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**PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
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**BACKGROUND TO THE PROPOSED PROGRAMME OF WORK
WITH NON-MEMBERS FOR 2005/6**

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This document is presented to the Committee for information, and as background for discussion on point number 6 in the Committee agenda on the "prioritisation of the draft programme of work".

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BACKGROUND TO THE OUTREACH PROGRAMME OF WORK PROPOSAL FOR 2005/2006

1. This paper provides a progress report of the last 12 months on the implementation of the programme of work on outreach as well as an overview of the new process for formulating the 2005/2006 programme of work on outreach for the Public Governance Committee (PGC). It will serve as background for discussion on point number 6 of the Committee agenda on the “prioritisation of the draft programme of work”.

2. Overall demand from non-member countries for public governance outreach activities has been strong. The implementation of activities in recent months has shown that promoting excellence in public sector governance, at all levels of government -- the core mission of the Directorate for Public Governance and Territorial Development -- is an objective of increasing importance for non-member countries as they seek to modernise their public services. Improving the effectiveness of public administration, including its implications for the investment climate, is seen as a crucial contribution to economic and social development in non-member countries.

3. This increasing demand and the capacity of PGC to contribute to OECD outreach is illustrated by the decision to make governance the unifying theme of the entire OECD China programme in 2003/2004. Similarly, governance is one of the central contributions of the OECD within the framework of the New Partnership for Africa’s Development (NEPAD). Moreover, the exploratory work OECD has undertaken with Middle Eastern and North-African Countries (MENA) is solely based on public governance and investment promotion issues, with the former being the most important element. As a further example, Russia has been the first non-member country to be reviewed under the OECD Regulatory Reform Programme. Therefore, the outreach work of the Public Governance Committee provides powerful leverage to member country work, building a mutually beneficial relationship between members and non-members.

4. Thematically the programme of work has been implemented either as integrated horizontal activities including a whole range of public governance issues (China, NEPAD, MENA) or focussing on specific aspects of public governance (regulatory reform, integrity, budgeting and management).

1. Progress report

A. *Integrated Programmes*

China

5. In March 2001 the Executive Committee in Special Session devoted a session to a discussion with the Chinese authorities on “progress of reform and co-operation with OECD”. The discussion in particular allowed member countries to select topics to further focus the China programme. These topics were subsequently proposed by CCNM to the Chinese authorities who agreed that governance at central and local level would be the unifying theme of the programme.

6. The year 2002 saw the development of governance activities, building on central government budgeting and financial management, which had been for several years a very successful activity. In particular, the first workshop on “promoting integrity and fighting corruption in the public service” demonstrated that China was indeed ready to discuss with OECD such sensitive topics which are key to public sector reform, when placed in the proper context.

7. At the request of China, it was agreed that governance would be the focus of the 2003-2004 programme with China. A horizontal project has been put in place associating all Directorates, co-ordinated by CCNM, with the Directorate on public governance and territorial development (GOV) leading on substance. The “governance project” seeks to:

- encourage Chinese policy makers to address critical governance challenges that may affect China’s social and economic development and its relationship with the outside world; in this context it provides support and advice, rooted in the practical experience of member countries;
- provide an overall picture of these governance challenges, so as to improve understanding of China.

8. The governance project addresses both “whole-of-government’ issues and “sectoral” governance issues. “Whole-of-government issues” refer to those horizontal aspects of governance that are common across the government: budgeting, civil service, integrity (anti-corruption), regulatory management and organisational structures. The “sectoral” issues refer to the organisational or implementation aspects in the different policy areas: governance of financial institutions, intellectual property rights, labour market and social protection policies etc. This distinction is provided for the sake of facilitating progress in the work. Final classification under a proper header will be decided upon production of the final report.

9. In the context of this project, the Directorate on Public Governance and Territorial Development (GOV) has elaborated a memorandum of understanding with China’s State Commission Office for Public Sector Reform (SCOPSR) covering OECD-China co-operation in this area for three years. SCOPSR is an important actor in the area of public sector reform in China. In March 2003, when in Beijing, the Secretary General Mr. Johnston agreed to meet Vice Minister Wang Lanming of SCOPSR at his request. Vice Minister Wang expressed strong desire to benefit from OECD experience in the design and implementation of public sector reforms in China. The project should be completed by end 2004 and a final conference in Beijing, to be hosted by SCOPSR, will discuss the results. The Public Governance Committee will also discuss the results at its October session.

