DIRECTIONS FOR THE FUTURE PUMA MANDATE

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DIRECTIONS FOR THE FUTURE PUMA MANDATE

1. This note describes the proposed future directions, strategic issues and challenges to be addressed in the next PUMA mandate covering the years 2000 - 2005. It takes into account the written Committee comments provided to the Secretariat in July, and includes a final section providing illustrative examples of how these strategic issues may be translated into concrete PUMA work activities under such a mandate.

2. The Committee is invited to:

   - Provide their overall views on how well the mandate addresses the strategic governance issues and challenges faced by Member countries; and

   - To focus particularly on section IV of the paper where proposed activities are outlined to ensure that the discussion addresses the concrete outcomes and results to be sought from future PUMA work.

3. Following Committee discussion, it is intended to forward an executive summary and legal mandate language (to be provided to the Committee separately) to the OECD Council for its approval, along with reference to a final version of this document taking into account Committee views.
INTRODUCTION

1. As PUMA considers a new mandate and new directions in which to take its work at the outset of the 21st century, its mission can be stated in concise terms: to promote good governance in support of Members’ shared economic and social goals. OECD Ministers set the parameters when they met in May 1999 and declared good governance as “an essential element in strengthening pluralistic democracy and promoting sustainable development. Ministers welcomed OECD efforts to encourage more effective, efficient and transparent government structures in member and non-Member countries”. PUMA will pursue those goals.

2. Behind this fairly direct mission statement, however, lies a more complex set of issues linked directly to the role of governance in economic and social development. The growing demand for “good governance” can be traced to many sources. In an age characterised by what is called “globalisation”, countries face the challenge of keeping up with an irreversible process of increasing linkages. OECD plays a key role in helping governments to ensure that public policy supports globalisation through harnessing its positive forces for global welfare while correcting the disparities that risk being translated into political instability and social unrest. For OECD - that challenge is at the core of its mission. For PUMA, the goal for the next 5 years must be to identify and help address the emerging forces and trends which will constitute strategic governance challenges. This will continue to mean work dedicated to assisting Members (and non-Members) to manage those forces with a well-performing and efficient public sector.

3. The purpose of this paper is to situate the present and future work of PUMA in the broader context of the transformation of modes of governance, a transformation which is increasingly involving both the role of the wide range of public actors and civil society as well as the tools and methods available to them. The paper is also intended to assist Members in looking ahead in order to anticipate future developments and to ensure that OECD, specifically PUMA, stays at the leading edge of policy advice to Members.

4. The report introduces:

I) The broader agenda: the general context and aims of the mandate;

II) Looking ahead: to the new context for government action;

III) The implications for PUMA's activities: target audience, partnerships and criteria

IV) Possible next steps: the problem statements and potential solutions.
1) THE BROADER AGENDA: general context and aims of the mandate

5. “Good governance” is fast becoming a catch phrase. Defining “good governance” remains a frustration. Frustration stems from the increasingly challenging international environment where the process of interdependency appears to be irreversible. Interdependency has created a world that is at the same time more complex and more fragile. Governments are faced with a world in which the concepts of sovereignty, responsibility, the meaning of territory, the nature of international actors are all being challenged. It is natural that such a “revolutionary process” should generate demand for better understanding of how best, individual governments can govern in a fast-changing environment.

6. Also important, but not yet a core part of governance work in PUMA, is the need for stronger governance on a global level to ensure that global opportunities (“globalisation”) are better shared. This year’s annual Human Development Report (UNDP) recommends an agenda for action: “reforms of global governance to ensure greater equity, new regional approaches to collective action and negotiation and national and local policies to capture opportunities in the global marketplace and translate them more equitably into human advance”.

7. For the purposes of this paper, the focus is more specific: the art of governing is being transformed in our Member countries. This paper seeks to identify the key elements of the PUMA work programme which can contribute to understanding and managing what Jessie Matthews1 characterised in 1997, in the Foreign Affairs Journal, as a ‘power shift’: “a novel redistribution of power among states, markets and civil society”.

