The Senior Officials from Centres of Government

SESSION NOTES

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Meeting of Senior Officials from Centres of Government

PROMOTING INCLUSIVE GROWTH
A New Challenge for the Centre of Government

Helsinki Music Centre
28-30 October 2015

Session notes
The Centre of Government (CoG) is the body that provides direct support and advice to the Head of Government and the Council of Ministers. The CoG meetings began in the 1980s, and were consolidated into an annual event in the 1990s. CoG constitutes a forum for informal discussion and remain one of the OECD’s highest-level policy networks.

The meetings serve three main purposes:

- To review issues of how to make the centre of national government work more effectively;
- To achieve a more in-depth understanding of decision and policymaking systems in the host country.
- To work on broad governance issues fundamental to achieving economic and social public policy objectives.
The annual meeting of senior officials from Centres of Government is one of the highlights of the OECD calendar. As one of the most high-level OECD committees, it offers a unique insight into strategic thinking at the top. We look to the Centres of Government to help us find new approaches to the unprecedented economic challenges that we face today.”

Angel Gurría
Secretary-General of the OECD
Introduction

The 2015 OECD Centres of Government (CoG) meeting focuses on the role of the centre in steering the priority work of government from conception to effective delivery. One of the criticisms facing governments today is that they struggle to deliver. They are good at developing plans and strategies but not necessarily at implementing them and generating real change in people’s lives. Translating a political vision into effective laws, policies and regulations seems to take so long and involve so many compromises that voters become disillusioned.

The apparent disconnect between ambitions and action seems particularly unfortunate today. Many countries are still dealing with the legacy of the crisis, with continuing low growth and persistent unemployment. Inequalities have risen in most countries, prompting urgent calls for inclusive growth responses. Uncertainties around emerging challenges such as large-scale migration and climate change bring new pressures. Global commitments including the United Nations Sustainable Development Goals (SDGs) that were endorsed a month ago and the targets that will be agreed at the UN Conference on Climate Change (COP21) in December will require new efforts from governments. These are not separate agendas: they share common features, notably multidimensionality, high stakes, complex metrics, and uncertainty. Citizens are increasingly aware of the scale of the challenges and they expect governments to look beyond political timetables or ideological affiliations to find durable solutions.

Why has policy implementation become so difficult? One obvious reason is that many of the tasks that governments are expected to address today are highly complex and cross-sectoral. Most countries are adopting strategies to address climate change, increase competitiveness, reduce social exclusion and so on, but with what expectation of success? What is our countries’ track record in implementing ambitious cross-sectoral strategies? How can we communicate the objectives of these complex visions in a way that mobilises citizens and gives them voice? What can we do to improve the chance that the SDGs, COP21, the OECD’s Inclusive Growth Initiative and other similar visions will lead to an improvement in the well-being of citizens?
Why is this an issue for the centre of government? The centre today is increasingly focussed on delivery. It is developing a new “vocation” and now plays a leading role across the entire policy cycle, from helping to shape the government’s guiding political vision to monitoring progress and working with departments to solve delivery problems. The centre has unique assets that can improve the steering of priorities so that they are less likely to be derailed en route. It has the potential to help reduce the “implementation gap” that appears to bedevil public policy and weaken the confidence of citizens in public institutions as trustworthy deliverers of welfare. But to play this role, the centre might also need to revisit many of the processes and procedures that it uses.

What can the centre do better? The Finnish government’s OHRA initiative examined the policymaking process in Finland to see what the centre could do to improve outcomes. As would be the case in many countries, the report found that individual processes and institutions work well, but as a whole the system does not always achieve the goals set by the government or expected by citizens. In essence, the policy cycle is a chain with some weak or broken links. In the Finnish case, the OHRA initiative proposed to identify and remedy these weaknesses through an enhanced common agenda-setting process, better knowledge sharing along the policy chain and stronger mechanisms to support common action by departments and agencies. All of these improvements would be facilitated by a centre of government that has a more formal and institutionalised role in turning political ideas into policy action.

Using the outcomes of the OECD Ministerial meeting on Public Governance for Inclusive Growth as the starting point, this meeting will explore the capacity of centres of government to drive a broad inclusive growth agenda, from visioning, to agenda setting and all the way to monitoring and evaluation. In this sense, inclusive growth – which integrates a wide spectrum of economic and social objectives – is an important test of the ability of the centre, and of government more broadly, to deliver on today’s policy challenges.

