unit in some of them. In Peru, with the exception of some public entities, there is currently no internal audit function. There is, however, an Office of Institutional Control in each public entity, which depends functionally and administratively on the Office of the Comptroller General of the Republic, the supreme audit institution of Peru. This could lead to a confusion between internal and external controls by public managers (OECD, 2017).

Indeed, to implement effectively risk management and internal audit policies, it is key that all public officials understand their own role and responsibility in identifying and managing integrity risks through adequate internal control. In countries such as Costa Rica, Ecuador, Honduras and Peru where the supreme audit institution leads the internal audit policy framework, there is a risk that public managers may more easily be confused about their own role and responsibility, tending to see the control function as being the responsibility of the external actor. In turn, when the lead responsibility rests within the executive, as in Argentina, Brazil, Chile, Colombia, Mexico, Paraguay and Uruguay, the relevance of risk management and internal audit can be embedded in broader public management policies, improving the ownership of the public administration.

Methodology and definitions

Data are drawn from the 2018 OECD Questionnaire on Public Integrity in Latin America and cover 11 countries. Respondents were predominantly senior officials in central government, supreme audit institutions and electoral commissions.

The internal audit function examines the adequacy and effectiveness of public sector organisations' internal control systems, procedures, governance arrangements, risk management processes, and performance of operations (IIA, 2016). In turn, external audit resides outside the organisations' structures, overseeing and holding the government to account for its use of public resources, facilitating policy learning and ensuring the impartial enforcement of laws and regulations.

Further reading

IIA (2016), *International Professional Practices Framework (IPPF) – Standards and Guidance*, Institute of Internal Auditors, Lake Mary, FL, *https://na.theiia.org/standards-guidance/Pages/Standards-and-Guidance-IPPF.aspx*.

OECD (2019), *La Integridad Pública en América Latina y el Caribe 2018-2019*, OECD Publishing, Paris, *https://www.oecd.org/gov/ethics/integridad-publica-america-latina-caribe-2018-2019.pdf*.

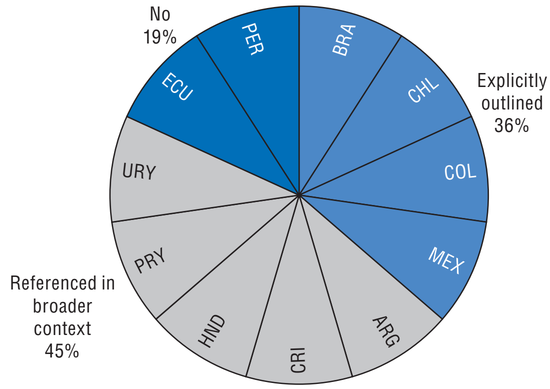
OECD (2018), *Integrity for Good Governance in Latin America and the Caribbean: From Commitments to Action*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264201866-en*.

OECD (2017), *OECD Integrity Review of Peru: Enhancing Public Sector Integrity for Inclusive Growth*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264271029-en*.

Figure notes

9.10 The names of the coordination institutions are available online.

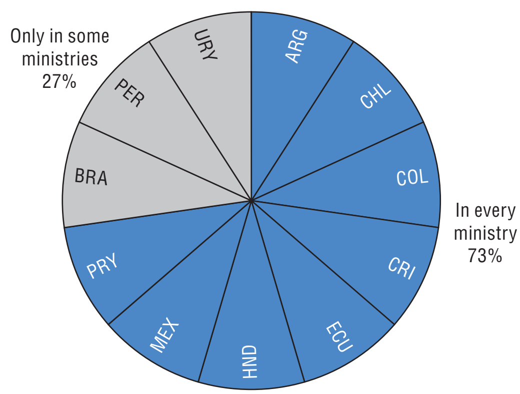
9.8. Standards for internal control include specific principles and practices to manage the risks of fraud and corruption, 2018



Source: OECD (2018) OECD Questionnaire on Public Integrity in Latin America.

StatLink https://doi.org/10.1787/888934093044

9.9. Existence of audit function in government ministries, 2018



Source: OECD (2018) OECD Questionnaire on Public Integrity in Latin America.

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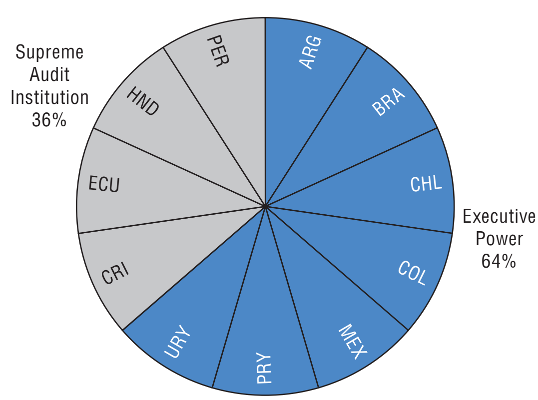
9.10. Central coordination of the internal audit function, 2018



Source: OECD (2018) OECD Questionnaire on Public Integrity in Latin America.

StatLink https://doi.org/10.1787/888934093082

Chapter 10

Public Procurement

Public procurement, referring to the purchase by governments and state-owned enterprises of goods, services, works, represents an important economic activity of governments. A large sum of taxpayers' money is spent on public procurement in order to perform the tasks of government and deliver on their mandates. As such, governments are expected to carry out this important economic and government activity in line with key governance principles of integrity, transparency, accountability, efficiency and effectiveness.

In 2017, spending on public procurement represented, on average, 17.4% of total government expenditures in LAC. This share varied widely across countries. For example, it totalled up to almost half of government expenditures in Peru (46.4%), somewhat over one-third (34.0%) in Colombia, due to the efforts to promote economic growth through public procurement (for instance, Peru devotes a large share of public expenditures to investment). By contrast, Brazil (13.5%) and Mexico (16.0%) it was less than one-fifth. Overall in the region, this share has significantly decreased since 2007 (21.5%), marking a 4 p.p. decrease in 2017. The most significant changes were in Brazil (-8.2 p.p.), Peru (+6.8 p.p.) and Chile (-3.7 p.p.).

The economic significance is also well represented when looking at its size in terms of the gross domestic product (GDP). In 2017, public procurement represented 6% of GDP in the LAC region, compared to 6.7% in 2007. At the country level, it ranged from 3.6% in Mexico to 9.9% in Peru. Considering its significant size, governments carry out public procurement reforms in order to achieve efficiency gains to respond to fiscal pressure, as well as to use this important function as a strategic governance tool to achieve policy objectives. At the same time, the large sum of money and close interaction between the public and the private sectors make public procurement one of the government activities that are most prone to risks of waste, misuse and corruption.

Governments at the sub-central level are key actors of public procurement reforms considering the share of public procurement spending at the sub-central level. In the LAC region, public procurement spending at the local level accounted for 38.2% of the total procurement spending, followed by 37.1% at the central level and 24.8% at the state level. On the other hand, 5 out of the 8 countries where this data are available, the share of public procurement spent by the central government was more than half – such as in Honduras (82.6%), Paraguay (82.1%), El Salvador (79.7%), Chile (77.5%) and Peru (51.0%). This variation reflects the institutional set-up of each country and especially the different organisations of public service delivery.

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. For this reason, the figures in this two-pager are not compared to the OECD data on general government procurement spending which is based on the SNA.

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.

Further reading

OECD (2019), *Reforming Public Procurement: Progress in Implementing the 2015 OECD Recommendation*, *https://doi.org/10.1787/1de41738-en*

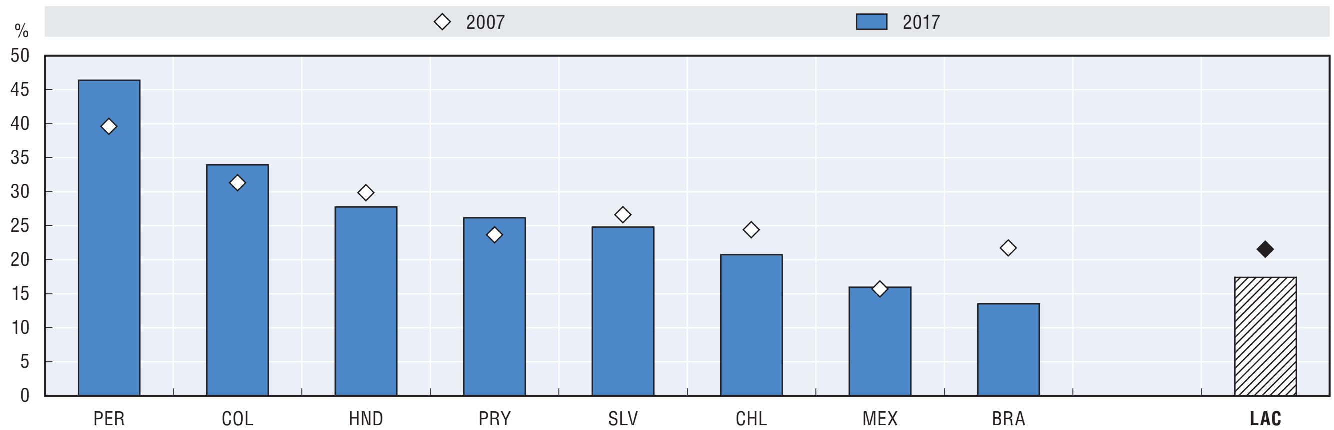
OECD (2015), Recommendation of the Council on Public Procurement, *https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0411*

Figure notes

Data for Mexico, Peru and Paraguay are recorded on a cash basis. 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 Honduras refer to 2015 rather than 2017. Data for Colombia and Mexico refer to 2008 rather than 2007.

10.3 Social security funds have been excluded (apart from Brazil, Chile and Colombia where they are included in central government). LAC average is weighted. Data for Paraguay refer to 2016 rather than 2017.

10.1. Government procurement spending as a share of total government expenditures, 2007 and 2017



Source: IMF Government Finance Statistics (IMF GFS) database.

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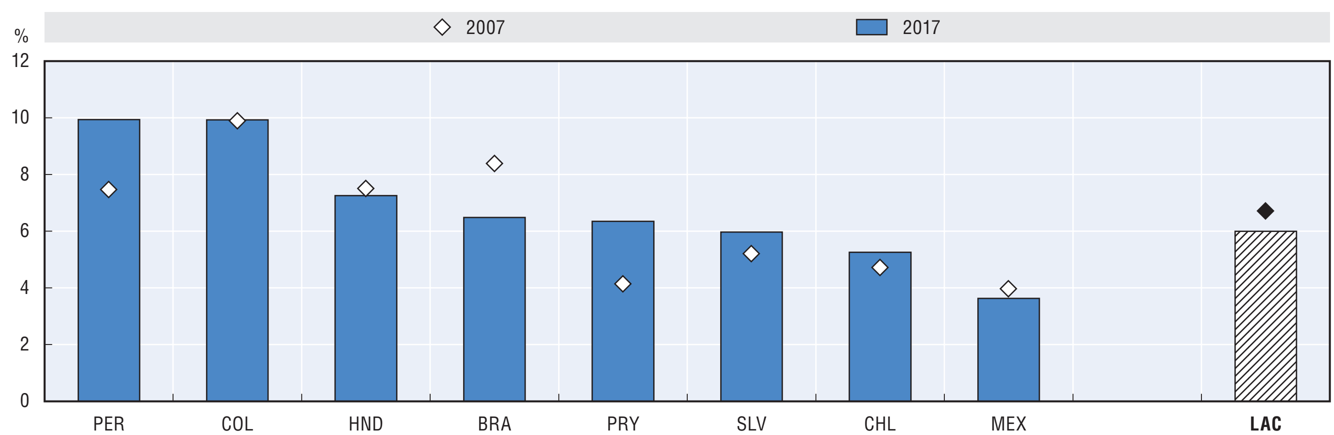
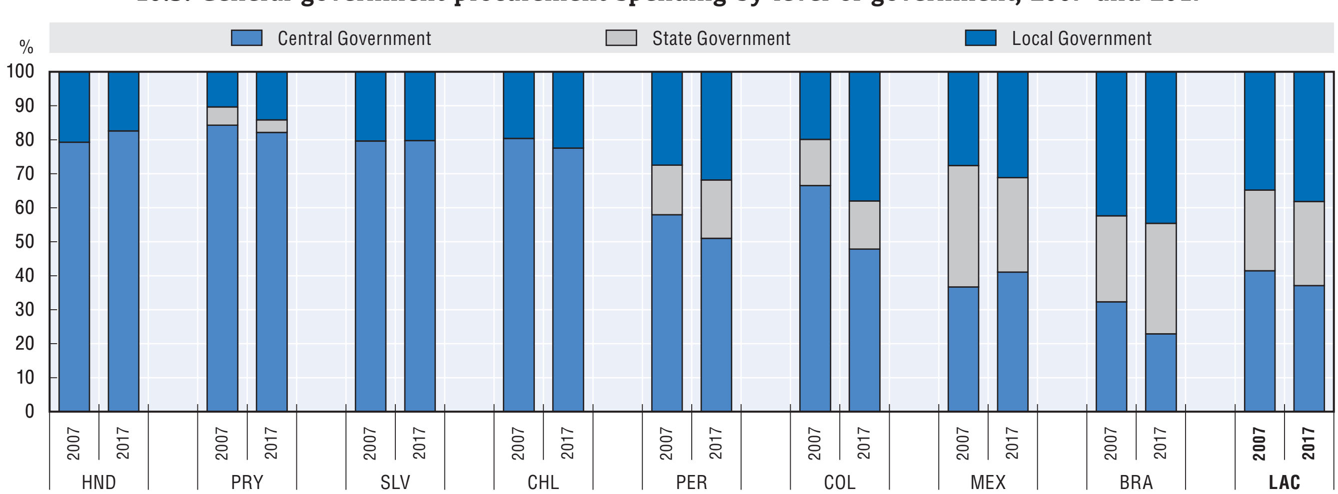
10.2. Government procurement spending as percentage of GDP, 2007 and 2017



Source: IMF Government Finance Statistics (IMF GFS) database.

StatLink https://doi.org/10.1787/888934093120

10.3. General government procurement spending by level of government, 2007 and 2017



Source: IMF Government Finance Statistics (IMF GFS) database.

StatLink https://doi.org/10.1787/888934093139

The primary goal of public procurement is the correct and timely delivery of goods and services while safeguarding the use of public resources against the risks of waste, misuse and corruption. In addition, governments increasingly recognise the potential of public procurement in achieving complementary policy objectives (i.e. social, environmental and economic).

Social objectives could include, promoting the participation of women-owned businesses or of other socially or economically vulnerable groups in public procurement opportunities. The focus of objectives pursuing an economic dimension is often on lowering barriers for small and medium-sized enterprises (SMEs) to participate in public procurement. Facilitating SMEs' access to tenders increases the number of firms participating in the tender, and could result in lower prices through higher competition, while creating employment opportunities, particularly as SMEs make up for a large percentage of employment in the LAC region (Ferraro and Rojo, 2018). Additionally, public procurement can be used as a tool to support policies on environmental protection and environmentally-sustainable development.

The most widely pursued strategic objectives in LAC is the participation of SMEs in public procurement. About two thirds of LAC countries indicated that they support SMEs through various policies and strategies, both at the central level and at the level of specific procuring entities. The most widely used approaches in LAC include the provision of training and workshops, and having a specific unit specialised on SMEs- each was reported by 75% of LAC countries. Further, 60% of responding LAC countries indicated having specific policies or legislative provisions to promote the participation of SMEs in public procurement. In contrast, OECD countries promoted SMEs participation in public procurement through the division of contracts into lots (70% of the countries) and the issuance of documentation and guidance directed to SMEs (67%).

Only a quarter of LAC countries reported having policies to promote procurement by women-owned enterprises. Among these, Chile and the Dominican Republic - have made large strides and are recognised as pioneers in this area. Some advances are also observed in other countries; for example, the 2018 data shows that in comparison to 2015 (previous survey period), Honduras adopted a strategy aimed at increasing the participation of women-owned enterprises in public procurement.

