



PRODUCTIVITY IN THE PUBLIC SECTOR: EVIDENCE AND CHALLENGES

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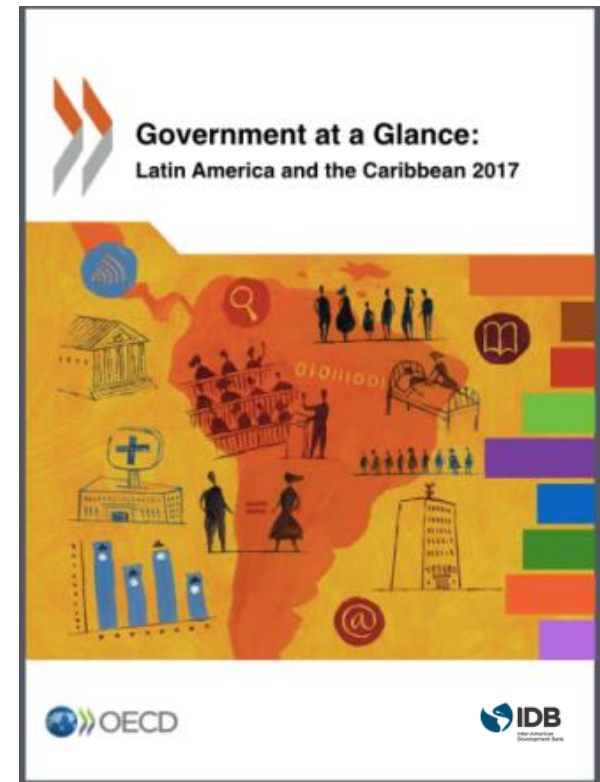
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Motivation and outline of the presentation

- Call for productivity in government operations
 - Fragile public finances, high levels of spending and taxes, perception of inefficiency and ineffectiveness, lack of trust
- Conceptual and measurement challenges
 - What are countries doing?
- What we know about drivers in LAC
 - Findings from the latest LAC edition of Government at a Glance





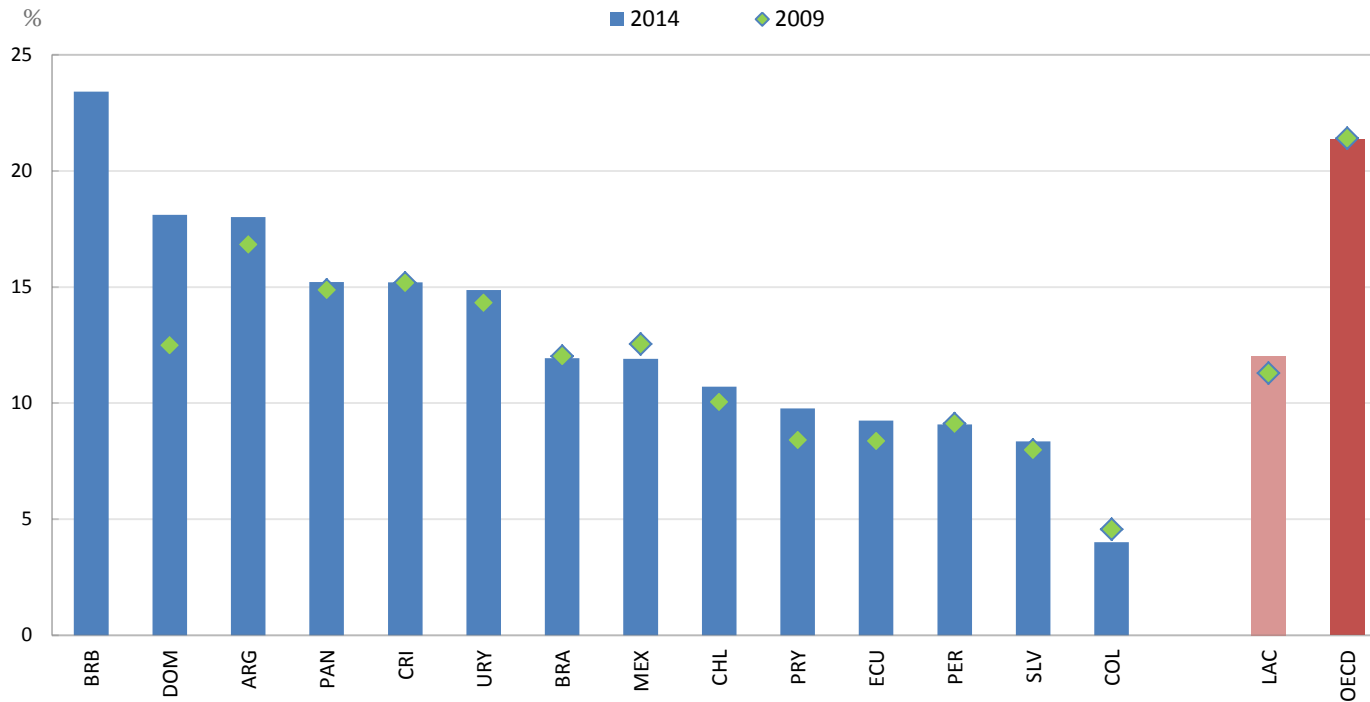
Measuring public sector productivity remains challenging