8. PUMA is committed to promoting good governance. Promoting “good governance” requires strengthening capacities related both to developing effective and democratically responsive policies and building and maintaining well-performing and efficient public institutions to deliver quality services.

9. In order to strengthen policy capacities, governments are increasingly seeking advice to help identify policies which best serve public purposes. They are also looking ahead to the government of the future - getting from here to there. This involves developing and nurturing a strategic capacity.

10. With respect to building and maintaining an efficient and effective institutional framework, governments benefit from sharing experiences with respect to institutional roles and responsibilities, performance capacities, and ongoing modernisation and reform.

11. In sum, good governance requires that PUMA support Members both in the development of policy capacities and in support of reform of institutional machinery. No single model exists for these capacities. There is no aim to design a “one-size fits all” approach. Different models of governance are appropriate for different countries. The acid test of good governance must be the extent to which it contributes to achieving the highest sustainable standard of life for citizens.

1. Then Senior Fellow at Council on Foreign Relations.
II) **LOOKING AHEAD : the new context for government action**

12. It is widely recognised that good governance is a necessary condition for sustainable economic prosperity and social stability. All of PUMA's work is based on that premise. To effectively support countries' efforts to address future challenges of governance, PUMA will need to be able to anticipate forward-looking issues of emerging importance. PUMA Committee discussion and written submissions identified a number of such issues in a recent “scanning” exercise. While this scan is not intended to be comprehensive nor in order of priority, most of the issues identified are high on the agenda of the top policy makers in our Member countries:

- **Developing capacities for more coherent and globalised policies:** Policy effectiveness requires that governments integrate and balance decisions across multiple economic and social disciplines, institutional jurisdictions and levels of government, and policy fields. Yet governments pursuing a wide range of objectives and dealing with complex and rigid institutions face great difficulties in improving policy coherence. This heightens the risks of major policy failures. Policy coherence also has a global dimension. Globalisation of economic and social policies creates a need for new capacities to exploit new opportunities to meet economic and social needs and to deal with international implications of policy issues. At the same time, greater decentralisation of national policy to sub-national levels of government is increasing fragmentation of policy responsibilities, posing major challenges of policy co-ordination, accountability, and coherence, and increasing the complexity of implementation.

- **Delivering on policy commitments in a changing world:** Policy solutions, no matter how good they may be, can only work if governments have the capacities to deliver on them within an environment of scarce fiscal and human resources. Governments must continuously find ways to deliver better services at lower costs. Governments must also be forward-looking to manage social and economic change. Strategic policy capacities are required to adapt to long-term trends, while remaining flexible enough to respond quickly to short-term needs. For example, new technologies create new challenges for governments. Over time, governments should ensure that resources flow to highest value and away from lower value. But factors impede shifts in priorities, including institutional inertia, citizens’ expectations, and political “capture” by special interests. How do governments maintain political responsiveness to changing public needs? A key factor in responding effectively will involve countries’ abilities to evaluate and communicate the benefits and costs of change, and to achieve a workable social consensus on how the change will be managed.

- **Institutionalizing transparency, honesty and accountability into government:** The effectiveness of governance rests in large part on the transparency, honesty and accountability of administrative actions. Yet public confidence and trust in government appears to be declining in many OECD countries, reducing government effectiveness. This is also vital for economic performance: government accountability and transparency influence market decisions by changing relationships between market actors and the assessment of market risks. And ensuring the integrity and transparency of public institutions is of strong relevance to OECD and non-OECD countries in promoting a common, politically stable foundation for international trade and investment under conditions of mutual trust and understanding.
Intervening efficiently into society and markets to achieve public policies and promote competition: quality of life depends not only on the quality of government, but also the quality of civil society, private institutions, and markets. To promote public interests, governments must sometimes intervene to help these parts of society work better at their various functions. Breakdowns in these areas can be costly, for example, in the areas of education, food safety, or environmental protection. But how can governments ensure that intervention, if necessary, is efficient, while maintaining a balance between economic and social interests? Establishing the rules for efficient markets is one aspect of this challenge. As markets become more competition-based and global, and as consumers become more demanding and informed, the scope and kind of market failure are changing. Governments must regulate the private sector efficiently and effectively to provide services such as health, safety, and environmental protection, and, to facilitate efficient markets, must establish institutions not provided by the private sector.

