

**EFFECTIVE COORDINATION FROM THE CENTRE:
CO-ORDINATING POLICIES TO PROMOTE THE
TRANSITION TO A LOW-CARBON ECONOMY**

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BRIEFING NOTE

Transition to a low-carbon economy: the policy alignment problem

To date, policymakers have usually addressed the climate change issue with the short to medium term in mind, promoting incremental change, and often using sector-specific policy approaches. In response, OECD, together with IEA, ITF and NEA, is urging governments to address the problem of policy alignment as a crucial component of the preparation for COP21 and beyond. Policies designed to promote the shift to a low carbon economy necessarily interact with many other policy areas: the required policy instruments and economic signals will operate on top of policy-frameworks, intersect with other policy goals and interfere with their dedicated instruments. Effective low-carbon policy strategies need to look beyond the usual portfolios of environment and energy policy and engage parts of governments that have not so far been engaged enough in the development of climate response strategies.

The key dimensions of policy alignment

- **Across policy areas and policy objectives:** Is there consistency among the goals, objectives or impacts of existing policy areas and low-carbon policies? Are tax systems biased towards carbon-intensive developments?
- **Across levels of governments:** Are policies and responsibilities at different levels of governments and among different ministries conducive or hampering climate change objectives?
- **Across stakeholders:** Do public and private actors have the same incentives and agree on the objectives? How can stakeholders outside government be brought into the policy process equitably and vested interests managed transparently?
- **Across development policy goals:** Are policies that support fundamental development goals undermining long-term climate goals and *vice versa*? Can energy access objectives be best met with financial support to renewable energy?
- **Across countries' domestic policy choices:** Can a country's low-carbon policy be undermined by another country's domestic policy choices?

The COP21 process needs to lead to credible frameworks for policy design and implementation that integrate policy alignment across these different dimensions. The added pressure to align stems from the need to understand trade-offs, their implications and how to mediate among them **both in advance** of the meeting and during **follow up** and implementation. This is far from straightforward, given the complexity of the topic, the mixed track record of most governments in working horizontally, and the need to broaden participation to include an unprecedented range of public and private actors.

The process needs to start by defining a clear vision with measurable targets, an action plan with clear responsibilities and tasks for the different stakeholders and a system for monitoring progress and evaluating performance. In the context of a policy challenge as complicated as transition to a low carbon economy, this represents an enormous governance challenge.

The limits of traditional approaches to managing complex policies

The OECD survey of centres of government confirmed that, for most countries, the number of cross-ministerial initiatives has increased since 2008. The most recent meetings of the Centres of Government (CoG) network in Chile and Austria have underlined that governments are still searching for effective models to coordinate policy development and implementation across multiple departments.

The obstacles to joined-up government are well known:

- The benefits from horizontal initiatives often accrue in other policy areas (e.g. expensive drug addiction programmes can reduce crime, but Ministries of the Interior might not pay for the treatment).
- Public budgets and accountability systems are usually aligned with departmental structures; this tends to mean that non-lead departments have less of a stake in achieving performance targets.
- Information sharing across departments is often poor: “daily” inefficiencies caused by incompatible IT systems, non-transfer of case histories, etc., slow down delivery and reduce the coherence of the service or policy.

Taken together, these factors result in “strategic” failures of coordination. Against this background, and given the increasing need to deal with complex challenges such as climate change, aging, competitiveness and global risks, governments have tried numerous solutions:

Alignment tool	Strengths/weaknesses
Creation of “super ministers” with responsibility for more than one department or portfolios that span departments	Success depends on the status of an individual and might not lead to effective integration at the policy level
Creation of “super ministries”	Internal silos often remain; merging two departments might not solve problem where policy has multiple dimensions
Policy “tsars”	Success depends on the status/personality of an individual
Inter-ministerial committees	Permanent (standing) or <i>ad hoc</i> committees are the most typical mechanism for “routine” coordination, but are less suited for ambitious, game-changing initiatives
Independent policy units	May face challenges in establishing legitimacy across departments.
Inter-ministerial policy teams	Can work if departmental priorities and approaches are aligned; more difficult if inherent trade-offs are involved.

What the Centre can bring to the policy alignment challenge

These models tend to have weaknesses that relate to the general need to have a single lead department coordinating a coalition of other agencies, leading to variations on the theme of principal-agent and game-theory type problems.

The Centre of Government has a number of advantages as the principal coordinator of complex policies.

- The Centre of Government is in principle policy neutral, unlike departments, which tend to be interested parties.
- The Centre combines strategic vision, policy coordination and monitoring functions and capacity.
- The Centre has convening power borrowed from the head of government and can bring significant pressure on departments to align policies. It does not need to rely on achieving consensus through compromise and lowest-common-denominator negotiations.
- The Centre can have a more strategic relationship with the Ministry of Finance than line ministries tend to have.
- The Centre has coordination expertise tied to political sensitivity. Line ministries might have little experience in driving cross-disciplinary policies.
- The Centre can house high-profile leadership for strategic priority actions – e.g. secretaries of state and policy tsars – without them becoming associated with a specific sectoral interest

Among the many tools that the Centre can manage effectively – and potentially more effectively than the department level – include:

- Holding funding pools and designing accountability frameworks for allocation across departments;
- Building centrally located policy units drawing on expertise and staff from relevant line ministries;
- Managing the presentation of evidence and briefing to Cabinet and Head of Government in order to ensure high-level support and buy-in.

Given these assets and tools, the Centre of Government can play a strong role in helping to establish a realistic coordination mechanism for the transition to a low-carbon economy and other similarly complex challenges.