Fifty-five percent of LAC countries, including Brazil, Costa Rica, El Salvador and Paraguay, have developed strategies to promote green public procurement and contribute to safeguarding the environment and fighting global warming. Paraguay recently implemented a mandatory sustainability criterion for the acquisition of paper materials and computer equipment through framework agreements. In comparison with 2015, some procuring entities in Guatemala have developed a policy to support green public procurement. However, the use of the lowest price as the exclusive award criteria hinders the strategic use of public procurement in many countries of the LAC region. In fact, many contracting authorities of OECD countries – 93% of which have green procurement policies at the central level, compared to 40% in LAC – highlighted this issue as one of the main challenges related to the implementation of green public procurement

Methodology and definitions

Data are from the 2018 OECD-IDB Survey on Public Procurement. Twenty LAC countries responded to the survey. Respondents were delegates to the Inter-American Network on Government Procurement. The definition of SMES varies from country to country. It is often based on the number of employees or financial information. Generally, small enterprises are those that have between 10 and 100 workers; medium are those with a workforce between 100 and 250 workers. The International Labour Organization defines SMEs as any company that employs less than 250 workers.

Further reading

Ferraro, C and S. Rojo (2018), *Las MIPYMES en América Latina y el Caribe: Una agenda integrada para promover la productividad y la formalización, Informes Técnicos OIT Cono Sur*, N°7. ILO Publishing, Santiago de Chile. *https://www.ilo.org/santiago/lang--es/index.htm*

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.

Figure notes

10.4 The Dominican Republic, Ecuador, Nicaragua and Uruguay stated that a policy to promote green public procurement is being developed. Barbados and Nicaragua indicated that a policy to support SMEs is being developed. In Ecuador and Uruguay a policy to support the procurement of innovative goods and services is currently being developed. The 2015 version of the LAC survey did not include questions on responsible business conduct. Data for OECD countries are from the OECD 2018 Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement.

10.5 The European Commission directive on public procurement does not allow for any preferential treatment that could favour specific economic operators, including SMEs. Data for OECD countries are from the OECD 2016 Survey on Public Procurement.

10.4. Strategic public procurement by objective, 2015 and 2018

Country	Green public procurement		Support to SMEs		Support to procure innovative goods and services		Support to women-owned businesses		Support to responsible business conducts
	2018	2015	2018	2015	2018	2015	2018	2015	2018
Anguila	❍	..	❍	..	❍	..	❍	..	❍
Barbados	●	..	❍	..	❍	..	◆	..	●
Belize	❍	●	◆	●	◆	◆	◆	●	◆
Brazil	●	◆●	●	◆●	●	●	❍	●	●
Chile	◆●	◆●	●	◆●	●	●	●	●	●
Colombia	◆	◆	●	●	●	●	❍	●	◆
Costa Rica	●	●	●	●	❍	❍	❍	❍	❍
Dominican Republic	❍	◆●	●	●	❍	◆	❍	◆	❍
Ecuador	●	❍	●	●	❍	●	❍	●	●
El Salvador	❍	●	❍	●	❍	❍	❍	❍	❍
Grenada	◆	..	❍	..	❍	..	❍	..	❍
Guatemala	●	❍	●	●	❍	❍	❍	❍	❍
Guyana	◆	..	●	..	●	..	●	..	●
Honduras	❍	◆	❍	●	❍	◆	❍	◆	❍
Mexico	●	●	●	●	●	●	❍	●	❍
Nicaragua	❍	◆	❍	❍	❍	❍	❍	❍	❍
Paraguay	●	◆●	●	◆●	❍	❍	❍	❍	❍
Saint Lucia	❍	..	●	..	❍	..	●	..	❍
Turks and Caicos islands	❍	..	❍	..	❍	..	❍	..	❍
Uruguay	❍	❍	●	●	❍	❍	❍	❍	❍
LAC									
● A strategy/policy has been developed at a central level	8		12		5		3		5
◆ Some procuring entities have developed an internal strategy/policy	4		1		1		2		2
❍ There has never been a strategy/policy in place	9		7		14		15		13
■ A strategy/policy has been rescinded	0		0		0		0		0
OECD									
● A strategy/policy has been developed at a central level	28		24		22		6		18
◆ Some procuring entities have developed an internal strategy/policy	10		8		8		1		8
❍ There has never been a strategy/policy in place	0		2		5		24		9
■ A strategy/policy has been rescinded	0		0		0		0		0

Source: OECD-IDB (2018 and 2015), Surveys on Public Procurement.

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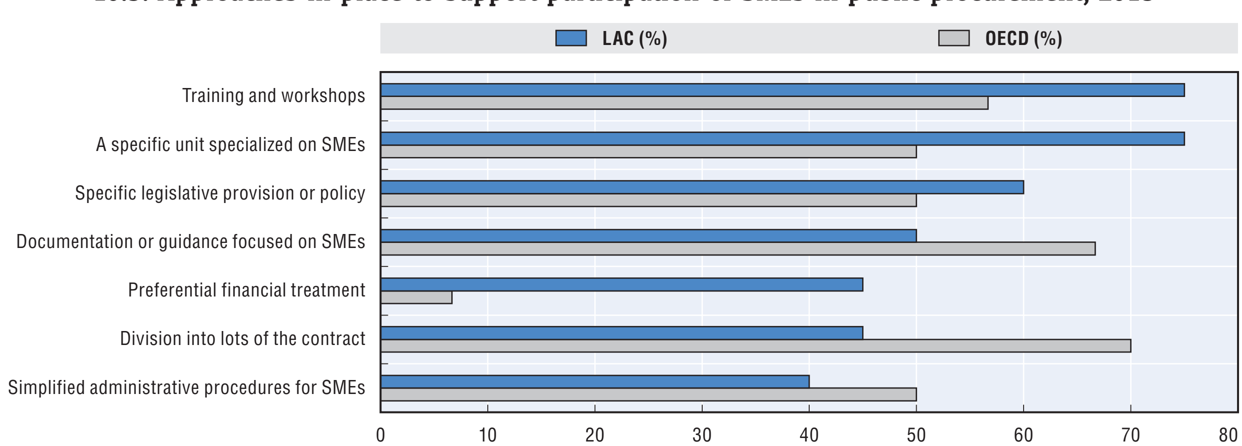
10.5. Approaches in place to support participation of SMEs in public procurement, 2018



Source: OECD-IDB (2018), Surveys on Public Procurement.

StatLink https://doi.org/10.1787/888934093177

Electronic government procurement (eGP) refers to the use of information and communication technologies (e.g. the Internet) to enable a more efficient and transparent exchange of information, and interactions and transactions between government and suppliers of goods and services.

Digital technologies are being increasingly adopted to achieve standardisation and consistency, which, in turn, speed up the public procurement process. Furthermore, the use of these technologies is contributing to greater transparency, efficiency, and effectiveness in public spending by enabling more open, innovative and accountable public entities. Finally, eGP facilitates the simplification and/or elimination of repetitive and redundant tasks resulting in cost and time savings throughout the procurement cycle.

Over two thirds of the surveyed LAC countries have implemented e-procurement systems, often in the form of a central platform, supported by different modules focusing on different tasks and steps of the procurement process, compared to 100% in OECD countries with available information. In general, eGP is less common in Caribbean countries such as Anguilla, Barbados, Belize, Guyana, Saint Lucia and Turks and Caicos Islands. In those LAC countries with an eGP system, respondent countries reported having on average five out of the seven functionalities specified in the survey (i.e. announcing tenders, e-submission of bids, provision of tender documents, online catalogue, e-auctions, notification of award and e-submission of invoices), with Colombia, Costa Rica and Ecuador reporting to have them all. However, in the case of Ecuador, the electronic submission of invoices is only observed in the e-procurement systems of specific entities.

Announcing tenders is the most common functionality of eGP systems in LAC reported by all respondents that have implemented e-procurement (14 countries). Furthermore, 93% of the LAC countries with eGP systems use them to notify contract awards. These are widely implemented functionalities of the e-procurement systems in the OECD countries, where 97% of countries use eGP to announce both tenders and notify contract awards.

Additional functionalities mentioned include online catalogues (71%), electronic submission of bids (64%), and electronic reverse auctions (64%). Finally, only 36% of LAC countries, including Chile, Colombia, Costa Rica, the Dominican Republic and to a lesser extent Ecuador, have enabled electronic submission of invoices, compared to 57% in OECD. Honduras has also implemented the Open Contracting Data Standard for releasing public procurement data on its eGP platform.

The integration of public procurement into overall public financial management, budgeting and service delivery processes could lead to better utilisation of public resources through improved information transmission, standardisation and automation. Of the twenty LAC countries with available information, 14 have established an eGP platform, of those 10 have achieved some levels of integration with other government systems and half reported measuring efficiencies generated by those systems. Integration with other systems includes budgeting systems (8 countries), financial systems for payment (7 countries), tax registries (6 countries), social security databases (6 countries) and business registries (5 countries) (see online Table 10.9). Chile has recently integrated its eGP with the financial management system of the State.

Countries are expanding their eGP systems through the implementation of additional functionalities and integration with other government technologies to fully take advantage of the benefits of digitalising the public procurement cycle. However, only half of the 14 LAC respondent countries with eGP systems indicated that they measure the efficiencies generated by the use of eGP systems.

Methodology and definitions

Data were collected through 2018 OECD-IDB Survey on Public Procurement that focused on strategic public procurement, e-procurement, procurement regulatory bodies, public procurement at regional levels and procurement on infrastructure projects. Twenty 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. Data for OECD countries are from the OECD 2016 survey on public procurement.

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.

Further reading

Benavides, J. et al. (2016), "Public procurement in Latin America and the Caribbean and IDB-financed project: A normative and comparative study", *IDB Technical Note* IDB-TN-1162, Inter-American Development Bank, Washington, DC.

OECD (2019), *Reforming Public Procurement: Progress in Implementing the 2015 OECD Recommendation*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/1de41738-en*.

Figure notes

10.9. (Interoperability of electronic government procurement platform, 2018) is available online in Annex F.

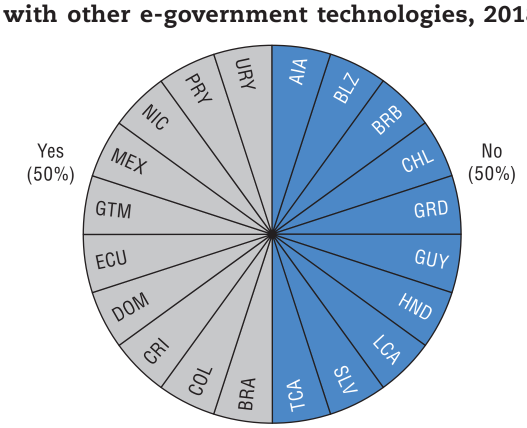
10.6. Functionalities of the e-Procurement System, 2018

	Anouncing Tenders	E-submission of bids	Provision of tender documents	Online catalogue	E-auctions	Notification of award	E-submission of invoices
Anguila	❍	❍	❍	❍	❍	❍	❍
Belize	❍	❍	❍	❍	❍	❍	❍
Brazil	●	❍	●	●	●	●	❍
Barbados	❍	❍	❍	❍	❍	❍	❍
Chile	●	●	●	●	❍	●	●
Colombia	●	●	●	●	●	●	●
Costa Rica	●	●	●	●	●	●	●
Dominican Republic	●	●	●	❍	●	●	●
Ecuador	●	●	●	●	●	●	❍
Grenada	●	❍	❍	❍	❍	●	❍
Guatemala	●	●	●	❍	●	●	❍
Guyana	❍	❍	❍	❍	❍	❍	❍
Honduras	●	❍	●	●	❍	●	❍
Saint Lucia	❍	❍	❍	❍	❍	❍	❍
Mexico	●	●	●	❍	●	●	❍
Nicaragua	●	❍	●	●	❍	●	❍
Paraguay	●	❍	●	●	●	❍	❍
Ecuador	●	●	●	●	◆	●	◆
Turks and Caicos islands	❍	❍	❍	❍	❍	❍	❍
Uruguay	●	●	●	●	●	◆●	❍
LAC							
● Yes, in a national central e-procurement system	14	9	13	10	9	13	4
◆ Yes, in e-procurement systmes of specific procuring entity (ies)	0	0	0	0	1	1	1
❍ No	6	11	7	10	10	7	15
OECD							
● Yes, in a national central e-procurement system	29	21	26	11	11	29	10
◆ Yes, in e-procurement systmes of specific procuring entity (ies)	1	3	4	5	5	1	7
❍ No	0	6	0	14	14	0	13

Source: OECD-IDB (2018), Surveys on Public Procurement.

StatLink https://doi.org/10.1787/888934093196

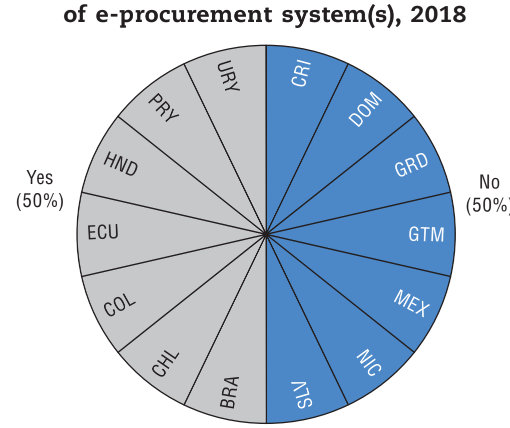
10.7. Integration of the e-procurement system(s) with other e-government technologies, 2018



Source: OECD-IDB (2018), Surveys on Public Procurement.

StatLink https://doi.org/10.1787/888934093215

10.8. Measuring of efficiencies generated by the use of e-procurement system(s), 2018



Source: OECD-IDB (2018), Surveys on Public Procurement.

StatLink https://doi.org/10.1787/888934093234

Public procurement systems in LAC are comprised of four main types of organisations: 1) public bodies responsible for the regulatory and legislative frameworks; 2) centralised procurement authorities that provide advice on operations and ensure coordination and monitoring; 3) contracting entities that implement procurement processes or centralise needs; and 4) oversight bodies that ensure the compliance of procurement practices with the regulatory frameworks.

In LAC, central procurement agencies (CPAs) are usually responsible for regulating and monitoring countries' public procurement systems at the central level. While they generally do not make purchases on behalf of other public sector entities, they establish and manage framework agreements, and carry out reverse auctions. Generally, LAC countries also establish procurement policies and monitor performance in a centralised manner through CPAs. In OECD countries, on the other hand, aggregating of procurement demand is often carried out by central purchasing bodies.

The most common role of CPAs in LAC countries (90% of respondent countries) is the establishment of a legal and regulatory framework for contracting authorities, as, for example, in Chile, Ecuador and Panama. These regulatory frameworks are aimed at ensuring the consideration of critical principles of public procurement, such as value for money, transparency, economy and efficiency.

Professionalisation and capacity development also fall under CPAs' responsibility: they co-ordinate training efforts in 80% of LAC countries. These agencies design and implement initiatives to improve the skills and knowledge of officials responsible for procurement in the contracting entities, of potential suppliers, and of citizens. In most cases, CPAs disseminate information and provide support by offering online learning resources. This is the case for example in Guyana and Paraguay.

Under the right conditions, aggregating the purchasing needs of public entities can generate savings, better prices and administrative efficiencies. In comparison, a standalone bid without aggregation often will result in higher transaction costs in terms of time and expenditure, also because it requires conducting the full procurement process (from the initial stage of defining the needs to the final stage of ex-post review) multiple times. As such, framework agreements could be a powerful tool to strategically aggregate procurement demands.

In 65% of LAC countries, CPAs award framework agreements from which contracting authorities then order. Using such framework agreements is mandatory for contracting authorities at the central level of government in 54% of LAC countries, such as Colombia and Ecuador. This is the case in 77% of OECD countries. In other cases, contracting authorities can also use framework agreements on a voluntary basis, as is the case in Brazil and Uruguay.

Methodology and definitions

Data were collected through the 2018 OECD-IDB Survey on Public Procurement that focused on strategic public procurement, e-procurement, procurement regulatory bodies, public procurement at regional levels and procurement on infrastructure projects. Twenty LAC countries responded to the survey. Respondents to the survey were country heads of procurement, delegates to Inter-American Network on Government Procurement 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, 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

Calderon Ramirez, A. (2019), *Public Management Reform: Three Stories About Public Procurement Agencification in Latin America*, Maastricht University Press.