New Partnership for Africa’s Development (NEPAD)

10. At the May 2002 OECD Ministerial Meeting, OECD and NEPAD Ministers agreed to conduct further dialogue to consider the scope for OECD-NEPAD co-operation. Since then the GOV secretariat has had a number of contacts on a working level in order to strengthen the capacity of the Ministerial grouping to promote professional net-working and peer review, and to explore a framework for future substantive co-ordination between the two organisations.

11. In August 2003, the Secretary-General received a letter from the current chairperson of the Pan-African conference of Ministers of Public Service, Geraldine Fraser-Moloketi, Minister of Public Service in South Africa. Minister Moloketi requested the assistance of the OECD for the implementation of the Pan African programme on ‘Capacity Development for Governance of Public Administration in Africa’ (CDGPA).’ The Secretary General responded positively to the request.

12. Within this framework a range of exploratory missions were undertaken by GOV staff including South Africa, Morocco and Uganda. Four areas of immediate collaboration were identified between GOV and NEPAD/CDGPA, with specific tasks in 2004 listed below. This programme of collaboration for 2004 was officially presented at the ministerial meeting held in Uganda (Kampala) in January 2004, in which the OECD was presented as one of the future core partners in order to

- Support the development of the future Secretariat model on governance: peer review of the Secretariat strategic framework and participation in a workshop with the strategic partners (CDGPA Secretariat/NEPAD/AU) to discuss the proposed strategic framework
- Contribute to the development of the conceptual framework on governance and public administration in Africa: Guidance, comments and review on the paper setting up the conceptual framework on governance and public administration in Africa (April 2004); participation in a workshop directed at finalising the paper for approval by the Ministers.
- Support the data collection exercise: guidance for the revision of the database and advice on the fields that need to be developed in particular; guidance in the general process of administering the survey across African countries.
- Creating and managing expert groups and networks: Support for a specific workshop (on Public sector restructuring and the management of excess capacity - supposed to be held in May 2004 in South Africa) and support in the generation of a short policy-orientated publication from the workshop.

13. Following 2004 the development of a broader and longer-term programme of OECD/CDGPA co-operation, which would include substantial work on some of the key topics of the programme (HRM, budget and financial management, ethics, e-government) is envisaged and is contained in the non-member chapter of the draft programme of work for 2005/2006.

Middle East and Northern Africa (MENA)

14. Over the last 9 months the Secretariat has explored the potential for an international co-operation between MENA countries and the OECD together with other partners in the region. A range of meetings took place covering public governance, investment and corporate governance.

15. A meeting was organised on the 10/11 February in Istanbul, a follow-up to the brainstorming workshop organised by UNDP and OECD in Beirut, 23-24 October, 2003, with the objective to identify the scope and structure of potential international co-operation on a regional agenda for public governance reform to improve the investment climate and promote economic, social and human development. The meeting included senior officials and representatives from 10 MENA governments and delegates from 10 OECD countries, as well as several regional and international organisations and NGOs¹.

¹ MENA: Algeria, Saudi Arabia, Bahrain, Egypt, Jordan, Lebanon, Morocco, Syrian Arab Republic, Tunisia, Yemen.

OECD: Professor Helfried Bauer, Austria, Mr. Mario Garces Sanagustin, Spain, Mr. David Luna, United States, Mr. Jean-Loup Petit and Mr. Bernard Benhamou, France, Ambassador Francesco Olivieri and Ms. Fiorenza Barazzoni, Italy, Mr. Shigeo Matsutomi and Mr. Junici Sugawara, Japan, Mr. Jacek Czaputowicz, Poland, Mr. José-Maria Sousa Rêgo, Portugal, Mr. Daniel Trnka, Czech Republic, Mr. Omer Dinçer, Mr. Emin Zararsiz and Ms. Ilgin Atalay, Turkey, Ms. Axel Nicaise, European Commission.

16. The opening session was chaired by OECD Deputy Secretary General Richard Hecklinger and Omer Dincer, Undersecretary of Prime Ministry, Turkey. The concluding session, co-chaired by Mr. Salah El-Din Al-Bashir, Minister of Justice, the Hashemite Kingdom of Jordan and Dr. José-Maria Sousa Rêgo, the Secretary General of the Presidency of the Council of Ministers, Portugal, resulted in a consensus to move forward based on:

