

PUBLIC GOVERNANCE AND THE ROLE OF THE STATE

Good public governance is critical to long-term economic, social and environmental development. Striving for greater efficiency of the public sector is one element of the strategy for successful modern government; enhancing the opportunities for markets and private initiative is the other.

The OECD is helping member countries to strengthen and maintain their capacity for good public governance in four key areas: modernising government; fostering trust in government; making the most of e-government; and enhancing the legal and institutional framework for markets.

Modernising government

Modernising government beyond efficient public administration and service delivery requires a comprehensive understanding of the system as a whole and how it functions. Governments need to have at their disposal adequate diagnostic and risk analysis tools and to appreciate the civil service culture and leadership and their critical place in good governance. This means more research on the best way to achieve lasting change in behaviour and attitudes.

Experience in OECD countries suggests that one of the most important levers for changing behaviour and attitudes in any public management system is the budget and how it is used for defining objectives, responsibilities and accountability. This can include performance goals, information and reallocation mechanisms. The organisational structure and human resources management are also key elements of a change strategy. The role of various agencies, departments and governmental bodies, the use of private sector service providers and the relationship between levels of government are also crucial dimensions of modern government.

The OECD is about to finalise a major programme to assess the experience of member countries in each of these areas and how they impact on government's strategic management capacities. The five main components of the programme are: governing for performance, developments in civil services, institutional design, governing by contract, and the changing roles of central agencies. The results are being summarised in a review of "Ten Years of Public Sector Modernisation", which will include a discussion of challenges and recommended strategies. The findings of the programme will also contribute to OECD work on fiscal relations across levels of government with its focus on institutional, budgetary, fiscal and macroeconomic issues.

Trust in government

Governments need to be open, accountable and accessible if they are to win and maintain the trust of citizens, investors and consumers. Systematic and effective

consultations with stakeholders in the policymaking process are promising approaches for facilitating communication with citizens. Public service codes of conduct to prevent corruption and better management of potential conflicts of interest are also important, given the increasing links between the public and private sectors.

The OECD Guidelines for Managing Conflict of Interest, adopted by the Council in June 2003, provide a practical framework of reference for reviewing existing solutions and modernising mechanisms in line with good practices in OECD countries. The Guidelines, together with a “toolkit”, help governments develop an effective conflict-of-interest policy that fosters public confidence in the integrity of public officials and public decision-making, especially at the interface of the private and public sectors.

Making the most of e-government

Information and communication technologies offer new opportunities for the government/citizen interface, for reducing administrative barriers and increasing efficiency in public service delivery.

The findings of the first phase of the OECD e-government project were published in early 2003. This report on *The E-Government Imperative* develops a set of guiding principles for successful e-government, ranging from the need for political support to frameworks for co-operation within governments, the dimensions of customer focus and the issues of responsibility. A second report on “Seamless Services”, to be published in Autumn 2004, reflects the challenges faced by e-government leaders in OECD countries in implementing reform strategies. A series of country reviews in 2004-2005 will generate insights into innovative solutions and offer access to comparative data and analysis.

Governance for functioning markets

While the role of the state as a direct product and service provider and market player has been diminishing in OECD countries, its role in setting the framework in which markets operate remains crucial. In fact, quality regulations and institutional governance arrangements are rightly seen as having a dominant influence on the emergence and functioning of innovative and efficient markets. Both elements are also decisive in promoting competitiveness at national and local level.

The OECD’s work on regulatory governance and territorial development covers the national and regional dimensions of market frameworks and competitiveness. In particular, the OECD is helping member countries improve regulations, protect health, safety and the environment, and establish and maintain market frameworks that encourage effective competition and consumer choice. The Organisation is also helping members promote policies to reduce the dependence of regions on transfers and subsidies and instead stimulate regional competitiveness by mobilising local assets. Special attention is given to improving contract frameworks and the efficiency of vertical and horizontal partnerships between levels of government.

As regulatory reform has become part of the broader policy agenda for growth and employment, countries now face a new set of challenges, such as evaluating regulatory performance, making sure public consultations are effective, and deciding whether and how to use regulatory instruments in sectors such as health or education. The OECD report on *Regulatory Policies in OECD Countries: From Interventionism to Regulatory Governance* emphasises the dynamic character of the regulatory reform process. Current OECD work in

this area pays particular attention to the independence of regulators, the evaluation of regulatory policies and the challenges of regulatory policies across levels of government. The country reviews on regulatory reform, which include all the G7 countries, as well as Russia, the first non-member country participating in the programme, are an essential vehicle for advancing the regulatory governance agenda.

The OECD is also addressing regional disparities from a new market-based perspective, since policies for lagging regions have produced unsatisfactory results despite the allocation of significant resources over a long period of time. Country-specific territorial reviews and policy analysis are helping member countries promote regional competitiveness, sustainable development and innovative governance arrangements, especially at local level.