

**2012 OECD GLOBAL FORUM ON PUBLIC GOVERNANCE  
“BETTER GOVERNANCE FOR INCLUSIVE GROWTH”**

**SUMMARY**

Policy-makers, academics and civil society organisations from 63 countries around the world gathered for the 2012 Global Forum on Public Governance under the heading “Better Governance for Inclusive Growth” to discuss and exchange new and innovative governance solutions to foster inclusive growth.

The 2012 Global Forum on Public Governance benefited from the participation of all key OECD partner countries (Brazil, India, Indonesia, China and South Africa) as well as others from the MENA, African, South-East Asian, Latin American and Caribbean regions. In addition, the Global Forum brought together the representatives of three OECD committees (Public Governance, Development Assistance and Regulatory Policy), as well as participants of the “New Consensus” on more effective institutions for development, signed in Busan last year.

The 2012 Global Forum on Public Governance highlighted that the strength of institutions is critical in providing a level-playing field for all stakeholder, inclusive growth and a sustainable economic recovery, through its ability to ensure inclusive policy-making processes, generate evidence-based policies, guarantee laws and public sector integrity, advance more efficient public administrations, enable more strategic centres of government, and engender more public sector openness and innovation. In this vein, the Forum moved beyond the conventional focus of institutional economics on transaction costs, towards emphasizing the critical role of inclusive institutions and inclusive policymaking.

The Global Forum also highlighted that the efforts to strengthen public sector institutions need to be undertaken within broader governance systems, including the legislature, judiciary, independent oversight institutions, civil society and media. All of these are fundamental to ensure sustainability, effectiveness and sound functioning of the public sector.

OECD Secretary-General Angel Gurría noted that “to ensure the effective functioning of governments and the equitable and efficient distribution of public resources, we need: functioning parliaments, vigilant audit institutions, efficient courts and a vibrant civil society.”

*Governments need to deliver what they are paid for, to deliver better policies for better lives*

Angel Gurría

**Towards New Economic Thinking: the Role of Governments in Promoting Inclusive Growth**

The financial crisis revealed serious weaknesses in the governance and regulatory structures necessary for promoting a level playing field and inclusive input to policies. Good governance and quality public services are crucial for competitiveness and growth in both developed and developing countries. This issue is central to development strategies and could be reflected in the OECD Development Strategy and the OECD’s New Approaches to Economic Challenges

Inclusive growth and inclusive policies require inclusive policy-making and institutions: for example, regulations that are transparent provide incentives for citizens and businesses. The most lasting impact governments have on inclusive growth is not what they spend but how they regulate. Well-designed consultation can also help ensure good regulations – providing the right feedback without being captured by interest groups. A dynamic business sector will, in turn, generate revenues to support better education and other social programmes.

But inclusive growth is not only about the central government. More and more action is sub-national: that is where the governance challenge is today. We need to make sure that governance structures allow regions to fully reach their potential. Effective labour markets, human capital development, environmental protection – all these elements come together in policies at the local and regional level. Good capacity is therefore needed at all levels. An exclusively top-down approach to governance cannot succeed. The OECD Territorial Development Policy Committee has developed a toolkit for regional development and multi-level governance.

Therefore, governance for development needs to be broader (including citizen and business participation) but also deeper (including regions and cities). To achieve inclusive growth, countries will need to focus on creating a virtuous cycle of development by establishing sound governance institutions and developing capacity, tapping into the economic potential of people and places by reducing economic and social disparities through good regulation, effective public administrations and place-based policies.

There is a need to understand the impact and importance of various governance practices for changing the paradigm of economic thinking towards more inclusiveness and sustainability, and building a more solid path for economic growth and well-being.

### ***Building Effective Institutions for Inclusive Growth: Current Progress and Challenges***

Although countries have experience in strengthening public sector institutions, much more work needs to be done. The crisis is a clear reminder that we need to find new ways to achieve more effective and responsive public sector institutions, since these translate policy into practice. Engaging in mutual learning among OECD countries and reaching out to non-OECD countries and the development community (for example through OECD Global Fora) can help in this endeavor. The “New Consensus” on Effective Institutions and the OECD/MENA Integrity Observatories are good examples of how OECD and partner countries can exchange lessons learned on strengthening institutions.