- Strong encouragement for MENA countries to strengthen their anti-corruption and enforcement efforts in the region and to take affirmative measures to adopt and implement the UN Convention against Corruption.
- The call of MENA country representatives on donor countries and international organisations, including the G8 and the OECD, to support the countries of the region in promoting good public governance and in improving the investment climate.
- The call of MENA country representatives on the OECD and the UNDP to support public governance reform in the region through launching an OECD/UNDP Good Public Governance Initiative on the basis of MENA countries' own full commitment. There was wide agreement that there is a window of opportunity to make a new start for implementing reform.
- The identification of six priority themes of the policy reform agenda : i) Civil service, integrity, ii) delivery and transparent decision-making processes, iii) Administrative simplification, regulatory reform, iv) E-government, budget transparency, v) Public/private partnerships, Legal reform, audit, control and enforcement, vi) Civil society and media
- The proposal to organise working groups around those themes each possibly co-chaired by a country of the region and an OECD country. For example, Morocco could take responsibility for “Civil Service, integrity and delivery and transparent decision making”; Egypt could deal with “Legal reform, audit, control and enforcement”; and Lebanon could organise work on “Civil society and media”.
- The proposal to set up a core steering group to direct and monitor the working groups.
- The offer to convene an expert group, in Morocco, in order to develop in greater detail the six themes, to determine the terms of reference for each of the thematic working groups and to elaborate on specific measures and methods of work to present to Ministers.
- The proposal to coordinate and synergize the work on good public governance with the related and ongoing efforts on investment and corporate governance.
- The offer by H.E. Al-Bashir to host a ministerial meeting in Jordan later this year with the view to officially launch the OECD/UNDP Good Public Governance Initiative.

17. The meeting illustrated once more the strong link between better public governance and economic development in the region. Participants discussed the high cost of corruption to the region in terms of development, economic growth, and overall social and human development. There was also the re-iteration of increasing political will for reform in the region. Civil society and NGO representatives underscored the need for a more active voice and participatory partnerships in fighting corruption. Explicit

Organisations: UNDESA, UNDP, World Bank, Union of Arab Banks, Arab Administrative Development Organisation, Arab Journalist Federation, Arab Lawyer Union, Transparency Jordan, Transparency Lebanon.

reference was made to continuing efforts towards good governance within the framework of existing international instruments, in particular the UN Convention against Corruption.

18. Presentations and case studies of MENA countries showed that a range of broad initiatives on governance reform have been launched during the last years. However, there is also growing awareness of the challenges to translating principles into action and concretely implementing policies the positive impact of which are to be felt by citizens. The OECD case studies demonstrated the complexity of designing, steering, sequencing and monitoring public governance reform in the developed world. Both the good and bad experiences of OECD countries of fighting corruption were seen by MENA participants as highly relevant to their reform plans. It underlined the benefits of the exchange of practices and experiences and mutual learning. Intra-regional exchanges were identified as potentially strong drivers of mutual encouragement and support of reform-minded policy makers in the region.

19. The Istanbul meeting reflected visible progress over the brainstorming in Beirut in October 2003, under the leadership of the Lebanese Minister of State for Administrative Development, H.E. Mr. Karim Pakradouni. It has laid out the fundamental need for policy dialogue on public governance in the region and has provided the building blocks for action. Participants applauded and invited the OECD/UNDP to further explore on how to respond to this demand through a concrete initiative. The Istanbul event has also confirmed the significant benefits of co-operation in this policy area between UNDP and OECD and among MENA countries and the international donor community.

B. Specific aspects of public governance

Global Fora

The APEC-OECD Co-operative Initiative on Regulatory Reform

20. The APEC-OECD Co-operative initiative on Regulatory Reform was launched in November 2000. The objective is to implement the principles on regulatory reform adopted by the member economies of the two organisations. Canada, China, Italy, Japan, Korea, Mexico and Ireland have been important sponsors of the Initiative through voluntary contributions and by hosting the events.

21. The initiative is now in a second phase with a focus to elaborate an APEC-OECD Integrated Checklist for self-assessment on regulatory, competition and market openness policies, to implement OECD and APEC principles. An integrated checklist will promote the individual and collective implementation of the APEC and the OECD principles by building domestic capacities for quality regulation.

22. The second phase of the Co-operative Initiative has been based on a series of four events. In October 2003, a workshop was held in Vancouver, Canada, to present a prototype of the Integrated Checklist and discuss its regulatory governance pillar. The workshop also permitted discussion on strategies and tools for reviewing existing regulation. Similarly, a workshop has been organised on 2-3 December in Paris to discuss the competition aspects of the Integrated Checklist. Two events are being organised in 2004. A workshop will take place on the 24/25 of May in Chile to focus on the market openness pillar of the Integrated Checklist, and a high level conference in Thailand will consolidate the different aspects into an agreed document, which would be presented in 2005.