The discussion is structured around three sessions. Session 1 will explore how the centre can use its coordination and communication skills to promote an inclusive growth approach both across government and across society. Session 2 looks at how evidence and data can be used more effectively to guide the design and implementation of an inclusive growth strategy, setting innovative, integrated yet operational targets for the public sector. Finally, Session 3 takes up the issue of the centre’s capacity to support cross-sectoral delivery in a way that adapts to political realities, emergencies and shifting priorities without losing focus on longer-term goals.
Figure 1. What’s new about Inclusive Growth? The OECD approach

Session 1

INCLUSIVE GROWTH:
IDENTIFYING A COMMON AGENDA
Achieving inclusive growth for citizens obliges governments to align economic and social goals in order to more effectively address issues such as inequality and exclusion. The OECD Public Governance Ministerial emphasises that this approach needs to be applied from a whole-of-government perspective and throughout the policy cycle, influencing both what governments do and how they do it. The ministerial is framed around the need for a radical rethinking of how the public sector works in order to make the goals of inclusive growth achievable. This is an important undertaking that will require careful steering from the centre.

The starting point for steering an inclusive growth strategy is to translate an aspirational vision into a plan: choosing concrete policy commitments and setting an agenda for action that can guide the work of departments in a coherent way. The inclusive growth vision is useful politically for inspiration and a communicable sense of direction. But what the public administration needs is a deliberate, carefully articulated, precise and integrated strategy. Getting from the vision to the plan is usually a task of the centre of government.

Delivering inclusive growth is one of the most complex policy challenges facing governments today, with high stakes, high expectations and a large number of interested parties. Slow growth, high unemployment and widening inequalities have placed inclusive growth implicitly or explicitly at the heart of the policy debate in many parts of the world. Central to this debate is the ability of governments to put in place policies that deliver stronger economic growth together with better sharing of the benefits of increased prosperity. Over the longer term, the economic and social peace of our countries depends on finding a way to deliver inclusive growth. Most - perhaps all - governments adhere to the inclusive growth vision, but it nonetheless represents a huge implementation challenge.

Inclusive growth sets important objectives for major line ministries – economy, education, labour and social affairs, etc. – but several themes that are often driven from the centre are also important. These themes, highlighted in the Public Governance Ministerial meeting, tend to be transversal issues that relate to the structure and operations of the public service as a whole. The centre has, therefore, an important role in achieving what is broadly termed “inclusive policy making”. 
Box 1
**Key “governance for inclusive growth” themes commonly led from or involving the centre**

- Gender balance in the public sector,
- Good regulatory practice, including requirements for stakeholder consultation and impact assessments,
- Digitalisation and open government data,
- Public sector productivity/efficiency/performance,
- Open government,
- Innovation in the public sector.

Refining and, if necessary, formalising how governments steer key policies is important because the number of issues on which a horizontal approach is desirable is increasing (see Figure 1). The cross-sectoral nature of inclusive growth, the SDGs and climate change commitments is clear. But there are many other examples. Infrastructure investment in OECD countries has been criticised for being poorly coordinated, leading to missed opportunities for synergies. Similarly, public procurement, which represents one-fifth of OECD GDP, struggles to influence strategic agendas such as green growth or innovation partly because of lack of coordination across sectors and along the policy cycle. Dealing with coordination in and *ad hoc* way no longer seems feasible.

**Figure 1**
**The number of cross-ministerial initiatives**

![Pie chart showing the number of cross-ministerial initiatives: Increased 59%, Remained fairly stable 38%, Decreased 3%]

*Note: OECD Survey of Centres of Government, 2013: survey question “From 2008-2012, has the number of cross-ministerial policy initiatives – increased, decreased or remained fairly stable?”*
Drawing on unifying concepts such as inclusive growth to give government programmes a clear vision is certainly positive, but implies an effort by the centre to better organise first the process by which policy is developed and then, downstream, how it is delivered. For issues such as SDGs, infrastructure governance and climate change, this also means securing longer-term commitments to targets that are likely to span electoral cycles and, to some extent, immunising them from political discontinuities. At the same time, this should not translate into mission creep or give the impression that the centre is now driving policy development.

Box 2

**Strategic planning vs. crisis management: Examples of diverse policy timelines at the centre of government**

**Longer term: United Nations Sustainable Development Goals**
The SDGs commit all 193 UN member states to an ambitious development agenda with a 15-year timeline. It is ambitious in both scope and scale, and implementation promises to be complex, particularly as the indicators that will need to be devised will present new data challenges (some would call them burdens) for countries. Without strong co-ordination from the centre to steer the process, we are unlikely to achieve many of these ambitious goals.