There is need to enable the participation of a broader set of stakeholders, e.g. by creating accountability bodies and new laws on access of information that allow citizens to hold governments to account. Both Brazil and Ghana mentioned the importance of free press as a vehicle to communicate the work undertaken by public sector institutions.

A whole-of-government approach to reduce silos and improve public sector performance can help promote more effective institutions. Moreover, an effective public sector must also engage with the private sector on issues such as integrity and public service delivery.

Finally, reforms are not only technical but political endeavors; it is important to understand the political economy of reform. The OECD supports countries in these efforts through the findings of the Making Reform Happen project, undertaken jointly with the Korean government.

### ***Establishing a Professional Public Service***

The need for fiscal consolidation and better domestic accountability for use of resources puts the spotlight on the public sector and its capacity to perform, and particularly to deliver the same or better quality services with tighter budgets. In the aftermath of the economic crisis, the recovery is slow and uneven. If economic growth is to be sustainable and social development achieved, countries need a strong, efficient, and effective central administrative system. As the prime mover in supporting economic recovery, the public sector must be equipped with the right skills and capabilities to meet the challenge. In this context, both OECD and partner countries are undertaking active reforms to strengthen capacities, enhance public sector performance and stimulate innovation.

An efficient and professional public service should have the following features: effective middle management, common public sector values, fair and merit-based recruitment and promotion, a culture of performance and a code of ethics and law enforcement. Specific values and management are essential to establish or maintain a professional and politically neutral public administration. Public service values such as respect for legality, integrity, political neutrality and fairness are among the defining features of a professional public service that provides continuity and professional advice.

The recruitment and promotion processes need to be dynamic, transparent, and fair. They should be based on merit and the management of staff careers should leave no room for patronage. Legal and constitutional provisions, such as implicit tenure or the rules for appointing staff, reinforce the independence, political neutrality and continuity of the public service are required

Finally, employee motivation and engagement are important drivers of public sector performance. To perform well, people need to be motivated, to be reminded of the values of being a public servant, and to feel that are part of something important. Pay rewards may be a complement of compensation but should not be overemphasised. In building incentives for public employees non-financial elements (professional development, flexible working conditions, and recognition) in addition to salaries and other financial benefits (pension, health benefits, paid leave) are recommended. To this end, Colombia is undertaking an OECD Public Governance Review to monitor and assess the function of its civil service and make it more effective and efficient.

### ***Tools for Evidence-based and Inclusive Policy Making***

The use of strong evidence drawn from a broad range of stakeholders can help build trust in policies and the policy process. Trust is central to good governance – yet mistrust is growing. Evidence of how policies work as well as how government responds to failures can help rebuild trust between institutions and people. The work of the OECD, including its publication *Government at a Glance*, helps close this gap by providing international comparative data on government performance.

We need evidence-based policies rather than “policy-based evidence” (that is, evidence that supports *ex post* policy decisions). Governments need to develop evidence-driven, responsive and inclusive policies in order to foster sustainable and inclusive growth. The discussion stressed the importance of developing and using impact evaluation (both *ex post* and *ex ante*).

We also need good-quality, timely, and broader data on what type of evidence is required for developing and developed countries, developed with stakeholder participation. We need to look at how we have used the evidence and how we have interpreted it. At the outset, we need to be clear about

what the data will be used for, the timing of production of data, and its feedback into the policy process (feedback mechanism).

Yet evidence-based policy-making goes beyond data generation to support policy choices. It also creates mechanisms for informed policy-making by bringing together views of different stakeholders and helping identify a wide range of policy options. Moreover, if policy-makers do not have robust evidence for making informed policy choices, policy decisions need to be accompanied by clear policy hypotheses, robust indicators and data collection activities to test the validity of the hypotheses. To be successful, these also require rigorous monitoring and evaluation of policy impact and implementation, as well as ongoing mechanisms for policy improvement.

### ***Strategic Management of the State***

In both developing and developed countries, there is still room to build strategic management capacity. OECD has gathered significant experience – and drawn lessons – on the nature and scope of the capacities and management tools required to sustain strategic-state capability through its Public Governance Reviews, the work of the OECD Public Governance Committee, its Network of Senior Budget Officials and its Centres of Government Network.

In this increasingly complex and globalised environment, building strategic management capacity is about government responsiveness to citizens' needs. Governments also need to connect with and mobilise an expanding range of civil-society stakeholders to address increasingly complex and multi-faceted policy issues.