Integrity and Procurement

23. During the second half of 2003 and the beginning of 2004 preparatory work has been undertaken for the Global Forum on Governance and Public Sector Integrity. The expected outcome of this activity is to provide support for the prevention of corruption by increasing transparency and accountability in public

procurement procedures. Based on the governance work of the OECD it will focus on the prevention of corruption in public procurement, tendering and contracting out procedures. The Forum would take place in the second half of 2004 and is organised in close co-operation with the Trade directorate and the directorate for Financial and Enterprise Affairs.

Country Programmes

Russia

24. The Regulatory Reform Review of Russia was officially launched in January 2003, after considerable preparatory work in 2002. Russia is the first non-member country to be reviewed under the OECD Regulatory Reform Programme. The review aims to assist the Russian authority's efforts to foster competition, innovation, and economic growth as well as to meet important social objectives. The Russia review follows a multidisciplinary and highly interactive approach. It focuses on the government's capacity to manage regulatory reform, on competition policy and enforcement, on market openness, and on the regulatory framework in the electricity, rail freight transport and telecommunications sectors.

25. At the end of 2003, the project has reached its mid-point, both in terms of its duration and work completed. Two of the six background reports – railways and competition policy – have been completed and will be peer reviewed during the first quarter of 2004. Likewise, work on the electricity sector is well advanced and the peer review meeting is scheduled for June 2004. Work on government capacity and market openness is also progressing smoothly. A special group on Regulatory Policy will discuss the complete review and a detailed set of policy recommendations in December 2004, prior publication.

Regional Programmes

Central and Eastern Europe Programme

Senior Budget Officials

26. Preparations are under way for a meeting of Senior Budget Officials from Central and Eastern European countries which is planned to take place on 10-11 November 2004 in The Hague, Netherlands. This will be the first meeting of this regional network and joins the Latin American and Asian regional networks already in place. More information will be provided in due course.

SIGMA Programme

27. The Sigma Programme, a joint initiative of the OECD and the EU aimed at improving governance and management, supports partner countries in Central and Eastern Europe and the Western Balkans. In 2003, Sigma helped them modernise public governance systems in six priority areas: Design and implementation of reform programmes; legal framework, civil service and justice; external audit and financial control; public expenditure management; policy-making and co-ordination capacities; and public procurement. Sigma advice and strategic input has also helped EU candidate countries in the region with institution-building and developing legal frameworks against existing EU legislation.

South East Europe (SEE)

Regulatory Reform Initiative

28. The Regulatory Governance Initiative (RGI) in South East Europe is a part of the Investment Compact of the Stability Pact. The initiative is implemented within a framework agreement of international co-operation among 40 countries, organization and regional groupings to develop a shared strategy for

ensuring stability and growth in the region. The initiative has been organising a seminar on reducing administrative barriers to business creation and development in Bucharest on 10-11 December. Moreover, the initiative is preparing substantial input on the themes chosen for the 2004 meeting of the investment Compact at Ministerial level, including regulatory reform. This and other, previous workshops have helped representatives of countries in the region to articulate the most urgent issues for which regulatory reform is relevant, and to identify policy innovations and practices in OECD countries which may be useful in achieving policy reform.

Anti-corruption Initiative

29. In addition to the development of policy guidelines for managing conflict of interest in the public service in OECD member countries, the OECD developed a practical toolkit to support good governance measures in non-member countries, with a start in South East Europe. The project was financed by voluntary contributions in the framework of the public governance reform measures in the Stability Pact Anti-Corruption Initiative. The resulting resource package including practical instruments, generic definitions, tests, checklists, model provisions, training materials and case studies have been developed and tested by several non-members to help public organisations put the policy into practice in non-member countries.

30. In the South East European region, the High Level Forum on Implementing Conflict of Interest policies endorsed the OECD Toolkit for Managing Conflict of Interest for countries participating in the Stability Pact Anti-corruption Initiative (SPAI). The Forum hosted by the Government of the Czech Republic on 24-25 November 2003 in Prague, also reviewed progress achieved in 2003 in establishing and implementing conflict of interest policies.

Asia

31. In Asia and the Pacific region, a Workshop on Conflict of Interests introduced the OECD's definitional approach and explored possible use of the OECD Toolkit. The workshop attended by 70 participants was organised in the framework of the 4th regional anti-corruption conference on 3-5 December 2003 hosted by the Government of Malaysia. The Toolkit received strong positive feedback and the OECD was called to "facilitate continuous policy dialogue to support the sharing of experience and knowledge throughout the region". Conclusions and recommendations of the conference are as follows: "participants agree that priority should be given to: The establishment of clear rules and supporting tools identifying and managing conflicts of interest in order to strengthen public confidence".