**Medium term: Strategic infrastructure governance**
Against a backdrop of fiscal constraints, maximising the return on public investment is crucial. This involves assessments of relative benefits of different types of infrastructure investment, effective coordination across sectors to generate synergies, monitoring of progress with key projects and problem-solving support where required. Given the strong silos that affect infrastructure investment planning and delivery in OECD countries and the need to link regulatory, budgetary and technical capacity across government, the centre can often be essential.

**Short term: Integrating refugees**
The refugee crisis in Europe and migration in other parts of the world are creating sharp short-term pressures in many countries that stretch the capacity of governments to respond. The impact of large numbers of migrants is a cross-sectoral challenge, and one that in some cases has the added dimension of being unexpected. Dealing with a large influx of refugees requires something closer to crisis management, with the centre of government involved in ensuring coherence between political messages and administrative action and co-ordinating actions across multiple departments. The agenda-setting, knowledge sharing and joint action must be carried out in a timeframe of hours rather than weeks or months.
Planning strategies and agenda-setting involve many challenges. First, government programmes today tend to include an unmanageable number of priority goals. If there are too many priorities, there is a risk that they will end up being diluted. Next, once priority cross-sectoral initiatives are identified, they need to go beyond simply compiling and aggregating individual sectoral and/or political objectives. Finally, once the strategy to get from goals to actions is defined (on the basis of evidence and discussion) the various incentives and disincentives to participate in horizontal initiatives need to be identified and addressed. In general, because of the way our administrations are structured, there are many disincentives and few incentives. If the vision is clear and the benefits for society are convincing, there is no reason that institutions and individuals will not want to participate; however, the range of budgetary, administrative human resource and regulatory obstacles that might prevent real horizontal working need to be understood.

The centre of government has a number of assets that can help to ensure that agenda-setting leads to an agreed and realistic approach. First, the centre is, technically, policy neutral, in contrast to departments. Second, the centre has convening power borrowed from the head of government and can bring pressure to bear on departments to adjust policies and commit resources. In principle, with respect to the head of government’s priorities, it does not need to rely on achieving consensus through compromise and lowest-common-denominator negotiations. Third, while line ministries, even those with the most relevant technical expertise, might have little experience in driving cross-disciplinary policies, the centre usually has co-ordination expertise allied with political sensitivity.

Moreover, the centre can sometimes offer flexible tools to overcome administrative rigidities, such as holding funding pools, designing tailored accountability frameworks for allocation across departments, building centrally located policy units drawing on expertise and staff from relevant line ministries, and managing the presentation of evidence and briefing to the cabinet and head of government in order to ensure high-level support and buy-in. Together, these inducements ensure that disruption of departments’ other operational tasks is minimised and that roles and expectations are clear for all. Although complex, this negotiation process to a large extent determines the success of the initiative.
Finding solutions and planning strategies to address complex challenges need to draw on input from beyond government. Policy planning now needs to take better account of citizen’s preferences and draw on their ideas. However, the processes by which strategies are developed tend to focus on blending ideas from different parts of the public administration and assigning tasks to them. A more inclusive approach to policymaking starts from better communication of what is at stake, clear presentation of the evidence and options and mechanisms by which the views of citizens can influence policy formulation. This is particularly important for inclusive growth, the SDGs and COP21, which all imply complex trade-offs and some difficult choices.

Key questions:

• What contribution can the centre make to inclusive growth? What key agendas identified at the Public Governance Ministerial are best driven by the centre itself?

• How can the centre promote a whole-of-government approach to inclusive growth? What incentives are available to encourage participation by key departments and agencies? What good practices do we have in planning complex multidimensional strategies?

• How can the centre better communicate the stakes and objectives of global agendas such as inclusive growth, SDGs and COP21? What experience does the centre have of ensuring that citizen’s voices are heard in the design of complex policies?
Session 2

COMMON KNOWLEDGE:
BUILDING AND SHARING THE EVIDENCE BASE FOR INCLUSIVE POLICIES
Inclusive growth policies require an intelligent combination of budgeting, regulation and investment instruments. For each of these instruments, knowledge about policy impacts and distributional effects is crucial to effective policy making. This session will look at how systems can be promoted by the centre to generate “common knowledge” that uses the best forecasts and analysis from the centre of government, ministry of finance, line departments and other key information sources such as supreme audit offices to ensure quality decision making.

A key step in the agenda-setting process is clearly defining the problem and the outcome expected. Political visions tend to be light on evidence and can be unrealistic in terms of expectations. Making the vision more concrete means agreeing on benchmarks and targets, identifying and allocating resources, specifying accountability and other decisions that are only possible with the support of good data. There is certainly no shortage of information and advice available, but for a coherent policy response the available evidence must be used effectively so that actions proposed are aligned, avoid duplication and wasted effort, and work towards clear and measurable outcomes. This is also a prerequisite for effective communication of the need for action and of the logic of the proposal response by government to citizens.