- In the private sector, market transactions (based on price signals) shape the allocation of resources
 - Measurement of productivity as output per unit of inputs (e.g. employment or hours worked)
- But government operations consist mainly of (often intangible) services, and resource allocation is not determined by market/price signals
 - Difficult to measure inputs, outputs and outcomes
- By convention, the national accounts treat the outputs of government operations on the basis on input/production costs
 - Difficult to measure productivity directly



Relative to OECD countries, LAC governments account for a lower share of employment

Employment in public sector as a percentage of total employment, 2009 and 2014



Source: Government at a Glance Latin America and the Caribbean (2017)

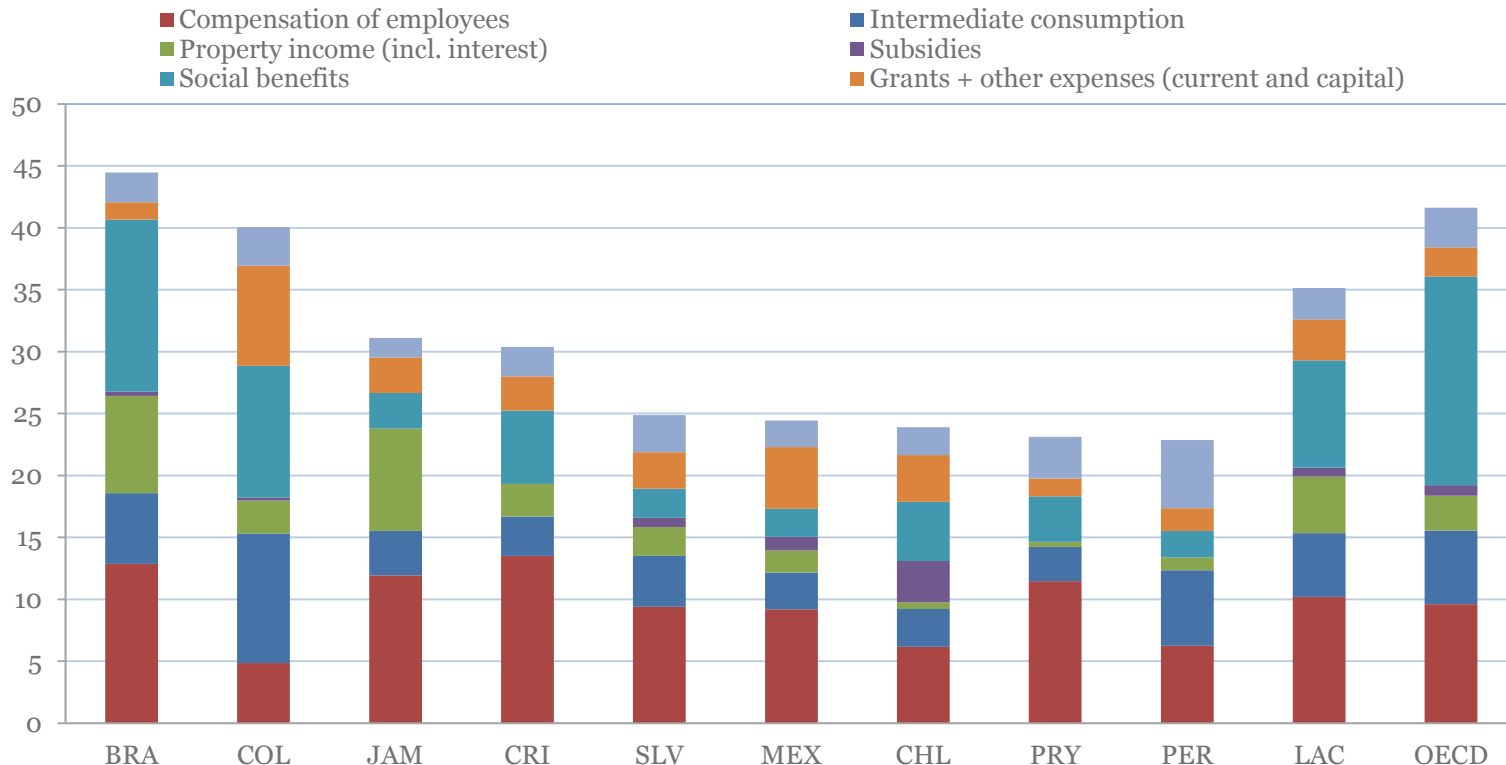


Public employment in LAC is relatively low but increasing



Spending is also lower, due to differences in the size and scope of governments within LAC, ...

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

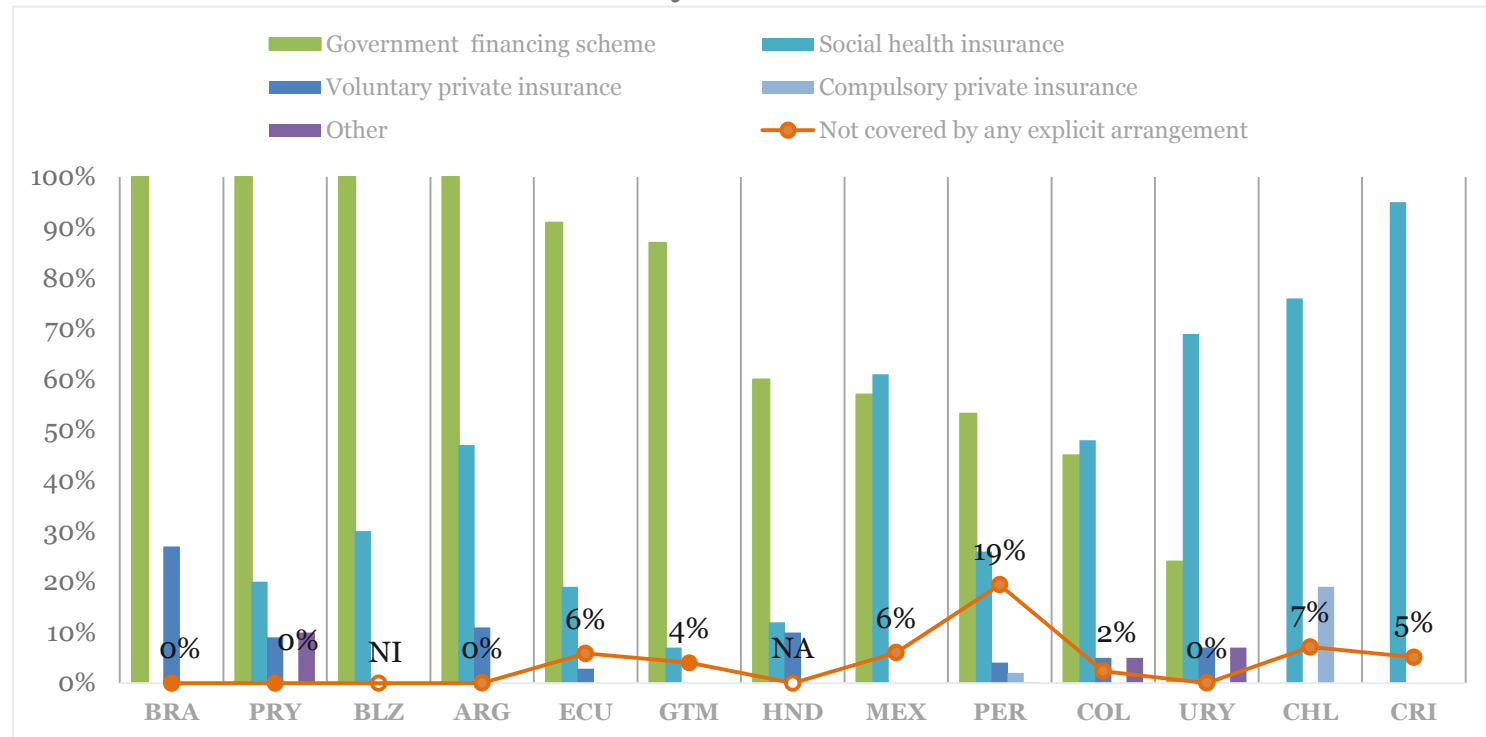


Sources: IMF Government Finance Statistics (IMF GFS) database. Data for Mexico and the OECD average are based on the OECD National Accounts Statistics database.