Latin America Programme

Integrity

32. The Inter-American Development Bank and the OECD are jointly organising a forum on guidelines and toolkit for managing conflict of interest on 5/6 May, 2004 that supports Latin American countries in putting into practice the prevention measures of the Inter-American Convention Against Corruption. The Forum will provide senior officials with a unique and intensive opportunity to analyse Conflict of Interest measures from policy design to implementation. Short expert presentations, from both OECD and OAS countries, will, in turn, introduce small-group and plenary discussions of each of the above key issues. Case studies from both OECD and OAS countries will enable small groups to review and analyse specific policy approaches, management strategies and administrative practices to equip participants with insights for dealing with these complex matters in their respective countries. Particular emphasis will be given to reviewing example cases where specific approaches were used to seek solutions to problems. The group discussions will also explore relevant and practicable measures for follow-up and evaluation of the

design and implementation of Conflict of Interest policies, as required by the Inter-American Convention. It is planned to publish the conclusions of the Forum, together with guidelines and case studies, in a joint OECD/IADB publication on the Internet in a Forum folder.

Budgeting and Management

33. The 2nd Annual OECD Latin American Senior Budget Officials' (SBO) meeting was held in Santiago, Chile on 28 January. The meeting was held in conjunction with the annual Fiscal Policy Seminar hosted by the United Nations Economic Commission for Latin America and the Caribbean. It attracted budget directors and other senior budget officials from 18 countries in the region. The meeting was chaired by Mr. Mario Marcel, Budget Director of Chile and opened with a keynote speech by Mr. Barry Anderson, past chairman of the SBO. The meeting featured sessions on reallocation, budget transparency, participatory budgeting, a peer review of the Brazilian budgeting system and a presentation on the results of the OECD database on budget practices and procedures. It is envisaged that this meeting will become a regular annual event in the framework of the OECD Budget Project. Moreover reviews of national budgeting systems, including both the Executive' and the Legislature's roles, have been prepared for Chile and Brazil.

2. A new process in designing the programme of work for outreach

34. The process for developing the programme of work and budget for outreach activities has been fundamentally changed for the biennium 2005/2006. In the past, priorities were set centrally, with activities being carried out by the directorates with resources from the Centre for Co-operation with non-members (CCNM), supplemented by voluntary contributions. As of 2004 (for the Programme of work 2005/2006), committees are asked to set priorities for the outreach programme, based on a fixed, non-fungible overall outreach budget envelope. The Committee for Co-operation with non-members (CCN) will then review Committees prioritisation templates by end-May, to ensure compliance with broad outreach priorities and orientations.

35. However, the context for developing the 2005-06 PWB on outreach is likely to be unique. Not only will the next biennium be the first to which the new procedures apply, but it may also be the first in which the enlargement and outreach strategy currently being developed by the Council is implemented. The outcome of discussions on this strategy cannot be prejudged at the time of the PGC committee meeting, but if it is adopted, its impact is likely to go beyond mere adjustments to the CCNM programme of work. It will mark a sea-change, giving the work programme a new direction, possibly well into the next decade.

36. If it should be decided to keep the budget envelope for implementing this strategy at the same level as the current one for outreach, resources may have to be diverted towards supporting preparations for the accession of selected countries and engaging in accession discussions. As a result, members would have to determine the objectives of the Organisation's outreach in a post-enlargement context and to choose accordingly which elements of the previous outreach to retain. What remains of the non-accession outreach programme would have to be refocused, to ensure that countries not selected for accession will still be able to constructively participate in future work. It may be useful to be more selective in identifying the non-members participating in these programmes, and to target those for whom co-operation with the OECD can have the most impact over the coming years. A mechanism enabling the Council to agree on the intensity of co-operation with these economies could be beneficial.

37. For the purposes of the Public Governance Committee's debate in April, these considerations will remain hypothetical, since at this stage the decision of the Council regarding the future outreach strategy is not known. But they illustrate the uncertainties surrounding the design of the future programme

architecture and substantive priorities more than one year from now. Under these circumstances, it would appear advisable to invite the Public Governance Committee to prepare a proposed programme of work on the basis of the present programme architecture and resource allocation. Any necessary adjustments can be considered later by the CCN in light of the follow-up to Council deliberations on a new outreach strategy.

38. The proposal for the programme of work for outreach (see document GOV/PGC(2004)2/PART2) is therefore drafted based on the present programme architecture and resource allocation. The choice of thematic focus areas is close to the one developed for member countries for 2005/2006. As recommended by the CCN, the geographic allocation of activities models that of 2004.