Developing realistic delivery plans for key policies involves intense negotiation, persuasion and some compromise. In order to prevent this process from diluting the essential value of the initiative, this negotiation needs to be supported by shared knowledge – about the baseline situation, the objectives (who or what will be affected by the strategy), the resources available and the timetable. The centre needs to be able not only to collate but also evaluate the best available evidence in a way that is transparent yet authoritative. Given the often delicate process of agenda-setting across departments, and given the varying level of influence of the centre (see Figure 2), data use should be both transparent and inclusive.

Figure 2
Level of influence of the centre of government over line ministries to encourage them to co-ordinate with each other, 2013

![Diagram showing level of influence of the centre of government over line ministries]

The knowledge available is of different types, ranging from foresight studies to finance ministry status reports and regulatory impact assessments. In general, these sources of information do not seem to be used systematically to produce a synthesised “common knowledge” base on which decisions can be taken at different stages of the policy process. Bringing together diverse information from a variety of government and non-government sources is a highly skilled task. Inclusive growth, like other complex policy initiatives, makes extra demands on analytical capacities: how to address complexity and interdependencies ex ante, how to predict the likely distribution of policy impacts, and how to evaluate trade-offs across sectors and policies. This information needs to be accessible at an early stage in the design phase and also contribute to the refinement and adjustment of policies as the initiative moves forward. Discussions at recent CoG meetings, however, have highlighted concern in some countries over the in-house analytical capacity of the centre.

There is certainly scope to better integrate sources of policy information that sometimes appear to be underused, particularly budgetary and regulatory information. Many OECD countries have developed medium-term expenditure frameworks (MTEFs), which enable policy planners to look beyond immediate outcomes and toward broader and longer-term inclusive policy goals. Similarly, ex ante analysis of regulations include stakeholder engagement mechanisms, value-for-money analyses and regulatory impact assessments. The new OECD Regulatory Policy Outlook shows that, while impact assessment practices are in place across the OECD, their implementation and effectiveness in designing policies varies. Drawing together these crucial sources of insight would be very helpful.

Money talks, and there is a temptation for financial resources to define ex ante the scope and ambition of a strategy, particularly if other evidence is poorly exploited. Resources alone do not lead to successful delivery and should not be the limiting factor in defining outcomes. In some cases, policy announcements are made on the basis of resources available, i.e. “10 million will be given to Ministry X for strategy Y”. This can give the impression that allocation of funds rather than identification of outcomes to be achieved or planned is the guiding factor. The centre has to have the skills to assess the diverse forms of evidence and engage with departments, including the ministry of finance, regarding the implications of the evidence. In practice, use of evidence is part of the wider negotiation process led by the centre and is linked to political realities as well. Short-term “quick wins” or high visibility funding allocations are politically attractive and can provide time and space for other longer-term actions to go forward.

Of course, there is a limit to what data can tell us, which means that innovation and experimentation will always be an important input to policy design. Instilling a culture of innovation and experimentation requires an acceptance of risk when trying to find solutions to complex problems. The public sector needs to be willing both to acknowledge it does not know what the best solution is and to test ideas before developing a policy. The centre can facilitate this innovation culture.
Governments have begun to address the need to strengthen design and delivery through “policy innovation labs” at all levels of government. Labs borrow from science by experimenting: investigating policy problems and testing solutions to more accurately address citizen needs and improve outcomes for society. Supporting a more open policy making agenda, labs actively involve users in policy development and draw on alternative disciplines, such as human-centred design and ethnography. For example, Canada set up an Innovation Hub at the centre of government (2014), Mexico established Laboratorio para la Ciudad (2013) at city government level and the US Office of Personnel Management just introduced its Innovation Lab. Mindlab (2002) in Denmark is probably the most well-known example.

Finally, open government data (OGD) and data analytics can further strengthen the ability of the centre of government to mobilise evidence for policy design and monitoring. As was highlighted recently by the OECD E-Leaders Network, incorporating data on actual use and satisfaction into the policy process would be an important benefit of a “data-driven public service”. Analysing datasets should enable governments to better map and understand trends in user needs and behaviour and thereby anticipate more accurately the impact of policies on different groups.

**Key questions:**

- How can the centre design targets/objectives to drive an inclusive growth agenda that are suitably innovative and integrated yet still operational and realistic for the lead departments and agencies?

- Do we have the right evidence on inclusive growth to support quality decision-making throughout the policy cycle? Is analytical capacity at the centre up to this new task?