These are some of the problem statements which PUMA has identified for the future. Section IV of this paper sets out possible activities that would aim to contribute to solutions.

III) IMPLICATIONS FOR PUMA’S ACTIVITIES: target audiences and partnerships, criteria, outputs

13. Sections i) and ii) of this paper have attempted to succinctly set out “where we are” and “where we are going”. This section includes some reflection on the broad implications for PUMA in terms of its role and its methods.

Target Audiences and Partnerships

14. Two important characteristics and functions of OECD as an intergovernmental economic organisation are that:

a) it has the capacity to reach beyond national governments to address public policy makers at all levels and brings together those who have an impact on policy-making.

b) the global nature of the membership ensures an Asia-Pacific/North American/European interaction across the full range of economic/social issues available in no other forum. This includes an increasing capacity for interaction and dialogue with many non-members in all regions of the world.

In positioning PUMA’s activities for the future, both of the above play a determining role.

15. To support and influence the successful development and implementation of public policy, PUMA must be able to reach the political leaders and top-level managers – the potential reformers and change agents at the interface between the political and top administrative levels. The fact that many countries develop policy initiatives that have faltered on the way to implementation suggests that there is scope for positive impact with outputs better targeted towards this group. In order to achieve this, PUMA must address the issues high on the agenda of top-level policy makers, and adopt a more proactive communications strategy, making the results of PUMA work more readily available to those who actively participate in policy making.

16. With respect to broadening the range of partnerships in keeping with the Organisation’s increasing capacity for interaction and dialogue with a range of actors, two parallel and mutually
reinforcing paths emerge for PUMA. First, within its core constituency, PUMA must increase its ability to serve further sub-sets of constituencies. Countries are at different stages within their governance and public management reforms, targeting different issues at different times. PUMA will need to target its work to better serve particular sub-sets of countries, and to balance the interests of the full range of its Membership.

17. At the same time, PUMA’s relationship must be strengthened with other partners, ranging from non-member countries through other relevant international organisations and institutions. At their recent Ministerial in Paris, Ministers welcomed “OECD efforts to encourage more effective, efficient and transparent government structures in Member and non-Member countries”. They also requested OECD “to elaborate a proposal for a “good governance” initiative to better share the results of existing work in this field with interested non-Member countries, and where appropriate with other international organisations”. To follow up, PUMA has taken the lead in co-ordinating a cross-cutting OECD steering group that is reviewing the OECD’s governance work, and PUMA will build on this momentum to support the Organisation’s role as a “pathfinder,” sharing experience and OECD expertise with non-Members. This relationship is characterised as a “dialogue” - a two way conversation - enabling non-Members to benefit from OECD best practices and avoiding that they repeat “mistakes” made along the way in OECD countries. The dialogue will also enable OECD Members to benefit from best practices and experience in public sector reforms underway and, in some cases, very well advanced, in non-Member countries.

18. SIGMA’s experience in this area can be instructive as a model for more strategic and sustainable PUMA dialogue with non-Members in the future. SIGMA, which operates within PUMA and is funded primarily by the EU Phare programme, supports improvements in governance in central and Eastern Europe. It has moved from initial reliance on the PUMA information base to more self-sustaining development and dissemination of comparative information and provision of workshops to support the efforts of economies in transition as they work towards integration into the EU. SIGMA and PUMA have worked particularly closely together in targeting work on public sector ethics toward non-Member countries both within the “SIGMA region” and beyond.

19. Within the OECD, PUMA will also work with new partners on bilateral or horizontal projects where PUMA can add value in co-operation with other OECD committees who wish to take account of the governance agenda in their work programme. Work already under way on regulatory reform and sustainable development will continue under the new mandate, and other areas will emerge in response to OECD strategic priorities.