OECD (2018), *SMEs in Public Procurement: Practices and Strategies for Shared Benefits*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/9789264307476-en*.

OECD (2017), *Public Procurement in Chile: Policy Options for Efficient and Inclusive Framework Agreements*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264275188-en*.

Figure notes

10.10 Data for Chile and Mexico are for 2015. Data for OECD countries are from the OECD 2016 Survey on Public Procurement.

10.11 In Anguilla, Belize, the Dominican Republic, El Salvador, Guyana, Nicaragua and Saint Lucia, the CPA does not award framework agreements.

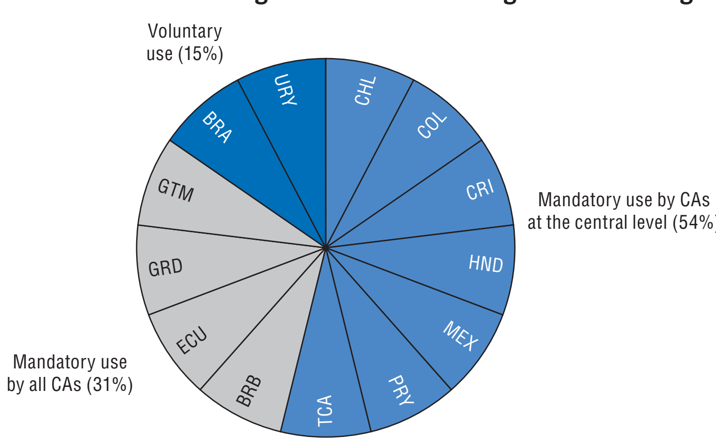
10.10. Role of the procurement regulatory agency, 2018

	CPAs award framework agreements	CPAs establish policies	CPAs coordinate training for public officials
Anguila	❍	●	●
Barbados	●	●	❍
Belize	❍	●	●
Brazil	●	●	❍
Chile	●	●	●
Colombia	●	●	●
Costa Rica	●	●	●
Dominican Republic	❍	●	●
Ecuador	●	●	●
El Salvador	❍	●	●
Grenada	●	❍	❍
Guatemala	●	●	●
Guyana	❍	●	●
Honduras	●	●	●
Mexico	●	●	●
Nicaragua	❍	●	●
Paraguay	●	●	●
Saint Lucia	❍	❍	❍
Turk and Caicos islands	●	●	●
Uruguay	●	●	●
LAC total			
● Yes	13	18	16
❍ No	7	2	4
OECD total			
● Yes	28	9	10
❍ No	1	20	19

Source: OECD-IDB (2018) Survey on Public Procurement.

StatLink https://doi.org/10.1787/888934093253

10.11. Requirement for contracting authorities of using framework agreements, 2018



Source: OECD-IDB (2018) Survey on Public Procurement.

StatLink https://doi.org/10.1787/888934093272

Efficient investment in public infrastructure is crucial for a country's development. In fact, empirical evidence suggests that reallocating public spending to infrastructure can raise growth rates over the long run (Fournier 2016). Still, infrastructure investment should be grounded in the objective appraisal of economic capacity gaps, infrastructural development needs and sectoral/social priorities, as well as the prudent assessment of the costs and benefits of such investments. In general, LAC governments prepare development plans at the national and subnational levels that include substantial investments for the construction, renovation and maintenance of public infrastructure. The provision of hospitals, water treatment systems, schools and public housing, among other works, allows governments to deliver key public services to citizens and to create economic opportunities, while ensuring social inclusion and environmental sustainability.

The way in which works and equipment are procured is critical to ensure a cost efficient and sustainable infrastructure. At the procurement stage, following key principles such as transparency, competition, integrity and efficiency is crucial. Procurement for public investment projects raises challenges that are much more complex than those involved in the procurement of standard services or goods. For example, a major infrastructure project may require multiple contract awards for its design, additional ones for construction, and yet others for technical supervision and oversight. In such situations especially, developing policies on an ad-hoc basis hinders the application of a consistent methodology in choosing delivery modes for infrastructure projects.

The majority of LAC countries (60%), such as Brazil, Costa Rica and Ecuador, have established dedicated entities for developing policies for infrastructure projects within the central government. Another 20% of LAC countries develop policies for infrastructure projects on an ad-hoc basis. By comparison, only 39% of OECD countries have such a unit in the central government, while 54% do not have this type of permanent institutional setting at all.

Another characteristic of the LAC region is the coverage of public procurement law and regulations. These legal frameworks are fully applied to infrastructure projects in 60% of the surveyed countries and partially in the other 40%. Regulatory and legal frameworks could help to address risks of inefficiency and corruption that are often associated with the procurement of major infrastructure projects due to their complexity (as previously mentioned). However, the existence of legal instruments is not sufficient to avoid infrastructure projects from being captured by vested interests, signaling the need of additional and reinforced institutional safeguards. National frameworks and guidance on infrastructure delivery could be effective tools to further mitigate risks and potential political opportunism. Specific guidance could be additionally provided depending on specific delivery modes or based on certain thresholds.

Methodology and definitions

Data were collected through the 2018 OECD-IDB Survey on Public Procurement. Twenty LAC countries responded to the survey. Respondents to the survey were country heads of procurement, delegates to the Inter-American Network on Government Procurement responsible for procurement policies at the central government level, and senior officials in public procurement regulatory and monitoring agencies.

"Public infrastructure" is defined as facilities, structures, networks, systems, plants, property, equipment or physical assets and the enterprises that employ them, which provide public goods or services that meet a politically mandated, fundamental need that the market is not able to provide on its own.

Major differences between infrastructure delivery models (e.g. design-build, design-bid-build, alliance contracting, private-public partnership, concession and private provision) exist with regard to the allocation of risks and public control over the construction of the infrastructure. See page 91 of OECD (2015) for more detailed information.

Further reading

Fournier, J. (2016), "The positive effect of public investment on potential growth", *OECD Economics Department Working Papers*, No. 1347, OECD Publishing, Paris, *https://doi.org/10.1787/15e400d4-en*.

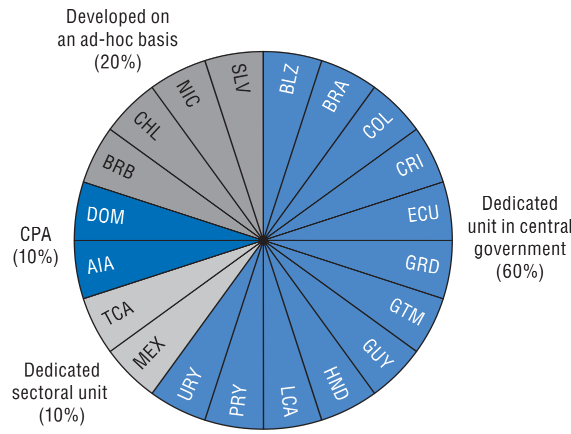
Izquierdo, A., C. Pessino and G.J. Vuletin (2018), *Better Spending for Better Lives: How Latin American and the Caribbean Can Do More With Less*, Inter-American Development Bank, Washington, DC.

OECD (2015), *Effective Delivery of Large Infrastructure Projects: The Case of the New International Airport of Mexico City*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/9789264248335-en*.

Figure notes

10.13 "Partially" means where public procurement law and regulations are partially applicable and specific laws and regulations exist for some or all infrastructure projects. Data for Chile are from 2016.

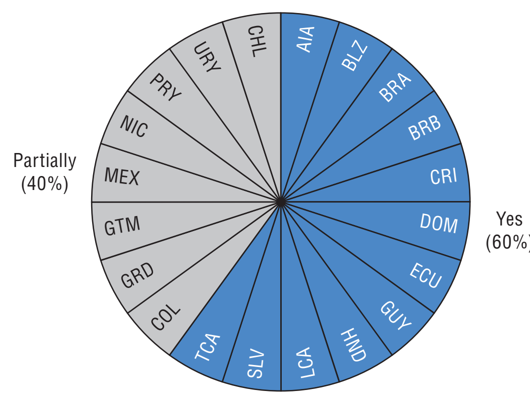
10.12. Entity (or entities) in charge of developing policies for infrastructure projects, 2018



Source: OECD-IDB (2018) Survey on Public Procurement.

StatLink https://doi.org/10.1787/888934093291

10.13. Application of public procurement law and regulations to infrastructure projects, 2018



Source: OECD-IDB (2018) Survey on Public Procurement.

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Chapter 11

Core government results

Trust is defined as a person's belief that another person or institution will act consistently with their expectations of positive behaviour (OECD, 2017a). Trust is one of the most important foundations upon which the legitimacy and sustainability of a political system is built and is key for ensuring compliance with regulations and the tax system. Trust in government is essential for social cohesion and well-being as it affects government's ability to implement reforms. Consequently, it is necessary for the fair and effective functioning of public institutions. There is consensus in the academic literature that trust influences the relationship between people and their government and has an impact on the outcomes of public policy (OECD, 2017b).

The most comprehensive source for internationally comparable trust data currently available is the Gallup World Poll covering LAC as well as OECD countries. On average trust levels in LAC reached 33.9% in 2018, 4.4 p.p. lower than in 2007, and below the OECD average of 45%. LAC countries where trust in government is the highest are Costa Rica (48%), Guatemala (46%) and Paraguay (46%). In the other end of the spectrum, trust is lowest in Argentina (26%), Venezuela (24%) and Brazil (17%). Between 2007 and 2018 trust increased the most in Paraguay (29 p.p.), Ecuador (28 p.p.) and Jamaica (17 p.p.) while the largest reductions occurred in Venezuela (39 p.p.), Uruguay (25 p.p.) and Colombia (24 p.p.).

Trust also varies along generational groups. Only 33.1% of those aged 15-29 reported trusting the government compared to 40.1% of those aged 50 or more, an average difference that is statistically significant. While there are statistically significant differences for some countries among these age cohorts, on average, differences are not statistically significant for OECD countries. In 2018, the largest differences in trust levels between the older and the younger cohorts in LAC were observed in Chile (23 p.p.), Venezuela (21 p.p.), Costa Rica (14 p.p.), and Colombia (14 p.p.). Young people in LAC countries tend to have higher education levels than their parents and more access to new technologies and information, all factors which contribute to shaping higher expectations and may increase demands from governments.

Measures of trust in government send signal about the current relationship of people with their institutions. They could also be read as an assessment of how governments are working and how public affairs are being conducted and could be also potential predictors of social upheaval. However, trust is influenced by a wide array of factors including approval of leadership. Furthermore, according to the academic literature, other factors such as, public sector integrity, the level of government openness, the quality of services and perceived fairness could also play a role in declared trust levels (OECD 2017b). Better understanding the drivers of trust requires disentangling its multidimensionality. Consequently, refined measurement of trust in government and public institutions as well as its drivers is needed to enable governments to propose and adjust actions for regaining trust from citizens.

Methodology and definitions

Data are derived from the Gallup World Poll (GWP), which uses a statistically representative sample, generally of about 1 000 citizens in each country. However, in some countries samples may be smaller and/or refer exclusively to the capital or largest cities. The GWP includes questions on confidence in financial institutions, the judicial system, local police, the military and national government as well as a question on the approval of political leadership. The question on confidence in the national government does not differentiate between politicians and the bureaucracy nor does it specify which parts of national government are assessed. More information on the Gallup World Poll can be found at: *www.gallup.com*.

Further Reading

González, S. and C. Smith (2017), "The accuracy of measures of institutional trust in household surveys: Evidence from the OECD Trust Database", *OECD Statistics Working Papers*, No. 2017/11, OECD Publishing, Paris, *https://doi.org/10.1787/d839bd50-en*.

OECD (2017a), *OECD Guidelines on Measuring Trust*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264278219-en*.

OECD (2017b), *Trust and Public Policy: How Better Governance Can Help Rebuild Public Trust*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264268920-en*.

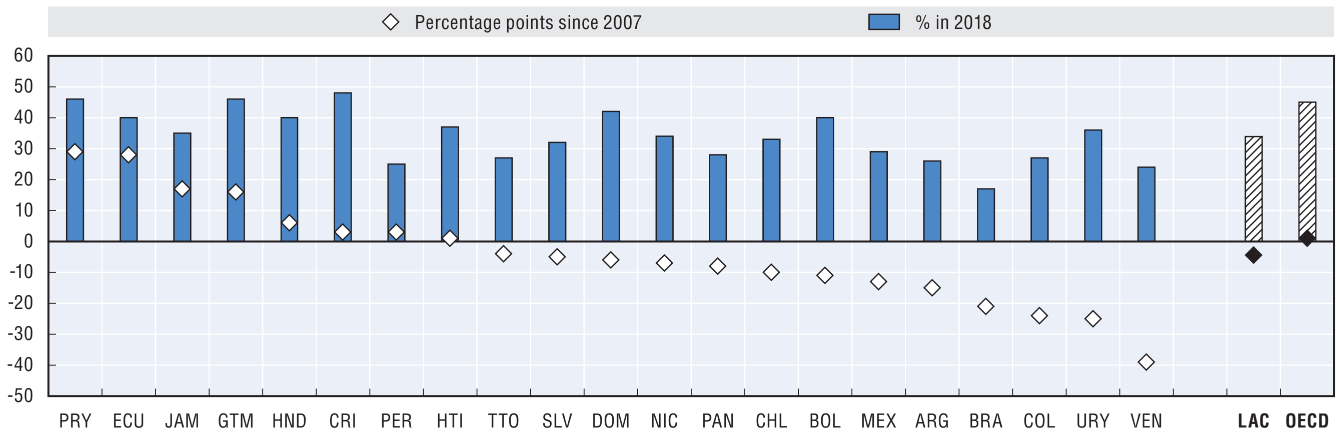
Figure Notes

11.1 Data refer to the percentage of people who answered "yes" to the question "Do you have confidence in your national Government" Data for Jamaica, Peru, Trinidad and Tobago are 2017 rather than 2018. Data for Ecuador, Haiti, Jamaica, Panama and Trinidad and Tobago are 2006 rather than 2007.

11.2 95% confidence intervals are represented by H. Data for Jamaica and Trinidad and Tobago are 2017 rather than 2018

11.3 Data for the approval of country leadership represent the percentage of "approve" answers to the question: "Do you approve or disapprove the job performance of the leadership in this country? Data for Jamaica are 2017 rather than 2018

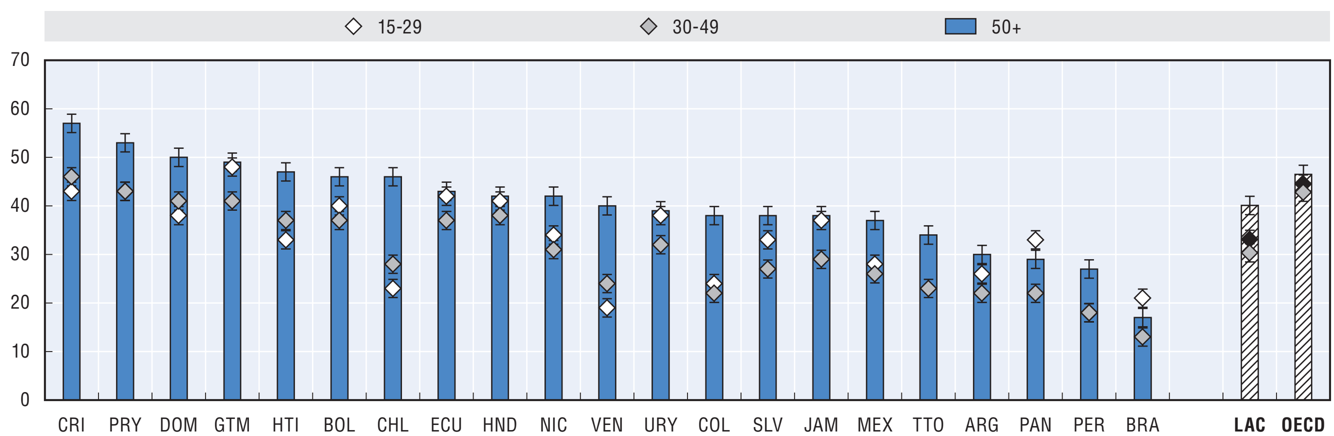
11.1. Confidence in national government in 2018 and its change since 2007



Source: Gallup World Poll (2018).