- What impact will the transition to a data-driven public sector have on decision-making? How can open government data support policy steering by the centre?

- How embedded is the use of innovation as a means to improve policy design?
If inclusive growth policies are to have an impact, centres of government need to play an active role in implementation as well as engage widely across government and with actors outside government. In this session, the issue of how to deliver on challenging agendas such as inclusive growth will be discussed, drawing on the experience of countries with different approaches to delivery and implementation.

The delivery of inclusive growth will have to rely upon public services that are co-ordinated and aligned across sectors and administrative silos. The key question is whether government is set up to deliver the type of strategic agenda that inclusive growth, climate change and SDGs demand. Typically, departments have a clear understanding of their operational responsibilities for core services but often have trouble engaging with other departments in delivering a horizontal priority. Setting a common agenda is already a major administrative challenge, so how can we be sure that departments will stick to the agenda and deliver in a way that meets citizens’ expectations and reinforces public confidence?

Too often, clear initial plans are blown off course by short-term emergencies, political changes or discontinuities caused by electoral cycles. These disturbances tend to sap energy and reduce the motivation of key actors. Successful implementation of longer-term or more strategic commitments such as inclusive growth therefore needs to include mechanisms to resist exogenous shocks and keep teams focused on key objectives. At the same time, they also need to be sensitive to shifting circumstances that might argue for adjustment of objectives or timelines. In general, this suggests the need for special, “fit-for-purpose” delivery plans for key projects.

The OECD survey of the role and functions of the centre confirmed that, for most countries, the number of cross-ministerial initiatives has increased since 2008. The most recent CoG meetings in Chile and Austria underlined that governments are still searching for effective models to deliver policies than span multiple departments. Governments have tried numerous solutions. For example, “super ministers” or “policy tsars” can be effective if they have sufficient drive and authority, but success depends on the status of an individual and might not lead to integration at the policy level. Similarly, super ministries can help to integrate the policies of multiple departments, but internal silos often remain. Permanent (standing) or ad hoc committees are the most typical mechanism for “routine” co-ordination, but seem less suited to ambitious initiatives. Finally, independent policy units can bring fresh ideas and new expertise but may face challenges in establishing legitimacy across departments. These models all have their own strengths and weaknesses, but none have shown to be entirely fit for purpose.
A multitude of bodies and agencies exist within the governance system to assess how well policies are being implemented: major contracts performance teams, supreme audit institutions, the ministry of finance expenditure tracking teams, performance teams within each department, parliamentary oversight bodies, and so on. Each has its own mandate, its own benchmarks and reporting structure and its own view on what good performance looks like. They provide essential information to ensure accountability, track spending and measure outputs. The limitation of these mechanisms, however, is that it is only at the final implementation stage that the success or failure of a policy becomes apparent. Perhaps more importantly, there is often no clear mechanism for reporting directly and succinctly to the head of government on progress with priority issues. And the role of the centre of government runs the risk of becoming rather passive, merely conveying information gathered by other agents who were perhaps less well acquainted with the conception, design and real objectives of the action. In the case of inclusive growth, the scope of the objectives is likely to go well beyond the remit of any existing monitoring system.

There is a clear role for the centre of government to take a more active stance in reviewing and refining policy implementation in real time. The role of the centre of government is already evolving in this direction in some countries. This has a number of advantages. First, it creates a more flexible system in which, if necessary, decision makers can take action to remedy problems or change course. Second, the centre can pinpoint blockages and propose support and problem-solving advice to the agency concerned. Dedicated teams at the centre of government have become the preferred tool for ensuring this close-to-the-ground monitoring, with countries setting up one or more teams in the three principal areas of strategy, policy and delivery. These teams allow for focused attention on chosen priority areas, which are often complex and require management across a number of departments from the design phase to the implementation phase.

Promoting a culture of delivery from the centre of government and across the public service can signal a cultural change within the public service. It suggests that governments are serious about outcomes for citizens. It adds legitimacy to the delivery agenda by “showcasing” the impact that better performance can make in priority areas that are important for citizens. As such, it goes some way toward responding to the criticism that governments today are not delivering on key promises, including the key objectives of the inclusive growth agenda.
Key questions:

• Could a broad agenda such as inclusive growth be successfully implemented without central management? What are the other options?

• How can the centre maintain the focus on the key goals of inclusive growth despite the “interference” of short-term emergencies, shifting political priorities and electoral discontinuities? What about even longer-term commitments such as the SDGs or COP21?

• How active should the centre be in delivery? Should it be a problem-solver of last resort or a more hands-on partner for departments and agencies? What are the risks?