Criteria for adding value and considering future work

20. Given PUMA’s primary objective of promoting good governance, each activity should be tested against questions aimed at determining potential impact. These include:

a) **Policy relevance:** work must be relevant and forward-looking in advancing OECD Member countries’ priority economic and social objectives.

b) **Practical application:** work must be related to the real pressures, problems and experiences that governments are dealing with and provide concrete steps to consider, examples to use, and/or models for thinking about the questions raised.
c) **High-level demand:** the output should reach high-level policy and management decision-makers or reach a broader and larger audience that can influence that higher level.

d) **Unique source/comparative advantage:** projects should provide information, analysis and policy support that is otherwise not available.

e) **Mutual interdependence:** the topic should involve interdependence across borders, for which shared information, analysis and assessment can contribute to common understanding and development of mutually beneficial approaches. This criterion is not intended to promote single models for success, but rather, common criteria and objectives to take into account in adapting promising approaches to good governance. The issue should be best suited to international problem solving. Sharing of best practices can contribute directly.

f) **Cost-effectiveness and timeliness:** there should be economies of scale associated with pooling resources and study at the international level and it should be feasible to produce the desired outputs on a timely and cost-effective basis.

**Action and Outputs: on a continuum**

21. This section considers the form of the contribution PUMA can make in identifying categories. There is no intention to suggest that one end of the continuum has more intrinsic value than another.

22. Activity and outputs rest on a continuum ranging from descriptive to prescriptive, from a facilitative to more involved OECD role. For all types of outputs, PUMA will retain the necessary agility and flexibility to take into account emerging issues that may not have been foreseen when the work programme was initially designed. This is intended to promote forward-looking consideration of new directions in governance. In looking at the continuum, PUMA will also assess the role played in informing and influencing public managers and decision-makers:

- **Information and sharing of experience on country initiatives and best practices** exchanged at meetings, through electronic communications, through country “fact sheets,” and through the PUMA “Focus” newsletter.

- **Comparative information and analysis** places the information provided by countries into the context of different political, managerial and institutional approaches to governance. It identifies emerging and continuing trends that indicate a need for change, and that may help to build policy-level support for such changes. These outputs can be communicated through the Web site, publications, policy briefs and articles in policy or public management journals.

- **Assessment** takes comparative analysis to the next level, attempting to determine the merits of particular innovations, practices or techniques, whether they may be applicable beyond the cases which are being studied, and if so, what factors may contribute to their transferability. They can take the form of individual **country reviews**, or **evaluative benchmarking**, involving either the use of comparative indicators or analysis of what works (or doesn’t) and why, and how it may be applied in a wider context. Peer review is often used to support such
Recommendations adopted by the OECD Council should be reserved for a few strategic and exceptional topics where the nature of the topic and demand converge. These issues should involve cross-border interdependence where common approaches, reinforced by high-level attention and peer pressure, would provide greatest benefit. For more technical issues where best practices can be identified, PUMA may wish to make recommendations at the Committee level.

23. PUMA will also focus on the most appropriate “fora” to be used in advancing the work programme - ranging from special events to symposium, networks and electronic discussion groups.

IV) POSSIBLE NEXT STEPS: the problem statements and potential solutions

24. This section presents examples of concrete activities that could be carried out under the new mandate in support of Member (and non-Member) countries’ efforts to address the problems identified in Part II of this paper. The four problem statements of governance provide central themes around which work -- overseen by the PUMA Committee and drawing upon expertise across all PUMA divisions and networks -- would unite in pursuit of cross-cutting solutions. The list of activities is not intended to be comprehensive, and the PUMA work programme must necessarily remain flexible in order to ensure that PUMA can be forward-looking and responsive to changing conditions. In addition, resources will not permit all such activities to continue for the duration of the mandate: some may be completed early on, while others launched later. This will depend upon the priorities expressed through the OECD’s regular work programme development process.
### Developing capacities for more coherent and globalised policies

Policy effectiveness requires that governments integrate and balance decisions across multiple economic and social disciplines, institutional jurisdictions and levels of government, and policy fields. Yet governments pursuing a wide range of objectives and dealing with complex and rigid institutions face great difficulties in improving policy coherence. This heightens the risks of major policy failures. Policy coherence also has a global dimension. Globalisation of economic and social policies creates a need for new capacities to exploit new opportunities to meet economic and social needs and to deal with international implications of policy issues. At the same time, greater decentralisation of national policy to sub-national levels of government is increasing fragmentation of policy responsibilities, posing major challenges of policy co-ordination, accountability, and coherence, and increasing the complexity of implementation.

