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DIRECTIONS FOR THE FUTURE PUMA MANDATE

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CONTEXT

1. This note describes the proposed future directions, strategic issues and challenges to be addressed in the next PUMA mandate covering the years 2000 - 2004. It is intended to provide background for the OECD Council's consideration of a renewed legal mandate for the PUMA Committee and the networks that report to it. It reflects the agreement of the PUMA Committee as decided at its meeting of 28-29 October, 1999.

2. In addition, the Committee called upon the Secretariat to translate this strategic action into a concrete proposed work programme covering the period through the end of 2001, to be considered by the Committee at its next meeting of 6-7 April, 2000. The Committee discussed a preliminary list of illustrative areas of work which would fall within the purview of the new mandate (see Appendix A to follow at a later date). The secretariat is continuing consultation with the Bureau and will further develop this Appendix into concrete proposals for activities for the next meeting of the Committee. This work programme will take into account comments made on an earlier version of this mandate document that included additional detail on possible future PUMA activities [PUMA(99)7]. This work programme should include further elaboration on the working methods and communications strategies to be followed, including the respective roles of the PUMA Committee and activity networks that support PUMA work. The Committee also recommended that it review PUMA progress in achieving the goals of the mandate in two years' time, to ensure that the mandate remains relevant as a strategic guidance document for the Committee.

DIRECTIONS FOR THE FUTURE PUMA MANDATE

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 which in some cases is straining social relations. OECD plays a key role in helping governments to ensure that public policy supports domestic policy goals and, at the same time 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. PUMA has a unique role in support of Members' efforts to balance economic and social goals with the needs of civil society. 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, criteria and outputs.

*I) **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 Jessica 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 the 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. This scan is not intended to be comprehensive nor in order of priority. For example, it does not include explicit reference to some of the fundamental underpinnings of good governance, such as the rule of law, and maintenance of public order and safety. However, most of the issues identified are high on the agenda of the top policy makers in our Member countries.

13. One particular issue permeates all of the following issues: trust in government. In the face of changing society questioned are being raised as to whether the government is out of touch with citizens' needs and whether public trust in government is diminishing. In pursuing the following broad themes of work, PUMA will incorporate the need to re-build trust in government as an underlying theme. In addition, this work will be undertaken in a manner in which PUMA could potentially add greatest value in providing a forward-looking perspectives and analysis:

- ***Developing capacities for more coherent and globalised policies:*** Policy effectiveness requires that governments co-ordinate, integrate and balance decisions across multiple economic and social disciplines, institutional jurisdictions and levels of government, and policy fields. Yet governments face great difficulties in improving policy coherence, given the growing number of players and interests involved, including non-governmental organisations and civil society, the wide range of objectives they pursue and the complex and rigid institutions involved. 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.
- ***Institutionalising 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 the ability of governments to effectively address important social issues. 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 effectively into society and markets to achieve public policies and promote competition as well as social cohesion:*** quality of life depends not only on the quality of government, but also the quality of civil society, private institutions, and the functioning of 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 as well as to avoid major social imbalances, must establish institutions not provided by the private sector. Considering alternative policy instruments, such as better use of information, is another valuable approach for empowering citizens to address social concerns more effectively and to encourage their participation.

III. IMPLICATIONS FOR PUMA'S ACTIVITIES: Target audiences, partnerships, criteria and outputs

14. 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

15. 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.

16. 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.

17. 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 parallels 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.

18. 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. Another objective of this dialogue is to better exploit a reinforced core work programme for the Organisation's Members.

19. 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.

20. 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 to promote stronger recognition of the governance agenda in their work programmes. 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

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

- a) **Forward-looking and policy relevant:** work must be forward-looking and relevant in advancing OECD Member countries' priority economic and social objectives.
- b) **High-level impact:** the output should reach high-level policy and management decision-makers or reach a broader and larger audience that can influence that higher level.
- c) **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, methods of application and/or models for rethinking policy development and implementation . This practical application will help to ensure the high-level impact referred to in b) above.
- d) **Unique source/comparative advantage:** projects should provide information, analysis and policy support that is otherwise not available.
- e) **Shared Interest:** 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

22. 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.

23. 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. It is also intended to approach PUMA outputs in a way which best exploits the complementarity and horizontal potential of individual elements of the work programme. 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 analysis, either by a small

sub-set of countries providing in-depth review, or a more general review through the OECD Committee structure.

- **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.

24. 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.