THE IMPACT OF DEVOLUTION, DELEGATION AND DECENTRALISATION ON THE ROLE OF CENTRAL AGENCIES

Meeting of Senior Officials from Centres of Government on Public Sector Modernisation: the Role of the Central Agencies Madrid, 6-7 November 2003

This document provides background information for Session 4: “Balancing Devolution and Decentralisation with the Strategic Needs of the Centre” on Thursday 6 November from 16.45 to 18.20

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Session 4 – Thursday 6 November

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ON THE ROLE OF CENTRAL AGENCIES

Questions for discussion

Balancing devolution, decentralisation and the need for co-ordination

- Modernisation of the public sector often entails devolution, decentralisation, greater flexibility, and a focus on outcomes. What strategic tools has the Centre of Government adopted to manage the government’s programme under such circumstances?

- How does the Centre of Government ensure co-ordination with autonomous agencies and other levels of government, especially on cross-cutting policy issues?

- How has the principle of subsidiarity been applied and which decision-making powers have been devolved to the regional or local level?

- Informal social control systems remain important in a modern public sector. How can they be made more effective in a delegated government environment?

Modernisation of the public sector: lessons learned for the Centre

- How have the communication/public relations functions of the Centre of Government changed in recent years?

- What new capacities have you found that the modern Centre of Government needs in the context of delegation, devolution and organisational diversification?

- In light of our discussions, and your experience, what are the lessons learned for the Centre of Government and for future reform initiatives?
THE IMPACT OF DEVOLUTION, DELEGATION AND DECENTRALISATION ON THE ROLE OF CENTRAL AGENCIES

1. Where modernisation efforts have involved extensive devolution, delegation and/or organizational diversification, there are ultimately major consequences for the role of the Centre. Initially a major reform programme calls for a stronger and more active role for the Centre in leading and coordinating the programme of change. Within five years or so, however, this phase diminishes and central agencies find themselves confronted with a new generation of challenges and the need for new capacities and work methods.

Balancing fragmentation and co-ordination

2. Perhaps most important is the problem of fragmentation. As countries decentralize their systems and delegate authority while seeking to retain an overall view of societal outcomes at a political level, the most straightforward way has been to make programme managers responsible for specific outputs. This has lead to fragmentation, and the loss of focus on the big picture that fragmentation can cause. This is caused by a proliferation of agencies; a proliferation of Ministerial portfolios leading to an excessive number of votes; and in some areas, by an over-emphasis on vertical accountabilities at the expense of whole of government approaches.

3. Fragmentation makes coordinated service delivery more complicated, adds to the costs of doing business, and blurs accountability for some issues. Fragmentation means many small agencies, spreading leadership talent and other skills more thinly and increasing the risk of weak capability. Fragmentation means Ministers need to build relationships with multiple agencies, and at times reconcile conflicting agency positions at an excessively detailed level.

Uncoordinated cross-cutting and whole-of-government policies

4. To achieve outcomes, often several different ministries contribute to the attainment of the goal. However, coordinating the various programmes across Ministries is a significant problem and a key area where the Centre can contribute to the success of the reforms.

5. However a challenge is to get agencies to pool responsibility and participate in collective decision-making. The role of officials versus Ministers is also difficult: Ministers have multiple, not single, objectives (i.e., they are unclear on outcomes), which makes it difficult for chief executives to know the ultimate purposes of outputs.

Uncoordinated service delivery

6. A second important issue is felt at the interface of Government with citizens, particularly on cross-cutting issues where multiple agencies are involved - and where judgments need to be made at the front line. Those charged with service delivery may often have to reconcile different processes, lines of accountability and competing goals established by several agencies or programmes. Progress on cross-cutting issues requires action on a number of fronts which need to be combined with a bottom-up testing of
how government is working in the regions and local level, followed by responses that reflect the circumstances of each region.

**More complex management systems**

7. Operating a results-based system requires capacity building at the Centre. OECD work has shown that Central agencies need skilled and seasoned personnel to effectively operate the modernized systems. Central Agencies often employ generalists, but more complex systems (such as modern accounting practices) that require dialogue and more technical oversight require some specialists who have both experience and new skills.

8. In the reformed environment after the central control agencies have finally given up the power of detailed central regulation – they must then find new and more appropriate forms of control.

**Delegation and decentralisation**

9. Decentralisation and delegation of responsibilities to lower levels of government are special cases in the modernisation efforts of OECD Member countries. The rationale for these efforts is that more effective and efficient services for citizens are produced since the services are generated closer to the people. On the other hand, these arrangements introduce challenges and difficulties that are similar yet more complex than the control, accountability and fragmentation problems at the national level. For example, decentralisation in some continental European countries contributed to renewed local democracy, but also increased problems of financial management and control at the local level.

10. In decentralisation efforts (and similarly with privatisation), where the central government transfers all authority for a programme to the local level, countries have found that the central government by habit, practice or reality still remains responsible or accountable for the programme over which they no longer have control.

11. Delegation of responsibility, on the other hand, is where central government retains control over policy and or financing of programmes, but lower levels take over responsibility for service delivery. How the programmes are delegated may take different forms depending on whether it is policy, management or financial responsibility. Particularly important is the creation of new arrangements and performance measures to manage accountability:

- Among partners
- Between each partner and its own governing and oversight bodies, and
- To the public

12. Countries that have tried new delegation approaches have had to pay particular attention to:

- The design of intergovernmental grants
- Audits that often must conform to two different jurisdictional requirements
- Communication between levels of government
- Fiscal control (and aggregate control especially in the case of EU Member States bound by the Maastricht treaty)
- The creation of National Standards
Sudden and radical versus incremental approaches

13. A number of countries which have undertaken quite radical reform have then experienced second generation reforms aimed at rebuilding the Centre. In the UK, this was expressed in the campaign for “joined up government”. New Zealand has just completed a “Review of the Centre” with a range of recommendations to strengthen the collective processes, and in Australia the Department of Finance and Administration has recently rebuilt its capacity and is seeking to obtain richer information on the performance of departments than proved possible under the initial reformed reporting regime.

14. In countries where modernisation has been more incremental, the same problems emerge but more slowly and with more time for adjustment. Does this mean that one should conclude that incremental reform is to be preferred to radical reform in all cases? Unfortunately, life is not so simple. In countries with a unified culture (Finland is a good example) if there is a critical mass of opinion in favour of the reform, change can and does proceed. In countries of more political complexity, however, the forces for maintaining the status quo are deeply entrenched and might require a sudden and assertive politically driven shock to put reform in motion such as what is happening in France at the moment.

Conclusions

15. Once a reform programme is rolling, central control agencies initially need to build a stronger strategic capacity (which may mean quite a different kind of staff) and they also need to enhance their capacity for the use of new levers of influence. In the decentralized system, communication and persuasion take on a new level of importance, both in conveying broader policy directives to the public sector and in communicating government intent to create conditions for accountability to the wider community.

16. Finally most OECD countries, but especially those that have undertaken a series of public administrative reforms, find that in the modernised environment they need to pay more attention to strategic leadership across the public sector. New attention is being given to the development and input of senior managers. Why is this so? The fundamental reason is that confronted with a situation of less central regulatory power and a more complex public sector most countries have resorted to formal objective setting and reporting systems to hold government together. But in so doing central agencies have discovered the limitation of formal systems of control. The new emphasis on leadership could be interpreted as an attempt to rebuild, in a new form, the social control systems which have weakened with the fragmentation of the public service.