#### 1. Measures to increase policy coherence

This activity would address how governments may strengthen policy coherence and policy development on a cross-cutting basis, including policies that require co-ordination across supranational, national and sub-national levels. For example, how can efforts to promote sustainable development successfully integrate and achieve economic, social and environmental objectives? How can governments develop the capacities to respond to emerging scientific capabilities that are based not only on scientific expertise, but also consider ethical, fiscal and social ramifications?

The Centre of Government network would provide a forum at high level for sharing of promising practices. Other PUMA networks to contribute as well.

#### 2. Managing across levels of government

As roles and responsibilities between different levels of government continue to evolve, further analysis is needed on the trends, impacts and implications of public management reforms that have devolved services to lower levels of government, increased autonomy and results orientation. What approaches may help to promote development of mutually reinforcing policies across multiple jurisdictions? What are the key challenges and approaches to managing devolution or, in some cases, re-centralisation of policy and service delivery?

Environment, ECO, Trade and other areas to be determined.

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<tr>
<th>Problem statements: governance challenges facing OECD countries</th>
<th>Proposed PUMA responses (activities)</th>
<th>Implications for networks</th>
<th>Links to other work in the OECD</th>
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### Delivering on policy commitments in a changing world

Policy solutions, no matter how good they may be, can only work if governments have the capacities to deliver on them within an environment of scarce fiscal and human resources. Governments must continuously find ways to deliver better services at lower costs. Governments must also be forward-looking to manage social and economic change. Strategic policy capacities are required to adapt to long-term trends, while remaining flexible enough to respond quickly to short-term needs. For example, new technologies create new challenges for governments. Over time, governments should ensure that resources flow to highest value and away from lower value. But factors impede shifts in priorities, including institutional inertia, citizens’ expectations, and political “capture” by special interests. How do governments maintain political responsiveness to changing public needs? A key factor in responding effectively will involve countries’ abilities to evaluate and communicate the benefits and costs of change and to achieve a workable social consensus on how the change will be managed.

### 3. Changing priorities: policy/programme adjustment and resource reallocation

This activity would assess different approaches to reallocating resources between priority areas to see which approaches appear to succeed in aligning political, budget and human resource priorities without resulting in undue aggregate expenditure growth.

This activity would draw on the expertise of the Senior Budget Officials and Centre of Government networks.

### 4. Improving government effectiveness by going on-line

PUMA work should promote development of services that are accessible for citizens and customised to meet their needs as a tool against social exclusion. Information technology can play an important role. Work has begun on indicators of government use of IT to provide a base for analysing factors influencing effective IT use in government delivery of information, services and communication with citizens -- on an overall level and in selected policy sectors and services. Data gathered will improve understanding of good practices. The activity also seeks to answer such questions as how public services are changing to be more responsive, accessible and individualised to meet citizen needs?

DSTI working group on indicators for the information society
5. **Challenges for the senior public service: 2010-2015**

Work on human resource management should focus on the skills requirements for a well-performing public service of the future (2010-2015), including the ability to manage horizontally, to develop partnerships and to work in a diverse society. Governments will need to re-examine the talents and skills fundamental to future success -- how to get good staff, develop them, and keep them long enough to ensure that the investment has been sound. The political level and senior civil servants will need to develop a senior management corps with a shared vision of governmental priorities, and the skills and tools necessary to motivate staff in pursuit of government policy commitments and priorities. Human resource managers will need to foster conditions for continuous learning that contribute to mobility and adaptability to changing conditions.