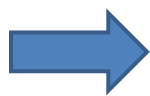


... as well as differences in financing modalities for the provision of essential services

Health care financing schemes and percentage of population covered (2015 or last year available)



Source: Government at a Glance Latin America and the Caribbean (2017)



Public sector is the key provider and funder of health services in the LAC region



A few OECD countries are leading the way in gauging productivity in government

UK

Public sector efficiency group

- Typology of government operations: transactional, back office and front line (schools, health, etc.) operations
- Quality adjustments, “value maps” for policymakers

Australia

Productivity commission

- Detailed information on measurement of inputs, outputs and outcomes on an annual basis
- Consistent with the Atkinson recommendations

Denmark

- Direct output measurement
- In line with the 2002 EU recommendations

New Zealand

Productivity commission

- Direct output measurement (administrative sources and survey data), quality adjustments
- Typology of health activities and schooling



Government also creates conditions for productivity enhancement in the private sector

Resources

- **Direct service delivery; public investment and procurement**
- **Tools: CBA, HRM, MSEM, ICTs, OG, etc.**

Regulations

- **Rule of law, property rights, land use, standard setting**
- **Tools: RIA, stakeholder engagement, ex post evaluation, etc.**



For example, CBA practices are well established but vary across LAC countries; ...

Elements typically included in the CBA (2015)

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

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Source: OECD (2017) Government at a Glance: Latin America and the Caribbean

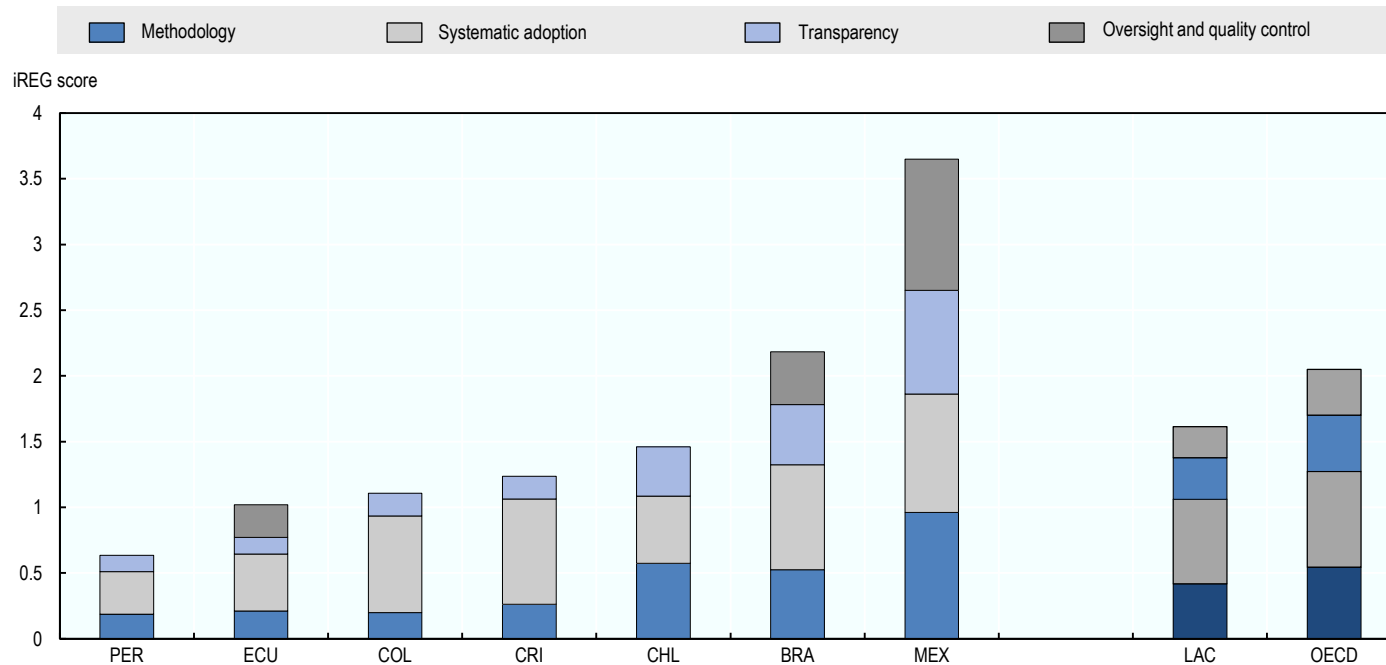


Potential to refine CBA as a tool for prioritizing public sector investment

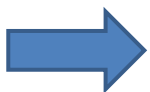


... stakeholder engagement is widely used to set regulations, but practices also vary; ...