StatLink https://doi.org/10.1787/888934093329

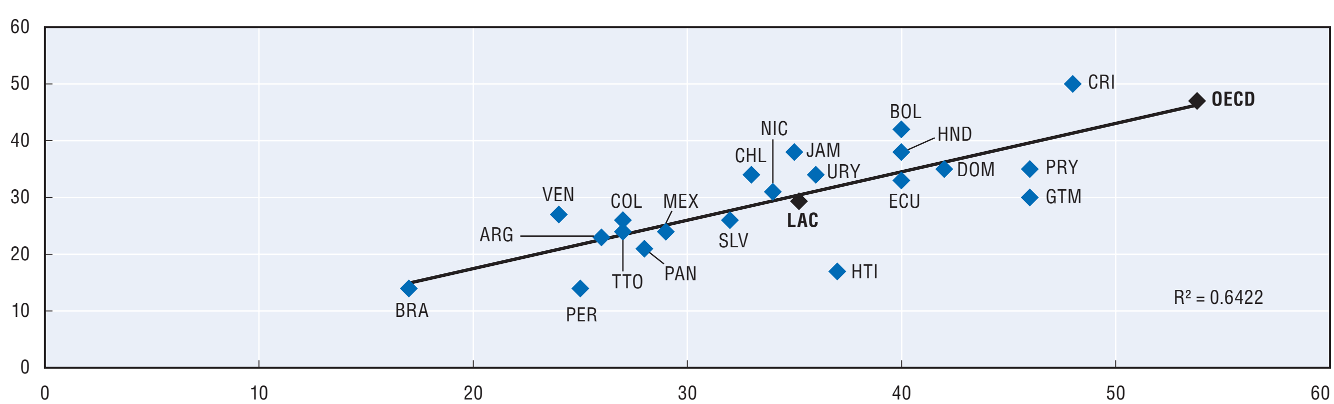
11.2. Confidence in national government by age group, 2018



Source: Gallup World Poll (2018).

StatLink https://doi.org/10.1787/888934093348

11.3. Correlation between confidence in national government and leadership approval, 2018



Source: Gallup World Poll (2018).

StatLink https://doi.org/10.1787/888934093367

Income inequality may have a negative impact on economic growth and generate social unrest due to disparities in access to economic opportunities and basic services, such as education and health care. Although recent evidence shows that income redistribution has improved in the region since 1990, some LAC countries are among some of the most unequal in the world, both in terms of income and access to services (Brezzi and De Mello, 2016).

In LAC countries for which data are available, income inequality was lower in 2017 or the latest available year compared to 2000. Bolivia has reduced inequality the most (from a Gini coefficient of 0.59 in 2000 to 0.44 in 2014). Uruguay had the lowest inequality (with a Gini 0.40) and Paraguay the highest (0.52). However, income inequality is higher in all LAC than in the five most unequal OECD countries (which have an average Gini of 0.38).

Another way to look at inequality is to compare the share of income held by the top quintile of the population to that held by the bottom quintile (i.e., S80/S20). When such an indicator is considered, data show that most countries (with the exception of Paraguay) managed to reduce income inequality, when comparing 2000 or earliest available year with the latest available year. The largest improvements are observed in Bolivia, which in 2000 had an S80/S20 ratio more than three times higher than in 2014, and Ecuador, that more than halved its S80/S20 ratio over the same period.

Governments can reduce income inequality by applying a progressive tax policy, fighting policy capture of benefits by interest groups and redistributing income through transfers to poorer households. In LAC countries with available data, there are divergences regarding the role of government in reducing inequalities. For instance, in Brazil in 2013, the Gini after taxes and transfers was 0.47, down from 0.58 before taxes and transfers. This reduction was similar to that of the five most unequal OECD countries. The reduction is much smaller in Chile, where in 2017 the Gini before taxes and transfers was 0.50, only four points higher than after redistribution (0.46).

Although not comparable, recent evidence for a larger set of LAC countries shows that governments from the region play a much smaller role in reducing inequalities than in OECD countries (OECD, 2017). Additionally, vulnerable groups in LAC face the risk of falling back into poverty with a deterioration of economic conditions (Brezzi and De Mello, 2016).

Methodology and definitions

Income refers to household disposable income (i.e. income after taxes and transfers) and household market income (i.e. income before taxes and social transfers). To account for economies of scale within the household (i.e. any additional household member needs a less than proportionate increase of household income in order to maintain a given level of welfare), household income is equivalised by diving it by the square root of the household size (i.e. used is that of household "equivalised": the total household income is adjusted with an equivalence scale of 0.5). The Gini coefficient is the standard measure of inequality. It is 0 when all households have identical income and 1 when one household has all the income. Income redistribution is gauged here in terms of the difference between Gini at disposable and market income. Another measure of inequality is the income quintile share ratio (S80/S20), which is obtained by dividing the share of total income received by the 20 % of the population with the highest disposable income (top quintile) over that received by the 20 % with the lowest disposable income (lowest quintile). For more information see *http://www.oecd.org/els/soc/IDD-ToR.pdf*

Data for OECD countries, as well as Brazil and Costa Rica are from the OECD Income Distribution Database (IDD).Data for the rest of LAC comes from the 2015/16 OECD project "Monitoring Inequalities and Fostering Inclusive Growth in Emerging Economies" estimates based on micro-data from household surveys, available through CEDLAS (Centre for Distributive, Labor and Social Issues in Latin America, Universidad Nacional de La Plata, Argentina). Estimates are based on the same definitions and methodologies used for OECD countries. Data for Bolivia, the Dominican Republic, Ecuador, Panama, Paraguay, Peru and Uruguay are not fully comparable to the OECD countries due to diverging methodologies.

Further reading

Balestra, C. et al. (2018), "Inequalities in emerging economies: Informing the policy dialogue on inclusive growth", *OECD Statistics Working Papers*, No. 2018/13, OECD Publishing, Paris, *https://doi.org/10.1787/6c0db7fb-en*.

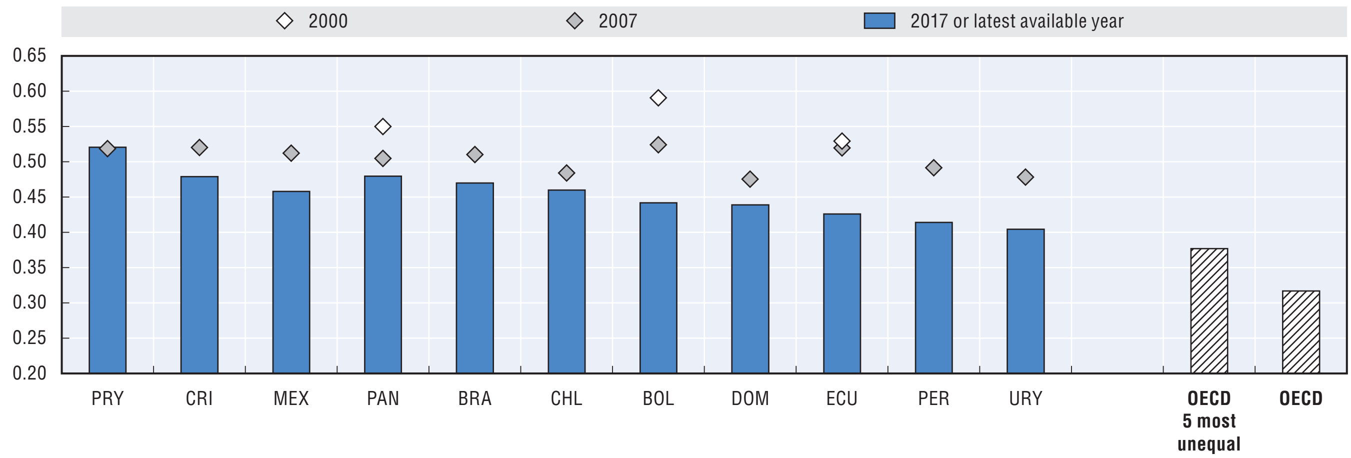
Brezzi, M. and L. De Mello (2016), "Inequalities in Latin America: Trends and implications for growth", *Hacienda Pública Española*, Vol. 219/4, pp. 93-120.

Figure notes

The five most unequal OECD countries (excluding Chile and Mexico) are the United Kingdom, Korea, Lithuania, Turkey and United States. Data for the latest year are 2013 for Brazil, 2016 for Mexico, 2017 for Chile and 2018 for Costa Rica are 2018. For all other countries data are 2014. Data for Brazil refer to 2006, for Chile to 2009, for Costa Rica to 2010 and for Mexico to 2012 instead of 2007. Only countries with the same colour bar should be compared.

Figure 11.7 Data only available for countries included in the IDD

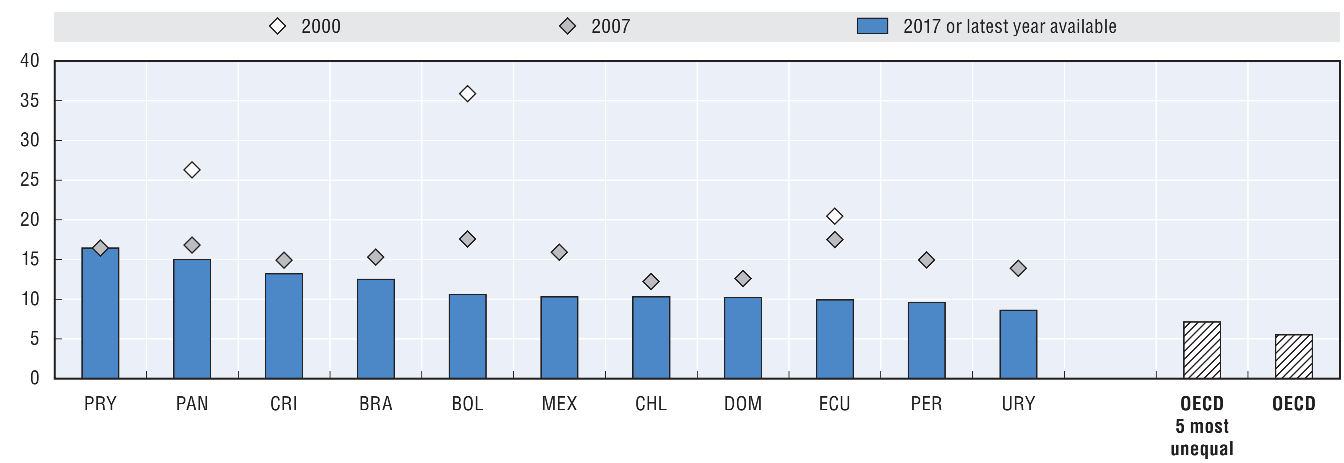
11.4. Gini coefficient post-taxes and transfers, 2000, 2007 and 2017 or latest available year



Source: Balestra, C., et al. (2018), «Inequalities in emerging economies: Informing the policy dialogue on inclusive growth», OECD Statistics Working Papers, No. 2018/13, OECD Publishing, Paris, *https://doi.org/10.1787/6c0db7fb-en.*for Bolivia, the Dominican Republic, Ecuador, Panama, Paraguay, Peru, Uruguay and OECD Income Distribution Database, *https://stats.oecd.org/Index.aspx?DataSetCode=IDD* for all the other countries.

StatLink https://doi.org/10.1787/888934093386

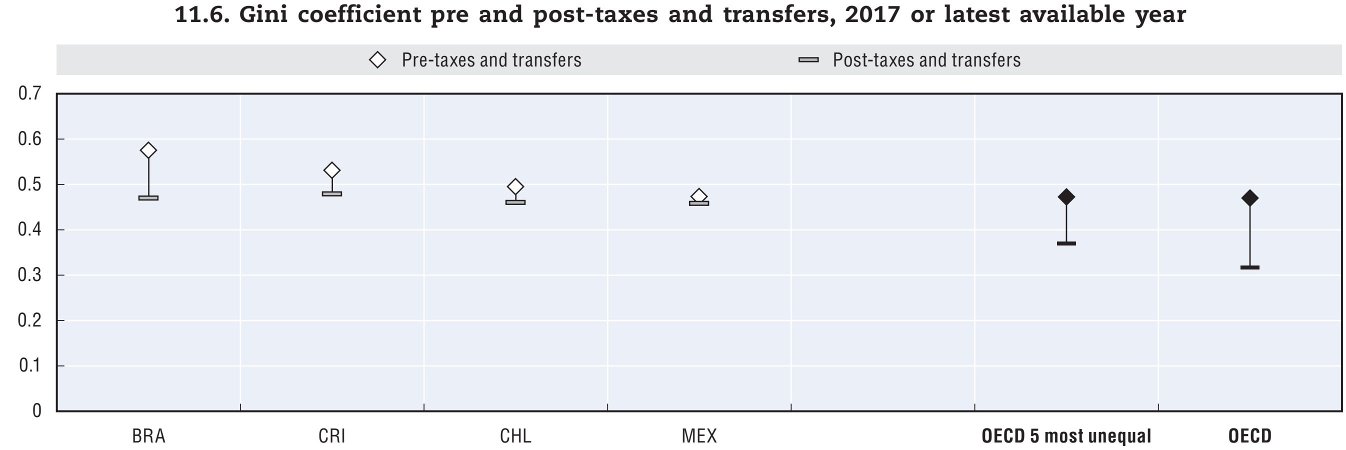
11.5. Ratio S80/S20, 2000, 2007 and 2017 or latest available year



Source: Balestra, C., et al. (2018), «Inequalities in emerging economies: Informing the policy dialogue on inclusive growth», OECD Statistics Working Papers, No. 2018/13, OECD Publishing, Paris, *https://doi.org/10.1787/6c0db7fb-en.*for Bolivia, the Dominican Republic, Ecuador, Panama, Paraguay, Peru, Uruguay and OECD Income Distribution Database, *https://stats.oecd.org/Index.aspx?DataSetCode=IDD* for all the other countries.

StatLink https://doi.org/10.1787/888934093405

11.6. Gini coefficient pre and post-taxes and transfers, 2017 or latest available year



Source: OECD Income Distribution Database, *https://stats.oecd.org/Index.aspx?DataSetCode=IDD*

StatLink https://doi.org/10.1787/888934093424

The idea that everyone is equal before the law is a cornerstone of democratic systems. Starting in the 1980s the LAC region experienced a long and deep wave of democratisation. Since then consolidating and strengthening democratic values has been one of the main challenges for the region, with a varying degree of success across countries. The rule of law refers to the idea that the same rules, procedures and principles apply to all individuals and organisations, including government itself. In practice, the concept is enshrined in laws, codes and procedures guaranteeing fair treatment by institutions and equal access to justice. In turn, its application relies on the expected predictability, reliability and accountability of the legal system. In itself, the rule of law is a multidimensional concept encompassing diverse elements such as fundamental rights, order and security, absence of corruption, and open government. Most of these elements are also recognised as key components of good governance crucial for maintaining peace and order, achieving economic development, and ensuring the effective provision of public goods and services.

The *World Justice Project* (WJP) is one of the most systematic approaches to conceptualising and measuring the rule of law worldwide. According to its methodology, the systems upholding the rule of law comprise four universal principles: 1) the government as well as private actors are accountable under the law; 2) the laws are clear, publicised, stable and just; are applied evenly; and protect fundamental rights, including the security of persons, contract and property rights, and certain core human rights; 3) the processes by which the laws are enacted, administered, and enforced are accessible, fair, and efficient; 4) justice is delivered timely by competent, ethical, and independent representatives and neutrals who are of accessible, have adequate resources, and reflect the makeup of the communities they serve"(WJP, 2019). The WJP assesses the rule of law through eight factors, two of which are presented here: constraints on government powers and protection of fundamental rights. The factor scores range between 0 (lowest) to 1(highest).