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<th>HRM/ Senior public servants</th>
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<td>6. <strong>Risk management/risk-related decision-making</strong></td>
<td>Centre of government, regulatory reform</td>
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Countries experience sudden crises: financial disasters such as bankruptcy or sudden losses in key industries; natural disasters such as earthquakes, floods or fires; or regulatory failures in food safety or environmental protection. These circumstances are unanticipated: it is difficult to budget resources, time, expertise, or capacity to respond in advance. What management approaches do countries take to prepare for crises? How do they assess risk in the policy-making process, and how is this communicated? In a crisis, how can governments ensure a balance between needs for decentralised responses and central co-ordination?
### Institutionalizing transparency, honesty, and accountability into government

The effectiveness of governance rests in large part on the transparency, honesty and accountability of administrative actions. Yet public confidence and trust in government appears to be declining in many OECD countries, reducing government effectiveness. This is also vital for economic performance: government accountability and transparency influence market decisions by changing relationships between market actors and the assessment of market risks. And ensuring the integrity and transparency of public institutions is of strong relevance to OECD and non-OECD countries in promoting a common, politically stable foundation for international trade and investment under conditions of mutual trust and understanding.

### 7. Government - Citizen connections and trust

The central issue is how governments can develop more effective partnerships with civil society in pursuit of the public good? Is a lack of trust and confidence undermining government capacities to develop effective solutions to policy problems? How can civil society play a more constructive role in contributing to the solutions, and what can governments do to support such a change? A key aspect of citizen engagement is to strengthen the transparency of government policy-making processes through more open and accessible information. What can governments do to ensure that good quality information is available to facilitate constructive citizen involvement in policy-making processes?

### 8. Ethics in the public sector

The OECD is working on several fronts against bribery and corruption. The integrity of public services in Member and non-Member countries is crucial. Work to analyse national efforts to promote ethics in the public sector will continue, fulfilling a Council request. This activity will assess legal and public management frameworks (including human resource management strategies) for promoting public sector ethics, and review and analyze promising practices. Country case studies initiated in 1999 on a voluntary basis will continue if there is country demand. Ultimately, the objective is to enable countries to carry out self-assessment for promoting public service integrity.
9. Fiscal transparency practices

In the aftermath of recent financial crises, openness in fiscal and financial policies, fiscal projections and public sector accounts has received more attention. Poor information can result in systematic misallocation of resources. Secrecy also violates expectations of government openness and accountability. Release of timely, quality information should lower costs of government and enhance citizen participation. The OECD can take a leadership role to speed-up the world-wide shift to better fiscal transparency, using experiences in OECD countries. This would in turn reinforce commitments to combat corruption, and the G7’s aim to strengthen international financial architecture.

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<td>The quality of law-making and regulation will continue to play an important role in achieving economic and social objectives. Work will evolve from assessment of best practices in producing quality regulations and achieving cost-effective compliance, to broader factors that influence effective implementation of public policies carried out through regulation. Reviews of individual countries’ processes for assessing and promoting regulatory quality will continue, but the ultimate objective will be to develop methods that countries can use to carry out self assessments. Work will also address the quality and transparency of laws. Another track will examine the institutions needed to consolidate the move to globalised, market-led growth. Many kinds of institutions are needed in the public sector to establish the rules of the game, mediate disputes, ensure transparency, etc. Institutional (re)building will be a continual task as conditions evolve.</td>
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| The OECD – through Working Parties, such as the Senior Budget Officials, or more formally via its Council -- provides machinery for Member countries to address these issues. | ECO, DAFFE | Regref |
11. Choosing Public Policy Instruments

Public policies are too often developed without adequate consideration of the instruments that would be most effective in getting results. PUMA has studied some instruments (market-type mechanisms and alternatives to regulation) but not others (corporatisation, use of information, and the role of the not-for-profit sector). Work could identify areas where more comparative information would enable governments to take better decisions on the right mix of instruments. It could examine how decision processes in countries facilitate or hinder a good consideration of options.