Composite indicator: Stakeholder engagement in developing subordinate regulations, 2015



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

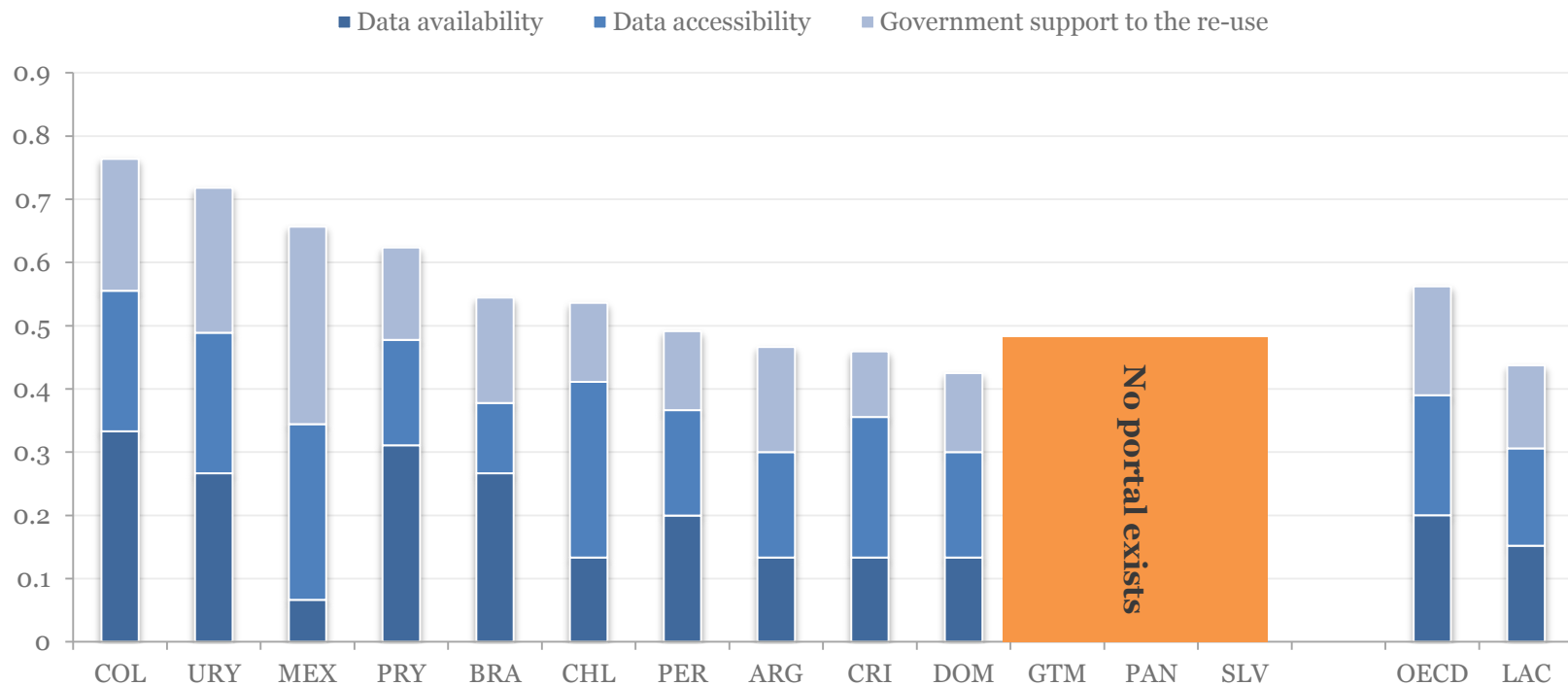


Strengthening oversight of the regulatory process to close the existing implementation gap



... and open government tools are being used to create value, although more can be done

Figure: *OURdata* Index: Open, Useful, Reusable Government Data, 2016



To maximize the impact of OGD move from availability to re-use



Conclusions

- The LAC region has progressed but more can be achieved in key productivity drivers (e.g. regulations, use of ICTs)
- Increasing the evidence base on productivity drivers is relevant for the region (e.g. innovation, fight against corruption, workforce productivity measurement)
- Where is the region in terms of public sector productivity measurement?