The factor measuring constraints on government powers captures "the extent to which those who govern are bound by law. It comprises the means, both constitutional and institutional, by which the powers of the government and its officials and agents are limited and held accountable under the law. It also includes non-governmental checks on the government's power, such as a free and independent press." (WJP 2019). The LAC average of this factor is 0.52 compared to 0.76 in OECD countries. Costa Rica (0.78), Uruguay (0.74) and Chile (0.72) have the highest values while Bolivia (0.36), Nicaragua (0.27) and Venezuela (0.18) reported the lowest. Between 2015 and 2019, the score of this component remained stable in LAC; however, there is some variation across countries; the highest increase in this component occurred in Argentina (0.14 points) which could be explained by several aspects, such as a law extending benefits to whistle blowers and overall higher perception of institutional independence across branches of powers. In turn, the most important deterioration occurred in Nicaragua (0.07).

The measure for the protection of fundamental rights includes information on effective law enforcement and due process, as well as the adherence to and respect of a range of basic human and labour rights established under international law. Like for the previous factor, the average is lower for LAC (0.57) than for OECD countries (0.76). LAC countries with the highest scores are Costa Rica (0.77), Uruguay (0.76) and Barbados (0.74) while the lowest are reported for Honduras (0.40), Nicaragua (0.39) and Venezuela (0.33). This factor decreased slightly in LAC from 0.59 in 2015 to 0.57 in 2019. The only two countries where improvements took place are Argentina (0.04) and Peru (0.02). In general terms, there is a strong positive correlation between the two factors (i.e. limited government powers and fundamental rights), pointing to the fact that countries that have established checks and balances on government power also guarantee basic rights.

Methodology and definitions

The WJP collects data via a set of questionnaires based on the Rule of Law Index's conceptual framework. The questionnaires are administered to representative samples of the general public and to legal experts. For the general population, a probability sample of 1 000 respondents in each of the 126 countries is selected while on average 30 experts per country are surveyed. All questionnaires are administered by leading local polling companies. Data are available for 24 LAC countries as well as 28 OECD countries. All variables used to score each of the factors are codified and normalised to range between 0 (lowest) and 1 (highest).

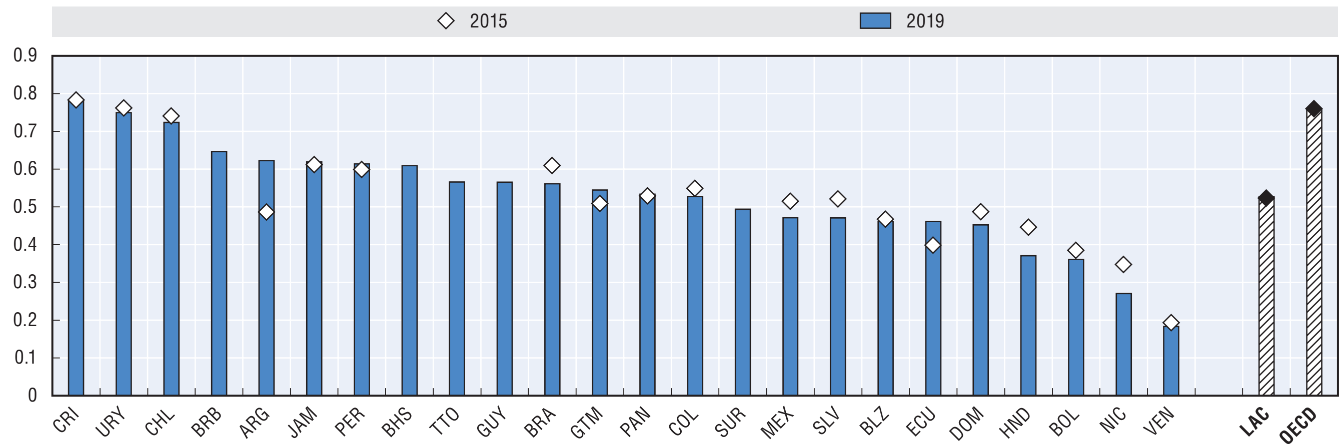
Further Reading

World Justice Project (2019), *Rule of Law Index 2019*, World Justice Project, Washington, DC, *https://worldjusticeproject.org/sites/default/files/documents/WJP-ROLI-2019-Single%20Page%20View-Reduced_0.pdf.*

Figure Notes

Data for Barbados, the Bahamas, Guyana, Suriname and Trinidad and Tobago were not collected in 2015. The composites methodology is only comparable from 2015.

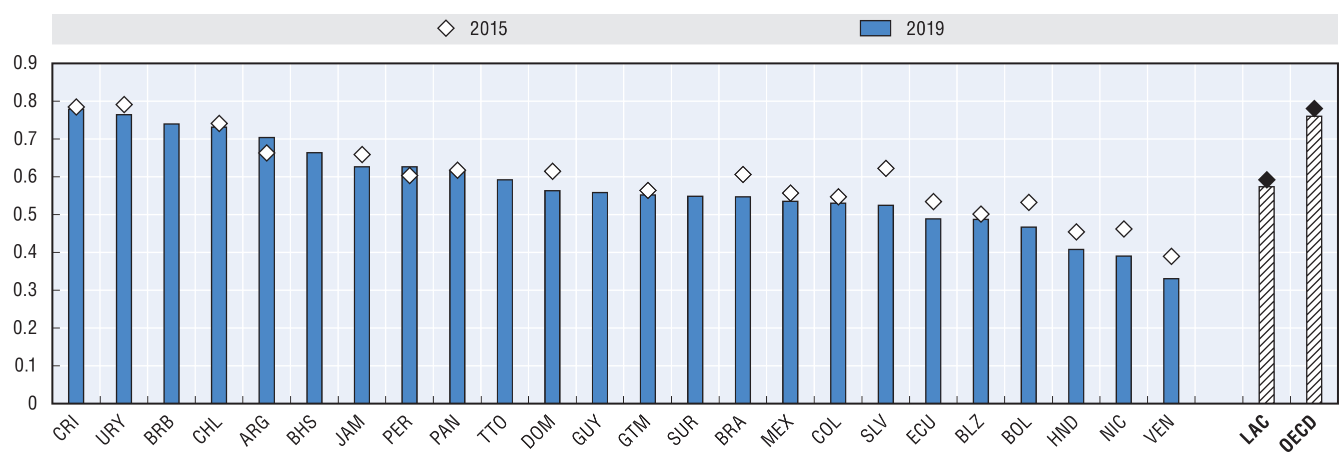
11.7. Index on the extent to which those who govern are bound by law 2015 and 2019



Source: World Justice Project (2019) Rule of Law Index. *https://worldjusticeproject.org/sites/default/files/documents/WJP-ROLI-2019-Single%20Page%20View-Reduced_0.pdf*

StatLink https://doi.org/10.1787/888934093443

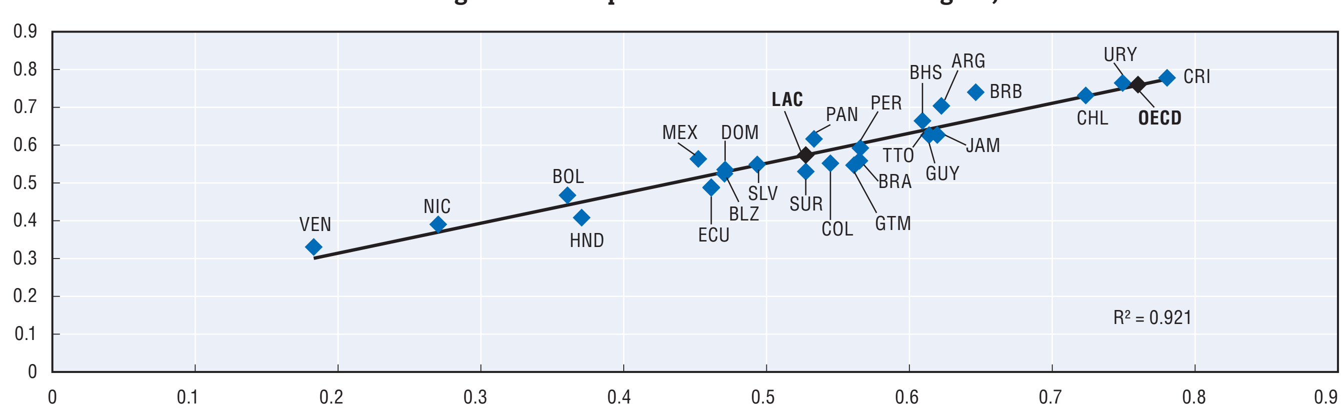
11.8. Index of protection of fundamental rights 2015 and 2019



Source: World Justice Project (2019) Rule of Law Index. *https://worldjusticeproject.org/sites/default/files/documents/WJP-ROLI-2019-Single%20Page%20View-Reduced_0.pdf*.

StatLink https://doi.org/10.1787/888934093462

11.9. Limited government powers and fundamental rights, 2019



Source: World Justice Project (2019) Rule of Law Index. *https://worldjusticeproject.org/sites/default/files/documents/WJP-ROLI-2019-Single%20Page%20View-Reduced_0.pdf*.

StatLink https://doi.org/10.1787/888934093481

Health care providers, schools at different education levels and courts deliver services to citizens, and as such, they are among institutions that shape citizens' perception about and experience with public services. Satisfaction with services is considered an outcome of government activity influenced by how governments produce and deliver services. However, beyond satisfaction metrics until today there is no internationally standardised method for conducting household surveys on key attributes (e.g. access, responsiveness, quality) shaping satisfaction with services (OECD 2017a). Satisfaction with services could also influence and people's willingness to pay taxes (OECD 2019)

The Gallup World Poll (GWP) regularly collects data on citizens' satisfaction with public services, including health, education and confidence in the justice systems and the courts. Many factors can influence responses to opinion polls, such as recent experience with services, opinions and experiences of acquaintances, the media or respondent fatigue and response styles. Furthermore, in the particular case of LAC countries, affluent segments, of the population often opt out from public services (i.e. health and education) and choose private providers, a feature not explicitly referred to in surveys. Nonetheless, the dataset allows for comparison of citizen perceptions over time and across countries.

In LAC, on average, satisfaction with health care and education has decreased since 2007. In 2018, 49% of citizens reported being satisfied with the quality of health care in the area where they lived, down from 55% in 2007. Regarding education, in 2018, 63% reported being satisfied with the education system and the schools, compared to 65% in 2007. Satisfaction with health care is significantly lower in LAC than in the OECD (70% in 2018), and slightly below the OECD average of 66% in the education sector, a figure that however in the case of the OECD remained stable since 2007.

There are large variations among LAC countries in terms of satisfaction with public services. While in Costa Rica and Uruguay, in 2018, 67% of the citizens reported being satisfied with health care, only 24% did so in Haiti and 26% in Venezuela. The latter suffered the largest decline, 46 p.p. since 2007, thus moving from being one of the top countries in terms of satisfaction to becoming the second-to-last. Additionally, Jamaica saw a decline of 15 p.p., and Bolivia and Colombia of 13 p.p. each on satisfaction with health care. Nicaragua and Paraguay had the largest increases since 2007 among LAC countries (8 p.p. each).

Costa Rica has the largest proportion of citizens are satisfied with education (79%), followed by Dominican Republic (78%). Similarly, Haiti and Venezuela have the smallest proportion of citizens are satisfied with schools and the education system (39% and 41% respectively). Venezuela the largest decline since 2007, when 82% of citizens were satisfied with education. Uruguay also saw a decline of 12 p.p. in the proportion of the population who were satisfied with education since 2007. By contrast, Argentina, Guatemala and Peru saw increases of 9 p.p.

Confidence in the judiciary in LAC is lower than satisfaction with health and education. On average, 34% of interviewees reported having confidence in the judiciary in 2018. Contrary to the other two services, there was an increase of 3 p.p. since 2007. By comparison, in 2018, 56% of citizens in OECD countries had confidence in the judiciary, on average in the OECD. Confidence in the judiciary is highest in Guatemala (54% in 2018) and Costa Rica (50%), and lowest in Peru (19%) and Bolivia (21%).

Methodology and definitions

Data were collected by Gallup World Poll. More informationis available at: *www.gallup.com/home.aspx*. Some caution must be exercised because the data are drawn from a perception based survey, which asks about satisfaction with services overall, without disaggregating different types of services and elements of public service delivery (access, responsiveness and quality). The sample is also relatively small (1000 representative citizens in each country) and population in major urban centres is overrepresented as a result of oversampling or exclusion of some rural areas.

The level of satisfaction with health care/education is based on the proportion of respondents who reported being "satisfied" when asked, "In the city or area where you live, are you satisfied or dissatisfied with the availability of quality health care/ with the educational system or the schools?"

For the judiciary system, is based on respondents who answered "yes" to "In this country, do you have confidence in each of the following, or not? How about the judicial system and courts?"

Further reading

OECD/CAF/ECLAC/EU (2019), *Latin American Economic Outlook 2019: Development in Transition*, OECD Publishing, Paris, *https://doi.org/10.1787/g2g9ff18-en*

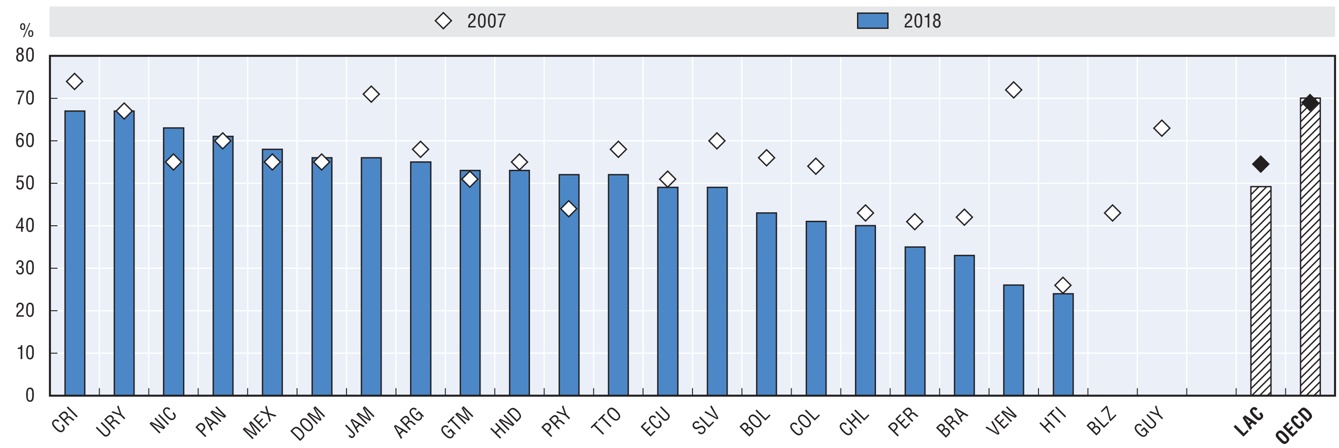
OECD (2017a), *How's Life? 2017: Measuring Well-being*, OECD Publishing, Paris, *https://doi.org/10.1787/how_life-2017-en*.

Pareja, A., Fernández, C., Blanco, B., Theobald, K., & Martínez, A. (2016). *Simplifying Lives: Quality and Satisfaction in Public Services*. IDB, Washington DC.

Figure notes

Data for Jamaica and Trinidad and Tobago are 2017 rather than 2018. Data for Haiti, Jamaica and Trinidad and Tobago are 2006 rather than 2017.