How to square the circle of government attempting to address horizontal challenges using vertical bureaucracies? Solutions to this conundrum include, *inter alia*, the centre of government facilitating and enabling peer-to-peer exchanges between line ministries on how best to solve policy challenges that cross agency boundaries, and the need to build creative tension between the centre of government and line ministries. Centre of government institutions need the right capacity and sound data to effectively play a government-wide role of “challenger” to ministries' policy choices.

There is also a need to enhance transparency in government decision-making, for example implementing performance-based budgeting, in which a group of outside experts is mandated to examine and approve investment projects. This can be very successful in enhancing government transparency and credibility in making decisions and its accountability to citizens.

OECD experience in this area is increasingly important as countries continue to struggle with the effects of the crisis on employment, growth and competitiveness, regional disparities and quality of life for citizens.

### ***Openness and Innovation in the Public Sector***

Opening up government can lead to a better understanding of public service demands and in turn more effective and efficient public administrations.

The Internet provides a platform for information and exchange through government portals (the UK, Mexico, and Egypt, among others, offer examples of how this is used). These tools can improve public service delivery and outcomes by enabling a better understanding of user needs as well as more efficient public spending. In this light, the OECD Observatory for Public Sector Innovation can be a useful platform

for governments to share innovative approaches in the public sector; both OECD and partner countries can learn from each other.

Challenges remain, however, including the need to: address the digital divide (to ensure accessibility and inclusive services and opportunities to engage with government), establish better evidence on impact, enable citizens to understand the tools at their disposal, overcome bureaucratic resistance to new tools, and work within tighter resource constraints.

### ***Public Sector Integrity and the Rule of Law***

Trust is one of the top determinants for sustainable economic growth – in particular, trust in the institutions of the state. Integrity and transparency are crucial for building and sustaining citizens' trust in their government, and also for creating a level playing field for business.

Without a well-performing judiciary, human rights cannot be protected and citizens cannot feel free and able to pursue opportunities. A judiciary should be professional, independent, impartial, and well managed – treating cases in a timely manner and delivering high-quality services to citizens and other stakeholders. As Ms. Huguette Labelle noted, “justice delayed is justice denied”. In this context, both OECD and non-OECD countries are embarking on a set of reforms to improve public service delivery in the justice sector.

Leveraging the use of ICT to enhance accessibility to the courts, timely decisions, and transparency of court proceedings are ways to improve citizens' trust and the predictability of law application. All too often, we see only partial enforcement of existing laws.

Citizen and other stakeholder participation in law making can help ensure that laws are relevant and reflect the diverse aspects of society. Countries have been carrying out interesting work on reforming the appointment of judges, their promotion and their demotion through judicial councils representing broader societal actors. The criteria for entry must be clear and transparent. The OECD could play an important role by collecting best practices in such reforms around the world, and sharing them with both OECD and partner countries.

Transparency in public procurement is very important, and includes not only solid case-by-case audits, but also taking a hard look at the overall sector to detect collusion. Moreover, there is a need for transparency in all revenues to the treasury, the budget, and its disbursement. Brazil publishes all disbursements from government, including to whom and how much, daily.

Finally, conflict-of-interest rules, their application to lobbying, and transparent lobbying registries are key elements of an integrity framework. Oversight institutions (audit, comptroller general, anti-corruption commissions, ombudsmen, etc.) are the best insurance policy a state can give itself in terms of early detection. Furthermore, the declaration of assets (not only reported but also analysed and made public) by senior officials, parliamentarians, and those in the judiciary is another way to prevent corruption. In the same vein, it is important to set standards of conduct for public officials, to embed a culture of integrity in public officials from day one and to build more capacity to fight corruption and nepotism on the local government level.

Overall, the Global Forum on Public Governance stressed the importance of the OECD in providing a platform for constructive dialogue and exchange of country experiences and lessons learned in public governance reforms. In both OECD and partner countries, reform is a process: it takes time to accumulate

experience and build upon previously constructed institutions. The Forum highlighted the demand for future OECD work in building public sector capacity and measuring governance performance. The discussions at the Forum will contribute to the OECD good practice reports and to advancing the OECD Global Relations Strategy in the area of public governance.

Global Forum documentation, presentations and photos can be found at:

[www.oecd.org/governance/globalforum](http://www.oecd.org/governance/globalforum)