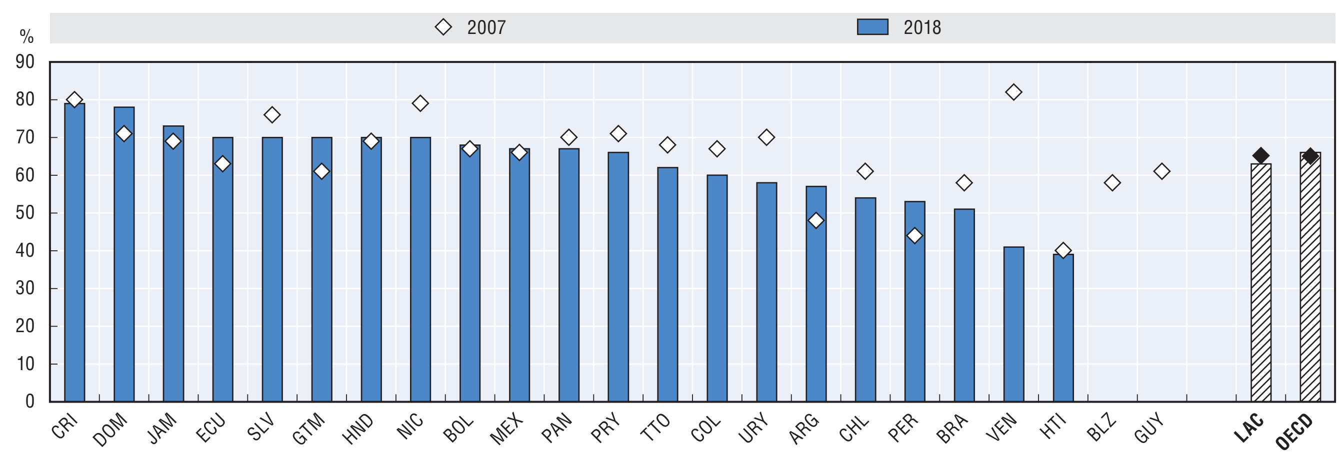
11.10. Citizen satisfaction with the health care system 2007 and 2018



Source: Gallup World Poll (2019) database.

StatLink https://doi.org/10.1787/888934093500

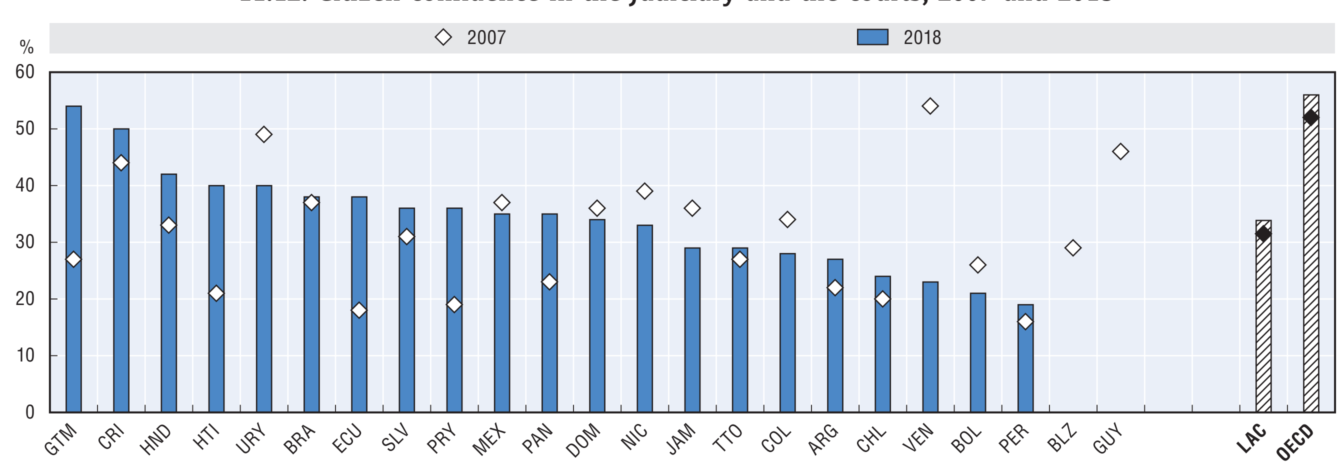
11.11. Citizen satisfaction with the education system and schools, 2007 and 2018



Source: Gallup World Poll (2019) database.

StatLink https://doi.org/10.1787/888934093519

11.12. Citizen confidence in the judiciary and the courts, 2007 and 2018



Source: Gallup World Poll (2019) database.

StatLink https://doi.org/10.1787/888934093538

ANNEX A

Composite indicator on Use of a medium-term perspective in the budget process

This edition of *Government at a Glance: Latin America and the Caribbean 2020* includes a composite index on the use of a medium-term perspective in the budget process. Data used for the construction of the composite are derived from the 2018 OECD/IDB Survey on Budget Practices and Procedures. Survey respondents were predominantly senior officials in the Ministry of Finance.

The narrowly defined composite indexes presented in *Government at a Glance: Latin America and the Caribbean 2020* represent the best way of summarising discrete, qualitative information on key aspects of budgetary practices such as medium-term expenditure frameworks and performance budgeting. "Composite indexes are much easier to interpret than trying to find a common trend in many separate indicators" (Nardo et al., 2004). However, their development and use can be controversial. These indexes are easily and often misinterpreted by users due to a lack of transparency as to how they are generated and the resulting difficulty to comprehend 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.

The composite index is based on a theoretical framework representing the concept of medium-term fiscal framework. The variables comprising the index were selected based on their relevance to the concept by a group of experts within the OECD and in consultation with country delegates to the relevant working parties:

- Various statistical tools, such as factor analysis, were employed to establish that the variables comprising the 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 composite, all sub-indicators were aggregated using a linear method according to the accepted methodology.
- Sensitivity analysis using Monte Carlo simulations was carried out to establish the robustness of the indicators to different weighting options (e.g. equal weighting, factor weighting and expert weighting). Expert weighting resulted as the most appropriate weighting method.

The index does not purport to measure the overall quality of budgetary systems. To do so would require a much stronger conceptual foundation and normative assumptions. Rather, the composite index presented in *Government at a Glance: Latin America and the Caribbean 2020* is descriptive in nature, and has been a label that reflects this. The survey questions used to create the index are the same across countries, ensuring that the results are comparable.

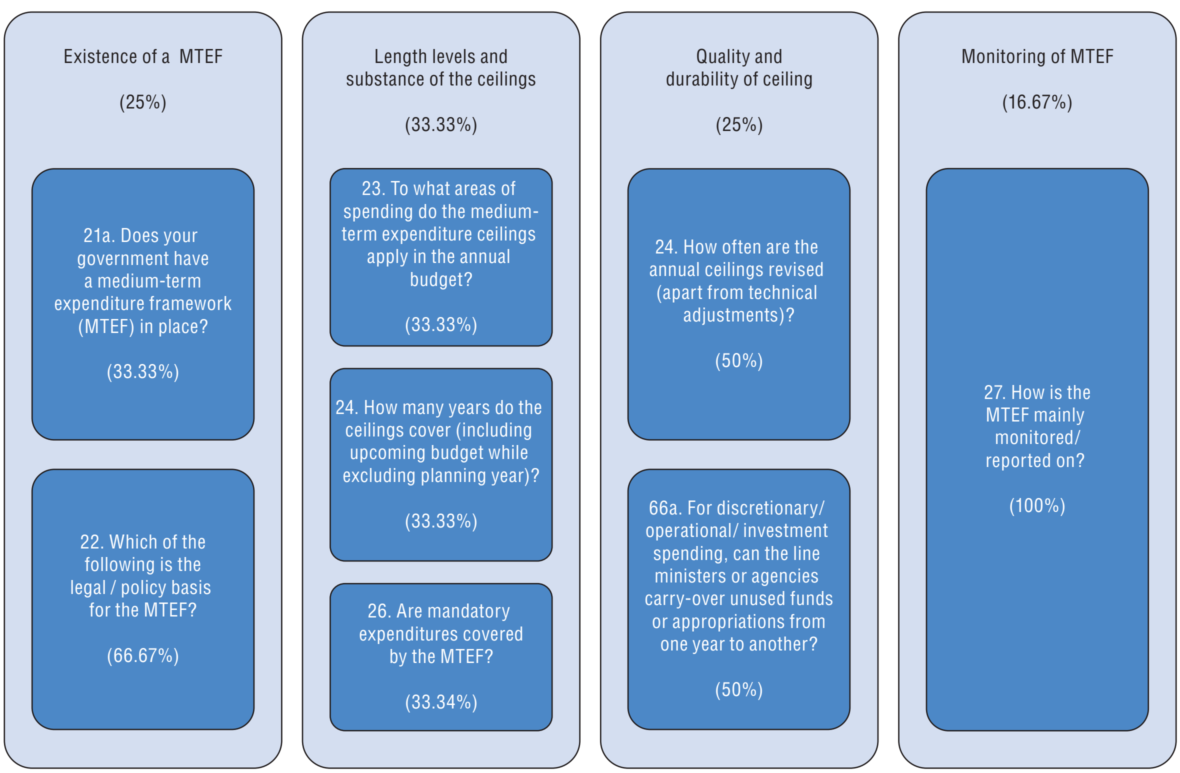
While the composite index was developed in co-operation with OECD countries and are applied to the LAC region, it is based on best practices and/or theory; both the variables comprising the composite and their weights are offered for debate and, consequently, may evolve over time. The OECD is currently redefining best practices for budget transparency and is revisiting the concept of budgetary flexibility; as such, no composites related to these topics are presented in this edition.

The composite was built according to the following methodology: the topic was divided into broad categories comprising the theoretically relevant aspects for a medium-term expenditure framework. A weight was assigned to each of these broad categories. Within each of the broad categories, the relevant questions were identified, a sub-weight was assigned to each question and a score was given to each of the answers within these questions. The country scoring for each question is the product of the weight of the broad category and the sub-weight of the question multiplied by the answer provided by each country (1 or 0). The composite is the result of adding together these scores for each country. Both composites vary from 0 to 1; a score of 1 implies the use of sound practices.

Use of a Medium-Term Expenditure Framework (MTEF) at the central level of government variables, weights and scoring

The following items and weights have been used in the construction of the MTEF

Figure A.1. **Variables and weights used in MTEF index**



ANNEX B

Classification and definition of occupations

The following classification resulted from the 2018 OECD/IDB Survey on Strategic Human Resources Management which also used the same definitions as in the 2016 OECD Survey on Composition of Employees in Central/Federal governments. Such classification defines the four main hierarchical levels on occupations. These definitions are broadly based on the International Standard Classification of Occupations (ISCO) maintained by the International Labour Organisation, and full definitions are available via the following link: *www.ilo.org/public/english/bureau/stat/isco/isco08/index.htm*. The classification and the definition of the occupations are an adaptation of the International Standard Classification of Occupations (ISCO-08) developed by the International Labour Organization (ILO). The reason for the adaptation is that not all countries follow the ISCO model to classify their occupations in government, as the occupations included at the national level may differ due to specific legal and administrative frameworks.

Table B.1. **Classification and definition of occupations**

Top Managers
D1 Managers (part of ISCO-08 1112) are top public servants just below the minister or Secretary of State/ junior minister. They can be a member of the senior civil service and/or appointed by the government or head of government. They advise government on policy matters, oversee the interpretation and implementation of government policies and, in some countries, have executive powers. D1 managers may be entitled to attend some cabinet/council of ministers meetings, but they are not part of the Cabinet/council of ministers. They provide overall direction and management to the ministry/secretary of state or a particular administrative area. In countries with a system of autonomous agencies, decentralised powers, flatter organisations and empowered managers, D1 managers will correspond to Director Generals.
D2 Managers (part of ISCO-08 11 and 112) are just below D1 managers. They formulate and review the policies and plan, direct, co-ordinate and evaluate the overall activities of the ministry or special directorate/unit with the support of other managers. They may be part of the senior civil service. They provide guidance in the co-ordination and management of the programme of work and leadership to professional teams in different policy areas. They determine the objectives, strategies, and programmes for the particular administrative unit / department under their supervision.
Middle managers (have managerial responsibilities for at least 3 staff)
D3 Managers (part of ISCO-08 12) are just below D2 managers. They plan, direct and co-ordinate the general functioning of a specific directorate/administrative unit within the ministry with the support of other managers usually within the guidelines established by a board of directors or a governing body. They provide leadership and management to teams of professionals within their particular area. These officials develop and manage the work programme and staff of units, divisions or policy areas. They establish and manage budgets, control expenditures and ensure the efficient use of resources. They monitor and evaluate performance of the different professional teams.
D4 Managers (part of ISCO-08 121) are just below D3. They formulate and administer policy advice, and strategic and financial planning. They establish and direct operational and administrative procedures, and provide advice to senior managers. They control selection, training and performance of staff; prepare budgets and oversee financial operations, control expenditures and ensure the efficient use of resources. They provide leadership to specific professional teams within a unit.
D5 Managers (optional) (part of ISCO-08 1211, 1212, and 1213) are just below D4. They may be senior professionals whose main responsibility is to lead the execution of the work programme and supervise the work of other professionals and young professionals.
D6 Managers (optional) (part of ISCO-08 1211, 1212, and 1213) may be professionals whose main responsibility is to lead the execution of the work programme and supervise the work of other professionals or young professionals.
Professionals
Senior Economists / Policy Analysts (part of ISCO-08 242 and 2422) do not have managerial responsibilities (beyond managing 3 staff maximum), and are above the ranks of junior analysts and administrative/secretarial staff. They are usually required to have a university degree. They have some leadership responsibilities over a field of work or various projects, develop and analyse policies guiding the design, implementation and modification of government operations and programmes. These professionals review existing policies and legislation in order to identify anomalies and out-of-day provisions. They analyse and formulate policy options, prepare briefing papers and recommendations for policy changes. Moreover, they assess the impact, financial implications and political and administrative feasibility of public policies. Staffs in this group have the possibility of becoming a manager through career progression. Their areas of expertise may vary from law, economics, politics, public administration, international relations, to engineering, environment, pedagogy, health economics etc. Senior policy analysts/economists have at least 5 years of professional experience.

Table B.1. **Classification and definition of occupations** *(cont.)*

Junior economists/policy analysts (part of ISCO-08 242 and 2422) are above the ranks of administrative/ secretarial staff. They are usually required to have a university degree. They have no leadership responsibilities. They develop and analyse policies guiding the design, implementation and modification of government operations and programmes. These professionals review existing policies and legislation in order to identify anomalies and out-of-day provisions. They analyse and formulate policy options, prepare briefing papers and recommendations for policy changes. Moreover, they assess the impact, financial implications and political and administrative feasibility of public policies. Their areas of expertise may vary from law, economics, politics, public administration, international relations, to engineering, environment, pedagogy, health economics etc. Junior policy analysts/economists have less than 5 years of professional experience.
Secretarial positions
Secretaries (general office clerks) (part of ISCO-08 411 and 4110) are generally not required to have a university degree although many do. They perform a wide range of clerical and administrative tasks in connection with money-handling operations, travel arrangements, requests for information, and appointments. record, prepare, sort, classify and fill information; sort, open and send mail; prepare reports and correspondence; record issue of equipment to staff; respond to telephone or electronic enquiries or forwarding to appropriate person; check figures, prepare invoices and record details of financial transactions made; transcribe information onto computers, and proof read and correct copy. Some assist in the preparation of budgets, monitoring of expenditures, drafting of contracts and purchasing or acquisition orders. The most senior that supervise the work of clerical support workers are excluded from this category.

ANNEX C

OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2019

The Indicators of Regulatory Policy and Governance (iREG) for Latin America 2019 provide an up-to-date overview of regulatory systems in selected Latin American and Caribbean (LAC) countries, by which they develop, implement and evaluate regulations. The indicators partially cover three principles of the 2012 OECD Recommendation on Regulatory Policy and Governance: 1) stakeholder engagement; 2) regulatory impact assessment (RIA); 3) ex post evaluation and administrative simplification.

iREG for Latin America 2019 draws on responses to the OECD-IDB Surveys on Regulatory Policy and Governance 2015-2016 and 2019 from selected LAC countries. The countries surveyed in 2015-16 were Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru. The information collected through the 2015-16 survey reflects the situation as of 31 December 2015. The 2019 survey presents an update of the countries surveyed in 2015-16 and additionally draws on data from Argentina, the Dominican Republic and El Salvador, surveyed for the first time in 2019. The information collected through the 2019 survey reflects the situation as of 31 March 2019. Unless explicitly stated otherwise, 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 created by the executive that are generally approved by the head of government, a minister or the cabinet.

The OECD-IDB Survey on Regulatory Policy and Governance 2019 is an adapted version of the 2017 OECD Indicators of Regulatory Policy and Governance Survey with a particular focus on stakeholder engagement. The direct comparison between survey results, notably in the form of a composite indicator on stakeholder engagement in developing subordinate regulations, is based on an identical set of survey questions that is included in the different surveys described above.

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, while 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 close co operation 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.

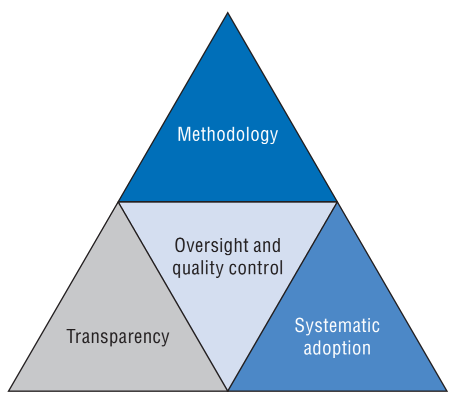
The composite indicator

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 indicator 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 into four equally weighted categories (Figure C.1):

1. Systematic adoption records formal requirements and how often and at what stage in the rule-making process these requirements are conducted in practice.
2. Methodology gathers information on the methods used to engage with stakeholders, e.g. forms of consultation and documents to support them.
3. Oversight and quality control records the role of oversight bodies and publicly available evaluations of the consultation system.
4. 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 C.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 2019. The separate sub-categories are listed in Table 7A.1.

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 Arndt et al. (2015).

Figure C.2. **Categories and sub-categories of the composite indicator**

Categories	Sub-categories
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 for consultation
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
Transparency	Transparency of process
	Consultations are open to the general public
	Consideration of and response to stakeholder comments
	Availability of information
Oversight and quality control	Oversight and quality control function
	Publicly available evaluation of stakeholder engagement

References

Arndt, C. et al. (2015), "2015 indicators of regulatory policy and governance: Design, methodology and key results", OECD Regulatory Policy Working Papers, No. 1, OECD Publishing, Paris, *https://doi.org/10.1787/5jrnwqm3zp43-en*.

ANNEX D

OECD methodology for constructing the OURdata Index

The OECD OURdata Index aims to measure government efforts in line with the three main stages of the data value chain. That is, the Index assesses governments regarding their progresses towards (1) higher data availability, (2) efficient data accessibility and (3) greater support for data reuse. In measuring these three different elements, the Index considers the availability of different formal requirements (either applicable for all ministries and agencies or just in some few agencies), implementation gaps and the presence of oversight mechanisms. Data used for the construction of the composite index derives from the OECD Open Government Data Survey 3.0. The survey is composed of 80 questions representing 170 data points (with some data points corresponding to sub-questions). The survey was designed to monitor the implementation of the International Open Data Charter (IODC) adopted in October 2015. The IODC corresponds to a comprehensive international instrument that provides a set of principles on open government data (OGD). The IODC comes to add to the OECD Recommendation for enhanced access and more effective use of Public Sector Information (PSI) (OECD, 2008b). Additionally, and of course, the survey and the composite index are also based on the expertise of the OECD in the field of OGD and on a roadmap developed in 2013 (Ubaldi, 2013).

The construction of the Index follows the guidelines from the OECD/EU Handbook on Constructing Composite Indicators (2008) that are necessary for meaningful construction of composite or synthetic indexes. This approach is in particular useful to address the common problems associated with composite indexes and is thus the most effective solution to summarise the discrete, qualitative information on key aspects of OGD. Thus, four main types of analyses were conducted with the data to ensure the highest standards in terms of reliability and validity of the indicators (OECD-EU, 2008):

- Correlation analysis
- Confirmatory Principal-Component Factor analysis
- Cronbach alpha testing (scale reliability coefficient)
- Sensitivity testing (Monte Carlo Simulation)

The OURdata Index is based on 140 number of data points (meaning that a total number of 30 data points were dropped). Each pillar of the Index (data availability, data accessibility, and government support for data reuse) has three sub-pillars. The score for each pillar corresponds to an unweighted simple average of each sub-pillar. Regarding the sub-pillar level, implicit weighting was avoided since three sub-pillars were systematically retained under each main pillar. Additionally, each sub-pillar has parameters (factors) identified via expert judgement and factor analysis. The score of each sub-pillar is computed as the unweighted simple average of each parameter. There are 9 parameters in Pillar 1, 8 parameters in Pillar 2 and 7 parameters in Pillar 3.

In the case of Latin American and Caribbean countries, the data collection was conducted from March 2019 to June 2019. Respondents were high-level government officials (in many cases the National Chief Information Officer).

ANNEX E

Composite indexes on public sector integrity

The composite indexes on public sector integrity (Index of Robustness of the Financial and Non-Financial Interest Disclosure System and Quality of Regulations Against Undue Influence Index) are a first attempt at measuring the quality and scope of regulations on practices that can hinder the governance of a country, such as illicit enrichment and undue influence on policy-making. These indexes are de jure, and do not measure the effective implementation of such regulations. They were originally published in La Integridad Pública en América Latina y el Caribe 2018-2019: De Gobiernos Reactivos a Estados Proactivos (OECD, 2019)

The data for both indexes come from the 2018 OECD Questionnaire on Public Integrity in Latin America to which 12 countries responded. Respondents were predominantly senior officials in central government, supreme audit institutions and electoral commissions. Since they are at their pilot stage, they are subject to change in the near future.

The Index of Robustness of the Financial and Non-Financial Interest Disclosure System measures the scope of regulations on financial and non-financial interest. It ranges from 0 to 1, being 0 the lowest and 1 the highest score, which entails a robust system. It has five main components:

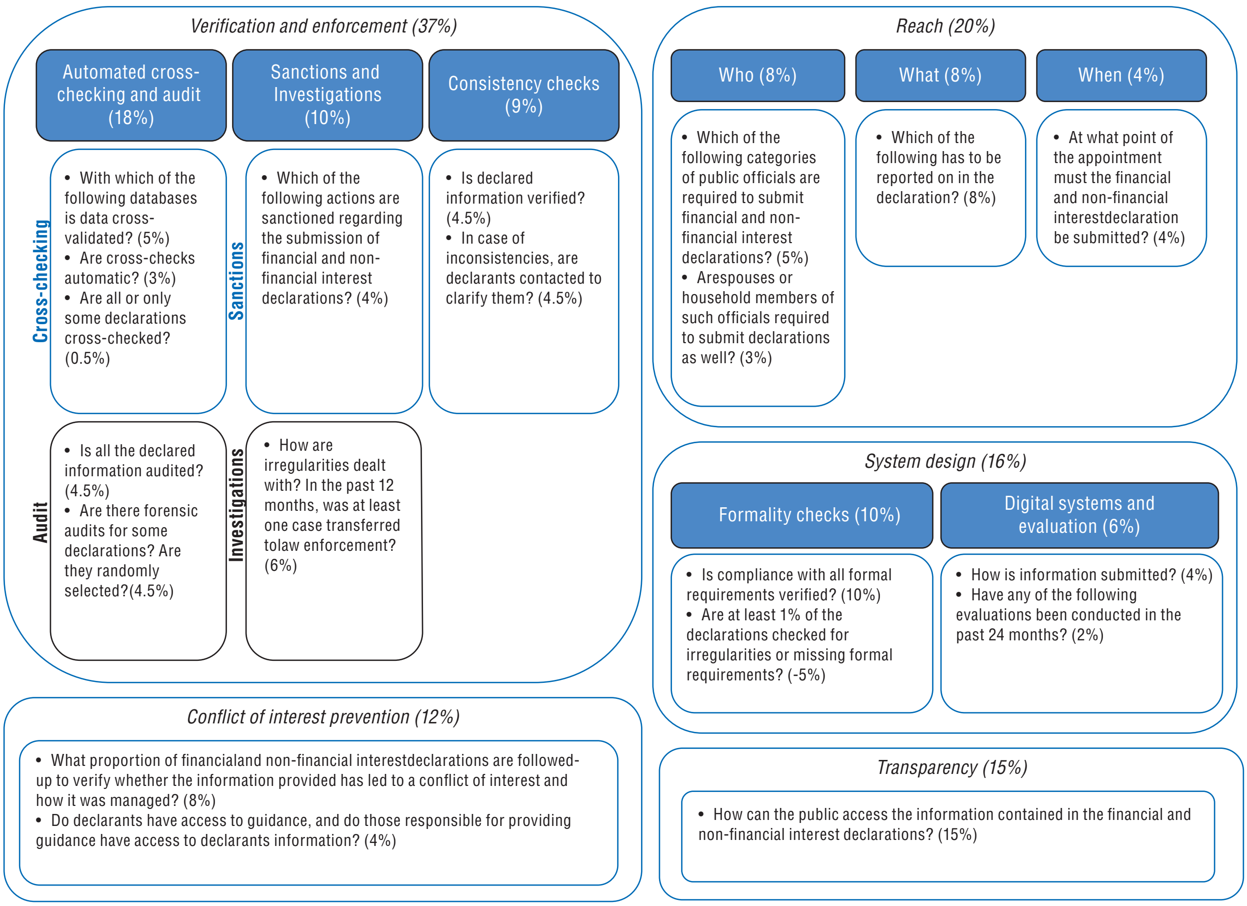
- verification and enforcement gauges whether the information submitted in asset declarations is verified and how, and the existence of sanctions in case of irregularities,
- reach considers the categories of public officials that are required to submit asset declarations, at what point of the appointment they must be submitted, and what information public officials must disclose,
- system design includes the degree of digitalisation of the system, among others,
- transparency captures whether asset declarations are made available to the public, and
- prevention of conflicts of interest considers the efforts to detect possible conflicts of interest and how these are managed and resolved.

Individual questions of the questionnaire were grouped by theme and included in each indicator, which are grouped into the five main components. Standardization was done at the level of indicators, which entails that indicator scores are comparable. Some indicators are highly biased (for instance, "when", for this indicator all countries except one obtained the maximum score). Nevertheless, due to their conceptual relevance, and their potential discriminatory power, they hav not been discarded. Since the sample of countries is smaller than the amount of indicators, it was not possible to conduct multivariate analysis (such as factor analysis or principal component analysis) to classify indicators into components in the index. The weighting of indicators followed a budget allocation approach (OECD/EU/JRC, 2008), where a total of 100 points were distributed by expert judgement following the underlying theoretical framework. The indicators that are not distinctively unique and can be analysed jointly with others form the subcomponents of the index (for instance, cross-checking and audit).

Index of Robustness of the Financial and Non-Financial Interest Disclosure System

The following items and weights have been used in the construction of the composite.

Figure E.1. **Components of the Index of Robustness of the Financial and Non-Financial Interest Disclosure System**



The Index of quality of regulations against undue influence is based on the OECD theoretical framework on undue influence. Such framework builds on the work of the OECD on conflict of interest (OECD, 2015a) and lobbying (OECD, 2015b). The indicator is not an integral measure of lobbying and conflict of interest regulations, it is a proxy that measures the most relevant and comparable measures to regulate them. It is thought that the existence of such measures allows gauging the strengths of regulations on undue influence on policymaking in general. It consists of three sub-indicators, lobbying regulations, transparency of influence seeking, and conflict of interest regulations, each one ranging from 0 (lowest) to 3 (highest). The total score corresponds to the unweighted aggregation of the three indicators, hence it ranges from 0 to 9.

Lobbying regulations covers the existence of relevant legislation and of a register of lobbyists. Transparency of influence-seeking considers whether the agendas of senior officials are made public, the possibility to identity those who were consulted in the legislative process through on-line public information (so-called legislative footprint) and the disclosure of members of permanent advisory bodies. Finally, conflict of interest regulations considers the existence of such regulations and cooling-off periods for members of legislative bodies, members of cabinet, appointed public officials and senior civil servants.. This indicator is at a pilot stage and no sensitivity analysis has been conducted until now.

Index of Quality of Regulations Against Undue Influence

The following items and weights have been used in the construction of the composite.

Figure E.2. **Components of the Index of Quality of Regulations against Undue Influence**

Lobbying regulations (33.33%)

- Which of the following actors are covered by lobbying regulations? (17%)
- Are lobbyists required to register in a public registry? (8.5%)
- Are there sanctions on non-compliance with such requirement? (8.5%)

Transparency of influence-seeking (33.33%)

- Are public officials involved in regulatory processes required to pro-actively make their agendas available to the public?
- Canthe identity of the interest groups that were consulted in each regulatory process be identified through public information availableon-line?
- With respect to permanent advisory bodies involved in regulatory processes at national level, is it required to publicly disclose the names of the members of these bodies?

Conflict of interest regulations (33.33%)

- Is there a national regulation specifically dealing with conflict of interest concerning the following groups of public officials? (27%)
- Is there a national regulation establishing a cooling-off period after leaving office that applies to the following public officials? (6%)

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ANNEX F

Additional figures accessible online

Chapter 2. Public finance and economics

2.7. Annual average growth rate of real government gross debt per capita, 2007-18 [*https://doi.org/10.1787/888934093557*]

Chapter 4. Institutions (CoG)

4.3. Activities related to digital government in which the centre of government is involved, 2018 [*https://doi.org/10.1787/888934093576*]

4.7. Role of CoG in implementing of cross-governmental policy initiatives, 2018 [*https://doi.org/10.1787/888934093595*]

4.10. Mechanisms the centre of government uses to ensure that government policies are implemented by line ministries, 2015 and 2018 [*https://doi.org/10.1787/888934093614*]

Chapter 5. Budgeting practices and procedures

5.6. Types and legal foundation of fiscal rules, 2013 and 2018 [*https://doi.org/10.1787/888934093633*]

Chapter 6. Human resources management

6.6. Merit-based recruitment at the entry level, 2018 [*https://doi.org/10.1787/888934093652*]

6.7. Recruitment linked to strategic human resource planning, 2018 [*https://doi.org/10.1787/888934093671*]

6.8. Distribution of employees according to contract duration, 2018 [*https://doi.org/10.1787/888934093690*]

6.14. Relationship between training and career development, 2018 [*https://doi.org/10.1787/888934093709*]

6.19. Most important factors to determine base pay by function, 2018 [*https://doi.org/10.1787/888934093728*]

Chapter 7. Regulatory governance

7.17. Status of regulators in Latin American and OECD countries, 2018 [*https://doi.org/10.1787/888934093747*]

Chapter 8. Open Government data

8.5. Frequency of stakeholder consultation since 2017, 2019 [*https://doi.org/10.1787/888934093766*]

Chapter 10. Public Procurement

10.9. Interoperability of electronic government procurement platform, 2018 *[https://doi.org/10.1787/888934093785]*

Glossary

Terms	Used in Government at a Glance
Appropriation	Appropriation refers to an authorisation made by law or legislative enactment directing payment out of government funds under specified conditions or for specific purposes.
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
Budget	A comprehensive statement of Government financial plans which include expenditures, revenues, deficit or surplus and debt. The budget is the Government's main economic policy document, demonstrating how the Government plans to use public resources to meet policy goals and to some extent indicating where its policy priorities
Budget Circular	A document/memorandum issued by the Central Budget Authority to guide line ministries/agencies in the preparations of their initial budget proposals/budget estimates. A budget circular, for instance, may contain information or guidance on automatic productivity cuts, medium-term or annual expenditure ceilings, etc.
Budget Cycle	The budget cycle refers to the major events or stages of the budgetary decision-making process, as well as the implementation and ex-post review of those decisions over time. Specifically, the budget cycle includes three principal stages: formulation (which includes planning), approval, and execution
Capital expenditure	Investments in physical assets such as buildings and equipment that can be used for a number of years.
Cash transfers	Benefits provided to eligible individuals by governments that are not required to be spent on a specific good or service. Examples of cash transfers include pensions, unemployment benefits and development aid.
Central Budget Authority (CBA)	The Central Budget Authority (CBA) is a public entity, or several coordinated entities, located at the central/national/federal level of government, which is responsible for the custody and management of the national/federal budget. In many countries, the CBA is often part of the ministry of Finance. Specific responsibilities vary by country, but generally, the CBA is responsible for formulating budget proposals, conducting budget negotiations, allocating or reallocating funds, ensuring compliance with the budget laws and conducting performance evaluations and/or efficiency reviews. This Authority regulates budget execution but does not necessarily undertake the treasury function of disbursing public funds. lastly, a very important role of the Central Budget Authority is monitoring and maintaining aggregate/national fiscal discipline and enforcing the effective control of budgetary expenditure.

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.

Central Purchasing Agency (CPA)
Central purchasing 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. These bodies could be but are not necessarily a contracting authority

Centre of Government (CoG)
The Centre of Government refers to the administrative structure that serves the Executive (President or Prime minister, and the

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

Citizen's budget
A citizens' guide to the budget is defined here as an easy-to understand summary of the main features of the annual budget as presented to the legislature. It should be a self-contained document that explains what is in the annual budget proposals and what their effects are expected to be. While containing links or references to more detailed documents, the guide should not require readers to refer to them, or to know their contents, in order to understand the guide.

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. In addition, civil servants are employees covered under a specific public legal framework or other specific provisions

Collective goods and services
Goods and services that benefit the community at large. Examples include government expenditures on defence, and public safety and order.

Complementary budget
Complementary budget (also 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. Complementary budgets are given legal force through adjustment or supplemental appropriations.

Composite index	An indicator formed by compiling individual indicators into a single index on the basis of an underlying model (Nardo et al., 2005).
Contingency reserve fund	A separate fund or a budget provision set aside to meet unforeseen and unavoidable requirements that may arise during the budget year, such as natural disasters and foreseen expenditure, but not yet decided/announced such as policy reserve.
Cooling off period	A cooling off period is a period during which these public officials are barred from engaging in lobbying and employment that could constitute a conflict of interest
Dataset	A set of indicators or variables concerning a single topic (e.g. regulatory quality).
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.
E-Procurement	E-Procurement refers to the integration of digital technologies in the replacement or redesign of paper-based procedures throughout the procurement process.
Efficiency	Achieving maximum output from a given level of resources used to carry out an activity (OECD Glossary of Statistical Terms).
Effectiveness	The extent to which the activities stated objectives have been met (OECD Glossary of Statistical Terms).
Fiscal balance	Fiscal balance, also referred to as net lending (+) or net borrowing (-) of general government, is calculated as total government revenues minus total government expenditures. The fiscal balance signals whether a government is either putting financial resources at the disposal of other sectors, or using the financial resources generated by other sectors. This is generally recorded in current prices, therefore also called "nominal fiscal balance".
Executive's budget proposal	The Executive's Budget Proposal is a comprehensive document (or set of documents), developed by the CBA following discussions and negotiations with line ministries/agencies, specifying the government's proposals for raising revenues and allocating resources in the forthcoming financial year. The budget proposal is submitted to the parliament for review and approval.
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.
Federal state	A country that has a constitutionally delineated division of political authority between one central and several regional or state autonomous governments.
Fiscal Rule	For purposes of this book, the OECD utilises a similar definition as the European Commission. A numerical fiscal rule refers to a permanent constraint on fiscal policy aggregates (e.g. in-year rules are excluded).
Full-time equivalent (FTE)	The number of full-time equivalent jobs, defined as total hours worked divided by average annual hours worked in full-time jobs (OECD Glossary of Statistical Terms).

Gender	Socially constructed and socially learned behaviours and expectations associated with females and males. All cultures interpret and elaborate the biological differences between women and men into a set of social expectations about what behaviours and activities are appropriate and what rights, resources, and power women and men possess. like race, ethnicity, and class, gender is a social category that largely establishes one's life chances. It shapes one's participation in society and in the economy.
General Employment Framework in the public service	It usually concerns the employment conditions of most government employees, and certainly concerns most statutory employees. Casual employees, by this definition, are not employed under the General Employment Framework for government employees. Please note that in a number of countries, all employees, including those employed on a short term basis, are employed under the General Employment framework, with a few exceptions (few casual employees in those cases, if any).
General government	The general government sector consists of the following groups of resident institutional units: a) All units of central, state or local government; b) All non-market NPIs that are controlled by government units. c) The sector also includes social security funds, either as separate institutional units or as part of any or all of central, state or local government. The sector does not include public corporations, even when all the equity of such corporations is owned by government units. Nor does it include quasi-corporations that are owned and controlled by government units. However, unincorporated enterprises owned by government units that are not quasi-corporations remain integral parts of those units and, therefore, must be included in the general government sector (2008 System of National Accounts).
Governance	The exercise of political, economic and administrative authority.
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".
Golden Rule	Golden rule is a variation of a balance rule, in which the government is only allowed to borrow to finance investments. The rationale underlying the golden rule is that investments represent future and not current consumption and have the potential to generate future growth.

Gross domestic product (GDP)	The standard measure of the value of the goods and services produced by a country during a period. Specifically, it is equal to the sum of the gross values added of all resident institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs). The sum of the final uses of goods and services (all uses except intermediate consumption) measured in purchasers' prices, less the value of imports of goods and services, or the sum of primary incomes distributed by resident producer units (OECD Glossary of Statistical Terms).
Independent Fiscal Institution (IFI)	A publicly funded, independent body under the statutory authority of the executive or the legislature which provides non-partisan oversight and analysis of, and in some cases advice on, fiscal policy and performance. IFIs have a forward-looking ex ante diagnostic task (in contrast to public audit institutions which perform an equally indispensable ex post task).
Indicator	"… quantitative or qualitative measure derived from a series of observed facts that can reveal relative positions (e.g. of a country) in a given area. When evaluated at regular intervals, an indicator can point out the direction of change across different units and through time." (Nardo et al., 2005).
Individual goods and services	Goods and services that mainly benefit individuals. Examples include education, health and social insurance programmes.
Innovative goods/services	Those characterised 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.
Input	Units of labour, capital, goods and services used in the production of goods and services. "Taking the health service as an example, input is defined as the time of medical and non-medical staff, the drugs, the electricity and other inputs purchased, and the capital services from the equipment and buildings used." (Lequiller, 2005).
Internal audit	The internal audit function examines the adequacy and effectiveness of public sector organisations' internal control systems, procedures, governance arrangements, risk management processes, and performance of operations
Investment spending	Investment spending includes gross capital formation and acquisitions, less disposals of nonproduced nonfinancial assets. Gross fixed capital formation (also named as fixed investment) is the main component of investment consisting for government, mainly of transport infrastructure but also including infrastructure (e.g. office buildings, housing, schools, hospitals, etc).
Labour force	The labour force, or currently active population, comprises all persons who fulfil the requirements for inclusion among the employed or the unemployed during a specified brief reference period (OECD Glossary of Statistical Terms).
Legislative footprint	Legislative footprint refers to being able to re-construct, based on publicly available information, who have influenced a regulatory process (e.g. contributed to the draft of a law) and with what interest.
Line item	A line item is an appropriation that is itemised on a separate line in a budget. In public budgeting it refers to the lowest or most detailed level where a legislative approval of spending (i.e. an appropriation) is given in law. The lower the level, the more restrained the executive is regarding reallocating spending

Mandatory Spending	Public expenditure that is governed by formulas or criteria set forth in authorising legislation, rather than by periodic appropriations alone. It includes certain kinds of entitlement spending in many OECD countries.
Medium-term expenditure framework	A framework for integrating fiscal policy and budgeting over the medium-term (typically over a 3-5 year period). In general terms, this involves systematic linkages between (a) aggregate fiscal forecasting, (b) maintaining detailed medium-term budget estimates reflecting existing government policies, and (c) maintaining compliance with a normative fiscal framework. A key objective of an MTEF is to establish multi-year expenditure ceilings which are effective for the purposes of planning and prioritisation.
Mid-year implementation report	The mid-year implementation report is an analysis of the budget's effects provided about halfway through the budget year and provides a comprehensive update on the implementation of the budget. In addition to its use for budget oversight, the mid-year report can also yield useful insights which can inform the pre-budget deliberations for the following year.
Middle management	D3 and D4 levels (see Annex B). Immediately below senior management levels.
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
Off-budget expenditure	Off-budget funds are special funds owned by the government, that are not part of the budget and that receive revenues from earmarked levies, possibly next to other sources such as fees and contributions from the general tax fund. Earmarked levies are different from fees in that they do not reflect the market value of the services that are financed from the revenues. In particular they may be lower or higher in view of social considerations
Open data	Open data refers to digital data that are made available with the technical and legal characteristics necessary for it to be freely used, re-used and redistributed by anyone, anytime, anywhere
Open Government Data centralized portal	The Central/federal Open Government Data central portal (or "one stop shop" portal) corresponds to a single entry point to access government's data. Access to the data can be provided either directly on the portal or indirectly (redirected to the place where the data is located e.g.: to a ministry's website).
Operational spending	Operational spending incurs in carrying out an organisation's day-to day activities such as payroll, rent, office supplies and utilities.
Outcome	Refers to what is ultimately achieved by an activity. Outcomes reflect the intended or unintended results of government actions, but other factors outside of government actions are also implicated (OECD Glossary of Statistical Terms).

Output	In performance assessment in government, outputs are defined as the goods or services produced by government agencies (e.g. teaching hours delivered, welfare benefits assessed and paid) (OECD Glossary of Statistical Terms).
Performance Information	Performance information can be generated by both government and non governmental organisations, and can be both qualitative and quantitative. Performance information refers to metrics/indicators/general information on the inputs, processes, outputs and outcomes of government policies/programmes/organisations, and can be ultimately used to assess the effectiveness, cost effectiveness and efficiency of the same. Performance information can be found in statistics; the financial and/or operational accounts of government organisations; performance reports generated by government organisations; evaluations of policies, programmes or organisations; or Spending reviews, for instance.
Primary fiscal balance	The primary balance is the fiscal balance excluding net interest payments on general government liabilities (i.e. interest payments minus interest receipts).
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
Productivity	Productivity is commonly defined as a ratio of a volume measure of output to a volume measure of input use (OECD Statistical Glossary). Economists distinguish between total productivity, namely total output divided by change in (weighted) input(s) and marginal productivity, namely change in output divided by change in (weighted) input(s) (Coelli et al., 1999).
Public infrastructure	Facilities, structures, networks, systems, plants, property, equipment or physical assets and the enterprises that employ them, which provide public goods or goods that meet a politically mandated, fundamental need that the market is not able to provide on its own.
Public sector	The public sector includes general government and public corporations. Quasi-corporations owned by government units are grouped with corporations in the nonfinancial or financial corporate sectors, thus part of public corporations (2008 System of National Accounts).
Public sector process	Structures, procedures and management arrangements with a broad application within the public sector.
Public services	Services that are performed for the benefit of the public or its institutions. Public services are provided by government to its citizens, either directly (through the public sector) or by financing private provision of services. The term is associated with a social consensus that certain services should be available to all, regardless of income. Even where public services are neither publicly provided nor publicly financed, for social and political reasons they are usually subject to regulation going beyond that applying to most economic sectors.
Reallocation	Also referred to as Virement. A movement of funds from one account/line-item/programme to another, which can be limited by formal rules. To prevent misuse, Government organisations must normally seek authorisation to make such transfers.

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 nongovernmental or self-regulatory bodies to whom governments have delegated regulatory powers.
Responsible business conduct	Responsible business conduct entails above all compliance with laws, such as those on respecting human rights, environmental protection, labour relations and financial accountability, even where these are poorly enforced. It also involves responding to societal expectations communicated by channels other than the law, e.g. inter-governmental organisations, within the workplace, by local communities and trade unions, or via the press. Private voluntary initiatives addressing this latter aspect of RBC are often referred to as corporate social responsibility (CSR).
Reverse auction	In an auction there is a single seller and many potential buyers bidding for the item being sold. A reverse auction, used for e-purchasing and generally suing the internet (an e-auction), involves on the contrary one buyer and many sellers. The general idea is that the buyer specifies what they want to purchase and offers it to many suppliers.
Secondary Policy Objectives	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.
Secretarial positions	This category includes staff working mainly on secretarial and administrative tasks, filing systems, meetings organisations, calendar organisations, outside enquiries, draft letters and memos, general office support. (see Annex B).
Senior Managers	D1 and D2 managers (see table B above). Alternatively referred to as Senior Civil Servants, Top Managers. Note that the word senior denotes rank, and is not a reference to age or seniority in terms of length of career or tenure. Senior managers can be younger and have fewer years of experience than middle managers if they are, in fact, their superior in terms of hierarchy.
Sound fiscal policy	Sound fiscal policy is one which avoids the build-up of large, unsustainable debts, and which uses favourable economic times to build up resilience and buffers against more difficult times, so that the needs of citizens and stakeholders can be addressed in an effective and enduring manner.
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.
Structural fiscal balance	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).

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".
Supreme Audit Institution (SAI)	A Supreme Audit Institution is a legally or constitutionally independent institution that receives its mandate from the legislature (Parliament). Its central role is to audit the implementation of the budget of the executive (the government) and to report to Parliament.
System of National Accounts	The System of National Accounts (SNA) consists of a coherent, consistent and integrated set of macroeconomic accounts; balance sheets and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules. In 2009, the United Nations Statistical Commission endorsed a revised set of international standards for the compilation of national accounts: the 2008 System of National Accounts, replacing the 1993 version of the SNA. The 2008 SNA retains the basic theoretical framework of its predecessor. However, in line with the mandate of the United Nations Statistical Commission, the 2008 SNA introduces treatments for new aspects of economies that have come into prominence, elaborates on aspects that have increasingly become the focus of analytical attention and clarifies guidance on a wide range of issues. The changes in the 2008 SNA bring the accounts into line with developments in the economic environment, advances in methodological research and needs of users. At the European Union level, the European System of Accounts (ESA), 1995 was made consistent with the 1993 SNA. Its update called European System of Accounts, 2010 covers the recommendations and clarifications agreed at the international level for the 2008 SNA.
Technical support staff	This category includes staff with mainly manual tasks, usually with a professional or vocational degree. (see Annex B).
Total employment	Total employment covers all persons engaged in productive activity that falls within the production boundary of the national accounts. The employed comprise all individuals who, during a specified brief period, were in the following categories: paid employment or self-employment.
Trust	Trust is broadly understood as holding a positive perception about the actions of an individual or an organisation. Trust gives us confidence that others will act as we might expect in a particular circumstances. While trust may be based on actual experience, in most cases trust is a subjective phenomenon, reflected in the eyes of the beholder.
Unitary states	Countries that do not have a constitutionally delineated division of political authority between one central and several regional or state autonomous governments. However, unitary states may have administrative divisions that include local and provincial or regional levels of government.
Variable	A characteristic of a unit being observed that may assume more than one of a set of values to which a numerical measure or a category from a classification can be assigned (e.g. income, age, weight, etc., and "occupation", "industry", "disease", etc.) (OECD Glossary of Statistical Terms).

Year-end report

The year-end report is the government's key accountability document, both for reporting on actual budget execution during the year (budget execution reports) and for illustrating the situation of the government's accounts at the end of the fiscal year (financial statements); although both of these functions may also be handled in separate documents. The year-end report shows compliance with the level of revenue and expenditures authorised by Parliament in the budget. Any in-year adjustments to the original budget may also be shown. Additionally, the year-end report, or related documents, may include non-financial performance information, including a comparison of performance targets and actual results achieved where practicable. Finally, the year-end report often contains a comprehensive discussion of the government's financial assets and financial liabilities, non-financial assets, and employee pension obligations.

Government at a Glance Latin America and the Caribbean 2020

This third edition of *Government at a Glance Latin America and the Caribbean* provides the latest available evidence on public administrations and their performance in the LAC region and compares it to OECD countries. This publication includes indicators on public finances and economics, public employment, centres of government, regulatory governance, open government data, public sector integrity, public procurement and for the first time core government results (e.g. trust, inequality reduction). Governance indicators are especially useful for monitoring and benchmarking governments' progress in their public sector reforms. Each indicator in the publication is presented in a user-friendly format, consisting of graphs and/or charts illustrating variations across countries and over time, brief descriptive analyses highlighting the major findings of the data, and a methodological section on the definition of the indicator and any limitations in data comparability.

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